Annual Report 2012-2013

Himachal Futuristic Communications Ltd.

BOARD OF DIRECTORS

Shri Mahendra Pratap Shukla	Non-Executive Chairman
Shri Mahendra Nahata	Managing Director
Shri Arvind Kharabanda	Director (Finance)
Dr. R M Kastia	Director
Shri Y L Agarwal	Director
Shri S G Nadkarni	Nominee Director (IDBI)
Shri Manoj Baid	Associate Vice-President (Corporate) & Company Secretary

BANKERS
State Bank of India
Oriental Bank of Commerce
Punjab National Bank
Bank of Baroda
Union Bank of India

AUDITORS
M/s Khandelwal Jain & Company
Chartered Accountants
12-B, Baldota Bhawan
117, Maharshi Karve Road
Mumbai – 400 020

REGISTERED OFFICE & WORKS
8, Electronics Complex
Chambaghat, Solan – 173 213
Himachal Pradesh

CORPORATE OFFICE
8, Commercial Complex
Masjid Moth, Greater Kailash - II
New Delhi – 110 048

OPTICAL FIBRE CABLE PLANT
Cable Division
L 35-37, Industrial Area Phase – II
Verna Electronics city
Salcete, Goa - 403 722

SHARE DEPARTMENT & INVESTOR RELATION CELL
8, Commercial Complex
Masjid Moth, Greater Kailash - II
New Delhi – 110 048

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HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED
NOTICE

Notice is hereby given that the 26th Annual General Meeting of Himachal Futuristic Communications Limited will be held on Monday, the 30th day of September, 2013 at 11:00 A.M. at the Mushroom Centre, Chambaghat, Solan-173213 (H.P.) to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the financial year ended 31st March, 2013 and the Reports of the Directors and of the Auditors thereon.

2. To appoint a Director in place of Shri Y L Agarwal, who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint Auditors for the financial year 2013-2014 to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

   M/s Khandelwal Jain & Company, Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.

AS SPECIAL BUSINESS

4. **Increase in Remuneration of Shri Mahendra Nahata, Managing Director**

   To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution:**

   "RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") (including any statutory modification(s) or re-enactment thereof, for the time being in force) the consent of the Company be and is hereby accorded to the revision of salary and other perks of Shri Mahendra Nahata as the Managing Director of the Company w.e.f. 1st October, 2013 for the remaining period of his tenure i.e. up to 30th September, 2015 as per details given in the Explanatory Statement annexed hereto.

   RESOLVED FURTHER THAT in the event of loss or inadequacy of profit in any financial year during the currency of his tenure as the Managing Director, Shri Mahendra Nahata will be paid salary and perquisites and allowances within the limits laid down in Schedule XIII of the Companies Act, 1956."

5. **To waive excess remuneration paid to Shri Mahendra Nahata, Managing Director**

   To consider and if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to provisions of Section 309(5B) of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to waive the excess remuneration paid to Shri Mahendra Nahata, Managing Director of the Company during the period 1st April, 2007 to 30th September, 2012.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

6. **To waive excess remuneration paid to Shri Arvind Kharabanda, Director (Finance)**

   To consider and if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to provisions of Section 309(5B) of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to waive the excess remuneration paid to Shri Arvind Kharabanda, Director (Finance) of the Company during the period 1st April, 2007 to 31st May, 2012.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

7. **To waive excess remuneration paid to Dr. R M Kastia, Wholetime Director**

   To consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to provisions of Section 309(5B) of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to waive the excess remuneration paid to Dr. R M Kastia, Whole-time Director of the Company during the period 1st April, 2007 to 31st January, 2009.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

Registered Office:
8, Electronics Complex
Chambaghat
Solan-173 213 (H.P.)

By order of the Board
For **Himachal Futuristic Communications Ltd.**

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

Place: New Delhi
Date : 23rd August, 2013

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF THE PROXY IS ENCLOSED AND IF USED SHOULD BE RETURNED TO THE COMPANY DULY COMPLETED NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2013 to 20th September, 2013 (both days inclusive).

4. Members are requested:

   i) to kindly notify the change of address, if any, to the Company/their Depository Participant.

   ii) to bring their attendance slip along with their copy of the Annual Report in the Meeting.

   iii) to deposit the duly completed attendance slip at the Meeting.

5. Members may use the facility of nomination. A Nomination Form will be supplied to them on request.

6. Members desiring any information with regard to Accounts/Reports are requested to submit their queries addressed to the Company Secretary atleast ten days in advance of the Meeting so that the information called for can be made available at the Meeting.

7. Relevant documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Saturdays between 11:00 A.M. to 01:00 P.M. up to the date of the Annual General Meeting.

8. **The Ministry of Corporate Affairs ('Ministry') has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the circulars bearing No. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 issued by the Ministry, companies can now send various notices/documents including Annual Report to its shareholders through electronic mode, to the e-mail addresses of the shareholders registered with the Company/ Share Transfer Agent or with the concerned depository participant.**

   Pursuant to above circulars, the Company will send Annual Report along with other documents through email to all members who have registered their email address with the Company/ Share Transfer Agent or concerned depository participant and physical copies will be dispatched to others. Members who have not registered their email addresses so far are requested to register their email address so that they can receive the Annual Report and other communications from the Company electronically.

   Please note that as a member of the Company you will be entitled to receive all such communication in physical form, upon request at free of cost.

   The Annual Report of the Company is also available on the Company's website www.hfcl.com

9. The copies of the Annual Reports will not be distributed at the Annual General Meeting (AGM). Members are requested to bring their copies to the meeting.

DETAILS OF DIRECTOR RETIRING BY ROTATION AND PROPOSED TO BE RE- APPOINTED (PURSUANT TO CLAUSE 49 IV(G) OF THE LISTING AGREEMENT)

Item No. 2 of the Notice

Name	**Date of Birth**	**Qualifications**	**Expertise in specific functional areas**	**Directorship in other Public Companies**	**Chairmanship / Membership of Committees of the Board of Public Companies of which he is a Director**	**Date of Appointment**	**Shares held in the Company**
Shri Y L Agarwal	20.09.1936	B.Sc., B.E. DFIETE	Shri Y L Agarwal has got more than 51 years of experience in the field of telecom and broadband services. He is Ex- Chairman and Managing Director of Telecommunications Consultants India Ltd. (TCIL).	1.Electronics Systems Punjab Ltd. 2. HFCL Kongsung Telecom Ltd. 3. HTL Ltd.	Himachal Futuristic Communications Ltd. Audit-Member Remuneration -Member	10.07.1995	Nil

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

The Board considered that present remuneration being paid to Shri Mahendra Nahata, Managing Director of the Company is very less compared to the remuneration being drawn by his counterparts in the Industry, though he is entitled to receive remuneration at par with his counterparts in the Industry by virtue of his profile of the position and person. Shri Nahata is the visionary behind the Company's R&D technology partnership, business development and marketing initiative. He has got more than 30 years of rich experience in the field of telecommunication. It is Shri Nahata's sincere and substantial efforts which helped the Company to reach at this stage. The Remuneration Committee and Board of directors, therefore, in their meeting held on 19th August, 2013 & 23rd August, 2013 respectively approved the revision in remuneration of the Managing Director w.e.f. 1st October, 2013 for the remaining period of his tenure i.e. up to 30th September, 2015 subject to the approval of the Shareholders as per details given below:

(a) **Salary: Rs.1.20 crore per annum**

(b) **Perquisites and Allowances: Rs.0.80 crore per annum**

The perquisites and allowances, as aforesaid, shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and/or allowances for utilization of gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for self and family including dependents; medical insurance and such other perquisites and/or allowances. The said perquisites and allowances shall be evaluated, wherever applicable, as per the provisions of Income Tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof. In the absence of any such rules, perquisites, and allowances shall be evaluated at actual cost. The Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax law, gratuity payable and encashment of leave shall not be included for the purpose of computation of the overall ceiling of remuneration. The increment in salary and perquisites and allowances as may be determined by the Board and /or the Remuneration Committee of the Board is not to be included for the purpose of computation of the aforesaid ceiling of remuneration provided that such payments shall be within the overall ceiling of remuneration permissible under the Act.

(c) **Reimbursement of Expenses**

Reimbursement of expenses incurred for travelling, boarding and lodging including for his spouse and attendant(s) during business trips; provision of car for use on the Company's business; telephone expenses at residence and club membership shall be reimbursed and not considered as perquisites.

However in the event of loss or inadequacy of profits in any financial year, the Managing Director will be entitled to remuneration by way of salary, perquisites and other allowances up to the limits prescribed under Schedule XIII of the Companies Act, 1956.

The details of remuneration as mentioned above may be treated as abstracts of the terms and conditions of revision of salary of Shri Mahendra Nahata, Managing Director under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Shri Mahendra Nahata, Managing Director is concerned or interested in the aforesaid Resolution.

Your directors commends the resolution for your approval.

Item No. 5

The Board of Directors of the Company in its meeting held on 31st October, 2006, subject to the approval of Shareholders in the General Meeting had re-appointed Shri Mahendra Nahata, as the Managing Director of the Company for a period of three years w.e.f. 1st October, 2006 on the terms and conditions as specified in the resolution passed by the Remuneration Committee in its meeting held on 22nd January, 2007. In the AGM of the Company held on 27th December, 2007, the Shareholders have approved the aforesaid re-appointment.

At the time of re-appointment of Shri Mahendra Nahata, the Company had adequate profits. As such no application was made to Central Government for payment of remuneration. However, after the finalization of accounts for the financial year 2007-08 as approved by the Board at its meeting held on 30th June, 2008, the Company reported a loss of Rs.104.34 crore as computed under Section 198 of the Companies Act, 1956 and the Company had also defaulted in repayment of its debts for a continuous period of thirty days in preceding financial year before the date of re-appointment of Managing Director and for which Company failed to comply with sub-clause no. (ii) of clause (C) of 1 of section II of part II of Schedule XIII of the Companies Act, 1956 in connection with the re-appointment of Shri Mahendra Nahata. Accordingly Company filed an application with the Central Government in 2008 for re-appointment and payment of remuneration to Shri Nahata. Since the Company could not furnish the "No Objection Certificate" of lenders, Central Government approved his re-appointment with lesser remuneration than asked for in the application.

