HFCL GROUP

HFCL Limited
8, Commercial Complex, Masjid Moth, Greater Kailash - II,
New Delhi - 110048, India
Tel : (+91 11) 3520 9400, 3520 9500 Fax : (+91 11) 3520 9525
Web : www.hfcl.com
Email : secretarial@hfcl.com

HFCL/SEC/22-23 September 08, 2022

The BSE Ltd. 1st Floor, New Trading Wing, Rotunda Building Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai – 400001 corp.relations@bseindia.com **Security Code No.: 500183**	**The National Stock Exchange of India Ltd.** Exchange Plaza, 5th Floor, C – 1, Block G Bandra – Kurla Complex, Bandra (E) Mumbai – 400051 cmlist@nse.co.in **Security Code No.: HFCL**

RE: Disclosures under Regulation 30 and 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations").

Subject: Submission of Annual Report for the financial year 2021-22, including Notice of the 35th Annual General Meeting.

Dear Sir(s)/ Madam,

In terms of Regulation 30 read with Para A of Part A of Schedule III and Regulation 34 of the SEBI Listing Regulations, we hereby submit a copy of the **Annual Report of the Company for the financial year 2021-22, including Notice of the 35th Annual General Meeting ("AGM")** of the members of the Company, scheduled to be held on **Friday, the 30th day of September, 2022 at 11:00 A.M. (IST)** through Video Conferencing / Other Audio Visual Means **("VC" / "OAVM")** Facility.

The same are also available on the website of the Company at http://www.hfcl.com.

Please note that the Notice of the 35th AGM along with the Annual Report for the financial year 2021-22, has been sent to the eligible shareholders of the Company, **only through electronic mode** on the e-mail IDs registered with the Depositories/ Depository Participants/ Company/ RTA and will also be disseminated on the websites of the Company and the Stock Exchanges i.e. the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).

For ease of participation of the members at AGM, **the key details with respect to AGM** are provided below:-

S. No.	Particulars	Details
1.	Cut-off Date	**Friday, 23rd September, 2022**
2.	Time Period for Remote e-Voting	**Commencement of remote e-Voting:** **09:00 A.M. IST on Tuesday, 27th September, 2022** **End of remote e-Voting:** **05:00 P.M. IST on Thursday, 29th September, 2022**
3.	Book Closure Period	**Saturday, 24th September, 2022 to** **Friday, 30th September, 2022 (both days inclusive)** **(for the purpose of AGM and Dividend)**
4.	Process for updating the e-mail id	Physical Mode - Write to: Company at secretarial@hfcl.com; and/or RTA at admin@mcsregistrars.com.

5.	Contact details of participation through VC or remote e-Voting / e-Voting	**Ms. Pallavi Mhatre, Manager,** **National Securities Depository Limited**, Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound Senapati Bapat Marg, Lower Parel Mumbai – 400 013 Designated email address: pallavid@nsdl.co.in / evoting@nsdl.co.in Telephone no. +91 22 2499 4545
6.	Company's Contact details	**Mr. Manoj Baid** Senior Vice-President (Corporate) & Company Secretary 8, Commercial Complex, Masjid Moth, Greater Kailash – II New Delhi – 110048 Tel: +91-11-3520 9400 Fax: +91-11-292 26015 Email: secretarial@hfcl.com
7.	Scrutinizer to scrutinize remote e-Voting process and e-Voting during the AGM	**Mr. Baldev Singh Kashtwal,** Practicing Company Secretary having Membership No. FCS 3616 and C. P. No. 3169, having office at 106, 1st Floor, Madhuban Tower, A-1, VS Block, Shakarpur Crossing, Delhi – 110092

In view of the COVID-19 pandemic, the 35th AGM of the Company is being held through VC/OAVM on Friday, 30th September, 2022 at 11:00 a.m. (IST), without the physical presence of the members at a common venue, in compliance with the various directions issued by the Ministry of Corporate Affairs ('MCA') and the Securities and Exchange Board of India ('SEBI').

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

Thanking you.

Yours faithfully,
For HFCL Limited

MANOJ BAID

Digitally signed by MANOJ BAID
DN: c=IN, st=Haryana,
2.5.4.20=feff7574b2ec84f75dd1618ffa064d080cf386b33c02c59efb133c1178fe9b09,
postalCode=121003, street=HOUSE NO-B-49 IInd FLOOR ,ASHOKA ENCLAVE-II ,NEAR DAV PUBLIC SCHOOL ,SECTOR -37 ,AMARNAGAR,
serialNumber=c69e28aa73c5576dcba459f5b0a62c2731da00c160966f54be5a4cee8d55e7ce,
o=Personal, cn=MANOJ BAID,
pseudonym=a372840bd2c4ba50144d3702835eb587
Date: 2022.09.08 15:57:53 +05'30'

(Manoj Baid)
Senior Vice-President (Corporate) &
Company Secretary

Encl: HFCL Annual Report 2021-22 along with Notice of 35th AGM.

SUSTAINABLE GROWTH FUELLED BY INNOVATION

HFCL LIMITED

Annual Report
2021-2022

Contents

FY22 Highlights

Total Income from Operations
INR 4,770 cr 7.01% ▲

EBITDA
INR 693 cr 18.46% ▲

PAT
INR 326 cr 32.52% ▲

Earnings Per Share (EPS)
INR 2.38 27.27% ▲

YoY Growth ▲

Order Book
INR 5,300 cr

QIP raised
INR 600 cr

ROCE
19.30%

Debt-Equity Ratio
0.26x

Rating upgrade

Long-term
CARE A; Stable

Short-term
CARE A2+

Sustainable Growth Fuelled by Innovation

HFCL, ever since its inception, has played a pivotal role in securely connecting the world with its modern communication products and solutions. FY22 was a key milestone year for the Company as it strengthened its financial position while forging ahead by broadening its portfolio with futuristic products, expanding its capacities and entering new markets. Another distinguishing aspect was, the Company witnessed significant growth in its export revenue during the year.

Going forward, the Company aspires to advance India's 5G transition through infrastructure development and product innovation, leveraging its own R&D capabilities, collaborating with global technology leaders and supply of locally manufactured products across the world. This aspiration is well supported by the Government's plan to boost local manufacturing by introducing PLI schemes. The Company is also geared up to capitalise on ambitious projects launched by honourable Prime Minister of India to strengthen the nation's broadband connectivity and fibre footprint. HFCL is also focussing on development and manufacture of defence products under make in India initiative of GOI. All these initiatives will drive sustainable growth in the coming years.

While focussing on long-term business growth, the Company is also committed to environmental sustainability, social well-being and ethical business practises. Alongside these qualities, HFCL is ready to usher in a hyper-connected world while creating sustainable value for its stakeholders.

About HFCL

Transforming Communication through Innovation

Over the last three decades, HFCL has transformed into a leading innovation-led technology enterprise from a telecom equipment manufacturer. It offers a wide range of next-generation communication products and integrated solutions to diverse sectors including telecom, defence and railways in India and abroad.

The Company produces Optical Fibre, Optical Fibre Cables (OFC), passive components and other cutting-edge transmission and access equipment. HFCL also has an established track record of providing end-to-end communication network solutions to its customers across the globe.

#1

in Optical Fibre Cable (OFC) supplies in India

One of the largest

implementer of defence and public communication network

One of the largest

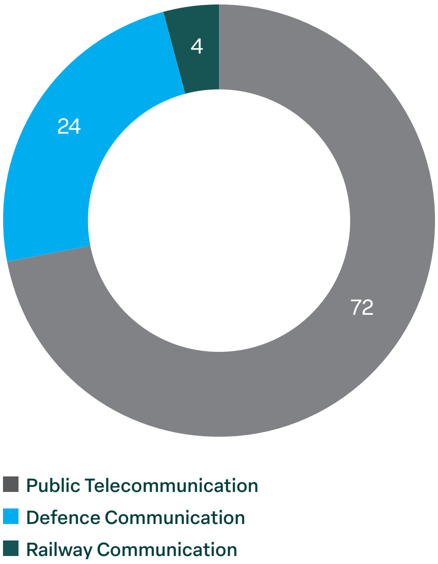
producers of Wi-Fi/Unlicensed band Radio (UBR) systems in India

Catering to Multiple Sectors

The Company's operations span the entire communication network value chain-from the development of modern, high-quality and cost-competitive products to the implementation of integrated network solutions, for both private and government organisations in the telecom, defence and railway sectors.

Revenue Contribution

% of Total Revenue in FY22



Persistently Evolving to Stay Ahead of the Curve

1987

Incorporated as a telecom equipment manufacturer.

1990s

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

2000s

Organic and inorganic growth along with portfolio expansion.

2010s

Consolidated post global recession coupled with debt, equity and business restructuring, revival and growth, following expansion of manufacturing capacities and strengthening of network solutions capabilities.

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

2020s

Geared up to capitalise on the emerging opportunities in the Decade of Digital Transition, partnered with leading global players to develop next-generation communication products and solutions.

Completed broadband connectivity in all gram panchayats of Jharkhand and Punjab under BharatNet Project, received approval as 'Trusted Source' from National Security Council Secretariat (NSCS) for supplying telecom equipment.

Offerings

Delivering Futuristic Products and Solutions

Key Offerings

Products

Optical Fibre and Cables

- Optic Fibre
- Micro Cable
- Micro Module Cable
- Aerial Cable
- Armoured Cable
- Unarmoured Cable
- FTTH Cable
- Passive connectivity solutions

Telecom Equipment

- Indoor & Outdoor Wi-Fi 5 and 6 Access Points
- Ethernet L2/L3 Switches
- Point to point Unlicensed band radios
- Cloud based Network management system

Electronics

- Electro Optical Devices
- Electronic Fuses
- VMS and Video Analytics
- High-Capacity Radio Relay

More products in pipeline (refer page 23)

As the world is becoming more and more digital and data-driven and simultaneously, India is striving for self-sufficiency, HFCL is on a mission to enable a securely connected world through its wide range of telecom products and comprehensive network solutions.

Public Telecommunication Solutions

- Optical Transport Network
- Rural GSM Network
- Broadband Network
- Access Network
- Fibre-to-the-Home and In-building Solutions
- Radio Backhaul

Defence Communication Solutions

- Optical Fibre Cable and Optical Transport Network
- Fibre Monitoring and Management System
- Multi-Protocol Label Switching Network
- Microwave Radio Backhaul Solution

Railway Communication Solutions

- Integrating communication network for metros, freight corridors and mainline railways

Core Strengths

Striving for Competitive Edge

HFCL has been able to carve out a distinct space in the industry by constantly setting challenging limits for itself. 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.

- Integrated Manufacturing
- Dedicated R&D Capabilities
- Strong Execution Expertise
- Robust and Efficient Team
- Longstanding Client Relationships

Integrated Manufacturing

HFCL has 5 state-of-the-art manufacturing facilities across India with large capacities for manufacturing of Optical Fibre Cable and Optical Fibre. In order to meet the growing demands, the Company is working on expanding its capacities.

Present Capacities

23.95 mn fkm
Annual capacity for Optical Fibre Cable (OFC)

10 mn fkm
Annual capacity for Optic Fibre (OF)

690 ckm
Annual capacity for FTTH cables

2,700 MT
Annual capacity for Impregnated Glass Fibre Reinforcement (IGFR)

504k km/annum
Capacity Fibre Reinforced Plastic (FRP) Rods

660k km/annum
Capacity Aramid Reinforced Plastic (ARP) Rod

Refer page 13 for locations of the manufacturing facilities

Capacity Expansion

- Phased OFC capacity expansion from 23.95 mn fkm to 34.75 mn fkm to increase competitiveness and reduce cost.
- OF capacity expansion from 10 mn fkm to 22 mn fkm to strengthen the supply chain.
- Greenfield defence equipment production facility.

Dedicated R&D Capabilities

Innovation has always been a critical aspect in HFCL's strong position in the industry. The Company has been investing in R&D and new product developments to meet emerging customer needs. It also has a strong in-house R&D team of professionals with specialisation in different fields including Communication, 5G Technologies, Optical Fibre Cable, Defence and other Technologies.

2

R&D Centre of Excellence

186

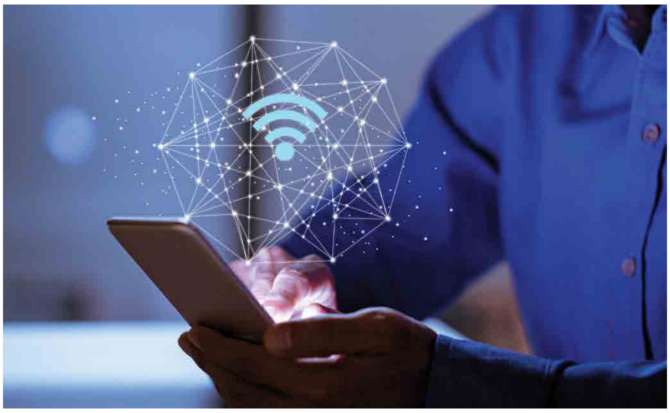
In-house R&D team

Read more on page 23

Strong Execution Expertise

One of the key differentiators that sets HFCL apart from its competitors is its ability to translate strategies into tangible outcomes. Whether it is developing new products, providing cost-effective and customised solutions, or driving operational excellence, the Company's unparalleled execution strength has enabled it to attract new clients and consistently win large projects.

Projects under Implementation



Public Telecommunication

- Rolling out backbone and backhaul Optical fibre Cable and FTTH Network for Reliance Jio across Northern India.
- Working on implementation of multiple hybrid projects for BharatNet Phase-II OFC network, setting up Rural mobile network, Wi-Fi, IP and MW network.

~INR 1,296+ cr

Current Order Book consisting multiple network projects of government and private enterprises

Core Strengths

Defence Communication

- Rolling out of exclusive and dedicated nationwide DWDM based optical transmission backbone network.
- Planning, design and implementation of a nationwide IP backbone and access network.
- End-to-end solution for multiple hybrid microwave broadband radio links in remote areas.
- Integrating fibre network overlay with GIS maps, satellite images and commercial land base data.
- Security & Surveillance implementation with CCTV, surveillance access system and fire detection system at 300+ army locations.

~INR 2,547+ cr

Current order book for implementation of dedicated Defence Communication network projects for Indian Defence forces.

Railway Communication

- Implementing telecom networks for seven greenfield dedicated freight corridor projects for Indian Railways.
- Integrating communication network mainline Railways.
- Implementing video management systems at ~600 Railway stations.
- Integrating communication network for Kanpur-Agra, Mauritius and Dhaka metro rail projects.

~INR 399+ cr

Current Order Book to implement telecom and communication network as well as video management system for Indian Railways and Metros.

Robust and Efficient Team

The Company has built a strong team of professionals from different backgrounds, especially from engineering. It is their relentless efforts and strong motivation which helped the organisation achieve many milestones over the years.

3,400+
Employees

1,890+
Engineers

Longstanding Client Relationships

The Company has become a preferred partner of marquee clients across India and abroad for its unrivalled quality and service excellence. It has always strived to exceed customer expectations through innovation, new product development and customised solutions.

Global Presence

Expanding Footprint across the Globe

Over the decades, the Company has widened its reach by setting up strategically-located manufacturing facilities. It has also been expanding its business operations across the globe to deliver its products and provide comprehensive network solutions.

30+
Countries serviced

Note: Map not to scale

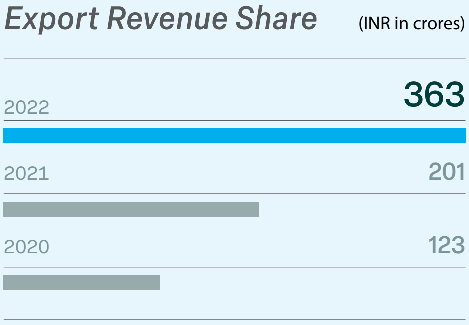
Strong Export Growth

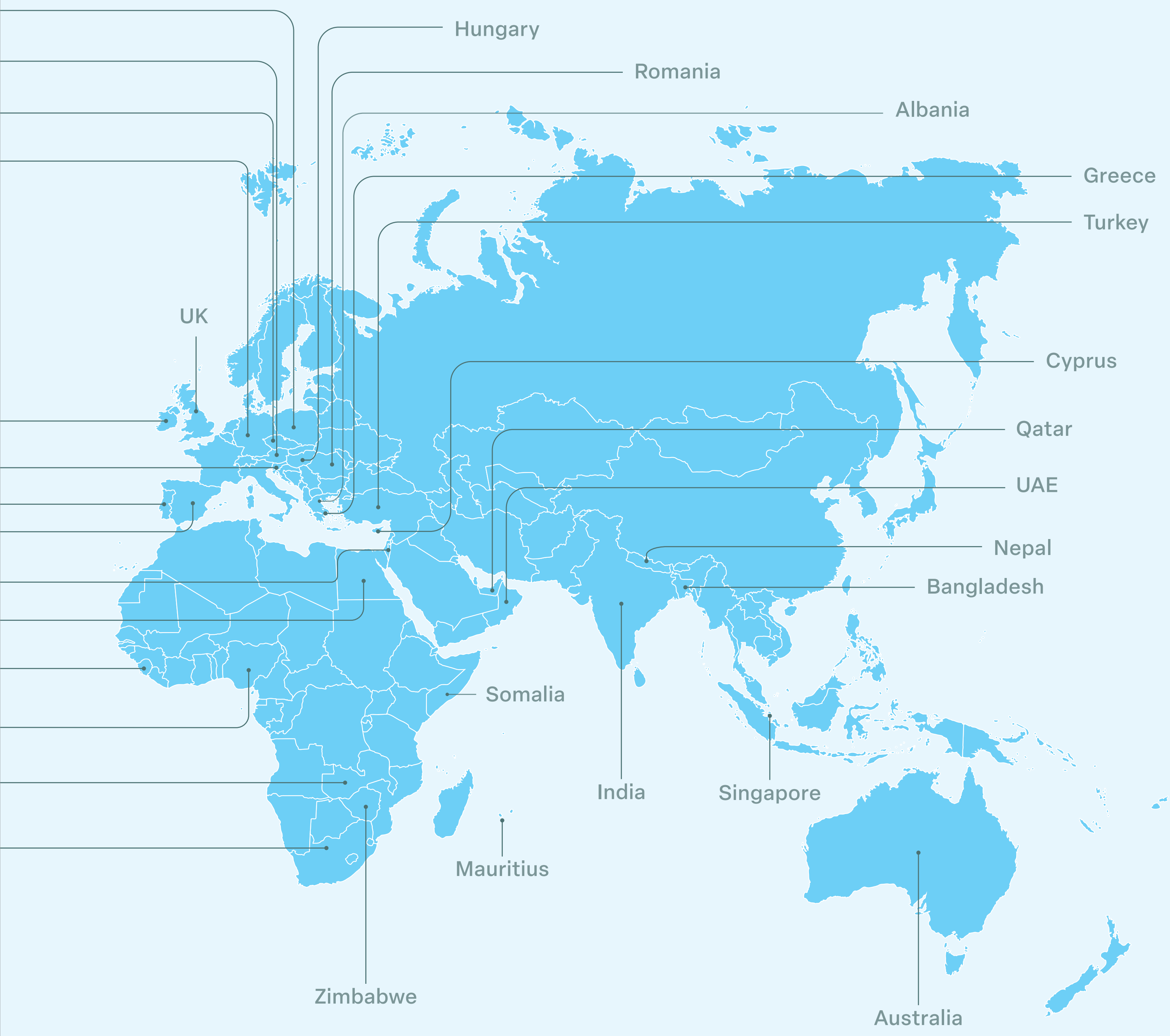
The export revenue of the Company increased significantly to INR 363 crore in FY22 from INR 201 crore in the previous year, demonstrating resilient performance in global markets.

INR 363 crores

Export revenue, 80.6% YoY growth

Export Revenue Share Trend





India Presence - 5 Manufacturing Facilities

Hyderabad, Telangana

- 10 mn fkm Optic Fibre
- 4.2 mn fkm OFC
- FTTH Cable 420k cable km/annum

Verna, Goa

- 8 mn fkm OFC

Chennai, Tamil Nadu
(through subsidiary company HTL Ltd.)

- 11.75 mn fkm OFC
- FTTH Cable 270k cable km/annum

Hosur, Tamil Nadu*
(through subsidiary company HTL Ltd.)

- 504k km/annum Fibre Reinforced Plastic (FRP) Rods
- 660k km/annum Aramid Reinforced Plastic (ARP) Rods
- 2,700 MT Impregnated Glass Fibre Reinforcement (IGFR)

Managing Director's Message

On the Path of Sustainable Growth

Dear Shareholders,

Let me start this letter by expressing my sincere gratitude for your faith in the Company during trying times of the COVID-19 pandemic. During the year under review, the Company managed to deliver resilient financial and operational performance while strengthening its position in India and abroad through various strategic measures.

Financial and Operational Performance

In FY22, the Company reported consolidated revenue of INR 4727 crores, an increase of ~7% from INR 4423 crores in FY21. EBITDA for the year was INR 693 crores, up 18% from INR 585 crores in the previous year. Profit before tax increased by 31% to INR 442 crores from INR 337 crores in FY21, while profit after tax increased by 33% to INR 326 crores from INR 246 crores in FY21. I would also like to mention that the Company has increased its product revenue to 43% in FY22, up from 27% in the previous fiscal year which helped the Company to register better margins. In addition, the Company's export revenue increased to INR 363 crores in FY22 from INR 201 crores in the previous year. With sustained growth and fiscal consolidation, CARE Ratings upgraded the Company's credit rating to A with stable outlook.

Macroeconomic Environment

While the world was recovering from the impacts of multiple waves of the pandemic, the Russian-Ukraine conflict created new geopolitical challenges for the world economy. While many sectors were beginning to show signs of recovery, given the changing dynamics, the world economy could still be on an uneven path of recovery.

In the Indian context, healthy growth rate and forex reserves combined with steadily improving exchequer collections and a forecast of a good monsoon, will help the Indian economy deliver another year of world-leading growth in FY23.

Opportunities in an Evolving Landscape

With rising data consumption and tariff increases, the Indian telecom sector will see another year of revenue growth in FY23. As India prepares to roll out 5G, there is a significant increase in demand for optic fibre cable and telecom and networking products. Sectoral strengthening in the form of expanded networks, AGR relief to telecom operators and lower 5G spectrum prices will aid in fuelling growth in the telecom industry.

The growth will further be supported by the Government's emphasis on indigenous procurement of telecom and defence equipment. Healthy telecom revenues will feed into continued network expansion. Policy support for design-led manufacturing for telecom equipment under the PLI scheme, early roll out of 5G services, adoption of FTTH connectivity, expansion of 4G services and finally, the Prime Minister's vision to connect all gram panchayats via optical fibre cable to provide affordable broadband connectivity, are the key opportunities in the industry.

As India's leading manufacturer of optical fibre cables and a reliable communication network solutions provider, HFCL is well-positioned to capitalise on the opportunities and set new industry benchmarks.

Responding with Effective Strategy

To drive sustainable and profitable growth, the Company has prioritised four strategic focus areas: continued capacity expansion and set up new facilities, product innovation, expanded global footprint and strategic partnerships. These measures are transforming HFCL into a technology-driven global enterprise.

Capacity Expansion: HFCL is in the process of increasing its optical fibre manufacturing capacity equivalent to 22 million fibre kilometres and optical fibre cable to 34.75 million fibre kilometres per annum. These expansions are likely to be completed by FY 24. This will help bridge the gap between the growing fibre demand and cable capacity. It will also strengthen the supply chain and increase the Company's margins. HFCL is also establishing a dedicated manufacturing facility for defence products to support Make in India initiative of the Government.

Product Innovation: The Company has made significant investments for new product developments including Wi-Fi-7 enabled access points, point to point and point to multi-point backhaul radios and routers. These products will be compatible with 5G networks. The Company is also working on the development of software-defined radios, 5G radio and transport products and the progress made in these areas will help HFCL to enter new global markets. In addition to the prior developments, a fresh initiative has also been taken to develop new types of optical fibre cables for export markets.

Global Market Expansion: HFCL has formed two new wholly-owned subsidiaries in the Texas (USA) and Amsterdam (Netherlands) to meet the global demand for the Company's products and to expand its business operations and activities overseas. Both wholly-owned subsidiaries propose to trade in Optical Fibre, Optical Fibre Cables, Telecom and Networking Products, as well as conduct related research and development.

Strategic Partnerships: HFCL formed several strategic alliances and associations in FY22, enabling faster development of products. The Company joined the 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.

In addition, we partnered with WIPRO to co-develop various 5G transport products that will enable Communication Service Providers (CSPs) to modernise their backhaul networks and make them ready for 5G services. We also tied up with other renowned technology players and start-ups including Capgemini, NXP, IP Infusion, Metanoia to develop various 5G communication products. The Company engaged CommAgility as a critical technology partner in the development of a comprehensive portfolio of 5G radio access and transport network products.

Road Ahead

The structural strengthening and sustained improvements in performance in FY22 have further solidified the Company's growth foundation. With a continued shift in revenue mix towards products from services, expansion of our product catalogue and innovations, we are confident in emerging as a market leader across various markets in the coming years.

Finally, I would like to thank all the stakeholders for their steadfast belief in our capabilities. Also, I would like to specially thank our employees for their relentless efforts and contribution towards the Company's vision.

Stay safe and stay positive!

Best wishes,

Mahendra Nahata
Managing Director

Key Performance Indicators

Generating Stable and Profitable Growth

HFCL has been delivering consistent performance driven by its strong fundamentals, efficient business operations, effective growth strategy and a continued focus on long-term value creation.

Total Income (INR in crores)

2022	**4,770.02**
2021	4,457.72
2020	3,860.99
2019	4,780.53
2018	3,273.01

▲ 7.01% ▲ 16.48%

EBITDA (INR in crores)

2022	**692.98**
2021	584.34
2020	516.18
2019	458.21
2018	307.64

▲ 18.59% ▲ 26.58 %

EBITDA Margin (%)

2022	**14.66**
2021	13.21
2020	13.45
2019	9.67
2018	9.47

Profit After Tax (PAT) (INR in crores)

2022	**325.87**
2021	246.24
2020	237.34
2019	232.26
2018	171.70

▲ 32.34% ▲ 21.37 %

PAT Margin (%)

2022	**6.89**
2021	5.57
2020	6.18
2019	4.90
2018	5.29

ROCE (%)

2022	**19.30**
2021	19.80
2020	21.55
2019	23.65
2018	18.18

▲ Y-O-Y Growth ▲ (5-YEAR CAGR) Growth

EPS (INR)

	EPS
2022	2.38
2021	1.87
2020	1.76
2019	1.75
2018	1.35

▲ 27.27% ▲ 18.94%

Net Debt (INR in crores)

	Net Debt
2022	729.78
2021	919.62
2020	711.65
2019	590.31
2018	468.70

Debt-Equity Ratio (times)

	Debt-Equity Ratio
2022	0.26
2021	0.48
2020	0.43
2019	0.41
2018	0.41

▲ Y-O-Y Growth ▲ (5-YEAR CAGR) Growth

Business Model

Creating Long-Term Value for Stakeholders

The business model outlines how HFCL creates value for its key stakeholders. The Company strives to maximise the value it creates through capitalising on emerging opportunities while effective resource management and business process optimisation.

Our resources

Financial Resources

Total Equity

INR 2,818 cr

Net Debt

INR 730 cr

Manufacturing and Other Assets

5 State-of-the art manufacturing facilities

2 R&D Centres

Human Resources

3,400+ Employees

1,890+ Engineers

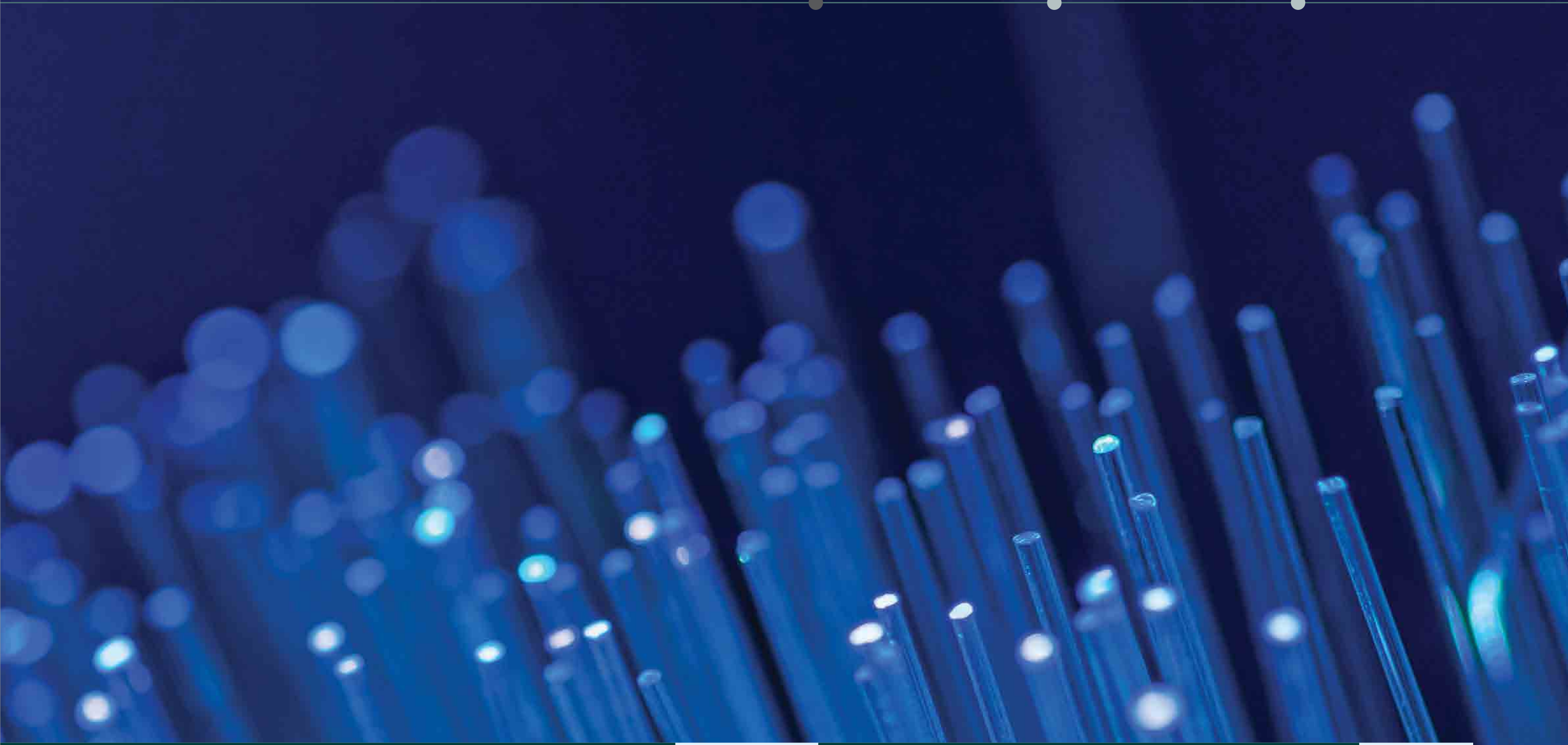
Value creation process

Operating Context

- Market trends
- Growth drivers
- Risks and opportunities

Stakeholder Relationships

- People
- Customers
- Partners
- Government bodies



Value created

Strategic Priorities

1. Capacity Expansion and creation of new facilities
2. Product Innovation
3. Global Market Expansion
4. Strategic Partnerships

INR 4, 727 Cr
Revenue from Operations

INR 326 Cr
PAT

INR 693 Cr
EBITDA

19.30%
Return on Capital Employed

Enablers

Manufacturing and Innovation

50
New products launched

Marketing and branding

700+
New employees hired

Information Technology

Operating Landscape

Opportunities in an Evolving Landscape

HFCL focuses on tracking and analysing the macroeconomic environment and mega trends influencing the industry in which it operates. This helps the Company to identify new opportunities and capitalise on them while managing potential risks.

Industry Trends and Opportunities

5G Opening up New Growth Avenues

As countries around the world begin to roll out 5G infrastructure, enabling high-data-volume processing with low latency, telecom equipment manufacturers and related services will have a huge opportunity. During the fiscal period 21-25, the total addressable market size for various 5G products and services (which includes 5G Transport Products, 5G ORAN Products, System Integration Services) is around USD 130.1 billion.

Growing demand for OFC and related solutions driven by various government projects

India's BharatNet Project

The project is both an enabler and a key beneficiary of other key government schemes, such as Digital India, Make in India, the National e-Governance Plan, UMANG, Bharatmala, Sagarmala, Parvatmala, dedicated freight corridors, industrial corridors and UDAN-RCS.

India's target to achieve 70% tower fibre footprint by 2025

As of March 2022, India's tower fiberisation stood at 33%, with plenty of room for expansion as the country strives to achieve this target. As a result, demand for optical fibre cable networks and related solutions has increased significantly and is expected to continue in the coming years.

INR 70,000+ Cr

Expected CAPEX investments from Government of India in phase – III of BharatNet Project

HFCL's Response

The Company increased its focus on R&D and new product development for 5G products. It also collaborated with various leading global players to fast-track innovation and growth.

HFCL is one of the few companies in India that has completed the deployment of 7,843 km of OFC Network in Punjab and 7,733 km in Jharkhand for the BharatNet Phase II project and has played a significant role in bringing broadband connectivity to 3,200 villages in Punjab and 1,789 villages in Jharkhand.

HFCL will be a leading contender in Phase III of the BharatNet Project, capitalising on its strong foundation and competitive advantages.

Global Opportunities

United Kingdom – Project Gigabit

£5 billion capital allocated by the UK government to build next-generation gigabit broadband for over one million hard-to-reach homes and businesses with 85% coverage by 2025 and 100% by 2030.

Italy – Italia a 1Giga Plan

EUR 3.8 billion budget allocated with the goal of providing connectivity at download speeds of 1 gigabit per second and upload speeds of 200 megabits per second, in gray areas by 2026. In Italy, 2 million fibre-to-the-home (FTTH) passings will be made each year for the next 4 years.

Germany – BMVI Nationwide Gigabit

Plan EUR 43 billion has been allocated for fibre broadband deployments in Germany through 2025 to increase fibre coverage from 5.4% of households to 17.7%. Of the total capital, EUR 12 billion was committed by the federal government and rest from private capital sources.

Austria – Symmetric Gigabit

The European Commission approved a EUR 2 billion aid scheme for Austria through the Recovery and Resilience Facility (RRF) to build passive infrastructure for fixed broadband access networks in areas where there is no current or planned network capable of providing at least 100 megabits per second (Mbps) download speed.

France – PFTHD (Plan France Très Haut Débit)

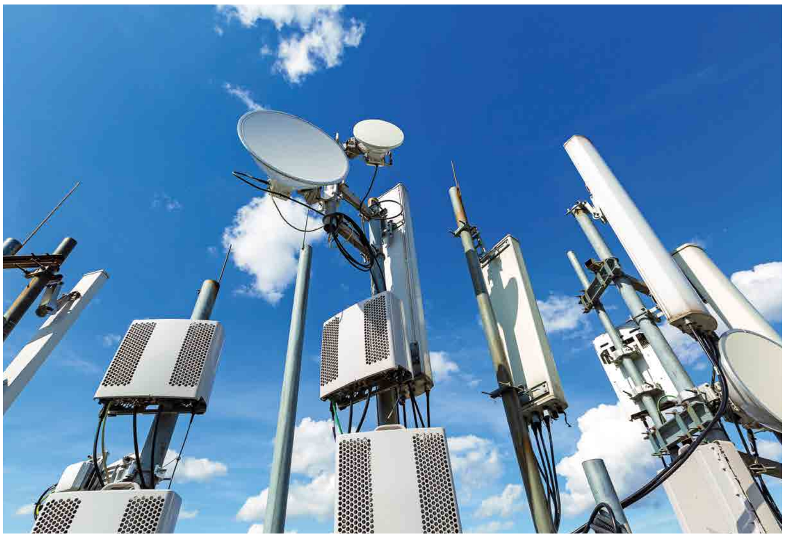
EUR 21 billion capital (of which EUR 13 billion to EUR 14 billion from public investments) aimed at covering the entire French national territory, including all homes, businesses and government offices, with high-speed broadband by 2025.

As one of the largest infrastructure providers in South East Asia, HFCL recognised the potential of European markets and formed strategic alliances with local players in these regions to provide EPC services for OFC / FTTH rollout.

Strategic Priorities

Roadmap to Seize the Opportunity Ahead

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



Strategic Priorities

Capacity Expansion

Over the years, the Company has been constantly expanding and integrating its capacities to bridge the gap between demand for its products and total installed capacity. During FY22, HFCL decided to expand its Optical Fibre and Optical Fibre Cable manufacturing capacities. The expansion is to be completed by FY24 with an overall capital outlay of INR 550 crores. The Company raised INR 600 crores via QIP issue which will be utilised for the proposed capacity expansions.

OF Capacity Expansion

10 Mn fkm/annum ▶ 22 Mn fkm/annum

OFC Capacity Expansion

23.95 Mn fkm/annum ▶ 34.75 Mn fkm/annum

Greenfield Capacity Expansion

HFCL is also setting up a dedicated facility for its defence equipment which will be in line with – 'Make in India'.

Product Innovation

HFCL is investing heavily into R&D and New Product Development. The Company started a state-of-the-art R&D centre in Bengaluru. There are a number of products which are in testing phase and are expected to start producing revenue soon. With these new products, the Company is targeting to bring in new customers and cross-sell to the existing customers.

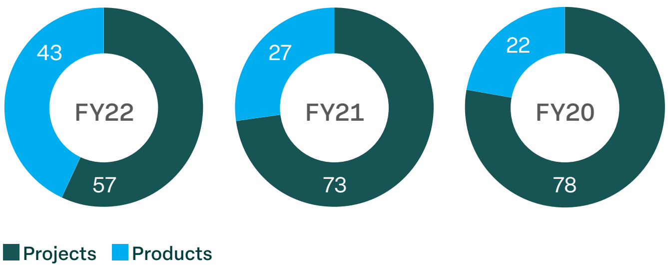
Products Under Development	
Telecom	**Defence**
5G RAN products	Ground Surveillance Radars
Wi-Fi 7 access points	Software Defined Radios
Cell Site Routers	Thermal weapon sights
DU/CU Aggregation Routers	Uncooled Engine Core
Home Mesh Router	
Passive optical network (PON) products	
Small Cell for 5G	
Point to Multipoint Unlicensed band radio	

Shifting Revenue Mix

This is one of the key initiatives that HFCL has prioritized to increase focus on generating more revenue from products rather than projects that will help it increase its profitability.

Revenue Mix

(%)



Expanding Global Market Access

With its endeavour to become a global organisation, the Company has established two new wholly owned subsidiaries in Texas and Amsterdam.

- HFCL Inc., a company registered in the State of Texas, in the United States;
- HFCL B.V., a private limited company registered in Amsterdam, in the sovereign state of the Netherlands.

These subsidiaries will help the Company to meet the global demand for its products and to expand its business operations and activities overseas.

Strategic Partnerships

During the year under review, the Company formed strategic partnerships with various global accredited names to drive product development, integrating its capacities and accelerating growth from industrial collaborations.

- **Wipro:** Partnership for 5G Transport Product Development.
- **O-RAN Alliance:** To accelerate open innovation in 5G.
- **CommAgility:** Key technology partner who shall provide its 5G new radio (NR) software which will be used in 5G indoor small cells.
- **Aprecomm:** Powering HFCL's network offerings with Artificial Intelligence (AI) based Analytics.
- **BigCat Wireless:** Partner for Software Defined Radios
- **Nivetti Systems:** R&D partner for Switches
- **VVDN Technologies:** Design partner for Macro Radio, Wifi Access points, UBRs, Cloud management systems, Element management systems
- **Metanoia**: Partner for 5G Small Cells
- **Capgemini Engineering:** Partner for 5G Small Cells
- **NXP:** Partner for 5G Small Cells
- **IP Infusion:** Partner for 5G Transport products

Environment

Reducing our Environmental Footprint

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

Energy Management

Energy Conservation

To reduce electricity consumption, HFCL has replaced all traditional lights with LEDs across the organisation. The Company has turned its workplace into an energy-efficient one by using natural light for illumination.

Besides, the Company strives to increase the efficiency of its production by replacing traditional machineries with energy-efficient machineries and technologies. For instance, the Hyderabad plant has designed and installed energy-efficient HVAC systems and VFD drives for all motors of AHUs, pumps, compressors, etc.

Sustainable Energy Sourcing

HFCL mainly uses solar charging for its Base Transceiver Station (BTS) sites in Left-Wing Extremism (LWE) projects, avoiding the use of diesel generators for backup power supply for the BTS and microwave radios. The Company has utility power supplies at 147 out of 569 BTS sites and the remaining sites do not have electricity supply from State Electricity Boards. At those 147 sites, approximately 30% of charging is done via utility supply, while the remaining 80% is carried out through solar charging, saving 88 kWh energy per month per site. The remaining 422 sites save 126 kWh energy per month per site on an average.

Resource Efficiency

HFCL has been working constantly to reduce the diameter of optical fibre cables to maximise resource utilisation. During the year, the Company reduced diameters by 15%, resulting in higher fibre count cables and a 25% reduction in cable weight as well. As a result, the cables are compact, light, and easy to handle.

In addition, the Company promotes new designs made with no jelly or low level of jelly by using dry water blocking materials and has switched to 90% of designs with dry core construction. These dry tube/dry core designs help in the reduction of petroleum product use.

The Company has been working on route optimisation and vehicle sharing for staff and product transportation, saving fuel and lowering emissions from essential business activities.

The Company manufactures Optical Fibre, Optical Fibre Cables (OFC) with various type of designs and always take care of environmental concerns and endeavour to reduce carbon footprint generation, while designing cables by selecting raw material which meets compliance obligations.

Water Management

Water is continuously recycled in both Goa and Hyderabad manufacturing facilities through an efficient and effluent recycling process, reducing fresh water consumption. In addition, the Company operates a 15 KL/day and 30 KL/day Sewage Treatment Plants (STP) that recycles waste water for gardening purposes both at Hyderabad and Goa Plant respectively. As part of its Hyderabad project, the company also constructed a rainwater harvesting system and a green landscape on 5.5 acres of land.

Waste Management

Sustainable Manufacturing Process

HFCL uses ***'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. It closely works with some of its suppliers to recycle packaging material and returns empty fibre spools, jelly containers, etc. for reuse. The Company uses biodegradable rubber wood for finished product packaging, reducing wood consumption.

E-Waste Management

HFCL has developed a standardised e-waste management system and strictly follows the E-Waste Management Rules 2022. HFCL safely disposes e-wastes by handling them over to PCB-approved e-waste vendors.

Other Sustainability Initiatives

- HFCL is on its way to becoming paperless, reducing copier paper usage and packaging with recyclable cardboard or wooden boxes. In the testing of Optical Fibre and Cables, the Company has already gone paperless, with all data being recorded directly from the test equipment to the PC via software.
- The Company designs and plans the underground OFC cable laying to have the least impact on the greenbelts. The cable is laid using horizontal drilling, which avoids damage to the trees and shrubs. The earth is restored wherever pits are dug. In addition, the Company participates in 'Haritha Haram tree planting' initiative of the Government of Telangana.
- During manufacturing process in both the plants at Goa and Hyderabad, noise level reduction is taken care of by providing enclosure to all machines which produces noise.

Compliance and Certifications

The Environmental Management System of the Company is ISO 14001 certified. All raw materials used in the production of Optical Fibre and Optical Fibre Cables are RoHS and REACH compliant.

[RoHS - Restriction of Hazardous Substances, REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals]

In addition, HFCL has a certificate of compliance with Underwriters Laboratory, USA for some of its optical fibre cables that meet its safety standards.

Social - People

Nurturing a Diversified and Skilled Workforce

HFCL is strengthening its workforce's agility through a myriad of training, re-skilling, and leadership development programmes, as well as the continual acquisition of talent with the goal of harnessing and maintaining them.

3,400+
Total number of full-time employees

700+
New people hired during FY22

Diversity and Inclusion

Diversity and inclusion are guided by a well-defined and internally communicated Diversity Equity & Inclusion (DEI) Policy at HFCL. To celebrate womanhood on International Women's Day 2022, HFCL invited all its employees, for a powerful Panel Discussion by five internal and external women leaders in various professional fields, followed by the distribution of small tokens of appreciation to all the women employees across HFCL.

Learning and Development

HFCL implements various learning strategies, including on-the-job training, blended learning and peer-to-peer collaborative learning, to develop leadership, technical, process, and behavioural competencies.

HFCL's HR team conducts various L&D programmes such as Leading Self, Building Confidence, Understanding Employee Attitude and Assertive Communication across plant and corporate locations. There are special technical learning and development initiatives as well, such as the 5G Tech Competency Development Program and the Linux System Admin Certification Program.

In addition, HFCL launched several learning enabling mechanisms such as Week-end learning bytes, SAMEEKSHA – a re-cap of learning events, Internal SME recognition. The Company also completely digitized the Learning and development process using its Cloud based HCM software and promoted online learning modules through Udemy learning platform.

Employee Health and Safety

HFCL launched CARES (Consulting Aid for Resilient Emotional State), an Employee Assistant Programme, to prioritise health and wellness as its core people objective. To improve employee fitness, self-awareness and productivity, a three-day residential corporate excellence workshop with Adhyatm Sadhna Kendra, Chhatarpur, as well as weekly health and wellness sessions, were held. CARES also encourages a variety of employee engagement initiatives as a preventative measure for major work-related employee burnout and stress.

COVID Risk Mitigation Taskforce

To safeguard the employees and their families across India, the Company has setup a taskforce to monitor and mitigate the risk and extend help to those who are suffering from COVID. The objective was COVID risk mitigation and cure by educating all employees on COVID-related protocols and providing RTPCR test facilities and medicine at doorsteps through collaboration with capable medical institutions. The task force also helped them in hospitalization and advance treatments, supported their family members in coping up with the painful situation.

Employee engagement

HFCL promotes a culture of reward and recognition through various programmes including Pinnacle Performer, Ace Alliance (Team Excellence), SME (Subject Master Expert), and Spot recognition. The Company also celebrates festivals, birthdays and national events to boost employee engagement.

Social – Community

Contributing for a Better Society

To empower the marginalised and impart an inclusive socio-economic impact on the society, HFCL undertakes various CSR initiatives through its registered society i.e., HFCL Social Services Society (HSSS). The CSR interventions focusses on two core themes - healthcare and education.

HSSS, through its various programmes and initiatives, offers preventive and curative health care including financial support towards critical illnesses. It promotes elementary and higher education by way of creating digital infrastructure and hi-tech e-learning solutions in Government Schools of rural areas and undertake initiatives in other domains as deemed proper in line with varied needs and aspirations of adjoining communities. HSSS collaborates with various non-profit organizations, charitable trust and educational institutions to implement Company's CSR Projects/Programs.

INR 6.81 Cr

CSR expenditure during FY22

Healthcare

Mobile Medicare Units

The HFCL Social Services Society carries out preventive health care initiatives in collaboration with HelpAge India and Wockhardt Foundation by running Mobile Medical Units. HelpAge India is the implementation partner for Himachal Pradesh (Solan), Goa and Rajasthan (Sardarsahar) while Wockhardt Foundation implemented it in Uttar Pradesh (Ghazipur) and Telangana (Hyderabad).

At present, five mobile medical units (MMUs) are operational to deliver preventive healthcare facilities to over 500 beneficiaries from the underprivileged sections of the society every day. Each MMU is accompanied by a professional healthcare team and is equipped to offer healthcare facilities to the beneficiaries free of cost.

Apart from this, the Company also provides financial support for critical illness to needy patients. It also supports various healthcare program in collaboration with various hospitals and foundations including St. Stephen's hospital, New Delhi and National Heart Institute, New Delhi.

COVID-19 Response

The Company also started procuring Oxygen Concentrators and Oxygen Cylinders and supply to those in need across various parts in India. In addition to this, we also financially supported the people in need from underprivileged section of the society to meet their hospitalisation expenses.

HFCL distributed survival kits and food items to meet the day-to-day food and hygiene needs of the underprivileged community in and around Solan, Himachal Pradesh and Sardarshahar, Rajasthan. The Company also provided assistance to SHEOWS (Saint Hardyal Educational and Orphan Welfare Society, Delhi), an Old Age Home that provide care for approximately 500 abandoned senior citizens, by supplying food items as needed. In addition, the Company provided doorstep medical services to the underprivileged community and people in need during the lockdown.

COVID Vaccination and RTPCR test centre: The Company introduced in collaboration with district administration of Solan, Himachal Pradesh to setup a COVID Vaccination and test centre to provide vaccinations to the citizens.

Education

HFCL undertakes various education programmes through HSSS and in collaboration with different charitable or non-profit organisations to empower young children in the areas of its operations.

Smart Class Education: HSSS collaborated with Extra Marks Education Foundation on a smart class education initiative that is benefitting over 10,000 students from Sardarshahar (Rajasthan), Ghaziabad and Ghazipur (Uttar Pradesh). The objective is to provide excellent education to students of all grades using new age digital learning tools, as well as to equip them with digital skills at a young age.

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

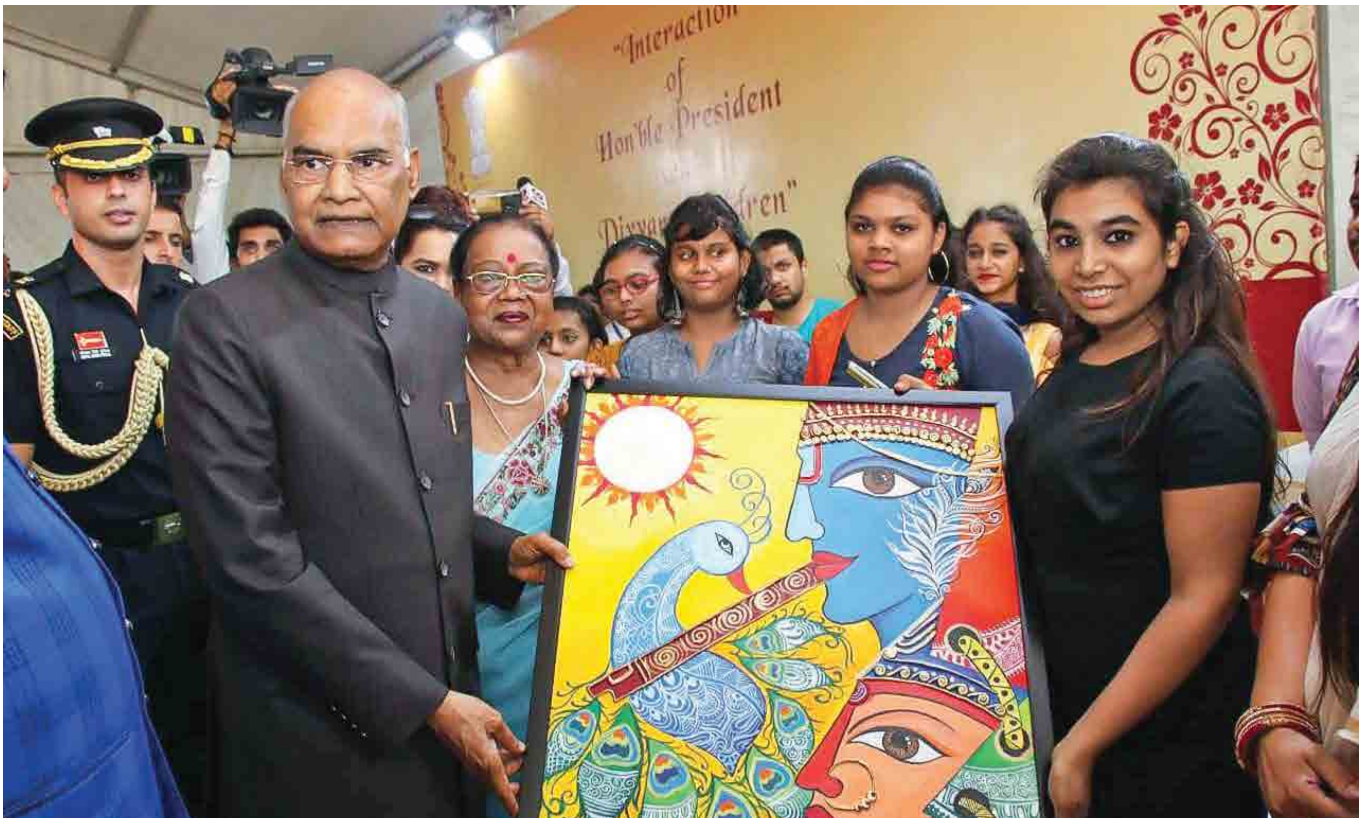
Basic Education and Nutrition to the Street Children: By joining hands with Samarpan Foundation, HSSS delivers basic education and nutritious meals to the street children in Delhi.

Educating children with special needs: HSSS is supporting entire educational expenses of DIVYANG children at Balwantray Mehta Vidya Bhawan School, Greater Kailash –II, New Delhi.

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

Personal Social Responsibility

Every year, the Company observes CSR Week from January 25 to January 31, visiting various NGOs or institutions with employees with a motto of *'Smile with someone and let someone smile'*. Employees also volunteer their time to teach remedial classes to students from Balwantray Mehta Higher Secondary School in GK-II, New Delhi, via an online platform. In addition, the Company organises blood donation camps in which all employees help donate blood to those in need.



Governance

Acting with Integrity and Responsibility

HFCL's well-articulated governance framework provides direction for responsible and credible conduct across its operations. The Company's philosophy is based on simple principles of ethical and transparent business operations, as well as the Board's and management's accountability to instil trust among stakeholders. The Company strives to create long-term value for its stakeholders by upholding the highest standards of corporate governance.

Board and Board Committees

The Board is the highest decision-making body for matters that have strategic, financial, or reputational implications or consequences for the Company as a whole. The Board is responsible for determining the Company's strategic direction as well as exercising prudent control over its various functions.

The Board has five committees that support the Board's decision-making processes. Each committee has its own terms of reference and operates under a clearly defined charter. All Board proceedings are logically segregated, and specific matters are delegated to the committees.

Committees
Audit Committee
Nomination, Remuneration and Compensation Committee
Stakeholders' Relationship Committee
Corporate Social Responsibility Committee
Risk Management Committee

Board Composition

1
Executive Directors

2
Non-Executive Directors

4
Independent Directors

Board Experience

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

>30 years
Board Experience

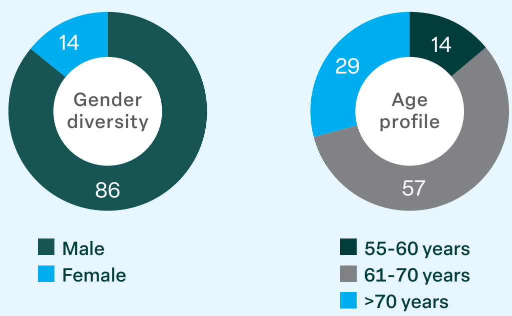
Tenure

The Company's Managing Director and Independent Directors (Except Non-Executive Directors) are appointed for a three-year term and reappointed after that.

Board Diversity

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

Board Diversity (%)



Board of Directors

Mr. Mahendra Nahata
Managing Director

Mr. Arvind Kharabanda
Non-Executive Director

Dr. (Mr.) Ranjeet Mal Kastia
Non-Executive Director

Dr. (Ms.) Tamali Sengupta
Non-Executive Independent Director

Mr. Surendra Singh Sirohi
Non-Executive Independent Director

Mr. Bharat Pal Singh
Non-Executive Independent Director

Mr. Ajai Kumar
Non-Executive Independent Director

Management Discussion & Analysis

Economic Overview

Global

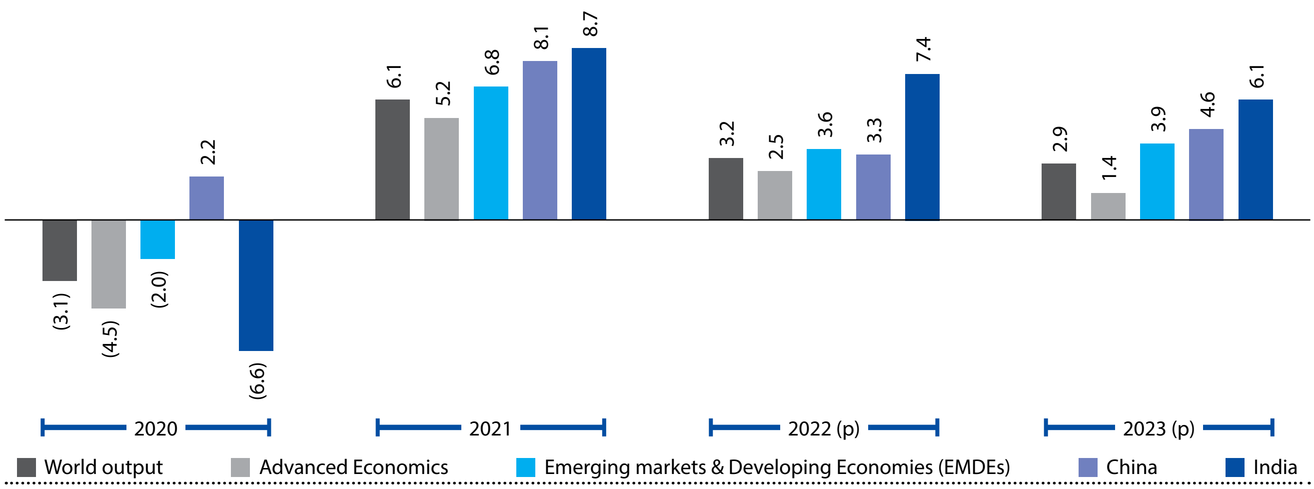
The global economy experienced weakening of its recovery in 2022 with the growing geo-political tensions including Russia-Ukraine war and global sanctions leading to another cycle of disruption in the supply chain and trade. These continued risks have led to industries look at diversifying their sourcing and manufacturing base. In addition to, re-strategizing their business models to suit the changing times wherein natural calamities and humanitarian crisis are seen as the two major risks in the near future.

The relaxation of COVID-19 pandemic control measures and progressive vaccination drives across the world enabled a slow recovery in the world and restated confidence in people, however, new COVID variants and fresh lockdowns in China and restrictions adversely impacted lives and the global economy. According to International Monetary Fund (IMF) July 2022 World Economic Outlook Update, the global growth is expected to slow down from 6.1% in 2021 to 3.2% in 2022 and 2.9% in 2023.

As per IMF, Advanced Economies (AEs) growth slowdown to 2.5% and Emerging Markets and Developing Economies (EMDEs) to 3.6% in 2022 as against the growth of 5.2% and 6.8% in 2021 respectively.

China, a large global GDP constituent in the EMDE block, saw a shocking deceleration in its growth rate with it growing at just 3.3% in 2022 as against a growth of 8.1% in 2021. Its zero-tolerance policy on COVID-19 and long drawn financial stress remain a concern. It is expected to rebound in 2023 with a growth of 4.6%.

GDP Growth Trend (%)



(Source: WEO April 2022, IMF)

In terms of inflation, IMF predicts the inflationary pressure to remain high due to the impact of war and broadening of the price pressures. It is expected to touch 6.6% in AE and 9.5% in EMDE in 2022. In 2023, disinflationary monetary policy is expected to bring down the rise in inflation as per IMF July 2022 report.

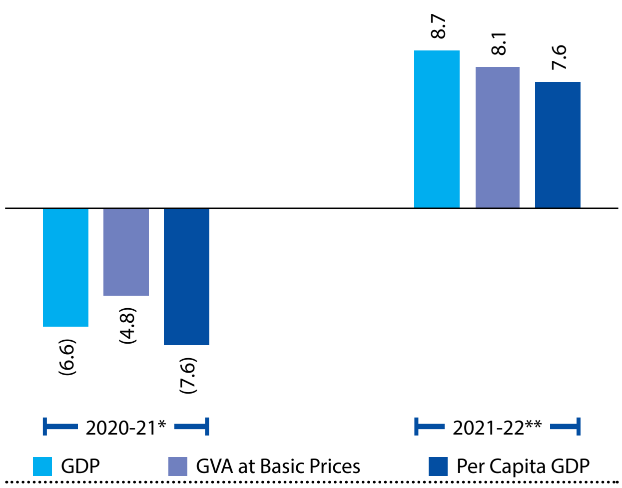
The crude oil prices increased between August 2021 and February 2022 by 36%, led by a strong recovery in oil demand and short-lived effect of the Omicron variant in 2021. IEA (International Energy Agency) predicts that global demand for oil in 2022 is projected to increase to 99.4 million barrels a day (mb/d) - up 1.8 mb/d from 2021. However, the geopolitical tensions and Russia-Ukraine war has led to Brent Crude Oil temporarily reaching USD 140 in early March 2022. The impact of the war is expected to continue on oil and gas prices in 2022 and food prices well into 2023.

India

India, the second largest constituent of EMDE block, has witnessed strong growth recovery at 8.7% in 2021, according to IMF after a sharp contraction of (6.6%) in 2020. The fast pace vaccination, supportive government policies and measures have helped the Country to bounce back quickly. The outbreak of the second and third wave led by variants such as Omicron and Delta did impact the economic activities during the mid and latter part of the FY22, IMF predicts India's growth rate to slow down to 7.4%, in 2022, and settle at 6.1% in 2023.

In its provisional estimates of national accounts, National Statistical Office (NSO) has projected real GDP (Gross Domestic Product – at Constant 2011-12 prices) growth rate at 8.7% in FY22. This is a sharp contrast to FY21 wherein GDP growth rate slumped into negative at (6.6%) as per the first revised estimates. The per capita income also saw strong recovery with the provisional estimates indicating a 7.6% growth rate in FY22 as against a negative growth of (7.6%) in FY21. The overall growth in economic indicators is expected to be backed by strong growth in agriculture and manufacturing sectors.

