



HFCL Limited

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HFCL/SEC/23-24

February 01, 2024

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

Subject: Monitoring Agency Report on the utilisation of proceeds raised through Qualified Institutions Placement for the Quarter ended December 31, 2023

Dear Sir(s)/ Madam,

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

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

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

Thanking you.

Yours faithfully,
For **HFCL Limited**

(Manoj Baid)
President & Company Secretary
Encl.: Monitoring Agency Report

No. CARE/NRO/RL/2023-24/2907

The Board of Directors

HFCL Limited

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

February 01, 2024

Dear Sir,

Monitoring Agency Report for the quarter ended December 31, 2023 - in relation to the Qualified Institutions Placement of Equity Shares of HFCL Limited ("the Company")

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

In this connection, we are enclosing the Monitoring Agency Report for the quarter ended December 31, 2023 as per aforesaid SEBI Regulations and Monitoring Agency Agreement dated August 28, 2023.

Request you to kindly take the same on records.

Thanking you,

Yours faithfully,



Ravleen Sethi

Associate Director

Ravleen.sethi@careedge.in

CARE Ratings Limited
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Noida,
Gautam Budh Nagar, Uttar Pradesh -201301
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Report of the Monitoring Agency (MA)

Name of the issuer: HFCL Limited

For quarter ended: December 31, 2023

Name of the Monitoring Agency: CARE Ratings Limited

(a) Deviation from the objects: Nil

(b) Range of Deviation: Not applicable

Declaration:

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

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

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



Signature:

Name of the Authorized Signatory: Ravleen Sethi

Designation of Authorized person/Signing Authority: Associate Director

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1) Issuer Details:

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

2) Issue Details

Issue Period	: August 28, 2023 to August 31, 2023
Type of issue (public/rights)	: Private placement
Type of specified securities	: Equity Shares
IPO Grading, if any	: Not applicable
Issue size (in Rs. crore)	: Rs. 352.00 crore (Note 1)*

*Note 1:

The company had offered 5,10,14,491 Equity Shares, aggregating to Rs. 352.00 crore. A minimum of 10.00% of the Issue Size, i.e., at least 51,01,449 Equity Shares were made available for allocation to Mutual Funds only and the balance 4,59,13,042 Equity Shares were made available for allocation to all eligible QIBs, including Mutual Funds.

Particulars	Remarks
Maximum equity shares issued for Qualified Institutions Placement	5,10,14,491
Total proceeds received (in Rs. Crore)	352.00
Details of expenses incurred/to be incurred related to issue (in Rs. Crore)	9.50 [^]
Net proceeds available for utilization (in Rs. Crore)	342.50

[^] As per placement document, the expenses related to the issue were estimated at Rs. 9.50 crore. However, the actual expenses incurred as on December 31, 2023, are Rs. 9.31 crore. The balance Rs. 0.19 crore which was lying in escrow a/c has been transferred to monitoring account and will be utilized for General Corporate Purposes (GCP) as specified in placement document.

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

Particulars	Reply	Source of information / certifications considered by Monitoring Agency for preparation of report	Comments of the Monitoring Agency	Comments of the Board of Directors
Whether all utilization is as per the disclosures in the Offer Document?	Yes	Chartered Accountant certificate*, Bank statement and Placement Document	Rs 267.30 crore in total has been spent so far by the company out of which Rs. 162.29 crores were spent in Q2FY24 and Rs 105.01 crore was spent in Q3FY24 and on the objects as specified by offer document. During Q3FY24, the company spent Rs 77.03 crore on Research & Development (R&D)	