Subsequently the Board of directors of the Company in its meeting held on 31st August, 2009, subject to the approval of shareholders in the General Meeting had re-appointed Shri Mahendra Nahata, as the Managing Director of the Company for a period of three years w.e.f. 1st October, 2009 on the terms and conditions as specified in the resolution passed by the Remuneration Committee in its meeting held on 31st August, 2009. In the AGM of the Company held on 30th September, 2009 the Shareholders have approved the aforesaid re-appointment. At the time of re-appointment of Shri Nahata, the Company had incurred loss and the Company has also defaulted in repayment of its debts for a continuous period of thirty days in preceding financial year before the date of re-appointment of Shri Nahata and for which Company failed to comply with sub-clause no. (ii) & (iv) of clause (C) of 1 of section

II of part II of Schedule XIII of the Companies Act, 1956 in connection with the re-appointment of Shri Mahendra Nahata. Accordingly Company filed an application with the Central Government in 2009 for re-appointment and payment of remuneration to Shri Nahata. Since the Company could not furnish the "No Objection Certificate" of lenders, Central Government did not give its approval for payment of remuneration.

The Company has now received "No Objection Certificate" from lenders and therefore, the Board of Directors, at their meeting held on 23rd August, 2013 decided to file an application with the Central Government for waiver of remuneration paid to Shri Nahata in excess of limits prescribed under the Companies Act, 1956. However, pending approval from the Central Government, Shri Nahata has already refunded the excess remuneration paid to him.

The details of remuneration already paid to Shri Nahata are as under:

Period	**Remuneration paid (Rs.)**	**Eligible Amount as per approval given by the Central Government (Rs.)**	**Excess Remuneration for which Waiver Application is being made (Rs.)**
1st April, 2007 to 30th September, 2009	1,42,47,756/-	89,18,982/-	53,28,774/-
1st October, 2009 to 30th September, 2012	1,49,29,512/-	Due to non-submission of Lender's No Objection Certificate (NoC), the Central Government did not approve the application for payment of remuneration. The Central Government allowed the Company to submit fresh application after fulfilling all the statutory criteria including submission of NoC from Lenders which the Company has now received.	1,49,29,512/-

The members are requested to accord their approval to the Special Resolution as set out at sr. no. 5 of the Notice. None of the Directors except Shri Mahendra Nahata is concerned or interested in the above Resolution.

Item No. 6

The Board of directors of the Company in its meeting held on 1st June, 2007, subject to the approval of Shareholders in the General Meeting had re-appointed Shri Arvind Kharabanda, as the Director (Finance) of the Company for a period of three years w.e.f. 1st June, 2007. The Remuneration Committee at its meeting held on 31st July, 2007 has fixed his remuneration and approved the terms and conditions of his re-appointment. In the AGM of the Company held on 27th December, 2007, the Shareholders have approved the aforesaid re-appointment.

At the time of re-appointment of Shri Arvind Kharabanda, the Company had adequate profits. As such no application was made to Central Government for payment of remuneration. However, after the finalization of accounts for the financial year 2007-08 as approved by the Board at its meeting held on 30th June, 2008, the Company reported a loss of Rs.104.34 crore as computed under Section 198 of the Companies Act, 1956 and the Company had also defaulted in repayment of its debts for a continuous period of thirty days in preceding financial year before the date of reappointment of Director (Finance) and for which Company failed to comply with sub-clause no. (ii) of clause (B) of 1 of section II of part II of Schedule XIII of the Companies Act, 1956 in connection with the re-appointment of Shri Arvind Kharabanda. Accordingly Company filed an application with the Central Government in 2008 for re-appointment and payment of remuneration to Shri Kharabanda. Since the Company could not furnish the "No Objection Certificate" of lenders, Central Government approved his re-appointment with lesser remuneration than asked for in the application.

Subsequently the Board of directors of the Company in its meeting held on 14th May, 2010, subject to the approval of Shareholders in the General Meeting had re-appointed Shri Arvind Kharabanda, as the Director (Finance) of the Company w.e.f. 1st June, 2010 on the terms and conditions including payment of remuneration, minimum remuneration to be paid in inadequacy of profit or no profits and the tenure of Shri Kharabanda to be decided by the Remuneration Committee. Subsequently Remuneration Committee at its Meeting held on 15th November, 2010 has approved terms and conditions of his re-appointment including remuneration and tenure. In the AGM of the Company held on 30th March, 2011 the Shareholders have approved the aforesaid re-appointment. At the time of re-appointment of Shri Kharabanda, the Company had incurred loss and the Company has also defaulted in repayment of its debts for a continuous period of thirty days in preceding financial year before the date of re-appointment of Shri Kharabanda for which Company failed to comply with sub-clause no. (ii) of clause (C) of 1 of section II of part II of Schedule XIII of the Companies Act, 1956 in connection with the re-appointment of Shri Arvind Kharabanda. Accordingly Company filed an application with the Central Government in 2011 for re-appointment and payment of remuneration to Shri Kharabanda. Since the Company could not furnish the "No Objection Certificate" of lenders, Central Government did not give its approval for payment of remuneration.

The Company has now received "No Objection Certificate" from lenders and therefore, the Board of Directors, at their meeting held on 23rd August, 2013 decided to file an application with the Central Government for waiver of remuneration paid to Shri Kharabanda in excess of limits prescribed under the Companies Act, 1956. However, pending approval from the Central Government, Shri Kharabanda has already refunded the excess remuneration paid to him.

The details of remuneration already paid to Shri Kharabanda are as under:

Period	Remuneration paid (Rs.)	Eligible Amount as per approval given by the Central Government (Rs.)	Excess Remuneration for which Waiver Application is being made (Rs.)
1st April, 2007 to 31st May, 2010	1,38,05,495/-	82,80,833/-	55,24,662/-
1st June, 2010 to 31st May, 2012	1,13,02,372/-	Due to non-submission of Lender's No Objection Certificate (NoC), the Central Government did not approve the application for payment of remuneration. The Central Government allowed the Company to submit fresh application after fulfilling all the statutory criteria including submission of NoC from Lenders which the Company has now received.	1,13,02,372/-

The members are requested to accord their approval to the Special Resolution as set out at sr. no. 6 of the Notice. None of the Directors except Shri Arvind Kharabanda is concerned or interested in the above Resolution.

Item No. 7

The Board of directors of the Company in its meeting held on 31st October, 2006, subject to the approval of Shareholders in the General Meeting had re-appointed Dr. R M Kastia , as the Wholetime Director of the Company for a period of three years w.e.f. 1st October, 2006 on the terms and conditions as specified in the resolution passed by the remuneration committee in its meeting held on 22nd January, 2007. In the AGM of the Company held on 27th December, 2007, the Shareholders have approved the aforesaid re-appointment.

At the time of re-appointment of Dr. R M Kastia, the Company had adequate profits. As such no application was made to Central Government for payment of remuneration. However, after the finalization of accounts for the financial year 2007-08 as approved by the Board at its meeting held on 30th June, 2008, the Company reported a loss of Rs.104.34 crore as computed under Section 198 of the Companies Act, 1956 and the Company had also defaulted in repayment of its debts for a continuous period of thirty days in preceding financial year before the date of reappointment of Whole time Director and for which Company failed to comply with sub-clause no. (ii) of clause (C) of 1 of section II of part II of Schedule XIII of the Companies Act, 1956 in connection with the re-appointment of Dr. R M Kastia. Accordingly Company filed an application with the Central Government in 2008 for re-appointment and payment of remuneration to Dr. Kastia. Since the Company could not furnish the "No Objection Certificate" of lenders, Central Government approved his re-appointment with lesser remuneration than asked for in the application. Subsequently Dr. Kastia resigned from the position of Wholetime Director w.e.f. 1st February, 2009.

The Company has now received "No Objection Certificate" from lenders and therefore, the Board of Directors, at their meeting held on 23rd August, 2013 decided to file an application with the Central Government for waiver of remuneration paid to Dr. R. M. Kastia in excess of limits prescribed under the Companies Act, 1956. However, pending approval from the Central Government, Dr. Kastia has already refunded the excess remuneration paid to him.

The details of remuneration already paid to Dr. Kastia are as under:

Period	Remuneration paid (Rs.)	Eligible Amount as per approval given by the Central Government (Rs.)	Excess Remuneration for which Waiver Application is being made (Rs.)
1st April, 2007 to 31st January, 2009	1,43,22,969/-	1,02,63,792/-	40,59,177/-

The members are requested to accord their approval to the Special Resolution as set out at sr. no. 7 of the Notice. None of the Directors except Dr. R M Kastia is concerned or interested in the above Resolution.

Registered Office:
8, Electronics Complex
Chambaghat
Solan-173 213 (H.P.)

By order of the Board
For **Himachal Futuristic Communications Ltd.**

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

Place: New Delhi
Date : 23rd August, 2013

Corporate Governance

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.

The status of implementation of Clause 49 of the Listing Agreement with the Stock Exchanges on Corporate Governance in the Company is as under:-

1. HFCL Philosophy on Corporate Governance

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

"Transparency, professionalism and

Accountability

With an

Ultimate aim of value creation"

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

2. Board of Directors

The Board composition is in compliance with the Clause 49 of the Listing Agreement. As on 31st March, 2013, Company had six Directors on the Board. More than fifty percent of the Board comprised of Non-Executive Directors. Out of six Directors, three are Non-Executive Independent Directors, one Non-Executive Director and two Wholetime Directors including one Promoter Managing Director. The Chairman of the Board is Non-Executive Independent Director.

The members on the Board possess adequate experience, expertise and skills necessary to manage the affairs of the Company in the most efficient manner.

During the financial year 31st March, 2013, five Board Meetings were held on 30.05.2012, 21.07.2012, 20.08.2012, 02.11.2012 and 28.01.2013. The last Annual General Meeting was held on 28th September, 2012.

The attendance of Directors at the Board Meetings held during the financial year under review as well as in the last Annual General Meeting and the number of the other Directorships/Committee positions presently held by them are as under:-

Name	Director Identification No.	Category	No. of other present Directorships held in public companies	No. of Board Meetings		Attended last AGM (28/09/2012)	Shareholdings in the Company
				Held	Attended		
Shri M P Shukla	00052977	NEID	2	5	5	YES	Nil
Shri Mahendra Nahata	00052898	PD [MD]	2	5	5	NO	73477
Shri Arvind Kharabanda	00052270	WD	–	5	5	YES	Nil
Dr. R M Kastia	00053059	NED	1	5	5	NO	Nil
Shri Y L Agarwal	00024770	NEID	3	5	5	YES	Nil
Shri S G Nadkarni (IDBI Nominee)	03401830	NEID	-	5	4	NO	Nil

[NEID - Non-Executive Independent Director, PD - Promoter Director, MD - Managing Director, WD - Wholetime Director, NED-Non Executive Director]

Present Directorship in other Companies/Committee Position (including Himachal Futuristic Communications Ltd.)