Provisional Estimates of National Income and Expenditure Components of GDP, 2021-22 Percentage Change Over Previous Year (%)

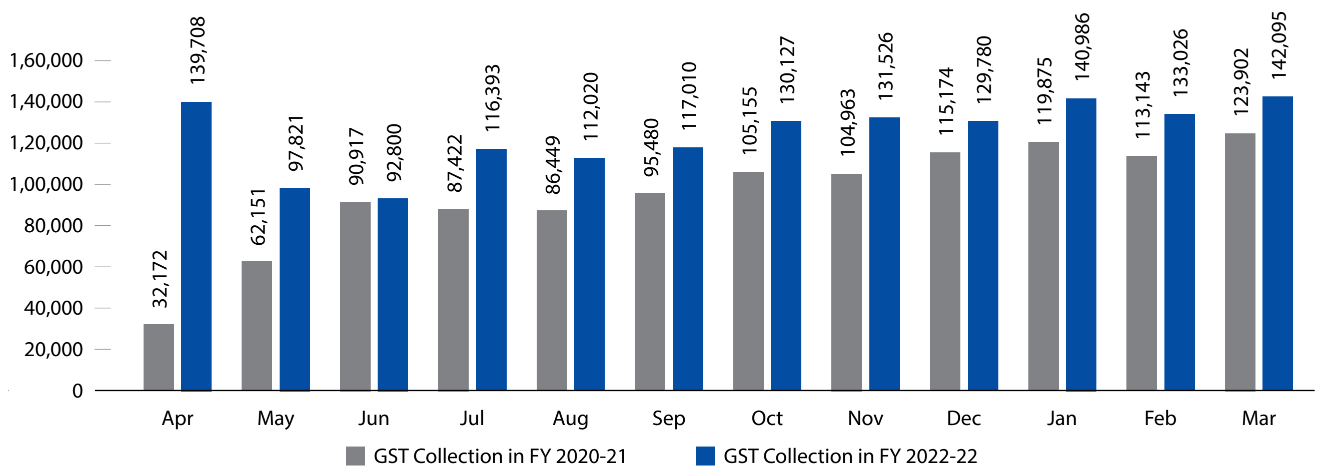


Source: NSO

The rising input costs of oil and other commodities due to geo-political risks has set in volatility into the Indian market with high inflationary pressures. While Reserve Bank of India (RBI) has raised its inflation projections to 6.7% for FY23 due to the impact of the ongoing Russia-Ukraine war, the CPI (Consumer Price Index) has already breached RBI's upper threshold of 6% with it touching 6.95% in March 2022. The inflation is expected to remain at ~7% till September if energy prices continue to remain at high levels due to the geo-political risks. On flip side, high inflation is also an indicator of strong economic activities.

The year has also been remarkable on GST (Goods and Services Tax) front that witnessed a monthly average collection of ₹ 1.38 lakh crore for the last quarter of FY22. The overall tax revenue growth signifies the rapid economic recovery despite the successive waves of COVID-19 and well supported by one of the largest immunization programme of the world run by the Government of India. These were also supplemented with better compliance efforts in taxation powered by technology and artificial intelligence. FY22 marked highest tax-GDP ratio of 11.7%, with direct tax to GDP at 6.1% and indirect tax to GDP ratio at 5.6%. The total tax revenue as per the pre-actual figures for FY22 is estimated to have grown 34% over last year to ₹ 27.07 lakh crore from ₹ 20.27 lakh crore. This was led by growth of 49% in direct taxes and supported by 20% growth in indirect taxes.

Trends in GST Collection (₹ in crore)



(Source: PIB, Ministry of Finance)

In the Union Budget of FY23, the Government of India has identified Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems as the Sunrise Opportunities and would be contributing to develop R&D in these sectors. It has laid down a comprehensive plan to provide boost to various sectors such as infrastructure, railways and power, amid rising inflation and COVID-19 related uncertainties.

Key highlights of Union Budget FY23:

- India's economic growth estimated at 9.2% to be the highest among all large economies.
- Outlay for capital expenditure stepped up sharply by 35.4% to ₹7.50 lakh crore in FY23 from ₹5.54 lakh crore in the current year.
- 60 lakh new jobs to be created under the production linked incentive scheme in 14 sectors.
- PLI (Production Linked Incentives) Schemes have the potential to create an additional production of ₹30 lakh crore.
- An additional allocation of ₹19,500 crore for PLI for manufacturing of high efficiency solar modules to meet the goal of 280 GW of installed solar power by 2030.
- ₹20,000 Crore to be mobilized for National Highways Network expansion.
- 100 PM GatiShakti Cargo terminals for multimodal logistics to be developed during the next three years.
- 2,000 Km of Railway network to be brought under Kavach, the indigenous world class technology and capacity augmentation in FY23.
- 400 new Vande Bharat Trains.
- Data centers and Energy Storage Systems to be given infrastructure status.
- Scheme for design-led manufacturing launched to build a strong ecosystem for 5G as part of the Production Linked Incentive Scheme.

Industry Overview:

Indian Telecom Sector

Over the last few years, the Indian Telecom Industry has witnessed exponential growth driven by positive regulatory environment, affordable tariffs, wider network coverage, roll out of easy Mobile Number Portability (MNP) and advancement in mobile technology from 3G to 4G and now deployment of 5G with changing consumption patterns of users.

Supportive government programs and initiatives such as Aatmanirbhar Bharat, Make in India, Production Linked Incentive (PLI) schemes, BharatNet project, Prime Minister's Wi-Fi Access Network Interface (PM-WANI) and National Digital Communications Policy 2018 have enabled growth for the industry that is divided into subsectors including infrastructure, equipment, Mobile Virtual Network Operators (MVNO), White Space Spectrum, 5G, Telephone service providers and broadband.

Under the Aatmanirbhar Bharat and Make in India campaigns, the Government has been promoting the sector to support local development and enhancement in connectivity and reach. The Telecom Industry is the third largest sector in terms of Foreign Direct Investments (FDI) in the Country. The total FDI inflow between 2014-2021 rose by 150% to USD 20.72 billion as against a single digit USD 8.32 billion during 2002-2014. The National Digital Communications Policy 2018 was launched by the Government with the vision to fulfill the information and communication needs of citizens and enterprises through establishment of a ubiquitous, resilient, secure, accessible and affordable Digital Communications Infrastructure and Services. The policy aims to support India's transition to a digitally empowered economy and society. The policy further seeks to unlock the transformative power of digital communications networks for achieving the goal of digital empowerment and improved well-being of the people.

The Indian Telecom Industry is world's second largest with a subscriber base of 1.17 billion as on June 2022 (wireless + wireline subscribers). Today, India's mobile subscriptions constitute to 98% of all the telephone subscriptions in the Country. The overall tele-density in India stands at 86.89%, of which rural tele-density stands at 59.31% and urban tele-density at 138.79%.

In terms of internet subscribers (both broadband and narrowband put together) stood at 834.29 million by the end of September 2021, of which 37.67% of the internet subscribers belong to rural areas. The number of broadband subscribers has increased to 801.61 million as of November, 2021 as against 742.07 million by the end of November 2020. The average monthly data consumption per wireless data subscriber has also increased to 14 GB in June 2021 from 61.66 MB in March 2014.

By 2025, India is expected to become the second-largest smartphone market globally with around 1 billion installed devices as per GSMA, a global organization that represents the worldwide mobile communications industry. It is expected to have 920 million unique mobile subscribers by 2025 which will include 88 million 5G connections.

The Department of Telecommunications (DoT) aims at 70% Fibreisation of towers, average broadband speeds of 50 Mbps and 50 lakh kms of optic Fibre rollouts at a pan-India level by December 2024.

As on January 17, 2022, the number of Mobile Base Transceiver Stations (BTS) increased to 23.13 lakh from 22.56 lakhs as on January 1, 2021, a growth of 2.53%. Meanwhile, the total number of mobile towers in the country increased to 6.98 lakh in January 17, 2022 from 6.38 lakhs as on January 1, 2021, registering the growth of 9.40%, as per the Annual Report 2021-22 of Department of Telecommunications, Ministry of Communications.

Telecom Development Indicators

Sl. No	Item		At the end of			
			March '20	March '21	November '20	November '21
1	Number of Telephones (In million)	Overall	1,176.79	1,200.88	1,175.22	1,191.03
2		Wireline	19.13	20.24	20.07	23.53
3		Wireless	1,157.66	1,180.64	1,155.15	1,167.49
4		Rural	521.25	537.11	526.40	530.81
5		Urban	655.54	663.76	648.83	660.22
6	Tele-density (Telephones per 100 persons)	Overall	88.66	88.15	86.55	86.89
7		Rural	57.87	60.17	59.08	59.31
8		Urban	153.68	141.29	139.01	138.79
9	% share	Wireless	98.37	98.31	98.29	98.02
10		Public	11.47	10.92	11.29	10.65
11		Private	88.53	89.08	88.71	89.35
12	% growth of Total Telephones over previous year		-0.56	2.05	0.05	1.34

Source: DoT Annual Report 2021-22.

Fifth Generation (5G) Technology

5G technology is the next generation wireless access technology that would have high data capacity and faster speeds. It would have the capacity to connect billions of devices and expected to redefine industries across the globe. Some of the key features of 5G include low latency of less than 1 ms (million seconds) from the current 50 ms, higher throughput of up to 10 GB per second and greater capacity for data networks.

The roll out of 5G is expected to take place by the end of 2022 with the spectrum auctions concluded in August. Some of the major cities that are expected to be covered with 5G network in the initial phase include Delhi, Mumbai, Kolkata, Chennai, Gurugram, Chandigarh, Bengaluru, Ahmedabad, Jamnagar, Hyderabad, Pune, Lucknow and Gandhinagar. The Department of Telecommunications (DoT) has decided to auction spectrum for 20 years as against its earlier plan of 30 years.

According to Counterpoint Research, by the end of 2022, 5G smartphones are expected to account for 38% of the total handset shipments in India. By 2023, it is expected to increase to 52%. The rising competition among OEMs, availability of cheaper 5G chipsets and declining prices of devices are expected to make brands push more 5G devices into the market. The 5G feature tops among the three key priorities looked at buyers when purchasing a smartphone. This reflects on consumer awareness and growing market base as operators prepare for 5G launch.

Optical Fibre Cable Industry

The optical Fibre cable (OFC) technology is used around the world for high-speed communication. The technology has brought about a revolution in the way people interact over broadband and information exchange and financial transactions take place in real time. It has led to unparalleled progress across industries and is one of the key focus areas for the Government of India (GoI) under its Digital India and BharatNet projects. The GoI in the recent budget announced its plan to lay down Fibre cable network in all the villages, including remote areas under its BharatNet Project by 2025. Moreover, the GoI is also taking efforts to ensure better and more efficient use of the optical fibre network in the Country. The integration of Optical Fibre cable network with 5G technology that will see its deployment begin the Country by FY23 will enhance reach and connectivity of industries, people and the Government.

BharatNet project is being implemented to provide broadband connectivity to all 6 lakh villages of the country. Under this project, so far, around 5.60 lakh Kms OFC has been laid and around 1.73 lakh Gram Panchayats, including BHQs (Block Headquarters), have been made service ready. Wi-Fi hotspots have been installed in around 1.04 Lakh Gram Panchayats and there are 1.95 Lakh FTTH connections provided, as per the DoT Annual Report 2021-22.

Moreover, OFC is also being deployed for enhanced telecom connectivity for armed forces. As of now, 2313 km four pair Submarine OFC has been laid down, of which one fibre pair has been shared with Ministry of Defence exclusively. The Submarine OFC connectivity between Chennai and Andaman & Nicobar Islands has been commissioned with 200 Gbps bandwidth and has been made available between Chennai and Port Blair while 100 Gbps bandwidth is available within the islands.

According to Feedback Report, Optical Fibre, OFC and Accessories market will reach USD 1.3 billion by FY2024.

Key highlights of Union Budget FY23:

- 5G spectrum auctions concluded with the sale of 71% of the total available spectrum.
- Private telcos expected to roll out 5G services from Q3 CY 2022 onwards starting with major Indian cities to build a strong ecosystem for 5G.
- The Union Budget for FY23 has proposed to launch a Scheme for design-led manufacturing as part of the existing PLI Scheme. In a recent announcement, GoI has amended PLI Scheme to facilitate Design-Led Manufacturing with additional incentive rate of 1% over and above existing incentive rates. Moreover, additional telecom and networking products have been added into the eligible products category.
- Contracts for laying optical fibres in all villages to be awarded under the BharatNet project in FY23.
- Data Centres to be given infrastructure status.

Indian Railways

The Indian Railways sector has been undergoing major overhaul across railway signalling systems, track layout, station infrastructure and connectivity, online payment gateway, technology usage with the aim to make the experience seamless and comfortable. Indian Railways is the national transporter in the Country and is one of the seven 'engines' of growth under the PM GatiShakti program.

As part of Government's initiative to modernize the Indian Railways and enhance security, it is developing and upgrading technology in areas such as signalling and telecommunication with 15,000 kms being converted into automatic signalling and 37,000 kms to be fitted with 'KAVACH', the domestically developed Train Collision Avoidance System. In FY22, KAVACH has been commissioned at 850 RKMs (Route kilometers). By FY23, 2,000 kms of railway network to be brought under Kavach, the indigenous world class TCAS (Traffic Collision Avoidance System).

Moreover, the Indian Railways has also been upgrading the passenger announcement system that is now being GPS-enabled for all on-board announcements for station arrivals, time to next station/destination and safety announcements, etc.

A few innovative improvements in the Indian Railways include the state-of-the-art SMART Coaches that have special diagnostic systems and sensors connected to integrated computer systems for increased passenger comfort. SMART Locomotives have new features as Asset Performance Monitor (APM), Locotrol, LocoVision, Rail Integrity Monitor (RIM) etc, SMART Yards with ICT systems, sensors and data analytics to automatically gather information on rolling stock conditions, Automated Train Examination System (ATES), new technology Signalling Systems with new features being added as indigenous Automatic Train Protection (ATP) system, Centralized Traffic Control (CTC), Train Management System (TMS) etc. Indian Railways has commissioned Wi-Fi at 6,089 Railway stations across the Country.

In a bid to promote sharing of innovative ideas and best practices, Indian Railways has also setup 'Collation of best practices for widespread circulation – Rail Good Works Portal' that aims to integrate sharing of implemented best practices with a larger knowledge management portal, provide uploading access to higher set of people and track performance of portal and drive usage. On this common platform, all entities can freely share the best work undertaken in their respective field with entire Indian Railways. The portal has so far received more than 6500 ideas and solutions on key issues.

Some of the other innovations that were undertaken during the pandemic to rise above the challenges include digital Initiatives in Passenger Segment as Mobile Ticketing, QR-codes in tickets for Contactless Ticketing and Rail Travel, Chalak Dal Mobile app for Contactless crew sign-on/signoff, Online recharge of suburban cards, facilitation of Payments through use of robust Digital IT enabled system with minimal staff presence etc. Further to meet the challenges posed by the pandemic, Indian Railways paved way for Work from Home and e-office working expanded using Tele-Presence & Video Conference Systems for meetings/Interactions at every level for efficient management of the system. Even drones were used to monitor projects. The vision of Indian Railways is to become the Global Leader in Railways by making a leap as a creator and innovator of technologies and systems.

Key highlights of Union Budget FY23:

- One Station One Product concept to help local businesses & supply chains.
- 2000 Km of railway network to be brought under Kavach, the indigenous world class technology and capacity augmentation in 2022-23.
- 400 new generation Vande Bharat Trains to be manufactured during the next three years.
- 100 PM GatiShakti Cargo terminals for multimodal logistics to be developed during the next three years.

Indian Defence Sector

India is the third highest military spender in the world, accounting to 3.7% of the global military spend and has witnessed a CAGR of 3.9% between 2016 and 2020. The Government has identified defence sector as one of the core areas to boost under Aatmanirbhar Bharat Abhiyaan. By 2025, the Government aims to achieve a turnover of ₹1,75,000 crore (around USD 25 billion), including exports of ₹35,000 crore (around USD 5 billion) in aerospace and defence goods and services. In FY22, Indian defence exports stood at ₹12,815 crore, highest ever recorded by the defence sector, as against ₹8,434 crore in FY21. In the last four to five years, India's defence imports have come down by 21%. The value of import stood at USD 463 million for FY20.

To achieve the projected export target, the Ministry of Defence (MoD) has formulated a Defence Production and Export Promotion Policy 2020 (DPEPP 2020) as guiding document to provide a focused, structured and significant thrust to defence production capabilities of the Country for self-reliance and exports. The three main focus areas of DPEPP 2020 are aero engines, maintenance, repairs and overhaul and critical technologies and materials. The DPEPP 2020 is in line with the Government's Aatmanirbhar Bharat Abhiyaan.

By 2027, the Defence Ministry has set a target of 70% self-reliance in weaponry, creating huge potential for the industry players. The Government has also introduced Green Channel Status Policy (GCS) to promote and encourage private sector investments in defence production to promote the role of private sector in defence production.

In a bid to support defence modernisation, the budgetary defence outlay has been increased to 68% for domestic industry in FY23 up from 58% in FY21. Moreover, to reduce the dependency on imports and promote Aatmanirbharta, private players are being encouraged to take up design and development of military platforms in collaboration with DRDO (Defence Research and Development Organisation) and other organisations through special purpose vehicle (SPV) mode. Under the budget, defence R&D is being opened up for industry, startups and academia with 25% of defence R&D budget earmarked. An independent nodal umbrella body is to be set up for meeting testing and certification requirements.

The Government has also setup Technology Development Fund (TDF) under DRDO to promote self-reliance in defence technologies via public-private participations, especially MSMEs and startups. Moreover, two key defence industrial corridors have been established in Uttar Pradesh and Tamil Nadu. By 2024, an investment of USD 2.85 billion have been planned in defence corridors. Technological advancements will play a key role in the aerospace and defence sectors as world moves towards hybrid warfare including multiple warfare technologies and cyber technology. The focus of the sector would be on strengthening its focus on newer technologies such as Artificial Intelligence, Big Data, Internet of Things, Analytics and Cyber Security.

Major impetus is being given on electronic warfare equipment to boost communication grid in high altitude and end to end data encryption. The rising need for national security and surveillance has led to increased demand for electro-optics products such as NVDs (Night Vision Devices) in the defence forces. NVDs are optoelectronic device that allows the production of images in lighting conditions that are approaching total darkness. Overall, the electro-optics products constitute about 15% of the total defence strategic electronics market in India. According to E&Y, the electro optics market is rapidly growing in the country with new entrants venturing into this segment with transfer of technology enabling mutual growth of partners. According to Feedback Report, Electro Optics market will be USD 16 billion by 2025.

The cumulative spend is expected to be USD 75.7 billion by 2025, as per the Feedback Report. The Indian Electro Optics market is expected to touch USD 2850 million by FY25.

Key highlights of Union Budget FY23:

- 68% of capital procurement budget earmarked for domestic industry in FY23 , up from 58% in FY21.
- Defence R&D to be opened up for industry, startups and academia with 25% of defence R&D budget earmarked.
- Independent nodal umbrella body to be set up for meeting testing and certification requirements.

Business Performance Review

Optical Fibre Cable (OFC)

HFCL is one of the leading manufacturers of Optical Fibre Cables (OFC) in India. It manufactures high quality OFC that form a critical part of telecommunication networks. The Company has been the service provider for both private and public sector units (PSUs) in laying OFC Networks across India. It supplies OFC to almost all major telecom service providers in India and also exports to more than 30 countries.

There has been a steady increase in demand for optical fibre cables on the back of rising demand for high-speed internet and large-scale expansion in FTTH (Fibre-to-the-Home) worldwide. To tap this opportunity, HFCL has been expanding its manufacturing capacity and also further modernizing its facilities in Goa and Chennai (Tamil Nadu). The Company has already enhanced its FTTH cables capacity by 30%, installed new capacity of 3.5 mn fkm for loose tube cables and is in the process of expanding its overall optical fibre cable capacity from 23.95 mn fkm to 34.75 mn fkm in phased manner to increase the competitive edge and reduce cost component. In this process, 60,000 Sq. Ft. covered area is built in Hyderabad manufacturing Plant to support OFC Manufacturing. In Hyderabad Plant, OFC blowing facility as per International standards is set up to test cable jetting performance with respect to user defined criteria. A world class testing facility to test optical and mechanical parameters for OFC products is set up in Hyderabad. During FY22, quality certifications viz. ISO 9001:2015 – QMS, ISO 14001:2015 – EMS and ISO 45001:2018 – OHSMS were received.

A complete range of Next Generation Micro Cables have been developed to cater Access Networks, and FTTx Networks by utilizing existing as well as new duct systems through maximizing Optical Fibre density network.

The NPD Team in OFC Division is developing complete range of easy peel flexible cables for access & transport networks enabling mid-span access, indoor/outdoor distribution, indoor riser installations and last mile connectivity. The Team is also developing solutions for Datacentres, 5G & 6G networks aggressively.

In January 2022, the test labs at Goa facility, gained accreditation by the National Accreditation Board for Testing and Calibration Laboratories (NABL). The lab is technically competent to perform quality, reliability and performance testing of Optical Fibres, and Optical Fibre Cables, in line with the requirements of ISO IEC 17025 2017 which is one of the best global practises for product qualification laboratories.

HFCL's Goa facility also adopted and gained certification for ISO/IEC 27001:2013 as extended by ISO/IEC 27701:2019 for Privacy Information Management System. This Management system allows an organisation to demonstrate effective privacy data management.

Optical Fibre

HFCL is expanding its manufacturing capacity of Optical Fibre, a vital raw material, to 22 million fibre kilometers per annum from 8 mn fkm pa in a phased manner. The capacity is expected to be commissioned in Q3 FY24. In FY22, HFCL takes up the brownfield capacity expansion project for Optical Fibre facility at Hyderabad, increasing its capacity to 10 mn fkm from current 8 mn fkm. The supply constraint of optical fibre, a key raw material for OFC, becomes a growth bottleneck for OFC manufacturers. Having rightly sensed the opportunities, the Company decided to expand its optical fibre manufacturing capacity with a view to reduce its dependence on external sourcing for this key raw material and consequent increase of operating margins.

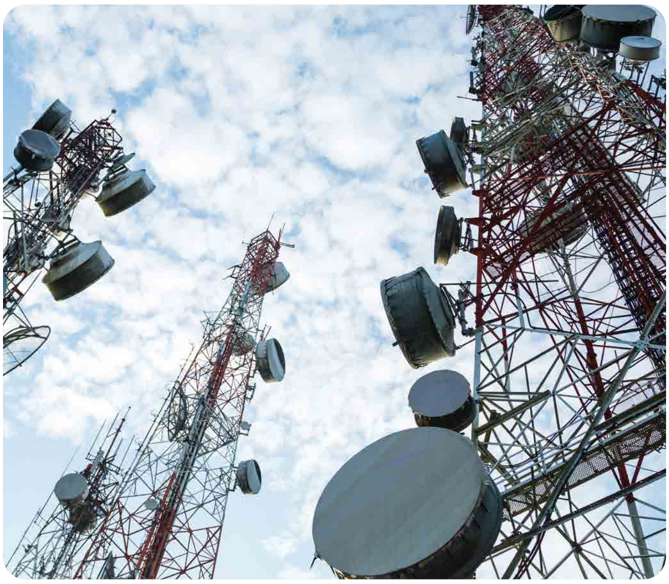
Currently, the Company produces almost half of the requirement of fibre itself, while half is imported. During the year, there was a significant rise in prices of fibre that saw some stabilisation by the last quarter. With the increase in capacity, the dependency of Company on imports/Indian suppliers would also significantly reduce and make it more Aatmanirbhar. With the roll out of 5G network, BharatNet and expansion in FTTH, worldwide demand of optical fibre is going to increase significantly.

The Hyderabad plant is a state-of-the-art facility equipped with the latest technology and machinery and can produce G652 D

and other bend insensitive variants like G657 A1/A2. HFCL Optical Fibre Unit has adopted and got certification for ISO 27001:2013/ ISO 20000-1:2018 in the FY22 which certifies the organization for their management system pertaining to Information Security and Information Technology services respectively.

HFCL Optical Fibre Unit also received ISO 14001:2015 & ISO 45001:2018 for Environmental Management System & Occupational Health & Safety Management System in the FY22.

HFCL Optical fibre product portfolio is further augmented with addition of FLEXI BEND PLUS MICRO (ITU-T G657 A2-200) bend insensitive and low diameter fibre which strengthens HFCL product offerings catering to growing needs of micro cables in the market. Besides this, existing products field performance levels are further augmented through product re-design and process engineering efforts. The plant team has demonstrated new benchmarks in process efficiency and product quality.



Telecom Networks and Turnkey Solutions

With a significant focus of the Government towards enhancing communication networks across the Country including connected homes, railways, infrastructure and defence, there is a huge demand being generated for Company's communication business.

The Company is changing its revenue mix with more focus on products than lesser value system integration projects to improve the overall value proposition. From 27% products and 73% EPC projects in FY21, the Company has moved towards 43% products and 57% EPC projects in FY22. By the end of FY23, the Company is looking at 55% coming from products and 45% from EPC projects.

Some of the Government projects such as BharatNet, Network for Spectrum and overhaul of Indian Railways signalling and communication systems are key demand generators. HFCL is a key contributor to the Government of India's flagship BharatNet programme. Meanwhile, the expanding FTTH demand and focus of industries towards automation and digitisation are seen as growth enablers with improved margins.

During the year, the Company completed the laying of optical fibre cable in Jharkhand under BharatNet Project, making it the first state in the country to provide connectivity to all the gram panchayats under the state-led model. A total of 7,765 kilometers of cable network has been laid down to connect 1,789 gram panchayats through the GPON network.

For the next three years, the total requirement for the optical fibre cable is looked at more than 15 lakh kilometers under the BharatNet programme. Moreover, from connecting gram panchayats to now connecting villages over OFC to give broadband connectivity, the business opportunities have further expanded for HFCL.

Under the public telecommunication segment, HFCL is a key partner for Reliance Jio in North India for rolling out of backbone and backhaul OFC and FTTH network. It is also implementing multiple hybrid projects for BharatNet Phase II OFC network. The total order book stands at around ₹ 1,296 crore as on March 31, 2022. The public telecommunication sector makes up to 72% of the total revenue of the Company in FY22.

The indigenous demand for 4G network expansion, 5G network, BharatNet network expansions and expansion of Fibre-to-the-Home (FTTH) network worldwide including that in India are some of the key growth enablers for the Company. The Company along with total installed FTTH capacity at Hyderabad of 6.9 Lakhs cable km/pa which is the largest in the Country, is developing products and solutions in 4G RAN/5G RAN and Transport network (Routers). The Company also has a very vast and robust portfolio of Access Network products including Wi-Fi, Radio Backhauling (Unlicensed Band Radios), L2/L3 Network Switches. On the export side, HFCL is expanding its reach for Wi-Fi and UBR offerings to suits export markets.

Public Communication Product Business – Wi-Fi, UBR, Switches and xPON

HFCL launched its first in-house designed, developed and manufactured Wi-Fi and Unlicensed Band Radio product range in 2019. In the very first year of the commercial shipments, the Company witnessed huge success.

The quality, performance and optimized cost helped the Company to compete with global incumbents and grab a large market share in the home turf. In FY21, the Company shipped over 150K units of Wi-Fi and UBR products to select large customers in India.

On back of this strong market response, HFCL intensified its R&D efforts and continuously invested in innovations with the primary aim to make latest technology affordable by masses. In the second year of commercial operation, sale was impacted by the shortage of semi-conductor globally that made availability of active chipsets a big challenge to manufacture the products. Despite the challenge, HFCL managed to ship more than 250K units in FY22, and saw a significant increase in interest in the products and technology by the customers.

With the vision of New Products, New Customers and New Geographies, HFCL has made investment in R&D of new products mainly L2 switches, enhanced Wi-Fi 6 Access points and improved efficiency point-to-point and point-to-multi point radios. The Company also developed channel partners to increase sales and to reach out to new customers. The customer count has increased to over 50. The Company is already shipping to over 10 countries other than India.

The sales of the Company also focused on new geographies, especially Africa as a focused potential market. HFCL became the first company to deploy model PM-WANI villages to showcase affordable end-to-end connectivity solutions. The Company also became the first Indian company to offer TIP OpenWiFi based solutions. With this success and solution offering diversity, Meta (Facebook) recognized HFCL's value in technology development and has been promoting it globally as a promising Wi-Fi brand.

The L2 switch customer bases has increased and the Company recently entered into contract with Indian Defence forces for supply of a large number of switches.

HFCL is focused on new innovations and are currently working on ultra-high capacity Point to Point and Point to Multi Point Radios going up to 8 Gbps, future generation Wi-Fi 7 products, delivering in excess of 10 Gbps capacity, xPON products to cater to FTTH market, and a new generation of 48 port L2 switches.

Year-wise highlights Public Communication Product Business:

Financial Year	Unit Shipment (Wi-Fi, UBR, Switch products)	Highlights
2020-21	150K+	• Launched Wi-Fi 6 product line under HFCL IO brand • Focused mainly on large telcos, only in India • Product line limited to six product models under Wi-Fi and 2 models under UBR category
2021-22	250K+	• Started shipping new generation Wi-Fi 6 products • Launched more variants in UBR product line to cater to a larger customer segment • Increased customer based in India and also started shipping to Africa • Brought out a full end-to-end connectivity solution for rural markets • Started shipping PoE and non-PoE L2 switches to customers • Product line expanded to eighteen product models under Wi-Fi and 6 models under UBR category
2022-23	70K+ in first 4 months	• Working on ultra-high capacity Wi-Fi and UBR models • Working on Wi-Fi 7 based next generation standard • Getting into home market with our latest Home Mesh Router product line • Signed up large distribution contracts across Europe, Middle East and Africa • Shipping to more than 10 countries other than India • Plan to introduce passive optical network equipment manufacturing this year

5G Business Unit

HFCL's 5G Business caters to the needs of Communication Service Providers, Enterprises and Industry verticals both in India and for global markets. The primary focus of the 5G Business is on:

- Products
- Global System Integration Services
- Innovation

The below table summarizes cumulative market size for each segment:

Market Segment	Portfolio under Development	Impact/Opportunity Landscape	Cumulative Market Size (FY21-25)
5G RAN (Radio Access Network)	• 5G 8T8R RU (Radio Unit) • 5G 2T2R/4T4R Indoor Small Cell for FR1 • (Sub 6 GHz) and FR2 (Millimeter Wave) • 5G 2T2R/4T4R Outdoor Small Cell for FR1 and FR2 • FWA CPE (Indoor and Outdoor for FR1 & FR2)	Compliant to 3GPP Release 16 and based on open standards like O-RAN (Open RAN). CSPs embracing ORAN to unlock innovation, for rapid roll out of innovative 5G services and for 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 fibre-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.	USD 48.3 billion
5G Transport	• Cell Site Router • DU (Distributed Unit) Aggregation Routers • CU (Centralized Unit) Aggregation Routers	Modernization requirement for transformation of transport network for 5G.	USD 16.4 billion
Global System Integration (SI) Services	• Product Attached Services • 5G Experience Center and Test Lab Services • ORAN Integration Services • Private 5G Networks • 5G autonomous operations enabled by Data, Analytics and AI	5G ORAN space has multiple vendors and CSPs want SI services to certify interoperability & deliver end-to-end public/private 5G networks. Enterprises and industry verticals seek E2E services to realize automated operations with 5G enabled use-cases powered by Data, Analytics and AI.	USD 65.4 billion

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 are compliant to 3GPP Release 16 to address global market needs. Secure by design, enabling autonomous operations and providing enhanced customer experience are key 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 enables network operators to continue monetizing their current 4G LTE networks while ramping up 5G services.

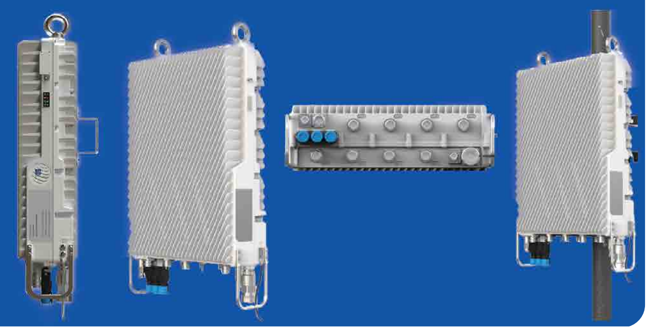
The 5G RAN portfolio includes below products with more in the pipeline:

- **Macro RU (8T8R)** is Open RAN based disaggregated 5G Radio Unit compliant to 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** to address broadband requirements in rural, suburban and dense urban areas.

5G Transport Products: The transport network needs modernization 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 to help operators with their transformation of transport network. They are based on merchant silicon, network dis-aggregation and on open standards like TIP (Telecom Infra Project) and OCP (Open Compute Project). The 5G Transport portfolio includes the following products:

- **Cell Site Routers/Access Routers** aggregate traffic from radio BBUs and then backhaul it over an aggregation network to the CSP's core network.
- **DU (Distributed Unit) 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 Center.
- **CU (Centralized Unit) Aggregation Routers** aggregate traffic from multiple CUs and then backhaul it over an aggregation network to the operator's core location.

5G Macro 8T8R RU – Radio Product



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. The Company will provide a focused set of Digital Engineering Services at the convergence of network and IT.

These Digital Engineering Services include:

- **Product Attached Services:** End to End Solution Provider for 5G networks by integration of HFCL Products with products from eco-system partners and managed through a common management and orchestration platform.
- **5G Experience Center and Test Lab Services:** Provide 5G lab ecosystem through dedicated experience center for testing multi-vendor/multi-device ORAN deployment, interoperability and IoT device & application testing.
- **ORAN Integration Services:** End-to-end ORAN integration solution provider for both HFCL and 3P products across network design and planning, installation, integration & commissioning and optimization, heavily leveraging software enabled automation.
- **5G Private Networks:** Focus is on select industry verticals where HFCL has significant domain knowledge that include Manufacturing, defence, Railways, Smart City, and Security & Surveillance. HFCL is investing in building solutions and capabilities as a managed service provider for 5G Private Networks. In addition, HFCL will build industry solutions for 5G use cases that can be delivered in an As-a-Service model.
- **5G autonomous operations enabled by Data, Analytics and AI:** Realization of 5G Use cases for autonomous operations to improve customer care experience, improve service experience and improve overall customer experience through a consistent Omni-channel experience.

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 fronthaul, beamforming, Near-Real-Time RAN Intelligent Controller (RIC), Service Management & Orchestration (SMO) and end-to-end test specifications. HFCL will also focus on integration and validation of its 5G products and solutions at plugfests with other O-RAN ALLIANCE members and contributors.

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

Railway Communication & Signalling

Under the railway communication segment, HFCL is implementing telecom networks for seven greenfield dedicated freight corridor projects for Indian Railways. The Company is leveraging its portfolio to develop next gen telecom products and technology solutions towards modernisation of telecommunication systems of metros and mainline railways.

The Company is also enhancing value proposition for the railway sector through collaboration and co-development opportunities both within Indian and abroad. It is integrating communication network for Kanpur-Agra, Mauritius and Dhaka Metro rail projects, in addition to, implementing video management systems at ~600 railway stations. The current order book of the segment stands at ~ ₹ 399 crore. The Company with its vast experience of system integration is eyeing large addressable opportunities for next 3 years, for upcoming green field and expansion of metro projects all across India and selected foreign countries wherein Company has its infrastructure in place to address those opportunities.

Defence

The Company is engaged into defence communication and defence electronics business. On the defence communication segment side, the Company has seen great progress with large projects from the Indian armed forces. The Company is building dedicated standalone optical MPLS (Multi-Protocol Label Switching) based network, end-to-end solution for multiple hybrid microwave broadband radio links in remote areas, exclusive and dedicated nationwide DWDM based optical transmission backbone network and integrating fibre network overlay with GIS maps, satellite images and commercial land based data for Indian armed forces with a contract value of ₹8,098 Crores. Overall, unexecuted order book stands at ~ ₹ 2,547 crore. In the defence electronics business, the Company has already developed products such as Electro Optical Devices, Electronic Fuses, High Capacity Radio Relay and VMS & Video Analytics, the revenue from which is expected to come from FY24 onwards.

Financial Review (Consolidated)

Revenue from Operations: The net sales during FY22 stood at ₹ 4,727.11 Crores as compared to ₹ 4,422.96 Crores in FY21 representing an increase by 7% year on year. The net revenue from the Turnkey Contracts and Services decreased to ₹ 2,671.74 Crores in FY22 from ₹ 3,217.50 Crores in the previous year contributing 57% of total consolidated revenue in FY22. The net sales from Telecom Products increased to ₹ 2,055.16 Crores in FY22 from ₹ 1,205.46 Crores in the previous year contributing 43% of total consolidated revenue in FY22.

Operating Expenses: The total operating expenses for FY22 stood at ₹ 4,077.04 Crores as against ₹ 3,873.38 Crores in FY21.

EBITDA: During FY22, EBITDA stood at ₹ 692.98 Crores as against ₹ 584.34 Crores in FY21.

Net Profit: Net Profit in FY22 stood at ₹ 325.87 Crores as against ₹ 246.24 Crores recorded in FY21. The Net Profit margin for the year under review increased to 6.89% from 5.57% in FY21. The Earnings Per Share for FY22 stood at ₹ 2.38 per share as against ₹ 1.87 in the previous year.

Dividend: The Board of Directors of the Company has recommended a final dividend @18% i.e. ₹ 0.18 (Eighteen Paisa) per equity share of ₹ 1/- each for FY22 subject to the approval of Shareholders of the Company at the ensuing Annual General Meeting of the Company.

Net Worth: The Net Worth of the Company increased to ₹ 2,818.37 Crores from ₹ 1,923.47 Crores in the previous year.

Gross Debt: The total Debt in FY22 stood at ₹ 729.78 Crores as against ₹ 919.62 Crores in FY21.

Order Book: The Company has a healthy consolidated order book of more than ₹ 5,300 Crores as on March 31, 2022, thereby providing clear visibility of earnings for the coming years. The order book comprises high margin O&M contract orders worth ₹ 1,432 Crores.

Capital Structure

Authorized Share Capital:

As on March 31, 2022, the Authorized Share Capital of the Company stood at ₹ 760 Crores (Rupees Seven Hundred Sixty Crores only) divided into 510 Crores (Rupees 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, 2022, the Paid-up Equity Share Capital of the Company stood at ₹ 137.66 Crores comprising of 1,37,65,84,221 equity shares of face value of ₹ 1/- each.

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

In order to meet funding requirements for capital expenditure for capacity expansion of optic fibre and optic fibre cables ("OFC Expansion") by the Company or through its subsidiaries; 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, the Board of Directors of the Company at its meeting held on September 03, 2021 which was also approved by the Shareholders of the Company at its Annual General Meeting held on September 30, 2021, decided to raise funds up to ₹ 750 crores by way of issue of Equity Shares, through a Qualified Institutions Placement ("QIP"), in accordance with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Act and the rules made thereunder.

Further, the Company had allotted 8,72,72,727 equity shares through QIP at an issue price of ₹ 68.75/- per equity share (including a premium of ₹ 67.75/- per equity share) aggregating to ₹ 600 crores on December 10, 2021. Details of utilization of QIP proceeds are given in Corporate Governance Report which forms part of the Board's Report.

Pursuant to the said allotments, the paid-up equity share capital of the Company increased from ₹1,28,43,77,194/- divided into 1,28,43,77,194 shares of ₹1/- each, as on April 01, 2021 to ₹137,65,84,221/- divided into 137,65,84,221 equity shares of ₹1/- each, as at March 31, 2022.

Further, the 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 w.e.f August 13, 2021).

Pursuant to aforesaid allotment, the paid up equity share capital of the Company stands at ₹137,77,58,321 divided into 137,77,58,321 equity shares of ₹1/- each as on date.

There are no convertible warrants in the Company as on March 31, 2022.

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

Key Financial Ratios

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

Sr. No.	Financial Ratios	FY22	FY21	Reason for variations more than 25% during FY22
1	Debtors Turnover	1.70	1.85	-
2	Inventory Turnover	6.94	8.74	-
3	Interest Coverage	3.70	2.95	Due to lower interest on account of repayment of debts and increase in profitability
4	Current	1.75	1.39	Increase in Bank deposits and payments of borrowings
5	Debt Equity	0.26	0.48	Re-payment of borrowings and increase in Networth on account of profits and QIP proceeds
6	Operating Profit Margin (%)	14.66%	13.21%	-
7	Net Profit Margin (%)	6.89%	5.57%	-
8	Return on Net Worth	13.74%	13.71%	Due to higher profits during the year.

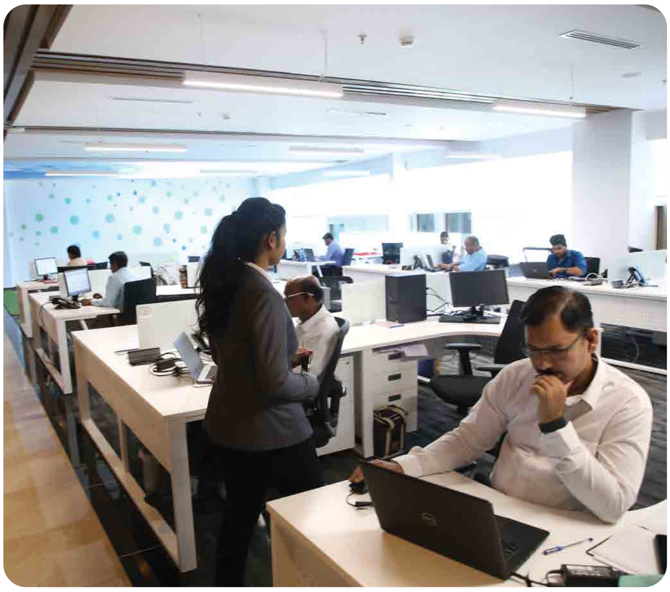
Business Outlook

HFCL is marching ahead with determination and commitment on the path of sustainable and profitable growth fuelled by continued expansion of capacities, creation of new capacities, innovative product offerings, backward and forward integration, increased customer base and expanding global footprint. Other factors backing the Company's growth include increasing need for high speed and secure communication network worldwide.

The Company continues to transform into a technology-driven enterprise that innovates, develops and produces products and solutions for India and world across segments such as telecommunication, defence and railways. The Company is changing its revenue mix to focus more on products and making significant investments into the marketing and product placement into the market. In the coming years, HFCL wants to position itself as one of the leading OFC manufacturer in the world with products and solutions as per the global standards.

The Company is further strengthening its inherent capabilities to cater to any communication and network related requirements in the world at the most competitive pricing. The expansion of capacities would enable it to reduce its dependence on imports and tap the opportunities opening with world looking beyond China.

Some of the key levers that would propel HFCL's growth and take the Company to greater heights of performance and profitability include opportunities in worldwide rising demand of OFC along with FTTH adoption, 5G deployment, 4G expansion, BharatNet project and exports. While the Government of India's thrust on indigenous procurement of telecom and defence equipment, continued network expansion and upgrade by telecos and policy support for design led manufacturing for telecom equipment under the PLI scheme and PM's vision to connect all gram panchayats and villages through OFC to provide affordable broadband connectivity remain integral to HFCL's transformation and growth strategy.



Human Resource

The most important differentiator in any company's long-term success and value generation is an engaged, empowered, and competent human capital. HFCL is strengthening its workforce's agility through a well planned people strategy, consisting of onboarding world class talent from across the globe, developing in-house talent, re-skilling talent where needed and retaining the highest performing talent within the Company through an attractive employee value proposition. The EVP consists of best-in-class environment, bouquet of employee engagement initiatives, career development, and competitive compensation and benefits package.

Recruitment and on boarding: In FY22, HFCL recruited 710 new on-roll employees to meet the needs of the business. This included several leadership and technical expert talent from across the globe with highly relevant global experience. To align with New Products, New Customers and New Geographies strategy, the Company onboarded technical, sales and business development talent in USA, UK, Germany and Kenya. These employees will be leading HFCL's global expansion plans. Amongst the new hires was also a batch of 23 campus recruits from reputed management and engineering schools to shore up the talent base. The Company also recruited highly skilled technical talent in its newly created 5G and Wi-Fi Centre of Excellence in Bengaluru.

HFCL also built new teams in sales and distribution to address business growth strategy in areas of Communication and 5G businesses. New additions were also made to teams for manufacturing new products in OFC, Accessories and Communication businesses. The Company has employed a total of 3,428 employees (On-Rolls/Off-Rolls) including 148 female employees with 22 off roll women employees as on March 31, 2022.

Employee Development: HFCL is transforming itself into a highly innovative organization with technical and domain capabilities to offer products and services based on the most advanced technology platforms in its areas of business. For this, the Company launched a comprehensive learning and development strategy consisting of on-the-job, class room, online and blended learning programs. These programs address the build out of Leadership, Technical, Process and Behavioural competencies as per the need of the various roles within the organization. Some of the flagship programs that the Company launched were an intense 5G upskilling program focusing on 5G Radio & Transport products, 5G use cases, Wi-Fi 6, Microwave and Antenna Systems, IPMPLS technology domain, Cloud Computing and AWS Solution Architecting, Open Stack, SDN and SDWAN. Also, in line with current trends, the Company did several programs on Data Analytics for various functions and also hosted programs for the customer teams on HFCL Wi-Fi Products. For the Manufacturing teams, programs on Lean 6 Sigma, Manufacturing Excellence and variety of programs on OFC manufacturing, Quality and testing methodologies were organized.

HFCL also launched a new Leadership Development curriculum and organized development programs for First-Time/Middle Managers and Senior Managers in the manufacturing locations of Goa, Hyderabad and Chennai. The Company also nominated several of the high-potential managers and employees to learning programs conducted by reputed management schools on topics such as Digital Transformation, Strategic leadership, Product Management through IIMs and ISB.

In addition, the Company launched several learning enabling mechanisms such as Week-end learning bytes, SAMEEKSHA – a re-cap of learning events, Internal SME recognition. HFCL also completely digitized the Learning and development process using Cloud based HCM software and promoted online learning modules through Udemy learning platform.

Some key statistics for the learning initiatives were:

1. 4,200 training effort-days conducted across 82 programs covering 1,560 unique employees (3,667 training seats) in instructor-led training programs;
2. 9,000 hours of training on UDEMY and Online learning platforms;
3. 72% of the overall training efforts were on technical domain

HFCL CARES: Global COVID-19 pandemic has been one of the most challenging times with major impact being felt in the Delhi-NCR regions. The HR and Admin teams worked hand-in-hand to put together a complete support infrastructure for all the employees and their immediate family members. This involved 24*7 availability of a HFCL task team coordinating doctors' call, medicines, ambulances, hospital beds, oxygen cylinders and enabling patient care at home. As part of the COVID-19 pandemic support, the Company also sponsored the first and second dose of the COVID-19 vaccines to all the employees and 4 dependent members of the family. Treating employees and their family members as part of 'One-HFCL' family, the Company undertook steps to support the family members of employees who unfortunately succumbed to the infection by providing either a job for an immediate family member or two full year's salary to the next of kin and medical insurance for five years. The Company also took additional medical insurance policies for all the off-roll employees to take care of COVID-related medical expenses.

All these efforts culminated into the launch of HFCL Cares – an initiative to care for employees' physical and mental wellbeing and enabling them to handle the stress created out of the pandemic. Through this initiative, the Company organized several employee assistance program (EAP) initiatives through certified psychologists, physical health experts. In order to create a family bonding to support each other, My Message – an online initiative was launched.

Employee Engagement: An engaged workforce leads to business success! True to this adage, HFCL invested in several employee engagement initiatives to promote a culture of ownership and passion towards the organization. The recognition programs - Ace Alliance and Pinnacle Performer Awards recognize the employees for achieving business success and contributing to the Company objectives. The Managing Director and the rest of leadership team connected with several employee groups through Coffee Connects to share business and functional updates and get to know our employees better. The Managing Director also connected with the employees through quarterly Town Halls and wrote to the employees every month in MD's newsletter on major organization updates and plans. In order to build a vibrant environment and promote a sense of belonging, the Company also organized several initiatives beyond work such as HFCL Sports Fiesta, Fun Fridays and celebrated all major festivals and employee birthdays.

Diversity, Equity & Inclusion (DEI): As a progressive organization and as one of the core values, the Company values Diversity and Inclusion at workplace. The DEI policy aims to create an equitable and inclusive environment and accordingly, all the HR processes are geared towards the same. Various initiatives were taken in this regard – starting with educating and making the employee base aware of POSH, celebrating events like International Women's Day with theme-based workshops and panel discussions with internal and external women leaders and ensuring the recruitment process targets to increase the gender diversity ratio. In order to enable women employees to take on roles of higher responsibility, the Company started Future Women Leaders (FWL) program targeted at high potential women employees in managerial levels. This 9-month practical and action projects led program will continue to be the core program aimed at building women leaders in telecommunication industry.

SPARK Program: Spark Program's primary aim is to encourage and develop the talent at career entry point. The Company is currently in the 5th year of this program which onboards talented young employees from reputed management and engineering schools across the country and this year, the Company inducted 23 campus graduates. HFCL is investing heavily in skilling them and giving them challenging roles to provide a 360-degree development environment. They also undergo rotations to various plants and functions. Mentoring by the leadership and senior managers is also provided.

HR Digitization: Being in an advanced technology business, HFCL is continuously striving to digitize all the internal processes and as part of the company-wide Digi Force initiative, the Company also launched HiFi – a cloud based HCM solution for all the HR processes. This was particularly helpful during the COVID pandemic as the Company could continue in a seamless manner on several HR processes as HiFi provides an anytime-anywhere mobile and web access to employees.

Corporate Social Responsibility

HFCL's social initiatives empower communities to create a more inclusive society. The Company's two pronged CSR approach addresses primary healthcare and education needs of the unserved and underserved sections of the society. Through rural and community development initiatives, the Company has touched lives of over 800,000 beneficiaries across India. Under our preventive and curative healthcare, HFCL also provides financial support for critical illness and old age care.

As a responsible corporate citizen, HFCL was quick to respond to the needs of the society during the COVID-19 pandemic. The Company formed teams, as early as March 2020, to work diligently towards providing medical aid, food and oxygen to the vulnerable and needy people. From doorstep medical support to survival kits, the Company met every emergency call to fight this humanitarian crisis.

During the year under review, the Company has spent an amount of ₹ 6.21 Crores towards its various CSR activities. 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.

Research and Development (R&D)

HFCL continues to focus on developing and designing new generation telecom and defence products via its own R&D and IPRs. The Company has state-of-the-art R&D centres located at Gurugram, Haryana and Bengaluru, Karnataka. In June 2021, the Company inaugurated a new R&D center in Bengaluru, dedicated solely for the development of 5G and Wi-Fi products.

The Company spent approximately ₹ 125 crore on R&D in last few years, which is estimated to rise to ₹ 150 crore in FY23. During FY22, R&D spent has been made into expanding the team, improving product lines and design development of products. The Company added 186 R&D experts during FY22. HFCL's R&D strength lies in its strong in-house R&D team, partnership with renowned players and start-ups, and product pipeline.

In-house R&D team*

Specialisation	No. of people
Communication	67
5G Technologies	52
Defence and Other Technologies	50
Optical Fibre Cable	17
Total	**186**

*Numbers as on March 31, 2022.

From R&D standpoint, development of Wi-Fi -7 enabled access points and point to point and point to multi-point backhaul radios are in advanced stage. These products will be compatible to 5G networks in terms of their throughput capacity. Development of 5G radio and transport products are also progressing well and these products will result in Company's innovations to reach the global markets. The focus areas of innovation in 5G include RF Front End, Antenna design, hybrid beamforming, autonomous operations of 5G networks, cloud native architecture, edge computing, security, energy efficiency, integration of licensed and unlicensed radio (3GPP and Wi-Fi), usability and enhanced user experience.

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

A new initiative has also been undertaken to produce new types of optical fibre cables for the export markets.

R&D/Development Partners

Company	Partnership
Wipro	Partnership for 5G Transport Product Development.
O-RAN Alliance	To accelerate open innovation in 5G.
CommAgility	Key technology partner who shall provide its SG new radio (NR) software which will be used in 5G indoor small cells.
Aprecomm	Powering HFCL's network offerings with Artificial Intelligence (AI) based Analytics.
BigCat Wireless	Partner for Software Defined Radios.
Nivetti Systems	R&D partner for Switches.
VVDN Technologies	Design partner for Macro Radio, Wifi Access points, UBRs, Cloud management systems, Element management systems.
Metanoia, NXP, IP Infusion and Capgemini Engineering	Partners with each company separately for 5G Small Cells.

Products under Development

Telecom	Defence
5G RAN products	Ground Surveillance Radars
Wi-Fi 7 access points	Software Defined Radios
Cell Site Routers	Uncooled Engine Core
DU/CU Aggregation Routers	
Home Mesh Router	
Passive optical network (PON) products	
Small Cell for 5G	
Point to Multipoint Unlicensed band radio	

RISK MANAGEMENT

HFCL's Risk Management Policy lays down guidelines to define, measure, report, control and mitigate the identified risks, the structure for managing risks inherent in any business operations of the company and address the key strategic/business risks and operational risks. While HFCL's business risks are similar to those of the peers in varied business domains, the Company is well placed and continuously monitor the internal and external environment and take concrete measures to mitigate the risks. While there appear to be no major risks that might hamper Company's performance, HFCL continues to stay prepared to tackle some operating risks that might pose business challenges, as and when they surface.

HFCL has a detailed risk management framework in place and its risk management function is overseen by a Risk Management Committee. The Committee reviews the Risk Management Plan and ensures its effectiveness. Major risks identified by the businesses and functions are systematically addressed through mitigating actions. The Risk Management Committee is responsible for the framing of Risk Management Policy, monitoring the Risk Management Plan and Policy, validating its process, reviewing and evaluating the Risk Management Policy and performing such other functions as may be necessary. The Audit Committee has additional oversight in the area of financial risks and controls. A few inherent risks associated with the Company are discussed herein.

Risks	Mitigation Measures	Effect of Mitigated Risk
Economic Risk – The economic risks such as the slowdown in the economy or industry may have an impact on the fundamentals of the Company.	HFCL has expanded its business domain beyond telecom to defence, railways, and smart city segments.	This expansion with healthy order book and the healthy balance sheet shields the Company from any slowdown in a sector.
Competition Risk – HFCL has many competitors, which will be competing for the potential business opportunities available to us. This might decrease the chances of winning orders.	HFCL stands out as a total solution provider with a proven track record among its customers.	It has successfully implemented turnkey projects which help in getting repeat as well as new projects from the same and new customers.
Risk of Delay in completion of Order – There might be a delay in the completion of orders due to various reasons resulting in the imposition of penalties on the Company	HFCL has strong operational policies with a talented pool of professionals, who can deliver the projects in scheduled/ extended time.	HFCL has undertaken various large scale, end to end projects with strong Project Management Frameworks which are supported by digital tools and applications which will help HFCL to away from levying any penalties.
Foreign Exchange Risk – HFCL deals in imports and exports of raw materials and goods, which are susceptible to currency fluctuations leading to forex losses.	HFCL deploys professional consultants to monitor the currency fluctuations and help it take timely measures like forwarding contracts and hedging.	Due to Company's proactive steps, the impact of foreign exchange fluctuations has been minimal.
Technology Risk – There is continuous upgradation in the technology which may lead to some of HFCL's technology becoming obsolete	HFCL deals with a lot of innovation and makes relentless efforts to upgrade the technology to stay ahead in the market.	Centre for Excellence in Research along with invested R&D houses and collaborators at different locations in India and abroad are working on development of new age technologies.
Government Policy Risk – HFCL deals with several Government projects and any change in policies might impact the business adversely.	The incumbent Government's pro-reform policies are in favour of the industry which promotes ease of doing business.	The incumbent Government's pro-reform policies have impacted the business of the Company positively.

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

Internal Control Systems & their Adequacy

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

The internal control system ensures the protection of all Company's assets from loss or any unauthorized use. The internal control system has been designed to ensure that financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

The internal control systems are further supplemented by the internal audit carried out by M/s Anil Aggarwal & Co., Chartered Accountants, having their office at 501, Surya Kiran Building, K. G. Marg, Connaught Place, New Delhi – 110001. Extensive audits are undertaken by the internal auditors throughout the year at all locations and across all functional areas and they submit their reports to the Audit Committee of the Board of Directors. The Audit Committee monitors the internal audit system at regular intervals and directs necessary steps to further improve the Internal Control System.

Since the beginning of the financial year, HFCL has undertaken the activity of business process re-engineering by mapping 'As – Is Process' for the digitalization under the digi-Force Projects. It has mapped all the process to drive standardization with other units and identify scope for digitalization which will help in improving the internal control, efficiency of its process, consistency, and quality.

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 the Company's internal financial controls were adequate and effective during FY22.

Cautionary Statement

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

Directors' Report

Dear Members,

Your Board of Directors has pleasure in presenting the 35th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the financial year ended March 31, 2022.

Financial Highlights

Your Company's financial performance (standalone and consolidated) for the financial year ended March 31, 2022 is summarized below:

₹ in crore

Particulars	Standalone		Consolidated	
	2021-22	**2020-21**	**2021-22**	**2020-21**
Revenue from Operations (Net)	4,286.44	4,105.87	4,727.11	4,422.96
Other Income	43.83	33.22	42.91	34.76
Total Income	**4,330.27**	**4,139.09**	**4,770.02**	**4,457.72**
Operating Expenses	3,526.83	3,450.75	3,809.30	3,656.77
Other Expenditure	231.84	186.51	267.74	216.61
Depreciation and Amortization expenses	57.30	53.59	78.25	68.63
Total Expenses	**3,815.97**	**3,690.85**	**4,155.29**	**3,942.01**
Profit before Finance Cost and Tax	**514.30**	**448.24**	**614.73**	**515.71**
Finance Cost	132.64	148.24	166.40	174.72
Share of net profits of joint ventures accounted for using equity method	-	-	0.16	-
Exceptional Items	-	4.13	6.37	4.13
Profit before Tax (PBT)	**381.66**	**295.87**	**442.12**	**336.86**
Tax Expense Net of MAT Credit Entitlement	98.89	73.01	116.25	90.62
Profit after Tax (PAT)	**282.77**	**222.86**	**325.87**	**246.24**
Attributable to:				
Shareholders of the Company	-	-	313.12	239.00
Non-Controlling Interests	-	-	12.75	7.24
Opening Balance of Retained Earnings	1,160.24	1,062.12	1,196.28	1,082.00
Total Comprehensive Income for the year	282.77	222.87	313.12	239.00
Transfer to Retained Earnings (out of DRR)	7.86	(124.75)	7.87	(124.72)
Amount available for appropriation	**1,450.87**	**1,160.24**	**1,517.27**	**1,196.28**
Appropriations:				
Dividend on Equity Shares (Previous Year)	(19.34)	-	(19.34)	-
Closing Balance of Retained Earnings	**1,431.53**	**1,160.24**	**1,497.93**	**1,196.28**

During the FY22, total Consolidated Income of your Company is ₹ 4,770.02 Crores as compared to ₹ 4,457.72 Crores during the previous year, showing an increase of 7.00%.

Your Company has achieved Consolidated EBIDTA of ₹ 692.98 Crores in FY22 from ₹ 584.34 Crores in the previous year, recording a growth of 18.59%. Profitability, i.e., Consolidated PBT has increased by 31.25% to ₹ 442.12 Crores in FY21 from ₹ 336.86 Crores during the previous year.

In FY22, your Company has a Consolidated PAT of ₹ 325.87 Crores from ₹ 246.24 Crores in the previous year, recording a growth of 32.34%.

Net Worth

The net worth of your Company has increased during the year under review to ₹ 2,728.36 Crores from ₹ 1,876.50 Crores in the previous year.

Gross Debt

The consolidated Debt in FY22 stood at ₹ 729.78 Crores as against ₹ 919.62 Crores in FY21.

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 FY22, 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 FY22, under Retained Earnings and has not transferred any amount to the General Reserves, during the year under review.

Dividend

In the wake of COVID-19 pandemic, each of the business sectors in the economy has been affected, however despite this, your Board of Directors, at its meeting held on April 29, 2022, has recommended a Dividend @18% i.e., ₹ 0.18/- (Eighteen Paisa) per equity share of face value of ₹ 1/- each, aggregating to dividend pay-out of ₹ 24.80 Crores for the financial year ended March 31, 2022, 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) (Second Amendment) Regulations, 2021, top 1000 listed companies based on the market capitalization, shall formulate a Dividend Distribution Policy.

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

The Dividend Distribution Policy is available on the Company's website at **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, 2022)
2017-18	0.06	September 29, 2018	November 04, 2025	December 04, 2025	10,35,510.84
2018-19	0.10	September 28, 2019	November 03, 2026	December 03, 2026	16,37,521.40
2020-21	0.15	September 30, 2021	November 05, 2028	December 05, 2028	24,83,192.23

Details of unpaid dividend for the financial year 2017-18, 2018-19 and 2020-21, can be accessed from the website of the Company at **www.hfcl.com** and claim can be made by making request to the Company.

Details of Nodal Officer

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

Indian Accounting Standards (Ind-AS)

Financial Statements of your Company and its subsidiaries, for the financial year ended March 31, 2022, 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 FY22, your Company has not accepted any deposit within the meaning of Section 73 and 74 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

Share Capital and changes in Capital Structure

Authorized Share Capital

As on March 31, 2022, the Authorized Share Capital of your Company stood at ₹ 760 Crores (Rupees Seven Hundred Sixty Crores only) divided into 510 Crores (Five Hundred Ten Crores) equity shares of face value of ₹ 1/- (Rupee One) each, aggregating to ₹ 510 Crores (Rupees Five Hundred Ten Crores only) and 2.50 Crores (Two Crore Fifty Lakhs) Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- (Rupees Hundred) each, aggregating to ₹ 250 Crores (Rupees Two Hundred Fifty Crores only).

Paid-up Share Capital

As on March 31, 2022, the Paid-up Equity Share Capital of your Company stood at ₹ 137.66 Crores comprising of 137,65,84,221 equity shares of face value of ₹ 1/- each.

Allotment of equity shares under Employee Stock Option Plan ("ESOP") and Qualified Institutions Placement (QIP): During the reporting year, your Company, on July 15, 2021, had allotted 49,34,300 equity shares of face value of ₹ 1/- each, to HFCL Employees' Trust for implementing the benefits of HFCL Employees' Long Term Incentive Plan – 2017, in lieu of the vested Employee Stock Options (ESOPs) granted to eligible employees of the Company, pursuant to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014.

Qualified Institutions Placement: In order to meet funding requirements for capital expenditure for capacity expansion of optic fibre and optic fibre cables ("OFC Expansion") by the Company or through its subsidiaries; 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, the Board of Directors of the Company at its meeting held on September 03, 2021 which was also approved by the Shareholders of the Company at its Annual General Meeting held on September 30, 2021, decided to raise funds up to ₹ 750 crores by way of issue of Equity Shares, through a Qualified Institutions Placement ("QIP"), in accordance with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Act and the rules made thereunder.

Further, the Company had allotted 8,72,72,727 equity shares through QIP at an issue price of ₹ 68.75/- per equity share (including a premium of ₹ 67.75/- per equity share) aggregating to ₹ 600 crores on December 10, 2021.

Details of utilization of QIP proceeds are given in Corporate Governance Report which forms part of the Board's Report.

Pursuant to the said allotments, the paid-up equity share capital of the Company increased from ₹ 128,43,77,194/- divided into 128,43,77,194 shares of ₹ 1/- each, as on April 01, 2021 to ₹ 137,65,84,221/- divided into 137,65,84,221 equity shares of ₹ 1/- each, as at March 31, 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 w.e.f. August 13, 2021).

Pursuant to aforesaid allotment, the paid-up equity share capital of the Company stands at ₹ 137,77,58,321/- divided into 137,77,58,321 equity shares of ₹ 1/- each as on date.

There are no convertible warrants in the Company, as on the date of this Report.