Particulars	Reply	Source of information / certifications considered by Monitoring Agency for preparation of report	Comments of the Monitoring Agency	Comments of the Board of Directors
			expenditure, Rs 27.98 crores on GCP. The total unutilized amount balance of Rs 75.91 crore as at Q3 FY24 end is lying in fixed deposits with SBI out of which Rs 50 crore can be clearly identified as these were made out of funds lying in MA but FDs to the tune of Rs 25.91 crore were made from funds lying in cash credit account which cannot be clearly identified against the funds which were originally received on account of the QIP issue as in the cash credit account there are other day to day transactions of the company and balance Rs 0.94 crore is lying in the Monitoring account which was clearly identifiable.	
Whether shareholder approval has been obtained in case of material deviations# from expenditures disclosed in the Offer Document?	Not applicable	Not applicable	Not applicable	
Whether the means of finance for the disclosed objects of the issue have changed?	Not applicable	Not applicable	Not applicable	
Is there any major deviation observed over the earlier monitoring agency reports?	Not applicable	Not applicable	Not applicable	
Whether all Government/statutory approvals related to the object(s) have been obtained?	Not applicable	Not applicable	Not applicable	
Whether all arrangements pertaining to technical assistance/collaboration are in operation?	Not applicable	Not applicable	Not applicable	
Are there any favorable/unfavorable events affecting the viability of these object(s)?	NO	Not Applicable	Not applicable	
Is there any other relevant information that may materially affect the decision making of the investors?	NO	Not applicable	Not applicable	

* Chartered Accountant certificate from Chandra Kailash Jain & Company dated January 10, 2024

#Where material deviation may be defined to mean:

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

4) Details of objects to be monitored:

1. Cost of objects –

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

* Chartered Accountant certificate from Chandra Kailash Jain & Company dated January 10, 2024.

^ As per placement document, the expenses related to the issue were estimated at Rs. 9.50 crore. However, the actual expenses incurred as on December 31, 2023, are Rs. 9.31 crore. The balance Rs. 0.19 crore which was lying in escrow a/c has been transferred to monitoring account and will be utilized for General Corporate Purposes (GCP) as specified in placement document.

2. Progress in the objects –

(Rs in Crore)

S r. No	Item Head	Source of information/ certifications considered by Monitoring Agency for preparation of report	Amount proposed in the Offer Document	Amount utilised in Rs. Crore			Unutilised amount	Comments of the Monitoring Agency	Comments of the Board of Directors	
				As at beginning of the quarter	During the quarter	At the end of the quarter			Reasons for idle funds	Proposed course of action
1	Capital Expenditure	Chartered Accountant certificate*, Bank statements, Placement Document	75.00	2.50	-	2.50	72.50	Out of the total amount which was apportioned for this head, Rs 2.50 crore has been spent in Q2FY24 and there was no expenditure done in Q3FY24 under this head.		
2	Research and Development Expenditure	Chartered Accountant certificate*,	85.00	5.61	77.03	82.64	2.36	Out of the total spent which was apportioned for this head, Rs 5.61		

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S r. N o	Item Head	Source of information/certifications considered by Monitoring Agency for preparation of report	Amount proposed in the Offer Document	Amount utilised in Rs. Crore			Unutilised amount	Comments of the Monitoring Agency	Comments of the Board of Directors	
				As at beginning of the quarter	During the quarter	At the end of the quarter			Reasons for idle funds	Proposed course of action
		Bank statements, Placement Document						crore has been spent in Q2FY24 and Rs 77.03 crores are spent in Q3FY24 under this head. Out of the spent of Rs 77.03 crores in this quarter, Rs 27.27 crores has been spent from MA Monitoring a/c and Rs 49.76 crores (Rs 77.03 less Rs 27.27) has been spent from Cash Credit a/c of the company. This is due to FD's worth Rs 176.45 crores (Rs 175 crore principal & balance interest) which were made from the unutilized funds in Q2FY24 end, amount to the extent Rs 100.78 core matured in monitoring account from where various expenses were done but amount totalling to Rs Rs 75.67 crore matured /transferred in the cash credit account of the company from where Rs 49.76 core was spent. The expenses paid from the cash credit account cannot be clearly identified against the proceeds from the issue funds as there are other day to day transactions of the company in the cash credit account as well.		
3	Repayment/ Prepayment of Short term borrowings	Chartered Accountant certificate*, Bank statements, Placement Document	74.04	74.04	-	74.04	0.00	Total amount apportioned for this head amounting Rs 74.04 crores has been spent in Q2FY24 itself.		
4	Funding Working Capital requirement	Chartered Accountant certificate*, Bank statements, Placement Document	75.00	75.00	-	75.00	0.00	Total amount apportioned for this head amounting Rs 75 crores has been spent in Q2FY24 itself.		