Sr.No.	Name of Director	Directorships (Name of Companies)*	Committee Position		
			Name of the Company	Committee	Position
1.	Shri M P Shukla	1. HFCL Satellite Communications Ltd. 2. HTL Ltd.	Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Chairman
			Himachal Futuristic Communications Ltd.	Remuneration	Chairman
			HFCL Satellite Communications Ltd.	Audit	Member
			HTL Ltd.	Audit	Chairman
			HTL Ltd.	Remuneration	Member
2.	Shri Mahendra Nahata	1. HTL Ltd. 2. Reliance Jio Infocomm Ltd.	Reliance Jio Infocomm Ltd.	Audit	Member
3.	Shri Arvind Kharabanda	Nil	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Member
4.	Dr. R M Kastia	1. HTL Ltd.	Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Member
			Himachal Futuristic Communications Ltd.	Remuneration	Member
			HTL Ltd.	Audit	Member
5.	Shri Y L Agarwal	1. HTL Ltd. 2. HFCL Kongsung Telecom Ltd. 3. Electronics Systems Punjab Ltd.	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Remuneration	Member
6.	Shri S G Nadkarni	Nil	Himachal Futuristic Communications Ltd.	Audit	Member

* The directorship held by directors as mentioned above does not include directorship of foreign companies, Section 25 companies and private limited companies, if any.

None of the Directors on the Board hold directorships in more than fifteen public companies and memberships in more than ten Committees and they do not act as Chairman of more than five Committees across all companies in which they are directors.

2.1 Information Placed before the Board

In addition to the matters which statutorily require Board's approval, the following matters as required under code on Corporate Governance are also regularly placed before the Board :-

- Minutes of Audit Committee Meetings, Remuneration Committee Meetings and Share Transfer & Investors Grievance Committee Meetings.
- Matters related to accident, dangerous happenings, material effluent and pollution problems etc., if any.
- Details of Joint Venture / Collaboration agreements.
- Labour Relations.
- Disclosure of material related party transactions, if any, with potential for conflict of interest.
- Quarterly details of Foreign Exchange exposures and risk management strategies.
- Compliance with Regulatory and Statutory requirements including listing requirements and shareholders services.
- Details of show cause, demand, prosecution and penalty notices which are materially important.
- Any material default, in financial obligations to and by the Company or substantial non- payment of goods sold by the Company.
- Details of public or product liability, claims of substantial nature including any adverse judgments.
- Transactions involving substantial payments towards goodwill, brand equity or intellectual property.
- Sale of material nature of investments, subsidiaries and assets which are outside the normal course of business.
- Board minutes of the subsidiary companies.

3. Committees of the Board

In terms of the SEBI code on the Corporate Governance, the Board of the Company has constituted the following Committees: -

Audit Committee

Remuneration Committee

Share Transfer & Investors Grievance Committee

3.1 Audit Committee

The followings are the members and their attendance at the Committee Meetings during the financial year ended 31st March, 2013:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	5	5
Shri Y L Agarwal	Member	5	5
Shri Arvind Kharabanda	Member	5	5
Shri S G Nadkarni (w.e.f. 30.05.2012)	Member	4	4

During the financial year ended 31st March, 2013, the Audit Committee met five times on 30.05.2012, 21.07.2012, 20.08.2012, 02.11.2012 and 28.01.2013.

The broad terms of references of Audit Committee are 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 with management, performance of external and internal auditors, adequacy of internal control system.
- To do any internal investigations either departmentally or with the help of internal auditors or any other outside agency into matters where there is suspected fraud or irregularities.
- Discussions with external auditors before the audit commences about nature and scope of audit as well as have post audit discussions to ascertain any area of concern.
- Review the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders and creditors.
- Review of the use/application of money raised through Public/Rights/Preference Issue.

Shri Mahendra Pratap Shukla, Non-Executive Independent Director is the Chairman of the Committee. The Company Secretary acts as Secretary to the Committee.

3.2 Remuneration Committee

The Board of Directors of the Company has constituted a Remuneration Committee which is responsible for determining the Company's policy on specific remuneration package for Executive Directors including any compensation payment. The following are members and their attendance at the Committee Meeting held during the financial year ended 31st March, 2013:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	1	1
Shri Y L Agarwal	Member	1	1
Dr. R M Kastia	Member	1	1

The details of remuneration and perquisites paid to the Executive and Non-Executive Directors during the financial year 2012-13 are given below:-

Name of Director	Salary	Allowances	Perks	Contribution to PF	Sitting Fee	Total
	(in Rs.)					
	Category A - Executive Directors					
Shri Mahendra Nahata Managing Director	4728000	2008920	7101565*	567360	-	14405845
Shri Arvind Kharabanda Director (Finance)	2880000	1728000	943890	345600	-	5897490
	Category B – Nominee Director (Independent Director)					
Shri S G Nadkarni Director	-	-	-	-	50,000	50,000
	Category C – Non-Executive Independent Directors/ Non-Executive Directors					
Shri M P Shukla Chairman	-	-	-	-	1,05,000	1,05,000
Shri Y L Agarwal Director	-	-	-	-	65,000	65,000
Dr. R M Kastia Director	-	-	-	-	1,10,000	1,10,000

* Includes payment of Rs.48,00,000/- of Leave Travel Allowance of earlier years.

The non-executive directors were paid sitting fee of Rs.5000/- for every Board / Committee meeting attended by them up to 2nd November, 2012. The Board of Directors of the Company has increased the payment of sitting fees from Rs.5000/- to Rs.10000/- (excluding service tax) w.e.f. 3rd November, 2012.

During the year under review, the Company has paid remuneration of Rs.2,03,03,335/- to Shri Mahendra Nahata, Managing Director and Shri Arvind Kharabanda, Director (Finance). The Company required the approval of Central Government for payment of remuneration of Rs.27,25,770/- to Shri Mahendra Nahata during the period 1st April, 2012 to 30th September, 2012 and Rs.14,86,641/- to Shri Arvind Kharabanda during the period 1st April, 2012 to 31st May, 2012. Since the Central Government has not given its approval for remuneration paid to above Wholetime Directors for the part financial year ended 31st March, 2013, Rs.42,12,411/- has not been charged to Profit & Loss Account and shown as recoverable.

3.3 Details of pecuniary relationship/transactions of the Non- Wholetime Directors/ their Firms & Companies vis-a-vis the Company during the financial year 2012-2013

Nil

3.4 Share Transfer & Investors Grievance Committee

The Committee consists of one Non-Executive Independent Director, one Non-Executive Director and one Wholetime Director and is chaired by the Non-Executive Independent Director. This Committee looks into transfer and transmission of shares/debentures/bonds etc., issue of duplicate share certificates, consolidation and sub-division of shares and investors' grievances. 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 31st March, 2013, the Share Transfer & Investors Grievance Committee met five times on 18.07.2012, 01.10.2012, 10.12.2012, 10.01.2013 and 23.01.2013. The followings are the members and their attendance at the Committee Meeting:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	5	5
Dr. R M Kastia	Member	5	4
Shri Arvind Kharabanda	Member	5	5

More details on share transfers, investors' complaints etc. are given in the shareholder information section of this report.

The Board has delegated powers of share transfer to Shri Manoj Baid, Company Secretary to expedite the process of share transfer work.

4. General Body Meetings

Location and time where General Meetings held in the last 3 years is given below:

YEAR	AGM/ EGM/CCM	LOCATION	DATE	TIME
2011-2012	AGM	Mushroom Centre, Solan	28.09.2012	11:00 A.M.
2010-2011	AGM	Electronics Complex, Chambaghat, Solan	24.09.2011	11:00 A.M.
2009-2010	AGM	Mushroom Centre, Solan	30.03.2011	11:00 A.M.
2009-2010	Court Convened meeting (CCM) of Equity Shareholders	Mushroom Centre, Solan	26.11.2010	10:00 A.M.
2009-2010	Court Convened meeting of Preference Shareholders	Mushroom Centre, Solan	26.11.2010	11:30 A.M.
2009-2010	Court Convened meeting of Secured Creditors	Mushroom Centre, Solan	26.11.2010	02:30 P.M.
2009-2010	Court Convened meeting of Unsecured Creditors	Mushroom Centre, Solan	26.11.2010	03:30 P.M.

The following resolutions were passed as Special Resolutions in previous three years AGMs/ EGMs:-

YEAR	AGM/ EGM	SUBJECT MATTER OF SPECIAL RESOLUTIONS	DATE	TIME
2011-2012	AGM	Re-appointment of Shri Mahendra Nahata, Managing Director Re-appointment of Shri Arvind Kharabanda, Director (Finance)	28.09.2012	11:00 A.M.
2010-2011	AGM	Issue and allotment of Equity Shares to Financial Institutions/ Banks pursuant to Corporate Debt Restructuring	24.09.2011	11:00 A.M.
2009-2010	AGM	Re-appointment of Shri Arvind Kharabanda, Director (Finance)	30.03.2011	11:00 A.M.

No Special resolution was put through postal ballot in the last AGM.

5. **Disclosures on materially significant related party transactions with Promoters, Directors, Management, their Subsidiaries or Relatives etc., which may have potential conflict with the interest of the Company at large.**

   None of the materially significant transactions with any of the related parties were in 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. 42 of the Standalone Financial Statements forming part of the Annual Report.

6. **Non-compliance by Company, penalties, strictures imposed on the Company by Stock Exchanges / Securities and Exchange Board of India (SEBI) etc. in the last 3 years.**

   None.

7. **Secretarial Audit**

   (i) Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary in-Practice for due compliance of share transfer formalities by the Company.

   (ii) A Company Secretary in-Practice carried out a reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited ("Depositories") and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the aggregate of the total number of shares in physical form and total number of shares in dematerialised form held with Depositories.

8. **CEO AND CFO certification**

   The Managing Director, Director (Finance) and Chief Finance Officer give annual certifications on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement.

9. **Whistle Blower Policy**

   The Board of Directors of the Company in its meeting held on 30th January, 2006 has adopted Whistle Blower Policy, a non mandatory requirement as a measure of good governance and also to ensure better transparency. This Policy has been circulated to employees of the Company and is also available on Company's Website. No employee of the Company is denied access to the Audit Committee.

10. **Means of Communications**

    This is being done through quarterly / half yearly and annual results, which are being published in premier English and Hindi daily newspapers. The Company's website www.hfcl.com contains Annual Reports, Financial Results, Shareholding Pattern etc. All periodical compliance filings like shareholding pattern, corporate governance report etc. are filed electronically on NSE Electronic Application Processing System (NEAPS) and BSE Corporate Compliance and Listing Centre. Management Discussions and Analysis forms part of the Directors' Report, which is posted to the Shareholders of the Company.

11. **Code of conduct for Board Members and Senior Management Personnel**

    The Company has adopted a Code of Conduct for Directors and Senior Management Personnel and the same has been posted on the Company's website. The Directors and the Senior Management Personnel affirm the Compliance of the Code annually. A certificate to this effect is attached to this Report duly signed by the Managing Director.