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

Management Discussion and Analysis (MD&A) Report

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

Corporate Governance

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

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

Employees' Long Term Incentive Plan

In terms of the SEBI (Share Based Employee Benefits) Regulations, 2014 (now replaced with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 w.e.f. August 13, 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, 2022, your Company has not granted any ESOPs and RSUs in terms of the HFCL Plan 2017.

Further, the Company had allotted 49,34,300 and 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 SEBI SBEB & SE Regulations, on July 15, 2021 and June 08, 2022 respectively and the same have also been listed on the stock exchanges, viz. NSE and BSE.

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 received 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, 2022, 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 w.e.f. June 26, 2021,
8. HFCL B.V. Netherlands w.e.f. October 07, 2021
9. HFCL Inc. USA w.e.f. October 08, 2021,
10. Nimpaa Telecommunications Private Limited – Associate w.e.f. June 14, 2021 and
11. BigCat Wireless Private Limited – Associate w.e.f. November 12, 2021

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

The said policy may be accessed on the website of the Company at **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, 2022.

Directors and Key Managerial Personnel (KMPs)

Re-Appointments/Appointments

In accordance with the provisions of Section 152 of the Act and the Articles of Association of the Company, Mr. Arvind Kharabanda (DIN: 00052270), 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 35th AGM of your Company.

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

During the FY22, the Board of Directors appointed Mr. Ajai Kumar (DIN: 02446876) as a Non-Executive Independent Director w.e.f. November 25, 2021, not liable to retire by rotation who was further appointed as a Directors (Independent) for one term of consecutive three years, commencing from November 25, 2021, by the shareholders of the Company, in their extra-ordinary general meeting held on March 07, 2022, by way of special resolution. In the opinion of the Board, he possesses requisite qualifications, experience, expertise and holds highest standards of integrity. Further he is exempt to qualify on-line proficiency self assessment test conducted by the Indian Institute of Corporate Affairs.

Further, continuation of Mr. Arvind Kharabanda Director (Non-Executive), liable to retire by rotation, on attaining the age of seventy-five years, was also approved by the shareholders of the Company, in their extra-ordinary general meeting held on March 07, 2022, by way of special resolution.

The Board of Directors at its meeting held on July 12, 2021 and on the recommendation of the Nomination, Remuneration and Compensation Committee has re-appointed Mr. Mahendra Nahata as the Managing Director of the Company for a further period of 3 (three) years with effect from October 01, 2021, which was subsequently approved by the shareholders of the Company in their AGM held on September 30, 2021, by way of a special resolution.

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. Surendra Singh Sirohi (DIN: 07595264) and Dr. (Ms.) Tamali Sengupta (DIN: 00358658) during their tenure, had recommended to the shareholders that continued association of Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta as an Independent Directors would be beneficial to the Company.

Based on the above, the shareholders, in their AGM held on September 30, 2021 approved re-appointment of:

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

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

to hold office as Independent Directors of the Company, not liable to retire by rotation on the Board of the Company.

In the opinion of the Board, Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta possess requisite qualifications, experience, expertise and holds highest standards of integrity.

Further Mr. Surendra Singh Sirohi is exempt to qualify on-line proficiency self assessment test conducted by the Indian Institute of Corporate Affairs. Dr. (Ms.) Tamali Sengupta has successfully qualified 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 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, Senior Vice-President (Corporate) & Company Secretary, continue to be the Key Managerial Personnel of your Company, in accordance with the provisions of Section 2(51) and 203 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Declaration by the Company

The Company has issued confirmation to its Directors, confirming that it has not made any default under Section 164(2) of the Act, as on March 31, 2022.

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 familiarization 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/2022/04/HFCL-Familiarisation-Prog.-ID_20221.pdf.**

Remuneration of Directors, Key Managerial Personnel and particulars of employees

The information required under Section 197(12) of the Act, read with Rules 5(1), 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) in respect of Directors/Employees of the Company is set out in **Annexure - B** to this Report.

The remuneration paid to the Directors is in accordance with the Remuneration Policy formulated in accordance with Section 178 of the Act and Regulation 19 of the SEBI Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).

Disclosure under Section 197(14) of the 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 FY22.

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 29, 2022 for the FY22.

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, 2022, 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 FY22 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 FY22 of the Company.

Audit Committee

As on March 31, 2022, the Audit Committee comprises of 04 (four) members namely, Mr. Bharat Pal Singh, Mr. Surendra Singh Sirohi, Dr. (Ms.) Tamali Sengupta, Independent Directors and Mr. Arvind Kharabanda, Non-Executive Director.

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

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

Performance Evaluation

The 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 FY22.

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. As the Independent Directors were aware that Mr. M P Shukla, Non-Executive Chairman of the Company, had deceased on May 04, 2021 due to COVID-19 and since at present, there is no regular chairperson designated in the Company, accordingly, the performance of Chairperson was not required to be evaluated.

The Directors expressed their satisfaction with the evaluation process.

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

Auditors and Auditors' Report

Statutory Auditors & their Report

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

Pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Act read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof), the Audit Committee and the Board of Directors of the Company, hereby recommends the re-appointment of M/s S. Bhandari & Co., Chartered Accountants (FRN: 000560C) and M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N), as Statutory Auditors of the Company, to hold office from the conclusion of this 35th AGM till the conclusion of the 40th AGM to be held in the year 2027, at such remuneration, as may be decided by the shareholders of the Company.

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

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

M/s S. Bhandari & Co., Chartered Accountants (FRN: 000560C) and M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N) have confirmed that they are eligible and not disqualified to be re-appointed as Statutory Auditors of the Company.

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 FY22.

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 FY 2021-22 except that during the period from May 05, 2021 to November 24, 2021 there was non-compliance of Regulation No. 17(1) of the SEBI Listing Regulations, with respect to proper composition of Independent Directors on the Board of the Company, arose due to the sudden demise of Mr. M P Shukla, Chairman & Director (Non-Executive) of the Company, on May 04, 2021.

However, the Company has already appointed an Independent Director on the Board w.e.f. November 25, 2021 in compliance with Regulation 17(1) of the SEBI Listing Regulations.

Explanation by the Board pursuant to Section 134(3)(f) of the Act

It is informed that the Company had already appointed an Independent Director on the Board of the Company w.e.f. November 25, 2021 and complied with the SEBI Listing Regulations.

Cost Records and Cost Audit

Your Company has maintained cost accounts and records as specified by the Central Government under sub-section (1) of Section 148 of the Act and the relevant rules made thereunder.

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

Insolvency and Bankruptcy Code, 2016

There is no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the FY22.

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 FY22, 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

Infomerics Valuation and Rating Pvt. Ltd. (RBI & SEBI Registered Credit Rating Agency) vide its letter dated September 27, 2021, had assigned the credit ratings for the Bank Loan facilities of the Company, the details of which are as below:-

Instrument/Facility	Ratings	Rating Action
Long term Bank Facilities – Term Loans	IVR A/Stable (IVR A with Stable Outlook)	Assigned
Short term Bank Facilities – Cash Credit	IVR A/Stable (IVR A with Stable Outlook)	Assigned
Short Term Bank Facilities – LC/BGs	IVR A1 (IVR A One)	Assigned

Subsequently, **CARE Ratings Limited** (a SEBI Registered Credit Rating Agency) vide its letter dated March 23, 2022, had enhanced the credit ratings for the Bank Loan facilities of the Company to "A" with stable outlook from "A-" (A-minus) with negative outlook, the details of which are as below:-

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

Annual Return

The Annual Return of the Company as on March 31, 2022, in prescribed e-form MGT-7 in accordance with Section 92(3) of the Act, read with Section 134(3)(a) of the Act, is available on the Company's website at **https://www.hfcl.com/wp-content/uploads/2022/09/Draft-HFCL_Form_MGT_7_2022.pdf**.

Further the Annual Return (i.e., e-form MGT-7) for the FY22 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, 2022, as stipulated under Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, are as follows:-

₹ in Crore

Particulars	Amount
Loans given	40.50
Guarantees given	268.16
Investments made	82.24

Loans given, Guarantees provided and Investments made during the FY22:

Name of the entity	Relation	Amount (₹ in Crores)	Particulars of Loans, Guarantees & Investments	Purpose for which the Loans, Guarantees and Investments are proposed to be utilized by the recipient
BigCat Wireless Private Limited	Associate	10.50	Investment in Equity Shares	For Product development, working capital and general corporate business purposes.
Satvik Securities Private Limited	Unrelated	5.00	Loan with interest @ 9% p.a.	For working capital and general corporate business purposes.
Kamna Industries Private Limited	Unrelated	5.00	Loan with interest @ 12% p.a.	For working capital and general corporate business purposes.
HTL Limited	Subsidiary	114.00	Corporate Guarantee	Collateral Security for various credit facilities sanctioned by SBI and Yes Bank Limited to HTL Limited.
HFCL Inc.	Subsidiary	0.00 (USD 1 equivalent to ₹ 81 only)	Investment in Equity Shares	For general corporate business purposes.
HFCL B.V.	Subsidiary	0.00 (Euro 1 equivalent to ₹ 80 only)	Investment in Equity Shares	For general corporate business purposes.
HFCL Technologies Private Limited	Subsidiary	1.00	Investment in Equity Shares	For working capital and general corporate business purposes.
Nimpaa Telecommunications Private Limited	Associate	1.00	Loan given	For working capital and general corporate business purposes.
Nimpaa Telecommunications Private Limited	Associate	1.00	Investment in Equity Shares	For working capital and general corporate business purposes.

For more details, please refer **Note No. 18, 47(c) and 51** to the Standalone Financial Statements for FY22 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 any contracts/ arrangements/ transactions with related parties which qualify as material in accordance with the Policy of the Company on materiality of related party transactions.

Thus, there are 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.

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

The details of the related party transactions as per Indian Accounting Standards (IND-AS) - 24 are set out in **Note 51** to the Standalone Financial Statements of the Company.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The details of energy conservation, technology absorption and foreign exchange earnings and outgo as required under Section 134(3)(m) of the Act, read with the Rule 8 of the Companies (Accounts) Rules, 2014, are annexed herewith as **Annexure - 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 its Registered Society i.e., HFCL Social Services Society ("HSSS") established in the year 1996.

In compliance with requirements of Section 135 of the Act, the Company has laid down a Corporate Social Responsibility (CSR) Policy. The CSR Policy is available on the website of the Company and may be accessed at the web-link **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 FY 22, 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 The Company

A. Change in nature of business

The Company has not undergone any change in the nature of the business during the FY22.

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 FY22 and the date of this Report.

Further, as we are aware that the outbreak of COVID-19 Pandemic has impacted businesses not only in India but to all economics in the world.

Pursuant to directives of SEBI vide Circular No. SEBI/HO/CFD/CMDI/CIR/P/2020/84 dated May 20, 2020, the Company vide its Corporate Announcement made to stock exchanges on June 5, 2020, had already disclosed the impact of COVID-19 on business, performance and finance of the Company.

The Company has evaluated the impact of COVID-19 resulting from (i) the possibility of constraints to render supply & services which may require revision of estimations of costs to complete the contracts because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Company has concluded that the impact of COVID-19 is not material based on these estimates. Due to the nature of the pandemic, the Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

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

The impact of COVID-19 is also mentioned at **Note No. 41** to the Standalone Financial Statements for FY22.

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 2021 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.

There was no complaint received from any employee of the Company during the FY22.

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 along with proper explanation relating to material departures;

(b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year March 31, 2022 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 FY23 to the BSE Limited and the National Stock Exchange of India Limited.

Depository Systems

Your Company's Scrip has come under compulsory dematerialization w.e.f. November 29, 1999 for Institutional Investors and w.e.f. January 17, 2000, for all Investors. So far, 99.96% of the equity shares have been dematerialized.

The ISIN allotted to the equity shares of the Company is INE548A01028.

Implementation of Corporate Action

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

Compliance with Secretarial Standards

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

Reporting Principle

The Financial and Statutory Data presented in this Report is in line with the requirements of the 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, 2021 to March 31, 2022. Some parts of the Non-Financial Information included in this Board's Report are provided as on the date of this Report.

Cautionary Statement

Statements in the Management Discussions & Analysis Report describing the Company's projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand supply conditions, raw material prices, changes in government regulations, tax regimes and economic developments within the country and abroad and such other factors.

Personnel

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

Acknowledgements

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

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

The Directors thank the Central Government, Government of Goa, Government of Telangana, Government of Himachal Pradesh, IDBI Bank Limited, State Bank of India, Punjab National Bank, erstwhile Oriental Bank of Commerce & United Bank of India, Bank of Baroda, Union Bank of India, Yes Bank Limited, ICICI Bank Limited, Indian Bank, 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

Place: New Delhi Date: September 02, 2022	**Mahendra Nahata** Managing Director DIN: 00052898	**Arvind Kharabanda** Non-Executive Director 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. 56** to the Standalone Financial Statements for FY22, 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:

₹ 2.15/- (Rupees Two and Paisa Fifteen only) as on March 31, 2022.

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:**

Sr. 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 recognized if it had used the fair value of the Options shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed:

Not Applicable.

(iv) Options/ RSUs movement during the year:

Particulars	ESOs	RSUs
Number of Options/RSUs outstanding at the beginning of the period	63,37,000	60,08,000
Number of Options/RSUs granted during the year	NIL	NIL
Number of Options/RSUs forfeited/lapsed during the year	81,600	2,72,000
Number of Options/RSUs vested during the year	NIL	NIL
Number of Options/RSUs exercised during the year	32,34,400	NIL
Number of shares arising as a result of exercise of Options/RSUs	32,34,400	NIL
Money realized by exercise of Options/RSUs (INR), if scheme is implemented directly by the Company	NIL	NIL
Loan repaid by the Trust during the year from exercise price received	6,60,00,000	NIL
Number of Options/RSUs outstanding at the end of the year	30,21,000	57,36,000
Number of Options/RSUs exercisable at the end of the year	13,00,200	NIL

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

Amount in ₹

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

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

(a) **Senior managerial personnel:** During the financial year ended March 31, 2022 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, 2022	
	ESOs	RSUs
Weighted average share price (₹)	20.65	20.65
Exercise price (₹)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the Options (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (₹)	11.04	19.74

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

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

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

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

Details related to Employee Stock Purchase Scheme (ESPS):

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

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

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

Particulars	Details
The details of the number of shares issued under ESPS	NIL
The price at which such shares are issued	Not Applicable
Employee-wise details of the shares issued to;	
(i) senior managerial personnel;	NIL
(ii) any other employee who is issued shares in any one year amounting to 5% or more shares issued during 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:

Sr. 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	₹ 10,18,93,295/-
d.	Amount of loan outstanding as at the end of the year (repayable to Company/any Company in the group)	₹ 3,59,40,495/-
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	49,34,300
(b)	Number of shares acquired during the year through (i) primary issuance (ii) secondary acquisition, also as a percentage of paid up equity capital as at the end of the previous financial year, along with information on weighted average cost of acquisition per share	Nil
(c)	Number of shares transferred to the employees/sold along with the purpose thereof	32,34,400
(d)	Number of shares held at the end of the year	16,99,900

(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 FY 2020-21 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/2022/09/ESOP-Annexure.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 FY22 is as follows: -

Sr. No.	Name of Director	Category	Total Remuneration (₹)	Ratio of remuneration of Director to the Median remuneration
1.	Mr. Mahendra Pratap Shukla*	Non-Executive Director	50,000	0.08
2.	Mr. Mahendra Nahata	Managing Director	7,04,61,400	106.00
3.	Mr. Arvind Kharabanda	Non-Executive Director	13,50,000	2.03
4.	Dr. (Mr.) Ranjeet Mal Kastia	Non-Executive Director	6,50,000	0.98
5.	Mr. Bharat Pal Singh	Independent Director	9,50,000	1.43
6.	Mr. Surendra Singh Sirohi	Independent Director	8,50,000	1.28
7.	Dr. (Ms.) Tamali Sengupta	Independent Director	8,00,000	1.20
8.	Mr. Ramakrishna Eda#	Non-Executive Director	2,00,000	0.30
9.	Mr. Ajai Kumar##	Independent Director	1,00,000	0.15

* Deceased on May 04, 2021.

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

\## Appointed as Non-Executive Independent Director w.e.f. November 25, 2021.

Notes:

1. The information provided above is on standalone basis.
2. Remuneration to Directors includes sitting fees paid to Non-Executive Directors.
3. Median remuneration of the Company for all its employees is ₹6,64,741/- for the FY22.

II. Percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer, other Executive Directors and Company Secretary during the FY22:-

Sr. No.	Name	Category	Remuneration (₹)		Increase (%)
			2021-22	2020-21	
1.	Mr. Mahendra Nahata	Managing Director	7,04,61,400	6,44,25,590	9.37
2.	Mr. Vijay Raj Jain	Chief Financial Officer	4,99,79,343	3,09,84,695	61.30
3.	Mr. Manoj Baid	Senior Vice President (Corporate) & Company Secretary	1,47,67,814	84,66,545	74.43

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 FY22:

Particulars	Remuneration (₹)		Increase (%)
	2021-22	2020-21	
Median remuneration of all employees per annum	6,64,741	7,05,000	-5.71

IV. Number of permanent employees on the rolls of the Company as on March 31, 2022:

The number of permanent employees on the rolls of the Company as on March 31, 2022 were 2,100. Besides, the Company has 1,328 personnel also, on off-roll or contractual basis as on March 31, 2022.

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

Particulars	Remuneration (₹)		Increase (%)
	2021-22	2020-21	
Average salary of all employees (other than Key Managerial Personnel)	11,78,808	11,14,537	5.77
Average Salary of Managing Director	7,04,61,400	6,44,25,590	9.37
Average Salary of CFO and Company Secretary	3,23,73,579	1,97,25,620	64.12

The percentile increase in remuneration is in line with the performance of the Company and prevailing industry pay scale. The increase in the remuneration of Mr. Vijay Raj Jain, CFO and Mr. Manoj Baid, Company Secretary is mainly due to perquisites which arose on account of exercise of vested ESOPs and payment of ex-gratia aggregating to ₹ 2.86 crores and ₹ 66 lakhs respectively. There is no exceptional circumstances for increase in remuneration.

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

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

I. Names of the top ten employees of the Company in terms of remuneration drawn and the names of employees who were employed throughout the FY22 and were paid remuneration not less than ₹ 1,02,00,000/-:

Sr. No.	Name	Remuneration received (₹)	Nature of employment	Designation	Qualifications & Experience	Date of commencement of employment	Age (Years)	Last employment held
1.	Mr. Mahendra Nahata	7,04,61,400	Contractual	MD	B.Com. (Hons.) 38 years	October 01, 1992	62	Himachal Telematics Ltd. – Vice Chairman
2.	Mr. Vijay Raj Jain	4,99,79,343	Permanent	CFO	CA, CS 34 years	July 15, 2011	57	Teracom Ltd. – CFO
3.	Mr. Harshwardhan Pagay	2,43,42,645	Permanent	Executive President	B.E, MBA 26 years	October 22, 2012	50	Teracom Ltd. – CEO
4.	Mr. Jitendra Singh Chaudhary	2,14,33,212	Permanent	Executive President	B.E. 26 years	April 01, 2017	48	DragonWave HFCL India Pvt. Ltd.- – CEO
5.	Mr. Sunil Kumar Kulshrestha	1,96,06,463	Permanent	Executive President	B.Sc. (H), M.A. 44 years	January 01, 2015	68	Parmesh Finlease Ltd. – Director
6.	Mr. Subodh Kumar Garg	1,93,72,952	Contractual	Executive Director	B.E., M. Tech. 46 years	October 01, 2015	70	Infotel Business Solution Ltd. – Chief Project Officer
7.	Mr. Nand Lal Garg	1,75,01,108	Permanent	President	B.E. 36 years	July 15, 2020	57	Indus Tower. – Head – Contract Management
8.	Mr. Prakash Chand Gulgulia	1,63,00,303	Contractual	Vice-President	B.Com 41 years	April 01, 2016	63	Infotel Business Solution Ltd. – Vice-President
9.	Mrs. Neelu Chandra	1,61,70,200	Permanent	Vice-President	M. Ed 33 years	June 01, 2017	60	Elder Pharmaceutical Ltd. – General Manager
10.	Mr. Jayanta Dey	1,51,05,730	Permanent	Executive President	BE 32 years	March 08, 2021	57	IP Infusion – Chief Business Development Officer

II. Names of the employees who were employed for a part of FY22 and were paid remuneration not less than ₹8,50,000/- per month:

Sr. No.	Name	Remuneration received (₹)	Nature of employment	Designation	Qualifications & Experience	Date of commencement of employment	Age (Years)	Last employment held
1.	Mr. Rajesh Jain	39,03,800	Permanent	Executive President	MBA. 26 years	December 01, 2021	49	A2Z Infra Engineering Ltd
2.	Mr. Santanu Bhattacharyya	32,78,862	Permanent	Executive President	M.Tech 31 years	December 06, 2021	56	Xilinx Design Engineering Director

Notes:

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

ii. None of the above employees is related to any Director of the Company.

iii. None of above employees draws remuneration more than the remuneration drawn by Managing Director and holds by himself or along with his spouse and dependent children, not less than two percent of equity shares of the Company.

Annexure (C) to Directors' Report

Form No. MR-3

Secretarial Audit Report

For the financial year ended on March 31, 2022

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

To,

The Members

HFCL Limited

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 March 31, 2022 ("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) Regulations, 2014 (up to August 12, 2021) and Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (w.e.f. August 13, 2021);

   (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (up to August 08, 2021) and Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (w.e.f. August 09, 2021); **(Not applicable during the Audit Period)**;

   (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (up to August 08, 2021) and Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (w.e.f. August 09, 2021); **(Not applicable during the Audit Period)**;

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

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

   (j) 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)**;

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

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

   (m) Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009; and

Other laws as applicable specifically to the Company:

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

(b) Employees State Insurance Act, 1948;

(c) Factories Act, 1948;

(d) Indian Contract Act, 1872;

(e) Minimum Wages Act, 1948;

(f) Payment of Bonus Act, 1965;

(g) Payment of Gratuity Act, 1972;

(h) Payment of Wages Act, 1936;

(i) Industrial Disputes Act, 1947;

(j) Maternity Benefit Act, 1961;

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

(l) Apprentices Act, 1961;

(m) Industrial Employment (Standing Orders) Act, 1946 and other applicable labour laws.

I have also examined the compliance with the applicable clauses of the following: -

(i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India;

(ii) The Uniform Listing Agreements entered into by the Company with the BSE 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 except as mentioned below: -

During the period from May 05, 2021 to November 24, 2021 there was non-compliance of Regulation No. 17(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with respect to proper composition of Independent Directors on the Board of the Company, arose due to the sudden demise of Mr. M P Shukla, Chairman & Director (Non-Executive) of the Company, on May 04, 2021.

However, the Company has already appointed an Independent Director on the Board w.e.f. November 25, 2021 in compliance with Regulation 17(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 except as mentioned above with respect to composition of Board during the period from May 05, 2021 to November 24, 2021. 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 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.

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. Qualified Institutions Placement ("QIP") of the Company

The Board of Directors and the Shareholders of the Company at their meetings held on September 3, 2021 and September 30, 2021, respectively, had approved the raising of funds up to ₹ 750 Crores by way of Qualified Institutional Placement ("QIP") of equity shares in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "SEBI ICDR Regulations") and the Companies Act, 2013 and the rules made thereunder.

Subsequently, 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 34th Annual General Meeting, the preliminary placement document dated December 06, 2021 and the placement document dated December 09, 2021, and pursuant to the applications received from eligible qualified institutional buyers ("QIBs") in the qualified institutions placement under Chapter VI of the SEBI ICDR Regulations (the "Issue"), and Section 42 and Section 62 of the Companies Act, 2013, as amended, read with the rules issued thereunder, the Fund Raising Committee of the Board of Directors, vide its resolution dated December 10, 2021, had approved the allotment of 8,72,72,727 (Eight Crores Seventy Two Lakhs Seventy Two Thousand Seven Hundred and Twenty Seven) equity shares of face value of ₹ 1/- each of the Company (the "Equity Shares") bearing distinctive numbers 128,93,11,495 to 137,65,84,221 (both inclusive) to 21 (twenty one) successful QIBs, at a price of ₹ 68.75/- per Equity Share (the "Issue Price") [and reflecting a discount of ₹ 3.58/- (i.e. 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 HFCL Limited. - Escrow Account, aggregating to ₹ 599,99,99,981.25/- (INR Five Hundred Ninety-Nine Crores Ninety-Nine Lakhs Ninety-Nine Thousand Nine Hundred Eighty-One and Paisa Twenty-Five only).

2. Allotment of Equity Shares to HFCL Employees Trust

The Board of Directors on July 15, 2021 has allotted 49,34,300 (Forty Nine Lakhs Thirty Four Thousand Three Hundred) equity shares having face value of ₹ 1/- (Rupee One only) each at a price of ₹ 20.65/- per equity share, fully paid-up in the equity share capital of the Company, aggregating to ₹ 10,18,93,295/- (Rupees Ten Crores Eighteen Lakhs Ninety Three Thousand Two Hundred Ninety Five only) to HFCL Employees' Trust (the "Trust"), in dematerialized form, in lieu of the Vested Options granted to the eligible employees of the Company and its subsidiary, HTL Limited.

Name	:	**CS Baldev Singh Kashtwal**
FCS No.	:	**3616**
C P No.	:	**3169**
ICSI – UDIN	:	**F003616D000225695**
Peer Review Certificate Number	:	**1205/2021**
ICSI – Unique Code	:	**I1999DE144000**

Date: April 28, 2022
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 March 31, 2022 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	**:**	**F003616D000225695**
Peer Review Certificate Number	**:**	**1205/2021**
ICSI – Unique Code	**:**	**I1999DE144000**

Date: April 28, 2022
Place: Delhi

Annexure (C1) to Director's Report

Form No. MR-3

Secretarial Audit Report

For the financial year ended March 31, 2022

[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 March 31, 2022. 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 authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on **March 31, 2022** ('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 March 31, 2022 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, 1992; **(Not applicable during the Audit period).**
    c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **(Not applicable during the Audit period).**
    f. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(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, 2009 **(Not applicable during the Audit period).**
    i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(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 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.

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 Executive Directors and Non-Executive Directors. 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 excepting certain cases where notices were sent less than seven days from the date of meetings and the Company subsequently obtained the consent of the Directors for the shorter notice, 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. Owing to the COVID-19 pandemic and subsequent to the intermittent lockdowns imposed by the Government, the Company's operations were adversely affected for the first quarter April to June during the year under review.
2. The Company had obtained approval of Board of Directors for availing enhanced credit facilities from Yes Bank to the extent of ₹ 173 Crores.

R. Balasubramanian
Practising Company Secretary
FCS No. 10011, CP No. 11979
UDIN: F010011D000026467

Place: Chennai
Date: April 06, 2022

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 thecontents 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: F010011D000026467

Place: Chennai
Date: April 06,2022

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, 2022 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; • Giving of Security/ Corporate Guarantee.	Financial Year 2021-22	The transactions done is in the ordinary course of business and on arms' length basis, amounting to ₹ 693,96,59,902/- in aggregate.	September 03, 2021	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 02, 2022

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 optimize 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 utilizing 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. Upgraded its Wireless access and backhaul solutions to offer new improved point-to-multipoint connectivity solutions and to meet latest international standards with further higher capacities.

ii. Surveillance solutions.

iii. Electro Optics solutions.

iv. Military armament solutions.

v. Military Tactical Communications.

The main areas of focus are:

i. New Generation even higher capacity Indoor and Outdoor Wi-Fi solutions based on Wi-Fi 6;

ii. New Higher efficiency point-to-multipoint connectivity solutions in unlicensed bands;

iii. Customized high performance indoor antenna solutions;

iv. Improved scalability for Cloud based unified management platform;

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

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

vii. Electro Optical solutions for various weapon sights;

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

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

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

High Capacity Radio Relay

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

The system operates in Frequency band 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 motorized Mast system. It also has built in feature for fault diagnostics and self-test.

c) **Mast System:** 18 meter motorized 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 ruggedized NMS manages, configures and conducts fault diagnostics of all the subsystem from a central location.

f) **Antenna system:** High gain Point to point (PtP) and Point to Multi Point (PtMP) antenna system is designed to provide more than 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.

b) **Unlicensed Band Radio Portfolio –** The Unlicensed Band Radios (UBR) are feature-rich, top-of-the-line, low cost and 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, redundancy support and high precision GPS sync technology, making them the best in terms of capacity utilization in the unlicensed band.

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

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

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

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

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

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.
- Thermal weapon sights use maximum indigenous components using local ecosystem of vendors.
- 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 minimize the dependency on imported raw material to the extent possible. This will not only improve the control on supply chain but will also save logistics costs, delivery lead times and improve overall efficiency in supply chin and will enable us to have higher output.

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

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

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

(a)	**The details of technology imported:**	N.A.
(b)	**The year of import:**	N.A.
(c)	**Whether the technology been fully absorbed?**	N.A.
(d)	**If not fully absorbed, areas where absorption has not taken place, and the reasons thereof:**	N.A.

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

		₹ in Crores
a)	Capital	61.17
b)	Recurring	27.96
c)	Total	89.13
d)	Total R & D expenditure as a percentage of total Turnover	2.06

(C) Foreign Exchange Earnings and Outgo:

₹ in Crores

Particulars	Financial Year ended March 31, 2022	Financial Year ended March 31, 2021
Foreign exchange earned in terms of actual inflows	352.14	187.81
Foreign exchange outgo in terms of actual outflows	889.93	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, 2022, 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	01	01
2.	Mr. Surendra Singh Sirohi	Independent Director	Member	01	01
3.	Mr. Ramakrishna Eda *	Nominee Director (IDBI Bank Limited)	Member	01	00
4.	Mr. Ajai Kumar**	Independent Director	Member	00	00

* 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, Senior Vice-President (Corporate) & Company Secretary acts as the Secretary to the Committee.

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

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

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

6. **Average Net Profit of the company as per Section 135(5)** : **₹ 312.34 Crores**
7. (a) Two percent of average net profit of the company as per Section 135(5) : **₹ 6.25 Crores**
   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years : **NIL**
   (c) Amount required to be set off for the financial year, if any : **N.A.**
   (d) Total CSR obligation for the financial year (7a+7b-7c) : **₹ 6.25 Crores**
8. **(a) CSR amount spent or unspent for the financial year:**

Total Amount Spent for the Financial Year (₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
6,21,04,220	3,95,780	April 29, 2022	N.A.	N.A.	N.A.

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII of the Act	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the Project (in ₹)	Amount spent in the current financial year (in ₹)	Amount transferred to unspent CSR account for the project as per Section 135(6) (₹)	Mode of Implemen--tation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1.	Samarth	Promoting Education	Yes	Delhi	New Delhi	Up to March 2023	5,00,00,000	5,00,00,000	N.A.	Yes	N.A.	N.A.

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (₹)	Mode of Implemen--tation-Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1.	COVID Support Grant	Promoting Health Care	Yes	Delhi	New Delhi	7,62,720	Yes	N.A.	N.A.
2.	COVID Support Grant	Promoting Health Care	Yes	Maharashtra	Mumbai	18,90,134	Yes	N.A.	N.A.
3.	COVID Support Grant	Promoting Health Care	No	Gujarat	Ahmedabad	13,58,534	Yes	N.A.	N.A.
4.	COVID Support Grant	Promoting Health Care	Yes	Rajasthan	Jaipur	8,26,934	Yes	N.A.	N.A.
5.	COVID Support Grant	Promoting Health Care	No	Gujarat	Vapi	1,18,133	Yes	N.A.	N.A.
6.	COVID Support Grant	Promoting Health Care	No	Madhya Pradesh	Indore	2,36,267	Yes	N.A.	N.A.
7.	COVID Support Grant	Promoting Health Care	No	Madhya Pradesh	Ujjain	1,18,133	Yes	N.A.	N.A.
8.	COVID Support Grant	Promoting Health Care	No	Maharashtra	Nashik	1,18,133	Yes	N.A.	N.A.
9.	COVID Support Grant	Promoting Health Care	No	Rajasthan	Udaipur	1,18,133	Yes	N.A.	N.A.
10.	COVID Support Grant	Promoting Health Care	No	Karnataka	Vijayapura	4,72,533	Yes	N.A.	N.A.
11.	COVID Support Grant	Promoting Health Care	No	Gujarat	Surendranagar	1,77,200	Yes	N.A.	N.A.
12.	COVID Support Grant	Promoting Health Care	No	Panjab	Mohali	2,95,333	Yes	N.A.	N.A.
13.	COVID Support Grant	Promoting Health Care	No	Gujarat	Jamnagar	1,77,200	Yes	N.A.	N.A.
14.	COVID Support Grant	Promoting Health Care	Yes	Delhi	New Delhi	8,86,000	Yes	N.A.	N.A.
15.	COVID Support Grant	Promoting Health Care	Yes	Karnataka	Bengaluru	3,54,400	Yes	N.A.	N.A.
16.	COVID Support Grant	Promoting Health Care	No	Rajasthan	Pali	2,95,333	Yes	N.A.	N.A.
17.	COVID Support Grant	Promoting Health Care	No	Maharashtra	Malegaon	1,77,200	Yes	N.A.	N.A.
18.	COVID Support Grant	Promoting Health Care	No	Karnataka	Hubballi	3,54,400	Yes	N.A.	N.A.
19.	COVID Support Grant	Promoting Health Care	Yes	Telangana	Hyderabad	3,67,500	Yes	N.A.	N.A.
	Total					**91,04,220**			

8. (d) **Amount spent in Administrative Overheads** : **₹ 30,00,000/-**

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

(f) **Total amount spent for the Financial Year (8b+8c+8d+8e)** : **₹ 6,21,04,220/-**

During FY22, HFCL Social Services Society ("HSSS") through which Company carries its CSR activities, has also spent ₹ 3.57 crores on various programmes/projects including ongoing projects out of credit balance lying with the HSSS created out of funds received from the Company in the previous financial years. Accordingly, the Company and HSSS has spent an amount of ₹ 9.78 crores on various CSR activities during FY22.

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

Sr. No.	Particulars	Amount (₹)
(i)	Two percent of average net profit of the company as per section 135(5)	6,24,67,779
(ii)	Total amount spent for the Financial Year	6,21,04,220
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

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

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135(6) (₹)	Amount spent in the reporting Financial Year (₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

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

Sr. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (₹)	Amount spent on the project in the reporting Financial Year (₹)	Cumulative amount spent at the end of reporting Financial Year (₹)	Status of the project - Completed/ Ongoing
				N.A.				

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

(Asset-wise details)

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

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

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

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

11. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per Section 135(5):** Out of total CSR obligation of ₹ 6.25 crores, the Company has already spent ₹ 6.21 crores during the financial year under review and balance ₹ 3.96 lakhs has been transferred to **"Unspent CSR Account – FY 2021-22"**. It is also informed that unspent amount of ₹ 3.96 lakhs has already been spent on the ongoing project during FY 2022-23.

Place: New Delhi
Date: September 02, 2022

Mahendra Nahata
Managing Director &
Chairman – CSR Committee

Corporate Governance Report

The Corporate Governance report for the Financial Year 2021-22 ("FY22"), which forms part of the Directors' Report, is prepared in accordance with Regulation 34 read with Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"Listing Regulations"**).

This Report is in compliance with the Listing Regulations.

Corporate Governance is a set of standards which aims to improve the Company's image, efficiency and effectiveness. It is the road map, which guides and directs the Board of Directors of the Company to govern the affairs of the Company in a manner most beneficial to all the Shareholders, the Creditors, the Government and the Society at large.

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

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

A report on compliance with the implementation of Regulation 34(3) read with Chapter IV and Schedule V to the Listing Regulations is given below:

1. HFCL Philosophy on Corporate Governance

The cardinal principles of the Corporate Philosophy of HFCL on Corporate Governance can be summarized in the following words:

"Transparency, Professionalism and Accountability with an ultimate aim of value creation"

HFCL Corporate Philosophy envisages complete transparency and adequate disclosures with an ultimate aim of value creation for all players i.e., the Stakeholders, the Creditors, the Government and the Employees.

2. Board of Directors

The composition of the Board is in conformity with Regulation 17 and 17A of the Listing Regulations as well as the Companies Act, 2013 (the "Act").

As on March 31, 2022, the Company had 8 (eight) Directors on the Board with an optimum mix of Executive, Non-Executive and Independent Directors.

As on March 31, 2022, more than 50 (fifty) percent of the Board comprised of Non-Executive Directors. Out of 8 (eight) Directors, 4 (four) are Non-Executive Independent Directors including 1 (one) Woman Director, 3 (three) Non-Executive Directors including 1 (one) Nominee Director of IDBI Bank Limited (a Lender Bank) and 1 (one) Promoter Managing Director.

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

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

The 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 sub-clause 10(i) of the Listing Regulations, confirming that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Director of the Company, is enclosed and forms part of this Report.

Board/Committees Procedures and flow of information

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

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

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

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

Information placed before the Board

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

The Managing Director, SBUs/Functional Heads of the Company 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, 2022, 6 (six) Board Meetings were held on April 5, 2021, May 10, 2021, July 12, 2021, September 3, 2021, October 11, 2021 and January 17, 2022.

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, 2021.

Mr. Mahendra Nahata, Managing Director of the Company, Chairman of the CSR Committee and Risk Management Committee, Mr. Arvind Kharabanda, Non-Executive Director, member of the Audit Committee, Risk Management Committee Nomination, Remuneration & Compensation Committee and the Chairman of the Stakeholders' Relationship Committee and Mr. Surendra Singh Sirohi, Independent Director, Chairman of Nomination, Remuneration & Compensation Committee and member of Audit Committee and CSR 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, and Dr. (Ms.) Tamali Sengupta, Independent Director, member of the Audit Committee and Stakeholders' Relationship Committee attended the last AGM of the Company through video conferencing.

The attendance of each Director at the meetings of the Board of Directors held during the financial year under review as well as in the last AGM and the number of directorships held by them, as at March 31, 2022, are as under:-

Name of the Director	DIN	Category	Total No. of Directorships $	No. of Board Meetings		Attended last AGM (September 30, 2021)	Shareholding in the Company
				Entitled to Attend	Attended		
Mr. Mahendra Pratap Shukla*	00052977	NED	02	1	1	N.A.	Nil
Mr. Mahendra Nahata	00052898	PD (MD)	09	6	6	Yes	8,35,091 (0.06%)
Mr. Arvind Kharabanda	00052270	NED	05	6	6	Yes	Nil
Dr. (Mr.) Ranjeet Mal Kastia	00053059	NED	06	6	6	No	Nil
Mr. Surendra Singh Sirohi	07595264	NEID	01	6	6	Yes	Nil
Mr. Bharat Pal Singh	00739712	NEID	01	6	6	Yes	Nil
Dr. (Ms.) Tamali Sengupta	00358658	NEID	03	6	6	Yes	Nil
Mr. Ramakrishna Eda#	07677647	NED	02	6	4	No	Nil
Mr. Ajai Kumar##	02446976	NEID	08	1	1	N.A.	Nil

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

* Deceased on May 04, 2021.

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

Appointed as a Non-Executive Independent Director w.e.f. November 25, 2021.

(NEID – Non-Executive Independent Director, PD – Promoter Director, MD – Managing Director, NED – Non-Executive Director)

2.2 Directorship in other Companies/ Committee Position (including HFCL Limited) as at March 31, 2022:-

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 Pratap Shukla[#] Chairman (Non-Executive)	HFCL Limited – Non-Executive	HFCL Limited	Stakeholders' Relationship Committee	Chairman
			HTL Limited	Audit Committee	Chairman
2	Mr. Mahendra Nahata Managing Director (Executive)	HFCL Limited – Executive	Nil	Nil	Nil
3	Mr. Arvind Kharabanda Non-Executive	HFCL Limited – Non-Executive	HFCL Limited	Audit Committee	Member
				Stakeholders' Relationship Committee	Chairman
4	Dr. (Mr.) Ranjeet Mal Kastia Non-Executive	HFCL Limited – Non-Executive	HFCL Limited	Stakeholders' Relationship Committee	Member
			HTL Limited	Audit Committee	Member
5	Mr. Ramakrishna Eda[##] Non-Executive (Nominee-IDBI Bank)	HFCL Limited – Non-Executive Jaiprakash Power Ventures Limited – Non-Executive	Jaiprakash Power Ventures Limited	Audit Committee	Member
6	Mr. Surendra Singh Sirohi Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Member
7	Dr. (Ms.) Tamali Sengupta Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Member
				Stakeholders' Relationship Committee	Member
			Aria Hotels & Consultancy Services Private Limited[@]	Audit Committee	Chairperson
8	Mr. Bharat Pal Singh Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Chairman
9	Mr. Ajai Kumar[###] Independent	HFCL Limited – Independent	Nuclear Power Corporation of India Limited	Stakeholders' Relationship Committee	Chairman
		Can Fin Homes Limited – Independent	Amar Ujala Limited	Audit Committee	Chairman
			Adani Krishnapatnam Port Limited	Audit Committee	Member
			Indiabulls Assets Management Company Limited	Audit Committee	Chairman
			Metropolitan Stock Exchnage of India Limited	Audit Committee	Chairman
			Can Fin Homes Limited	Audit Committee	Member

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

[#] Deceased on May 04, 2021.

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

[@] Deemed Public Company.

[###] Appointed as Non-Executive Independent Director w.e.f. November 25, 2021.

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

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

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

2.3 Disclosure of relationship between directors inter-se

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

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

None of the Non-Executive Directors holds any share or convertible instrument in the Company as on March 31, 2022.

2.5 Evaluation of Board

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

Schedule IV to the Act and Regulation 17(10) of the Listing Regulations states that the performance evaluation of independent directors shall be done by the entire board of directors, excluding the director being evaluated.

After taking into consideration the Guidance Note on Performance Evaluation of Board dated January 05, 2017 published by SEBI, questionnaires were prepared to evaluate the performance of the Board, various Committees of the Board and individual performance of each Director 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 Mr. M. P. Shukla, Non-Executive Chairman of the Company, had deceased on May 04, 2021 due to COVID-19 and since at present, there is no regular chairperson designated in the Company, accordingly, the performance of chairperson was not required to be evaluated.

2.6 Independent Directors

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

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

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

The Company has issued the formal letter of appointment to the Independent Directors in the manner provided under the Act and 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 Directors proposed to be appointed/re-appointed, along with their 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, 2022, 1 (one) meeting of the Independent Directors was held on March 29, 2022.

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

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

2.8 Familiarization Programme for Independent Directors

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

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

Such programmes/presentations provide an opportunity to the Independent Directors to interact with the senior leadership team of the Company and help them to understand the Company's strategy, business model, operations, services and product offerings, organization structure, finances, sales and marketing, human resources, technology, quality of products, facilities and risk management and such other areas as may arise from time to time.

The above programmes also include the familiarization on statutory compliances as a Board member including their roles, rights and responsibilities. The Company also circulates news and articles related to the industry from time to time and provide specific regulatory updates.

The Familiarization Programme for Independent Directors in terms of Regulation 25(7) of the Listing Regulations is uploaded on the website of the Company and can be accessed through the following link: **https://www.hfcl.com/wp-content/uploads/2022/04/HFCL-Familiarisation-Prog.-ID_20221.pdf**.

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

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

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
			Mr. Ramakrishna Eda *
	Accounting and Finance	Yes	Mr. Bharat Pal Singh
			Mr. Ajai Kumar
			Mr. Arvind Kharabanda
			Mr. Ramakrishna Eda *
	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

* ceased as a Non-Executive Director w.e.f. May 02, 2022.

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 utilization of loans and/or advances from/ investment by the holding company in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances/investments.
- 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, 2022, the Audit Committee met 7 (seven) times on April 5, 2021, May 10, 2021, July 12, 2021, October 11, 2021, January 4, 2022, January 17, 2022 and February 21, 2022.

The composition of the Audit Committee and details of meetings attended by its members during the financial year ended March 31, 2022, are given below:-

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

Reporting of Internal Auditor

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

3.2 Nomination, Remuneration and Compensation Committee

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

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

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

The brief description of term of reference of NRC Committee, amongst others, includes the following:-

- To identify persons who are qualified to become Directors and who may be appointed in Senior Management Personnel in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal including their remuneration.
- To formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for directors, key managerial personnel and other employees.
- To devise a policy on diversity of Board of Directors.
- To extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of Independent Directors.
- To carry out evaluation of every Director's performance.
- To administer, implement and superintend the Employees' Long Term Incentive Plan.
- To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification(s), amendment(s) or modification(s) as may be applicable.
- To recommend to the board, all remuneration, in whatever form, payable to senior management personnel.
- To 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 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, 2022, the Nomination, Remuneration and Compensation Committee met 2 (two) times on May 10, 2021 and July 12, 2021.

The composition of the NRC Committee and details of meetings attended by its members during the financial year ended March 31, 2022, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Surendra Singh Sirohi	Chairman	2	2
Mr. Arvind Kharabanda	Member	2	2
Mr. Bharat Pal Singh	Member	2	2
Mr. Ranjeet Mal Kastia*	Member	2	1

* Ceased to be a member of the Committee w.e.f. September 03, 2021.

Performance Evaluation Criteria for Independent Directors

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

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

The Directors expressed their satisfaction with the evaluation process.

Remuneration Policy

The Policy of the Company is designed to attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The Policy emphasize on promoting talent and to ensure long term sustainability of talented managerial persons and create competitive advantage. The Policy reflects the Company's objectives for good corporate governance as well as sustained long term value creation for shareholders.

The Remuneration Policy applies to Directors, Senior Management Personnel including its Key Management Personnel (KMPs) and other employees of the Company. When considering the appointment and remuneration of Whole-time Directors, the NRC Committee inter-alia considers pay and employment conditions in the industry, merit and seniority of person and the paying capacity of the Company.

The guiding principle is that the remuneration and the other terms of employment should effectively help in attracting and retaining committed and competent personnel. While designing remuneration packages, industry practices and cost of living are also taken into consideration.

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

Remuneration of Executive Directors

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

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

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

The details of fixed components are mentioned as above and there is no performance linked incentive along with the performance criteria for Managing Director as on March 31, 2022. 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 2021-22.

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	1,44,61,400	60,00,000	-	7,04,61,400

Service contracts, notice period, severance fees

The appointment of the Managing Director is governed by resolutions passed by the shareholders of the Company, which covers the terms and conditions of such appointment read with the service rules of the Company.

A separate service contract is not entered into by the Company with the Managing Director.

The office of the Managing Director may be terminated by the Company or by the Managing Director by giving the other 6 (six) months' prior notice in writing.

No severance fee is payable to any Director.

Remuneration of Non-Executive Directors

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

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

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

Further, pursuant to approval of the shareholders by way of special resolution passed in their 32nd AGM held on September 28, 2019, the Company may also make payment of remuneration by way of commission to the Non-Executive Directors including Independent Directors of the Company (i.e. Directors other than the Managing Director and/or Whole-time Directors), for a period of three financial years commencing from April 01, 2019, as may be determined by the Board of Directors or the NRC Committee, for each of such Directors and distributed between such Directors in such manner, as may be determined by the Board of Directors or the NRC Committee, from time to time, subject to a ceiling of 1% (one percent) per annum of the net profits of the Company, calculated in accordance with the provisions of Section 198 of the Act.

No payment of remuneration by way of commission has been paid to any of such Directors for the FY22.

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

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

Criteria of making payments to Non-Executive Directors

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

The details of remuneration paid to the Executive and Non-Executive Directors during the FY22 are given below:

Remuneration to Non-Executive/Independent Directors:

Name of Director	Sitting Fee	Total (₹)
Nominee Director IDBI Bank Limited (Non-Executive)		
Mr. Ramakrishna Eda*	2,00,000	2,00,000
Non-Executive Directors		
Mr. Mahendra Pratap Shukla, Chairman#	50,000	50,000
Dr. (Mr.) Ranjeet Mal Kastia	6,50,000	6,50,000
Mr. Arvind Kharabanda	13,50,000	13,50,000
Independent Directors		
Mr. Surendra Singh Sirohi	8,50,000	8,50,000
Dr. (Ms.) Tamali Sengupta	8,00,000	8,00,000
Mr. Bharat Pal Singh	9,50,000	9,50,000
Mr. Ajai Kumar$	1,00,000	1,00,000
Total		**49,50,000**

* Ceased as a Non-Executive Director (Nominee – IDBI Bank Limited) w.e.f. May 02, 2022 Further, in case of Nominee Director, sitting fee is paid directly to the Nominating Institution .

Deceased on May 04, 2021.

$ Appointed as a Non-Executive Independent Director w.e.f. November 25, 2021.

Remuneration of KMPs/ Senior Management

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

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

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

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

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

3.3 Stakeholders' Relationship Committee

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

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

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

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

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

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

This Committee particularly looks into the investors grievances and oversees the performance of the Share Department/Share Transfer Agent and to ensure prompt and efficient investors' services.

During the financial year ended March 31, 2022, the Stakeholders' Relationship Committee met 02 (Two) times on July 29, 2021 and January 07, 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.

Mr. Mahendra Pratap Shukla, Non-Executive Chairman was the Chairman of the SRC. Consequent to demise of Mr. M. P. Shukla, Chairman of the SRC, on May 04, 2021, Mr. Arvind Kharabanda, Non-Executive Director and member of the SRC has been designated as the Chairman of the SRC w.e.f. May 10, 2021. 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, 2022, are given below:-

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

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

Nature of Complaints and Redressal Status

During the FY22, 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 FY22 are given below:

Number of Shareholders' complaints received during the FY22	40
Number of complaints not resolved to the satisfaction of shareholders as at March 31, 2022	NIL
No. of pending complaints as at March 31, 2022	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 FY22 except in cases which are constrained by disputes and legal impediments.

There were no investor grievances remaining unattended/ pending as at March 31, 2022.

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

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

3.4 Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility (CSR) Committee has been constituted by the Board in compliance with the requirements of Section 135 of the Act. The broad terms of reference of the CSR Committee, inter-alia, are as follows:

- Formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII to the Act.
- Recommending the amount of expenditure to be incurred on CSR activities of the Company.
- Monitoring the CSR 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.

One meeting of CSR Committee was held during the financial year ended March 31, 2022. The CSR Committee met on May 10, 2021, inter-alia to consider and approve CSR activities for the financial year 2021-22.

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

The composition of the CSR Committee as on March 31, 2022, is given below:-

Name of Director	Position
Mr. Mahendra Nahata, Managing Director	Chairman
Mr. Surendra Singh Sirohi, Independent Director	Member
Mr. Ramakrishna Eda, Nominee Director – IDBI Bank Limited	Member#

Ceased as member of the CSR Committee w.e.f. May 02, 2022.

After reconstitution of CSR Committee, Mr. Ajai Kumar, Independent Director, was appointed as a member of the CSR 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, 2022, 02 (two) meetings of the Risk Management Committee were held on September 30, 2021 and March 30, 2022, 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, 2022, are given below: -

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Mahendra Nahata	Chairman	2	2
Mr. Arvind Kharabanda	Member	2	2
Mr. Bharat Pal Singh *	Member	2	0

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

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
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.
2018-19	September 28, 2019	Mushroom Centre, Solan	11:00 A.M.

* In view of the COVID-19 pandemic, the 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 and 02/2021 dated January 13, 2021 and the Securities and Exchange Board of India ('SEBI') vide its Circular Nos. SEBI/HO/CFD/CMD1/ CIR/P/2020/79 dated May 12, 2020 and SEBI/HO/CFD/CMD2/CIR/P/2021/11dated January 15, 2021.

1 (one) Extra-Ordinary General Meeting (EGM) was held during the year under review, on March 7, 2022, where following resolutions were passed:-

a. Special Resolution for Continuation of Mr. Arvind Kharabanda (DIN: 00052270) as a Non-Executive Director on attaining the age of 75 (seventy-five) years, in terms of Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
b. Special Resolution for Appointment of Mr. Ajai Kumar (DIN: 02446976) as an Independent Director.

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

Financial Year	Date	Subject matter of Special Resolutions
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 this 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 this Annual General Meeting and being eligible offers himself for re-appointment.
2018-19	September 28, 2019	• To approve Change of Name of the Company.
		• To approve borrowing of funds in excess of the limits as prescribed under Section 180(1)(c) of the Companies Act, 2013.
		• To approve creation of charge on the assets of the Company as prescribed under Section 180(1)(a) of the Companies Act, 2013.
		• To approve conversion of loan into Shares or Convertible instruments or other securities.

4.3 Postal Ballot

No special resolutions was put through Postal Ballot during the FY22.

4.4 Any Special Resolution proposed to be conducted through Postal Ballot

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

4.5 Procedure for Postal Ballot

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

5. Means of Communications

5.1 Quarterly results

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

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

5.2 Newspapers wherein results normally published

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

5.3 Website, where displayed

The financial results and the official news releases are also placed on the Company's website **www.hfcl.com** in the **'Investors'** section.

5.4 Whether website also displays official news releases

The Company has maintained a functional website **www.hfcl.com** containing basic information about the Company e.g., details of its business, financial information, shareholding patterns, press releases, codes, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievance, etc.

The information required to be disclosed under Regulation 46 of the Listing Regulations, is disseminated at the website of the Company.

5.5 Presentations made to institutional investors or to the analysts

Information which are already in public domain are shared with the institutional investors/financial analyst from time to time. No unpublished price sensitive information is discussed in meeting/presentation with the institutional investors/ financial analyst. The Presentations are also uploaded on the Company's website at **www.hfcl.com** and filed with the Stock Exchanges – BSE and NSE, from time to time.

6. General Shareholders' Information

6.1 Date and time of Annual General Meeting

Friday, September 30, 2022 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, 2021 to March 31, 2022.

6.3 Dividend Payment Date

The Board of Directors of your Company has recommended a dividend @ 18% i.e., ₹ 0.18/- (Eighteen Paisa) per equity share of ₹ 1/-, for the FY22. 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 Saturday, September 24, 2022 to Friday, September 30, 2022 (both days inclusive).

6.5 Registered Office

8, Electronics Complex
Chambaghat
Solan – 173 213 HP
Tel: +91-1792-230644
Fax: +91-1792-231902

6.6 Corporate Office

8, Commercial Complex
Masjid Moth, Greater Kailash – II
New Delhi – 110 048
Tel: +91-11-3520 9400/9500
Fax: +91-11-3520 9525

6.7 Corporate Identity Number (CIN)

L64200HP1987PLC007466

6.8 Website/ Email

www.hfcl.com
secretarial@hfcl.com / **investor@hfcl.com**

6.9 Depositories

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

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

6.10 International Securities Identification Number (ISIN)

INE548A01028

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

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

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra Kurla Complex, Bandra (East)
Mumbai - 400 051
Tel: +91-22-26598235
Fax: +91-22-26598237

The Company has paid the listing fees to the above Stock Exchange(s) for the FY23.

6.12 Stock Codes

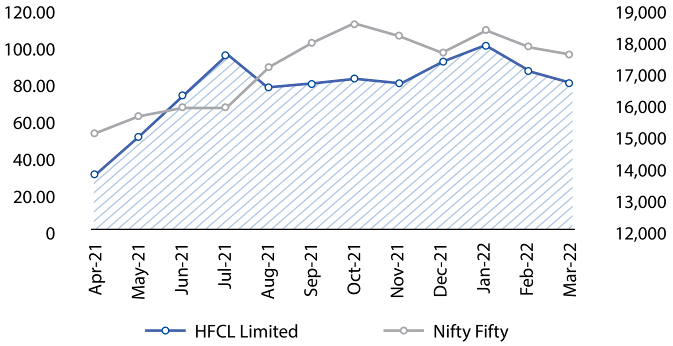
BSE: 500183
NSE: HFCL

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

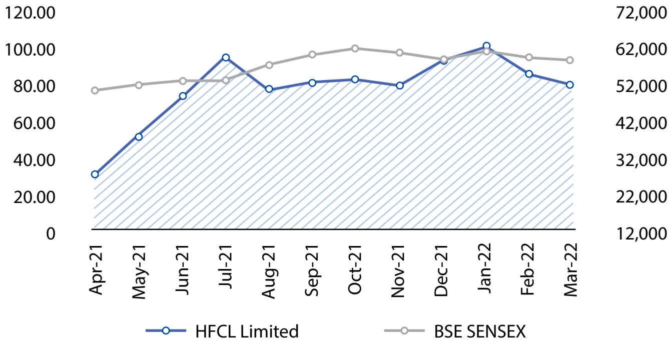
₹

Month	NSE		NIFTY Fifty		BSE		BSE SENSEX	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
April, 2021	29.00	23.00	15,044.35	14,151.40	29.00	23.00	50,375.77	47,204.50
May, 2021	51.40	27.60	15,606.35	14,416.25	51.45	27.75	52,013.22	48,028.07
June, 2021	72.70	42.60	15,915.65	15,450.90	72.65	42.65	53,126.73	51,450.58
July, 2021	95.70	66.25	15,962.25	15,513.45	95.70	66.20	53,290.81	51,802.73
August, 2021	76.85	55.55	17,153.50	15,834.65	77.00	55.35	57,625.26	52,804.08
September, 2021	80.90	66.15	17,947.65	17,055.05	81.50	67.80	60,412.32	57,263.90
October, 2021	82.85	68.80	18,604.45	17,452.90	82.95	68.35	62,245.43	58,551.14
November, 2021	79.70	68.00	18,210.15	16,782.40	79.55	68.10	61,036.56	56,382.93
December, 2021	93.70	70.20	17,639.50	16,410.20	93.70	70.15	59,203.37	55,132.68
January, 2022	101.35	75.60	18,350.95	16,836.80	101.35	75.00	61,475.15	56,409.63
February, 2022	85.75	63.00	17,794.60	16,203.25	85.80	62.80	59,618.51	54,383.20
March, 2022	79.65	67.50	17,559.80	15,671.45	79.70	67.50	58,890.92	52,260.82

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 lodgment of transmission and transposition and any other documents or for any grievances/complaints, kindly contact any of the office of RTA or of the Company.

Share Transfer – Physical System

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

Effective April 01, 2019, transfer of shares in physical form has ceased. Request for transmission of shares 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 transfer/transmitted in physical forms during FY22

Number of Request	02
Number of Shares	800

6.17 Distribution of Equity Shareholdings as on March 31, 2022:

Range of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
upto 500	5,29,457	82.10	6,80,53,429	4.94
501 – 1,000	54,279	8.42	4,47,84,296	3.25
1,001 – 2,000	28,662	4.44	4,41,58,713	3.21
2,001 – 3,000	10,348	1.60	2,68,36,648	1.95
3,001 – 4,000	4,761	0.74	1,72,74,705	1.25
4,001 – 5,000	4,565	0.71	2,18,20,798	1.59
5,001 – 10,000	6,888	1.07	5,21,28,749	3.79
10,001 – 50,000	4,899	0.76	10,24,85,895	7.44
50,000 – 1,00,000	546	0.08	3,92,14,445	2.85
Above 1,00,000	528	0.08	95,98,26,543	69.73
Total	6,44,933	100.00	137,65,84,221	100.00

6.18 Categories of Equity Shareholding as on March 31, 2022:

Sr. No.	Category	No. of Shares	% Shareholding
A	**Promoters Holding**		
1	Indian Promoters	54,00,81,892	39.23
2	Foreign Promoters	-	-
	Sub Total (A)	**54,00,81,892**	**39.23**
B	**Public Shareholding**		
1	Institutional Investors		
	(a) Mutual Funds/UTI	2,53,17,015	1.84
	(b) Venture Capital Funds	-	-
	(c) Alternate Investment Funds	-	-
	(d) Foreign Venture Capital Investors	-	-
	(e) Foreign Portfolio Investors	9,16,28,286	6.66
	(f) Financial Institutions and Banks	5,739	0.00
	(g) Insurance Companies	5,21,000	0.04
	(h) Provident Funds/Pension Funds	-	-
	(i) Any Others(specify)		
	(i) Foreign Institutional Investors	5,620	0.00
	(ii) Foreign Banks	5,305	0.00
	Sub Total (B1)	**11,74,82,965**	**8.54**
2	Central Government/State Government(s)/President of India	15,000	0.00
	Sub Total (B2)	**15,000**	**0.00**
3	Non-Institutional Investors		
	(a) Indian Public	48,10,59,089	34.95
	(b) NBFCs Registered with RBI	2,04,74,272	1.49
	(c) Employee Trusts	-	-
	(d) Overseas Depositories (holding DRs)	-	-
	(e) Any Other		
	(i) Bodies Corporates	19,21,12,007	13.96
	(ii) OCBs	38,250	0.00
	(iii) NRIs	2,35,78,667	1.71
	(iv) Societies	520	0.00
	(v) Trusts	41,659	0.00
	Sub Total (B3)	**71,73,04,464**	**52.11**
	Total Public Shareholding (B = B1+B2+B3)	**83,48,02,429**	**60.64**
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)	16,99,900	0.12
	Total Non-Promoter – Non-Public Shareholders (C=C1+C2)	**-**	**-**
	Grand Total (A+B+C)	**137,65,84,221**	**100.00**

6.19 Dematerialization of shares and liquidity

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

For dematerializing the shares, the Shareholder has to open a demat account with a Depository Participant (DP). The Shareholder is required to fill in a Demat Request Form and submit the same along with the Share Certificate(s) to the DP. The DP will allocate a demat request number and shall forward the request physically and electronically, through NSDL/CDSL to the R&T Agent. On receipt of the demat request, both physically and electronically and after verification, the Shares are dematerialized and an electronic credit of shares is given in the account of the Shareholder. The Company's shares are compulsorily traded in dematerialized form as per SEBI Guidelines.

As on March 31, 2022, 99.96% of the equity shares have been dematerialized. The equity shares of the Company are frequently traded on BSE and NSE, having nationwide trading terminals, and hence provide liquidity to the investors.

Shares in Physical and Demat form as on March 31, 2022	No. of Shares	Percentage
In Physical Form	5,10,260	0.04%
In Dematerialized Form	137,60,73,961	99.96%
Total	**137,65,84,221**	**100.00%**

No. of shareholders whose shares as on March 31, 2022 are in Physical and Demat form:	No. of Shareholders	Percentage
In Physical Form	3,561	0.55%
In Dematerialized Form	6,41,372	99.45%
Total	**6,44,933**	**100.00%**

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

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

6.21 Commodity price risk or foreign risk and hedging activities

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

During the FY22, the Company had managed the foreign exchange risk and hedged to the extent considered necessary.

The Company entered into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 59 to the Standalone Financial Statements.

6.22 Plant Locations

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

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

6.24 SEBI Complaints Redress System (SCORES)

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

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

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

Infomerics Valuation and Rating Pvt. Ltd. (RBI & SEBI Registered Credit Rating Agency) vide its letter dated September 27, 2021, had assigned 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	IVR A/Stable (IVR A with Stable Outlook)	Assigned
Short term Bank Facilities – Cash Credit	IVR A/Stable (IVR A with Stable Outlook)	Assigned
Short Term Bank Facilities – LC/BGs	IVR A1 (IVR A One)	Assigned

Subsequently, CARE Ratings Limited (a SEBI Registered Credit Rating Agency) vide its letter dated March 23, 2022, had enhanced the credit ratings for the Bank Loan facilities of the Company to "A" with stable outlook from "A-" (A-minus) with negative outlook, 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)	Enhanced
Short term Bank Facilities – Cash Credit	CARE A2+ (A Two Plus)	Enhanced

7. Other Disclosures

7.1 Disclosures on materially significant related party transactions that may have potential conflict with the interest of the Company at large

There is no material significant transaction entered into with any of the related parties that may have conflict with the interest of the Company.