S r. N o	Item Head	Source of information/ certifications considered by Monitoring Agency for preparation of report	Amount proposed in the Offer Document	Amount utilised in Rs. Crore			Unutilised amount	Comments of the Monitoring Agency	Comments of the Board of Directors	
				As at beginning of the quarter	During the quarter	At the end of the quarter			Reasons for idle funds	Proposed course of action
5	General Corporate Purposes	Chartered Accountant certificate*, Bank statements, Placement Document	33.46	5.14	27.98	33.12	0.34	Out of the total spent which was apportioned for this head, Rs 5.14 crore has been spent in Q2FY24 and Rs 27.98 crores is spent in Q3FY24. The entire expenses for Rs 27.98 crores were paid directly from MA Monitoring a/c.		
Total			342.50	162.29	105.01	267.30	75.20 [^]			

* Chartered Accountant certificate from Chandra Kailash Jain & Company dated January 10, 2024

[^] Total unutilized amount is Rs 76.85 crores includes Rs 75.20 crore (as computed above), Rs 1.46 crore Interest earned on FD's and Rs 0.19 crore is unutilized amount out of issue expenses.

Note - The total unutilized amount balance of Rs 75.91 crore is lying in fixed deposits with SBI out of which Rs 50 crore can be clearly identified as these were made out of funds lying in MA but FDs to the tune of Rs 25.91 crore were made from funds lying in cash credit account which cannot be clearly identified against the funds which were originally received on account of the QIP issue as in the cash credit account there are other day to day transactions of the company and balance Rs 0.94 crore is lying in the Monitoring account which is clearly identifiable.

3. Deployment of unutilized qualified institutions placement issue proceeds:

Sr. No.	Name of the Bank	Type of account	Amount in (Rs. Crore)	Source of information / certifications considered by Monitoring Agency for preparation of report
1	State Bank of India	Fixed Deposit – 8493	10.00	Chartered Accountant certificate*, Fixed Deposit Receipts (FDR), Monitoring Account Statement and Cash credit account statement
2	State Bank of India	Fixed Deposit – 3614	5.00	
3	State Bank of India	Fixed Deposit – 5615	10.00	
4	State Bank of India	Fixed Deposit – 2568	10.00	
5	State Bank of India	Fixed Deposit – 2273	10.00	
6	State Bank of India	Fixed Deposit – 2035	10.00	
7	State Bank of India	Fixed Deposit – 1803	10.00	
8	State Bank of India	Fixed Deposit – 1440	10.00	
9	State Bank of India	Fixed Deposit – 5947	0.91	
10	State Bank of India	Monitoring account	0.94	
Total			76.85	

Note: FDs worth Rs 50 crores were made from MA monitoring a/c and Rs 25.91 crores were made from CC a/c.

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Sr. No.	Type of instrument and name of the entity invested in	Amount invested (Rs. crores)	Maturity date	Earning (Rs. crores)	Return on Investment (%)	Market Value as at the end of quarter
1	Fixed Deposit, State Bank of India	10.00	February 22, 2024	NA	5.50%	NA
2	Fixed Deposit, State Bank of India	10.00	March 31, 2024	NA	5.50%	NA
3	Fixed Deposit, State Bank of India	10.00	March 31, 2024	NA	5.50%	NA
4	Fixed Deposit, State Bank of India	10.00	March 31, 2024	NA	5.50%	NA
5	Fixed Deposit, State Bank of India	10.00	March 31, 2024	NA	5.50%	NA
6	Fixed Deposit, State Bank of India	10.00	March 31, 2024	NA	5.50%	NA
7	Fixed Deposit, State Bank of India	10.00	March 31, 2024	NA	5.50%	NA
8	Fixed Deposit, State Bank of India	5.00	February 23, 2024	NA	5.50%	NA
9	Monitoring Account, State Bank of India	0.94	NA	NA	NA	NA
10	Fixed Deposit, State Bank of India	0.91	NA	NA	NA	NA

4. Delay in implementation of the object(s)

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

**In case of continuing object(s), please specify latest/revised estimate of the completion date.*

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

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

* Chartered Accountant certificate from Chandra Kailash Jain & Company dated January 10, 2024

[^] As per placement document, the expenses related to the issue were estimated at Rs. 9.50 crore. However, the actual expenses incurred as on December 31, 2023, are Rs. 9.31 crore. The balance Rs. 0.19 crore which was lying in escrow a/c has been transferred to monitoring account and will be utilized for General Corporate Purposes (GCP) as specified in placement document.