12. **Shares/Convertible Instruments held by Non-Executive Directors**

    Nil

13. **Extent to which mandatory requirements have not been complied with**

    The procedure for risk assessment and minimization of risks is yet to be finalized.

14. **Extent to which non mandatory requirements have been complied with**

    i) Remuneration Committee has been formed as reported earlier in this report.

    ii) The Company has formulated a Whistle Blower policy and the same has been brought to the notice of all the employees and posted on the Company's website.

SHAREHOLDERS’ INFORMATION

1.	**Dates of Book Closing**	:	16th September, 2013 to 20th September, 2013 (both days inclusive)
2.	**Date and venue of Annual General Meeting**	:	30th September, 2013 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan (H.P.)
3.	**Listing on Stock Exchanges in India**	:	Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street , Mumbai - 400 001 Tel : +91-22-22721233 Fax : +91-22-22723121 National Stock Exchange of India Ltd. 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
4.	**Status of Listing Fees**	:	Paid for 2013-2014
5.	**Listing of Global Depository Receipts on Stock Exchanges outside India**	:	The London Stock Exchange Plc 10, Paternoster Square London EC4M 7LS Tel : 0044-2077971000 Fax : 0044-2075886057 Luxembourg Stock Exchange 11, Avenue de la Porte-Neuve BP.165 L - 2011, Luxembourg Grand Duchy of Luxembourg Tel : 00352-4779361 Fax : 00352-477936204
6.	**Registered Office**	:	8, Electronics Complex Chambaghat Solan - 173 213 (H.P.) Tel : +91-1792-230642/44 Fax : +91-1792-231902
7.	**Corporate Office**	:	8, Commercial Complex Masjid Moth, Greater Kailash - II New Delhi - 110 048 Tel : +91-11-30882624 Fax : +91-11-30689013
8.	**Plant Locations**	:	Electronics Complex Chambaghat Solan - 173 213 (H.P.) Tel : +91-1792-230642/44 Fax : +91-1792-231902 Cable Division L 35-37, Industrial Area, Phase - II Verna Electronic City Salcete, Goa - 403 722 Tel : +91-832-6697000 Fax : +91-832-2783444
9.	**CIN NO.**	:	L64200HP1987PLC007466
10.	**Website/Email**	:	www.hfcl.com , secretarial@hfcl.com / investor@hfcl.com

11.	**Name of News Papers in which results are generally published**	**:**	Economic Times, Indian Express, Jansatta, Dainik Tribune
12.	**Depositories**	**:**	National Securities Depository Ltd. 4th Floor, 'A' Wing, Trade World Kamla Mills Compound Senapati Bapat Marg, Lower Parel Mumbai - 400 013 Tel : +91-22-24994200 Fax : +91-22-24972993 Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Towers 28th Floor, Dalal Street Mumbai - 400 023 Tel : +91-22-22723333 Fax : +91-22-22723199
13.	**ISIN NO.**	**:**	INE548A01028

14. Share Transfer in physical form and other communication regarding share certificates, dividends and change of address etc., to be sent to:

M/s. MCS Ltd.
F-65, 1st Floor, Okhla Industrial Area, Phase-I
New Delhi-110 020

Tel : +91-11-41406149
Fax : +91-11-41709881
Email: admin@mcsdel.com

15. Share Transfer System:

Shares sent for physical transfers are generally registered and returned within a period of 15 days from the date of receipt if the documents are clear in all respects. The Share Transfer & Investors Grievance Committee meets as often as required.

The Total Number of shares transferred in physical form during the financial year 2012-2013:

Number of transfer deeds	2
Number of Shares	560

16. Investors complaints received during the financial year 2012-2013:

Nature of Complaints	**Received**	**Attended**
Non receipt of Annual Reports	5	5
Non-receipt of dividend	4	4
Dematerialisation of shares	1	1
Issue of Duplicate shares	1	1
Reduction of Capital	12	12
Others	6	6
Total	**29**	**29**

The Company has attended to the investor's grievances/correspondence within a period of 15 days from the date of receipt of the same during the financial year 2012-2013 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2013. The Board in its meeting held on 31st October, 2006 has designated Shri Manoj Baid, Company Secretary as the Compliance Officer.

17. Distribution of shareholdings as on 31st March, 2013:

No. of Equity held (Rs.)	No. of Shareholders	% of Shareholders	Shares Amount (Rs.)	% of Shareholdings
Up to 5000	261928	97.205	137677415	11.108
5001 – 10000	3920	1.455	29463631	2.377
10001 – 20000	1767	0.656	25492849	2.057
20001 – 30000	632	0.234	15638496	1.262
30001 – 40000	243	0.090	8664487	0.699
40001 – 50000	170	0.063	7976543	0.644
50001 – 100000	321	0.119	23680080	1.911
100001 & above	315	0.117	988116933	79.727
Shares in Transit	164	0.061	2666760	0.215
TOTAL	**269460**	**100.000**	**1239377194**	**100.000**

18. Categories of Shareholding as on 31st March, 2013:

S. No.	Category	Shares	%
A	**Promoters Holding**		
1	Indian Promoters	479299214	38.67259
2	Foreign Promoters	-	-
	Sub Total (A)	**479299214**	**38.67259**
B	**Public Shareholding**		
1	Institutional Investors		
a)	Mutual Funds & UTI	718576	0.05798
b)	Banks, Financial Institutions, Insurance Companies (Central/ State Government Institutions/Non-Government Institutions)	232344004	18.74684
c)	Foreign Institutional Investors	9436718	0.76141
	Sub Total (B1)	**242499298**	**19.56623**
2	**Non Institutional Investors**		
a)	Private Corporate Bodies	250876610	20.24215
b)	Indian Public	259868899	20.96770
c)	NRIs	3704339	0.29889
d)	Any Other		
i)	Foreign Banks	1705	0.00014
ii)	Trusts	138469	0.01117
iii)	OCBs	43000	0.00347
iv)	Foreign National	720	0.00005
v)	Clearing Members	2666760	0.21517
	Sub Total (B2)	**517300502**	**41.73874**
	Total Public Shareholding (B = B1+B2)	**759799800**	**61.30497**
C	**Shares held by Custodian and against which depository receipts have been issued**	**278180**	**0.02244**
	GRAND TOTAL (A+B+C)	**1239377194**	**100.00000**

19. Top ten ordinary shareholders of the Company as on 31st March, 2013:

Sr. No.	Name of Shareholders	No. of Shares held	%
1.	NextWave Communications Private Limited	234765000	18.942
2.	ANM Enginnering & Works Private Limited	234765000	18.942
3.	IDBI Bank Limited	150945122	12.179
4.	Oriental Bank of Commerce	67184711	5.421
5.	Reliance Industrial Investments and Holdings Limited	48532764	3.916
6.	State Bank of India	13211382	1.066
7.	MKJ Enterprises Limited	12748634	1.029
8.	Maryada Barter Private Limited	12120256	0.978
9.	Infotel Telecom Infrastructure Private Limited	11068876	0.893
10.	Galaxo Finance (P) Limited	10818298	0.873

20. Dematerialisation of shares:

The Company's shares are compulsorily traded in dematerialised form as per SEBI Guidelines. As on 31st March, 2013, 99.95% of the equity shares have been dematerialised.

21. Outstanding GDRs / ADRs or any Convertible Instruments, conversion date and any likely impact on equity:

Outstanding GDRs as on 31st March, 2013 represent 2,78,180 equity shares (0.02 %).

22. Stock Market Price Data on NSE and NIFTY Index:

Month	NSE (in Rs.)		NIFTY INDEX	
	Highest	Lowest	Highest	Lowest
April, 2012	12.50	10.95	5378.75	5154.30
May, 2012	13.55	10.35	5279.60	4788.95
June, 2012	12.50	10.80	5286.25	4770.35
July, 2012	14.10	11.30	5348.55	5032.40
August, 2012	12.75	10.50	5448.60	5164.65
September, 2012	11.75	10.50	5735.15	5215.70
October, 2012	12.40	10.75	5815.35	4888.20
November, 2012	11.60	9.95	5885.25	5548.35
December, 2012	11.25	9.80	5965.15	5823.15
January, 2013	11.15	9.40	6111.80	5935.20
February, 2013	9.55	8.10	6052.95	5671.90
March, 2013	9.95	6.85	5971.20	5604.85

23. Stock Codes: BSE : 500183 , NSE : HFCL

24. Financial Calendar (tentative and subject to change) 2013-2014:

Financial Reporting for the first quarter ending 30th June, 2013 : **Second week of July, 2013**

Financial Reporting for the second quarter and half year ending 30th September, 2013 : **Second week of November, 2013**

Financial Reporting for the third quarter ending 31st December, 2013 : **Second week of February, 2014**

Audited Accounts for the year ending 31st March, 2014 : **Last week of May, 2014**

Annual General Meeting for the year ending 31st March, 2014 : **September, 2014**

DECLARATION REGARDING COMPLIANCE OF CODE OF CONDUCT

I, Mahendra Nahata, Managing Director of Himachal Futuristic Communications Ltd. hereby declare that all Board Members and Senior Management Personnel have affirmed compliance of the Code of Conduct as on 31st March, 2013.

sd/-
(Mahendra Nahata)
Managing Director

Date : 23rd August, 2013

CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

1. We have examined the compliance of conditions of Corporate Governance by Himachal Futuristic Communications Limited ("the Company") for the period ended 31st March, 2013, as stipulated in clause 49 of the Listing Agreement of the said with various Stock Exchanges (hereinafter referred to as "the agreement").
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our 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.
3. In our opinion and based on our review and to the best of our information and according to the explanations given to us and *subject to the comments given in the item no. 13 of the Corporate Governance Report,* we certify that the conditions of the Corporate Governance as stipulated in the Clause 49 of the agreement have been complied with in all material aspects by the Company.
4. We 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.

For KHANDELWAL JAIN & CO.
Firm Registration No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
Membership No.: 103490

Place: New Delhi

Date: 23rd August, 2013

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Annual Report and Audited Accounts for the financial year ended 31st March, 2013.

(Rs. in thousands)

FINANCIAL RESULTS	2012-2013	2011-2012
Sales and Services	**6173131**	2638282
Other Income	**259298**	277451
Profit/(Loss) before depreciation, finance charges and taxation	**986987**	600389
Less: Depreciation & Amortisation	**166765**	150652
Finance charges	**271816**	334939
Profit/(Loss) before taxes	**548406**	114798
Provision for taxation	**105930**	7568
MAT credit entitlement	**(105530)**	(7056)
Profit/(Loss) for the year	**548006**	114286
Balance brought forward from previous years	**516437**	402151
Balance carried to Balance Sheet	**1064442**	516437

DIVIDEND

The Board of Directors have decided to conserve the financial resources of the Company and do not recommend any divided on equity and preference shares for the financial year ended 31st March, 2013.