Attention of the members is drawn to the disclosures of transactions with related parties set out in Note No. 51 of the Standalone Financial Statements forming part of the Annual Report.

7.2 Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchange(s) or SEBI or any statutory authorities, on any matter related to capital markets, during the last three years

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:	Falling short of one independent director w.e.f May 04, 2021till 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	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 BoD strength.		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.

Apart from above during the financial year 2018-19, SEBI had issued Show Cause Notice No. EFD-1/DRA 1/ BRK/RK/SCN/HFCL/OW/1 7730/1/2018/1 dated June 22, 2018 to the Company alleging violation of Regulations 3, 5(1) and 6(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Regulation 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

SEBI has also issued Show Cause Notice No. EAD-4/ADJ/BS/HKS/OW/18117/1/2018 dated June 27, 2018 to the Company alleging violation of Section 21 of the Securities Contracts (Regulation) Act, 1956 read with Clauses 36(7) and 50 of the erstwhile Listing Agreement.

The Company and the SEBI had arrived at a Settlement documented in Order No. SO/EFD-2/SD/280/MAR/2019 passed on March 29, 2019 and Order No. ORDER SRP/HKS/2019-20/2623 passed on April 05, 2019, on payment of settlement amount of ₹1,14,06,516/- towards settlement charges by the Company in respect of settlement application No. 3566/2018 filed by the Company in terms of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 which were repealed and replaced with the SEBI (Settlement Proceedings) Regulations, 2018 with effect from January 01, 2019, in respect of proceedings under Section 11B of the SEBI Act, 1992 initiated for the aforesaid alleged violations in connection with the issue of 67,99,945 Global Depository Receipts issued as long back as in September 2002.

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

7.3 Details of establishment of Vigil Mechanism and Whistle-Blower Policy of the Company

The Board of Directors of the Company has adopted Whistle Blower Policy and has established the necessary vigil mechanism as stipulated under Section 177(9) of the Act and Regulation 22 of the Listing Regulations.

The management of the Company, through this Policy envisages to encourage the employees of the Company to report to the higher authorities any unethical, improper, illegal or questionable acts, deeds and things which the management or any superior may indulge in.

The Policy on Vigil Mechanism/ Whistle blower policy may be accessed on the Company's website at the link: **http://www.hfcl.com/wp-content/uploads/2020/01/HFCL-Whistle-Blower-Policy_Revised1.pdf**.

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

7.4 Web link where policy for determining 'material' subsidiaries is disclosed

The Company has adopted a 'Policy for determining Material Subsidiaries', which has been uploaded on the Company's website and can be accessed at the following links: **https://www.hfcl.com/wp-content/uploads/2021/07/HFCL-Policy-on-Determining-Material-Subsidiaries_Revised.pdf**.

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

Subsidiary companies

The 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.

During the year under review, the Company has incorporated 2 (two) overseas wholly-owned subsidiaries, namely, HFCL B.V. Netherlands and HFCL Inc. USA and an Indian wholly owned subsidiary, namely, HFCL Technologies Private Limited.

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: **http://www.hfcl.com/wp-content/uploads/2017/05/Dividend_Distribution_Policy.pdf.**

7.7 Code of conduct for Board Members and Senior Management Personnel

Pursuant to Regulation 17(5) read with Schedule V to the Listing Regulations, the Company has adopted a Code of Conduct for Directors and a Code of Conduct for Senior Management Personnel and the same 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 FY22.

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.

SEBI notified several amendments to SEBI PIT Regulations pursuant to SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 which were effective from April 01, 2019 and subsequently amendments pursuant to the SEBI (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019 were made effective from December 26, 2019.

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

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

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

The Insider Trading Code envisages procedures to be followed and disclosures to be made while dealing in the securities of the Company.

During the year under review, there 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 February 21, 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/viloations, 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 FY22 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., Chartered Accountants (FRN: 000560C)	Statutory Audit Fees	50,00,000
				Limited Review Fees	6,00,000
				Certification	18,00,000
				Travel & Boarding Expenses	3,63,104
			M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	50,00,000
				Limited Review Fee	6,00,000
				Tax Audit & Certification Fees	30,84,720
				Travel & Boarding Expenses	3,84,800
2.	HTL Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	12,00,000
				Tax Audit & Others	6,12,000
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
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	40,000
	TOTAL				**1,94,58,224**

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 FY22.

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 2021-22 *except about the non-compliance of Regulation 17(1) of the Listing Regulations, with respect to proper composition of Independent Directors on the Board of the Company, during the period May 04, 2021 to November 24, 2021, which arose due to sudden demise of Mr. M. P. Shukla, Chairman and Director (Non-Executive) of the Company, on May 04, 2021.*

The Company had already appointed an Independent Director on the Board of the Company w.e.f. November 25, 2021 and complied with the Listing Regulations.

Secretarial Compliance Report

SEBI vide its Circular No. CIR/CFD/CMD1/27/2019 dated 8th February, 2019 read with Regulation 24(A) of the Listing Regulations, directed listed entities to conduct annual secretarial compliance audit from a practicing company secretary of all applicable SEBI Regulations and circulars/ guidelines issued thereunder.

The 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, 2022 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/2022/05/HFCL-ASCR-2022.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 dematerialized form held with Depositories.

7.12 Compliance of the provisions of Regulation 26(6) of the Listing Regulations:

None of the Key Managerial Personnel, Director(s) and Promoter(s) of the Company has entered into any agreement for themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of the Company.

7.13 Disclosure in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act)

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

The Internal Complaints Committee(s) ("ICCs") have been set up at each workplace to implement fair and impartial procedures for resolution settlement or prosecution of acts of sexual harassment. All employees are covered under this Policy.

ICC of each workplace of the Company has also filed Annual Return for the calendar year 2021 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 FY22:

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

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

c) **No. of complaints pending as on the end of financial year:** Nil

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

7.14 Financial Calendar 2022-23 (tentative and subject to change):

- Financial Reporting for the first quarter ending June 30, 2022: already approved by the Board of Directors at its meeting held on July 22, 2022.
- Financial Reporting for the second quarter and half year ending September 30, 2022: On or before second week of November, 2022.
- Financial Reporting for the third quarter ending December 31, 2022: On or before second week of February, 2023.
- Audited Accounts for the year ending March 31, 2023: On or before last week of May 30, 2023.
- Annual General Meeting for the year ending March 31, 2023: On or before September 30, 2023.

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 *except about the non-compliance of Regulation 17(1) of the Listing Regulations, with respect to proper composition of Independent Directors on the Board of the Company, during the period May 04, 2021 to November 24, 2021, which arose due to sudden demise of Mr. M. P. Shukla, Chairman and Director (Non-Executive) of the Company, on May 04, 2021.* The Company had already appointed an Independent Director on the Board of the Company w.e.f. November 25, 2021 and complied with the Listing Regulations.

The status of adoption of the Discretionary Requirements as specified in sub-regulation 1 of Regulation 27 of the Listing Regulations are as follows:

(a) **The Board:**

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

(b) **Shareholder Rights:**

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

Further, all significant events are also disclosed to the Stock Exchanges and published on the website of the Company, instead of sending to each household of the shareholders.

(c) **Un-Modified opinion(s) in Audit Report:**

The Company already has a regime of unqualified financial statements. Auditors have raised no qualification on the Financial Statements.

(d) **Reporting of Internal Auditor:**

The Internal Auditor of the Company directly reports to the Audit Committee.

7.16 Compliance Certificate

In terms of Regulation 17(8) of the Listing Regulations, the Managing Director and the Chief Financial Officer of the Company have given Compliance Certificate to the Board on financial reporting and internal controls, as mentioned under Part B of Schedule II to the Listing Regulations.

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

A certificate from the 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.

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

SEBI vide circular dated November 03, 2021, 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 April 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 letter to the members holding shares in physical form in relation to the aforesaid on January 31, 2022.

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

7.19 Details of utilization of funds raised through Qualified Institutional Placement

During the year under review, 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/- (i.e. 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 (INR 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 as mentioned hereunder:

₹ in Crores

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	224.2

7.20 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, 2022, there are no loans or advances provided by the Company and its subsidiaries to firms/companies in which directors were interested.

7.21 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 on which shall remain frozen till the rightful owner of such shares claims the shares.	N.A.

7.22 Green Initiative

Pursuant to Section 101 and 136 of the Act read with the Companies (Management and Administration) Rules, 2014 and the Companies (Accounts) Rules, 2014, the Company can send Notice of Annual General Meeting, Financial Statements and other communication in electronic forms.

Your Company is sending the Annual Report including the Notice of Annual General Meeting, Audited Financial Statements, Directors' Report along with their annexures etc. in the electronic mode to the shareholders who have registered their E-mail IDs with the Company and/or their respective Depository Participants (DPs).

Shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses, so that all communication with them can be made in electronic mode and we can make some contribution to protect the environment.

Those holding shares in demat form can register their e-mail addresses with their concerned DPs. Shareholders who hold shares in physical form are requested to register their e-mail addresses with the Company/RTA, by sending a letter, duly signed by the first/sole holder quoting details of Folio Number.

Declaration of Compliance of Code of Conduct

[In terms of Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

The Board of Directors of HFCL Limited, 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 2021-22.

Place: New Delhi
Date: April 28, 2022

Mahendra Nahata
Managing Director

Certificate on Corporate Governance

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

I have examined the compliance of conditions of Corporate Governance by HFCL Limited ("the Company"), for the year ended on March 31, 2022, 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 *except about the non-compliance of Regulation 17(1) of the Listing Regulations, with respect to proper composition of Independent Directors on the Board of the Company, during the period May 04, 2021 to November 24, 2021, which arose due to sudden demise of Mr. M. P. Shukla, Chairman and Director (Non-Executive) of the Company, on May 04, 2021. The Company had already appointed an Independent Director on the Board of the Company w.e.f. November 25, 2021* and complied with the aforesaid SEBI 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	:	**F003616D000804757**
Peer Review Certificate Number	:	**1205/2021**
ICSI – Unique Code	:	**I1999DE144000**

Place: New Delhi
Date: August 17, 2022

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 (H.P.)

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 (H.P.) (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub-clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal **www.mca.gov.in**) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2022, have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

Sr. No.	Name of Director	DIN	Date of appointment in Company
1.	Mr. Mahendra Pratap Shukla*	00052977	14/06/2004
2.	Mr. Mahendra Nahata	00052898	11/05/1987
3.	Mr. Arvind Kharabanda	00052270	31/10/2004
4.	Dr. (Mr.) Ranjeet Mal Kastia	00053059	07/02/1996
5.	Mr. Ramakrishna Eda#	07677647	22/02/2021
6.	Mr. Surendra Singh Sirohi	07595264	27/08/2018
7.	Dr. (Ms.) Tamali Sengupta	00358658	24/12/2018
8.	Mr. Bharat Pal Singh	00739712	21/01/2020
9.	Mr. Ajai Kumar##	02446976	25/11/2021

*Deceased on May 04, 2021.

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

Appointed as Non-Executive Independent Director w.e.f November 25, 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	**:**	**F003616D000804768**
Peer Review Certificate Number	**:**	**1205/2021**
ICSI – Unique Code	**:**	**I1999DE144000**

Place: New Delhi
Date: August 17, 2022

Business Responsibility Report

The Ministry of Corporate Affairs (MCA), Government of India, released a set of guidelines in 2011 called the National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (NVGs). This was expected to provide guidance to businesses on what constitutes responsible business conduct. In order to align the NVGs with the Sustainable Development Goals (SDGs) and the 'Respect' pillar of the United Nations Guiding Principles (UNGP) the process of revision of NVGs was started in 2015. After, revision and updation, the new principles are called the National Guidelines on Responsible Business Conduct (NGRBC). As with the NVGs, the NGRBC has been designed to assist businesses to perform above and beyond the requirements of regulatory compliance.

As a responsible corporate citizen, HFCL Limited (HFCL) presents its Business Responsibility Report (BRR), in line with the 'National Guidelines on Responsible Business Conduct' (NGRBC) as released by the Ministry of Corporate Affairs in March, 2019.

Further, the Securities and Exchange Board of India ('SEBI'), in May, 2021, introduced new sustainability related reporting requirements to be reported in the specific format of Business Responsibility and Sustainability Report ('BRSR'). BRSR is a notable departure from the existing BRR and a significant step towards giving platform to the companies to report the initiatives taken by them in areas of environment, social and governance. SEBI has mandated to the top 1,000 listed companies, based on market capitalization, to transition to BRSR from FY23 onwards and discontinue the BRR after the FY22.

In view of above, for FY22, the Company has followed the framework of BRR and the same has been prepared in accordance with Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Established in 1987, HFCL Limited, offers fully integrated communication network solutions, manufactures Optical Fibre, Optical Fibre Cables and High-End Transmission and Access Equipment. It is specialized in providing turnkey solutions for Telecom Service Providers, Railways, Defence, Smart City and Surveillance projects. As a telecommunication solutions provider, the Company has implemented several Greenfield projects, including the setting up of CDMA & GSM networks, OFC and optical transport network, routing network, microwave radio network, satellite communications, wireless spectrum management, fibre monitoring & management system. The Company has implemented over 25,000 2G/3G/4G cell sites and rolled out over 100,000 kilometres of optical fibre cable networks for telecommunication companies, railways, oil & gas industry and high security applications as required by the Defence and internal security establishments.

Having commenced its journey as a telecom equipment and optical fibre cable manufacturer three decades ago, it has fast transformed into developer of highly secure, reliable and modern communication networks for telecom, defence, railway and surveillance systems. HFCL is steadily deepening its telecom expertise while also widening its value proposition in new business domains such as defence, railway communication, smart cities and surveillance areas and global system integration services. HFCL has developed new products by its own R&D for Telecom, Defence, Smart Cities and Surveillance applications. This includes WiFi Systems, Unlicensed Band Radios, Switches, Electronic Fuses, Electro Optic Devices, Cloud Management Systems and Video Management Systems.

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

The Company is presenting its sixth Business Responsibility Report (BRR) forming part of its Annual Report 2021-22 hereunder:

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Sr. No.	Particulars	Remarks
1.	Corporate Identity Number (CIN) of the Company	L64200HP1987PLC007466
2.	Name of the Company	HFCL Limited
3.	Registered Address	8, Electronics Complex, Chambaghat, Solan – 173 213 Himachal Pradesh T: +91-1792-230644
4.	Website	**www.hfcl.com**
5.	E-mail id	**secretarial@hfcl.com**
6.	Financial Year reported	2021-22
7.	Sector(s) that the Company is engaged in (industrial activity code wise): [Source: National Industrial Classification Code (NIC)]	Optical Fibre Cable-27310 * Turnkey Contracts and Services-42202 *
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	The Company is engaged into the manufacturing of Optical Fibre, Optical Fibre Cables and high end transmission access equipment. The Company is providing turnkey solutions to telecom service providers, railways, defence, smart city and surveillance projects.
9.	Total number of locations where business activity is undertaken by the Company	**National locations:** Manufacturing Facilities located at Salcete (Goa) and Hyderabad (Telangana). Turnkey contracts and services are provided on PAN India basis. **International locations:** Branch Office at Mauritius, Dhaka an United Kingdom Representative Office at Dubai Offices at Germany, France, Turkey, Kenya and North America
10.	Markets served by the Company – Local/State/National/International	**Local** ✓ / **State** ✓ / **National** ✓ / **International** ✓

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

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid-up equity share Capital (INR)	137.65 Crores (Comprising 137,65,84,221 equity shares of ₹ 1/- each)
2.	Total Turnover (INR)	4,286.44 Crores
3.	Total profit after taxes (INR)	282.77 Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2%
5.	List of activities in which expenditure in 4 above has been incurred:	i. Promoting Education ii. Promoting Health Care

SECTION C: OTHER DETAILS

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

As on March 31, 2022, the Company has 09 (nine) subsidiary companies.

During the year under review HTL Limited, Polixel Security Systems Private Limited, Moneta Finance Private Limited, HFCL Advance Systems Private Limited, Raddef Private Limited, DragonWave HFCL India Private Limited, HFCL Technologies Private Limited, HFCL B.V. Netherlands and HFCL Inc. USA, continue to be subsidiaries of the Company.

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

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

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

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

SECTION D: BUSINESS RESPONSIBILITY INFORMATION

(1) Details of Director(s) responsible for BR:

(a) Details of the Director(s) responsible for implementation of the BR policy(ies)

Sr. No.	Particulars	Details
1.	DIN number	07595264
2.	Name	Mr. Surendra Singh Sirohi*
3.	Designation	Independent Director

* Designated as Director responsible for BR on September 03, 2021

(b) Details of BR head

Sr. No.	Particulars	Details
1.	DIN number (if applicable)	NA
2.	Name	Mr. Manoj Baid
3.	Designation	Senior Vice-President (Corporate) & Company Secretary
4.	Telephone Number	011-3520 9400
5.	E-mail Id	secretarial@hfcl.com

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

The 'National Guidelines on Responsible Business Conduct' (NGRBC) released by the Ministry of Corporate Affairs (MCA) have identified nine thematic pillars of business responsibility which are called Principles. These Principles (P1 to P9) are as under:

P1	Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable.
P2	Businesses should provide goods and services in a manner that is sustainable and safe.
P3	Businesses should respect and promote the well-being of all employees, including those in their value chains.
P4	Businesses should respect the interests of and be responsive to all its stakeholders.
P5	Businesses should respect and promote human rights.
P6	Businesses should respect and make efforts to protect, restore the environment.
P7	Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
P8	Businesses should promote inclusive growth and equitable development.
P9	Businesses should engage with and provide value to their consumers in a responsible manner.

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

Sr. No.	Questions	Ethics, Transparency and Accountability P1	Product responsibility P2	Wellbeing of Employees P3	Stakeholders' Engagement P4	Human Rights P5	Environment P6	Public Policy P7	Inclusive Growth P8	Consumers 'Relations P9
1.	Do you have a policy/ policies on the BR principles?	Y	Y	Y	Y	N	Y	N	Y	Y
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	N	Y	Y	N	Y	N	Y	Y
3.	Does the policy confirm to any national/international standards? If yes, specify?	Y	Y	Y	Y	N	Y	N	Y	Y
4.	Has the policy been approved by the Board? If yes, has it been signed by MD/Owner/CEO/appropriate Board Director?	Y	N	N	Y	N	N	N	Y	N
5.	Does the Company have a specified Committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	N	Y	N	Y	Y
6.	Indicate the link for the policy to be viewed online?	Code of Conduct (i)	Internal	Internal	CSR Policy (ii)	N	Internal	N	CSR Policy (ii)	Internal
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	The Business Responsibility Policy has been communicated to all key internal stakeholders of the Company.								
8.	Does the Company have in-house structure to implement the policy/ policies	Various Committees of the Board of Directors is responsible for implementation of the BRR Policy at macro level. At micro level the business heads are responsible for its implementation.								
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	The Company has a vigil mechanism policy which provides redressal mechanism for different stakeholders. The existing Business Responsibility Policy also contains grievance redressal mechanism.								
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N

(i) a. **https://www.hfcl.com/wp-content/uploads/2020/01/Code-of-Business-Conduct-and-Ethics-Board-of-Directors.pdf**

b. **https://www.hfcl.com/wp-content/uploads/2020/01/Code-of-Business-Conduct-and-Ethics-Senior-Management-Personnel.pdf**

(ii) **https://www.hfcl.com/wp-content/uploads/2017/11/CSR-Policy.pdf**

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

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

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

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

(3) Governance related to BR:

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

The Board/Committee would review the BR performance annually.

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

Yes, BRR is published annually as part of the Annual Report. The first BRR was published in the Annual Report of FY 2016-17.

The BRR for all the six years including this FY along with Business Responsibility Policy of the Company can be accessed at **http://www.hfcl.com/archive#corporate-covernance-arc**.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable.

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

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

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

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

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

Principle2: Businesses should provide goods and services in a manner that is sustainable and safe.

Safety and sustainability guides HFCL across all its business operations. The Company endeavours to minimize the consumption of natural resources and energy in its offices, manufacturing units, transportation of raw material and finished goods and Engineering, Procurement and Construction (EPC) of telecom networks on behalf of its customers. Optimizing copier paper by using the both sides of it, usage of recyclable cardboard or wooden boxes for packaging, route optimization and sharing of vehicles for staff and product transportation, laying of underground OFC cables without removing any tree, etc. depict Company's ethos and sensitivity towards safer and sustainable delivery of its products and services. We have gone paperless in testing as part of manufacturing process of Optical Fibre and Optical Fibre Cables and all the data is directly recorded from Test equipment to PC via software and there is no physical recording of data on paper formats resulting in conservation of natural resources.

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

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

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

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

a. All the raw materials which are used to manufacture Optical Fibre and Optical Fibre Cables are Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) compliant. HFCL has upgraded its RoHS compliance in line with the latest directives 2015/863 (EU) RoHS that adds four additional restricted substances to the existing list and do not contain substances which are identified in the "candidate List of substances of very High concern" published by ECHA on June 10, 2022 as a part of REACH Regulation. HFCL supplies products compliant with the latest RoHS and REACH directives applicable w.e.f. July 22, 2019 and June 10, 2022 respectively.

b. HFCL is committed to work for conservation of resources and is continuously working in reduction in diameter of Optical Fibre Cables (Micro Cables). In current year, we have managed to reduce the diameters further and made commercial supplies for reduced diameter products. Reduced diameters and light in weight. Cables enables reduction of resource consumption along with its compactness and ease of handling. This includes higher fibre count cables with a reduction of 15% in diameter and 25% reduction in cable weight. Conventional micro cables are further reduced and developed as ultra-low diameter micro cables. HFCL's new product development (NPD) team is working continuously in development of new products that also considers enhancing performance in terms of environmental aspects. It has developed and made commercial supply of micro module cables which has reduced cable diameters by approx. 20% in comparison to its conventional cables. In continuation of this, Optical fibre manufacturing team has also developed and commercially supplied lower diameter fibre supporting OFC new product development team in its endeavor towards environment.

c. HFCL promotes the new designs manufactured with use of no Jelly and reduced level of jelly by using dry water blocking materials and switched to 90% of designs with dry core construction. These dry tube/dry core designs helps in reduction in use of petroleum products.

d. Water which is used in both the manufacturing facilities at Goa and Hyderabad, is continuously recycled with effective effluent recycling process and hence there is reduction in fresh water consumption.

e. During manufacturing process in both the plants at Goa and Hyderabad, noise level reduction is taken care of by providing enclosure to all machines which produces noise. HFCL also got CPR compliance for higher fire rating cables and some of its cable are certified for B2Ca and CCa Category along with standard rating of DCA & ECA Class for its popular product families. HFCL new product development team is working on designs that will enhance the fire performance of the cable. HFCL has worked in developing cables that can withstand a very high temperature of 750 degree for 180 minutes.

f. HFCL is always looking at ways to reduce scrap generation. The Company is closely working with some of its suppliers to recycle the packing material for the supplied raw materials like empty fibre spools, jelly containers by sending them back to the suppliers for reuse. HFCL's OF plant is maximizing the reuse of empty fibre spools as well as corrugated boxes to achieve the goal of sustainable packaging.

g. Rubber wood used in packaging of finished product and it does not create any hazardous impact to environment as it is a biodegradable material. HFCL also works continuously with re-engineering of wooden drum used as a packing material for OFC. HFCL has taken further targets of reducing wood consumption. The re-engineering of drums results in reduction of consumption of wood & also saving of transportation fuel due to accommodation of more lengths in same vehicle/container.

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

i. HFCL has always been concerned for the safety of its employees and hence fully automatic Fire detection and suppression system of Novec 1230 and CO2 has been installed at our Goa Factory in UPS rooms, Battery rooms and Server room for human and equipment safety. Oxygen level monitoring system was installed in Fibre Coloring and Ribbon rooms for human safety. New 64-camera CCTV surveillance system had been installed at Goa plant.

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

We have used Solar Power at all the 569 BTS sites in LWE project thereby avoiding the use of Diesel Generators which are normally used as backup power supply for the BTS and Microwave radios. In fact in our case, 422 sites have no electricity supply from State Electricity Boards so far and we are running the network using Solar power only. Each site needs approx 350 watts of power. Assuming a 12 hour consumption of this power per day, we are saving about 126 KWH energy per month per site, where running the network using Solar power only.

Further sites which have electric connections, only 30% electricity is consumed for charging of batteries during weather disturbance thereby saving about 88 KWH energy per month per site.

Connectivity between Plant 1 and 2 at Goa improved by constructing new RCC Bridge between them, providing easy access to different areas in the premises. This has cut short distance for vehicle movement thereby reducing fuel consumption and pollution and improving safety and security.

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

The key focus of the Company's supply chain management remains on identifying and associating with established vendors with a proven track record of product and/or service delivery over a longer period of time. Most of the raw materials are sourced through long-term contracts with reputed suppliers. The Company endeavours to optimize transportation by dispatching 95%+ of goods by aggregating the supply lots through full truckloads thereby minimizing transport and related fuel consumption and emissions.

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

While the Company sources most of its input material and services from the organized sector, it endeavours to deploy localized sourcing whenever possible. In its EPC Division there are requirements of non SoR materials like RCC Chamber of different Sizes and RCC Route Markers which are being required to be installed at the location of work as per the Project requirements. These materials are being procured locally from the manufacturing facilities that are available in the vicinity of the Project. To ensure that these Materials meet the technical requirements of the Project technical knowledge is being shared with the supplier and skills of the supplier's manpower is enhanced by imparting knowledge with them. Apart from that there are requirements of Construction Materials like Cement, Coarse Sand, Aggregate of different Sizes, Bricks, Paint, etc. which is being procured locally. There are different activities undertaken in the Project which requires manpower in the category of Skilled, Semi-Skilled and Unskilled. The skilled manpower is hired and attached with the Professional manpower of the Organization and they are imparted with all the necessary skills required for the Project. Semi-skilled and unskilled manpower is engaged in the Projects undertaken by the Organization through its Service Partners who are predominantly form local community and they are provided with Technical knowhow as per the project requirements.

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

Packing cardboards	>30%
Waste wooden & plastic pallets	>10%
Empty metal barrels & plastic containers	>10%
Polythene bags	>10%
Plastic bobbins	>70%
Waste cable pieces	>10%

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

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

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

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

   As on March 31, 2022, the Company employed 3,428 people on its rolls & off rolls.

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

   A total of 1,328 employees are hired on temporary/contractual/ casual basis.

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

   As on March 31, 2022, the Company had total 170 women employees, including 22 off-roll women employees.

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

   The Company has no permanent employees with disabilities.

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

   The Company has one employee association.

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

   Out of the total 2,100 permanent workforce, about 2.00% (42 employees) of the total permanent employees are members of recognized employee association.

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

   The Company received no complaints pertaining to child labour, forced labour, involuntary labour, sexual harassment, discriminatory employment during the FY22. There are no such cases pending as on March 31, 2022.

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

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

Principle 4: Businesses should respect the interests of, and be responsive to all its stakeholders.

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

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

   Yes.

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

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

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

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

Principle 5: Businesses should respect and promote human rights.

The Company respects and promotes human rights.

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

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

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

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

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

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

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

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

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

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

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

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

   The state of art Greenfield plant set up for manufacturing of Optical Fibre at Hyderabad is also in line with the Company's environment policy. All the raw materials used in fibre manufacturing is RoHS compliant. PCB approved vendors do take care and manage Hazardous waste. Rain water harvesting and green landscape development in 5.5 acre of land had been part of the Project. The Company supports Telangana State Government's Haritha Haram tree plantation programme every year.

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

   No

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

   The Company use VOC free material in PCB assembly instead of alcohol based material.

   As renewable energy is the future of energy, taking a cue out of it, the Projects undertaken by Turnkey Division of the Organization has installed more than 3,350 Nos. of Solar Photo Voltaic System which caters to the energy requirements of the ONT's that are installed in the GPs.

   The Company's Hyderabad fibre manufacturing Plant has kept in consideration energy efficient technologies from Plant inception and designing stage. The Plant has designed and installed energy efficient HVAC system with VFD drives for all motors of AHU's, pumps, compressors etc. The Sewage treatment plant (STP) of capacity 15 KL per day recycle and reuse all its waste water for gardening purpose. Energy efficient LED lighting across the plant reduce power consumption. Fibre plant focuses on reduce, recycle and reuse approach towards achieving sustainable manufacturing processes. In view of the same, plant recycles the key packaging material for re-use in the process thus reducing waste generation in the environment.

   The Goa plant has taken many initiatives towards energy conservation including installation of power efficient LED mid-bay fitting, optimizing natural light through efficient roof sky lighting and rain water harvesting. The Goa Plant has also setup a Sewage treatment plant (STP) of capacity 30 KL per day to recycle all its waste water. The treated water is used for gardening purpose thus saving water. At Goa plant all street lighting has been replaced with high efficiency LED street lights thus reducing power consumption. Conventional lighting in all production areas are replaced with energy efficient LED lighting. Automation in cooling tower fan operation based on outlet water temperature to reduce power. The Goa plant has also installed high efficiency compressed air suction devices on sheathing lines to reduce consumption of compressed air and noise. The Company use VOC free material in PCB assembly instead of alcohol based material.

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

   Yes.

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

   The Company has not received any show cause/legal notices in relation to emission/pollution from regulators for the FY22.

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

The Company practices utmost responsibility in policy advocacy.

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

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

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

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

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

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

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

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

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

   The Company undertakes its CSR initiatives through its registered Society i.e. HFCL Social Services Society ("HSSS") established by the Company in the year 1996.

   HFCL and HSSS have joined hands with many NGOs to undertake the CSR Projects of HFCL. Some of the NGOs/ Implementing Agencies with whom HFCL and HSSS have joined hands are HelpAge India, Wockhardt Foundation, St. Stephen's Hospital Patients Welfare Society, IIT – Madras, Extramarks Education Foundation, Saint Hardyal Educational and Orphan Welfare Society (SHEOWS), Balvantray Mehta Vidya Bhavan Anguridevi Shersingh Memorial Academy, Hari Prem Society, Amrutam, Utkal Bipanna Sahayata Samiti (UBSS), Gogirl Foundation, Saha Foundation, The Bhagwan Mahavir Relief Foundation Trust, Foundation for Pluralistic Research and Empowerment and All India Heart Foundation etc.

   HFCL/HSSS has also undertaken following philanthropic activities at its own among others:-

   (i) "Say No to Plastic": Under this initiative, HSSS has distributed Cotton Bags to minimize the use of plastic among households and installed a reverse vending machine for the collection and recycle of plastic bottles;

   (ii) Provided Education Grant, Critical Illness Grant and Sports Training Grant to the candidates of economically weaker section of the society;

   (iii) Organised Blood Donation Camps and Specialized Medical Camps, from time to time, distributed COVID-19 support kits, encouraged COVID testing and vaccination, arranged on-call medical support service to the underprivileged communities during pandemic of COVID-19; and

   (iv) Distributed woollen jackets during winter among employees of Sardarshahar Municipal Corporation, Rajasthan.

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

   The Company had appointed Innovative Financial Advisors Limited ("Fiinovation") an independent agency to make an impact assessment for our Mobile Medical Units. As per the report of Fiinovation, the implementation of MMUs had been effective and met its objective and had created a very positive impact through provision of various services to the beneficiaries. The Company had already directed to concerned implementing partners to implement the improvements suggested by the Fiinovation. The areas of improvements as suggested by Fiinovation are being taken care of.

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

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

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

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

The effectiveness of CSR Projects of the Company are regularly reviewed and monitored. Based on experience and on-the-ground learning from CSR programmes, we plan to devise specific ways for enhancing participation and adoption of initiatives by the target communities.

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

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

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

The Company does not have any customer complaints or consumer cases pending as at March 31, 2022.

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

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

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

During the year under review, no case was filed or is pending against the Company regarding unfair trade practices, irresponsible advertising or anti-competitive behaviour as on March 31, 2022.

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

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

Independent Auditors' Report

To The Members of **HFCL Limited**

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, 2022, 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, 2022, 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, 2022, revenue from customer contracts amounts to ₹ 4,286.44 Crores whereas as at March 31, 2022, contract assets amount to ₹ 146.86 Crores, the balance of work in progress (WIP) amounts to ₹ 153.94 Crores and retention amounts to ₹ 256.61 Crores. The application of the revenue accounting standard (Ind AS 115, Revenue from Contracts with Customers) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. Refer Note 31 to the standalone financial statements. During order 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.	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts. We further performed testing on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off. We further reviewed samples of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations.

S. No.	Key Audit Matters	Auditor's Response
	Regarding the revenue recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.	Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts. Our procedures did not identify any material exceptions.
2.	**Valuation of accounts receivable – risk of credit losses** Company has a concentration of credit exposure on a number of major customers mainly Government and large organisation. Some of these major customers are facing difficult business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is key factor. Accounts receivable is a significant item in the Company's standalone financial statements amounting to ₹ 2,399.72 crores as of March 31, 2022 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 ₹ 14.94 crores as at March 31, 2022. 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 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 Company's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3.	**Recoverability of project and other vendor advances** As at March 31, 2022, current financial assets include ₹ 318.50 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.
4.	**Recoverability relating to Goods and Services Tax recoverable** As at March 31, 2022, under other current assets, indirect taxes recoverable include ₹ 189.81 crores in respect of GST Input Tax credit receivables. The Company has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 21 to the Standalone Financial Statements.	Our audit procedure involves the following activities: • Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers • Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.

S. No.	Key Audit Matters	Auditor's Response
5.	**Recoverability and Contingencies relating to other Indirect tax matters** As at March 31, 2022, "Indirect Tax Recoverable" includes ₹ 18.23 crores in respect of Commercial taxes recoverable which are pending adjudication. The Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement. Refer Note 21 to the Standalone Financial Statements.	We performed the following substantive procedures: • Understanding the process of estimation, recording and reassessing tax provisions and contingencies. • Involving tax specialists to assist in analyzing the judgements used to determine provisions for tax matters • We have involved our internal experts to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. • Inspection the correspondence with tax authorities. • Inspecting reports on open tax assessments prepared by the Company and other appropriate documentation considered necessary to understand the position and conclusions made by the Company. We also assessed the adequacy of the Company's financial statements disclosure in respect of the tax positions and contingent liabilities. We agree with management's evaluation.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the 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 two foreign branches which reflects total assets of ₹ 7.78 Crore, total revenue of ₹ 3.81 Crore, Net Profit after tax of ₹ 1.83 Crore and total comprehensive income of ₹ 1.83 Crore and net cash inflow amounting to ₹ (0.16) Crore for the year ended on March 31, 2022, which were audited by independent auditors in accordance with the regulations of such foreign countries, and whose reports have 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 Standalone Financial Statements solely based on such converted financial statements of foreign branches.

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, 2022, taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.

g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B"**.

h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 47 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 47 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.

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

(P. D. Baid)
Partner
Membership No: 072625
UDIN:22072625AICHQN4912

Date: April 29, 2022
Place: New Delhi

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN:22054645AICAWL9481

Date: April 29, 2022
Place: New Delhi

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 size 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 favour 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 September 23,1994	Property is under dispute for titleship
Freehold land at New Delhi	1.64	Erstwhile amalgamated Company	No	Since January 5, 2011	Subject to Mutation of properties

(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, 2022 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 is 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 crore 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	114.00	Nil	1.00	Nil
Balance outstanding as at balance sheet date	248.00	3,58,500 (Shares of HTL Limited Pledged against loan given to subsidiary)	30.50	72.00

(B) Other than subsidiaries and jointly controlled entities:

₹ in Crores

Particulars	Guarantees	Loans	Advances in nature of loans
Aggregate amount granted/ provided during the year	Nil	16.50	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	0.50 (interest)	March 12, 2022	20 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.

(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
Nimpaa Telecommunications Pvt. Ltd.	4.00	3.36%
Raddef Pvt. Ltd.	2.00	1.68%

(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) The Central Government has specified maintenance of cost records under section 148(1) of the Act for certain manufacturing activities of the Company. We have broadly reviewed the books of account and records maintained by the Company relating to manufacturing of relevant products, and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the same with a view to determine whether they are accurate or complete.

(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, 2022 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, 2022 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	3,87,26,339/-	2017-18	Asst. Commissioner (Circle-11), Audit-II, New Delhi	₹ 1,00,00,000/- Paid
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 during the year and the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with. Further, the funds have been used for the purposes for which the funds were raised.

(xi) (a) No fraud by the Company and no 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 Pvt. Ltd.
2.	Nextwave Communications Pvt. 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 realization 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 not transferred the unspent Corporate Social Responsibility (CSR) amount as at the Balance Sheet date out of the amounts that was required to be spent during the year, to a Special Account in compliance with the provision of sub-section (6) of section 135 of the said Act till the date of our report since the time period for such transfer i.e 30 days from the end of financial year has not elapsed till the date of our report.

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

(P. D. Baid)
Partner
Membership No: 072625
UDIN:22072625AICHQN4912

Date: April 29, 2022
Place: New Delhi

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN:22054645AICAWL9481

Date: April 29, 2022
Place: New Delhi

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, 2022 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 specified 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 authorizations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S Bhandari & Co.**	For **Oswal Sunil & Company**
Chartered Accountants	Chartered Accountants
Firm Registration No. 000560C	Firm Registration No. 016520N
(P. D. Baid)	**(Sunil Bhansali)**
Partner	Partner
Membership No: 072625	Membership No: 054645
UDIN:22072625AICHQN4912	UDIN:22054645AICAWL9481
Date: April 29, 2022	Date: April 29, 2022
Place: New Delhi	Place: New Delhi

Balance Sheet

as at March 31, 2022

₹ in crore

Particulars	Note No(s)	As at March 31, 2022	As at March 31, 2021
ASSETS			
Non-current assets			
(a) Property, Plant and Equipment	3	339.92	331.05
(b) Capital work-in-progress	4	25.90	3.73
(c) Right-of-use-assets	43	24.07	20.13
(d) Intangible assets (other than Goodwill)	5	11.49	16.42
(e) Intangible assets under development	6	60.51	23.34
(f) Investment in subsidiaries, associates/ jointly controlled entity	7	42.97	26.70
(g) Financial Assets			
(i) Investments	8	32.96	32.88
(ii) Trade receivables	15	595.57	444.78
(iii) Loans	9	28.50	26.50
(iv) Others	10	105.84	80.32
(h) Deferred tax assets (net)	11	8.59	10.57
(i) Other non-current assets	12	10.83	15.89
Total Non-Current Assets		**1,287.15**	**1,032.31**
Current assets			
(a) Inventories	13	408.51	306.24
(b) Financial assets			
(i) Investments	14	8.63	5.62
(ii) Trade receivables	15	1,804.15	2,528.03
(iii) Cash and cash equivalents	16	14.84	19.79
(iv) Bank balances other than (iii) above	17	489.78	273.95
(v) Loans	18	18.50	3.00
(vi) Others	19	382.54	457.25
(c) Current tax Assets (net)	20	5.03	74.91
(d) Contract Assets	31	146.86	20.63
(e) Other current assets	21	241.19	215.48
Total Current Assets		**3,520.03**	**3,904.90**
Total Assets		**4,807.18**	**4,937.21**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	137.49	128.44
(b) Other Equity	22	2,590.87	1,748.06
Total Equity		**2,728.36**	**1,876.50**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	23	95.32	197.43
(ii) Lease liabilities	43	19.34	18.43
(b) Provisions	24	33.42	32.19
Total Non-Current Liabilities		**148.08**	**248.05**
Current liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	515.51	605.38
(ii) Lease Liabilities	43	7.21	3.58
(iii) Trade payables	26		
– total outstanding dues of Micro and Small Enterprises		178.17	166.56
– total outstanding dues to other than Micro and Small Enterprises		755.65	1,485.20
(iv) Other financial liabilities	27	376.91	399.63
(b) Current tax liabilities (Net)	28	20.98	42.33
(c) Other current liabilities	29	66.93	68.13
(d) Contract liabilities	31	-	30.10
(e) Provisions	30	9.38	11.75
Total - Current liabilities		**1,930.74**	**2,812.66**
Total Liabilities		**2,078.82**	**3,060.71**
Total Equity and Liabilities		**4,807.18**	**4,937.21**

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

As per our report of even date attached

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

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

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, April 29, 2022

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

Statement of Profit and Loss

for the year ended March 31, 2022

₹ in crore

	Particulars	Note No(s)	For the year ended March 31, 2022	For the year ended March 31, 2021
I	**INCOME**			
	Revenue from operations	31	4,286.44	4,105.87
	Other Income	32	43.83	33.22
	Total Income (I)		**4,330.27**	**4,139.09**
II	**EXPENSE**			
	Cost of Material Consumed	33	775.63	490.35
	Other Direct Cost	34	1,352.30	971.87
	Purchases of stock-in trade		1,203.00	1,744.89
	Change in inventories of finished goods, work-in progress and stock-in trade	35	(65.70)	27.95
	Employee benefits expense	36	261.60	215.69
	Finance Costs	37	132.64	148.24
	Depreciation & amortization expenses	3, 5, 43	57.30	53.59
	Other Expenses	38	231.84	186.51
	Total Expenses (II)		**3,948.61**	**3,839.09**
III	**Profit before exceptional items and income tax (I-II)**		381.66	300.00
IV	Exceptional item	50	-	4.13
V	**Profit before tax (III - IV)**		**381.66**	**295.87**
VI	**Tax expenses**			
	– Current tax		96.96	75.70
	– Deferred Tax		1.93	(2.69)
VII	**Profit for the year (V-VI)**		**282.77**	**222.86**
VIII	**Other comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		0.15	3.43
	(ii) Income tax on above item		(0.04)	(0.86)
	(iii) Gain on Equity Instruments designated through OCI		2.02	2.56
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(0.35)	(0.45)
	Total Other comprehensive income for the year		**1.78**	**4.68**
IX	**Total comprehensive income for the year (VII + VIII)**		**284.55**	**227.54**
X	Earnings per share from continuing and total operations attributable to the equity holders of the Company	39		
	– Basic (₹)		**2.15**	**1.74**
	– Diluted (₹)		**2.15**	**1.74**

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

As per our report of even date attached

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

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

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

New Delhi, April 29, 2022

Statement of Cash Flow

for the year ended March 31, 2022

₹ in crore

Particulars		For the year ended March 31, 2022		For the year ended March 31, 2021
I.	**Cash flow from Operating Activities :**			
	Net Profit before taxes		381.66	295.87
	Adjustments for :			
	Depreciation, Impairment and Amortization expenses	57.30		53.59
	(Gain)/Loss on disposal of property, plant and equipment	0.01		0.03
	Financial Guarantee income	(4.56)		(2.89)
	Impairment loss, Bad Debts, advances and miscellaneous balances written off	5.43		3.98
	Employee Share based payments expenses	(8.26)		3.69
	Dividend and interest income classified as investing cash flows	(12.90)		(2.33)
	Finance costs (net)	132.64		148.25
			169.66	**204.32**
	Change in operating assets and liabilities :			
	(Increase)/Decrease in Trade and other receivables	567.66		(1,311.20)
	(Increase)/Decrease in Inventories	(102.26)		(33.86)
	Increase/(Decrease) in Trade payables	(717.94)		869.75
	(Increase)/Decrease in other financial assets	105.57		94.85
	(Increase)/Decrease in other non-current assets	(3.21)		(1.27)
	(Increase)/Decrease in other current assets	(151.94)		3.91
	Increase/(Decrease) in provisions	(2.36)		1.46
	Increase in other non-current liabilities	1.37		7.97
	Increase/(Decrease) in other current liabilities	(58.87)		(36.69)
			(361.98)	**(405.08)**
	Cash generated from operations		**189.34**	**95.11**
	Income taxes paid/refund (net)		(48.44)	(12.63)
	Net cash inflow from/(used in) operating activities		**140.90**	**82.48**
II	**Cash flow from Investing activities**			
	Payment for acquisition of subsidiaries & other investments		(13.08)	(12.96)
	Payments for property, plant and equipment including CWIP		(97.61)	(56.91)
	Payments for Intangible Assets		(37.70)	(7.73)
	Payment for loan to body corporates		(17.50)	3.75
	Proceeds from sale of property, plant and equipment		0.52	2.14
	Bank deposits placed/matured (net)		(238.13)	(87.49)
	Proceeds from sale of Investment		0.01	33.13
	Dividends received		-	-
	Interest received		15.69	10.20
	Net Cash flow from/(used in) investing activities		**(387.80)**	**(115.87)**

Statement of Cash Flow

for the year ended March 31, 2022

₹ in crore

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
III	**Cash flow from Financing Activities**		
	Proceeds from issues of Share Capital (including security premium)	605.78	-
	Share issue expenses	(10.50)	-
	Proceeds from borrowings	54.48	262.98
	(Repayment) of borrowings	(246.48)	(70.43)
	(Repayment) of lease liabilities	(8.59)	(7.59)
		394.69	**184.96**
	Less:		
	Finance Costs paid	(133.69)	(144.51)
	Dividend paid	(19.05)	-
	Net Cash flow from/(used in) financing activities	**241.95**	**40.45**
IV	**Net increase/(decrease) in cash & cash equivalents (I + II + III)**	**(4.95)**	**7.06**
V	**Cash and cash equivalents at the beginning of the financial year**	**19.79**	**12.73**
VI	**Cash and cash equivalents at end of the year**	**14.84**	**19.79**
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	0.07	0.09
	Balances with Scheduled banks in		
	Current accounts*	10.97	17.16
	Fixed Deposits with Bank	3.80	2.54
	Balances per statement of cash flows	**14.84**	**19.79**
4	**Analysis of movement in borrowings**		
	Borrowings at the beginning of the year	802.83	610.28
	Movement due to cash transactions as per the Statement of Cash Flows	(192.00)	192.55
	Borrowings at the end of the year	**610.83**	**802.83**

* ₹ 0.52 crore (Previous year ₹ 0.27 crore) has restricted use.

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

As per our report of even date attached

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

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

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

New Delhi, April 29, 2022

Statement of Changes in Equity

for the year ended March 31, 2022

Equity Share Capital

₹ in crore

Particulars	Amount
Balance as at April 1, 2020	**128.44**
Changes in equity share capital	-
Balance as at March 31, 2021	**128.44**
Changes in equity share capital (refer note no. 22 (A))	9.05
Balance as at March 31, 2022	**137.49**

Other equity

₹ in crore

Particulars	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, 2020	**11.70**	**467.62**	**80.50**	**5.62**	**1,062.12**	**(121.30)**	**10.44**	**(0.08)**	**1,516.62**
Total Comprehensive Income for the year	-	-	-	-	222.87	2.56	2.57	(0.45)	227.55
Transfer to retained earnings	-	-	-	(2.81)	(124.75)	127.56	-	-	-
Employee Share Options outstanding $	3.89	-	-	-	-	-	-	-	3.89
Balance as at March 31, 2021	**15.59**	**467.62**	**80.50**	**2.81**	**1,160.24**	**8.82**	**13.01**	**(0.53)**	**1,748.06**
Total Comprehensive Income for the year	-	-	-	-	282.77	2.02	0.11	(0.35)	284.55
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 crore)	-	589.57	-	-	-	-	-	-	589.57
Adjustment of dividend paid to HFCL Employees Trust	-	-	-	-	0.05	-	-	-	0.05
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 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**	**-**	**1,431.54**	**10.84**	**13.12**	**(0.88)**	**2,590.87**

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

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

As per our report of even date attached

For and on behalf of the Board

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

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

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

New Delhi, April 29, 2022

Notes forming part of Financial Statements

for the year ended March 31, 2022

₹ 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 Ltd. (NSE) and BSE Ltd. (BSE). Established in 1987, HFCL is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment, Optic Fibre and Optic Fibre Cable (OFC).

The financial statements have been approved by the Board of Directors of the Company at its meeting held on April 29, 2022.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

These financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. The Company has consistently applied accounting policies to all periods. On March 24, 2021, the Ministry of Corporate Affairs (MCA) through a notification, amended Schedule III of the Companies Act, 2013 and the amendments are applicable for financial periods commencing from April 1, 2021. The Company has evaluated the effect of the amendments on its financial statements and complied with the same.

2.1.2. Historical Cost Convention

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Financial Statements are presented in Indian Rupees except where otherwise stated.

2.1.3. Use of estimates and judgements

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

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

2.2. Business combinations and goodwill

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

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

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

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

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

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

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

Notes forming part of Financial Statements

for the year ended March 31, 2022

2.3. Current versus non-current classification

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

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

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

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

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

All other assets are classified as non-current. A liability is current when:

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

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

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

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

All other liabilities are classified as non-current.

2.4. Fair value measurement

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

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

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

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

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

- Level 1 – Quoted (unadjusted)

This hierarchy includes financial instruments measured using quoted prices.

- Level 2

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

Level 2 inputs include the following:

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

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

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

(d) Market – corroborated inputs.

- Level 3

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

2.5. Investments in subsidiaries, associates and joint ventures

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

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

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

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

2.6. Non-current assets held for sale

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

2.7. Property Plant and Equipment

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

Notes forming part of Financial Statements

for the year ended March 31, 2022

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 recognized 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 amortized 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), amortization has been provided for on Straight Line Method over the period of lease.

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

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

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

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

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

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

2.8. Intangible Assets

a. Goodwill:

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

b. Other Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Company to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably.

An item of Intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate all the following: -

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

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

Notes forming part of Financial Statements

for the year ended March 31, 2022

for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Statement of Profit and Loss.

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

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

2.9. Financial instruments

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

2.9.1. Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Debt instruments at amortized cost

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

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

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

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

Debt instrument at FVTOCI

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

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

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

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

Debt instrument at FVTPL

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

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

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

Equity investments

Investment in subsidiaries, associates and joint ventures are measured at cost less impairment loss, if any.

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

Notes forming part of Financial Statements
for the year ended March 31, 2022

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

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in Statement of Profit and Loss.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

De-recognition

A financial asset is de-recognized only when

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

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

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

Impairment of financial assets

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL Impairment Loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Statement of Profit and Loss (P&L).

2.9.2. Financial liabilities

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

Initial recognition and measurement

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

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

Trade and other payables

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

Loans and borrowings

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

Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes forming part of Financial Statements

for the year ended March 31, 2022

2.10. Impairment of non-financial assets

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

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

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

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

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Statement of Profit and Loss.

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

2.11. Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- **Raw materials:** Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- **Finished goods and work in progress:** Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on 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 realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12. Revenue recognition

A. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services.

B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).

C. The Company presents revenues net of indirect taxes in its Statement of Profit and loss.

D. The following is a description of the principal activities – separated by reportable segments – from which the Company generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Company principally generate revenue from sale of Optical Fibre Cable, Optical Fibre and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Company generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

- **Contracts with government**

The Company recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Company expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Company reasonably estimates those.

Notes forming part of Financial Statements
for the year ended March 31, 2022

Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Company has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

- **Warranty**

Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on historical data and arrangement entered with respective vendors of equipment's supplied under contract, the Company recognises provisions for this warranty.

- **Financial Components**

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue :

- **Interest income**

Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- **Dividends**

Dividend income is recognised when the right to receive payment is established.

- **Rental income**

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

- **Insurance Claims**

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

2.13. Leases

As a lessee

The Company implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

– the amount of the initial measurement of the lease liability,

– any lease payments made at or before the commencement date, less any lease incentives,

– any initial direct costs incurred by the lessee,

– an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

– fixed payments, less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the lessee under residual value guarantees;

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Notes forming part of Financial Statements

for the year ended March 31, 2022

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Company's incremental borrowing rate or the rate implicit in the lease contract.

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

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

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

2.15. Employee Benefits

Short term employee benefits:-

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

Long-Term employee benefits

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

Post-employment obligations

i. Defined contribution plans

Provident Fund and employees' state insurance schemes:

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

The Company's contributions to both these schemes are expensed in the Statement of Profit and Loss. The Company has no further obligations under these plans beyond its monthly contributions.

ii. Defined benefit plans

Gratuity:

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits" The Company makes periodic contributions to the HDFC Standard Life Insurance Company Ltd for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each

Notes forming part of Financial Statements

for the year ended March 31, 2022

annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

Leave Encashment:

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

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

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

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

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

Termination benefits

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

2.16. Employee Share-based payments

The Company has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Company but consolidated in the Financial Statement. Any loan from the Company to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Company is recognized as an employee benefits expense and those granted to employees of subsidiaries is considered as the Company's equity contribution and is added to the carrying value of investment in the respective subsidiaries, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

2.17. Borrowing Costs

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

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

2.18. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

2.19. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

Notes forming part of Financial Statements

for the year ended March 31, 2022

2.20. Cash Flow Statement

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

2.21.GST Credit

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

2.22. Earnings per share

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

2.23. Income taxes

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

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

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

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

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

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

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

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

Notes forming part of Financial Statements

for the year ended March 31, 2022

3. Property, Plant and Equipment

₹ in crore

Particulars	Plant and Machinery	Building (Freehold)	Building (Leasehold)	Electrical Installations	Furniture and Fixtures	Office Equipment's	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance as at April 1, 2020	**380.57**	**87.87**	**27.10**	**29.90**	**10.18**	**7.66**	**20.06**	**15.46**	**8.83**	**0.88**	**588.51**
Additions	19.88	25.80	-	1.79	0.97	0.78	3.05	0.78	-	-	53.05
Disposals/Adjustments	1.16	0.45	-	0.26	0.24	0.01	0.50	1.57	-	-	4.19
Balance as at March 31, 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	4.10	0.36	-	53.38
Balance as at March 31, 2022	**410.58**	**118.71**	**29.76**	**31.39**	**16.54**	**8.77**	**27.77**	**16.24**	**8.47**	**0.88**	**669.11**
Accumulated Depreciation and Impairment											
Balance as at April 1, 2020	**195.99**	**9.96**	**9.04**	**11.80**	**6.31**	**3.93**	**16.20**	**11.94**	**-**	**0.22**	**265.39**
Depreciation for the year	27.83	2.61	0.83	4.79	1.01	1.76	2.55	1.10	-	0.01	42.49
Impairment during the year	0.45	-	-	-	-	-	-	-	-	-	0.45
Disposals/Adjustments	0.19	-	-	0.01	0.01	0.01	0.47	1.32	-	-	2.01
Balance as at March 31, 2021	**224.08**	**12.57**	**9.87**	**16.58**	**7.31**	**5.68**	**18.28**	**11.72**	**-**	**0.23**	**306.32**
Depreciation for the year	28.33	3.20	1.28	3.90	2.01	1.43	3.61	1.58	-	0.01	45.35
Impairment during the year	-	-	-	-	-	-	-	-	-	-	-
Disposals/Adjustments	16.65	-	-	0.50	0.10	0.04	1.46	3.73	-	-	22.48
Balance as at March 31, 2022	**235.76**	**15.77**	**11.15**	**19.98**	**9.22**	**7.07**	**20.43**	**9.57**	**-**	**0.24**	**329.19**
Net Carrying Value											
Balance as at April 1, 2020	184.58	77.91	18.06	18.10	3.87	3.73	3.86	3.52	8.83	0.66	323.12
Balance as at March 31, 2021	175.21	100.65	17.23	14.85	3.60	2.75	4.33	2.95	8.83	0.65	331.05
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**

Notes:

1. One of the Leasehold land situated at Solan (H.P.) amounting to ₹ 0.28 crore is 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	23rd September, 1994

2. The Company had been approved capital subsidy 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 vide Approval letter No. 27(69)/2017-IPHW dated May 29, 2018. The Company is in the process of submitting its disbursement claims before the competent authority for sanctioning and in the absence of reasonable certainty that the claim will be received, the same has not been accounted for.
3. The Company has 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 crore and stamp duty reimbursement of ₹ 0.36 crores.

   The Company has adjusted capital subsidy (including stamp duty reimbursement) aggregating to ₹ 30.36 crores against the related Property, Plant and Equipment and power and interest subsidy (including interest up to March 31, 2022) aggregating to ₹ 15.20 crores has been recognized 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
for the year ended March 31, 2022

4. Capital work-in-progress

₹ in crore

Particulars	Buildings	Plant & Machinery	Electrical Installation	Furniture & Fixture	Total
Balance as at April 1, 2020	**12.15**	**0.47**	**0.25**	**-**	**12.87**
Additions	0.67	1.00	0.10	-	1.77
Disposals/Adjustments	10.44	0.47	-	-	10.91
Balance as at March 31, 2021	**2.38**	**1.00**	**0.35**	**-**	**3.73**
Additions	10.71	13.95	0.55	0.58	25.79
Disposals/Adjustments	2.26	1.00	0.36	-	3.62
Balance as at March 31, 2022	**10.83**	**13.95**	**0.54**	**0.58**	**25.90**

4.1 Ageing of Capital work in progress

₹ in crore

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress*					
As at March 31, 2022	24.11	1.79	-	-	25.90
As at March 31, 2021	1.39	2.34	-	-	3.73

* 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)

₹ in crore

Particulars	Amount
Gross Carrying Value	
Balance as at April 1, 2020	**31.32**
Additions	2.40
Disposals/Adjustments	-
Balance as at March 31, 2021	**33.72**
Additions	0.53
Disposals/Adjustments	-
Balance as at March 31, 2022	**34.25**
Accumulated Depreciation and Impairment	
Balance as at April 1, 2020	11.90
Depreciation for the year	5.40
Disposals/Adjustments	-
Balance as at March 31, 2021	**17.30**
Depreciation for the year	5.46
Disposals/Adjustments	-
Balance as at March 31, 2022	**22.76**
Net Carrying Value	
Balance as at April 1, 2020	19.42
Balance as at March 31, 2021	16.42
Balance as at March 31, 2022	**11.49**

Notes forming part of Financial Statements

for the year ended March 31, 2022

6. Intangible assets under development

₹ in crore

Particulars	Product Development
Balance as at April 1, 2020	**18.01**
Additions	5.33
Disposals/Adjustments/transfer	-
Balance as at March 31, 2021	**23.34**
Additions	37.51
Disposals/Adjustments/transfer	0.34
Balance as at March 31, 2022	**60.51**

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

₹ in crore

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress					
As at March 31, 2022	37.17	5.33	4.07	13.94	60.51
As at March 31, 2021	5.33	4.07	13.94	-	23.34

6.2 Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2022

₹ in crore

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**

Projectwise completion schedule of overdue/over-run intangible assets under development as at March 31, 2021

₹ in crore

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	-	8.64	-	-	8.64
- 5G/4G Technological Products	-	-	9.91	-	9.91
Total	**-**	**8.64**	**9.91**	**-**	**18.55**

7. Investment in subsidiaries and jointly controlled entities

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unquoted Investments (At Cost)		
Investment in Equity Instruments		
Subsidiaries	31.47	26.70
Jointly Controlled Entities	11.50	-
Total	**42.97**	**26.70**

Notes forming part of Financial Statements

for the year ended March 31, 2022

7.1 Investment in subsidiaries and jointly controlled entities

₹ in crore

Particulars	Face value per share	As at March 31, 2022		As at March 31, 2021	
		No. of Shares	Amount	No. of Shares	Amount
Investment in Equity Instruments - Equity Shares					
Subsidiaries					
HTL Ltd.* #	100	1,110,000	10.23	1,110,000	6.45
Polixel Security Systems Pvt. Ltd.	10	180,856	12.05	180,856	12.05
Moneta Finance Pvt. Ltd.	10	1,020,000	2.35	1,020,000	2.35
HFCL Advance Systems Pvt. Ltd.	10	90,000	0.09	100,000	0.10
Raddef Pvt. Ltd.	10	9,000	0.01	9,000	0.01
DragonWave HFCL India Pvt. Ltd.	10	7,000,000	5.74	7,000,000	5.74
HFCL Technologies Pvt. Ltd.	10	1,000,000	1.00	-	-
HFCL B.V.	1€	1	-	-	-
HFCL Inc.	1$	1	-	-	-
Jointly controlled entities					
NIMPAA Telecommunications Pvt. Ltd.	10	1,000,000	1.00	-	-
BigCat Wireless Pvt. Ltd.	10	4,000	2.50	-	-
BigCat Wireless Pvt. Ltd. – (Partly paid @ ₹ 3.50 per share out of the face value of ₹ 10/- per share)	10	32,000	8.00	-	-
Total investments carrying value (at cost)			**42.97**		**26.70**
Aggregate carrying value of unquoted investments			42.97		26.70
Aggregate amount of impairment in value of investments			-		-

* Includes share based payments to employees of subsidiary company and components of financial guarantee.

Out of total, 358,500 Shares (Previous year: 358,500) are pledged as security for the Working Capital/Term Loan facility sanctioned by Banks to HTL Ltd.

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, 2022	As at March 31, 2021
Subsidiaries				
HTL Ltd.	Manufacturing of Optical Fibre Cable	India	74.00%	74.00%
Polixel Security Systems Pvt. Ltd.	EPC Business in Security and Surveillance	India	100.00%	100.00%
Moneta Finance Pvt. Ltd.	Finance business	India	100.00%	100.00%
HFCL Advance Systems Pvt. Ltd.	Manufacturing of Defence and Telecom Equipment	India	90.00%	100.00%
Raddef Pvt. Ltd.	Radio Communication Systems	India	90.00%	90.00%
DragonWave HFCL India Pvt. Ltd.	Radio Communication Systems	India	100.00%	100.00%
HFCL Technologies Pvt. Ltd.	Manufacturing of Optical Fibre Cable, Fibre and Telecom equipment's	India	100.00%	-
HFCL B.V.	To cater the global demand of the products in the region	Netherlands	100.00%	-
HFCL Inc.	To cater the global demand of the products in the region	USA	100.00%	-
Jointly controlled entities				
NIMPAA Telecommunications Pvt. Ltd.	Manufacturing of FRP and ARP	India	50.00%	-
BigCat Wireless Pvt. Ltd. (Jointly Controlled Entity with 50% voting right w.e.f. November 12, 2021)	Development of software and hardware products for wireless networking	India	50.00%	-

Notes forming part of Financial Statements
for the year ended March 31, 2022

8. Non-Current Financial Assets – Investments

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unquoted		
Investments - Others		
Investments in Equity instruments	32.96	32.88
Total	**32.96**	**32.88**

8.1 Detail of Non Current Financial Assets – Other Investments

₹ in crore

Particulars	Face value per share	As at March 31, 2022		As at March 31, 2021	
		No. of Shares	Amount	No. of Shares	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments - Equity Shares					
Exicom Tele-Systems Ltd.	10	630,223	16.83	630,223	16.77
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.05	4,000	0.06
HFCL Bezeq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt. Ltd.	1	217,594	16.08	217,594	16.05
Total Investment (at FVTOCI)			**32.96**		**32.88**
Aggregate carrying value of unquoted investments			32.96		32.88
Aggregate amount of impairment in value of investments			-		-

9. Non-Current Financial Assets – Loans

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, Considered Good		
Loans to related parties (refer note 51)	28.50	26.50
Total	**28.50**	**26.50**

10. Non-Current Financial Assets – Others

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, Considered Good		
Fixed Deposits with Bank (maturity more than 12 months)*	29.15	6.85
Advances to related parties (refer note 48 & 51)	72.00	72.00
Security Deposit	4.69	1.47
Total	**105.84**	**80.32**

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

Notes forming part of Financial Statements
for the year ended March 31, 2022

11. Deferred tax assets (net)

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

₹ in crore

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	Total
As at 1 April, 2020	**7.95**	**(9.28)**	**10.06**	**8.73**
(Charged)/Credited:				
- to Statement of profit and loss	1.95	3.41	(2.66)	2.70
- to other comprehensive income	(0.86)	-	-	(0.86)
As at 31 March, 2021	**9.04**	**(5.87)**	**7.40**	**10.57**
(Charged)/Credited:				
- to Statement of profit and loss	1.15	(0.70)	(2.39)	(1.94)
- to other comprehensive income	(0.04)	-	-	(0.04)
As at 31 March, 2022	**10.15**	**(6.57)**	**5.01**	**8.59**

12. Other Non-Current Assets

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, Considered Good		
Capital Advances	10.83	15.89
Total	**10.83**	**15.89**

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

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Inventories (As Certified and valued by the management)		
Raw Materials	117.52	47.95
Raw Materials in transit	0.02	2.90
	117.54	**50.85**
Work-in-progress	166.21	113.18
Finished goods	30.47	25.54
Stock-in-trade	73.11	65.35
Stock in trade in transit	8.63	45.92
Stores and Spares	7.96	3.95
Loose tools	1.03	0.51
Others (Packing Material)	3.56	0.94
Total	**408.51**	**306.24**

Notes:

(i) Work in progress includes contract work in progress of ₹ 153.94 crore (Previous year: ₹ 101.26 crore).