MANAGEMENT DISCUSSIONS & ANALYSIS (MDA)

Financial Review

Sales during the financial year ended 31st March, 2013 stood at Rs.61,73,131 thousand as against the sale of Rs.26,38,282 thousand in the previous financial year ended 31st March, 2012. During the year, the Company has earned a net profit of Rs.5,48,006 thousand as compared to net profit of Rs.1,14,286 thousand in the previous financial year.

Capital Structure

During the financial year 2012-13 the paid up capital of the Company stood at Rs.20,44,377 thousand.

OVERVIEW OF TELECOM GROWTH IN INDIA

Telecom has been one of the biggest success story for India. Just 5 million connections in 1991 having grown to 895 million in December 2012 itself speaks of the exponential growth that has been achieved by the Telecom Sector. It has been one of the fastest growing sectors in recent years and has the second largest telephone network in the world which accounts for 12% subscribers in the world. This has been possible with a series of reform measures by the government, large scale introduction of wireless technologies (evolution of wireless technology) and active participation by the private sector.

Easy access and affordability have been the most remarkable features from consumer's point of view which made mobile, once the luxury, an affordable gadget in the hands of every class of people. This is very evident from the tele-density that has increased from 4.3 in March 2002 to 73.3 in December, 2012. Vital to note that the tele-density in rural areas registered an increase from 1.2 in March 2002 to 39.95 in December,2012.

Telecommunications is no longer limited to voice as the data usage has shown an unparallel growth. The evolution of digital technology has facilitated the conversion of voice, data and video to the digital form and all these services are being increasingly rendered through single network, bringing about a convergence in networks, services and also the devices. This has been a result of massive investments both by Private and Government sectors in the last decade. Telecom Sector's contribution to overall GDP has increased from 1.5 percent to 3 percent during the last decade. It stands third largest sector in attracting FDI inflows, having attracted more than 8 percent of cumulative FDI inflows during the period.

The Telecom Sector has witnessed series of reforms in last few years which have been big boost factor. However, with the recent cancellation of 2G licenses, restrictive terms for auction of cancelled licenses etc. including other government decisions, the confidence of the operators and investors in this industry is low. All of this has generated an enormous amount of negative publicity and discouraged investors, both domestic and international. This is evident from the operators closing down or limiting engagements coupled with decreasing FDI. However with recent initiatives by the Government by increasing FDI in telecom sector, the industry will re-attract investors and will have excellent future prospects. The Sector has also witnessed some significant developments such as introduction of Mobile Number Portability (MNP), 3G and 4G rollout, National Telecom Policy, National Optical Fibre Network (NOFN), OFC network for Defence etc. giving much needed direction to the industry.

The New Telecom Policy (NTP 2012) targets to increase tele-density, broadband connections, indigenous R&D, manufacturing, investor friendly environment and employment opportunities. NTP-2012 has the vision of

Broadband on demand for rural or urban ensuring equitable and inclusive development across the nation. NOFN with planned investment of Rs 20,000 crore, is going to provide broadband connectivity to every village panchayat. The NOFN network will also be available to private telecom operators and cable TV operators, for their use and to extend the reach of their services to the remote villages in India. Government has also approved a budget of about Rs.13,000 crore for setting up a fibre optic network of 60,000 route kilometers for defence services. These projects will provide huge business opportunities to telecom companies for providing range of infrastructure services and manufacturing and supply of broadband related telecom equipments. Corresponding investment shall be made in various broadband access technologies.

OPPORTUNITIES AND OUTLOOK

There is a huge potential of business in both equipment and turnkey services during the coming years. The broadband networks will be IP based and there will be rollout of several Pan India Broadband wireless networks. Operators shall strive to be first mover through rapid installation and expansion. Your Company is a proven one-stop-shop for telecom infrastructure providers, capable to deliver end to end telecom solutions. Operators also now outsource operation and maintenance services of their network and the Company has again the experience and expertise of managing and maintaining the networks at highest level of efficiency.

With NTP emphasising on local manufacturing, your Company stands to gain more as there is huge potential for contract manufacturing too. Your Company has already signed contract manufacturing agreement for manufacture of Microwave Radios with DragonWave Inc., a Canadian Radio manufacturing company and the technology agreement with CDoT, for the manufacture of broadband Fiber to the Home (FTTH) equipments. The Company also has the capability to cater the upcoming demand of customer premises equipment. Your Company is already one of the largest player in supplying optical fibre cables which shall be in continued demand by the service providers. During the year, the Company has made a capital investment of Rs. 35 Crore approx. to increase the existing manufacturing capacity of optical fibre cable at its Goa plant.

THREATS, RISKS & CONCERN

Every industry has its own concerns and so has the Telecom. Competition from Multinationals, presence of unorganised sector, delay in roll out plans, changes in government policies etc. are a few major concerns which makes the telecommunication market in India as one of the most competitive markets.

Various multinationals are also setting up their manufacturing base in India increasing the local competition with FDI in manufacturing being allowed 100%. The presence of unorganised sector executing the installation work also puts strain on the margins of the turnkey activities of the Company. There may also be delay in rollout of the new 3G/ BWA networks where the Company is expecting orders for equipments and turnkey business.

The mobile services operators, generally outsource the core equipments to foreign suppliers on long term payment basis or on lease and the opportunity for an indigenous company is somewhat reduced. Further, the equipment business is tender based with short delivery time and there is a risk that delay in supply may invoke penalties. Government Policies have serious impact on the industry which has been seen last year with the confidence of all was at all time low.

ADEQUACY OF INTERNAL CONTROL

HFCL has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly. HFCL has adequate internal audit system, covering on a continuous basis, the entire gamut of operations and services spanning all locations, business and functions.

HUMAN RESOURCE DEVELOPMENT (HRD)

HFCL has a team of experienced and competitive professionals. In the ever changing telecom scenario, we recognize the need for training and retaining the talent pool of the Company. Employees have undergone technical trainings to further enhance their skills. Performance reviews of employees are conducted on regular basis to motivate and reward the performers. The total employee strength of the Company as on 31st March, 2013 was 1575.

SUBSIDIARIES

M/s HTL Ltd. and M/s Moneta Finance Private Limited, continue to be the subsidiaries of your Company.

The Ministry of Corporate Affairs (MCA) vide its General Circular No. 2/2011 dated 8th February, 2011 has granted general exemption to all companies from attaching the annual accounts of the subsidiaries with the Annual Report of holding company, subject to compliance of conditions specified therein. As required under the said Circular, the Board of Directors of the Company at its meeting held on 23rd August, 2013 has given its consent for not attaching the annual accounts of above subsidiary companies to the annual accounts of the Company. Accordingly, annual accounts of the subsidiary companies are not annexed to the annual accounts of the Company. The Central Government has however, prescribed specified information on the subsidiary companies, to be disclosed as part of its consolidated financial statements. Such information is appearing at page no. 76 of this Annual Report. The Company has annexed audited consolidated financial statements of the Company and all its subsidiaries in the Annual Report.

Any shareholder desirous of obtaining the Annual Accounts and related information of the above subsidiary companies may write to the Company Secretary at M/s Himachal Futuristic Communications Ltd. 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi – 110048 and the same shall be sent by post.

The annual accounts of the above subsidiary companies and the related information shall be made available to the Shareholders of the Company as well as to the Shareholders of the subsidiary companies seeking such information at any point of time. The annual accounts of the above subsidiary companies shall also be kept open for inspection for any member of the Company at the Registered office and Corporate office of the Company as well as at the Registered office of the concerned subsidiary companies between 10:00 A.M. to 1:00 P.M. on all working days except Saturdays up to the date of AGM.

CAUTIONARY STATEMENT

Statement in the management's discussions and analysis 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.

FIXED DEPOSITS

The Company has not accepted any deposits during the year.

DIRECTORS

Shri Y L Agarwal, Director retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended 31st March, 2013, the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 and of the profit of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March, 2013 on a 'going concern' basis.

AUDITORS

M/s Khandelwal Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The information and explanation on qualifications/ observations in the Auditors' Report are given in **Annexure – I**

COST AUDITORS

The Board of Directors of the Company with the approval of Central Government has appointed M/s SKG & Co., Cost and Management Accountants, 7-C Ayodhya Enclave, Sector -13, Rohini, Delhi – 110085 as Cost Auditor of the Company for conducting the Cost Audit for financial year 2012-13. The due date for filing of the Cost Audit Report is 30th September, 2013.

PERSONNEL

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended up to the date of this Report is set out in the **Annexure-II** and forms part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO

The information required under section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters is set out in **Annexure-III** and forms part of this Report.

DEPOSITORY SYSTEMS

The Company's script has come under compulsory dematerialization w.e.f. 29th November, 1999 for Institutional Investors and w.e.f. 17th January, 2000 for all Investors. So far 99.96% of the equity shares have been dematerialized. The ISIN no. allotted to the equity shares of the Company is INE548A01028.

CORPORATE GOVERNANCE

A separate statement on Corporate Governance along with the Auditors' Certificate on its Compliance is given as a part of the Annual Report.

ACKNOWLEDGEMENTS

The Directors thank the Central Government, Govt. of Himachal Pradesh, Govt. of Goa, IDBI Bank Limited, State Bank of India, Oriental Bank of Commerce, Punjab National Bank, Bank of Baroda, Union Bank of India and other Banks and Institutions for all corporation, facilities and encouragement they have extended to the Company. Your Directors acknowledge the continued trust and confidence you have reposed in this Company. The Directors also place on record their appreciation for the services rendered by the officers, staffs & workers of the Company at all levels and for their dedication and loyalty.

For and on behalf of the Board

Place: New Delhi **M P Shukla**
Date: 23rd August, 2013 **Chairman**

ANNEXURE – I TO THE DIRECTORS' REPORT

INFORMATION AND EXPLANATIONS ON QUALIFICATIONS/ OBSERVATIONS IN THE AUDITORS' REPORT

A. OBSERVATIONS IN THE MAIN AUDITORS' REPORT

Auditors' Observations :

1. Para 4 :

a) *With regard to trade receivable outstanding for a long period as mentioned in Note No. 37, we are unable to comment on the extent of realisability and consequently on the adequacy of provision for doubtful debts made* *by the Company. Impact thereof on the profit for the year, if any, is unascertainable.*

Reply :

The Company has made adequate provisions for doubtful debt based on its assessment.

2. Para 4 :

b) *As mentioned in Note No. 41, balances of some of the trade receivable, trade payable, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any.*

The effect of items mentioned at paragraph 4(a) and (b) above on profit for the year, assets, liabilities and reserves is unascertainable.

Reply :

The Company obtains the confirmation in ordinary course of business from time to time and no major variations were found.

B. OBSERVATIONS IN ANNEXURE TO THE AUDITORS' REPORT

3. Para (IX) :

(a) *According to the information and explanations given to us and records examined by us, the Company has generally been regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income tax deducted at source, wealth tax, excise duty, service tax and sales tax/ works contract tax though there has been a slight delay in few cases.* According to information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2013 for period of more than six months from the date they become payable.

Reply :

All the above dues have been paid in time, barring few cases where there was a slight delay. In future, the management will make all efforts to deposit the same in time.

ANNEXURE – II TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013

S. No.	Name	Remuneration received (In Rs.)	Nature of employment	Other terms and conditions	Designation	Qualifications & experience	Date of commencement of employment	Age (Years)	Last employment held and designation
Employed throughout the year									
1.	Shri Mahendra Nahata	1,44,05,845.00	Contractual	As per service rule of Company	MD	B.Com 30 Years	01.10.1992	54	Himachal Telematics Limited Vice Chairman
2.	Shri Prasad Dasika	1,43,84,591.00	Contractual	As per service rule of Company	Dy. CEO	MBA 17 Yrs	01-08-2011	43	CIENA, Director Marketing
3.	Shri Y S Choudhary	98,42,069.00	Contractual	As per service rule of Company	CEO	B.E.(Telecom), M.E.(Electronics) 44 Years	01.06.2009	70	Exicom Tele-Systems Ltd., M.D.
4.	Shri Madhukar Srivastava	91,69,921.80	Contractual	As per service rule of Company	President	B. Tech, 25Yrs	08-07-2011	51	Bharti Airtel Ltd, Vice President
5.	Shri Dhananjay S. Ozarkar	76,08,499.00	Contractual	As per service rule of Company	Sr. Vice President	B.E. /Diploma 19 Yrs	05-10-2011	43	Bharti Infratel Ltd, Chief Development Officer
6.	Shri S K Wadhwa	61,28,986.84	Contractual	As per service rule of Company	Sr. Vice President	FCS, ICWA 31 Yrs	21-07-2011	53	Aircel, Head -Commercial

Notes:

(i) The remuneration shown above comprises Salary, Allowances, Perquisites, Exgratia, Medical, Company's contribution to Provident Fund and all other reimbursement, if any.

(ii) None of the employees is related to any director of the Company.

ANNEXURE – III TO THE DIRECTORS' REPORT

INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

CONSERVATION OF ENERGY

The Company's operation involves low energy consumption. Nevertheless, energy conservation measures have already been taken wherever possible. Efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

As required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the details pertaining to technology absorption are as under:

RESEARCH AND DEVELOPMENT (R&D) CARRIED OUT DURING THE YEAR UNDER REVIEW		
1.	Specific Area in which R & D carried out by the Company	-
2.	Benefits derived as a result of above R & D	-
3.	Future plan of action	-
4.	Expenditure on R & D	
	a) Capital	NIL
	b) Recurring (excluding depreciation)	NIL
	c) Total	NIL
	d) Total R & D expenditure as a percentage of total turnover	NIL

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION		
1.	Efforts, in brief, made towards technology absorption, adaptation and innovation	The Technology of the products has been absorbed substantially in earlier years.
2.	Benefits derived as a results of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	As a result of technology absorption, Company has been able to reduce product cost and save foreign exchange flow.
3.	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
	Technology Imported	N.A.
	Year of Import	N.A.
	Has Technology been fully absorbed	N.A.
	If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	N.A.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year under review the Company had made an export of Rs.13948 thousand. To widen its customer base and to tap various opportunities emerging in the overseas market on account of broadband/FTTx boom your Company has taken an initiative to market and sell Optical Fibre Cables in the international market. Company has taken up all the activities to develop new designs of optical fibre cables specifically to meet overseas market requirement. Company has already stepped into international arena and aggressively promoting its superior quality Optical Fibre Cables in the international market. To develop export market for optical fibre cables, Company has planned to participate in telecom exhibitions worldwide. Company has already adopted international quality standards & practices and is determined to develop a significant overseas market share by focusing on product attributes and systematic customer oriented approach. The details of foreign exchange earnings and outgo are as under:-

(Rs. in thousands)

Total Foreign Exchange earnings and outgo	**Financial year ended 31st March, 2013**	**Financial year ended 31st March, 2012**
FOB Value of Exports	13948	944
Value of Imports	667295	132578
Expenditure in Foreign Currency (Net)	6804	6441

For and on behalf of the Board

Place: New Delhi
Date: 23rd August, 2013

M P Shukla
Chairman

INDEPENDENT AUDITOR'S REPORT

To

THE MEMBERS,

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of **Himachal Futuristic Communications Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. **Management's Responsibility for the Financial Statements**

   Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. **Auditor's Responsibility**

   Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. **Basis of Qualified Opinion**

   a) *With regard to the trade receivable outstanding for a long period as mentioned in Note No. 37, we are unable to comment on the extent of realisability and consequently on the adequacy of provision for doubtful debts made by the Company. Impact thereof on the profit for the year, if any, is unascertainable.*

   b) *As mentioned in Note No. 41, balances of some of the trade receivable, trade payable, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any.*

   The effect of items mentioned at paragraph 4(a) and (b) above on profit for the year, assets, liabilities and reserves is unascertainable.

5. **Qualified Opinion**

   In our opinion and to the best of our information and according to the explanations given to us, *except for the effect of the matters described in the Basis of Qualified Opinion paragraph the effect of which is unascertainable* and read together with the other notes, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

   (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

   (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

6. **Report on Other Legal and Regulatory Requirements**

   A. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

   B. As required by section 227(3) of the Act, we report that:

      a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

      b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

      c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

      d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

      e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Khandelwal Jain & Co.
Chartered Accountants
Firm Registration No: 105049W

(Akash Shinghal)
(Partner)
Membership No. 103490

Place: New Delhi
Date : 29th April, 2013

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of **Himachal Futuristic Communications Limited** on the accounts for the year ended 31st March, 2013;

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situations of its Fixed Assets.

(b) All the assets have been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets and as informed, no material discrepancies were noticed on such verification.

(c) During the year, the Company has not disposed off any substantial part of the fixed assets, which affects the going concern status of the company.

(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 nature and location of stocks, the frequency of physical verification is reasonable.

(b) In our opinion, and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of Inventory. In our opinion, the discrepancies noticed on physical verification of stocks were not material in relation to the operation of the Company and the same have been properly dealt with in the books of account.

(iii) (a) As per the information furnished, the Company has not granted any loans, secured or unsecured to and from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a), (b), (c) and (d) of the Order are not applicable.

(b) As per the information furnished, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clause 4 (iii) (e), (f) and (g) of the said Order is not applicable.

(iv) In our opinion and according to information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.

(v) Based on the audit procedure applied by us and according to the information and explanations provided by the management, during the year, there has been no contract or arrangement that needed to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, Clause 4 (v)(b) of the said Order is not applicable.

(vi) The Company has not accepted any deposits from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) (a) *According to the information and explanations given to us and records examined by us, the Company has generally been regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income tax deducted at source, wealth tax, excise duty, service tax and sales tax/works contract tax though there has been a slight delay in a few cases.* According to information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2013 for period of more than six months from the date they become payable.

(b) According to the records of the Company, the dues of Sales tax, which have not been deposited on account of disputes and the forum where the dispute is pending, are as under:

Name of the Statute	**Nature of the dues**	**Amount in Rs.**	**Period to which the amount relates**	**Forum where dispute is pending**
1. Sales Tax Act	Sales Tax	18,742,719	1997-1998 & 1998-1999	Hon'ble High Court of Punjab & Haryana.
2. Sales Tax Act	Sales Tax	21,241,396	2009-2010 & 2010-2011	Addl. Commissioner, Department of Trade & Taxes, New Delhi
	Total	**39,984,115**		

(x) There are no accumulated losses of the Company at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) According to the information and explanations given to us and records examined by us, in view of the Reworked Package approved by the Corporate Debt Restructuring (CDR) Empowered Group as explained in Note No. 33, the Company has not defaulted in repayment of dues to financial institution or banks or debenture holders as at the Balance Sheet date

(xii) Based on our examination of the records and information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) As per the information and explanations given to us the provisions of any Special Statute applicable to Chit Fund do not apply to the Company. The Company is also not a nidhi/mutual benefit fund/ society.

(xiv) The Company has maintained proper records of transactions and contracts in respect of trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other investments have been held by the Company in its own name, except 65,00,000 shares of AB Corp Limited, which are pledged with Oriental Bank of Commerce ltd. (erstwhile GTBL).

(xv) Based on our examination of the records and information and explanations given to us, the Company has given corporate/counter guarantees for loans taken by group companies, from banks and financial institutions. As one of the businesses of the Company is to promote the companies and also the long term involvement with those companies, the guarantees have not been considered prima facie, prejudicial to the interest of the Company.

(xvi) Based on our examinations of the records and information and explanations given to us during the year no term loan with repayment period beyond 36 months has been obtained. However, during the year the Company has raised inter corporate loans which on an overall basis, have been applied for the purposes for which they were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company as at the end of the year, funds raised on short term basis have, prima facie, not been used for long term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.

(xix) The Company has not issued any secured debentures during the year.

(xx) The Company has not raised any money by public issue during the year ended March 31, 2013.

(xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR KHANDELWAL JAIN & CO.
Chartered Accountants
Firm Registration No: 105049W

(Akash Singhal)
Partner
Membership No. 103490

Place: New Delhi
Date : 29th April, 2013

BALANCE SHEET AS AT 31st MARCH, 2013

(₹ in thousands)

	Particulars	Note No(s)	Figures as at 31st March, 2013	Figures as at 31st March, 2012
I	**EQUITY AND LIABILITIES**			
(1)	**Shareholder's Funds**			
	(a) Share Capital	1	**2,044,377**	2,044,377
	(b) Reserves & Surplus	2	**5,065,617**	4,517,611
(2)	**Non- Current Liabilities**			
	(a) Long Term Borrowings	3	**2,023,486**	2,169,209
	(b) Other Long Term Liabilities	4	**39,699**	6,186,747
	(c) Long Term Provisions	5	**50,335**	20,180
(3)	**Current Liabilities**			
	(a) Short Term Borrowings	6	**716,884**	973,654
	(b) Trade Payables	7	**476,780**	321,520
	(c) Other Current Liabilities	8	**1,568,982**	681,268
	(d) Short Term Provisions	9	**37,456**	27,428
	Total		**12,023,616**	16,941,994
II	**ASSETS**			
(1)	**Non-Current Assets**			
	(a) Fixed Assets	10		
	(i) Tangible Assets		**1,028,058**	856,072
	(ii) Intangible Assets		**25,034**	15,958
	(iii) Capital-Work-In-Process		**216,467**	197,450
	(iv) Intangible Assets under Development		**937**	362
	(b) Non- Current Investments	11	**3,635,804**	9,698,304
	(c) Long Term Loans & Advances	12	**64,155**	36,448
(2)	**Current Assets**			
	(a) Current Investments	13	**1,815**	1,839
	(b) Inventories	14	**327,567**	321,745
	(c) Trade Receivables	15	**2,998,447**	3,112,845
	(d) Cash & Bank Balance	16	**389,500**	555,380
	(e) Short-term Loans & Advances	17	**3,134,553**	1,936,350
	(f) Other Current Assets	18	**201,279**	209,241
	Total		**12,023,616**	16,941,994
	See other accompanying notes to the financial statements	1 to 52		

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2013

(₹ in thousands)

	Particulars	Note No(s)	Figures for the year ended 31st March, 2013	Figures for the year ended 31st March, 2012
	INCOME			
I	Revenue From Operations	19	**6,053,496**	2,607,078
II	Other Income	20	**259,298**	277,451
III	**Total Revenue**		**6,312,794**	2,884,529
IV	**EXPENDITURE**			
	Cost of Materials Consumed	21	**915,356**	281,615
	Purchase of goods for resale		**129,077**	853,425
	Changes in inventories of Finished Goods, Work in Progress and Stock in Trade	22	**(17,878)**	2,410
	Employee Benefits Expenses	23	**977,413**	384,013
	Finance Cost	24	**271,816**	334,939
	Depreciation	10	**166,765**	150,652
	Other Expenses	25	**2,932,154**	622,779
	Investments written off		**12,600**	-
	Less: Transferred from provision for diminution in value		**(12,600)**	-
	Bad debts, Loans & advances and Others written off (Net)		**291,498**	155,058
	Less : Transferred from provision made in earlier years		**-**	(74,660)
	Total Expenses		**5,666,201**	2,710,231
V	**Profit before Exceptional items, Extraordinary items and Tax (III- IV)**		**646,593**	174,298
VI	Exceptional Items	36	**98,187**	59,500
VII	**Profit before Extraordinary items and Tax (V- VI)**		**548,406**	114,798
VIII	Extraordinary Items		**-**	-
IX	**Profit before Tax (VII-VIII)**		**548,406**	114,798
X	**Less: Tax Expense:**			
	Current Tax		**105,930**	7,568
	MAT credit entitlement		**(105,530)**	(7,056)
XI	**Profit/(Loss) for the year (after tax) (IX- X)**		**548,006**	114,286
XII	**Earning per share (Face value of Re.1/- each)**	46		
	Basic (Rs.)		**0.40**	0.06
	Diluted (Rs.)		**0.40**	0.06
	See other accompanying notes to the financial statements	1 to 52		

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ in thousands)

NOTE 1 - SHARE CAPITAL	Figures as at 31st March, 2013	Figures as at 31st March, 2012
AUTHORISED :		
5,100,000,000 (Previous year 5,100,000,000) Equity Shares of Re.1/-each	**5,100,000**	5,100,000
25,000,000 (Previous year 25,000,000) Redeemable Preference Shares of Rs.100/- each	**2,500,000**	2,500,000
	7,600,000	7,600,000
ISSUED & SUBSCRIBED:		
1,239,377,194 (Previous year 1,239,377,194) Equity Shares of Re.1/- each.	**1,239,377**	1,239,377
8,050,000 (Previous year 8,050,000) 6.5% Cumulative Redeemable Preference Shares of Rs.100/- each.	**805,000**	805,000
	2,044,377	2,044,377
PAID UP		
1,239,377,194 (Previous year 1,239,377,194) Equity Shares of Re.1/- each fully paid up	**1,239,377**	1,239,377
8,050,000 (Previous year 8,050,000) 6.5% Cumulative Redeemable Preference Shares of Rs.100/- each.	**805,000**	805,000
TOTAL	**2,044,377**	2,044,377

A. Equity Shares

(i) 278,180 (Previous year 278,180) shares of Re. 1/- each represent Global Depository Receipts.

(ii) 1,45,50,000 (Previous year 1,45,50,000) shares of Re 1/- each issued for consideration other than cash pursuant to the amalgamation of erstwhile Himachal Telematics Ltd. with the Company.

(iii) 52,96,01,640 shares of Re. 1/- each have been allotted for a consideration other than cash pursuant to the Composite Scheme of Arrangement and Amalgamation between Sunvision Engineering Company Private Limited (SECPL) its Share holders and the Optionally Convertible Debenture (OCD) holders and the Company and its Shareholders sanctioned by the Hon'ble High Court of Himachal Pradesh at Shimla vide its order passed on 5th January, 2011.

B Preference Shares

The Cumulative Redeemable Preference Shares (CRPS) aggregating to Rs. 805,000 shall be redeemed at the rate of 25% and 75% of the face value in the financial years ending 31st March 2018 and 31st March, 2019, respectively and will carry the coupon rate of 6.50% from new cut off date i.e. 1st January 2011 as mentioned in the rework package approved by the CDR EG on 29.03.2011. However, dividend accrued on notional basis, as same has not been declared and fallen due for payment, and penal interest thereon, till the cut-off date, stands waived as per CDR rework package.

C (i) Shareholders holding more than 5 percent of Equity Shares

Name of Shareholder		Figures as at 31st March, 2013	Figures as at 31st March, 2012
		No. of share held	No. of share held
NextWave Communications Private Ltd		**234,765,000**	234,765,000
	% of Holding	**18.94%**	18.94%
ANM Enginnering & Works Pvt. Ltd		**234,765,000**	234,765,000
	% of Holding	**18.94%**	18.94%
IDBI Bank Limited		**150,945,122**	150,945,122
	% of Holding	**12.18%**	12.18%
Oriental Bank of Commerce		**67,184,711**	82,825,353
	% of Holding	**5.42%**	6.68%

(₹ in thousands)

(ii) Shareholders holding more than 5 percent of Preference Shares

Name of Shareholder		Figures as at 31st March, 2013	Figures as at 31st March, 2012
		No. of share held	No. of share held
General Insurance Corporation of India Ltd.		**500,000**	500,000
	% of Holding	**6.21%**	6.21%
Digivive Contents Services (P) Ltd.		**2,950,000**	2,950,000
	% of Holding	**36.65%**	36.65%
IDBI Bank Limited		**3,500,000**	3,500,000
	% of Holding	**43.48%**	43.48%
Global Trust Bank Ltd.		**600,000**	600,000
	% of Holding	**7.45%**	7.45%

D Reconciliation of number of equity shares is set below:

Name of Shareholder	Figures as at 31st March, 2013	Figures as at 31st March, 2012
	No. of share held	No. of share held
No. of shares at the beginning of the year	**1,239,377,194**	992,395,337
Add: Shares issued during the year	-	246,981,857
Add: Bonus shares issued during the year	-	-
Less: Share bought back during the year	-	-
No. of shares at the end of the year	**1,239,377,194**	1,239,377,194

E Terms/right attached to Equity/Preference Shares

The Company has issued equity share of Re.1/- each and preference share of Rs.100/- 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 capital of the Company held by them. Preference shareholders shall have voting right in proportion to the shares of the paid up capital provided if the dividend due on such capital or any part of such dividend has remained unpaid. The Company declares dividend, if any, in Indian Rupees. The dividend, if any, proposed by the Board of Directors is subject to the approval of shareholders in the Annual General Meeting. 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.

NOTE 2 - RESERVES & SURPLUS	Figures as at 31st March, 2013	Figures as at 31st March, 2012
Securities Premium Reserve		
As per last Balance Sheet	**4,001,174**	1,817,855
Add : On issue of equity share to banks	-	2,183,319
	4,001,174	4,001,174
Profit & Loss Account		
Opening balance	**516,437**	402,151
Add: Net Profit / (Net Loss) for the current year	**548,006**	114,286
	1,064,443	516,437
TOTAL	**5,065,617**	4,517,611

(₹ in thousands)

NOTE 3 - LONG TERM BORROWINGS	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Secured		
Term Loans from Banks & Financial Institutions	**1,165,932**	1,311,655
Funded Interest Term Loans (FITL)	**857,554**	857,554
TOTAL	**2,023,486**	2,169,209

Secured Long Term Borrowings

a) Term loan of Rs.711,938 (Previous year Rs.791,043) from financial institution and Funded interest term loan of Rs.339,154 (Previous year Rs. 339,154) are secured on pari passu basis by way of first charge on all the immovable properties, both present and future, by way of equitable mortgage and first charge on the entire sales proceeds of the contracts covered under the aforesaid loan to be credited to the Escrow/designated account.

b) Term loan of Rs.210,240 (Previous year Rs.233,541) from a bank, Working capital term loan of Rs.163,800 (Previous year Rs.182,010) and Funded interest term loan of Rs.310,600 (Previous year Rs. 310,600) are secured by way of pledge of shares/Bonds/Units and also secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to the Company.

c) Working capital term loans of Rs.225,693 (Previous year Rs.250,800) from banks and Funded interest term loans of Rs.207,800 (Previous year Rs.207,800) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company.

d) All the secured loans from banks are also have secured by Pledge of part shareholding of newly co-opted promoters.

e) All the secured loans as stated above are also personally guaranteed by Managing Director of the Company.

f) Term loans are repayable in 7 years commencing from Financial year 2012-13 with rate of Interest @10% p.a. and Interest free Funded interest term loans are repayable in three equal annual installments commencing from December 31, 2016, as detailed here in below:

	F.Y. 2012-2013 (already paid)	F.Y. 2013-2014	F.Y. 2014-2015	F.Y. 2015-2016	F.Y. 2016-2017	F.Y. 2017-2018	F.Y. 2018-2019
Terms Loans	145,739	145,739	145,739	218,609	218,609	291,479	291,479
FITL	-	-	-	-	285,851	285,851	285851

NOTE 4 - OTHER LONG TERM LIABILITIES	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Trade Payables (Retention Money Payable)	**39,699**	1,712
Advance against Investment	**-**	6,185,035
TOTAL	**39,699**	6,186,747

NOTE 5 - LONG TERM PROVISIONS	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Provision for Employees Benefits	**50,335**	20,180
TOTAL	**50,335**	20,180

(₹ in thousands)

NOTE 6 - SHORT TERM BORROWINGS	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Secured		
Loans Repayable on Demand		
From Banks	**306,663**	363,504
Unsecured		
Loans Repayable on Demand		
From Body Corporates	**360,150**	610,150
Buyer's Credit	**50,071**	-
TOTAL	**716,884**	973,654

Secured Short Term Borrowings

Working capital loans from banks aggregating to Rs.306,663 (Previous year Rs. 363,504) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company.