14. Current Financial Assets – Investments

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Quoted Investments		
(i) Investments in Mutual Funds	3.69	2.99
(ii) Investments in Equity Instruments – other	4.94	2.63
Total	**8.63**	**5.62**

Notes forming part of Financial Statements
for the year ended March 31, 2022

14.1 Detail of Current Financial Assets – Investments

₹ in crore

Particulars	Face value	As at March 31, 2022		As at March 31, 2021	
		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 Investments					
Union Liquid Fund Growth – Direct plan	1,000	9,398	1.93	9,398	1.86
Union Large & Mid Cap Fund Growth – Direct Plan	10	50,000	0.08	50,000	0.07
Union Bank Medium duration fund Regular	10	499,975	0.54	499,975	0.51
Union Hybrid Equity Fund – Growth	10	499,975	0.63	499,975	0.53
Baroda Business cycle fund – Regular Growth	10	499,965	0.49	-	-
Principal Cash Management fund – Dividend reinvestment plan	1,000	235	0.02	235	0.02
Total Investment (at FVTPL)			**3.69**		**2.99**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments – Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	6,408,000	-	6,408,000	-
Mavens Biotech Ltd.	1	17,000	-	17,000	-
Sumedha Fiscal Services Ltd.	10	18,200	0.11	18,200	0.05
Valiant Communications Ltd.	10	8,700	0.06	8,700	0.06
Poonawalla Fincorp Ltd. (erstwhile known as Magma Fincorp Ltd.)	2	152,830	4.15	152,830	1.68
Media Matrix Worldwide Ltd.	1	4,750	0.01	4,750	-
Sahara One Media and Entertainment Ltd.	10	250,950	0.61	250,950	0.84
			4.94		**2.63**
(iii) Investment in equity instruments – Un-Quoted Equity Shares					
Optimates Textile Industries Ltd.	2	1,302,500	-	1,302,500	-
Rashel Agrotech Ltd.	10	478,500	-	478,500	-
			-		**-**
Total Investment (at FVTOCI)			**4.94**		**2.63**
Total Current Financial Investments			**8.63**		**5.62**
Aggregate carrying value of quoted investments			8.63		5.62
Aggregate carrying value of unquoted investments			-		-
Aggregate amount of impairment in value of investments			-		-

15. Financial Assets – Trade Receivables

₹ in crore

Particulars	As at March 31, 2022		As at March 31, 2021	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good	595.57	1,797.32	444.78	2,518.65
Which have significant increase in credit risk	-	21.77	-	19.31
Less: expected credit loss allowance	-	(14.94)	-	(9.93)
Total	**595.57**	**1,804.15**	**444.78**	**2,528.03**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	9.93	-	7.35
Add: Provided during the year	-	5.01	-	2.79
Less: Amount written off	-	-	-	0.21
Balance at the end of the year	**-**	**14.94**	**-**	**9.93**

Notes forming part of Financial Statements

for the year ended March 31, 2022

15.1 Aging analysis of Trade Receivables as at March 31, 2022

₹ in crore

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	**1,507.60**	**704.77**	**83.66**	**54.41**	**19.20**	**45.02**	**1,804.15**

Aging analysis of Trade Receivables as at March 31, 2021

₹ in crore

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	2,109.75	514.22	171.59	128.98	11.86	17.26	2,953.66
- which have significant increase in credit risk	-	-	-	-	-	19.31	19.31
- credit impaired	-	-	-	-	-	-	-
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.77	9.77
- which have significant increase in credit risk	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-
Total	**2,109.75**	**514.22**	**171.59**	**128.98**	**11.86**	**46.34**	**2,982.74**
Less: Amount disclosed under non-current financial assets							(444.78)
Less: Expected credit loss allowance of trade receivables							(9.93)
Total current trade receivables	**2,109.75**	**514.22**	**171.59**	**128.98**	**11.86**	**46.34**	**2,528.03**

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 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 51).

Notes forming part of Financial Statements
for the year ended March 31, 2022

16. Current Financial Assets – Cash & cash equivalents

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Cash & Cash Equivalents		
Balance with banks;		
- in current account	10.45	16.89
- in dividend account**	0.52	0.27
Cash on hand;	0.07	0.09
Fixed Deposits with Bank (maturity less than 3 months)*	3.80	2.54
Total	**14.84**	**19.79**

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

** ₹ 0.52 crore (Previous year ₹ 0.27 crore) has restricted use.

17. Current Financial Assets – Other Bank Balances

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Fixed Deposits with Bank (Maturity less than 12 months)*	489.78	273.95
Total	**489.78**	**273.95**

* Out of above, fixed deposits of ₹ 265.58 crore (Previous year ₹ 273.95 crore) are held as margin money/securities with banks.

18. Current Financial Assets – Loans

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Loans to related parties (refer note 51)	2.00	-
Other Loans	16.50	3.00
Total	**18.50**	**3.00**

19. Current Financial Assets – Other Assets

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Security Deposits	4.49	17.04
Advance to related parties – Subsidiaries	2.52	-
Project and other vendors advances	318.50	399.84
Interest Receivables	8.22	7.25
Subsidy claim receivable from government	45.56	-
Receivables for sales of Investments	3.25	33.12
Total	**382.54**	**457.25**

20. Current Tax Assets (Net)

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Current Tax Assets		
Advance Income Tax/TDS (net of provisions)	5.03	74.91

Notes forming part of Financial Statements
for the year ended March 31, 2022

21. Other Current Assets

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Indirect tax recoverable	208.04	158.48
Prepaid Expenses	29.04	29.19
Export Incentive receivable	2.13	2.07
Other receivables	1.98	1.98
Assets recognised from cost incurred to fulfil a contract	-	23.76
Total	**241.19**	**215.48**

22 A. Share Capital

(i) Authorised Share Capital

₹ in crore

	Equity Share Capital		Preference Share Capital	
	No. of Shares	Amount	No. of Shares	Amount
As at April 1, 2020	5,100,000,000	510.00	25,000,000	250.00
Increase during the year	-	-	-	-
As at March 31, 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**

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

₹ in crore

Particular	Equity Share Capital		Preference Share Capital	
	No. of Shares	Amount	No. of Shares	Amount
As at April 1, 2020	**1,284,377,194**	**128.44**	**-**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 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**	**-**	**-**

* The Board of Directors of the Company has approved allotment of 4,934,300 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. Upon allotment of these equity shares, the paid up equity share capital of the Company had increased from ₹ 128.44 crore (Rupees One Hundred Twenty Eight Crore Forty Four Lakh Only) comprising of 1,284,377,494 equity shares of the face value of ₹ 1/- each to ₹ 128.93 crore (Rupees One Hundred Twenty Eight Crore Ninety Three Lakh Only) comprising of 1,289,311,494 equity shares of the face value of ₹ 1/- each.

** On December 10, 2021, the Company through Qualified Institutions Placement (QIP) allotted 87,272,727 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 Crore. 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

Name of Shareholder	As at March 31, 2022		As at March 31, 2021	
	No. of share held	% of Holding	No. of share held	% of Holding
MN Ventures Pvt. Ltd.	293,365,000	21.31	289,640,000	22.55
NextWave Communications Pvt. Ltd.	219,865,000	15.97	219,865,000	17.12

Notes forming part of Financial Statements
for the year ended March 31, 2022

(iv) Shares held by promoters and change in their holdings

Name of promoters	As at March 31, 2022		As at March 31, 2021		% 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	0.21	(0.02)
Mahendra Nahata	835,091	0.06	4,560,091	0.36	(0.30)
Manik Lal Nahata	-	-	11,920	0.00	(0.00)
MN Ventures Pvt. Ltd.	293,365,000	21.31	289,640,000	22.55	(1.24)
NextWave Communications Pvt. Ltd.	219,865,000	15.97	219,865,000	17.12	(1.15)
Fitcore Tech-Solutions Pvt. Ltd.	22,400,000	1.63	22,400,000	1.74	(0.11)
Vinsan Brothers Pvt. Ltd.	671,600	0.05	671,600	0.05	(0.00)
Shankar Sales Promotion Pvt. Ltd.	300,201	0.02	300,201	0.02	(0.00)
Total	**540,081,892**	**39.23**	**540,093,812**	**42.05**	(2.82)

(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 56.

B. Other Equity

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Retained Earnings	1,431.53	1,160.24
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	10.84	8.83
b. Remeasurement of defined benefit plans	13.12	13.01
c. Foreign currency translation reserve	(0.88)	(0.53)
(iii) Other Reserves *		
a. Securities Premium	1,053.85	467.62
b. Debenture Redemption Reserve	-	2.81
c. Capital Redemption Reserve	80.50	80.50
d. Employee Share based payment reserve	1.91	15.58
Total	**2,590.87**	**1,748.06**

*** Brief description of Other Reserves:**

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

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

c. Capital Redemption reserve is created to the extent of Preference Share Capital redeemed i.e. 80,50,000 (previous year 80,50,000) CRPSs of ₹ 100/- each

d. 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. (refer note no. 56)

Notes forming part of Financial Statements
for the year ended March 31, 2022

(i) Retained Earnings

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Balance at the beginning of the reporting period	**1,160.24**	**1,062.12**
Add: Net profit for the period	282.77	222.87
Add/Less: adjustments for-		
Equity Instruments through OCI	-	(127.56)
Transfer from Debenture redemption reserve	2.81	2.81
Transfer on allotment of shares to employees pursuant to ESOP scheme	5.01	-
Dividend paid on Equity shares	(19.34)	-
Adjustment of dividend paid to ESOP trust	0.04	-
Closing Balance	**1,431.53**	**1,160.24**

(ii) Components of Other Comprehensive Income

₹ in crore

Particulars	Foreign currency translation reserve	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans
As at April 1, 2020	**(0.08)**	**(121.30)**	**10.44**
Increase during the year	-	2.56	2.57
Decrease during the year	0.45	127.56	-
As at March 31, 2021	**(0.53)**	**(246.30)**	**13.01**
Increase during the year	-	2.02	0.11
Decrease during the year	0.35	-	-
As at March 31, 2022	**(0.88)**	**(244.28)**	**13.12**

(iii) Other Reserves

₹ in crore

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment reserve
As at April 1, 2020	**467.62**	**5.62**	**80.50**	**11.70**
Increase during the year	-	-	-	3.88
Decrease during the year	-	2.81	-	-
As at March 31, 2021	**467.62**	**2.81**	**80.50**	**15.58**
Increase during the year	589.57	-	-	-
Decrease during the year	3.34	2.81	-	13.67
As at March 31, 2022	**1,053.85**	**-**	**80.50**	**1.91**

Notes forming part of Financial Statements

for the year ended March 31, 2022

23. Non-Current Financial Liabilities - Borrowings

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
Borrowings		
Non-Convertible Debentures	-	11.24
Term Loans		
(i) from Banks*	123.14	169.30
Vehicle Loans from Banks	3.07	2.35
	126.21	**182.89**
Un-Secured		
Borrowings		
from other parties – Inter Corporate Deposit	-	88.98
	-	**88.98**
Less: Current maturities of long term borrowings – Term Loans	(29.76)	(61.99)
Less: Debentures redeemable in next 12 months	-	(11.24)
Less: Current maturities of long term borrowings – Vehicle Loans	(1.13)	(1.21)
Total	**95.32**	**197.43**

* net off of ₹ 1.51 crore (Previous year ₹ 1.37 crore) as finance charges

Notes:

a) Company had issued 3,372,750 10.30% secured unlisted Non-Convertible Redeemable Debenture (NCDs) of ₹ 100/- each aggregating ₹ 33.73 crore by way of conversion of outstanding right of recompense amount payable by the Company. NCDs are secured by way of first pari-passu charge on movable & immovable fixed assets of Company with existing term loans and redeemable at face value in instalment in the ratio of 33.33%, 33.33% and 33.33% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21), 2021(FY 2021-22) respectively. All the instalments of 3,372,750 NCDs have been redeemed on time.

b) Term Loan of ₹ Nil (Previous year ₹ 25.00 crore) from one of the bank are secured by pari-passu first charge on all the Fixed Assets, both present and future, by way of equitable mortgage. Further, loan is secured by way of pari passu second charge on the Current Assets of the Company.

c) Term Loan of ₹ 108.94 crore (Previous year ₹ 124.41 crore) from the Banks are secured by pari-passu first charge on entire Optical Fibre 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 Pvt. Ltd. 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.

d) Term Loan of ₹ 13.34 crore (Previous year ₹ Nil) as disbursed against sanctioned of ₹ 48.00 crore from the Bank, are secured by exclusive first charge on entire Optical Fibre 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 Pvt. Ltd. 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.

e) Working Capital Facilities (COVID-19 Emergency Credit line) of ₹ 0.86 crore (Previous year ₹ 19.24 crore) and FITL under COVID-19 scheme of ₹ Nil (Previous year ₹ 0.65 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties except Hyderabad units of the Company and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Pvt. Ltd.

f) Other Vehicle Loans of ₹ 3.08 crore (Previous Year ₹ 2.35 crore) from banks and others are secured by way of hypothecation of respective vehicle.

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

Particulars	Term Loan	Term Loan	Working capital term loan	Vehicle Loan
Secured				
Rate of Interest	9.25%	9.25%	7.40%	7.50% to 10.30%
Outstanding amount	108.94	13.34	0.86	3.08
Repayment Due				
FY 2022-23	20.13	8.76	0.86	1.13
FY 2023-24	20.13	4.57	-	0.86
FY 2024-25	20.13	-	-	0.74
FY 2025-26 to 2027-28	48.54	-	-	0.35

Notes forming part of Financial Statements

for the year ended March 31, 2022

24. Non-Current Liabilities – Provisions

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Provisions for Employee Benefits (refer note 45)		
Provision for Gratuity	15.82	14.88
Provision for Leave Encashment	17.60	17.31
Total	**33.42**	**32.19**

25. Current Financial Liabilities – Borrowings

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Borrowings – Loans repayable on demands		
Secured		
(i) from banks – Working Capital *	292.17	342.45
(ii) from banks – Trade Receivable bills discounting*	-	49.81
(iii) Current maturities of long-term borrowings; (refer note 23)	30.89	63.19
(iv) Non-Convertible Debentures (refer note 23)	-	11.24
Unsecured		
(i) from banks – Vendors bills discounting	109.27	70.54
(ii) from other parties – Inter Corporate Deposit #	83.18	68.15
Total	**515.51**	**605.38**

Notes:

* a) Working Capital Loans from banks aggregating to ₹ 218.81crore (Previous year: ₹ 222.52 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 first charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Pvt. Ltd.

b) Working Capital Loans from Banks aggregating to ₹ Nil (Previous year: ₹ 49.14 crore) and Inland bills discounting limit of ₹ Nil (Previous year ₹ 49.81 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (both present & future) of GIS based Optical Fibre Network Management System (GOFNMS) Project. The loan is further secured by second pari passu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Pvt. Ltd. and Nextwave Communications Pvt. Ltd., first pari passu charge of cash flows of the project for working capital consortium.

c) Working Capital Loans from Banks aggregating to ₹ 73.37 crore (Previous year: ₹ 70.80 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 second pari passu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Pvt. Ltd., first pari passu charge of cash flows of the project for working capital consortium.

d) 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 9% to 15%.

26. Current Financial Liabilities – Trade Payables

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Trade Payables – Undisputed		
Due to Micro and Small Enterprises (refer note no. 46)	178.17	166.56
Others	755.65	1,485.20
Total	**933.82**	**1,651.76**

Notes forming part of Financial Statements
for the year ended March 31, 2022

Ageing of undisputed trade payables as at 31st March, 2022

₹ in crore

Description	Due to Micro and Small Enterprises	Others
Not due	134.37	534.20
Less than 1 year	43.29	212.70
1-2 years	0.40	3.22
2-3 years	-	1.66
More than 3 years	-	3.87
Total	**178.06**	**755.65**

Ageing of undisputed trade payables as at 31st March, 2021

₹ in crore

Description	Due to Micro and Small Enterprises	Others
Not due	132.23	1,249.57
Less than 1 year	33.78	219.46
1-2 years	0.55	5.74
2-3 years	-	3.93
More than 3 years	-	6.50
Total	**166.56**	**1,485.20**

Note: There are no disputed trade payables.

27. Other Financial Liabilities

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Retention Money*	256.61	272.38
Other Financial Liabilities		
Security deposit	4.15	4.78
Creditors for Capital Goods	16.18	11.56
Expenses Payables	85.82	100.02
Other Employees related liabilities	13.63	10.62
Unpaid Dividends	0.52	0.27
Total	**376.91**	**399.63**

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

28. Current Tax Liabilities (Net)

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax/TDS)	20.98	42.33

29. Other Current Liabilities

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory Liabilities payable	20.00	41.01
Advances from Customers	46.93	27.12
Total	**66.93**	**68.13**

Notes forming part of Financial Statements
for the year ended March 31, 2022

30. Current Liabilities – Provisions

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Provisions for Employee Benefits (refer note 45)		
Provision for Gratuity	2.72	2.13
Provision for Leave Encashment	4.22	1.61
Provisions – Others	2.44	8.01
Total	**9.38**	**11.75**

31. Revenue from operations

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Sale and Services		
- Manufacturing and trading activities	1,502.80	885.81
- Turnkey project related activities	2,776.93	3,216.64
Other Operating Revenues		
- Scrap sale	1.86	1.06
- Export Incentives	4.85	2.36
Total	**4,286.44**	**4,105.87**

Notes:

i) While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time band for the expected time to recognize those revenues, the Company has applied the practical expedient in Ind AS 115.

ii) Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is ₹ Nil (Previous year ₹ 30.11 crore) which is expected to be recognised as revenue in the next year.

iii) Contract balances:

(a) Changes in Contract assets (Unbilled revenue) are as follows-

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Balance at the beginning of the year	**20.63**	**18.16**
Revenue recognised during the year	143.46	19.41
Invoices raised during the year	17.23	16.94
Balance at the end of the year	**146.86**	**20.63**

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

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Balance at the beginning of the year	30.10	33.16
Increase due to invoicing during the year	-	-
Revenue recognised that was included in the unearned and deferred revenue*	30.10	3.06
Balance at the end of the year	**-**	**30.10**

* 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.

iv) The Company has evaluated the impact of COVID-19 resulting from (i) the possibility of constraints to render supply & services which may require revision of estimations of costs to complete the contracts because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Company has concluded that the impact of COVID-19 is not material based on these estimates. Due to the nature of the pandemic, the Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

Notes forming part of Financial Statements

for the year ended March 31, 2022

32. Other Income

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Other non-operating income		
Interest Income	14.49	14.30
Dividend Income	-	-
Financial Guarantee Income	4.56	2.89
Exchange Fluctuation Income (Net)	-	15.63
Reversal of Share Based payments to Employees expenses (note 56)	8.26	-
Subsidy under state incentives scheme	15.20	-
Others	1.32	0.40
Total	**43.83**	**33.22**

33. Cost of Material Consumed

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Opening Balance	47.95	34.87
Add: Purchases during the year	845.20	503.43
	893.15	**538.30**
Less: Closing Stock	117.52	47.95
Total material consumed	**775.63**	**490.35**

34. Other Direct Cost

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Project and labour service charges	1,304.96	939.74
Consumption of Packing Material	33.66	19.65
Consumption of stores and spares parts	13.30	12.28
Loose Tools written off	0.38	0.20
Total	**1,352.30**	**971.87**

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

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Closing Stock		
Finished Goods	30.46	25.55
Stock in Trade – Goods	73.11	65.35
Work in process	166.21	113.18
	269.78	**204.08**
Opening Stock		
Finished Goods	25.55	47.46
Stock in Trade – Goods	65.35	59.11
Work in process	113.18	125.46
	204.08	**232.03**
Total	**(65.70)**	**27.95**

Notes forming part of Financial Statements
for the year ended March 31, 2022

36. Employee Benefits Expenses

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries, bonus and allowances	236.42	198.84
Contribution to Provident and other funds	10.90	9.07
Staff welfare expenses	14.28	4.09
Share Based payments to Employees (refer note 56)	-	3.69
Total	**261.60**	**215.69**

37. Finance Costs

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Bank Loan Interest	46.35	62.62
Other Interest (net)	7.38	13.94
Bank Charges and loan processing fee	76.19	69.27
Interest on lease liabilities (refer note 43)	2.72	2.41
	132.64	**148.24**

38. Other Expenses

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Rent	1.97	3.78
Rates and Taxes	4.85	2.55
Auditors' Remuneration		
- Audit Fees	1.00	0.90
- In Other Capacity*	0.31	0.23
- Out of pocket expenses	0.07	0.02
Legal and Professional Charges	54.87	42.33
Communication Expenses	3.17	2.06
Travelling and Conveyance Expenses	37.19	29.46
Power and Fuel & Water Charges	20.92	15.62
Repairs and Maintenance	3.43	4.04
Insurance Expenses	9.52	11.13
Selling and Distribution Expenses	30.60	28.10
Bad debts, Loans and Advances, other balances written off (net)	0.42	1.19
Provision for doubtful debts	5.01	2.79
Sitting Fees to non-executive directors	0.50	0.47
Liquidated Damages on Sales	6.56	8.87
Research & Product Development Expenses	20.71	8.67
Exchange Fluctuation Loss (Net)	2.10	-
Corporate Social Responsibility Expenses (refer note 53)	5.95	9.78
Miscellaneous Expenditure	22.69	14.52
Total	**231.84**	**186.51**

* Excluding Professional fee of ₹ 0.30 crore paid to auditors towards QIP share issuance and being debited to share issue expenses.

Notes forming part of Financial Statements
for the year ended March 31, 2022

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

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Basic & Diluted Earnings per share :		
Profit for the year	282.77	222.86
Profit attributable to ordinary shareholders (A)	282.77	222.86
Weighted average number of ordinary shares (B)	1,314,671,615	1,284,377,194
(used as denominator for calculating basic EPS)		
Potential equity shares	1,321,100	12,016,000
Weighted average number of ordinary shares (C)	1,315,992,715	1,296,393,194
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	₹ 1/-	₹ 1/-
Earnings per share – Basic (A/B) (₹)	2.15	1.74
Earnings per share – Diluted (A/C) (₹)	2.15	1.74

40. Critical accounting estimates and judgments

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

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

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

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

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

2. Recoverability of intangible asset and intangible assets under development

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

3. Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for Employee benefits are described in Note 45.

4. Revenue Recognition

The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. Judgement is also required to determine the transaction price for the contract. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations. The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

5. Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the

Notes forming part of Financial Statements

for the year ended March 31, 2022

applicable discount rate. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

6. **Loss allowance for receivables and unbilled revenues**

   The Company determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Company considered current and anticipated future economic conditions relating to industries the company deals with and the countries where it operates. In calculating expected credit loss, the Company has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

7. **Taxes**

   Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

8. **Contingencies**

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

9. **Fair Value of Unquoted equity investments**

   In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Company obtains independent valuations. The techniques used by the valuer is Asset approach – Net assets value method and Income approach – discounted cash flow method. The Company reviews its carrying value of investments carried at cost (net of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the statement of profit and loss.

41. Impact and future uncertainties relating to Global health pandemic from COVID-19

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

42. Dividend Distribution made and proposed

The amount of dividend recognized as distributions to equity shareholders during the year ended March 31, 2022 is @ 15 %, i.e. ₹ 0.15/- per equity share of face value of ₹ 1/- each (Previous Year ₹ Nil). The Board of Directors at its meeting held on May 10, 2021 had recommended such dividend of 15% for the financial year ended March 31, 2021 which was approved by the shareholders at the Annual General Meeting held on September 30, 2021. The aforesaid dividend was paid during the year ended March 31, 2022.

The Board of Directors have recommended a dividend of 18% (i.e. ₹ 0.18/- per equity share of face value of ₹ 1/- each) for the financial year ended March 31, 2022 which is subject to the approval of shareholders at the Annual General Meeting.

Notes forming part of Financial Statements
for the year ended March 31, 2022

43. Leases

The details of the right-of-use asset held by the Company is as follows:

₹ in crore

	Addition for the year ended March 31, 2022	Net carrying amount as at March 31, 2022	Addition for the year ended March 31, 2021	Net carrying amount as at March 31, 2021
Land	-	0.09	-	0.09
Buildings	10.42	23.98	5.59	20.04
Total	**10.42**	**24.07**	**5.59**	**20.13**

Depreciation on right-of-use asset as follows:

₹ in crore

	For the Year ended March 31, 2022	For the Year ended March 31, 2021
Land	-	-
Buildings	6.48	5.24
Total	**6.48**	**5.24**

The details of the Lease Liabilities of the Company is as follows:

₹ in crore

	As at March 31, 2022	As at March 31, 2021
Current Liabilities	7.21	3.58
Non-Current Liabilities	19.34	18.43
Total	**26.55**	**22.01**

Interest on lease liabilities is ₹ 2.72 crore and ₹ 2.41 crore for the year ended March 31, 2022 and March 31, 2021 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 warehouses/offices are long term in nature.

44. Business Combination

(i) During the year the Company has acquired voting right of 50% in Nimpaa Telecommunications Pvt. Ltd. (Nimpaa), having its registered office at No. 16/38, Maharaja Surya Road, Teynampet, Chennai - 600018, Tamilnadu, at a total consideration of ₹ 1.00 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 year the Company has also acquired voting rights of 50% in BigCat Wireless Pvt. Ltd., having its registered office at New No. 21, Old No. 9, Flat C2, Dwarka Apartments, 1st Avenue, Shastri Nagar, Chennai - 600020, Tamilnadu, at a total consideration of ₹ 8.50 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. Nov 12, 2021. BigCat Wireless Pvt. Ltd. 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 :

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Employer's Contribution to Provident Fund	10.85	**9.02**

Notes forming part of Financial Statements

for the year ended March 31, 2022

(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

₹ in crore

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)				
Discount rate (per annum)	7.20%	6.80%	7.20%	6.80%
Rate of increase in Compensation levels	7.05%	6.65%	7.05%	6.65%
Average remaining working lives of employees (Years)	19.40	18.56	19.00	18.57
Table showing changes in present value of obligations:				
Present value of obligation as at the beginning of the year	19.46	20.08	18.92	13.61
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	1.33	1.37	1.29	0.92
Past service cost (Vested Benefit)	-	-	-	5.00
Current Service Cost	3.30	2.83	5.09	4.03
Curtailment cost/(Credit)	Nil	Nil	Nil	Nil
Settlement cost/(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(2.81)	(3.06)	(3.46)	(3.22)
Actuarial (gain)/loss on obligations	0.15	(1.75)	(0.03)	(1.42)
Present value of obligation as at the end of the period	21.43	19.47	21.81	18.92
Table showing changes in the fair value of plan assets:				
Fair value of plan assets at beginning of the year	2.46	2.06	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Actual return of plan assets	0.17	0.14	N.A.	N.A.
Employer contribution	-	-	Nil	Nil
Benefits paid	-	-	Nil	Nil
Actuarial gain/(loss) on obligations	0.27	0.26	Nil	Nil
Charges deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.90	2.46	Nil	Nil
Other Comprehensive Income:				
Actuarial (gain)/loss for the year – Obligation	0.15	(1.75)	(0.03)	(1.42)
Actuarial (gain)/loss for the year – Plan assets	(0.27)	(0.26)	Nil	Nil
Total (gain)/loss for the year	(0.12)	(2.01)	(0.03)	(1.42)
Actuarial (gain)/loss recognized in the year	(0.12)	(2.01)	(0.03)	(1.42)
Unrecognised actuarial (gains)/losses at the end of the year	Nil	Nil	Nil	Nil
The amounts to be recognized in Balance Sheet:				
Present value of obligation as at the end of the year	21.43	19.47	21.81	18.92
Fair value of plan assets as at the end of the year	2.90	2.46	Nil	Nil
Funded Status	(18.53)	(17.01)	(21.81)	(18.92)
Unrecognised actuarial (gains)/losses	Nil	Nil	Nil	Nil
Net asset/(liability) recognised in Balance Sheet	(18.53)	(17.01)	(21.81)	(18.92)

Notes forming part of Financial Statements
for the year ended March 31, 2022

₹ in crore

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
Expenses recognised in Statement of Profit and Loss:				
Current service cost	3.30	2.83	5.09	4.03
Past service cost (Vested Benefit)	-	-	-	5.00
Interest Cost	1.33	1.36	1.29	0.92
Actual return on plan assets	(0.17)	(0.14)	Nil	Nil
Curtailment and settlement cost/(credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Statement of Profit and Loss	4.46	4.05	6.38	9.95
Sensitivity analysis of the defined benefit obligation:				
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	21.43	19.47	21.81	18.92
Impact due to increase of 0.5%	(1.12)	(1.06)	(1.31)	(1.52)
Impact due to decrease of 0.5%	1.03	0.98	1.19	0.74
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	21.43	19.47	21.81	18.92
Impact due to increase of 0.5%	1.06	1.00	(1.35)	(1.56)
Impact due to decrease of 0.5%	(1.15)	(1.09)	1.22	0.76
Sensitivities due to mortality & withdrawals are insignificant & hence ignored.				
Maturity profile of defined benefit obligation:				
March 2022 to March 2023	1.32	0.65	3.52	2.73
March 2023 to March 2024	1.20	0.68	0.64	0.61
March 2024 to March 2025	0.73	1.00	0.50	0.43
March 2025 to March 2026	0.71	0.61	0.37	0.40
March 2026 to March 2027	1.06	0.76	0.51	0.40
March 2027 to March 2028	1.71	1.03	1.03	0.50
March 2028 onwards	14.71	14.74	15.24	13.84
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.90	2.46	Nil	Nil

Note: The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuarial Valuer.

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

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Principal amount due to micro and small enterprises*	178.17	166.56
Interest due on above	1.10	1.72
Interest paid during the period beyond the appointed day	1.68	0.02
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	2.45	8.01
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 ₹ 134.47 crore (Previous year ₹ 126.18 crore) outstanding, but not overdue to micro and small enterprises as on 31 March 2022.

Notes forming part of Financial Statements
for the year ended March 31, 2022

47. Commitments and Contingencies

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

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Unexpired Letters of Credit (margin money paid ₹ 72.89 crore; Previous year ₹ 56.06 crore)	466.20	364.87
(ii) Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits of ₹ 132.14 crore; Previous year ₹145.69 crore)	868.37	777.21
(iii) Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹ 3.87 crore, Previous Year ₹ 3.87 crore shown as recoverable advance)	30.87	17.41

Notes:

(i) The Company's pending litigations comprise of claims against the Company and proceedings pending with Tax Authorities. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial position.

(ii) The Company periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Company has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.

(iii) The Company has provided guarantees to third parties on behalf of subsidiary and associates. The Company does not expect any outflow of resources in respect of such guarantees.

(iv) There is uncertainty and ambiguity in interpreting and giving effect to the guidelines of Hon. Supreme Court vide its ruling in February 2019, in relation to the scope of compensation on which the organization and its employees are to contribute towards Provident Fund. The Company will evaluate its position and act, as clarity emerges.

(v) 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, 2022 the Company has outstanding term derivative contracts as referred in Note 59.

(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.

(viii) Claim made by one of the corporate on misleading information given by it for registration of impugned Patent. Impact on the sales of optical Fibre cable covered under alleged Patent No. 335369 is insignificant to the Company's total sales of optical Fibre cables. Currently, purchase orders for such cables are just less than 0.75% of the total order book.

(b) Capital Commitments

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	102.42	65.73
Uncalled capital commitment pertaining to investments	12.00	23.50

(c) Detail of Financial Guarantees given

in ₹

Issued in favour of	Issued to	As at March 31, 2022	As at March 31, 2021	Purpose
Microwave Communications Ltd.	Credit Lyonnais bank	9.60	9.60	Ad-hoc B/G
Microwave Communications Ltd.	The Vysya Bank Ltd	4.06	4.06	Working Capital
Exicom Tele-Systems Ltd.	Punjab National Bank	6.50	6.50	Working Capital
HTL Ltd.	Yes Bank Ltd.	163.00	134.00	Term loan/Working Capital
HTL Ltd.	State Bank of India	85.00	-	Term loan/Working Capital

48. The HTL Ltd. ("Subsidiary Company") had proposed for a right issue of equity shares for ₹ 120.00 crore in the ratio of equity shares holding i.e. 26% by GOI and 74% by the HFCL Limited (HFCL). It was proposed that the right issue be funded by way of conversion of outstanding loans and advances extended by the HFCL. However, the proposal for loan conversion has not been agreed upon by the Competent Authority of GOI as communicated vide file no 20-71/2015-FAC.II dated January 27, 2022.

Notes forming part of Financial Statements
for the year ended March 31, 2022

The Subsidiary Company has now proposed for allotment of 8% redeemable and non-convertible preference capital of ₹ 100.00 crore 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 March 22, 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 Ltd. have been classified under Non-Current Assets in the financial statements. (Refer Note 9 and 10).

49. In the opinion of the Board, all assets other than fixed assets and non-current investments, have a realisable value in the ordinary course of business which is not significantly differ from the amount at which it is stated.

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.

50. In view of the limited scale of operations at the Company's Solan (Himachal Pradesh) Facilities and as a step towards cost optimization, the Board in its meeting held on January 20, 2020, had decided to shift the Plant and Machinery of Solan Facilities and operations thereof to the Company's Manufacturing Facility located in Hyderabad. Further, in order to ensure continuity of the job of the employees currently based at Solan, the Company also considered to offer the continued employment either at Hyderabad or at such other places where the project works are being got executed. The Company introduced a Voluntary Retirement Scheme (VRS) to those employees who are finding it difficult to relocate to Hyderabad/other locations. Consequently, VRS compensation paid during the previous year amounting to ₹ 4.13 crores has been disclosed as an exceptional item. Further, the management is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery at its Hyderabad Plant.

51. "Related Party Disclosures" as required by Ind AS – 24 and Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

(i) Name and description of related parties.

Relationship	Name of Related Party
(a) Subsidiaries:	HTL Ltd.
	Moneta Finance Pvt. Ltd.
	HFCL Advance Systems Pvt. Ltd.
	Polixel Security Systems Pvt. Ltd.
	DragonWave HFCL India Pvt. Ltd.
	Raddef Pvt. Ltd.
	HFCL Technologies Pvt. Ltd. (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 Pvt. Ltd. (Jointly Controlled Entity w.e.f. June 14, 2021)
	BigCat Wireless Pvt. Ltd. (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 Pvt. Ltd.
	Nextwave Communications Pvt. Ltd.
	Exicom Tele-Systems Ltd.
	Satellite Finance Pvt. Ltd.
	Shankar Sales Promotion Pvt. Ltd.
	Vinsan Brothers Pvt. Ltd.
	Fitcore Tech-Solutions Pvt. Ltd.
	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, 2022

(ii) Nature of transactions – The transactions entered into with the related parties during the year along with related balances as at March 31, 2022 are as under:

₹ in crore

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Purchases/receiving of Goods & services		
HTL Ltd.	327.60	196.35
Polixel Security Systems Pvt. Ltd.	0.49	4.99
Raddef Pvt. Ltd.	2.69	2.13
DragonWave HFCL India Pvt. Ltd.	0.41	-
HFCL B.V.	1.22	-
HFCL Inc.	0.76	-
Exicom Tele-Systems Ltd.	14.10	6.05
Sales/rendering of Goods and Materials		
HTL Ltd.	242.71	130.06
Exicom Tele-Systems Ltd.	1.29	2.47
Investments		
Bigcat Wireless Pvt. Ltd.	8.00	-
HFCL Technologies Pvt. Ltd.	1.00	-
Nimpaa Telecommunications Pvt. Ltd.	1.00	-
HFCL B.V.	-	-
HFCL Inc.	-	-
Income – Rent/Other Income		
Exicom Tele-Systems Ltd.	0.46	0.21
HFCL Advance Systems Pvt. Ltd.	0.01	0.01
Income – Interest on loan given		
HTL Ltd.	9.65	9.97
Nimpaa Telecommunications Pvt. Ltd.	0.40	-
Raddef Pvt. Ltd.	0.18	0.18
Expenses – Rent/Other expenses		
Exicom Tele-Systems Ltd.	0.84	0.84
Satellite Finance Pvt. Ltd.	0.35	0.35
Shankar Sales Promotion Pvt. Ltd.	0.71	0.73
Vinsan Brothers Pvt. Ltd.	0.79	0.77
Loans and Advances given during the year		
Nimpaa Telecommunications Pvt. Ltd.	1.00	3.00
Polixel Security Systems Pvt. Ltd.	2.52	-
Raddef Pvt. Ltd.	3.83	2.90
Dividend paid		
MN Ventures Pvt. Ltd.	4.34	-
Nextwave Communications Pvt. Ltd.	3.30	-
Shankar Sales Promotion Pvt. Ltd.	-	-
Vinsan Brothers Pvt. Ltd.	0.01	-
Fitcore Tech-Solutions Pvt. Ltd.	0.34	-
Mr. Mahendra Nahata	0.07	-
Mr. Anant Nahata	0.04	-
Mr. Vijay Raj Jain	-	-
Mr. Manoj Baid	-	-
HFCL Employees Trust	0.05	-
Closing Balances of Receivables		
Exicom Tele-Systems Ltd.	1.81	0.73
Nimpaa Telecommunications Pvt. Ltd.	0.27	-
HFCL Advance Systems Pvt. Ltd.	-	0.01

Notes forming part of Financial Statements
for the year ended March 31, 2022

₹ in crore

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Raddef Pvt. Ltd.	0.50	0.34
HTL Ltd.	7.91	10.56
Closing Balances of Loans		
HTL Ltd.	24.50	24.50
Raddef Pvt. Ltd.	2.00	2.00
Nimpaa Telecommunications Pvt. Ltd.	4.00	-
Closing Balances of Advances		
HTL Ltd.	72.00	72.00
Polixel Security Systems Pvt. Ltd.	2.52	-
Vinsan Brothers Pvt. Ltd.	0.66	-
Raddef Pvt. Ltd.	2.91	2.07
Closing balances of Security deposit		
Vinsan Brothers Pvt. Ltd.	0.40	-
Satellite Finance Pvt. Ltd.	0.16	0.16
Closing Balances of Trade payables		
HTL Ltd.	74.49	94.06
Polixel Security Systems Pvt. Ltd.	-	4.44
Exicom Tele-Systems Ltd.	0.59	-
Shankar Sales Promotion Pvt. Ltd.	-	0.32
Vinsan Brothers Pvt. Ltd.	-	0.35
MN Ventures Pvt. Ltd.	3.99	-
DragonWave HFCL India Pvt. Ltd.	0.01	-
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	0.25	-
Contribution ESOP Trust		
Contribution to HFCL Employees Trust	-	0.03
Loan to HFCL Employees Trust (net)	3.48	-
Guarantees and collaterals given		
Exicom Tele-Systems Ltd.	6.50	6.50
HTL Ltd.	248.00	134.00
Closing balance of Advances to Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	-	0.39
Mr. Vijay Raj Jain (Chief Financial Officer)	1.10	1.20
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	-	0.09
Remuneration of Key Management Personnel*		
Mr. Mahendra Nahata (Managing Director)	6.80	5.78
Mr. Vijay Raj Jain (Chief Financial Officer)	3.80	2.97
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.95	0.83
Remuneration Payable		
Mr. Mahendra Nahata (Managing Director)	0.35	-
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.03	-
Share based payment to employees		
Mr. Vijay Raj Jain (Chief Financial Officer)	0.02	0.25
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.01	0.11
ESOP exercised		
Mr. Vijay Raj Jain (Chief Financial Officer)	0.45	-
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.20	-

* The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

Notes forming part of Financial Statements

for the year ended March 31, 2022

52. Segment Reporting

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

53. Corporate social responsibility expenses:

₹ in crore

	Year Ended March 31, 2022		Year Ended March 31, 2021
Gross amount to be spent by the Company during the year		6.25	5.60
Amount spent during the year:			
Contribution on acquisition of assets	-		
On other purposes	5.91		9.78
5% of CSR obligation as spent on overhead expenses	0.30	6.21	
Shortfall at the end of the year		-	-
Total Previous year shortfall		-	-
Reason for shortfall		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, e.g. contribution to a trust controlled by the company			
- HFCL Social Service Society		Nil	6.24

54. Interest charges on loans is net of Interest income from loans and advances amounting to ₹ 14.38 crore (Previous year ₹ 18.16 crore).

55. 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 follows:

₹ 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
Cassiopiea Consultants Pvt. Ltd.	Advance to Vendor	0.04	Not related
Snpr Constructions Pvt. Ltd.	Trade Payable	-	Not related
Airvoice Telenet Pvt. Ltd.	Trade Payable	1.10	Not related
Aks Infra Solutions Pvt Ltd.	Trade Payable	0.12	Not related
Amarparmila Infranetworks Pvt. Ltd.	Trade Payable	0.01	Not related
Amethiya Network Services Pvt. Ltd.	Trade Payable	0.01	Not related
Apex Infraheights & Infosolutions Pvt. Ltd.	Advance to Vendor	0.30	Not related
Dexterous Engineering Pvt. Ltd.	Trade Payable	0.01	Not related
E Cell Infratel Pvt. Ltd.	Advance to Vendor	0.01	Not related
Excell Buildcon Pvt. Ltd.	Trade Payable	-	Not related
Galaxias Pvt. Ltd.	Trade Payable	0.01	Not related
Gallant Infrabuild Pvt. Ltd.	Trade Payable	0.01	Not related
Jyostna Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Om Ashiana Pvt. Ltd.	Advance to Vendor	-	Not related
Omega Towers And Infrastructures Pvt. Ltd.	Advance to Vendor	0.24	Not related
Operations Management System Pvt. Ltd.	Trade Payable	-	Not related
Pachar Infrastructure Pvt. Ltd.	Trade Payable	0.08	Not related
Pride Infratel Pvt. Ltd.	Trade Payable	0.20	Not related
Radauri Infratel Pvt. Ltd.	Trade Payable	0.10	Not related
Rahber Engineering Co Ltd.	Advance to Vendor	-	Not related

Notes forming part of Financial Statements
for the year ended March 31, 2022

₹ 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
Saksham Electrical & Contrators Pvt. Ltd.	Advance to Vendor	0.01	Not related
Samay Infratech Pvt. Ltd.	Advance to Vendor	0.09	Not related
Sandpiper Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Sanwariya Buildcon Pvt. Ltd.	Trade Payable	0.01	Not related
Saransh Infrastructure Ltd.	Trade Payable	-	Not related
Shakti Teleservices Pvt. Ltd.	Advance to Vendor	0.02	Not related
Shiv Sai Infrareal Pvt. Ltd.	Trade Payable	0.04	Not related
Shree Bake Bihari Infratech Pvt. Ltd.	Advance to Vendor	0.01	Not related
Smv Solution Pvt. Ltd.	Trade Payable	0.02	Not related
Soham Cotspinn Pvt. Ltd.	Trade Payable	0.04	Not related
Sri Rama Telecom & Infratech Pvt. Ltd.	Trade Payable	-	Not related
Swastika Tele Solutions Pvt. Ltd.	Advance to Vendor	-	Not related
Visat Services Pvt. Ltd.	Trade Payable	0.04	Not related
Vishnu Bhumi Engineers Pvt. Ltd.	Trade Payable	0.02	Not related
Four Star Multi Security Services (India) Pvt. Ltd.	Trade Payable	-	Not related
Hertz Technologies Pvt. Ltd.	Trade Payable	0.01	Not related
Influx Enterprises Pvt. Ltd.	Advance to Vendor	1.49	Not related
Infura Telenet Pvt. Ltd.	Trade Payable	-	Not related
Kaliangi Constructions Pvt.Ltd.	Trade Payable	0.06	Not related
Megastar Power Engineers Pvt. Ltd.	Advance to Vendor	0.05	Not related
Pc Infradevelopers Pvt. Ltd.	Advance to Vendor	0.15	Not related
Philipsons Importers & Exporters Pvt. Ltd.	Advance to Vendor	0.03	Not related
Pragmatica Infraventures Pvt. Ltd.	Advance to Vendor	0.21	Not related
Sajana Sajani Meet Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Suryajyoti Infratechnologies Pvt. Ltd.	Trade Payable	0.01	Not related
Vas Infratel Pvt. Ltd.	Advance to Vendor	0.04	Not related

₹ in crore

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2021	Relationship with the Struck off company, if any, to be disclosed
Cassiopiea Consultants Pvt. Ltd.	Advance To Vendor	-	Not related
Snpr Constructions Pvt. Ltd.	Trade Payable	0.14	Not related
Airvoice Telenet Pvt. Ltd.	Trade Payable	0.21	Not related
Aks Infra Solutions Pvt Ltd	Trade Payable	0.16	Not related
Amarparmila Infranetworks Pvt. Ltd.	Trade Payable	0.01	Not related
Amethiya Network Services Pvt. Ltd.	Trade Payable	0.01	Not related
Apex Infraheights & Infosolutions Pvt. Ltd.	Advance To Vendor	0.30	Not related
Dexterous Engineering Pvt. Ltd.	Trade Payable	0.01	Not related
E Cell Infratel Pvt. Ltd.	Advance To Vendor	0.01	Not related
Excell Buildcon Pvt. Ltd.	Trade Payable	-	Not related
Galaxias Pvt. Ltd.	Trade Payable	0.01	Not related
Gallant Infrabuild Pvt. Ltd.	Trade Payable	0.01	Not related
Jyostna Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Om Ashiana Pvt. Ltd.	Advance To Vendor	-	Not related
Omega Towers And Infrastructures Pvt. Ltd.	Advance To Vendor	0.24	Not related
Operations Management System Pvt. Ltd.	Trade Payable	-	Not related
Pachar Infrastructure Pvt. Ltd.	Trade Payable	0.06	Not related
Pride Infratel Pvt. Ltd.	Trade Payable	0.23	Not related
Radauri Infratel Pvt. Ltd.	Trade Payable	0.10	Not related

Notes forming part of Financial Statements

for the year ended March 31, 2022

₹ in crore

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2021	Relationship with the Struck off company, if any, to be disclosed
Rahber Engineering Co Ltd.	Advance To Vendor	-	Not related
Saksham Electrical & Contrators Pvt. Ltd.	Advance To Vendor	0.01	Not related
Samay Infratech Pvt. Ltd.	Advance To Vendor	0.09	Not related
Sandpiper Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Sanwariya Buildcon Pvt. Ltd.	Trade Payable	0.01	Not related
Saransh Infrastructure Ltd.	Trade Payable	-	Not related
Shakti Teleservices Pvt. Ltd.	Advance To Vendor	0.02	Not related
Shiv Sai Infrareal Pvt. Ltd.	Trade Payable	0.04	Not related
Shree Bake Bihari Infratech Pvt. Ltd.	Advance To Vendor	0.01	Not related
Smv Solution Pvt. Ltd.	Trade Payable	0.02	Not related
Soham Cotspinn Pvt. Ltd.	Trade Payable	0.04	Not related
Sri Rama Telecom & Infratech Pvt. Ltd.	Trade Payable	-	Not related
Swastika Tele Solutions Pvt. Ltd.	Trade Payable	-	Not related
Visat Services Pvt. Ltd.	Trade Payable	0.04	Not related
Vishnu Bhumi Engineers Pvt. Ltd.	Trade Payable	0.02	Not related
Four Star Multi Security Services (India) Pvt. Ltd.	Trade Payable	-	Not related
Hertz Technologies Pvt. Ltd.	Trade Payable	0.01	Not related
Influx Enterprises Pvt. Ltd.	Advance To Vendor	1.49	Not related
Infura Telenet Pvt. Ltd.	Trade Payable	-	Not related
Kaliangi Constructions Pvt.Ltd.	Trade Payable	0.11	Not related
Megastar Power Engineers Pvt. Ltd.	Advance To Vendor	0.05	Not related
Pc Infradevelopers Pvt. Ltd.	Trade Payable	0.15	Not related
Philipsons Importers & Exporters Pvt. Ltd.	Advance To Vendor	0.03	Not related
Pragmatica Infraventures Pvt. Ltd.	Advance To Vendor	0.21	Not related
Sajana Sajani Meet Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Suryajyoti Infratechnologies Pvt. Ltd.	Trade Payable	0.01	Not related
Vas Infratel Pvt. Ltd.	Advance To Vendor	0.04	Not related

56. On October 15, 2018, pursuant to the approval by the shareholders, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan ("HFCL Plan 2017"). The maximum number of shares under the HFCL Plan 2017 shall not exceed 1,40,98,000 equity shares. Out of this, 70,49,000 equity shares will be issued against RSUs at par value and 70,49,000 equity shares will be issued against stock options at fair market price immediately prior to date of the grant i.e. ₹ 20.65 per share. The Employee can exercise the vested options/units with in the maximum exercise period which shall be 5 years from the vesting date. The Stock options so granted will be vest over a period of 3 years and 70% RSUs granted will be vest at the end of 3 years from the date of grant and remaining 30% RSUs shall be vest in the 4th year from the date of grant.

The 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 is adjusted. This cancellation/forfeiture of unvested options has resulted into a reversal of share based payment expense in the Standalone Statement of Profit and Loss for the year ended March 31, 2022.

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 net income of ₹ 8.26 crore (Previous Year: net expenses of ₹ 3.69 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, 2022

The activity in the HFCL Plan 2017 for equity-settled, share-based payment transactions during the years ended March 31, 2022 and March 31, 2021 is as follows:

₹ in crore

Particulars	Shares arising out of options*	
	Year ended March 31, 2022	Year ended March 31, 2021
Employee Stock Options (ESOPs)		
Outstanding at the beginning	6,337,000	6,709,000
Granted	-	-
Exercised	3,234,400	-
Forfeited and expired	81,600	372,000
Outstanding at the end	3,021,000	6,337,000
Exercisable at the end	1,300,200	4,534,600
Restricted Stock Units (RSUs)		
Outstanding at the beginning	6,008,000	6,709,000
Granted	-	-
Exercised	-	-
Forfeited and expired	6,008,000	701,000
Outstanding at the end	-	6,008,000
Exercisable at the end	-	-

* Includes options granted to employees of subsidiary company

The details of equity-settled RSUs and ESOPs outstanding as at March 31, 2022 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)	3,021,000	1	20.65
0-5 (RSUs)	-	0	1.00

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

Particulars	For options granted during the year ended March 31, 2022.	
	ESOPs	RSUs
Weighted average share price (₹)	20.65	20.65
Exercise price (₹)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the option (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (₹)	11.04	19.74

The expected life of the RSU/ESOP is estimated based on the vesting term and contractual term of the RSU/ESOP, as well as expected exercise 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.

Notes forming part of Financial Statements

for the year ended March 31, 2022

57. Details of business advances outstanding from Subsidiary for the year ended March 31, 2022 - Disclosure required under Regulation 34(3) SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

₹ in crore

Subsidiary Company	Outstanding as at		Maximum amount outstanding during the year	
	March 31, 2022	March 31, 2021	2021-22	2020-21
HTL Ltd.	72.00	72.00	72.00	72.00
Polixel Security Systems Pvt. Ltd.	2.52	-	2.52	-
Raddef Pvt. Ltd.	2.91	2.07	3.13	3.98

58. Financial Instruments and risk management

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, lease liabilities and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, cash and cash equivalents, trade and other receivables that derive directly from its operations.

The Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The management has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

58.1 Financial Instruments by category

₹ in crore

Particulars	As at March 31, 2022			As at March 31, 2021		
	FVTPL	FVTOCI	Amortized Cost	FVTPL	FVTOCI	Amortized Cost
(1) Financial Assets						
(I) Investments						
(A) Equity Instruments						
(i) Structured entity Equity Instrument	-	32.96	-	-	32.88	-
(ii) Structured entity (current assets)						
(a) Sumedha Fiscal Services Ltd.	-	0.11	-	-	0.04	-
(b) Valiant Communications Ltd.	-	0.06	-	-	0.06	-
(c) Magma Fincorp Ltd .	-	4.15	-	-	1.68	-
(d) Media Matrix Worldwide Ltd.	-	0.01	-	-	-	-
(e) Sahara One Media and Entertainment Ltd.	-	0.61	-	-	0.84	-
(B) Mutual funds	3.69	-	-	2.99	-	-
(C) Debentures & Bonds	-	-	-	-	-	-
(II) Trade receivables	-	-	2,399.72	-	-	2,972.81
(III) Bank deposits	-	-	29.15	-	-	6.85
(IV) Cash and Cash equivalents	-	-	14.84	-	-	19.79
(V) Other Bank balances	-	-	489.78	-	-	273.95
(VI) Security deposit for utilities and premises	-	-	4.49	-	-	17.04
(VII)Other receivables	-	-	501.73	-	-	543.19
Total financial assets	**3.69**	**37.90**	**3,439.71**	**2.99**	**35.50**	**3,833.63**
(2) Financial liabilities						
(I) Borrowings						
(A) From Banks	-	-	527.66	-	-	595.89
(B) From Others	-	-	83.18	-	-	68.15
(C) Preference Shares	-	-	-	-	-	-
(II) Obligations under Finance Lease	-	-	26.55	-	-	22.00
(III) Retention Money	-	-	256.61	-	-	272.38
(IV) Trade payables	-	-	933.82	-	-	1,651.76
(V) Other liabilities	-	-	120.31	-	-	266.04
Total Financial liabilities	**-**	**-**	**1,948.13**	**-**	**-**	**2,876.22**

Notes forming part of Financial Statements
for the year ended March 31, 2022

Fair Value measurement

Fair Value Hierarchy and valuation technique used to determine fair value:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1, Level 2 and Level 3 inputs.

(a) **Year Ending March 31, 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 Ltd.	14	0.11	-	-
(b) Valiant Communications Ltd.	14	0.06	-	-
(c) Poonawalla Fincorp Ltd.	14	4.15	-	-
(d) Media Matrix Worldwide Ltd.	14	0.01	-	-
(e) Sahara One Media and Entertainment Ltd.	14	0.61	-	-
(f) Exicom Tele-Systems Ltd.	8	-	-	16.83
(g) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.05
(h) Nivetti Systems Pvt Ltd.	8	-	-	16.08
Total Financial Assets		**8.63**	**-**	**32.96**

(b) **Year Ending March 31, 2021**

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2021	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	14	2.99	-	-
FVTOCI				
Structured entity				
(a) Sumedha Fiscal Services Ltd.	14	0.04	-	-
(b) Valiant Communications Ltd.	14	0.06	-	-
(c) Poonawalla Fincorp Ltd.	14	1.68	-	-
(d) Media Matrix Worldwide Ltd.	14	-	-	-
(e) Sahara One Media and Entertainment Ltd.	14	0.84	-	-
(d) Exicom Tele-Systems Ltd.	8	-	-	16.77
(g) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.06
(h) Nivetti Systems Pvt Ltd.	8			16.06
Total Financial Assets		**5.61**	**-**	**32.89**

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

58.2 Management of Financial Risk

Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

Notes forming part of Financial Statements
for the year ended March 31, 2022

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

₹ in crore

	Note Nos.	Carrying amount	Less than 12 months	More than 12 months	Total
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**
As at March 31, 2021					
Trade payables	26	1,651.76	1,651.76	-	**1,651.76**
Retention Money	27	272.38	272.38	-	**272.38**
Other liabilities	23, 25, 27, 43	952.08	736.22	215.86	**952.08**

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 analysis in the following sections relate to the position as at March 31, 2022 and March 31, 2021.

Potential Impact of Risk	Management Policy	Sensitivity to Risk
Price Risk		
Exposure in Equity		
The Company is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Company diversifies its portfolio in accordance with the limits as per the risk management policies.	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher/lower: Other comprehensive income for the year ended March 31, 2022 would increase/decrease by ₹ 4.15 crore (for the year ended March 31, 2021: increase/decrease by ₹ 3.85 crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
Interest Rate Risk		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Company diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Company has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional ₹1.53 crore loss for year ended March 31, 2022 (₹ 2.01 crore loss for year ended March 31 2021).

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.

Notes forming part of Financial Statements
for the year ended March 31, 2022

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Company's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

None of the Company's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period :

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Debt	610.83	802.83
Less : Cash and Cash equivalents (Note 16)	(14.84)	(19.79)
Net Debt	**595.99**	**783.04**
Total Equity	2,728.36	1,876.49
Net Debt to Equity Ratio	0.22	0.42

58.3 Analytical Ratios

Ratio Analysis	Numerator	Denominator	Current Year	Previous Year	% Variance	Reason for variance
Current ratio (in times)	Total Current assets	Total Current liability	1.82	1.39	30.94%	Increase in Bank deposits and payments of trade payables and borrowings
Debt- Equity ratio (in times)	Total Debt	Total Equity	0.22	0.43	-48.84%	Re-payment of borrowings out of QIP receipts
Debt service coverage ratio (in times)	Net Profit after taxes + Depreciation and other amortizations + Interest + Loss on sale of Fixed assets	Interest and Lease Payments + Principle Payments	7.97	3.17	151.42%	Due to decrease in finance cost and repayment of loans
Return of equity ratio (in %)	Net Profit after Taxes	Average Total Equity	12.28	12.66	-3.00%	-
Inventory turnover ratio (in times)	Cost of Goods sold	Average Inventory	9.14	11.18	-18.25%	-
Trade receivables turnover ratio (in times)	Revenue from operations	Average Trade receivables	1.60	1.77	-9.60%	-
Trade payables turnover ratio (in times)	Total Purchases	Average Trade payables	2.64	2.65	-0.38%	-
Net working Capital turnover ratio (in times)	Revenue from operations	Average working capital (i.e. Total current assets less Total current liabilities)	2.70	3.76	-28.19%	Increase in Bank deposits and payments of trade payables out of QIP funds
Net profit ratio (in %)	Net profit for the year	Revenue from operations	6.60	5.43	21.55%	-
Return on capital employed (in %)	Net Profit before Interest & Tax	Average Capital Employed (i.e. Net worth plus total debt)	20.56	22.31	-7.84%	-
Return on investment (in %)	Income generated from invested funds	Average invested fund in Investments	3.79	3.85	-1.56%	-

Notes forming part of Financial Statements
for the year ended March 31, 2022

59. Foreign Currency Exposure

(a) The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy, which provides principles on the use of such forward contracts consistent with Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

(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

₹ in crore

Particulars	As at March 31, 2022		As at March 31, 2021	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
USD/INR	3,452,230	26.51	4,806,387	36.04

(c) Foreign Currency exposure

₹ in crore

Particulars		As at March 31, 2022		As at March 31, 2021	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	29,014,175	220.22	59,908,295	438.35
	EUR/INR	2,271,191	19.10	816,532	7.02
	GBP/INR	113,855	1.14	776,485	7.84
Trade receivable	USD/INR	4,807,599	36.51	6,049,206	44.26
	EUR/INR	9,544,530	80.13	-	-
	MUR/INR	23,610,500	3.97	-	-
	BDT/INR	17,178,430	1.25	-	-
	GBP/INR	3,264,063	32.54	420,321	4.24
	AED/INR	9,745,467	20.15	10,909,213	21.73

(d) Foreign currency sensitivity analysis:

The following details are demonstrate the Company's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as tabulated above and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans. A positive number below indicates an increase in profit or equity and vice-versa.

Impact on profit or loss for the year	Year Ended March 31, 2022		Year Ended March 31, 2021	
	INR strengthens by 5%	INR weakening by 5%	INR strengthens by 5%	INR weakening by 5%
USD Impact	9.19	(9.19)	19.70	(19.70)
EURO Impact	(3.05)	3.05	0.35	(0.35)
GBP Impact	(1.57)	1.57	0.18	(0.18)
MUR Impact	(0.20)	0.20	-	-
BDT Impact	(0.06)	0.06	-	-
AED Impact	(1.01)	1.01	(1.09)	1.09

Notes forming part of Financial Statements
for the year ended March 31, 2022

60. Tax Reconciliation

₹ in crore

Particulars	FY 2021-22	FY 2020-21
Net Profit as per Statement of Profit and Loss (before tax)	**381.67**	**295.87**
Current Tax rate @ 25.17%	**96.06**	**74.46**
Adjustment:		
Depreciation	(0.70)	3.41
The amount of eligible/ineligible expenditure	1.60	(2.18)
The amount of income u/s 10 – dividend	-	-
Tax Provision as per Books	96.96	75.69

The Company is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

61. Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1, 2022, are Ind AS 103 – Reference to Conceptual Framework, Ind AS 16 – Proceeds before intended use, Ind AS 37 – Onerous Contracts – Costs of Fulfilling a Contract, Ind AS 109 – Annual Improvements to Ind AS (2021) and Ind AS 106 – Annual Improvements to Ind AS (2021). The Company does not expect the amendment to have any significant impact in its financial statements.

62. 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.

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.
Chartered Accountants
Firm Reg. No. 000560C

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, April 29, 2022

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

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, 2022, 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, 2022, revenue from customer contracts amounts to ₹ 4,727.11 Crores. As at March 31, 2022 contract assets amount to ₹ 146.88 Crores, the balance of work in progress (WIP) amounts to ₹ 153.94 Crores and retention amounts to ₹ 256.61 Crores The application of the revenue accounting standard (Ind AS 115, Revenue from Contracts with Customers) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. 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.	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts. We further performed testing on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off.

S. No.	Key Audit Matters	Response to Key Audit Matters
	Regarding the revenue recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.	We further reviewed samples of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. 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 ₹ 2,491.55 crores as of March 31, 2022 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 ₹ 15.65 crores as at March 31, 2022. Refer to the Note 15 – Trade receivables.	Our audit incorporated the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk; • Assessment of the Parent's credit policy outlining authority for approving and responsibility to manage credit limits; • Inquiries with committee in order to understand and assess governance and follow-up/monitoring of key customers; • Analytical procedures and inquiries with Business Area; • Detailed testing and assessment of receivables to ensure these are in line with Ind AS, with a focus on significant new provisions. We had a particular focus in our audit on how Company manage credit risk for key customers with respect to credit insurance and procedures for credit management. We also assessed and challenged management's assumptions and adherence to the Group's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3.	**Recoverability of Project and other vendor advances** As at March 31, 2022, current financial assets include ₹ 321.16 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.
4.	**Recoverability relating to Goods and Services Tax recoverable** As at March 31, 2022, under other current assets, indirect taxes recoverable include ₹ 189.81 crores in respect of GST Input Tax credit receivables by parent Company. The Parent has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 21 to the Consolidated Financial Statements.	Our audit procedure involves the following activities: • Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers • Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.

S. No.	Key Audit Matters	Response to Key Audit Matters
5.	**Recoverability and Contingencies relating to other Indirect tax matters** As at March 31, 2022, "Indirect Tax Recoverable" includes ₹ 18.23 crores in respect of Commercial taxes recoverable which are pending adjudication. The Parent Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement. Refer Note 21 to the Consolidated Financial Statements.	We performed the following substantive procedures: • Understanding the process of estimation, recording and reassessing tax provisions and contingencies. • Involving tax specialists to assist in analyzing the judgements used to determine provisions for tax matters. • We have involved our internal experts to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. • Inspection the correspondence with tax authorities. • Inspecting reports on open tax assessments prepared by the Parent Company and other appropriate documentation considered necessary to understand the position and conclusions made by the Parent. We also assessed the adequacy of the Group's financial statements disclosure in respect of the tax positions and contingent liabilities. We agree with management's evaluation.
With Respect to Subsidiary Company – HTL Limited		
6	**Provision of Interest on Government of India (GOI) Loan** Pending the response to the subsidiary company's letter to GOI and also non-confirmation of balance from GOI, provision of interest on GOI loan has been made after adjustment of claim recoverable from BSNL. As on March 31, 2022, total loan outstanding is ₹ 624.20 Lacs and Interest Accrued is ₹ 2,774.05 Lacs. Refer Note 55 (i) to the Consolidated Financial Statements.	**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.

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 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 Group and its jointly controlled entities has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group 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 ₹ 10.85 Crores as at March 31, 2022, total revenues of ₹ 0.62 Crore, Net profit/(loss) after tax of ₹ 0.73 Crores, total comprehensive income/(loss) of ₹ 0.73 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 ₹ 548.91 Crores as at March 31, 2022, total revenues of ₹ 1,013.93 Crores, Net profit/(loss) after tax of ₹ 46.07 Crores, total comprehensive income/(loss) of ₹ 45.97 Crores, and net cash inflows of ₹ 0.63 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 two foreign branches which reflects total assets of ₹ 7.78 Crores as at March 31, 2022, total revenues of ₹ 3.81 Crores, Net profit/(loss) after tax of ₹ 1.83 Crores, total comprehensive income/(loss) of ₹ 1.83 Crores, and net cash outflow of ₹ (0.16) Crores for the year ended on that date, which was audited by independent auditors in accordance with the regulations of such countries and whose report's have been furnished to us by 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 of foreign branches.

(d) The Consolidated Financial Statements includes financial performance of two foreign subsidiaries which reflects total assets of ₹ 0.39 Crores as at March 31, 2022, total revenues of ₹ 1.97 Crores, Net profit after tax of ₹ 0.20 Crores, total comprehensive income of ₹ 0.20 Crores, and net cash inflows of ₹ 0.17 Crores for the year ended March 31, 2022, 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.

(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 loss after tax of ₹ (2.49) Crores, total comprehensive (loss) of ₹ (2.49) Crores, for the year ended March 31, 2022 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 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 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 and the other financial information of subsidiaries as referred to in the other matters paragraph above, we report, to the extent applicable, that:

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

   (b) In our opinion, proper books of account as required by law relating to the preparation of the aforesaid consolidated financial statement have been kept by so far as it appears from our examination of those books and reports of other auditor.

   (c) The reports on the accounts of the foreign branch offices 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, 2022 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 March 31, 2022 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 47 to the consolidated financial statements;

(ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 47 to the consolidated financial statements;

(iii) There 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.

For **S Bhandari & Co.**	For **Oswal Sunil & Company**
Chartered Accountants	Chartered Accountants
Firm Registration No. 000560C	Firm Registration No. 016520N
(P. D. Baid)	**(Sunil Bhansali)**
Partner	Partner
Membership No: 072625	Membership No: 054645
UDIN: 22072625AICIKD3575	UDIN: 22054645AICAYT5334
Date: April 29, 2022	Date: April 29, 2022
Place: New Delhi	Place: New Delhi

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) and vii(a)
2.	HTL Limited	U93090TN1960PLC004355	Subsidiary	Clause i(c), ix(a) and xx(b)
3.	HFCL Advance Systems Private Limited	U29253HP2015PTC000880	Subsidiary	Clause xvii
4.	Polixel Security Systems Private Limited	U93000DL2010PTC199073	Subsidiary	Clause xvii
5.	Raddef Private Limited	U74999KA2017PTC105873	Subsidiary	Clause xvii
6.	DragonWave HFCL India Private Limited	U64200DL2010PTC211117	Subsidiary	Clause xvii
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, 2022

(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, 2022, 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 evidence 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 the parent company and its subsidiaries incorporated in India 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 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 authorizations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the 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 March 31, 2022, 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.**
Chartered Accountants
Firm Registration No. 000560C

(P. D. Baid)
Partner
Membership No: 072625
UDIN: 22072625AICIKD3575

Date: April 29, 2022
Place: New Delhi

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 22054645AICAYT5334

Date: April 29, 2022
Place: New Delhi

Consolidated Balance Sheet

as at March 31, 2022

₹ in crore

Particulars	Note No(s)	As at March 31, 2022	As at March 31, 2021
ASSETS			
Non-current assets			
(a) Property, Plant and Equipment	3	464.63	443.35
(b) Capital work-in-progress	4	47.46	11.82
(c) Right-of-use-assets	43	24.07	20.32
(d) Goodwill		26.17	26.17
(e) Intangible assets (other than Goodwill)	5	13.41	17.97
(f) Intangible assets under development	6	60.69	24.20
(g) Investments accounted for using equity method	7	11.66	-
(h) Financial Assets			
(i) Investments	8	34.90	34.82
(ii) Trade receivables	15	595.61	444.83
(iii) Loans	9	10.50	6.50
(iv) Others	10	40.54	11.03
(i) Deferred tax assets (net)	11	4.98	6.71
(j) Other non-current assets	12	17.55	18.26
Total Non-Current Assets		**1,352.17**	**1,065.98**
Current assets			
(a) Inventories	13	573.38	435.26
(b) Financial assets			
(i) Investments	14	8.80	5.79
(ii) Trade receivables	15	1,895.94	2,610.99
(iii) Cash and cash equivalents	16	17.20	21.31
(iv) Bank balances other than (iii) above	17	511.04	285.14
(v) Loans	18	26.04	11.87
(vi) Others	19	386.31	461.81
(c) Current tax Assets (net)	20	6.39	75.56
(d) Contract Assets		146.88	20.70
(e) Other current assets	21	247.31	221.38
Total Current Assets		**3,819.29**	**4,149.81**
Total Assets		**5,171.46**	**5,215.79**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	137.49	128.44
(b) Other Equity	22	2,660.91	1,787.77
Equity attributable to owners of the Company		**2,798.40**	**1,916.21**
Non-controlling interest		**19.97**	**7.26**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	23	121.25	250.78
(ii) Lease liabilities	43	19.34	18.47
(b) Provisions	24	35.04	36.50
Total Non-Current Liabilities		**175.63**	**305.75**
Current liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	608.53	668.84
(ii) Lease Liabilities	43	7.21	3.75
(iii) Trade payables	26		
– total outstanding dues of micro enterprises and small enterprises		192.80	181.49
– total outstanding dues to other than micro enterprises and small enterprises		844.13	1,566.47
(iv) Other financial liabilities	27	415.71	406.21
(b) Current tax liabilities (Net)	28	30.32	46.37
(c) Other current liabilities	29	68.90	71.22
(d) Contract liabilities	31	-	30.11
(e) Provisions	30	9.86	12.11
Total - Current liabilities		**2,177.46**	**2,986.57**
Total Liabilities		**2,353.09**	**3,292.32**
Total Equity and Liabilities		**5,171.46**	**5,215.79**

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

As per our report of even date attached

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

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

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

New Delhi, April 29, 2022

Consolidated Statement of Profit and Loss

for the year ended March 31, 2022

₹ in crore

	Particulars	Note No(s)	For the year ended March 31, 2022	For the year ended March 31, 2021
I	**INCOME**			
	Revenue from operations	31	4,727.11	4,422.96
	Other Income	32	42.91	34.76
	Total Income (I)		**4,770.02**	**4,457.72**
II	**EXPENSE**			
	Cost of Materials Consumed	33	973.55	644.21
	Other Direct costs	34	1,362.00	973.24
	Purchases of stock-in trade		1,243.71	1,778.40
	Change in inventories of finished goods, work-in progress and stock-in trade	35	(80.52)	8.07
	Employee benefits expense	36	310.56	252.85
	Finance Costs	37	166.40	174.72
	Depreciation and amortization expenses	3, 5, 43	78.25	68.63
	Other Expenses	38	267.74	216.61
	Total Expenses (II)		**4,321.69**	**4,116.73**
III	**Profit / (loss) before Share of profit/ (loss) of joint venture, exceptional items and income tax (I-II)**		**448.33**	**340.99**
IV	Share of profit/ (loss) of jointly controlled entities		**0.16**	-
V	**Profit / (loss) before exceptional items and income tax (III+IV)**		**448.49**	**340.99**
VI	Exceptional item	49	6.37	4.13
VII	**Profit / (Loss) before tax (V - VI)**		**442.12**	**336.86**
VIII	**Tax expense**			
	– Current tax		114.50	86.13
	– Deferred Tax		1.75	4.49
IX	**Profit/(loss) for the year (VII-VIII)**		**325.87**	**246.24**
X	**Other Comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		-	3.79
	(ii) Income tax on above item		0.02	(0.95)
	(iii) Gain/(Loss) on Equity Instruments designated through OCI		2.02	2.56
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(0.33)	(0.45)
	Total Other comprehensive income/(loss) for the year		**1.71**	**4.95**
XI	**Total comprehensive income for the year (IX+X)**		**327.58**	**251.19**
XII	**Profit attributable to:**			
	Owners of the Parent		313.12	239.00
	Non-controlling interest		12.75	7.24
XIII	**Total comprehensive income for the year attributable to:**			
	Owners of the Parent		314.87	243.89
	Non-controlling interest		12.71	7.31
XIV	**Earnings per share from continuing and Total operations attributable to the equity holders of the Holding Company during the year**	39		
	– Basic (₹)		2.38	1.86
	– Diluted (₹)		2.38	1.87

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

As per our report of even date attached

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

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

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, April 29, 2022

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834
New Delhi, April 29, 2022

Consolidated Statement of Cash Flow

for the year ended March 31, 2022

₹ in crore

Particulars	For the year ended March 31, 2022		For the year ended March 31, 2021
I. Cash Flow From Operating Activities			
Net Profit before Taxes and Exceptional Items		442.12	336.86
Adjustments for			
Depreciation & Amortization expenses	78.25		68.63
(Gain)/Loss on disposal of property, plant and equipment	0.01		0.03
Financial Gurantee Income	(0.36)		(0.40)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	5.57		4.66
Employee Share based payments expenses	(8.68)		3.89
Share of profit/ (loss) of an associate	(0.16)		-
Dividend and interest income classified as investing cash flows	(13.91)		(3.77)
Finance costs (net)	166.40		176.09
		227.12	**249.13**
Change in operating assets and liabilities			
(Increase)/Decrease in Trade and other receivables	558.69		(1,330.79)
(Increase)/Decrease in Inventories	(138.11)		(91.59)
Increase/(decrease) in Trade payables	(711.03)		932.72
(Increase)/Decrease in other financial assets	106.82		95.73
(Increase)/decrease in other non-current assets	(2.85)		(0.87)
(Increase)/decrease in other current assets	(152.11)		1.17
Increase/(decrease) in provisions	(2.26)		1.43
Increase in other Non current liabilities	(1.79)		7.89
Increase in other current liabilities	(59.33)		(39.12)
		(401.97)	**(423.43)**
Cash generated from/(used in) operations		**267.27**	**162.56**
Income taxes paid (net)		(61.39)	(17.79)
Net cash inflow from/(used in) operating activities		**205.88**	**144.77**
II Cash flow from Investing activities			
Payment for acquisition of subsidiaries & other investments		(12.00)	(13.03)
Payments for property, plant and equipment including CWIP		(145.21)	(97.37)
Payments for Intangible Assets		(37.86)	(8.70)
Proceeds from sale of property, plant and equipment		0.74	2.15
Bank deposits placed/matured (net)		(252.19)	(87.95)
Payment for loan to body corporates		(18.16)	3.11
Proceeds from sale of Investment		-	33.13
Dividends received		-	-
Interest received		6.84	3.77
Net cash inflow from /(used in) investing activities		**(457.84)**	**(164.89)**

Consolidated Statement of Cash Flow

for the year ended March 31, 2022

₹ in crore

Particulars		For the year ended March 31, 2022	For the year ended March 31, 2021
III	**Cash flow from Financing Activities**		
	Proceeds from issues of Share Capital (including security premium)	605.78	-
	Share issue expenses	(10.50)	-
	Proceeds from borrowings	79.87	280.95
	(Repayment) of borrowings	(243.15)	(73.83)
	(Repayment) of lease liabilities	(8.69)	(7.76)
		423.31	**199.36**
	Less:		
	Finance Costs paid	(156.41)	(174.38)
	Dividend paid	(19.05)	-
	Net Cash flow from/(used in) financing activities	**247.85**	**24.98**
IV	**Net increase/(decrease) in cash and cash equivalents (I+II+III)**	**(4.11)**	**4.86**
V	**Cash and cash equivalents at the beginning of the financial year**	21.31	16.44
VI	**Cash and cash equivalents at end of the year**	17.20	21.31
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	0.08	0.10
	Balances with banks in		
	Current accounts*	13.32	18.67
	Fixed Deposits with Bank	3.80	2.54
	Balances per statement of cash flows	**17.20**	**21.31**
4	**Analysis of movement in borrowings**		
	Borrowings at the beginning of the year	893.05	685.93
	Movement due to cash transactions per the Consolidated Statement of Cash Flows	(163.28)	207.12
	Borrowings at the end of the year	**729.77**	**893.05**

* ₹ 0.92 crore (Previous year ₹ 0.27 crore) has restricted use.

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date attached

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

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

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

New Delhi, April 29, 2022

Consolidated Statement of Changes in Equity

for the year ended March 31, 2022

A. Equity Share Capital

₹ in crore

Particulars	Amount
As at April 1, 2020	**128.44**
Changes in equity share capital	-
As at March 31, 2021	**128.44**
Changes in equity share capital (refer note no. 22(A))	9.05
As at March 31, 2022	**137.49**

B. Other equity

₹ in crore

Particulars	Share based payment reserve	Reserves and Surplus					Items of Other Comprehensive Incomes			Total Equity attributable to Owners of the Company	Non-Controlling Interest	Total Equity
		Securities Premium Reserve	Capital Redemption Reserve	Debenture Redemption Reserve	Capital Reserve	Retained Earnings	Changes in fair value of FVOCI equity instruments	Remeasure--ment of defined benefit plans	Foreign currency translation reserve			
Balance as at April 1, 2020	**11.70**	**467.62**	**80.50**	**5.62**	**2.22**	**1,081.99**	**(119.44)**	**9.87**	**(0.08)**	**1,540.00**	**(0.05)**	**1,539.95**
Total Comprehensive Income for the year	-	-	-	-	-	239.00	2.56	2.77	(0.45)	243.88	7.31	251.19
Transfer to retained earnings	-	-	-	(2.81)	-	(124.72)	127.53	-	-	-	-	-
Employee Share Options outstanding [$]	3.89	-	-	-	-	-	-	-	-	3.89	-	3.89
Balance as at March 31, 2021	**15.59**	**467.62**	**80.50**	**2.81**	**2.22**	**1,196.27**	**10.65**	**12.64**	**(0.53)**	**1,787.77**	**7.26**	**1,795.03**
Total Comprehensive Income for the year	-	-	-	-	-	313.12	2.02	0.06	(0.33)	314.87	12.71	327.58
Transfer to retained earnings	-	-	-	(2.81)	-	2.81	-	-	-	-	-	-
Dividends paid for the previous year	-	-	-	-	-	(19.34)	-	-	-	(19.34)	-	(19.34)
Issue of equity share capital (net of share issue expenses of ₹ 10.53 Crore)	-	589.57	-	-	-	-	-	-	-	589.57	-	589.57
Employee Share Options outstanding[$]	(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	**1.91**	**1,053.85**	**80.50**	**-**	**2.22**	**1,497.92**	**12.67**	**12.70**	**(0.86)**	**2,660.91**	**19.97**	**2,680.88**

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

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date attached

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

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

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

New Delhi, April 29, 2022

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

₹ 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 Ltd. (NSE) and BSE Ltd. (BSE). Established in 1987, HFCL is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment, Optical Fibre and Optic Fibre Cable (OFC).

The Consolidated Financial Statements have been approved by the Board of Directors of the Holding Company at its meeting held on April 29, 2022.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

These Consolidated Financial Statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. The Group has consistently applied accounting policies to all periods. On March 24, 2021, the Ministry of Corporate Affairs (MCA) through a notification, amended Schedule III of the Companies Act, 2013 and the amendments are applicable for financial periods commencing from April 1, 2021. The Group has evaluated the effect of the amendments on its financial statements and complied with the same.

2.1.2. Historical Cost Convention

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements are presented in Indian Rupees except where otherwise stated.

2.1.3. Use of estimates and judgements

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

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

2.2. Basis of Consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Holding Company has control. The Holding Company controls an entity when the Holding Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Holding Company. They are deconsolidated from the date that control ceases. The Holding Company and subsidiaries are collectively called "the Group".

The group combines the financial statements of the Holding Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Holding Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

ii. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii. Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the consolidated balance sheet.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group share of the post-acquisition profits or losses of the investee in profit and loss, and the group share of other comprehensive income of the investee in other comprehensive income.

When the group share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Holding Company and its associates and joint ventures are eliminated to the extent of the group interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described below.

v. Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3. Business combinations and goodwill

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

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

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

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

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

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

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

2.4. Current versus non-current classification

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

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

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

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

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

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

All other assets are classified as non-current. A liability is current when:

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

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

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

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

All other liabilities are classified as non-current.

2.5. Fair value measurement

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

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

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

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

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

- Level 1 – Quoted (unadjusted)
  This hierarchy includes financial instruments measured using quoted prices.

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

  Level 2 inputs include the following:

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

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

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

  (d) Market – corroborated inputs.

- Level 3
  They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Group's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

2.6. Non-current assets held for sale

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

2.7. Property Plant and Equipment

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

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 recognized in the Consolidated Statement of Profit and Loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use. Property, Plant and Equipment (PPE) and intangible assets are not depreciated or amortized 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), amortization has been provided for on Straight Line Method over the period of lease.

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

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

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

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

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

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

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

2.8. Intangible Assets

a. Goodwill:

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

b. Other Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Group to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably.

An item of Intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate all the following: -

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Consolidated Statement of Profit and loss.

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

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

2.9. Financial instruments

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

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

2.9.1. Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Debt instruments at amortized cost

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

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

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

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

Debt instrument at FVTOCI

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

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

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

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

Debt instrument at FVTPL

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

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

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

Equity investments

All equity investments are measured at fair value. 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 recognized in the OCI. This amount is not recycled from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the Consolidated Statement of Profit and Loss.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

De-recognition

A financial asset is de-recognized only when

- The Group has transferred the rights to receive cash flows from the financial asset or

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

- Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

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

Impairment of financial assets

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL Impairment Loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Consolidated Statement of Profit and loss (P&L).

2.9.2. Financial liabilities

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

Initial recognition and measurement

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

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Consolidated Statement of Profit and loss.

Trade and other payables

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

Loans and borrowings

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

Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.10. Impairment of non-financial assets

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

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

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

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

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

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Consolidated Statement of Profit and loss.

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

2.11. Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on 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 realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12. Revenue recognition

A. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that Group expects to receive in exchange for those products or services.

B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).

C. The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.

D. The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Group principally generate revenue from sale of Optical Fibre Cable and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Group generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

- **Contracts with government**

The Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Group expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Group reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

- **Warranty**

  Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on historical data and arrangement entered with respective vendors of equipment's supplied under contract, the Group recognises provisions for this warranty.

- **Financial Components**

  The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue:

- **Interest income**

  Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- **Dividends**

  Dividend income is recognised when the right to receive payment is established.

- **Rental income**

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

- **Insurance Claims**

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

2.13. Leases

As a lessee

The Group implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

– the amount of the initial measurement of the lease liability,

– any lease payments made at or before the commencement date, less any lease incentives,

– any initial direct costs incurred by the lessee,

– an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

– fixed payments, less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the lessee under residual value guarantees;

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.

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.

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

2.14. Foreign currency transactions

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

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

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

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

2.15. Employee Benefits

Short term employee benefits:-

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

Long-Term employee benefits

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

Post-employment obligations

i. **Defined contribution plans**

Provident Fund and employees' state insurance schemes:

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

The Group's contributions to both these schemes are expensed in the Consolidated Statement of Profit and Loss. The Group has no further obligations under these plans beyond its monthly contributions.

ii. **Defined benefit plans**

Gratuity:

The Group provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Group. The Group provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits" The Group makes periodic contributions to the HDFC Standard Life Insurance Group Ltd for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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

Leave Encashment:

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

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

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

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

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

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

Termination benefits

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

2.16. Employee Share-based payments

The Group has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Group but consolidated in the Financial Statement. Any loan from the Group to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Group is recognized as an employee benefits expense, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

2.17. Borrowing Costs

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

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

2.18. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

2.19. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Consolidated Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

2.20. Cash Flow Statement

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

2.21. GST Credit

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

2.22. Earnings per share

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

2.23. Income taxes

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

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

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

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

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

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

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

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

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

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

3. Property, Plant and Equipment

₹ in crore

Particulars	Plant and Machinery	Building (Freehold)	Building (Leasehold)	Electrical Installations	Furniture and Fixtures	Office Equipments	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance as at April 1, 2020	**494.45**	**117.61**	**27.10**	**33.27**	**10.61**	**8.80**	**22.26**	**16.13**	**8.89**	**0.88**	**740.00**
Additions	25.33	31.53	-	1.83	1.48	1.32	3.50	0.78	-	-	65.77
Disposals/Adjustments	1.16	0.45	-	0.26	0.24	0.01	0.53	1.57	-	-	4.22
Balance as at March 31, 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**
Accumulated Depreciation and Impairment											
Balance as at April 1, 2020	**223.21**	**16.72**	**9.04**	**12.33**	**6.46**	**4.59**	**17.96**	**12.52**	**-**	**0.22**	**303.05**
Depreciation for the year	39.00	4.09	0.83	5.53	1.15	2.09	2.91	1.12	-	0.01	56.73
Impairment during the year	0.45	-	-	-	-	-	-	-	-	-	0.45
Disposals/Adjustments	0.19	-	-	0.01	0.01	0.01	0.49	1.32	-	-	2.03
Balance as at March 31, 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
Impairment during the year	-	-	-	-	-	-	-	-	-	-	-
Disposals/Adjustments	16.85	-	-	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**
Net Carrying Value											
Balance as at April 1, 2020	271.24	100.89	18.06	20.94	4.15	4.21	4.30	3.61	8.89	0.66	436.95
Balance as at March 31, 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**

Notes:

1. Land situated at Solan (H.P.) amounting to ₹ 0.28 crore and Chennai amounting to ₹ Nil are pending for title transfer in the name of the Group Companies.

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 Himachal Pradesh	No	September 23, 1994
Property, plant and equipment (HTL Ltd.)	Land (Freehold)	-	State Government of Tamil Nadu	No	September 30, 1970

2. The Holding Company had been approved capital subsidy 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 vide Approval letter No. 27(69)/2017-IPHW dated May 29, 2018. The Holding Company is in the process of submitting its disbursement claims before the competent authority for sanctioning and in the absence of reasonable certainty that the claim will be received, the same has not been accounted for.
3. The Holding company has 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 crore and stamp duty reimbursement of ₹ 0.36 crores.

   The Holding Company has adjusted capital subsidy (including stamp duty reimbursement) aggregating to ₹ 30.36 crores against the related Property, Plant and Equipment and power and interest subsidy (including interest up to March 31, 2022) aggregating to ₹ 15.20 crores has been recognized under the head 'Other Income' in the Consolidated Statement of Profit and Loss.
4. Refer Note 23 and 25 for details of assets pledged.

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

4. Capital work-in-progress

₹ in crore

Particulars	Buildings	Plant & Machinery	Electrical Installation	Office Equipment	Total
Balance as at April 1, 2020	**12.72**	**2.09**	**0.25**	**-**	**15.06**
Additions	3.75	8.96	0.10	-	12.81
Disposals/Adjustments	13.84	2.21	-	-	16.05
Balance as at March 31, 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**

4.1 Ageing of Capital work in progress

₹ in crore

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress*					
As at March 31, 2022	45.62	1.84	-	-	47.46
As at March 31, 2021	8.48	3.34	-	-	11.82

* 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)

₹ in crore

Particulars	Amount
Gross Carrying Value	
Balance as at April 1, 2020	**34.26**
Additions	3.21
Disposals/Adjustments	-
Balance as at March 31, 2021	**37.47**
Additions	1.37
Disposals/Adjustments	-
Balance as at March 31, 2022	**38.84**
Accumulated Depreciation and Impairment	
Balance as at April 1, 2020	13.44
Depreciation for the year	6.06
Disposals/Adjustments	-
Balance as at March 31, 2021	**19.50**
Depreciation for the year	5.93
Disposals/Adjustments	-
Balance as at March 31, 2022	**25.43**
Net Carrying Value	
Balance as at April 1, 2020	20.82
Balance as at March 31, 2021	17.97
Balance as at March 31, 2022	**13.41**

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

6. Intangible assets under development

₹ in crore

Particulars	Product Development
Balance as at April 1, 2020	**18.71**
Additions	5.49
Disposals/Adjustments	-
Balance as at March 31, 2021	**24.20**
Additions	37.63
Disposals/Adjustments	1.14
Balance as at March 31, 2022	**60.69**

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

₹ in crore

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress					
As at March 31, 2022	37.29	5.39	4.07	13.94	60.69
As at March 31, 2021	6.19	4.07	13.94	-	24.20

6.2 Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2022

₹ in crore

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**

Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2021

₹ in crore

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	-	8.64	-	-	8.64
- 5G/4G Technological Products	-	-	9.91	-	9.91
Total	**-**	**8.64**	**9.91**	**-**	**18.55**

7. Investments accounted for using equity method

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unquoted Investments		
Investment in Equity Instruments		
(i) Jointly Controlled Entities	11.50	-
Add/(Less) : Cumulative Share of profits/(Loss)	0.16	-
Total	**11.66**	**-**

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

7.1 Investment accounted for using equity method

₹ in crore

Particulars	Face value per share	As at March 31, 2022		As at March 31, 2021	
		No. of Shares	Amount	No. of Shares	Amount
Unquoted Investments					
Investment in Equity Instruments - Equity Shares					
NIMPAA Telecommunications Pvt. Ltd. (includes Goodwill of ₹ 1 crore)	10	1,000,000	1.00	-	-
Add/(Less) : Cumulative Share of profits/(Loss)			0.72		
BigCat Wireless Pvt. Ltd.*	10	4,000	2.50	-	-
BigCat Wireless Pvt. Ltd.* - (Partly paid @ ₹ 3.50 per share out of the face value of ₹ 10/- per share)	10	32,000	8.00	-	-
Add/(Less) : Cumulative Share of profits/(Loss)			(0.56)	-	-
Total aggregate unquoted investments			**11.66**		**-**
Aggregate carrying value of unquoted investments			11.66		-
Aggregate amount of impairment in value of investments			-		-

* Includes Goodwill of ₹ 5.36 crore.

7.2 Additional details of Jointly Controlled Entities

Particulars	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Group	
			As at March 31, 2022	As at March 31, 2021
NIMPAA Telecommunications Pvt. Ltd.	Manufacturing of FRP and ARP	India	50.00%	0.00%
BigCat Wireless Pvt. Ltd. (Jointly Controlled Entity with 50% voting right w.e.f. November 12, 2021)	Development of software and hardware products for wireless networking	India	50.00%	0.00%

8. Non-Current Financial Assets – Investments

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	33.05	32.97
(ii) Investments in Debt instruments	1.85	1.85
Total	**34.90**	**34.82**

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

8.1 Detail of Non-Current Financial Assets – Other Investments

₹ in crore

Particulars	Face value per share/ Debenture	As at March 31, 2022		As at March 31, 2021	
		No. of Shares/ Debentures/ Units	Amount	No. of Shares/ Debentures/ Units	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments – Equity Shares					
Exicom Tele-Systems Ltd.	10	630,223	16.83	630,223	16.77
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.05	4,000	0.06
India Card Technologies Pvt. Ltd.	10	19,900	-	19,900	-
Shankar Sales Promotion Pvt. Ltd.	100	2,000	0.09	2,000	0.09
HFCL Bezeq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt. Ltd.	1	217,594	16.08	217,594	16.05
Total Investment in Equity Instruments measured at FVTOCI			**33.05**		**32.97**
(ii) Investment in Debt Instruments					
Atul Properties Pvt. Ltd. (OFCDs)	100	185,000	1.85	185,000	1.85
Total Investment in Debt Instruments measured at FVTOCI			**1.85**		**1.85**
Aggregate Carrying value of unquoted investments			34.90		34.82
Aggregate amount of impairment in value of investments			-		-

9. Non-Current Financial Assets – Loans

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Loans to other parties	6.50	6.50
Loans to related parties (refer note 50)	4.00	-
Which have significant increase in credit risk	0.21	0.21
Less: expected credit loss allowance	(0.21)	(0.21)
Total	**10.50**	**6.50**
Movement in the expected loss of Other Loans are as follows:		
Balance at the Beginning of the year	0.21	0.21
Add: Provided during the year	-	-
Less: Amount written off	-	-
Balance at the end of the year	**0.21**	**0.21**

10. Non-Current Financial Assets – Others

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Fixed Deposits with Bank (maturity more than 12 months)*	35.85	9.56
Security Deposit	4.69	1.47
Total	**40.54**	**11.03**

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

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

11. Deferred tax assets (net)

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

₹ in crore

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	Total
As at 1 April, 2020	**9.56**	**(18.90)**	**21.49**	**12.15**
(Charged)/Credited:				
- to Statement of profit and loss	1.67	7.93	(14.09)	(4.49)
- to other comprehensive income	(0.95)	-	-	(0.95)
As at 31 March, 2021	**10.28**	**(10.97)**	**7.40**	**6.71**
(Charged)/Credited:				
- to Statement of profit and loss	0.32	0.32	(2.39)	(1.75)
- to other comprehensive income	0.02	-	-	0.02
As at 31 March, 2022	**10.62**	**(10.65)**	**5.01**	**4.98**

Note: In the absence of reasonable certainity of future taxable income, no deferred tax assets have been created in the books of such subsidiaries.

12. Other Non-Current Assets

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, Considered Good		
Capital Advances	17.55	18.26
Total	**17.55**	**18.26**

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

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Inventories (As Certified and valued by the management)		
Raw Material	199.05	114.78
Raw Materials in transit	13.95	13.07
	213.00	**127.85**
Work-in-progress	193.93	126.83
Finished goods	63.08	57.38
Stock-in-trade Goods	75.23	67.52
Stock in transit for trade	8.63	45.92
Stores and spares	14.65	8.17
Loose tools	1.29	0.65
Others (Packing Material)	3.57	0.94
Total	**573.38**	**435.26**

Notes:

(i) Work in progress includes contract work in progress of ₹ 153.94 crore (Previous year: ₹ 101.26 crore).

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

14. Current Financial Assets – Investments

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Quoted Investments		
(i) Investments in Mutual Funds	3.69	2.99
(ii) Investments in Equity Instruments – other	5.11	2.80
Total	**8.80**	**5.79**

14.1 Detail of Current Financial Assets – Investments

₹ in crore

Particulars	Face value	As at March 31, 2022		As at March 31, 2021	
		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 Investments					
Union Liquid Fund Growth – Direct plan	1,000	9,398	1.93	9,398	1.86
Union Large & Mid Cap Fund Growth – Direct Plan	10	50,000	0.08	50,000	0.07
Union Bank Medium duration fund Regular	10	499,975	0.53	499,975	0.51
Union Hybrid Equity Fund – Growth	10	499,975	0.63	499,975	0.53
Baroda Business cycle fund – Regular Growth	10	499,965	0.50	-	-
Principal Cash Management fund – Dividend reinvestment plan	1,000	235	0.02	235	0.02
Total Investment FVTPL			**3.69**		**2.99**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments – Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	6,408,000	-	6,408,000	-
Manvens Biotech Ltd.	1	17,000	-	17,000	-
Sumedha Fiscal Services Ltd.	10	18,200	0.11	18,200	0.05
Valiant Communications Ltd.	10	8,700	0.06	8,700	0.06
Poonawalla Fincorp Ltd. (erstwhile known as Magma Fincorp Ltd.)	2	152,830	4.15	152,830	1.68
Media Matrix Worldwide Ltd.	1	4,750	0.01	4,750	-
Sahara One Media and Entertainment Ltd.	10	250,950	0.61	250,950	0.84
			4.94		**2.63**
(iii) Investment in equity instruments – Unquoted Equity Shares					
Optimates Textile Industries Ltd.	2	1,302,500	-	1,302,500	-
Rashel Agrotech Ltd.	10	478,500	-	478,500	-
NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	10	170,795	0.17	170,795	0.17
			0.17		**0.17**
Total Investment FVTOCI			**5.11**		**2.80**
Total Current Financial Investments			**8.80**		**5.79**
Aggregate Carrying value of quoted investments			8.63		5.62
Aggregate Carrying value of unquoted investments			0.17		0.17
Aggregate amount of impairment in value of investments			-		-

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

15. Current Financial Assets – Trade Receivables

₹ in crore

Particulars	As at March 31, 2022		As at March 31, 2021	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good;	595.61	1,889.10	444.83	2,601.60
Which have significant increase in credit risk	-	21.77	-	19.31
Credit Impaired	-	0.72	-	0.72
Less: expected credit loss allowance	-	(15.65)	-	(10.64)
Total	**595.61**	**1,895.94**	**444.83**	**2,610.99**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	10.64	-	7.77
Add: Provided during the year	-	5.01	-	3.08
Less: Amount written off	-	-	-	0.21
Balance at the end of the year	**-**	**15.65**	**-**	**10.64**

15.1 Ageing analysis of Trade Receivables as at March 31, 2022

₹ in crore

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**

Aging analysis of Trade Receivables as at March 31, 2021

₹ in crore

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	2,176.50	528.39	172.40	129.39	12.08	17.80	3,036.56
- which have significant increase in credit risk	-	-	-	-	-	19.31	19.31
- 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	**2,176.50**	**528.39**	**172.40**	**129.39**	**12.08**	**47.70**	**3,066.46**
Less: Amount disclosed under non-current financial assets							(444.83)
Less: Expected credit loss allowance of trade receivables							(10.64)
Total current trade receivables							**2,610.99**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

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 form related party (refer note 50).

16. Current Financial Assets – Cash & cash equivalents

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Cash & Cash Equivalents		
Balance with banks		
- in current account**	12.80	18.40
- in dividend account**	0.52	0.27
Cash on hands	0.08	0.10
Fixed Deposits with Bank (maturity less than 3 months)*	3.80	2.54
Total	**17.20**	**21.31**

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

** ₹ 0.92 crore (Previous year ₹ 0.27 crore) has restricted use.

17. Current Financial Assets – Other Bank Balances

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Fixed Deposits with Bank (Maturity less than 12 months)*	511.04	285.14
Total	**511.04**	**285.14**

* Out of above, fixed deposits of ₹ 286.84 crore (Previous year ₹ 285.14 crore) are held as margin money/securities with banks.

18. Current Financial Assets – Loans

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Other Loans	26.04	11.87
Total	**26.04**	**11.87**

19. Current Financial Assets – Other Assets

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Security Deposits	7.04	18.86
Project & other vendor advances	321.16	402.05
Interest Receivable	9.30	7.78
Subsidy claim receivable from government	45.56	-
Receivables for sales of Investments	3.25	33.12
Total	**386.31**	**461.81**

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

20. Current Tax Assets (Net)

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Current Tax Assets		
Advance Income Tax/TDS (net of provisions)	6.39	75.56
Total	**6.39**	**75.56**

21. Other Current Assets

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Indirect tax recoverable	211.50	160.06
Prepaid Expenses	31.31	32.68
Export Incentive receivable	2.52	2.87
Other Receivables	1.98	2.01
Assets recognised from cost incurred to fulfill a contract	-	23.76
Total	**247.31**	**221.38**

22 A. Share Capital

(i) Authorised Share Capital

₹ in crore

	Equity Share Capital		Preference Share Capital	
	No. of Shares	Amount	No. of Shares	Amount
As at April 1, 2020	5,100,000,000	510.00	25,000,000	250.00
Increase during the year	-	-	-	-
As at March 31, 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**

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

₹ in crore

Particular	Equity Share Capital		Preference Share Capital	
	No. of Shares	Amount	No. of Shares	Amount
As at April 1, 2020	**1,284,377,194**	**128.44**	**-**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 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**	**-**	**-**

* The Board of Directors of the Holding Company has approved allotment of 4,934,300 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. Upon allotment of these equity shares, the paid up equity share capital of the Holding Company had increased from ₹ 128.44 crore (Rupees One Hundred Twenty Eight Crore Forty Four Lakh Only) comprising of 1,284,377,494 equity shares of the face value of ₹ 1/- each to ₹128.93 crore (Rupees One Hundred Twenty Eight Crore Ninety Three Lakh Only) comprising of 1,289,311,494 equity shares of the face value of ₹ 1/- each.

** On December 10, 2021, the Holding Company through Qualified Institutions Placement (QIP) allotted 87,272,727 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 Crore. 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 Consolidated Financial Statement

for the year ended March 31, 2022

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

Name of Shareholder	As at March 31, 2022		As at March 31, 2021	
	No. of share held	% of Holding	No. of share held	% of Holding
MN Ventures Pvt. Ltd.	293,365,000	21.31	289,640,000	22.55
NextWave Communications Pvt. Ltd.	219,865,000	15.97	219,865,000	17.12

(iv) Shares held by promoters

Name of promoters	As at March 31, 2022		As at March 31, 2021		% 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	0.21	(0.02)
Mahendra Nahata	835,091	0.06	4,560,091	0.36	(0.30)
Manik Lal Nahata	-	-	11,920	0.00	(0.00)
MN Ventures Pvt. Ltd.	293,365,000	21.31	289,640,000	22.55	(1.24)
NextWave Communications Pvt. Ltd.	219,865,000	15.97	219,865,000	17.12	(1.15)
Fitcore Tech-Solutions Pvt. Ltd.	22,400,000	1.63	22,400,000	1.74	(0.11)
Vinsan Brothers Pvt. Ltd.	671,600	0.05	671,600	0.05	(0.00)
Shankar Sales Promotion Pvt. Ltd.	300,201	0.02	300,201	0.02	(0.00)
Total	**540,081,892**	**39.23**	**540,093,812**	**42.05**	**(2.82)**

(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 Holding Company, the holders of equity shares will be entitled to receive remaining assets of the Holding Company, after distribution of all preferential amount in proportion to their shareholdings.

(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 54.

B. Other Equity

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Retained Earnings	1,497.93	1,196.28
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	12.67	10.65
b. Remeasurement of defined benefit plans	12.70	12.64
c. Foreign currency translation reserve	(0.86)	(0.53)
(iii) Other Reserves *		
a. Securities Premium	1,053.85	467.62
b. Debenture Redemption Reserve	-	2.81
c. Capital Redemption Reserve	80.50	80.50
d. Employee Share based payment reserve	1.90	15.58
e. Capital reserve (on bargain purchase)	2.22	2.22
Total	**2,660.91**	**1,787.77**

*** Brief description of Other Reserves:**

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

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

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

c. Capital Redemption reserve is created to the extent of Preference Share Capital redeemed i.e. 8,050,000 (previous year 8,050,000) CRPSs of ₹ 100/- each
d. 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.

(i) Retained Earnings

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Balance at the beginning of the reporting period	**1,196.28**	**1,082.00**
Add: Net profit for the period	325.87	246.24
Add/Less: adjustments for-		
Equity Instruments through OCI	-	(127.53)
Transfer from Debenture redemption reserve	2.81	2.81
Transfer on allotment of shares to employees pursuant to ESOP scheme	5.01	-
Dividend paid on Equity shares	(19.34)	-
Adjustment of dividend to ESOP trust	0.05	-
Non-Controlling Interest	(12.75)	(7.24)
Closing Balance	**1,497.93**	**1,196.28**

(ii) Components of Other Comprehensive Income

₹ in crore

Particulars	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve
As at April 1, 2020	**(119.44)**	**9.87**	**(0.08)**
Increase during the year	130.09	2.77	-
Decrease during the year	-	-	0.45
As at March 31, 2021	**10.65**	**12.64**	**(0.53)**
Increase during the year	2.02	0.06	-
Decrease during the year	-	-	0.33
As at March 31, 2022	**12.67**	**12.70**	**(0.86)**

(iii) Other Reserves

₹ in crore

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment reserve	Capital Reserve
As at April 1, 2020	**467.62**	**5.62**	**80.50**	**11.70**	**2.22**
Increase during the year	-	-	-	3.88	-
Decrease during the year	-	2.81	-	-	-
As at March 31, 2021	**467.62**	**2.81**	**80.50**	**15.58**	**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**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

23. Non-Current Financial Liabilities – Borrowings

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
Borrowings		
Non-Convertible Debentures	-	11.24
Term Loans		
(i) from Banks*	163.49	196.60
Vehicle Loans from Banks	3.07	2.35
	166.56	**210.19**
Un Secured		
Borrowings		
Term Loans		
(i) from other parties (Refer Note 55 (i))	-	6.24
(ii) Interest on Term Loan from other parties	-	26.57
Inter Corporate Deposit		
(i) from other parties	-	88.98
	-	**121.79**
Less: Current maturities of long term debt – Term Loans	(44.18)	(68.75)
Less: Debentures redeemable in next 12 months	-	(11.24)
Less: Current maturities of long term debt – Vehicle Loans	(1.13)	(1.21)
Total	**121.25**	**250.78**

* net off of ₹ 1.51 crore (Previous year ₹ 1.37 crore) as finance charge.

Regarding Holding Company:

(a) Holding Company had issued 3,372,750 10.30% secured unlisted Non-Convertible Redeemable Debenture (NCDs) of ₹ 100/- each aggregating ₹ 33.73 crore by way of conversion of outstanding right of recompense amount payable by the Company. NCDs are secured by way of first pari-passu charge on movable & immovable fixed assets of Company with existing term loans and redeemable at face value in instalment in the ratio of 33.33%, 33.33% and 33.33% at the end of September 30, 2019 (FY 2019-20), 2020 (FY 2020-21), 2021 (FY 2021-22) respectively. All the instalments of 3,372,750 NCDs have been redeemed on time.

(b) Term Loan of ₹ Nil (Previous year: ₹ 25.00 crore) from one of the bank are secured by pari-passu first charge on all the Fixed Assets, both present and future, by way of equitable mortgage. Further, loan is secured by way of pari passu second charge on the Current Assets of the Holding Company.

(c) Term Loan of ₹ 108.94 crore (Previous year: ₹ 124.41 crore) from the Banks are secured by pari-passu first charge on entire Optical Fibre 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 Pvt. Ltd. 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.

(d) Term Loan of ₹ 13.34 crore (Previous year ₹ Nil) as disbursed against sanctioned of ₹ 48.00 crore from the Bank is secured by exclusive first charge on entire Optical Fibre 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 Pvt. Ltd. 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.

(e) Working Capital Facilities (COVID-19 Emergency Credit line) of ₹ 0.86 crore (Previous year: ₹ 19.24 crore) and FITL under COVID-19 scheme of ₹ Nil (Previous year: ₹ 0.65 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties except Hyderabad units of the Company and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Pvt. Ltd.

(f) Other Vehicle Loans of ₹ 3.08 crore (Previous Year: ₹ 2.35 crore) from banks and others are secured by way of hypothecation of respective vehicle.

Regarding Subsidiary Company:

(g) The Board of Directors of HTL Ltd has proposed a right issue of equity shares for ₹ 120.00 crore in the ratio of equity shares holding i.e 26% by GOI and 74% by HFCL Limited, Holding Company. It was also proposed that the right issue be funded by way of conversion of outstanding loan alongwith interest due from GOI and advances/ loans extended by HFCL Limited. However, the proposal for loan conversion has not been agreed upon by the Competent Authority of GOI as communicated vide file no 20-71/2015-FAC.II dated January 27, 2022. The loan amount along with the interest has been directed to be repaid and therefore same has been classified under Current Financial Liability.

(h) Term Loan of ₹ 14.79 crore (Previous year ₹ 20.59 crore) from Yes Bank Ltd and Term Loan of ₹ 25.56 crore (Previous year: ₹ 6.70 crore) from State Bank of India is secured by way of exclusive charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on all current assets (both present and future), exclusive charge on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited (Holding Company), personal guarantee of Chairman of the Company , Corporate Guarantee of M/s MN Ventures Pvt. Ltd. and pledge of 23.90% shareholding of the Holding Company in HTL Ltd. Repayment of term loan from Yes Bank Ltd would be made in 20 structured quarterly instalments over a period of 5 years commencing after moratorium period i.e. 3 months after date of disbursement whereas repayment of term loan from State Bank of India would be made in 14 structured quarterly installments after moratorium period i.e. 6 months after date of disbursement.

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

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	9.25%	7.40%	9.80%	14.50%	7.50% to 10.30%
Outstanding amount	122.27	0.86	14.79	25.56	3.08
Repayment Due					
FY 2022-23	28.90	0.86	5.86	8.56	1.13
FY 2023-24	24.70	-	5.93	8.56	0.86
FY 2024-25	20.13	-	3.00	8.44	0.74
FY 2025-26 to 2027-28	48.54	-	-	-	0.35

24. Non-Current Liabilities – Provisions

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Provisions for Employee Benefits (refer note 46)		
Provision for Gratuity	16.94	17.95
Provision for Leave Encashment	18.10	18.55
Total	**35.04**	**36.50**

25. Current Financial Liabilities – Borrowings

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Borrowings – Loans repayable on demands		
Secured		
(i) from banks – Working Capital *	342.24	379.10
(ii) from banks – Receivable bills discounting*	-	49.81
(iii) Current maturities of long-term borrowings; (refer note 23)	45.31	69.96
(iv) Non-Convertible Debentures (refer note 23)	-	11.24
(v) Buyers credit	13.79	13.54
Unsecured		
(i) from banks – Vendors bills discounting	109.27	70.54
(ii) from other parties – Inter Corporate Deposit**	91.68	74.65
(iii) from Government of India (Refer Note 55 (i))	6.24	-
Total	**608.53**	**668.84**

***terms of short term borrowings from banks:**

A. Regarding Holding Company:

(a) Working Capital Loans from banks aggregating to ₹ 218.81 crore (Previous year: ₹ 222.52 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 first charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Pvt. Ltd.

(b) Working Capital Loans from Banks aggregating to ₹ Nil (Previous year: ₹ 49.14 crore) and Inland bills discounting limit of ₹ Nil (Previous year: ₹ 49.81 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (both present & future) of GIS based Optical Fibre Network Management System (GOFNMS) Project. The loan is further secured by second pari passsu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Pvt. Ltd. and Nextwave Communications Pvt. Ltd., first pari passu charge of cash flows of the project for working capital consortium.

(c) Working Capital Loans from Banks aggregating to ₹ 73.37 crore (Previous year: ₹ 70.80 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 second pari passsu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Pvt. Ltd., first pari passu charge of cash flows of the project for working capital consortium.

B. Regarding Subsidiary Companies:

(d) Working captial loan of ₹ Nil (Previous year: ₹ 2.46 crore) is secured against hypothecation of Inventory cum Book Debts and all current assets of the Polixel Security Systems Pvt Ltd. This loan is secured against corporate guarantee and pledge of shares by other Body Corporate.

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

(e) Working captial loan of ₹ 63.85 crore (Previous year: ₹ 47.73 crore) to HTL Ltd. from Banks is secured against exclusive charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on all current assets (both present and future), exclsuive charge on all Cash Flows of HTL Ltd. 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 Pvt. Ltd. and pledge of 23.90% shareholding of the Holding Company in HTL Ltd.

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 9% to 15%.

26. Current Financial Liabilities – Trade Payables

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Trade Payables - Undisputed		
Due to Micro and Small Enterprises	192.80	181.49
Others	844.13	1,566.47
Total	**1,036.93**	**1,747.96**

Ageing of undisputed trade payables as at March 31, 2022

₹ in crore

Particulars	Due to Micro and Small Enterprises	Others
Not due	147.00	578.19
Less than 1 year	44.88	255.85
1-2 years	0.89	4.15
2-3 years	0.04	1.84
More than 3 years	-	4.10
Total	**192.81**	**844.13**

Ageing of undisputed trade payables as at March 31, 2021

₹ in crore

Particulars	Due to Micro and Small Enterprises	Others
Not due	142.65	1,291.11
Less than 1 year	38.19	258.03
1-2 years	0.65	6.13
2-3 years	-	4.21
More than 3 years	-	6.99
Total	**181.49**	**1,566.47**

Note: There are no disputed trade payables.

27. Other Financial Liabilities

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Retention Money*	256.61	272.38
Other Financial Liabilities		
Interest accrued but not due	29.05	0.78
Security deposit	4.15	4.78
Creditors for Capital Goods	19.59	11.70
Expenses Payables	89.02	102.58
Other Employees related liabilities	16.77	13.73
Unpaid Dividends & Tax their on	0.52	0.26
Total	**415.71**	**406.21**

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

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

28. Current Tax Liabilities (Net)

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax/TDS)	30.32	46.37

29. Other Current Liabilities

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory Liabilities payable	21.20	43.91
Advance from Customers	47.70	27.31
Total	**68.90**	**71.22**

30. Current Liabilities – Provisions

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Provisions		
Provisions for Employee Benefits (refer note 46)		
- Provision for Gratuity	2.83	2.25
- Provision for Leave Encashment	4.37	1.77
Provisions – Others	2.66	8.09
Total	**9.86**	**12.11**

31. Revenue from operations

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Sale and Services		
- Manufacturing and trading activities	1,938.48	1,200.23
- Turnkey project related activities	2,779.50	3,217.22
Other Operating Revenues		
- Scrap sale	4.12	1.97
- Export Incentives	5.01	3.54
Total	**4,727.11**	**4,422.96**

Notes:

(i) While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time band for the expected time to recognize those revenues, the Company has applied the practical expedient in Ind AS 115.

(ii) Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is ₹ Nil (Previous year: ₹ 30.11 crore) which is expected to be recognised as revenue in the next year.

(iii) Contract balances.

(a) Changes in Contract assets (Unbilled revenue) are as follows-

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Balance at the beginning of the year	**20.70**	**18.48**
Revenue recognised during the year	143.47	19.47
Invoices raised during the year	17.29	17.25
Balance at the end of the year	**146.88**	**20.70**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

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

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Balance at the beginning of the year	30.11	33.16
Increase due to invoicing during the year	-	-
Revenue recognised that was included in the unearned and deferred revenue*	30.11	3.05
Balance at the end of the year	**-**	**30.11**

* including performance obligation pertaining to suspended projects

Revenues in excess of invoicing are classified as contract assets (which can also be referred to as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which can also be referred to as unearned revenues). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the Customer.

(iv) The Group has evaluated the impact of COVID-19 resulting from (i) the possibility of constraints to render supply & services which may require revision of estimations of costs to complete the contracts because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Group has concluded that the impact of COVID-19 is not material based on these estimates. Due to the nature of the pandemic, the Group will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

32. Other Income

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Other non-operating income		
Interest Income	15.54	15.39
Dividend Income	-	-
Financial guarantee Income	0.36	0.40
Exchange Fluctuation Income (net)	-	15.76
Reversal of Share based payments to employees expenses (refer note 54)	8.68	-
Subsidy under state incentives scheme	15.20	-
Others	3.13	3.21
Total	**42.91**	**34.76**

33. Cost of Material Consumed

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Opening Balance	114.78	72.97
Add: Purchases during the year	1,057.82	686.02
	1,172.60	**758.99**
Less: Closing Stock	199.05	114.78
Total	**973.55**	**644.21**

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

34. Other Direct Cost

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Project and labour service charges	1,304.42	934.49
Consumption of Packing Material	33.66	19.65
Consumption of stores and spares parts	23.42	18.86
Loose Tools written off	0.50	0.24
Total	**1,362.00**	**973.24**

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

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Closing Stock		
Finished Goods	63.08	57.37
Stock in Trade – Goods	75.23	67.52
Work in process	193.93	126.83
	332.24	**251.72**
Opening Stock		
Finished Goods	57.37	63.99
Stock in Trade – Goods	67.52	61.21
Work in process	126.83	134.59
	251.72	**259.79**
Total	**(80.52)**	**8.07**

36. Employee Benefits Expenses

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries, bonus and allowances	282.96	233.60
Contribution to Provident and other funds	12.32	10.23
Staff welfare expenses	15.28	5.13
Share Based payments to Employees (refer note 54)	-	3.89
Total	**310.56**	**252.85**

37. Finance Costs

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Bank Loan Interest	53.70	69.30
Other Interest (net)	18.10	25.03
Bank Charges and loan processing fee	91.87	77.95
Interest on lease liabilities (refer note 43)	2.73	2.44
	166.40	**174.72**

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

38. Other Expenses

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Rent	1.99	3.78
Rates and Taxes	5.73	3.53
Auditors' Remuneration		
- Audit Fees	1.33	1.10
- In Other Capacity*	0.37	0.31
- Out of pocket expenses	0.07	0.02
Legal and Professional Charges	56.15	45.39
Communication Expenses	3.53	2.30
Travelling and Conveyance Expenses	39.45	31.29
Power and Fuel & Water Charges	35.10	26.33
Repairs and Maintenance	4.91	4.83
Insurance Expenses	10.64	11.85
Selling & Distribution Expenses	36.81	35.38
Bad debts, Loans and Advances, other balances written off (net)	0.56	1.57
Provision for doubtful debts	5.01	3.09
Sitting Fees to non-executive directors	0.50	0.48
Liquidated Damages on Sales	6.99	8.94
Research & Product Development Expenses	20.71	8.67
Exchange Fluctuation Loss (Net)	5.05	-
Corporate Social Responsibility Expenses	6.81	10.44
Preliminary Expenses	0.11	-
Miscellaneous Expenditure	25.92	17.31
Total	**267.74**	**216.61**

* Excluding Professional fee of ₹ 0.30 crore paid to Auditors of Holding Company towards QIP share issuance and being debited to share issue expenses.

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

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Basic & Diluted Earnings per share :		
Profit/(Loss) for the year	325.87	246.24
Profit attributable to ordinary shareholders (A)	313.12	239.00
Weighted average number of ordinary shares (B)	1,314,671,615	1,284,377,194
(used as denominator for calculating basic EPS)		
Potential equity shares	1,321,100	12,016,000
Weighted average number of ordinary shares (C)	1,315,992,715	1,296,393,194
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	₹ 1/-	₹ 1/-
Earnings per share – Basic (A/B) (₹)	2.38	1.86
Earnings per share – Diluted (A/C) (₹)	2.38	1.87

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

40. Critical accounting estimates and judgments

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

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

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

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

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

2. Recoverability of intangible asset and intangible assets under development

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

3. Employee benefits

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

6. Loss allowance for receivables and unbilled revenues

The Group determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID -19.

7. Taxes

Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

8. Contingencies

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

9. Fair Value of Unquoted equity investments

In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Group obtains independent valuations. The techniques used by the valuer is Asset approach - Net assets value method and Income approach- discounted cash flow method. The Group reviews its carrying value of investments carried at cost (net of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the consolidated statement of profit and loss.

41. Impact and future uncertainties relating to Global health pandemic from COVID-19

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

42. Dividend Distribution made and proposed

The amount of dividend recognized as distributions to equity shareholders of Holding Company during the year ended March 31, 2022 is @ 15 %, i.e. ₹ 0.15/- per equity share of face value of ₹ 1/- each (Previous Year: ₹ Nil). The Board of Directors of Holding Company at its meeting held on May 10, 2021 had recommended such dividend of 15% for the financial year ended March 31, 2021 which was approved by the shareholders of Holding Company at the Annual General Meeting held on September 30, 2021. The aforesaid dividend was paid during the year ended March 31, 2022.

The Board of Directors of Holding Company have recommended a dividend of 18% (i.e. ₹ 0.18/- per equity share of face value of ₹ 1/- each) for the financial year ended March 31, 2022 which is subject to the approval of shareholders of the Holding Company at the Annual General Meeting.

43. Leases

The details of the right-of-use asset held by the Group is as follows:

₹ in crore

	Addition for the year ended March 31, 2022	Net carrying amount as at March 31, 2022	Addition for the year ended March 31, 2021	Net carrying amount as at March 31, 2021
Land	-	0.09	-	0.09
Buildings	14.06	23.98	5.59	20.23
Total	**14.06**	**24.07**	**5.59**	**20.32**

Depreciation on right-of-use asset as follows:

₹ in crore

	For the Year ended March 31, 2022	For the Year ended March 31, 2021
Land	-	-
Buildings	6.54	5.39
Total	**6.54**	**5.39**

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

The details of the Lease Liabilities payable by the Group is as follows:

₹ in crore

	As at March 31, 2022	As at March 31, 2021
Current	7.21	3.75
Non-Current	19.34	18.47
Total	**26.55**	**22.22**

Interest on lease liabilities is ₹ 2.73 crore and ₹ 2.44 crore for the year ended March 31, 2022 and March 31, 2021 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 warehouses/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 Ltd.	74%	India
Polixel Security Systems Pvt. Ltd.	100%	India
Moneta Finance Pvt. Ltd.	100%	India
HFCL Advance Systems Pvt. Ltd.	100%*	India
Raddef Pvt. Ltd.	90%	India
DragonWave HFCL India Pvt. Ltd.	100%	India
HFCL Technologies Pvt. Ltd. (Wholly owned Subsidiary w.e.f. June 26, 2021)	100%	India
HFCL Inc. (Wholly owned Subsidiary w.e.f. October 8, 2021)	100%	USA
HFCL B.V. (Wholly owned Subsidiary w.e.f. October 7, 2021)	100%	Netherland
Nimpaa Telecommunications Pvt. Ltd. (Jointly Controlled Entity w.e.f. June 14, 2021)	50%	India
BigCat Wireless Pvt. Ltd. (Jointly Controlled Entity with 50% voting right w.e.f. November 12, 2021)	29.69%	India

* Jointly with subsidiary company.

(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 (₹ in crore)	As % of Consolidated Profit/Loss	Amount (₹ in crore)
Parent/Holding Company				
HFCL Limited	96.83	2,728.54	86.89	284.72
Subsidiaries - Indian				
HTL Ltd.	2.38	67.19	9.83	32.19
Polixel Security Systems Pvt. Ltd.	0.12	3.50	(0.65)	(2.14)
Moneta Finanace Pvt. Ltd.	0.01	0.37	0.01	0.02
HFCL Advance Systems Pvt. Ltd.	0.00	(0.06)	0.00	(0.01)
Raddef Pvt. Ltd.	(0.11)	(3.15)	(0.20)	(0.67)
DragonWave HFCL India Pvt. Ltd.	0.07	2.11	0.22	0.71
HFCL Technologies Pvt. Ltd.	(0.01)	(0.30)	(0.09)	(0.30)
Subsidiaries - Foreign				
HFCL INC.	0.00	0.06	0.02	0.06
HFCL B.V.	0.00	0.13	0.04	0.13
Jointly Controlled Entities - Indian				
Nimpaa Telecommunications Pvt. Ltd.	0.00	0.00	0.22	0.72
BigCat Wireless Pvt. Ltd.	0.00	0.00	(0.17)	(0.56)
Non-Controlling interest in all subsidiaries	0.71	19.97	3.88	12.71

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

45. Business Combination

(i) During the year the Holding Company has acquired voting right of 50% in Nimpaa Telecommunications Pvt. Ltd. (Nimpaa), having its registered office at No. 16/38, Maharaja Surya Road, Teynampet, Chennai -600018, Tamilnadu, at a total consideration of ₹ 1.00 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. Abridged financials of Nimpaa Telecommunications Pvt. Ltd. for the period ended March 31, 2022 is as under:

₹ in crore

Summarised Balance Sheet	As at March 31, 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**

₹ in crore

Summarised Statement of Profit & Loss	April 1, 2022 to March 31, 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**

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

(ii) During the year the Holding Company has also acquired voting rights of 50% in BigCat Wireless Pvt. Ltd., having its registered office at New No. 21, Old No. 9, Flat C2, Dwarka Apartments, 1st Avenue, Shastri Nagar, Chennai-600020, Tamilnadu, at a total consideration of ₹ 8.50 crore thereby making it a Jointly Controlled Entity of the Company w.e.f. November 12, 2021. BigCat Wireless Pvt. Ltd. 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 Pvt. Ltd. for the period ended March 31, 2022 is as under:

₹ in crore

Summarised Balance Sheet	As at March 31, 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**

₹ in crore

Summarised Statement of Profit & Loss	April 1, 2022 to March 31, 2022
Revenue from Operations	8.43
Other Income	1.14
Other Expense	-
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)**

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 :

₹ in crore

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Employer's Contribution to Provident Fund	**12.15**	**10.09**

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

(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

₹ in crore

	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)				
Discount rate (per annum)	7.20%	6.80%	7.20%	6.80%
Rate of increase in Compensation levels	7.05%	6.65%	7.05%	6.65%
Average remaining working lives of employees (Years)	19.40	18.56	19.00	18.57
Table showing changes in present value of obligations:				
Present value of obligation as at the beginning of the year	22.66	23.25	20.33	15.11
Acquisition adjustment	-	-	-	-
Interest Cost	1.47	1.58	1.34	1.02
Past service cost (Vested Benefit)	Nil	Nil	Nil	5.00
Current Service Cost	3.54	3.11	5.44	4.43
Curtailment cost/(Credit)	Nil	Nil	Nil	Nil
Settlement cost/(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(5.12)	(3.38)	(4.79)	(3.60)
Actuarial (gain)/loss on obligations	0.11	(1.90)	0.16	(1.63)
Present value of obligation as at the end of the period	22.66	22.66	22.48	20.33
Table showing changes in the fair value of plan assets:				
Fair value of plan assets at beginning of the year	2.46	2.06	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.17	0.14	N.A.	N.A.
Employer contribution	-	-	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/(loss) on obligations	0.27	0.26	Nil	Nil
Changes deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.90	2.46	Nil	Nil
Other Comprehensive Income				
Actuarial (gain)/loss for the period – Obligation	0.11	(1.91)	0.16	(1.63)
Actuarial (gain)/loss for the period – Plan assets	(0.27)	(0.25)	-	-
Total (gain)/loss for the period	(0.16)	(2.16)	0.16	(1.63)
Actuarial (gain)/loss recognized in the period	(0.16)	(2.16)	0.16	(1.63)
Unrecognised actuarial (gains)/losses at the end of the period	Nil	Nil	Nil	Nil

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

₹ in crore

	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
The amounts to be recognized in Consolidated Balance Sheet:				
Present value of obligation as at the end of the period	22.66	22.66	22.48	20.33
Fair value of plan assets as at the end of the period	2.90	2.46	Nil	Nil
Funded Status	(19.76)	(20.20)	(22.48)	(20.33)
Unrecognised actuarial (gains)/losses	Nil	Nil	Nil	Nil
Net asset/(liability) recognised in Balance Sheet	(19.76)	(20.20)	(22.48)	(20.33)
Expenses recognised in Consolidated Statement of Profit and Loss:				
Current service cost	3.54	3.11	5.44	4.43
Past service cost (Vested Benefit)	Nil	Nil	Nil	5.00
Interest Cost	1.47	1.58	1.34	1.02
Expected return on plan assets	(0.16)	(0.14)	Nil	Nil
Curtailment and settlement cost/(credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Consolidated Statement of Profit and Loss	4.85	4.55	6.78	10.45
Sensitivity analysis of the defined benefit obligation:				
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	22.66	22.66	22.48	20.33
Impact due to increase of 0.5%	(1.36)	(1.30)	(1.46)	(1.64)
Impact due to decrease of 0.5%	1.30	1.25	1.36	0.88
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	22.66	22.66	22.48	20.33
Impact due to increase of 0.5%	1.28	1.27	(1.18)	(1.68)
Impact due to decrease of 0.5%	(1.33)	(1.34)	1.08	0.90
Sensitivities due to mortality & withdrawals are insignificant & hence ignored.				
Maturity profile of defined benefit obligation:				
March 2022 to March 2023	1.43	0.77	3.59	2.79
March 2023 to March 2024	1.21	0.73	0.65	0.64
March 2024 to March 2025	0.76	1.05	0.53	0.46
March 2025 to March 2026	0.80	0.66	0.39	0.43
March 2026 to March 2027	1.08	1.01	0.53	0.52
March 2027 to March 2028	1.99	2.46	1.16	1.02
March 2028 onwards	15.39	15.99	15.63	14.47
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.90	2.46	Nil	Nil

Note: The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Acturial Valuer.

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

47. Commitments and Contingencies

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

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Unexpired Letters of Credit (margin money paid ₹ 75.84 crore; Previous year: ₹ 57.05 crore)	482.60	371.44
(ii) Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of ₹ 139.86 crore; Previous year: ₹ 153.57 crore)	887.75	805.57
(iii) Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹ 3.91 crore; previous year: ₹ 3.87 crore) shown as recoverable advance)	78.39	64.79
(iv) Custom Duty against import under EPCG scheme	6.15	4.60

Notes:

(i) The Group's pending litigations comprise of claims against the Group and proceedings pending with Tax Authorities. The Group has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its consolidated financial statements. The Group does not expect the outcome of these proceedings to have a material impact on its financial position.

(ii) The Group periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Group has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.

(iii) The Holding Company has provided guarantees to third parties on behalf of subsidiary and associates. The Holding Company does not expect any outflow of resources in respect of such guarantees.

(iv) There is uncertainty and ambiguity in interpreting and giving effect to the guidelines of Hon. Supreme Court vide its ruling in February 2019, in relation to the scope of compensation on which the organization and its employees are to contribute towards Provident Fund. The Group will evaluate its position and act, as clarity emerges.

(v) 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, 2022 the Group has outstanding term derivative contracts as referred in note 57.

(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) Claim made by one of the corporate on misleading information given by it for registration of impugned Patent. Impact on the sales of optical Fibre cable covered under alleged Patent No. 335369 is insignificant to the Company's total sales of optical Fibre cables. Currently, purchase orders for such cables are just less than 0.75% of the total order book.

(b) Capital Commitments

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	134.14	78.68
Uncalled capital Commitment pertaining to investments	12.00	23.50

(c) Financial Guarantees

₹ in crore

Issued in favour of	Issued to	As at March 31, 2022	As at March 31, 2021	Purpose
Microwave Communications Ltd.	Credit Lyonnais Bank	9.60	9.60	Ad-hoc BG
Microwave Communications Ltd.	The Vysya Bank Ltd.	4.06	4.06	Working Capital
Exicom Tele-Systems Ltd.	Punjab National Bank	6.50	6.50	Working Capital

48. In the opinion of the Board of Holding Company, all assets other than fixed assets and non-current investments, have a realisable value in the ordinary course of business which is not significantly differ from the amount at which it is stated.

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.

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

49. (a) In view of the limited scale of operations at the Holding Company's Solan (Himachal Pradesh) Facilities and as a step towards cost optimization, the Board of Holding Company in its meeting held on January 20, 2020, had decided to shift the Plant and Machinery of Solan Facilities and operations thereof to the Company's Manufacturing Facility located in Hyderabad. Further, in order to ensure continuity of the job of the employees currently based at Solan, the Holding Company also considered to offer the continued employment either at Hyderabad or at such other places where the project works are being got executed. The Holding Company introduced a Voluntary Retirement Scheme (VRS) to those employees who are finding it difficult to relocate to Hyderabad/other locations. Consequently, VRS compensation paid during the previous year amounting to ₹ 4.13 crores has been disclosed as an exceptional item. Further, the management of the Holding Comapany is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery at its Hyderabad Plant.

(b) In case of Subsidiary Company, the Company has introduced a Voluntary Retirement Scheme (VRS) 2021 to eligible employees/officers and the VRS Scheme was remained open from October 4, 2021 to November 10, 2021. VRS Compensation paid during the period amounting to ₹ 6.37 crores has been disclosed as an exceptional item in the financial statements.

50. "Related Party Disclosures" as required by Ind AS - 24 and Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

(i). Name and description of related parties.

Relationship	Name of Related Party
(a) 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 Ltd.
	Mr. C. D. Ponnappa Chief Finance Officer – HTL Ltd.
	Mr. S Narayanan, Company Secretary – HTL Ltd.
	Mr. Yogesh Gupta, Company Secretary – DragonWave HFCL India Pvt. Ltd. (upto November 30, 2020)
	Mr. Kannaji Chandrasekhar, Chief Executive Officer – Raddef Pvt. Ltd.
	Mr. Arvind Kharabanda, Managing Director – HFCL Technologies Pvt. Ltd.
	Ms. Shubhi Singhal, Company Secretary – HFCL Technologies Pvt. Ltd. (upto January 31, 2022)
(b) Jointly Controlled Entities:	Nimpaa Telecommunications Pvt. Ltd.
	BigCat Wireless Pvt. Ltd.
(c) Post Employment Benefit Plans:	HFCL Employees Group Gratuity Trust
	HFCL Employees Trust – ESOP
(d) Enterprises owned or Significantly influenced by key management personnel or their relatives:	MN Ventures Pvt. Ltd.
	Nextwave Communications Pvt. Ltd.
	Exicom Tele-Systems Ltd.
	Satellite Finance Pvt. Ltd.
	Shankar Sales Promotion Pvt. Ltd.
	Vinsan Brothers Pvt. Ltd.
	Fitcore Tech-Solutions Pvt. Ltd.
	Mr. Anant Nahata

Note: Related party relationship is as identified by the Group and relied upon by the auditors

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

(ii) **Nature of transactions –** The transactions entered into with the related parties during the year along with related balances as at March 31, 2022 are as under:

₹ in crore

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Purchases/receiving of Goods & services		
Exicom Tele-Systems Ltd.	14.50	6.05
Nimpaa Telecommunications Pvt. Ltd.	8.46	-
Sales/rendering of Goods and Materials		
Exicom Tele-Systems Ltd.	2.41	2.47
Nimpaa Telecommunications Pvt. Ltd.	0.46	
Investments		
Bigcat Wireless Pvt. Ltd.	8.00	-
Nimpaa Telecommunications Pvt. Ltd.	1.00	-
Income – Rent/Other Income		
Exicom Tele-Systems Ltd.	0.46	0.21
Nimpaa Telecommunications Pvt. Ltd.	6.65	
Income – Interest on Loan given		
Nimpaa Telecommunications Pvt. Ltd.	0.40	-
Expenses – Rent/Other expenses		
Exicom Tele-Systems Ltd.	0.84	0.84
Satellite Finance Pvt. Ltd.	0.35	0.35
Shankar Sales Promotion Pvt. Ltd.	0.71	0.73
Vinsan Brothers Pvt. Ltd.	0.79	0.77
Loans and Advances given during the year		
Nimpaa Telecommunications Pvt. Ltd.	1.00	3.00
Dividend paid		
MN Ventures Pvt. Ltd.	4.34	-
Nextwave Communications Pvt. Ltd.	3.30	-
Shankar Sales Promotion Pvt. Ltd.	-	-
Vinsan Brothers Pvt. Ltd.	0.01	-
Fitcore Tech-Solutions Pvt. Ltd.	0.34	-
Mr. Mahendra Nahata	0.07	-
Mr. Anant Nahata	0.04	-
Mr. Vijay Raj Jain	-	-
Mr. Manoj Baid	-	-
Mr. G. S. Naidu (COO & Manager – HTL Ltd.)	-	-
HFCL Employees Trust	0.05	-
Closing Balances of Receivables		
Exicom Tele-Systems Ltd.	2.34	0.73
Nimpaa Telecommunications Pvt. Ltd.	0.27	-
Closing Balances of Loans		
Nimpa Telecommunications Pvt. Ltd.	4.00	-
Closing Balances of Advances		
Vinsan Brothers Pvt. Ltd.	0.66	-
Closing Balances of Security Deposit		
Satellite Finance Pvt. Ltd.	0.16	0.16
Vinsan Brothers Pvt. Ltd.	0.40	-

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

₹ in crore

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Closing Balances of Trade Payables		
Exicom Tele-Systems Ltd.	0.59	-
Nimpaa Telecommunications Pvt. Ltd.	3.29	-
Shankar Sales Promotion Pvt. Ltd.	-	0.32
Vinsan Brothers Pvt. Ltd.	-	0.35
MN Ventures Pvt. Ltd.	3.99	-
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	0.25	-
Contribution towards ESOP Trust		
HFCL Employees Trust	-	0.03
Loan to HFCL Employee Trust (Net)	3.48	-
Guarantees and collaterals		
Exicom Tele-Systems Ltd.	6.50	6.50
Closing Balance of Advances to Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	-	0.39
Mr. Vijay Raj Jain (Chief Financial Officer)	1.10	1.20
Mr. Manoj Baid (Senior Vice-President (Corporate) & Company Secretary)	-	0.09
Remuneration of Key Management Personnel's*		
Mr. Mahendra Nahata (Managing Director – HFCL Limited)	6.80	5.78
Mr. Vijay Raj Jain (Chief Financial Officer – HFCL Limited)	3.80	2.97
Mr. Manoj Baid (Senior Vice-President (Corporate) & Company Secretary – HFCL Limited)	0.95	0.83
Mr. G. S. Naidu (COO & Manager – HTL Ltd.)	0.56	0.58
Mr. C. D. Ponnappa (Chief Finance Officer – HTL Ltd.)	0.57	0.51
Mr. S. Narayanan (Company Secretary – HTL Ltd.)	0.22	0.21
Mr. Yogesh Gupta (Company Secretary – DragonWave HFCL India Pvt. Ltd. (upto November 30, 2020))	-	0.26
Mr. Kannaji Chandrasekhar (Chief Executive Officer – Raddef Pvt. Ltd.)	0.30	0.30
Mr. Arvind Kharabanda (Managing Director – HFCL Technologies Pvt. Ltd.)	0.09	-
Ms. Shubhi Singhal (Company Secretary – HFCL Technologies Pvt. Ltd.)	0.01	-
Remuneration payable to Key Management Personnel's		
Mr. Mahendra Nahata (Managing Director – HFCL Limited)	0.35	-
Mr. Vijay Raj Jain (Chief Financial Officer – HFCL Limited)	-	0.06
Mr. Manoj Baid (Senior Vice-President (Corporate) & Company Secretary – HFCL Limited)	0.03	0.02
Mr. Arvind Kharabanda (Managing Director – HFCL Technologies Pvt. Ltd.)	-	-
Mr. Kannaji Chandrasekhar (Chief Executive Officer – Raddef Pvt. Ltd.)	0.02	0.02
Mr. G. S. Naidu (COO & Manager – HTL Ltd.)	0.08	0.08
Mr. C. D. Ponnappa (Chief Finance Officer – HTL Ltd.)	0.08	0.07
Mr. S. Narayanan (Company Secretary – HTL Ltd.)	0.02	0.03
Share based payment to employees		
Mr. Vijay Raj Jain (Chief Financial Officer – HFCL Limited)	0.02	0.25
Mr. Manoj Baid (Senior Vice-President (Corporate) & Company Secretary – HFCL Limited)	0.01	0.11
Mr. G. S. Naidu (COO & Manager – HTL Ltd.)	-	0.12
Mr. C. D. Ponnappa (Chief Finance Officer – HTL Ltd.)	-	0.11
ESOP excercised		
Mr. Vijay Raj Jain (Chief Financial Officer – HFCL Limited)	0.45	-
Mr. Manoj Baid (Senior Vice-President (Corporate) & Company Secretary – HFCL Limited)	0.20	-
Mr. G. S. Naidu (COO & Manager – HTL Ltd.)	0.19	-
Mr. C. D. Ponnappa (Chief Finance Officer – HTL Ltd.)	0.17	-

* The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

Notes forming part of Consolidated Financial Statement
for the year ended March 31, 2022

51. Segment Reporting

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

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:

₹ in crore

Particulars	Business Segments						Total	
	Telecom Products		Turnkey Contracts and Services		Other			
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment Revenue								
Turnover	2,055.16	1,205.46	2,671.74	3,217.50	0.21	-	4,727.11	4,422.96
Segment Result	274.30	154.67	313.71	353.15	0.04	(1.10)	588.05	506.72
Unallocated Finance charges							166.40	176.09
Unallocated expenses							7.61	10.38
Unallocated Income							28.08	16.62
Profit before tax							442.12	336.86
Income tax (net)							116.25	90.62
Profit after tax							325.87	246.24
Other Information								
Segment assets	1,574.25	1,304.84	2,823.54	3,400.47	3.63	0.31	4,401.42	4,705.62
Unallocated other assets	-	-	-	-	-	-	770.04	510.17
Total assets	1,574.25	1,304.84	2,823.54	3,400.47	3.63	0.31	5,171.46	5,215.79
Segment liabilities	955.69	688.02	978.42	1,920.43	1.13	1.40	1,935.24	2,609.85
Unallocated other liabilities	-	-	-	-	-	-	417.85	682.47
Total liabilities	955.69	688.02	978.42	1,920.43	1.13	1.40	2,353.09	3,292.32
Depreciation	75.45	66.45	2.80	2.18	-	-	78.25	68.63
Capital Expenditure	114.48	65.13	4.32	3.42	0.73	0.45	119.53	69.00
Non-cash expenses other than Deprecation	(0.41)	1.29	0.87	1.42	0.10	-	0.56	2.71

(b) Secondary segment information

The Group caters mainly to the needs of Indian market and the export turnover being 7.68% (Previous year 4.54%) of the total turnover of the Group, there are no reportable geographical segments.

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

52. Interest charges on loans is net of Interest income from loans and advances amounting to ₹ 4.55 crore (Previous year: ₹ 8.01 crore).

53. 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 follows:

₹ 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
Cassiopiea Consultants Pvt Ltd.	Advance to Vendor	0.04	Not related
Snpr Constructions Pvt Ltd.	Trade Payable	-	Not related
Airvoice Telenet Pvt Ltd.	Trade Payable	1.10	Not related
Aks Infra Solutions Pvt Ltd.	Trade Payable	0.12	Not related
Amarparmila Infranetworks Pvt Ltd.	Trade Payable	0.01	Not related
Amethiya Network Services Pvt Ltd.	Trade Payable	0.01	Not related
Apex Infraheights & Infosolutions Pvt Ltd.	Advance to Vendor	0.30	Not related
Dexterous Engineering Pvt Ltd.	Trade Payable	0.01	Not related
E Cell Infratel Pvt Ltd.	Advance to Vendor	0.01	Not related
Excell Buildcon Pvt Ltd.	Trade Payable	-	Not related
Galaxias Pvt Ltd.	Trade Payable	0.01	Not related
Gallant Infrabuild Pvt Ltd.	Trade Payable	0.01	Not related
Jyostna Infrastructure Pvt Ltd.	Trade Payable	-	Not related
Om Ashiana Pvt Ltd.	Advance to Vendor	-	Not related
Omega Towers And Infrastructures Pvt Ltd.	Advance to Vendor	0.24	Not related
Operations Management System Pvt Ltd.	Trade Payable	-	Not related
Pachar Infrastructure Pvt Ltd.	Trade Payable	0.08	Not related
Pride Infratel Pvt Ltd.	Trade Payable	0.20	Not related
Radauri Infratel Pvt Ltd.	Trade Payable	0.10	Not related
Rahber Engineering Co Ltd.	Advance to Vendor	-	Not related
Saksham Electrical & Contrators Pvt Ltd.	Advance to Vendor	0.01	Not related
Samay Infratech Pvt Ltd.	Advance to Vendor	0.09	Not related
Sandpiper Infrastructure Pvt Ltd.	Trade Payable	-	Not related
Sanwariya Buildcon Pvt Ltd.	Trade Payable	0.01	Not related
Saransh Infrastructure Ltd.	Trade Payable	-	Not related
Shakti Teleservices Pvt Ltd.	Advance to Vendor	0.02	Not related
Shiv Sai Infrareal Pvt Ltd.	Trade Payable	0.04	Not related
Shree Bake Bihari Infratech Pvt Ltd.	Advance to Vendor	0.01	Not related
Smv Solution Pvt Ltd.	Trade Payable	0.02	Not related
Soham Cotspinn Pvt Ltd.	Trade Payable	0.04	Not related
Sri Rama Telecom & Infratech Pvt Ltd.	Trade Payable	-	Not related
Swastika Tele Solutions Pvt Ltd.	Advance to Vendor	-	Not related
Visat Services Pvt Ltd.	Trade Payable	0.04	Not related
Vishnu Bhumi Engineers Pvt Ltd.	Trade Payable	0.02	Not related
Four Star Multi Security Services (India) Pvt Ltd.	Trade Payable	-	Not related
Hertz Technologies Pvt Ltd.	Trade Payable	0.01	Not related
Influx Enterprises Pvt Ltd.	Advance to Vendor	1.49	Not related
Infura Telenet Pvt Ltd.	Trade Payable	-	Not related
Kaliangi Constructions Pvt Ltd.	Trade Payable	0.06	Not related
Megastar Power Engineers Pvt Ltd.	Advance to Vendor	0.05	Not related
Pc Infradevelopers Pvt Ltd.	Advance to Vendor	0.15	Not related
Philipsons Importers & Exporters Pvt Ltd.	Advance to Vendor	0.03	Not related
Pragmatica Infraventures Pvt Ltd.	Advance to Vendor	0.21	Not related
Sajana Sajani Meet Infrastructure Pvt Ltd.	Trade Payable	-	Not related
Suryajyoti Infratechnologies Pvt Ltd.	Trade Payable	0.01	Not related
Vas Infratel Pvt Ltd.	Advance to Vendor	0.04	Not related

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

₹ in crore

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2021	Relationship with the Struck off company, if any, to be disclosed
Cassiopiea Consultants Pvt Ltd.	Advance to Vendor	-	Not related
Snpr Constructions Pvt Ltd.	Trade Payable	0.14	Not related
Airvoice Telenet Pvt Ltd.	Trade Payable	0.21	Not related
Aks Infra Solutions Pvt Ltd	Trade Payable	0.16	Not related
Amarparmila Infranetworks Pvt Ltd.	Trade Payable	0.01	Not related
Amethiya Network Services Pvt Ltd.	Trade Payable	0.01	Not related
Apex Infraheights & Infosolutions PvtLtd.	Advance to Vendor	0.30	Not related
Dexterous Engineering Pvt Ltd.	Trade Payable	0.01	Not related
E Cell Infratel Pvt Ltd.	Advance to Vendor	0.01	Not related
Excell Buildcon Pvt Ltd.	Trade Payable	-	Not related
Galaxias Pvt Ltd.	Trade Payable	0.01	Not related
Gallant Infrabuild Pvt Ltd.	Trade Payable	0.01	Not related
Jyostna Infrastructure Pvt Ltd.	Trade Payable	-	Not related
Om Ashiana Pvt Ltd.	Advance to Vendor	-	Not related
Omega Towers And Infrastructures Pvt Ltd.	Advance to Vendor	0.24	Not related
Operations Management System Pvt Ltd.	Trade Payable	-	Not related
Pachar Infrastructure Pvt Ltd.	Trade Payable	0.06	Not related
Pride Infratel Pvt Ltd.	Trade Payable	0.23	Not related
Radauri Infratel Pvt Ltd.	Trade Payable	0.10	Not related
Rahber Engineering Co Ltd.	Advance to Vendor	-	Not related
Saksham Electrical & Contrators Pvt Ltd.	Advance to Vendor	0.01	Not related
Samay Infratech Pvt Ltd.	Advance to Vendor	0.09	Not related
Sandpiper Infrastructure Pvt Ltd.	Trade Payable	-	Not related
Sanwariya Buildcon Pvt Ltd.	Trade Payable	0.01	Not related
Saransh Infrastructure Ltd.	Trade Payable	-	Not related
Shakti Teleservices Pvt Ltd.	Advance to Vendor	0.02	Not related
Shiv Sai Infrareal Pvt Ltd.	Trade Payable	0.04	Not related
Shree Bake Bihari Infratech Pvt Ltd.	Advance to Vendor	0.01	Not related
Smv Solution Pvt Ltd.	Trade Payable	0.02	Not related
Soham Cotspinn Pvt Ltd.	Trade Payable	0.04	Not related
Sri Rama Telecom & Infratech Pvt Ltd.	Trade Payable	-	Not related
Swastika Tele Solutions Pvt Ltd.	Trade Payable	-	Not related
Visat Services Pvt Ltd.	Trade Payable	0.04	Not related
Vishnu Bhumi Engineers Pvt Ltd.	Trade Payable	0.02	Not related
Four Star Multi Security Services (India) Pvt Ltd.	Trade Payable	-	Not related
Hertz Technologies Pvt Ltd.	Trade Payable	0.01	Not related
Influx Enterprises Pvt Ltd.	Advance to Vendor	1.49	Not related
Infura Telenet Pvt Ltd.	Trade Payable	-	Not related
Kaliangi Constructions Pvt Ltd.	Trade Payable	0.11	Not related
Megastar Power Engineers Pvt Ltd.	Advance to Vendor	0.05	Not related
Pc Infradevelopers Pvt Ltd.	Trade Payable	0.15	Not related
Philipsons Importers & Exporters Pvt Ltd.	Advance to Vendor	0.03	Not related
Pragmatica Infraventures Pvt Ltd.	Advance to Vendor	0.21	Not related
Sajana Sajani Meet Infrastructure Pvt Ltd.	Trade Payable	-	Not related
Suryajyoti Infratechnologies Pvt Ltd.	Trade Payable	0.01	Not related
Vas Infratel Pvt Ltd.	Advance to Vendor	0.04	Not related

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

54. On October 15, 2018, pursuant to the approval by the shareholders, the Board of the Holding Company has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan ("HFCL Plan 2017"). The maximum number of shares under the HFCL Plan 2017 shall not exceed 1,40,98,000 equity shares. Out of this, 70,49,000 equity shares will be issued against RSUs at par value and 70,49,000 equity shares will be issued against stock options at fair market price immediately prior to date of the grant i.e. ₹ 20.65 per share. The Employee can exercise the vested options/units with in the maximum exercise period which shall be 5 years from the vesting date. The Stock options so granted will be vest over a period of 3 years and 70% RSUs granted will be vest at the end of 3 years from the date of grant and remaining 30% RSUs shall be vest in the 4th year from the date of grant.

The 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 is adjusted. This cancellation/forfeiture of unvested options has resulted into a reversal of share based payment expense in the Consolidated Statement of Profit and Loss for the year ended March 31, 2022.

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 net income of ₹ 8.68 crore (Previous Year: net expenses of ₹ 3.89 crore) being expenses on account of share based payments, after adjusting for reversals on account of options forfeited.

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, 2022 and March 31, 2021 is as follows:

₹ in crore

Particulars	Shares arising out of options*	
	Year ended March 31, 2022	Year ended March 31, 2021
Employee Stock Options (ESOPs)		
Outstanding at the beginning	6,337,000	6,709,000
Granted	-	-
Exercised	3,234,400	-
Forfeited and expired	81,600	372,000
Outstanding at the end	3,021,000	6,337,000
Exercisable at the end	1,300,200	4,534,600
Restricted Stock Units (RSUs)		
Outstanding at the beginning	6,008,000	6,709,000
Granted	-	-
Exercised	-	-
Forfeited and expired	6,008,000	701,000
Outstanding at the end	-	6,008,000
Exercisable at the end	-	-

* Includes options granted to employees of subsidiary company.

The details of equity-settled RSUs and ESOPs outstanding as at March 31, 2022 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)	3,021,000	1	20.65
0-5 (RSUs)	-	0	1.00

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

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

Particulars	For options granted during the year ended March 31, 2022.	
	ESOPs	RSUs
Weighted average share price (₹)	20.65	20.65
Exercise price (₹)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the option (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (₹)	11.04	19.74

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

55. In respect of subsidiary companies, the following additional notes to accounts are disclosed:-

HTL LIMITED

(i) Loan of ₹ 6.24 crore (Previous year: ₹ 6.24 crore) together with interest accrued and due thereon of ₹ 33.98 crore (Previous year: ₹ 30.03 crore) is due to Government of India (GOI). In addition to this, the Govt. of India has acceded the request to adjust ₹ 3.47 crore compensation receivable by HTL Limited (the Subsidiary) in case of ETP claim against the outstanding interest portion in respect of GOI Loan. [Refer Note. 55(ii)(b) below]

(ii) (a) Out of the total land in possession of the Company at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Company in the capacity of assignee in terms of assignment deed dated December 3, 1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Company, the Government of Tamil Nadu had required the Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Company had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in 2002. In respect of the remaining land measuring 30.99 acres, the name of the Company has been entered in the revenue records of the Government of Tamil Nadu. In respect of above said land, a Show Cause Notice (SCN) was issued on 08th June, 2020, by Office of the Revenue Divisional Officer, Guindy, Chennai, objecting on patta of assigned land entered in the revenue records of the Govt. Subsequently, interim stay on SCN was granted by Hon'ble Madras High Court on June 19, 2020. Further, date of hearing is yet to be fixed by the Hon'ble Madras High Court.

(b) Claims of ₹ 3.47 crore receivable from BSNL against the compensation approved by Telecom Commission vide letter No. U-37012/3/97-FAC dated May 1, 2001 for pre-closure of ETP project. Department of Telecommunications (DoT) vide letter No.U-37012-3/97-FAC dated December 02, 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 December 08, 2003 to adjust the compensation amount of ₹ 3.47 crore against the principal amount of loan outstanding as on May 01, 2001, the date on which the compensation was approved. The Govt. of India has reiterated the adjustment of ₹ 3.47 crore compensation receivable by HTL in case of ETP claim against the interest portion of the outstanding loan from Government of India (GOI). After adjustment of ETP compensation of ₹ 3.47 crore against the interest portion of outstanding GOI loan in terms of GOI letter dated December 2, 2003, the Company has made adequate interest provisions till March 31, 2022. 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 has further submitted request for reduction in interest rate on outstanding GOI loan to SEBI MCLR + 2% i.e. 10% p.a. retrospectively from October 16, 2001 which is pending before DoT for approval. The Company expects no further liability, once the adjustment is agreed upon.

(iii) The Board of Directors of HTL Ltd has proposed a right issue of equity shares for ₹ 120.00 crore in the ratio of equity shares holding i.e 26% by GOI and 74% by HFCL Limited, Holding Company. It was also proposed that the right issue be funded by way of conversion of outstanding loan alongwith interest due from GOI and advances/ loans extended by HFCL. However, the proposal for loan conversion has not been agreed upon by the Competent Authority of GOI as communicated vide file no 20-71/2015-FAC.II dated January 27, 2022. The loan amount along with the interest has been directed to be repaid and therefore same has been classified under Current Financial Liability.

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

The Company has proposed for allotment of 8% redeemable and non-convertible preference capital of ₹ 100.00 crs by way of conversion of outstanding Loans & advances extended by HFCL Limited. The Company has submitted the proposal before Department of Telecommunications (DoT) vide letter HTL/DoT/21-22 dated March 22, 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 receipt of approval on reconciliations and reduction of interest rate by DoT in quarterly instalments.

56. 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.

56.1 Financial Instruments by category

₹ in crore

Particulars	As at March 31, 2022			As at March 31, 2021		
	FVTPL	FVTOCI	Amortized Cost	FVTPL	FVTOCI	Amortized Cost
(1) Financial Assets						
(I) Investments						
(A) Equity Instruments						
(i) Structured entity Equity Instrument	-	33.05	-	-	32.97	-
(ii) Structured entity (current assets)	-	-	-	-	-	-
(a) Sumedha Fiscal Services Ltd.	-	0.11	-	-	0.04	-
(b) Valiant Communications Ltd.	-	0.06	-	-	0.06	-
(c) Poonawalla Fincorp Ltd.	-	4.15	-	-	1.68	-
(d) Media Matrix Worldwide Ltd.	-	0.01	-	-	-	-
(e) Sahara One Media and Entertainment Ltd.	-	0.61	-	-	0.84	-
(f) NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	-	0.17	-	-	0.17	-
(B) Mutual funds	3.69	-	-	2.99	-	-
(C) Debentures & Bonds	-	-	1.85	-	-	1.85
(II) Trade receivables	-	-	2,491.56	-	-	3,055.81
(III) Bank deposits	-	-	35.85	-	-	9.56
(IV) Cash and Cash equivalents	-	-	17.20	-	-	21.30
(V) Other Bank balances	-	-	511.04	-	-	285.14
(VI) Security deposit for utilities and premises	-	-	11.72	-	-	20.34
(VII)Other receivables	-	-	370.24	-	-	461.32
Total financial assets	**3.69**	**38.16**	**3,439.46**	**2.99**	**35.76**	**3,855.32**
(2) Financial liabilities						
(I) Borrowings						
(A) From Banks	-	-	631.86	-	-	723.18
(B) From Others	-	-	97.92	-	-	196.44
(II) Obligations under Finance Lease	-	-	26.55	-	-	22.22
(III) Deposits	-	-	256.61	-	-	272.38
(IV) Trade payables	-	-	1,036.93	-	-	1,747.96
(V) Other liabilities	-	-	159.10	-	-	133.82
Total Financial liabilities	**-**	**-**	**2,208.97**	**-**	**-**	**3,096.00**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2022

Fair Value measurement

Fair Value Hierarchy and valuation technique used to determine fair value:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1, Level 2 and Level 3 inputs.

(A) Year Ending March 31, 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 Ltd.	14	0.11	-	-
(b) Valiant Communications Ltd.	14	0.06	-	-
(c) Poonawalla Fincorp Ltd.	14	4.15	-	-
(d) Media Matrix Worldwide Ltd.	14	0.01	-	-
(e) Sahara One Media and Entertainment Ltd.	14	0.61	-	-
(f) NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	14	-	-	0.17
(g) Exicom Tele-Systems Ltd.	8	-	-	16.83
(h) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.05
(i) Shankar Sales Promotion Pvt. Ltd.	8	-	-	0.09
(j) Atul Properties Pvt. Ltd.	8	-	-	1.85
(k) Nivetti Systems Pvt. Ltd.	8	-	-	16.08
Total Financial Assets		**8.63**	**-**	**35.07**

(b) Year Ending March 31, 2021

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2021	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	14	3.00	-	-
FVTOCI				
Structured entity				
(a) Sumedha Fiscal Services Ltd.	14	0.04	-	-
(b) Valiant Communications Ltd.	14	0.06	-	-
(c) Poonawalla Fincorp Ltd.	14	1.68	-	-
(d) Media Matrix Worldwide Ltd.	14	-	-	-
(e) Sahara One Media and Entertainment Ltd.	14	0.84	-	-
(f) NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	14	-	-	0.17
(g) Exicom Tele-Systems Ltd.	8	-	-	16.77
(i) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.06
(j) Shankar Sales Promotion Pvt. Ltd.	8	-	-	0.09
(k) Atul Properties Pvt. Ltd.	8	-	-	1.85
(l) Nivetti Systems Pvt. Ltd.	8	-	-	16.06
Total Financial Assets		**5.62**	**-**	**35.00**

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.

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2022

56.2 Management of Financial Risk

Liquidity risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of the Group's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

₹ in crore

	Note Nos.	Carrying amount	Less than 12 months	More than 12 months	Total
As at March 31, 2022					
Trade payables	26	1,036.93	1,036.93	-	**1,036.93**
Retention Money	27	256.61	256.61	-	**256.61**
Other liabilities	23,25,27,42	915.43	774.84	140.59	**915.43**
As at March 31, 2021					
Trade payables	26	1,747.96	1,747.96	-	**1,747.96**
Retention Money	27	272.38	272.38	-	**272.38**
Other liabilities	23,25,27,42	1,075.66	806.41	269.25	**1,075.66**

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 analysis in the following sections relate to the position as at March 31, 2022 and March 31, 2021.

Potential Impact of Risk	Management Policy	Sensitivity to Risk
Price Risk		
The Group is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Group diversifies its portfolio in accordance with the limits as per the risk management policies.	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher/lower: Other comprehensive income for the year ended March 31, 2022 would increase/decrease by ₹ 4.36 crore (for the year ended March 31, 2021: increase/decrease by ₹ 4.06 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 ₹ 1.90 crore loss for year ended March 31, 2022 (₹ 2.30 crore loss for year ended March 31, 2021).

Notes forming part of Consolidated Financial Statement
for the 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 maximize the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period :

₹ in crore

Particulars	As at March 31, 2022	As at March 31, 2021
Debt	729.78	919.62
Less : Cash and Cash equivalents (Note 16)	(17.20)	(21.30)
Net Debt	**712.58**	**898.32**
Total Equity	2,818.36	1,923.47
Net Debt to Total Equity	0.25	0.47

57. Foreign Currency Exposure
(a) The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Group's strategy, which provides principles on the use of such forward contracts consistent with Group's Risk Management Policy. The Group does not use forward contracts for speculative purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

(b) Details of outstanding Hedging Contracts relating to Foreign LCs and on direct purchase of capital items

₹ in crore

Particulars	As at March 31, 2022		As at March 31, 2021	
	Amount in foreign Currency	Equivalent ₹ in crore	Amount in foreign Currency	Equivalent ₹ in crore
USD/INR	5,293,979	40.29	6,648,136	49.58

Notes forming part of Consolidated Financial Statements
for the year ended March 31, 2022

(c) Foreign Currency exposure

₹ in crore

Particulars		As at March 31, 2022		As at March 31, 2021	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	31,913,078	242.19	62,223,688	455.37
	EUR/INR	2,375,691	19.99	816,532	7.02
	GBP/INR	114,866	1.15	776,485	7.84
Trade receivable	USD/INR	5,310,233	40.32	6,385,310	46.73
	EUR/INR	9,553,598	80.20	-	-
	GBP/INR	3,264,063	32.54	420,321	4.24
	AED/INR	9,745,467	20.15	10,909,213	21.73
	MUR/INR	23,610,500	3.97	-	-
	BDT/INR	14,178,430	1.25	-	-

(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	Year Ended March 31, 2022		Year Ended March 31, 2021	
	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	10.09	(10.09)	20.43	(20.43)
EURO Impact	(3.01)	3.01	0.35	(0.35)
GBP Impact	(1.57)	1.57	0.18	(0.18)
AED Impact	(1.01)	1.01	(1.09)	1.09
MUR Impact	(0.20)	0.20	-	-
BDT Impact	(0.06)	0.06	-	-

58. Tax Reconciliation

₹ in crore

Particulars	FY 2021-22	FY 2020-21
Net Profit as per Statement of Profit and Loss (before tax)	**442.12**	**336.86**
Current Tax rate @ 25.17% (34.94%)	**113.05**	**86.25**
Adjustment:		
Depreciation & other adjustment	0.23	1.12
Carry forward loss and Unabsorbed Depreciation	-	(1.58)
Amount of eligible/ineligible expenditure	1.29	0.35
The amount of income u/s 10 - dividend	-	-
Other Adjustments	(0.08)	-
Tax Provision as per Books	**114.49**	**86.14**

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, 2022

59. Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1, 2022, are Ind AS 103 – Reference to Conceptual Framework, Ind AS 16 – Proceeds before intended use, Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract, Ind AS 109 – Annual Improvements to Ind AS (2021) and Ind AS 106 – Annual Improvements to Ind AS (2021). The Group does not expect the amendment to have any significant impact in its financial statements.

60. 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).

(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.

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

As per our report of even date attached

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

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

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

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

New Delhi, April 29, 2022

New Delhi, April 29, 2022

Form AOC-1

(Statement pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

₹ in crore

Name of the Subsidiary	HTL Ltd.	Moneta Finance Pvt. Ltd.	HFCL Advance Systems Pvt. Ltd.	Polixel Security Systems Pvt. Ltd.	Dragonwave HFCL India Pvt. Ltd.	Raddef Pvt. Ltd.	HFCL Technologies Pvt. Ltd.	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 @84.11	USD @75.95
Share Capital	15.00	1.02	0.10	0.18	7.00	0.01	1.00	0.00	0.00
Reserves and Surplus	63.77	1.65	(0.07)	8.75	0.85	(3.86)	(0.30)	0.13	0.06
Total Assets	**528.59**	**2.69**	**0.04**	**15.24**	**8.17**	**2.18**	**2.89**	**0.21**	**0.19**
Total liabilities	**449.81**	**0.01**	**0.00**	**6.30**	**0.32**	**6.02**	**2.18**	**0.07**	**0.12**
Investments	0.17	1.94	Nil	0.01	Nil	Nil	Nil	Nil	Nil
Turnover	1,010.05	Nil	Nil	1.19	0.62	2.69	Nil	1.23	0.74
Profit before taxation	66.49	0.03	(0.01)	(2.21)	0.86	(0.75)	(0.30)	0.14	0.08
Provision for taxation	17.16	0.01	Nil	0.00	0.15	Nil	Nil	0.02	0.02
Profit after taxation	49.34	0.02	(0.01)	(2.22)	0.71	(0.75)	(0.30)	0.12	0.06
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

Name of Subsidiaries which have been liquidated or sold during the year: 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

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 Pvt. Ltd.	BigCat Wireless Pvt. Ltd.
1. Latest audited Balance Sheet Date	March 31, 2022	March 31, 2022
2. Date on which the Associate or Joint Venture was associated or acquired	June 14, 2021	November 12, 2021
3. Shares of Associate/Joint Ventures held by the company on the year end	50%	*50%
No.	1,000,000	36,000
Amount of Investment in Associates/Joint Venture	1.00	10.50
Extent of Holding %	50.00	29.69
4. 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
5. Reason why the associate/joint venture is not consolidated	NA	NA
6. Net worth attributable to Shareholding as per latest audited Balance Sheet	1.02	5.35
7. Profit/(Loss) for the year		
i. Considered in Consolidation	0.72	(0.56)
i. Not Considered in Consolidation		

* BigCat Wireless Pvt. Ltd. (Jointly Controlled Entity with 50% voting right w.e.f. November 12, 2021)

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

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834
New Delhi, April 29, 2022

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 **35th (Thirty Fifth) Annual General Meeting ("AGM")** of the Members of **HFCL Limited** will be held on **Friday the 30th day of September, 2022 at 11:00 A.M. (IST)** through Video Conferencing/Other Audio Visual Means **("VC"/"OAVM")** Facility, to transact the following business:

ORDINARY BUSINESS:

1. **Adoption of Financial Statements**

   To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2022, 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, 2022, 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, 2022 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, 2022, 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 ₹ 0.18 (Eighteen Paisa only) i.e. @18% per fully paid-up equity share of face value of ₹ 1/- (Rupee One only) for the financial year ended March 31, 2022 and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT a Dividend of ₹ 0.18 (Eighteen Paisa only) i.e. @ 18% 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, 2022 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, 2022."

4. **Appointment of Director in place of the retiring Director**

   To appoint a director in place of Mr. Arvind Kharabanda (DIN: 00052270), Director (Non-Executive), aged 75 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, Mr. Arvind Kharabanda (DIN: 00052270), aged 75 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."

5. **Re-appointment of Statutory Auditors of the Company**

   To re-appoint M/s S. Bhandari & Co., Chartered Accountants (FRN: 000560C) and M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N), as the Statutory Auditors of the Company for the second term of 5 (five) consecutive years, whose first term expires at the conclusion of this Annual General Meeting and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT pursuant to provisions of Sections 139, 141, 142 and all other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment (s) thereof for the time being in force), and pursuant to the recommendations of the Audit Committee and the Board of Directors of the Company, the consent of the members be and are hereby accorded for the re-appointment of M/s S. Bhandari & Co., Chartered Accountants (FRN: 000560C) and M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N), as the Statutory Auditors of the Company for the second term of 5 (five) consecutive years, who shall hold office from the conclusion of this 35th Annual General Meeting till the conclusion of 40th Annual General Meeting of the Company to be held in the year 2027, for conducting the audit of accounts of the Company from financial year 2022-23 to 2026-27, at such remuneration as may be approved by the Audit Committee/ the Board of Directors of the Company.

   RESOLVED FURTHER THAT the Board of Directors of the Company (including its committee), be and are hereby authorized to do all such acts, deeds, matters, things and to take all such steps as may be considered necessary or expedient, including filing the requisite forms or submission of documents with any authority or accepting any modifications to the clauses as required by such authorities, for the purpose of giving effect to this resolution and for matters connected therewith, or incidental thereto."

SPECIAL BUSINESS:

6. **Re-appointment of Mr. Bharat Pal Singh (DIN: 00739712) as an Independent Director for second term**

   To re-appoint Mr. Bharat Pal Singh (DIN: 00739712) as an Independent Director of the Company for a second term of three consecutive years and in this regard, to consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and 160 read with Schedule IV and other applicable provisions of the Companies Act, 2013 (the **"Act"**) and the Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 25(2A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations"**) [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force] and on the recommendation of the Nomination, Remuneration and Compensation Committee and the Board of Directors, Mr. Bharat Pal Singh (DIN: 00739712), Independent Director of the Company, whose first term of office is up to January 20, 2023 and who has submitted a declaration that he meets the criteria for independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act, from a Member, signifying his intention to propose Mr. Bharat Pal Singh's candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of three consecutive years commencing from January 21, 2023 up to January 20, 2026.

RESOLVED FURTHER THAT the Board of Directors of the Company (including its committee), be and are hereby authorized to do all such acts, deeds, matters, things and to take all such steps as may be considered necessary or expedient, including filing the requisite forms or submission of documents with any authority or accepting any modifications to the clauses as required by such authorities, for the purpose of giving effect to this resolution and for matters connected therewith, or incidental thereto."

7. Ratification of Remuneration payable to the Cost Auditors

To ratify the remuneration payable to M/s SKG & Co., Cost Auditors 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 Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof for the time being in force], the Company hereby ratifies the remuneration amounting to ₹ 2,00,000/- (Rupees Two Lakhs only) plus applicable taxes, travel and out-of-pocket expenses to be incurred in connection with the cost audit, as approved by the Audit Committee/the Board of Directors, payable to M/s SKG & Co., Cost Accountants (Firm Registration No. 000418), who are appointed as the Cost Auditors to conduct the audit of the cost records maintained by the Company, for the financial year ending March 31, 2023.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things and to take all such steps as may be necessary, proper, or expedient to give effect to this resolution."

8. 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 Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations"**) and the applicable provisions, if any, of the Companies Act, 2013 (the **"Act"**) read with the Rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in accordance with the "Policy on Related Party Transactions" of the Company and pursuant to the approvals given by the Audit Committee from time to time, approval of the shareholders of the Company, be and is hereby accorded to the Audit Committee and/or the Board of Directors of the Company to enter into material related party contract(s)/arrangement(s)/transaction(s) with HTL Limited, a material subsidiary and related party within the meaning of Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations, on such terms and conditions, as the Audit Committee/the Board of Directors may deem fit, up to a maximum aggregate value of ₹975 Crore (Rupees Nine Hundred Seventy Five Crore only), during the financial year 2022-23, which is in excess of 10% of the annual consolidated turnover of the Company, for the financial year 2021-22, based on the expected value of the proposed transactions, provided that the said contract(s)/arrangement(s)/transaction(s) to be carried out shall be at arm's length basis and in the ordinary course of business of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall include any committee constituted by the Board of Directors of the Company or any person authorised by the Board to exercise the powers conferred on the Board of Directors of the Company by this resolution), be and is hereby authorized to agree, make, accept and finalize all such terms, condition(s), modification(s) and alteration(s) as it may deem fit from time to time and the Board is also hereby authorized to resolve and settle, from time to time all questions, difficulties or doubts that may arise with regard to above transactions and to finalize, execute, modify and amend all agreements, documents and writings and to do all acts, deeds and things in this connection and incidental as the Board in its absolute discretion may deem fit without being required to seek any further consent or approval of the shareholders or otherwise to the end and intent that they shall be deemed to have been given approval thereto expressly by the authority of this resolution."

9. Issue of securities on a preferential basis

To issue securities on a preferential basis and in this regard, to consider and if thought fit, to pass the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 23(1)(b), 42, 62(1)(c) and all other applicable provisions, if any, of the Companies Act, 2013 **("Act")** and applicable rules made thereunder, including the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share

Capital and Debentures) Rules, 2014 and other rules and regulations made thereunder (including any amendment(s), statutory modification(s) or re-enactment(s) thereof) **("Act")**, the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended **("SEBI ICDR Regulations")**, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended **("SEBI Listing Regulations")**, and subject to other applicable Rules / Regulations / Guidelines / Notifications / Circulars and clarifications issued thereunder, if any, from time to time by the Government of India, Ministry of Corporate Affairs **("MCA")**, the Securities and Exchange Board of India and/ or any other competent authorities to the extent applicable, the uniform listing agreements entered into by the Company with the stock exchanges where the equity shares of the Company are listed and subject to all necessary approval(s), consent(s), permission(s) and/ or sanction(s), if any, of the Government of India, any other statutory or regulatory authorities, as may be required, and subject to such conditions as may be prescribed by any of them while granting any such approval(s), consent(s), permission(s), and/ or sanction(s) and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as **"Board"** which term shall be deemed to include any duly constituted/ to be constituted committee of Directors thereof to exercise its powers including powers conferred under this resolution), the consent of the members of the Company, be and is hereby accorded to offer, issue and allot from time to time in one or more tranches up to 1,41,00,000 (One Crore Forty One Lakh only) Warrants, each convertible into, or exchangeable for, 1 (one) fully paid-up equity share of the Company of face value of ₹1/- (Rupee One only) each **("Warrants")** at a price of ₹80/- per Equity Share **("Warrant Exercise Price")** (Rupees Eighty only) each, payable in cash, aggregating up to ₹112,80,00,000/- (Rupees One Hundred Twelve Crore Eighty Lacs only) which may be exercised in one or more tranches during the period commencing from the date of allotment of the Warrants until expiry of 18 (eighteen) months, by way of preferential issue on such other terms and conditions as set out herein, subject to applicable laws and regulations, including the provisions of Chapter V of the SEBI ICDR Regulations and the Act, as the Board may determine to the following persons belonging to Promoter and Non- Promoter Category (hereinafter referred to as the **"Proposed Allottees"/"Warrant Holders):**

S. No.	Name of the Proposed Allottee	Category	No. of warrants to be issued
1.	MN Ventures Private Limited	Promoter	1,00,00,000
2.	Mr. Vijay Raj Jain	Non-promoter	15,00,000
3.	Mr. Jitendra Singh Chaudhary	Non-promoter	5,00,000
4.	Mr. Harshwardhan Pagay	Non-promoter	5,00,000
5.	Mr. Manoj Baid	Non-promoter	2,00,000
6.	Mr. Devender Kumar	Non-promoter	2,00,000
7.	Mr. Nand Lal Garg	Non-promoter	2,00,000
8.	Mr. Jayanta Dey	Non-promoter	2,00,000
9.	Mr. Sushil Kumar Wadhwa	Non-promoter	2,00,000
10.	Mr. Rajesh Jain	Non-promoter	2,00,000
11.	Mr. Brij Bhushan Singh	Non-promoter	2,00,000
12.	Mr. Gilkara Shrinivas Naidu	Non-promoter	2,00,000

RESOLVED FURTHER THAT in terms of the provisions of the SEBI ICDR Regulations, the **"Relevant Date"** for the purpose of determination of minimum price for the issue and allotment of Warrants, shall be **Tuesday, August 30, 2022,** being the preceding day to August 31, 2022, 30 (thirty) days prior to the date of this 35th Annual General Meeting *(since, the relevant date, i.e., August 31, 2022 falls on a holiday, the day preceding the holiday, i.e., August 30, 2022, is reckoned as the relevant date).*

RESOLVED FURTHER THAT, the preferential allotment of Warrants and allotment of equity shares on the exercise of the Warrants shall be subject to the following terms and conditions apart from others as prescribed under applicable laws:

(a) The Warrant holder shall, subject to the SEBI ICDR Regulations and other applicable rules, regulations and laws, be entitled to apply for and be allotted 1 (one) equity share against each Warrant.

(b) An amount of ₹20/- (Rupees Twenty only), which is equivalent to 25% of the Warrants Issue Price shall be paid at the time of subscription and allotment of each Warrant. The Warrant Holders will be required to make payments of balance 75% of the Warrants Issue Price, at the time of exercise of the right attached to Warrant(s) to subscribe to equity share(s).

(c) The Warrants and the Equity Shares allotted pursuant to exercise of such Warrants shall be subject to lock-in for such period as specified in the provisions of Chapter V of the SEBI ICDR Regulations and the Equity Shares allotted upon conversion of Warrants, be listed on the Stock Exchanges(s) subject to receipt of necessary permission(s), sanction(s) and approval(s).

(d) The right attached to Warrants may be exercised by the Warrant Holders, in one or more tranches, at any time on or before the expiry of 18 (eighteen) months from the date of allotment of the Warrants by issuing a written notice to the Company specifying the number of Warrants proposed to be converted. The Company shall accordingly, without any further approval from the members, allot the corresponding number of equity shares in dematerialized form within 15 days from the date of such exercise by the Warrant Holders.

(e) 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.

(f) The equity shares to be allotted on exercise of the Warrants shall be in dematerialized form and shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Company and shall rank *pari passu* with the then existing equity shares of the Company in all respects including the payment of dividend and voting rights.

(g) The pre-preferential allotment shareholding of the Warrant Holders, if any, in the Company and Warrants allotted in terms of this resolution and the resultant equity shares arising on exercise of rights attached to such Warrants shall be subject to lock-in as specified in the provisions of Chapter V of the SEBI ICDR Regulations.

(h) The Warrants by itself, until exercised and converted into equity shares, shall not give the Warrant Holders any rights with respect to that of an equity shareholder of the Company.

(i) The price determined above and the number of equity shares to be allotted on conversion of the Warrants shall be subject to appropriate adjustments as permitted under the rules, regulations and laws, as applicable from time to time. If the amount payable on account of the re-computation of price is not paid within the time stipulated in the SEBI ICDR Regulations, the Warrants shall continue to be locked in till the time such amount is paid.

(j) The Equity Shares allotted upon conversion of the Warrants will be listed on the BSE Limited and the National Stock Exchange of India Limited where the existing equity shares of the Company are listed, subject to the receipt of necessary permissions and approvals, as the case may be.

RESOLVED FURTHER THAT pursuant to the provisions of the Act, the names of the Proposed Allottees be recorded for the issuance of invitation to subscribe to the Warrants in Form No. PAS-5 and a private placement offer letter in Form No. PAS-4 together with an application form be issued to the Proposed Allottees inviting them to subscribe to the Warrants.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation to vary, modify or alter any of the relevant terms and conditions, attached to the Warrants, to be allotted to the Proposed Allottees, effecting any modifications, changes, variations, alterations, additions and/or deletions to the preferential issue as may be required by any regulatory or other authorities involved in or concerned with the issue and allotment of Warrants, making applications to the stock exchanges for obtaining in-principle approvals, listing of equity shares to be issued on exercise of Warrants, filing requisite documents with the MCA and other regulatory authorities, filing of requisite documents with the depositories, to resolve and settle any questions and difficulties that may arise in the preferential offer, issue and allotment of Warrants without being required to seek any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its powers conferred upon it by this resolution, to any director(s), committee(s), executive(s), officer(s) or authorized signatory(ies) to give effect to this resolution, including execution of any documents on behalf of the Company and to represent the Company before any governmental or regulatory authorities and to appoint any professional advisors, bankers, consultants, advocates and advisors to give effect to this resolution and further to take all other steps which may be incidental, consequential, relevant or ancillary in this regard."

10. Raising of funds

To approve raising of funds and in this regard, to consider, and if thought fit, to pass the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 23, 42, 55, 62 and 71 and other applicable provisions of the Companies Act, 2013, read with the applicable provisions of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 and other rules and regulations made thereunder *(including any amendment(s), statutory modification(s) and/or re-enactment(s) thereof for the time being in force)* **("Act")**, the provisions of the Memorandum of Association and the Articles of Association of the Company, all other applicable laws, rules and regulations, including the provisions of the Foreign Exchange Management Act, 1999 as amended and rules and regulations framed thereunder including Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended, the current Consolidated FDI Policy issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce, Government of India, as amended and the applicable rules and regulations made thereunder including applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended **("SEBI ICDR Regulations")**, the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, as amended **("SEBI IL-NCS Regulations")**, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended **("SEBI Listing Regulations")** the Securities Contracts (Regulation) Rules, 1957, as amended **("SCRR")**, the Companies (Issue of Global Depository Receipts) Rules, 2014, the Depository Receipts Scheme, 2014, as amended, the Framework for issue of Depository Receipts notified by SEBI vide circular dated October 10, 2019, as amended, Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 as amended and such other statutes, clarifications, rules, regulations, circulars, notifications, guidelines, if any, as may be applicable, as amended from time to time issued by the Government of India, the Ministry of Corporate Affairs **("MCA")**, the Securities and Exchange Board of India **("SEBI")**, the Reserve Bank of India **("RBI")**, the BSE Limited **("BSE")**, the National Stock Exchange of India Limited [**("NSE")**, and together with BSE, the **("Stock Exchanges")**] where the equity shares of the Company of face value of ₹1/- (Rupee One only) each **("Equity Shares")** are listed, and any other appropriate authority under any other applicable laws and subject to all other approval(s), consent(s), permission(s) and/or sanction(s) as may be required from various regulatory and statutory authorities, including the Government of India, the RBI, SEBI, MCA and the Stock Exchanges (hereinafter singly or collectively referred to as **"Appropriate Authorities"**) and subject to such terms, conditions and modifications as may be prescribed by any of the Appropriate Authorities while granting any such approval(s), permission(s) and sanction(s), consent of the members of the Company, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the **"Board"**, which term shall be deemed to mean and include any duly constituted committee thereof for the time being exercising the powers conferred by the Board), to create, issue, offer and allot (including with provisions for reservations on firm and/or competitive basis, or such part of issue and for such categories of persons as may be permitted) such number of Securities (as defined hereinafter), for cash, in one or more tranches, with or without green shoe option, whether Rupee denominated or denominated in foreign currency, for an aggregate amount up to ₹650 Crore (Rupees Six Hundred Fifty Crore only), by way of one or more public and/or private offerings and/or on a preferential allotment basis and/ or a qualified institutions placement **("QIP")** to **"qualified institutional buyers"** as defined in the SEBI ICDR Regulations and/or any combination thereof and/or any other permitted modes through issue of prospectus and/or an offer document and/or a private placement offer letter and/or placement document and/or such other documents/ writings/ circulars/ memoranda in such a manner, in such tranche or tranches, by way of an issue of Equity Shares or by way of an issue of any instrument or security including convertible/ redeemable preference shares, fully/partially convertible debentures or by way of a composite issue of non-convertible debentures, issue of Global Depository Receipts **("GDRs")**, American Depository Receipts **("ADRs")** or any other eligible securities (instruments listed above collectively with the Equity Shares to be hereinafter referred to as the **"Securities"**) or any combination of Securities, with or without premium, to be subscribed to in Indian and /or any foreign currencies by all eligible investors, including, residents or non-resident investors/ whether institutions, foreign portfolio investors and/or incorporated bodies and/or trusts or otherwise)/ qualified institutional buyers/ mutual funds/ pension funds/ venture capital funds/ banks/ alternate investment funds/ Indian and/or multilateral financial institutions, insurance companies/ trusts/ stabilising agents and any other category of persons or entities who are authorised to invest in the Securities of the Company as per extant regulations/ guidelines or any combination of the above as may be deemed appropriate by the Board in its absolute discretion and whether or not such investors are members of the Company (collectively called **"Investors"**), to all or any of them, jointly or severally through a prospectus and/ or an offer document and/or a private placement offer letter and/or placement document and/or such other documents/ writings/ circulars/ memoranda in such a manner on such terms and conditions, considering the prevailing market conditions and other relevant factors wherever necessary, at such price or prices (whether at prevailing market price(s) or at permissible discount or premium to market price(s) in terms of applicable laws and regulations), with authority to retain over subscription up to such percentage as may be permitted under applicable regulations, including the discretion to determine the categories of Investors to whom the offer, issue and allotment of Securities shall be made to the exclusion of others, in such manner, including allotment to stabilising agent in terms of green shoe option, if any, exercised by the Company and where necessary in consultation with the book running lead manager(s), global coordinator(s) and book running lead manager(s) and/or underwriters and/or stabilising agent and/or other advisors or otherwise on such terms and conditions, including the security, rate of interest etc., issue of Securities as fully or partly paid, making of calls and manner of appropriation of application money or call money, in respect of different class(es) of investor(s) and/ or in respect of different Securities, deciding of other terms and conditions like number of securities to be issued, face value, number of Equity Shares to be allotted on conversion/ redemption/ extinguishment of debt(s), terms of issue, period of conversion, fixing of record date or book closure terms if any, as the Board may in its absolute discretion decide, in each case subject to applicable laws and on such terms and conditions as may be determined and deemed appropriate by the Board in its absolute discretion and without requiring any further approval or consent from the members at the time of such issue and allotment considering the prevailing market conditions and other relevant factors in consultation with the merchant banker(s) to be appointed by the Company so as to enable the Company to list on any stock exchange in India or overseas jurisdictions;

RESOLVED FURTHER THAT in case of issue and allotment of Securities by way of QIP in terms of Chapter VI of the SEBI ICDR Regulations (hereinafter referred to as **"Eligible Securities"** within the meaning rendered to such term under Regulation 171(a) of the SEBI ICDR Regulations):

(i) The allotment of Securities shall only be made to qualified institutional buyers as defined in the SEBI ICDR Regulations **("QIBs")**;

(ii) The Eligible Securities to be so created, offered, issued, and allotted, shall be subject to the provisions of the Memorandum of Association and the Articles of Association of the Company;

(iii) The allotment of the Eligible Securities, or any combination of the Eligible Securities as may be decided by the Board and subject to applicable laws, shall be completed within 365 days from the date of passing of the special resolution by the shareholders of the Company or such other time as may be allowed under the SEBI ICDR Regulations;

(iv) The Equity Shares issued and allotted under the Issue or allotted upon conversion of the equity linked instruments issued in QIP shall rank pari-passu inter se in all respects including with respect to entitlement to dividend, voting rights or otherwise with the existing Equity Shares of the Company in all respects;

(v) The number and/or price of the Eligible Securities or the underlying Equity Shares issued on conversion of Eligible Securities convertible into Equity Shares shall be appropriately adjusted for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of division, reclassification of equity shares into other securities, issue of equity shares by way of capitalisation of profit or reserves, or any such capital or corporate restructuring;

(vi) The Eligible Securities (excluding warrants) under the QIP shall be issued and allotted as fully paid-up securities;

(vii) In the event Equity Shares are issued, the "relevant date" for the purpose of pricing of the Equity Shares to be issued, shall be the date of the meeting in which the Board or the committee of directors authorised by the Board decides to open the proposed issue of such Equity Shares, subsequent to the receipt of members' approval in terms of provisions of the Act and other applicable laws, rules, regulations and guidelines in relation to the proposed issue of the Equity Shares;

(viii) In the event that Eligible Securities issued are eligible convertible securities, the relevant date for the purpose of pricing of the convertible securities to be issued, shall be, either the date of the meeting at which the Board or a committee of directors authorised by the Board decides to open the proposed issue or the date on which the holders of such eligible convertible securities become entitled to apply for Equity Shares, as decided by the Board;

(ix) The tenure of the convertible or exchangeable Eligible Securities issued through the QIP shall not exceed sixty months from the date of allotment;

(x) Issue of Eligible Securities made by way of a QIP shall be at such price which is not less than the price determined in accordance with Regulation 176(1) under Chapter VI of the SEBI ICDR Regulations **("QIP Floor Price")** and applicable law. The Board may, however, at its absolute discretion in consultation with the book running lead managers, issue Eligible Securities at a discount of not more than five percent or such other discount as may be permitted under applicable regulations to the QIP Floor Price;

(xi) No single allottee shall be allotted more than fifty per cent of the issue size and the minimum number of allottees shall be as per the SEBI ICDR Regulations;

(xii) No allotment shall be made, either directly or indirectly, to any QIB who is a promoter, or any person related to the promoters of the Company;

(xiii) The Eligible Securities allotted in the QIP shall not be eligible for sale by the respective allottees, for a period of one year from the date of allotment, except on a recognised stock exchange or except as may be permitted from time to time by the SEBI ICDR Regulations; and

(xiv) Any subsequent QIP shall not be undertaken until the expiry of two weeks (or such other period as may be prescribed) from the date of the prior QIP made pursuant to this special resolution.

RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and/or in the market and/or at the place of issue of the Securities in the international market and may be governed by the applicable laws;

RESOLVED FURTHER THAT in the event of issue of GDRs/ADRs, the pricing shall be determined in compliance with principles and provisions set out in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through the Depositary Receipt Mechanism) Scheme 1993, the Companies (Issue of Global Depository Receipts) Rules, 2014, the Depository Receipts Scheme, 2014, the Framework for issue of Depository Receipts notified by SEBI vide circular dated October 10, 2019, as amended and other applicable pricing provisions issued by the Ministry of Finance and other applicable laws, the Relevant Date for the purpose of pricing the Securities to be issued pursuant to such issue shall be the date of the meeting at which the Board decides to open such issue after passing of this Special Resolution. Preferential issuance and allotment of Securities (other than as issued and allotted to QIBs by way of QIP) shall be subject to the requirements prescribed under the Act and Chapter V of the SEBI ICDR Regulations and other applicable laws;

RESOLVED FURTHER THAT the Board, be and is hereby authorised to enter into any arrangement with any agencies or bodies for the issue of GDRs and/or ADRs represented by underlying equity shares in the share capital of the Company with such features and attributes as are prevalent in international/domestic capital markets for instruments of this nature and to provide for the tradability and free transferability thereof in accordance with market practices as per the domestic and/or international practice and regulations and under the norms and practices prevalent in the domestic/international capital markets and subject to applicable laws and regulations and the Articles of Association of the Company;

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion, deem necessary or desirable for such purpose, including but not limited to finalisation and approval of the offer document(s), private placement offer letter, determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, issue price, face value, fixing the record date, execution of various transaction documents and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilisation of the proceeds as it may in its absolute discretion deem fit;

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid Securities may have such features and attributes or any terms or combination of terms in accordance with international practices to provide for the tradability and free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of dividend, issue of additional Equity Shares, variation of the conversion price of the Securities or period of conversion of Securities into Equity Shares during the duration of the Securities and the Board, be and is hereby authorised, in its absolute discretion, in such manner as it may deem fit, to dispose-off such of the Securities that are not subscribed;

RESOLVED FURTHER THAT the Securities to be created, issued allotted and offered in terms of this resolution shall be subject to the provisions of the Memorandum of Association and the Articles of Association of the Company and the fully paid-up Equity Shares that may be issued by the Company (including issuance of Equity Shares pursuant to conversion of any Securities as the case may be in accordance with the terms of the offering) shall rank pari passu with the existing Equity Shares of the Company in all respects;

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue, or allotment of Securities or instruments representing the same, as described above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things, as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the determination of the nature of the issuance, terms and conditions for the issuance of Securities including the number of Securities that may be offered in domestic and international markets and proportion thereof, issue price and discounts permitted under applicable law, premium amount on issue/ conversion of the Securities, if any, rate of interest, timing for issuance of such Securities and shall be entitled to vary, modify or alter any of the terms and conditions as it may deem expedient, opening and maintaining bank accounts, entering into and executing arrangements for managing, underwriting, marketing, listing, trading and entering into and executing arrangements with merchant bankers, lead managers, legal advisors, depository, custodian, registrar, stabilising agent, paying and conversion agent, trustee, escrow agent and executing other agreements, including any amendments or supplements thereto, as necessary or appropriate and to finalise, approve and issue any document(s) or agreements including but not limited to the placement document and filing such documents (in draft or final form) with any Indian or foreign regulatory authority or stock exchanges and sign all deeds, documents and writing and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and take all steps which are incidental and ancillary in this connection, including in relation to utilisation of the issue proceeds, as it may in its absolute discretion deem fit without being required to seek further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution and all actions taken by the Board, to exercise its powers, in connection with any matter(s) referred to or contemplated in any of the foregoing resolutions, be and are hereby approved, ratified and confirmed, in all respects;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate (to the extent permitted by law) all or any of the powers conferred by this resolution herein, to any committee of directors formed, Directors or one or more executives/officers of the Company to give effect to the above resolutions, in accordance with applicable law."

Registered Office:	**By Order of the Board**
8, Electronics Complex	
Chambaghat	
Solan-173213 (H. P.)	**(Manoj Baid)**
	Senior Vice-President (Corporate) &
Place: New Delhi	Company Secretary
Date: September 02, 2022	Membership No: FCS 5834

Notes:

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ('MCA') vide its General Circular Nos. 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020, 20/2020 dated May 5, 2020, 02/2021 dated January 13, 2021, 19/2021 dated December 8, 2021, 21/2021 dated December 14, 2021, 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 (hereinafter collectively referred to as "the Circulars"), has allowed the companies to conduct the AGM through Video Conferencing/ Other Audio Visual Means **('VC/OAVM')**, without the physical presence of members at a common venue during the calendar year 2022. 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 **35th AGM of the Company is being held through VC/OAVM on Friday, 30th September, 2022 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 dated April 08, 2020, April 13, 2020 and May 05, 2020, the Company is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited **(NSDL)** for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-Voting system as well as e-Voting on the date of the AGM will be provided by NSDL.

3. As per the provisions of Clause 3.A.II of the General Circular No. 20/2020 dated May 5, 2020, issued by the MCA, the matter of Special Business as appearing at item no. 6 to 8 of the accompanying Notice, is considered to be unavoidable by the Board and hence, forms part of this Notice.

4. The relative Statement pursuant to Section 102 of the Act in respect of the business under item nos. 4 to 8 set out above and the relevant details of the Directors seeking re-appointment/ appointment at this AGM in respect of business under item no.4 and 6, 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 MCA CIRCULARS AND THE SEBI CIRCULARS THROUGH VC/OAVM, THE REQUIREMENT OF PHYSICAL ATTENDANCE OF MEMBERS HAS BEEN DISPENSED WITH. ACCORDINGLY, IN TERMS OF THE MCA CIRCULARS AND THE SEBI CIRCULARS, THE FACILITY FOR APPOINTMENT OF PROXIES BY THE MEMBERS WILL NOT BE AVAILABLE FOR THIS AGM AND HENCE THE PROXY FORM, ATTENDANCE SLIP AND ROUTE MAP OF AGM ARE NOT ANNEXED TO THIS NOTICE.**

6. Institutional Investors, who are members of the Company, are encouraged to attend and vote at the 35th AGM through VC/OAVM facility. Corporate members intending to appoint their authorized representatives pursuant to Sections 112 and 113 of the Act, as the case maybe, to attend the AGM through VC/OAVM or to vote through remote e-Voting are requested to send a certified copy of the Board Resolution to the Scrutinizer by e-mail at **scrutinizer@hfcl.com** with a copy marked to **evoting@nsdl.co.in** and the Company at **secretarial@hfcl.com**.

7. Only registered members of the Company may attend and vote at the AGM through VC/OAVM facility. In case of joint holders, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.

8. The Members can join the AGM in the VC/OAVM mode at least 15 minutes before and till 15 minutes after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1,000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination 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 General Circular No. 20/2020 dated May 5, 2020, issued by the MCA and the SEBI Circulars, Notice of the AGM along with the Annual Report 2021-22 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 2021-22 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 35th 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) Regulations, 2014 {now replaced with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 w.e.f. 13.08.2021) 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 Scrutinizer to scrutinize 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 **Saturday, September 24, 2022 to Friday, September 30, 2022 (both days inclusive)** for the purpose of AGM and payment of dividend on equity shares for FY 22.

    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 **Friday, September 23, 2022**. 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. **Friday, September 23, 2022**, 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.

    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 dematerialized mode are requested to intimate all changes pertaining to their bank details/NECS/mandates, nominations, power of attorney, change of address/name, Permanent Account Number ('PAN') details, etc. to their Depository Participant, only and not to the Company/the Company's RTA. Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its RTA 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 dematerialized form only with effect from April 1, 2019, except in case of transmission or transposition of securities. However, members can continue to hold shares in physical form. In view of the same and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company's RTA for assistance in this regard. 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 dematerialized 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 2021-22 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 April 29, 2022, has recommended a final dividend of ₹ 0.18 (Eighteen Paisa only) per fully paid-up equity share. The record date for the purpose of payment of final dividend for FY 2021-22 is **September 23, 2022**. 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 August 26, 2022 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 FY22.

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 and FY21, 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, 2022)
2017-18	0.06	September 29, 2018	November 04, 2025	December 04, 2025	10,35,510.84
2018-19	0.10	September 28, 2019	November 03, 2026	December 03, 2026	16,37,521.40
2020-21	0.15	September 30, 2021	November 05, 2028	December 05, 2028	24,83,192.23

THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING GENERAL MEETING ARE AS UNDER:-

The remote e-voting period begins on **Tuesday, September 27, 2022 at 09:00 A.M. and ends on Thursday, September 29, 2022 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., **Friday, September 23, 2022**, 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 **Friday, September 23, 2022**. 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 Speede"** facility by scanning the QR code mentioned below for seamless voting experience. **NSDL Mobile App is available on** Download on the App Store GET IT ON Google Play
Individual Share-holders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi/Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi/ Easiest are **https://web.cdslindia.com/myeasi/home/login** or **www.cdslindia.com** and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL**. Click on **NSDL** to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at the following weblink: **https://web.cdslindia.com/myeasi/Registration/EasiRegistration** 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in **www.cdslindia.com** home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress.

Type of share holders	Login Method
Individual Share-holders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & e-Voting during the meeting.

Important note: Members who are unable to retrieve User ID/Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at **evoting@nsdl.co.in** or call at toll free no.: 1800 1020 990 and 1800 22 44 30.
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at: **helpdesk.evoting@cdslindia.com** or contact at 022- 23058738 or 022-23058542-43.

(B) **Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode:**

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: **https://www.evoting.nsdl.com/** either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon **"Login"** which is available under **'Shareholder/ Member'** section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at **https://eservices.nsdl.com/** with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
(a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
(b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
(c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company. For example, if folio number is 001*** and EVEN is 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.

   After you click on the **"Login"** button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system:

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies **"EVEN"** in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select **"EVEN"** of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on **"VC/OAVM"** link placed under **"Join General Meeting"**.

3. Now you are ready for e-Voting as the Voting page opens.

4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on **"Submit"** and also **"Confirm"** when prompted.

5. Upon confirmation, the message **"Vote cast successfully"** will be displayed.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for Shareholders:

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc, to the Scrutinizer by e-mail to **scrutinizer@hfcl.com** with a copy marked to **evoting@nsdl.co.in**.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the **"Forgot User Details/ Password?"** or **"Physical User Reset Password?"** option available on **www.evoting.nsdl.com** to reset the password.

3. In case of any queries, you may refer the **Frequently Asked Questions (FAQs)** for Shareholders and e-voting user manual for Shareholders available at the download section of **www.evoting.nsdl.com** or call on toll free no.: 1800-222-990 or send a request to **Ms. Pallavi Mhatre, Manager** at **evoting@nsdl.co.in**.

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this Notice:

1. In case shares are held in physical mode please provide Folio No., Name of Shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAAR (self- attested scanned copy of Aadhaar Card) by email to **secretarial@hfcl.com**.

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar Card) to **secretarial@hfcl.com**. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **Step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**

3. Alternatively shareholder/members may send a request to **evoting@nsdl.co.in** for procuring user id and password for e-Voting by providing above mentioned documents.

4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat accounts.

THE INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

2. Only those Members/shareholders, who will be present in the AGM through VC/OAVM facility and have not 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. **Friday, September 23, 2022** 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 **Saturday, September 24, 2022 (09:00 A.M. IST) up to Sunday, September 25, 2022 (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 **Saturday, September 24, 2022 (09:00 A.M. IST) up to Sunday, September 25, 2022 (05:00 P.M. IST)** mentioning their name, demat account no./folio number, email ID, mobile number etc. The Company will, at the AGM, endeavor to address the queries received till aforesaid dates from those Members who have sent queries from their registered email IDs. Please note that Members' questions will be answered only if they continue to hold shares as on the cut-off date. Such questions by the Members shall be taken up during the meeting or replied within 7 days from AGM date by the Company suitably, if necessary.

Members who will participate in the AGM through **VC/OAVM** can also pose question/feedback through question box option. Such questions by the Members shall be taken up during the AGM or replied within 7 days from AGM date by the Company suitably, if necessary.

DECLARATION OF RESULTS ON THE RESOLUTIONS:

1. The Scrutinizer shall, immediately after the completion of the scrutiny of the e-voting (votes cast during the AGM and votes cast through remote e-voting), within 2 (two) working days from the conclusion of the AGM, submit a Consolidated Scrutinizer's Report of the total votes cast in favour and against the resolution(s) and whether the resolution(s) has/ have been carried or not, to the Chairperson or a person authorized by him in writing.
2. The result declared along with the Scrutinizer's Report shall be placed on the Company's website **www.hfcl.com** and on the website of NSDL **www.evoting.nsdl.com**, immediately after the result is declared. The Company shall simultaneously forward the results to the BSE Limited and the National Stock Exchange of India Ltd., where the securities of the Company are listed.
3. Subject to the receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting i.e., **September 30, 2022**.

Details of Directors proposed to be appointed/ re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India:

Name of the Director	**Mr. Arvind Kharabanda**	**Mr. Bharat Pal Singh**
DIN	00052270	00739712
Date of Birth (Age in years)	March 09, 1947 (75 years)	January 13, 1952 (70 Years)
Date of first appointment	October 31, 2004	January 21, 2020
Experience/Expertise in Specific Functional Areas	Mr. Arvind Kharabanda has got over 44 years' experience in managerial positions, projects implementation and finance. Mr. Kharabanda is a member of the Institute of Chartered Accountants of India. He carries with him vast experience in industries as varied as telecommunications, broadcastings, IT, electronics, consumer durables and white goods. Mr. Arvind Kharabanda has expertise in the field of management discipline such as marketing, manufacturing, project appraisal, finance and corporate strategy and planning.	Mr. Bharat Pal Singh had served as a former Dy. Managing Director of IDBI Bank. In 2010, Government of India appointed Mr. Singh as Whole-time Director on the Board of IDBI Bank. Mr. Singh brings with him a rich experience of more than 33 years of handling a range of portfolios in the banking sector. Apart from Board experience at IDBI Bank, he was member of Boards of several large companies/ corporations as a Nominee of IDBI Bank. Mr. Singh has served on expert committees set up by the Government of India in the steel and cement sectors.
Qualification(s)	Chartered Accountant (CA)	• M.Sc. in Operational Research from Delhi University; • Masters in Marketing Management from Jamnalal Bajaj Institute of Management Studies, Mumbai
Directorship in other companies including listed companies	1. HFCL Advance Systems Private Limited 2. HFCL Technologies Private Limited 3. Indiasign Private Limited 4. My Box Technologies Private Limited 5. Rajasthan Antibiotics Limited	NA
Listed entities from which the person has resigned in the past three years	NIL	NIL
Chairmanship/Membership of Committees (across all public companies in Audit Committee and Stakeholders' Relationship Committees)	**HFCL Limited:** Audit Committee – Member Stakeholders' Relationship Committee – Chairman Nomination, Remuneration & Compensation Committee – Member Risk Management Committee – Member	**HFCL Limited:** Audit Committee – Chairman Nomination, Remuneration & Compensation Committee – Member Risk Management Committee – Member
Shareholding in the listed entity, including shareholders as a beneficial owner	NIL	NIL
Relationship with other Directors and KMPs of the Company	N.A.	N.A.
No. of Board Meetings held/Attended	6/6	6/6
Details of Remuneration sought to be paid	Except, Sitting Fee for attending the Board and/ or Committee Meetings, no other remuneration is payable.	Except, Sitting Fee for attending the Board and/or Committee Meetings, no other remuneration is payable.
Last Remuneration drawn (per annum)	₹1,350,000 only (Rupees Thirteen Lakh Fifty Thousand only) (Towards Sitting fee for Board and its Committee meetings from April 1, 2021 till March 31, 2022)	₹ 950,000 only (Rupees Nine Lakhs Fifty Thousand only) (Towards Sitting fee for Board and its Committee meetings from April 1, 2021 till March 31, 2022)
Disclosure of relationships between directors inter-se	NIL	NIL
Terms and conditions of re-appointment and Remuneration	As mentioned in the Resolutions and Statements. 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 (THE "ACT")

The following Statement given hereunder sets out all material facts relating to the Special Business mentioned at Item Nos. 6 to 10 in the accompanying Notice. As an additional information, the Statement also contains material facts pertaining to ordinary business mentioned at Item No. 4 & 5 of the said Notice:

ITEM NO. 4

Mr. Arvind Kharabanda (DIN: 00052270) was re-appointed as a Director (Non-Executive) liable to retire by rotation, by the shareholders in the 32nd Annual General Meeting **("AGM")** of the Company held on September 28, 2019.

Further, continuation of Mr. Arvind Kharabanda Director (Non-Executive), liable to retire by rotation, on attaining the age of seventy-five years, was also approved by the shareholders of the Company, in their extra-ordinary general meeting held on March 07, 2022, by way of special resolution.

Pursuant to the provisions of Section 152 of the Companies Act, 2013 (the **"Act"**), he retires by rotation at this AGM and being eligible, has offered himself for re-appointment.

In terms of Section 102 of the Act, the re-appointment of a rotational director at the annual general meeting is an Ordinary Business. However, Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations"**) provides that no listed company shall appoint or continue the directorship of any person as Non-Executive Director who has attained the age of 75 (Seventy Five) years, unless a Special Resolution is passed to that effect and justification thereof is disclosed in the explanatory statement annexed to the Notice for such appointment.

Accordingly, the re-appointment of Mr. Arvind Kharabanda, aged 75 years, is recommended at this 35th AGM by way of Special Resolution in compliance of the SEBI Listing Regulations.

Mr. Arvind Kharabanda has got over 44 years' experience in managerial positions, projects implementation and finance.

Mr. Arvind Kharabanda doesn't hold any equity shares in the Company.

A brief profile of Mr. Arvind Kharabanda to be re-appointed as a Non-Executive Director is given under the heading *"Details of Directors proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard-2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the SEBI Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

In view of above, the Board of Directors, in its meeting held on April 29, 2022, has approved the re-appointment of Mr. Arvind Kharabanda aged 75 years as a Director (Non-Executive), liable to retire by rotation and recommends the same for the approval of the shareholders of the Company by way of a Special Resolution.

Mr. Arvind Kharabanda is concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice with regard to his re-appointment and remuneration payable as a Non-Executive Director. The relatives of Mr. Arvind Kharabanda may be deemed to be interested in the aforesaid resolution to the extent of their shareholding, if any, in the Company.

The Board recommends the Special resolution set forth in item no. 4 of the notice for the approval of members.

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

M/s S. Bhandari & Co., Chartered Accountants (FRN: 000560C) and M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N) were appointed as statutory auditors of the Company at the 30th AGM held on September 25, 2017 to hold office from the conclusion of the said meeting till the conclusion of the 35th AGM to be held in the year 2022.

In terms of the provisions of Section 139 of the Companies Act, 2013 (the "Act"), the Companies (Audit and Auditors) Rules, 2014, and other applicable provisions, if any, the Company can appoint or reappoint an audit firm as statutory auditors for not more than two (2) terms of five (5) consecutive years.

Further, in terms of Regulation 33(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has subjected himself/ herself to the peer review process of the Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The Company has received Peer Review Certificates issued by the Institute of Chartered Accountants of India, from both the Auditors.

M/s S. Bhandari & Co. and M/s Oswal Sunil & Company, Chartered Accountants are eligible for reappointment for a further period of five years.

Considering the various parameters including but not limited to independence, competence, technical capability, overall audit approach, evaluation of the past performance, experience and expertise of the Auditors and based on the recommendation of the Audit Committee, the Board of Directors, at its meeting held on July 22, 2022, approved the reappointment of M/s S. Bhandari & Co., Chartered Accountants and M/s Oswal Sunil & Company, Chartered Accountants, as statutory auditors of the Company to hold office for a second term of five consecutive years from the conclusion of the ensuing AGM until the conclusion of the 40th AGM of the Company to be held in the year 2027 for conducting the audit of accounts of the Company from financial year 2022-23 to 2026-27, subject to approval of the shareholders of the Company.

M/s S. Bhandari & Co., Chartered Accountants and M/s Oswal Sunil & Company, Chartered Accountants have given consent to act as Statutory Auditors of the Company for the second term, and have confirmed that their reappointment, if made, will be in accordance with the conditions prescribed under Sections 139 and 141 of the Act.

The proposed remuneration to be paid to M/s S. Bhandari & Co. and M/s Oswal Sunil & Company, Chartered Accountants for conducting statutory audit of the Company for the financial year ending 2022-23 is ₹ 50 Lakhs each (exclusive of applicable taxes and out of pocket expenses, if any).

The Board of Directors, on the recommendation of the Audit Committee, shall decide the remuneration of M/s S. Bhandari & Co., Chartered Accountants and M/s Oswal Sunil & Company, Chartered Accountants as Statutory Auditors. for the remaining part of its tenure.

In addition to the statutory audit, the Company may also obtain certifications from M/s S. Bhandari & Co., Chartered Accountants and M/s Oswal Sunil & Company, Chartered Accountants under various statutory regulations and other permissible non-audit services as required from time to time, for which their remuneration shall be approved by the Audit Committee, in accordance with the provisions of Sections 142 and 144 of the Act.

The Board of Directors, on the recommendation of the Audit Committee, are also proposed to be authorised to approve and/or revise the remuneration of the statutory auditors, from time to time. The Board of Directors, in consultation with the Audit Committee, may alter and vary the terms and conditions of appointment, including remuneration, in such manner and to such extent as may be mutually agreed with the statutory auditors.

Brief profile of Auditors

M/s. S. Bhandari & Co., Chartered Accountants ("SBC") was established in March 1972.

SBC is one of the leading firms of Chartered Accountants in India. SBC is on the approved (Category 1) list of Comptroller and Auditor General of India and Reserve Bank of India and is conducting Statutory Audits of Public Sector Undertakings (including Navratna companies of Govt. of India) and Banks.

SBC is a perfect blend of experience and young professionals. With headquarters at Jaipur and branch at Mumbai, the Firm handles assignments across the Country with Total Quality Assurance.

SBC provide audit, assurance, tax and advisory services in various areas to help organizations negotiate risks, look after stakeholders' expectations and excel in the dynamic and challenging environments in which they do business.

The Firm has strong presence in the field of Audit and assurance services. The cliental includes manufacturing, engineering, mining, export, trading services to various corporate as well as firms.

M/s. Oswal Sunil & Company, Chartered Accountants was established in the year 1999

The Firm is having vast experience in Audits of public companies, nationalized banks, firms, NGO's and handling taxation, management consultancy, company law matters, accounting services, and approvals from various government agencies, for corporate and non-corporate clients.

The Firm's core team has very senior chartered accountants having vast experience covering various industrial, commercial and business houses in the field of Accountancy, Auditing, Direct & Indirect Taxation, Management Consultancy, Company Law Matters, etc.

The Firm represents a combination of specialized skills, which are geared to offers sound financial advice and personalized proactive services.

None of the Directors and Key Managerial Personnel of the Company and their respective relatives, is concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board recommends the ordinary resolution set out in item no. 5 of the Notice for the approval of members.

ITEM NO. 6

Mr. Bharat Pal Singh (DIN: 00739712) was appointed as an Independent Director on the Board of your Company, w.e.f. January 21, 2020, for one term of three consecutive years, by the shareholders at the 33rd Annual General Meeting **("AGM")** of the Company held on September 28, 2020, in terms of the provisions of Section 149 of the Companies Act, 2013 (the **"Act"**) read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations"**).

Mr. Bharat Pal Singh holds office as an Independent Director of the Company up to January 20, 2023 **("First Term")** in line with the explanation to Sections 149(10) and 149(11) of the Act.

Mr. Bharat Pal Singh holds two Master Degrees – M.Sc. in Operational Research from Delhi University and Masters in Marketing Management from Jamnalal Bajaj Institute of Management Studies, Mumbai.

Mr. Bharat Pal Singh was a former Dy. Managing Director of IDBI Bank. In 2010, Government of India appointed Mr. Bharat Pal Singh as Whole-time Director on the Board of IDBI Bank.

Mr. Bharat Pal Singh brings with him a rich experience of more than 33 years of handling a range of portfolios in the banking sector. Apart from Board experience at IDBI Bank, he was member of Boards of several large companies/corporations as a Nominee of IDBI Bank. Mr. Bharat Pal Singh has served on expert committees set up by the Government of India in the steel and cement sectors.

The performance evaluation of Mr. Bharat Pal Singh was based on various criteria, inter-alia, including attendance at Board and Committee Meetings, skill, experience, knowledge acquired with regard to the Company's business, understanding of industry and global trends, etc.

Pursuant to the recommendation of the Nomination, Remuneration and Compensation **(NRC)** Committee, the Board of Directors of the Company passed a resolution at its meeting held on July 22, 2022 and approved the re-appointment of Mr. Bharat Pal Singh as an Independent Director, not liable to retire by rotation, for a second term of consecutive three years commencing from January 21, 2023 to January 20, 2026, based on his skills, experience, knowledge and positive outcome of performance evaluation done by the NRC Committee and the substantial contribution made by him during his tenure and are of the view that continued association of Mr. Bharat Pal Singh as an Independent Director of the Company would be immensely beneficial to the Company and it is desirable to avail his services as an Independent Director.

Mr. Bharat Pal Singh has given his consent in form DIR-2 to act as Director in terms of Section 152(5) of the Act and declaration in form DIR-8 that he is not disqualified from being appointed as a Director in terms of Section 164(2) of the Act.

Also, in compliance with the SEBI Order dated June 14, 2018 to the Stock Exchanges and further BSE Circular No. LIST/COMP/14/2018-19 and NSE Circular No. NSE/CML/2018/24 both dated June 20, 2018, this is to confirm that Mr. Bharat Pal Singh (DIN: 00739712) has not been debarred from holding the office of director by virtue of any SEBI order or any other such authority.

The Company has received declaration from Mr. Bharat Pal Singh stating that he meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations.

In the opinion of the Board of Directors, Mr. Bharat Pal Singh fulfils the conditions specified in the Act read with the rules made thereunder and the SEBI Listing Regulations, for his re-appointment as an Independent Director of the Company and is independent of the Management.

Mr. Bharat Pal Singh doesn't hold any equity shares in the Company.

In terms of Section 160 of the Act, the Company has received a notice in writing from a Member proposing the candidature of Mr. Bharat Pal Singh to be re-appointed as an Independent Director of the Company.

A copy of the terms and conditions of appointment of independent directors are available for inspection by the Members in physical or electronic form at the Registered Office of the Company between 10.00 a.m. to 12.00 noon, on all working days (except Saturdays, Sundays and Public Holidays), up to the date of the AGM and are also available at the website of the Company at **https://www.hfcl.com/wp-content/uploads/2021/11/Terms-and-conditions-of-appointment-of-Independent-Directors-10.05.17.pdf**.

The terms and conditions of current re-appointment of Mr. Bharat Pal Singh are same as during his First Term as an Independent Director.

A brief profile of Mr. Bharat Pal Singh to be re-appointed as a Non-Executive Independent Director is given under the heading *"Details of Directors proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the SEBI Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

Pursuant to the provisions of Section 149(10) and other applicable provisions of the Act, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company, and shall be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in Board's report.

Pursuant Regulation 25(2A) of the SEBI Listing Regulations the appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution.

Accordingly, the Board recommends the re-appointment of Mr. Bharat Pal Singh as a Non-Executive Independent Director of the Company as set out in Item No. 6 of the Notice for the approval of Members by way of a special resolution.

Mr. Bharat Pal Singh is interested in the resolution set out at Item No. 6 of the Notice with regard to his re-appointment and remuneration payable as a Non-Executive Independent Director. The relatives of Mr. Bharat Pal Singh may be deemed to be interested in the aforesaid resolution to the extent of their shareholding, if any, in the Company.

The Board recommends the special resolution set out in item no. 6 of the Notice for the approval of members.

Save and except the above, none of the other Directors and Key Managerial Personnel of the Company and their relatives, is in anyway concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

ITEM NO.7

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, the Company is required to appoint a Cost Accountant to audit the cost records for applicable products being manufactured by the Company. Based on the recommendation of the Audit Committee, the Board at its meeting held on September 02, 2022, approved the appointment of M/s SKG & Co. (Firm Registration No. 000418) as the Cost Auditors of the Company to conduct audit of cost records maintained by the Company, pertaining to the relevant products prescribed under the Companies (Cost Records and Audit) Rules, 2014, for the financial year 2022-23 at a remuneration of ₹ 2,00,000/- (Rupees Two Lakhs Only) plus applicable taxes, out of pocket and other expenses.

In accordance with the provisions of Section 148 of the Act read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, the remuneration payable to Cost Auditors for the financial year 2022-23 as recommended by the Audit Committee and subsequently approved by the Board of Directors has to be ratified by the Members of the Company by way of an Ordinary Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 07 of the Notice for approval by the Members.

None of the Directors, Key Managerial Personnel or their relatives are, in any way, concerned or interested, financially or otherwise, in the said Resolution.

ITEM NO.8

The Securities and Exchange Board of India **("SEBI")**, vide its notification dated November 09, 2021, has notified SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 introducing amendments to the provisions pertaining to the Related Party Transactions under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("the SEBI Listing Regulations")**.

The amendments inter-alia included replacing of current threshold i.e., 10% (ten per cent) of the listed entity's consolidated turnover, for determination of material Related Party Transactions requiring prior Shareholders' approval with the threshold of lower of ₹ 1,000 crores (Rupees One Thousand Crore) or 10% (ten percent) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity. Accordingly, the threshold for determination of material Related Party Transactions under Regulation 23(1) of the SEBI Listing Regulations has been modified with effect from April 01, 2022.

Members may note that the Company and one of its subsidiaries, namely, HTL Limited, based at Chennai ("HTL"), are in the similar line of business, inter-alia, manufacturing and dealing in various kinds of optical fibre cables and telecom accessories.

In line with the above business activities and in the best interest of the Company and to ensure stability of supplies in terms of quality and logistics, the Company has been entering into various business transactions with HTL, in the ordinary course of business and at arms' length basis and pursuant to the approvals of the Audit Committee and the Board of Directors, wherever required, obtained from time to time, inter-alia, for purchase/sale of goods or materials and/or availing/rendering of services.

Further, HTL may obtain credit facilities to the extent of ₹ 164 crores 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 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 in favour of lenders of HTL to the extent of ₹ 164 crores during FY23.

The annual consolidated turnover of the Company was ₹ 4,727.11 Crores for the financial year 2021-22 and accordingly, in view of the aforesaid provisions, the overall quantum of the related party transactions with HTL, during the financial year 2022-23, is likely to exceed the stipulated threshold of ten percent of the annual consolidated turnover of the Company, as per the last audited financial statements of the Company.

All transactions in terms of the omnibus approval/security/ guarantee between the Company and HTL, have been/will be executed in the ordinary course of business and at arms' length basis. Hence, the provisions of Section 188(1) of the Companies Act, 2013 and the Rules made thereunder are not applicable on transactions between these entities.

However, all the transactions taken together during the financial year 2022-23, between the Company and HTL may be exceeding 10% of the last year's turnover, due to which these transactions are considered as material related party transactions, in terms of the SEBI Listing Regulations.

Therefore, in terms of Regulation 23(4) of the SEBI Listing Regulations, approval of the shareholders through ordinary resolution is required, if the transaction(s) to be entered into individually or taken together with the previous transaction(s) during a financial year with a related party, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Details of the transactions and other particulars as per SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021:

Sl. No.	Particulars	Description
A	Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise)	HTL Limited a material subsidiary company
B	Nature, Type, material terms and particulars of the proposed transaction	Purchase/sale of goods or materials and/or availing/ rendering of services, subscription of preference share capital, security/ corporate guarantee, interest on ICDs/ business advance
C	Period/Tenure of the proposed transaction (particular tenure shall be specified)	April 1, 2022 to March 31, 2023
D	Maximum Amount/Value of the proposed transaction	₹ 975 crores
E	Maximum value per transaction which can be allowed:	₹ 150 crores
F	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 FY2022)	20.63%
G	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 FY2021)	96.53%
H	If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary • details of the source of funds in connection with the proposed transaction • where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments: – nature of indebtedness; – cost of funds – tenure Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.	NA
I	Justification as to why the RPT is in the interest of the listed entity	To ensure stability of supplies in terms of quality and logistics. Further, sale and purchase at competitive price, will result into overall growth of the Group/Holding Company.
J	Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis	NA
K	The indicative base price or current contracted price and the formula for variation in the price, if any/A copy of the valuation or other external party report, if any such report has been relied	As per the provisions of the Companies Act, 2013/ Agreement at prevailing competitive market price at arm's length basis. Price may vary +/- ~5.0% – 7.5% on prevailing market prices, on account of following factors:- • Cost of Raw Materials; • Currency Exchange Fluctuations; • Overheads; • Margins etc.
L	Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction	-

In view of the above, the Board, in its meeting held on September 2, 2022, considered and recommended the material related party transactions entered/to be entered into with HTL, for an aggregate amount of up to ₹ 975 Crores (Rupees Nine Hundred Seventy Five Crore only) during the financial year 2022-23, to the shareholders for their approval by way of an ordinary resolution.

Mr. Mahendra Nahata, Managing Director of the Company is Chairman and also a Non-Executive Director on the Board of HTL. Dr. Ranjeet Mal Kastia, Non-Executive Director of the Company is also a Non-Executive Director on the Board of HTL. Dr. Tamali Sen Gupta, 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/their relatives, is in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice. Your Board recommends the Ordinary Resolution set out at Item no. 8 of the Notice for your approval.

ITEM NO. 9

In order to further strengthen the Company's capital base and balance sheet and help the Company to augment the long-term working capital resources for meeting funding requirements of its business activities viz. higher level of backward integration, setting up of new production facilities taking advantage of Production Linked Incentive (PLI) and Design Led Incentive (DLI) Schemes, enhancing the research & development facilities, acquisition of technologies, financing the existing as well as future growth opportunities, capital expenditure, spent on expansion of global network and general corporate purposes, the Company has been exploring various options for raising funds.

The Board of Directors of the Company, at its meeting held on **September 02, 2022**, subject to necessary approval(s), have approved the proposal for issuing 1,41,00,000 (One Crore Forty One Lakh) Warrants, which may be exercised in one or more tranches during the period commencing from the date of allotment of the Warrants until expiry of 18 (eighteen) months convertible into one equity share of the Company of face value ₹1/- each, at a price not less than the price to be determined in accordance with Regulation 164 of Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 **("SEBI ICDR Regulations")**, on Preferential Issue basis, through private placement offer to the one of the Promoters of the Company and to certain persons belonging to Non-Promoter category being senior leadership team that have agreed to subscribe to the proposed preferential issue and have confirmed their eligibility in terms of Regulation 159 of the SEBI ICDR Regulations.

In accordance with Sections 23(1)(b), 42 and 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 **("Act")** and the rules made thereunder and in accordance with the SEBI ICDR Regulations and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("SEBI Listing Regulations")**, as amended from time to time, approval of the members of the Company by way of special resolution is required to issue securities by way of private placement on a preferential basis.

Accordingly, in terms of the Act and the SEBI ICDR Regulations, consent of the members is being sought for the raising of funds aggregating up to ₹112,80,00,000/- (Rupees One Hundred Twelve Crore Eighty Lacs only) by way of issue and allotment of up to 1,41,00,000 (One Crore Forty One Lakh only) Warrants, each convertible into or exchangeable for 1 (one) fully paid-up equity share of the Company of face value of ₹1/- each **("Warrants")** at a price of ₹80/- per Equity Share **("Warrant Exercise Price")** each payable in cash which may be exercised in one or more tranches during the period commencing from the date of allotment of the Warrants until expiry of 18 (Eighteen) months, to the one of the Promoters of the Company and to certain persons belonging to Non-Promoter category being senior leadership team (hereinafter referred to as **"Proposed Allottees"/ "Warrant Holders"**), by way of preferential issue on such other terms and conditions as set out herein, subject to applicable laws and regulations, including the provisions of Chapter V of the SEBI ICDR Regulations and the Act, as the Board may determine in the manner detailed hereafter.

The salient features of the preferential issue, including disclosures required to be made in terms of the provisions of Section 42 of the Act read with Rule 14(1) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Section 62(1)(c) of the Act read with Rule 13(2) of the Companies (Share Capital and Debentures) Rules, 2014 and Chapter V of the SEBI ICDR Regulations, are set out below:

(i) Objects of the Issue:

Members may note that Telecommunication sector today offers large growth opportunities to telecom equipment vendors, optical Fibre cable vendors and infrastructure vendors. Upcoming 5G Networks, increased adoption of FTTH Services and emphasis on Rural Broadband penetration will result in massive increase in Capex by operators.

Rollout of 5G Networks will result in multifold increase in demand of equipment and optical fibre cables. New use cases for Agriculture, Education, Healthcare, Industry 4.0 etc. riding on the top of 5G networks using hundreds of millions of IOT devices will result in massive increase in data traffic thereby multiplying demand of network equipment and services.

Increased adoption and use of Fibre to Home services will boost the demand of FTTH cable and required network elements.

Government of India's initiative of Bharatnet programme to link each village in the country with optical fibre cable to enable service providers to give Broadband Services to Rural India thereby ending digital divide between urban and rural will lead to increase in demand of equipment and optical Fibre cable necessary for creating this network.

Expansion of telecom network and infrastructure at this massive scale is happening not only in India but in many other countries around the world. Be it 5G or FTTH or Rural Connectivity, all are in the top of the agenda of Telecom Network Operators, Governments and Regulatory Authorities worldwide.

This emerging Global scenario has resulted in never before seen opportunity for telecom vendors.

HFCL, being a company having a predominant position as a telecom vendor in India and also making successful forays in export market, is well poised to take advantage of these market opportunities either directly or through its subsidiaries by expanding its product portfolio by forging partnerships with technology leaders or by designing new products in its own R&D, by increasing its production capacity, by setting up new production facilities taking advantage of Production

Linked Incentive Scheme (PLI) and Design Led Incentive Scheme (DLI) announced by Government of India and by higher level of backward integration to have stable supply chain. These steps will result in market expansion, increased revenue and profitability of the Company.

The proposed Preferential Issue will further strengthen the Company's capital base and balance sheet and help the Company to augment the long-term working capital resources for meeting funding requirements of its business activities which could be pursued either directly or indirectly through its subsidiaries, viz. higher level of backward integration, setting up of new production facilities taking advantage of Production Linked Incentive (PLI) and Design Led Incentive (DLI) Schemes, enhancing the research & development facilities, acquisition of technologies, financing the existing as well as future growth opportunities, capital expenditure, spent on expansion of global network, repayment / prepayment of indebtedness and general corporate purposes.

(ii) Relevant Date:

The "Relevant Date" as per Regulation 161 of the SEBI ICDR Regulations for the determination of the minimum price for Warrants to be issued is fixed as **Tuesday, August 30, 2022**, being the preceding day to August 31, 2022, 30 (thirty) days prior to the date of this 35th Annual General Meeting *(since, the relevant date, i.e., August 31, 2022 falls on a holiday, the day preceding the holiday, i.e., August 30, 2022, is reckoned as the relevant date)*.

(iii) Basis or justification for the price (including the premium, if any) has been arrived at:

Regulation 164 of the SEBI ICDR Regulations prescribes the minimum price at which a preferential issue may be made. In accordance with Regulation 164, the minimum price of the Warrants shall be the higher of:

(a) the 90 trading days' volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; and

(b) the 10 trading days' volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

The equity shares of the Company are listed on the BSE Limited **("BSE")** and the National Stock Exchange of India Limited **("NSE")** and are frequently traded in accordance with the SEBI ICDR Regulations.

For the purposes of computation of price per Equity Share or Warrant, NSE is the stock exchange that has higher trading volume for the said period and accordingly, has been considered.

As per the pricing formula prescribed under Regulation 164 of the SEBI ICDR Regulations, the minimum price at which the Warrants can be issued is ₹74.21/- per Warrant.

The Company proposes to issue the Warrants at an issue price of ₹80/- per Equity Share **("Warrant Exercise Price")** , which is not less than the minimum price computed in accordance with Regulation 164 of the SEBI ICDR Regulations.

(iv) The Class or Classes of Persons to whom the allotment is proposed to be made:

The entire issue is made to the category belonging to the Promoter and Non-promoter Category as mentioned herein.

(v) The number of persons to whom allotment on preferential basis have already been made during the year, in terms of number of securities as well as the price:

The Company has not made any preferential allotment during the current financial year 2022-23.

(vi) Total amount which the Company intends to raise by the issue and maximum number of securities to be issued:

The resolution set out in the accompanying notice authorises the Board to raise funds aggregating up to ₹112,80,00,000/- (Rupees One Hundred Twelve Crore Eighty Lacs only) by way of issue of up to 1,41,00,000 (One Crore Forty One Lakh only) warrants, each convertible into or exchangeable for 1 (one) fully paid-up equity share of the Company of face value of ₹1/- each **("Warrants")** at a price of ₹80/- per Equity Share **("Warrant Exercise Price")** each payable in cash, which may be exercised in one or more tranches during the period commencing from the date of allotment of the Warrants until expiry of 18 (eighteen) months.

An amount of ₹20/- (Rupees Twenty only), which is equivalent to 25% of the Warrants Exercise Price shall be paid at the time of subscription and allotment of each Warrant. 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).

(vii) The price of the shares or other securities to be issued on a preferential basis, either for cash or for consideration other than cash, shall be determined on the basis of valuation report of a registered valuer:

The issue of Warrants shall be made only for cash consideration.

The price of Warrants to be issued on a preferential basis by a listed company is not required to be determined by the valuation report of a registered valuer.

Since the Equity Shares of the Company are listed on the stock exchanges and the Preferential Issue is not more than 5%, report of the registered valuer is not required under the provisions of second proviso to Rule 13(1) of the Companies (Share Capital and Debentures) Rules, 2014 for the proposed Preferential Issue and under applicable provisions of SEBI ICDR Regulations.

(viii) Intent of the promoters, directors or key managerial personnel of the Company to subscribe to the offer:

The Proposed Allottees, namely, MN Ventures Private Limited, is the Promoter of the Company which shall subscribe to the offer. Further Mr. Vijay Raj Jain and Mr. Manoj Baid, Key Managerial Personnel of the Company shall also subscribe to the offer.

Except, MN Ventures Private Limited, Mr. Vijay Raj Jain and Mr. Manoj Baid which will be subscribing to Warrants in the preferential issue, none of the other promoters, directors or key managerial personnel of the Company intends to apply/ subscribe to any of the Warrants.

(ix) Time frame within which the preferential issue shall be completed:

In accordance with Regulation 170 of the SEBI ICDR Regulations, the allotment of the Warrants, shall be completed within a period of 15 days from the date of passing of the resolution by the shareholders, provided that where the allotment is pending on account of pendency of any approval(s) or permission(s) from any regulatory authority / body, the allotment shall be completed by the Company within a period of 15 days from the date of such approval(s) or permission(s).

(x) Particulars of proposed allottees and Identity of the natural persons who are the ultimate beneficial owners of the shares proposed to be allotted and / or who ultimately control the Proposed Allottee:

S. No.	Name of the Proposed allottee	Name of Ultimate Beneficial Owner of the Proposed Allottee
1.	M/s MN Ventures Private Limited	Mr. Mahendra Nahata and Mr. Anant Nahata, individual promoter of the Company.
2.	Mr. Vijay Raj Jain	N.A
3.	Mr. Jitendra Singh Chaudhary	N.A
4.	Mr. Harshwardhan Pagay	N.A
5.	Mr. Manoj Baid	N.A
6.	Mr. Devender Kumar	N.A
7.	Mr. Nand Lal Garg	N.A
8.	Mr. Jayanta Dey	N.A
9.	Mr. Sushil Kumar Wadhwa	N.A
10.	Mr. Rajesh Jain	N.A
11.	Mr. Brij Bhushan Singh	N.A
12.	Mr. Gilkara Shrinivas Naidu	N.A

(xi) The percentage of the post-preferential issue that may be held by the Proposed Allottee:

S. No.	Name of the Proposed Allottee	Category	Pre-Issue Holding (No. of Shares)	% of Pre Preferential Issue Capital	No. of Shares to be allotted	Post Issue Holding (No. of Shares)	% of Post Preferential Issue Capital
1.	M/s MN Ventures Private Limited	Promoter	29,33,65,000	21.29	1,00,00,000	30,33,65,000	21.80
2.	Mr. Vijay Raj Jain	Non-promoter	3,12,000	0.02	15,00,00,00	18,12,000	0.13
3.	Mr. Harshwardhan Pagay	Non-promoter	1,58,900	0.01	5,00,000	6,58,900	0.05
4.	Mr. Jitendra Singh Chaudhary	Non-promoter	1,76,400	0.01	5,00,000	6,76,400	0.05
5.	Mr. Manoj Baid	Non-promoter	1,39,000	0.01	2,00,000	3,39,000	0.02
6.	Mr. Devender Kumar	Non-promoter	NIL	0.00	2,00,000	2,00,000	0.01
7.	Mr. Nand Lal Garg	Non-promoter	NIL	0.00	2,00,000	2,00,000	0.01
8.	Mr. Jayanta Dey	Non-promoter	NIL	0.00	2,00,000	2,00,000	0.01
9.	Mr. Sushil Kumar Wadhwa	Non-promoter	NIL	0.00	2,00,000	2,00,000	0.01
10.	Mr. Rajesh Jain	Non-promoter	20,000	0.00	2,00,000	2,20,000	0.02
11.	Mr. Brij Bhushan Singh	Non-promoter	1,45,000	0.01	2,00,000	3,45,000	0.02
12.	Mr. Gilkara Shrinivas Naidu	Non-promoter	93,800	0.01	2,00,000	2,93,800	0.02

The above table shows the expected holding in the Company upon consummation of the allotment, and assuming the conversion of Warrants, if allotted into Equity Shares and that, holdings of all other shareholders shall remain the same post-issue as they were on the date of which the pre-issue shareholding pattern was prepared.

(xii) The change in control, if any, in the Company consequent to the preferential issue:

At present, the Promoters/Promoter's Group Shareholding in the Company is 54,00,81,892 (39.20%) which would increase to 55,00,81,892 (39.52%) upon allotment of Warrants, on a fully diluted basis.

As a result of the proposed preferential issue of Warrants and/or upon their conversion into equity shares, there will be no change in the control of the Company.

There will be no change in the control or composition of the Board of Directors of the Company consequent to the said preferential issue.

(xiii) Current and proposed status of the Proposed Allottees post the preferential issue viz. promoter or non-promoter:

As mentioned above, one of the Proposed Allottee is a Promoter of the Company and the status of which will continue as Promoter post the preferential issue. The remaining Proposed Allottees are from Non-Promoter Category and will fall under Non- Promoter Category post the preferential issue.

(xiv) Shareholding Pattern before and after the Preferential Issue (assuming the conversion of Equity Warrants, if allotted, into Equity Shares) is as below:

S. No.	Category	Pre-Issue		Post-Issue*	
		Total No. of Equity Shares held	% age of Shareholding	Total No. of Equity Shares held	% age of Shareholding
A.	**Shareholding of Promoter and Promoter Group**				
1.	**Indian:**				
	Individuals	34,80,091	0.25	34,80,091	0.25
	Bodies Corporate	53,66,01,801	38.95	54,66,01,801	39.27
	Total Shareholding of Promoter and Promoter Group (A)	**54,00,81,892**	**39.20**	**55,00,81,892**	**39.52**
B.	**Non-Promoters' / Public Shareholding:**				
1.	**Institutions:**				
	(a) Mutual Funds	3,31,12,965	2.41	3,31,12,965	2.38
	(b) Foreign Portfolio Investors	9,49,77,346	6.90	9,49,77,346	6.82
	(c) Financial Institution/ Banks	2,150	0.00	2,150	0.00
	(d) Insurance Companies	23,21,000	0.17	23,21,000	0.17
	(e) Any other				
	(i) Foreign Institutional Investors	5,620	0.00	5,620	0.00
	(ii) Foreign Banks	5,305	0.00	5,305	0.00
	Sub-Total (B1)	**13,04,24,386**	**9.48**	**13,04,24,386**	**9.37**
2.	**Central Government/State Government(s)/President of India**	5,000	0.00	5,000	0.00
	Sub-Total (B2)	**5,000**	**0.00**	**5,000**	**0.00**
3.	**Non-Institutions:**				
	(a) Individual	47,51,91,065	34.49	47,92,91,065	34.44
	(b) NBFC registered with RBI	2,03,96,307	1.48	2,03,96,307	1.47
	(c) Any other				
	(i) Bodies Corporate	18,79,28,685	13.64	18,79,28,685	13.50
	(ii) Trust	40,109	0.00	40,109	0.00
	(iii) Societies	520	0.00	520	0.00
	(iv) Overseas Corporate Bodies	38,250	0.00	38,250	0.00
	(v) NRIs	2,16,59,607	1.57	2,16,59,607	1.56
	Sub-Total (B3)	**70,52,54,543**	**51.18**	**70,93,54,543**	**50.97**
	Total Public Shareholding (B)=(B1)+(B2)+(B3)	**83,56,83,929**	**60.66**	**83,97,83,929**	**60.34**
C.	**Employee Benefit Trust (under SEBI (Share based employee Benefit) Regulations, 2014**	19, 92,500	0.14	19,92,500	0.14
	GRAND TOTAL (A) + (B) + (C)	**137,77,58,321**	**100.00**	**1,39,18,58,321**	**100.00**

* The post issue shareholding pattern in the above table has been prepared with shareholding as on August 19, 2022, on the basis that the Proposed Allottees would have subscribed to all the Warrants and been allotted all the Equity Shares upon conversion of Warrants. In the event for any reason, the Proposed Allottees do not or is unable to subscribe to and/or is not allotted the Equity Shares, the shareholding pattern in the above table would undergo corresponding changes.

It is further assumed that shareholding of the Company in all other categories will remain unchanged. The above shareholding pattern does not take into the account the allotment of share to be made by the Company pursuant to the resolution to be passed at item no. 10 of the Notice.

(xv) Undertaking:

The Company hereby undertakes that:

(a) The Company is in compliance with the conditions for continuous listing and is eligible to make the preferential issue under Chapter V of the SEBI ICDR Regulations.

(b) As the Equity Shares have been listed for a period of more than ninety days as on the Relevant Date, the provisions of Regulation 164(3) of SEBI ICDR Regulations governing re-computation of the price of shares shall not be applicable.

(c) The Company shall re-compute the price of the Warrants, in terms of the provisions of the SEBI ICDR Regulations where it is required to do so, including pursuant to Regulation 166 of the SEBI ICDR Regulations, if required;

(d) If the amount payable on account of re-computation of price is not paid within the time stipulated in the SEBI ICDR Regulations, the above Warrants, shall continue to be locked in till the time such amount is paid by the Proposed Allottees.

(e) Neither the Company, its Directors or Promoters have been declared as willful defaulter or a fugitive economic offender or a fraudulent borrower.

(f) The Proposed Allottees have confirmed that they have not sold any equity shares of the Company during the 90 Trading Days preceding the Relevant Date.

(xvi) Listing:

The Company will make an application to the Stock Exchanges at which the existing shares are listed, for listing of the Equity Shares to be allotted on exercise of Warrants. The Equity Shares, once allotted, shall rank pari passu with the then existing equity shares of the Company in all respects.

(xvii) Lock-in period:

The Warrants allotted pursuant to this resolution and/or the resultant equity shares to be issued and allotted upon exercise of right attached to the Warrants as above shall be subject to a lock-in for such period as per the provisions of Chapter V of the SEBI ICDR Regulations.

However, in addition to the lock-in period prescribed under SEBI ICDR Regulations, the Equity Shares allotted shall along with any further issuance of shares such as Bonus Shares, which may arise in future, shall be locked in for a further period as may be mutually agreed upon by the Company and the Proposed Allottees.

Further, the entire pre-preferential allotment holding of the Proposed Allottees shall be subject to lock-in as specified in the provisions of Chapter V of the SEBI ICDR Regulations.

(xviii) Shareholding Interest of every Promoter, Director and KMPs to the extent of 2% or more in MN Ventures Private Limited:

Mr. Mahendra Nahata, Promoter & Managing Director holds in aggregate ~77% equity stake and exercise significant influence over MN Ventures Private Limited.

Save as aforesaid, no other Promoter, Director and KMP directly holds any equity shares to the extent of 2% or more in MN Ventures Private Limited.

(xix) Practicing Company Secretary's Certificate:

A certificate from Mr. Baldev Singh Kashtwal, Practicing Company Secretary, (FCS: 3616; CoP No.: 3169), has been obtained by the Company certifying that the preferential issue is being made in accordance with the requirements of the SEBI ICDR Regulations.

The certificate can be accessed at **https://www.hfcl.com/wp-content/uploads/2022/09/HFCL-COMPLIANCE-CERTIFICATE-UNDER-REGULATION-163-OF-SEBI-ICDR.pdf** and shall be placed before the 35th AGM of the shareholders.

None of the Directors or Key Managerial Personnel of the Company and/or their relative(s) is in any way concerned or interested, financially or otherwise, in the proposed resolution in Item No. 9 except Mr. Mahendra Nahata, Managing Director along with his son Mr. Anant Nahata, who is also a promoter shareholder. Mrs. Manju Nahata, wife of Mr. Mahendra Nahata and mother of Mr. Anant Nahata, may also be treated as concerned or interested, financially or otherwise in the proposed resolution to the extent of her shareholding whether directly or indirectly in MN Ventures Private Limited. Other members of promoter and promoter group shall also be deemed to be concerned or interested in the proposed Resolution in Item No. 9, by reason of their being part of the Promoter Group which also includes the Warrant Holder.

Mr. Vijay Raj Jain and Mr. Manoj Baid, Key Managerial Personnel of the Company along with their relatives may also be treated as concerned or interested, financially or otherwise in the proposed resolution in Item No.9 to the extent of their shareholding in the Company.

The Board of Directors believes that the proposed Preferential Issue is in the best interest of the Company and its Members and, therefore, recommends the resolution at Item No.9 of the accompanying Notice for approval by the Members of the Company as a Special Resolution.

ITEM NO. 10

Members may note that Telecommunication sector today offers large growth opportunities to telecom equipment vendors, optical Fibre cable vendors and infrastructure vendors. Upcoming 5G Networks, increased adoption of FTTH Services and emphasis on Rural Broadband penetration will result in massive increase in Capex by operators.

Rollout of 5G Networks will result in multifold increase in demand of equipment and optical fibre cables. New use cases for Agriculture, Education, Healthcare, Industry 4.0 etc. riding on the top of 5G networks using hundreds of millions of IOT devices will result in massive increase in data traffic thereby multiplying demand of network equipment and services.

Increased adoption and use of Fibre to Home services will boost the demand of FTTH cable and required network elements.

Government of India's initiative of Bharatnet programme to link each village in the country with optical fibre cable to enable service providers to give Broadband Services to Rural India thereby ending digital divide between urban and rural will lead to increase in demand of equipment and optical Fibre cable necessary for creating this network.

Expansion of telecom network and infrastructure at this massive scale is happening not only in India but in many other countries around the world. Be it 5G or FTTH or Rural Connectivity, all are in the top of the agenda of Telecom Network Operators, Governments and Regulatory Authorities worldwide.

This emerging Global scenario has resulted in never before seen opportunity for telecom vendors.

HFCL, being a company having a predominant position as a telecom vendor in India and also making successful forays in export market, is well poised to take advantage of these market opportunities either directly or through its subsidiaries by expanding its product portfolio by forging partnerships with technology leaders or by designing new products in its own R&D, by increasing its production capacity, by setting up new production facilities taking advantage of Production Linked Incentive Scheme (PLI) and Design Led Incentive Scheme (DLI) announced by Government of India and by higher level of backward integration to have stable supply chain. These steps will result in market expansion, increased revenue and profitability of the Company.

In order to tap the growth opportunities and to further strengthen the Company's capital base and balance sheet and help the Company to augment the long-term working capital resources for meeting funding requirements of its business activities which could be pursued either directly or indirectly through its subsidiaries, viz. higher level of backward integration, setting up of new production facilities taking advantage of Production Linked Incentive (PLI) and Design Led Incentive (DLI) Schemes, enhancing the research & development facilities, acquisition of technologies, financing the existing as well as future growth opportunities, capital expenditure, spent on expansion of global network, repayment / prepayment of indebtedness and general corporate purposes, it is proposed to raise funds through Qualified Institutions Placement to QIBs as defined in SEBI ICDR Regulations or Private Placement or Preferential Issue or Public Issue or through any other permissible mode and/or combination thereof, in one or more tranches, to be subscribed in Indian or any foreign currencies, by all eligible investors as may be considered appropriate under applicable law.

The above funding requirements are proposed to be financed through internal accruals, borrowings and partly through this fund raise by way of issue of equity shares or preference shares or any other instrument or security(ies), subject to all statutory and other approvals.

The proposed Special Resolution is an enabling resolution and , therefore, the proposal seeks to confer upon the Board (including a committee thereof), the absolute discretion to determine the terms of the aforementioned issuance of eligible securities, including the exact price, proportion and timing of such issuance, based on an analysis of the specific requirements and market conditions. The detailed terms and conditions of such issuance will be determined by the Board or a committee thereof, considering prevailing market conditions, practices and in accordance with the applicable provisions of law and other relevant factors. Accordingly, the Board (including a committee thereof) may, in its discretion, adopt any one or more of the mechanisms prescribed above to meet its objectives as stated in the aforesaid paragraphs without the need for fresh approval from the Members of the Company.

In the event of issuance of Securities by way of a QIP, as per the provisions of the SEBI ICDR Regulations, an issue of Securities shall be made at a price not less than the floor price calculated in accordance with Chapter VI of the ICDR Regulations. The Board or Committee of Directors duly authorised by the Board will be authorised to offer a discount of not more than five percent on such price determined in accordance with the pricing formula provided under Regulation 176 of the SEBI ICDR Regulations or such other discount as may be permitted in accordance with applicable law.

Further, in the event that such issuance of Securities is undertaken by way of a QIP, the allotment of Securities shall be completed within a period of 12 months from passing the Special Resolution by the Members or such other time as may be permitted under the SEBI ICDR Regulations from time to time. The aforesaid issue of Securities will be subject to receipt of requisite approvals from appropriate authorities, as may be applicable. Further, no allotment shall be made, either directly or indirectly to any QIB who is a promoter, or any person related to promoters in terms of the SEBI ICDR Regulations.

Further, pending utilisation of the proceeds for the purposes described above, the Company intends to temporarily invest such proceeds in creditworthy instruments, including money market, mutual funds and deposits with banks and corporates or other securities. Such investments would be in accordance with the investment policies, as approved by the Board and/or a duly authorized committee(s), from time to time and all applicable laws and regulations.

In view of the above, the Board, in its meeting held on **September 02, 2022** subject to necessary approvals, considered raising of funds for an aggregate amount of up to ₹650 Crores (Rupees Six Hundred Fifty Crores only), through Qualified Institutions Placement to QIBs as defined in SEBI ICDR Regulations or Private Placement or Preferential Issue or Public Issue or through any other permissible mode and/or combination thereof as may be considered appropriate under applicable law.

The issue of securities may be consummated in one or more tranches at such time or times at such price, whether at a discount or premium to market price or prices in such manner and on such terms and conditions as the Board may in its absolute discretion decide, taking into consideration prevailing market conditions and other relevant factors and wherever necessary in consultation with advisors, book running lead managers, underwriters and such other authority or authorities as may be necessary and subject to, as applicable, the SEBI ICDR Regulations, the Depository Receipts Scheme, 2014 and other applicable guidelines, notifications, rules and regulations, each as amended.

Pursuant to Sections 42, 55, 62(1)(c), 71 and other applicable provisions of the Companies Act, 2013 **("Act")**, the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 and other applicable provisions, if any (including any amendments, statutory modification(s) and/ or re-enactment thereof for the time being in force), the SEBI ICDR Regulations and any other law, approval of the members is required to be obtained by way of a special resolution.

Therefore, consent of the members is being sought by way of a special resolution in this Annual General Meeting, pursuant to applicable provisions of the Act, the SEBI ICDR Regulations and any other law for the time being in force and being applicable.

The special resolution also seeks to give the Board powers to issue equity shares and/or Eligible Securities in one or more tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies and/or individuals or otherwise as the Board in its absolute discretion deem fit.

The detailed terms and conditions for the issue(s)/offering(s) will be determined by the Board in its sole discretion considering prevailing market conditions, practices and in accordance with the applicable laws and other relevant factors, in consultation with the advisors, lead managers, underwriters and such other authority or authorities as may be necessary.

The Board of Directors believes that the proposed capital raise is in the best interest of the Company and its Members and, therefore, recommends the resolution at Item No.10 of the accompanying Notice for approval by the Members of the Company as a Special Resolution.

None of the directors, promoters and key managerial personnel of the Company or their respective relatives, except to the extent of their shareholding entitlements, if any, is concerned or interested financially or otherwise, in the Resolution set out at Item No. 10 of the Notice.

Registered Office:
8, Electronics Complex,
Chambaghat
Solan-173213 (H. P.)

Place: New Delhi
Date: September 02, 2022

By Order of the Board

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

Notes

Corporate Information

Board of Directors

Mr. Mahendra Pratap Shukla
Chairman (Non-Executive)
(Deceased on May 04, 2021)

Mr. Mahendra Nahata
Managing Director

Mr. Arvind Kharabanda
Non-Executive Director

Dr. (Mr.) Ranjeet Mal Kastia
Non-Executive Director

Mr. Ramakrishna Eda
Non-Executive Director
(Nominee - IDBI Bank Limited)
(Ceased on May 02, 2022)

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

Senior Vice-President (Corporate) & Company Secretary

Mr. Manoj Baid

Auditors

S. Bhandari & Co.
Chartered Accountants
P-7, Tilak Marg, C- Scheme
Jaipur - 302 005

Oswal Sunil & Company
Chartered Accountants
71, Daryaganj
New Delhi - 110 002

Internal Auditor

Anil Agarwal & Co.
Chartered Accountants
506, Surya Kiran Building
K G Marg, Connaught Place
New Delhi - 110 001

Secretarial Auditor

Mr. B. S. Kashtwal
Practicing Company Secretary
106, 1st Floor, Madhuban Tower
A-1 VS Block, Shakarpur Crossing
Delhi - 110 092

Bankers

IDBI Bank Limited
State Bank of India
Punjab National Bank
(Including erstwhile Oriental Bank of Commerce & United Bank of India)
Bank of Baroda
Union Bank of India
ICICI Bank Limited
Yes Bank Limited
Indian Bank
KEB Hana Bank

Registered Office

8, Electronics Complex
Chambaghat
Solan - 173 213
Himachal Pradesh

Optical Fibre Cable Plant

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

Optical Fibre and Optical Fibre 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