NOTE 7 - TRADE PAYABLES	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
(refer note 45)		
Trade Payables		
For Material & Services	**401,485**	221,853
For Expenses	**75,295**	99,667
TOTAL	**476,780**	321,520

NOTE 8 - OTHER CURRENT LIABILITIES	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Current maturities for Long term secured debt		
Term Loan from Banks (refer foot note 'a to f' of note no. 3)	**145,739**	145,739
Interest accrued but not due on Borrowing	**27**	-
Interest accrued and due on Borrowing	**46,801**	84,017
Advance from Customers	**1,068,906**	183,926
Other Payables		
Retention Payable	**2,077**	464
Creditors for Capital Goods	**24,736**	11,683
Expenses Payable	**141,422**	140,127
Other employees dues	**17,420**	26,076
Statutory Dues Payable	**121,854**	89,236
TOTAL	**1,568,982**	681,268

NOTE 9 - SHORT TERM PROVISIONS	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Provision for Employee benefits	**37,048**	19,860
Provision for Income Tax	**408**	7,568
TOTAL	**37,456**	27,428

NOTE - 10. FIXED ASSETS

(₹ in thousands)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2012	Additions	Deductions/ adjustments	**As at 31.03.2013**	Up to 31.03.2012	For the year	Deductions/ adjustments	**Up to 31.03.2013**	**As at 31.03.2013**	As at 31.03.2012
Tangible Assets										
1. Land - Leasehold	8,221	-	-	**8,221**	1,467	87	-	**1,554**	**6,667**	6,754
- Freehold	23,965	-	-	**23,965**	-	-	-	**-**	**23,965**	23,965
2. Buildings-Leasehold	15,068	-	-	**15,068**	7,018	-	-	**7,018**	**8,050**	8,050
- Freehold	144,490	130,250	-	**274,740**	70,722	5,866	-	**76,588**	**198,152**	73,768
- Leasehold Improvements	22,546	-	-	**22,546**	22,546	-	-	**22,546**	**-**	-
3. Plant & machinery	4,197,080	147,058	798,425	**3,545,713**	3,559,449	116,378	796,979	**2,878,848**	**666,865**	637,631
4. Electrical installation	52,257	15,351	-	**67,608**	46,586	1,345	-	**47,931**	**19,677**	5,671
5. Furniture & fixtures	42,705	1,249	1,749	**42,205**	38,711	1,250	1,180	**38,781**	**3,424**	3,994
6. Office equipments	216,316	35,203	3,263	**248,256**	173,773	19,664	3,196	**190,241**	**58,015**	42,543
7. Vehicles	94,586	4,371	3,848	**95,109**	40,891	14,534	3,558	**51,867**	**43,242**	53,695
8. Moulds & dies	536	-	-	**536**	535	-	-	**535**	**1**	1
	4,817,770	333,482	807,285	**4,343,967**	3,961,698	159,124	804,913	**3,315,909**	**1,028,058**	856,072
Intangible Assets										
Computer software	17,227	16,717	-	**33,944**	1,269	7,641	-	**8,910**	**25,034**	15,958
Total	4,834,997	350,199	807,285	**4,377,911**	3,962,967	166,765	804,913	**3,324,819**	**1,053,092**	872,030
Previous year	4,718,224	147,790	31,017	4,834,997	3,830,103	150,652	17,788	3,962,967	872,030	888,121
Capital work-in progress									**216,467**	197,450

NOTE :-

1. Gross block and Net block of fixed assets is net of provision for impairment made in Financial Year 2004-05 in respect of Plant & Machinery Rs.342,833, Electrical Installation Rs.1,245 and Office Equipments Rs.12,440 and in FY 2010-11 further provision for impairment in respect of Plant & Machinery of Rs.795,275.
2. During the year, computer software amounting to Rs.5,331 has been regrouped from office equipment to Intangible Assets as Computer software.

(₹ in thousands)

NOTE 11 - NON CURRENT INVESTMENT	As at 31.03.2013				As at 31.03.2012			
	Face value per share/ debenture	**No. of shares/ debentures**	**Amount**	**Amount**	Face value per share/ debenture	No. of shares/ debentures	Amount	Amount
I **TRADE INVESTMENTS**								
Unquoted								
i) **Investments in Equity Instruments**								
Associates								
Microwave Communications Ltd. (MCL) *	**10**	**12,187,440**	**-**		10	12,187,440	-	
Exicom tele-systems Ltd.	**10**	**630,223**	**43,344**		10	630,223	43,344	
HFCL Satellite Communications Ltd. (HSCL) **	**10**	**2,400,000**	**-**		10	2,400,000	-	
HFCL Dacom Infochek Ltd. (HDIL)	**10**	**1,409,500**	**-**		10	1,409,500	-	
HFCL Bezeq Telecom Ltd.	**10**	**100**	**-**		10	100	-	
Westel Wireless Ltd.	**10**	**89,700**	**-**		10	89,700	-	
Polixel Securities Systems (P) Ltd.	**10**	**10,000**	**100**		10	10,000	100	
Dragaon Wave HFCL India Pvt. Ltd.	**10**	**2,495,000**	**24,950**		10	2,495,000	24,950	
			68,394				68,394	
Subsidiary Companies								
HTL Ltd. (Refer note no. 34)	**100**	**1,110,000**	**553,710**		100	1,110,000	553,710	
Moneta Finance Pvt. Ltd.	**10**	**300,000**	**3,700**		10	300,000	3,700	
			557,410				557,410	
Others								
AB Corp Ltd.$	**10**	**13,300,000**	**1,650,000**		10	13,300,000	1,650,000	
Midas Communication Technologies Pvt. Ltd.	**10**	**2,642**	**3,000**		10	2,642	3,000	
SCPL	**-**	**-**	**-**		10	62,500	6,750,000	
Pioneer.net Pvt Ltd	**10**	**5,200,000**	**-**		10	5,200,000	-	
The Greater Bombay co-op Bank Ltd.	**25**	**4,000**	**100**		25	4,000	100	
			1,653,100				8,403,100	
				2,278,904				9,028,904
ii) **Investment in 0% Optionally Fully Convertible Debentures**								
Unquoted								
APJR Traders & Commission Agent Pvt. Ltd.	**100**	**100,000**	**10,000**		100	100,000	10,000	
Bachhawat Share Broking Pvt. Ltd.	**100**	**147,000**	**14,700**		100	147,000	14,700	
Basant Marketing Pvt. Ltd.	**100**	**2,000,000**	**200,000**		100	2,000,000	200,000	
Database Software & Technology Pvt. Ltd.	**100**	**4,500,000**	**450,000**		100	4,500,000	450,000	
Shyam Basic Infrastructure Projects (P) Ltd.	**100**	**6,434,000**	**643,400**		100	6,434,000	643,400	
Westel Wireless Ltd.	**100**	**126,000**	**-**		100	126,000	12,600	
			1,318,100				1,330,700	
Less: Provision for diminution in value			**674,700**				687,300	
				643,400				643,400
iii) **Investment in Zero Coupon Optionally Converted Bond**								
SCPL	**1000**	**26,000**		**26,000**	1000	26,000		26,000
iv) **Investment in Compulsorily Convertible Zero Coupon Bonds**								
Digivision Communications Private Limited	**1000**	**68,750,000**		**687,500**	-	-		-
Total				**3,635,804**				9,698,304

* shares pledged with IDBI as a security for the term loan given by IDBI to MCL.

** shares pledged with IFCI as a security for the term loan given by IFCI to HSCL.

$ 6,500,000 shares pledged as security for the term loan given by OBC to HSCL and the Company, share held by OBC in their own name.

a)

	As at 31.03.2013	As at 31.03.2012
Aggregate amount of unqouted investment	**4,310,504**	10,385,604
Less: Provision for diminution in value of investment	**674,700**	687,300
Aggregate amount of unqouted investment	**3,635,804**	9,698,304

(₹ in thousands)

NOTE 12 - LONG TERM LOANS AND ADVANCES	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Unsecured, considered good		
Capital Advances	**14,802**	8,195
Security Deposits	**49,353**	28,253
TOTAL	**64,155**	36,448

NOTE 13 - CURRENT INVESTMENT	**As at 31.03.2013**				As at 31.03.2012			
	Face value per share/ debenture	**No. of shares/ debentures**	**Amount**	**Amount**	Face value per share/ debenture	No. of shares/ debentures	Amount	Amount
Investment In Equity Shares (Fully Paid Up)								
Quoted								
Sumedha Fiscal Services Ltd	**10**	**18,200**	**182**		10	18,200	182	
Valiant Communications Ltd	**10**	**8,700**	**87**		10	8,700	87	
Magma Fincorp Limited (Formerly known as Shrachi Securities Ltd)	**2**	**152,830**	**1,376**		2	152,830	1,376	
				1,645				1,645
Unquoted								
Indo Vanilion Ltd	**10**	**50,000**	**-**	**-**	10	50,000	35	35
Investment In Units (Fully Paid Up)								
Quoted								
Principal Cash Management fund - Dividend Plan	**1000**	**159**	**170**		1000	159	159	
				170				159
				1,815				1,839

	As at 31.03.2013	As at 31.03.2012
1. Aggregate book value of investments		
-Quoted	**1,815**	1,804
-Unquoted	**-**	35
2. Aggregate market value of quoted investments	**12,946**	11,978

NOTE 14 - INVENTORY	**Figures as at 31st March, 2013**	Figures as at 31st March, 2012
Raw Materials	**318,389**	320,381
Raw Materials in transit	**13,314**	18,986
Less: Provision for Non Moving	**131,699**	118,525
	200,004	220,842
Work in Progress	**150,004**	104,477
Less: Provision for Non Moving	**63,131**	66,991
	86,873	37,486
Finished Goods	**379**	6,463
Less: Provision for Non Moving	**-**	6,261
	379	202
Stock-in-trade- Securities (Refer Note No. 32)	**28,249**	56,075
Stores and spares	**10,832**	7,701
Less: Provision for Non Moving	**2,944**	1,937
	7,888	5,764
Loose tools	**2,584**	950
Others (Packing Material)	**1,590**	426
TOTAL	**327,567**	321,745

(₹ in thousands)

NOTE 15 - TRADE RECEIVABLES	Figures as at 31st March, 2013	Figures as at 31st March, 2012
Unsecured, considered good		
(Debts outstanding for a period exceeding six months)		
Considered good*	**2,637,961**	2,607,053
Considered Doubtful	**-**	-
	2,637,961	2,607,053
Others Debts	**360,486**	505,792
TOTAL	**2,998,447**	3,112,845

* Includes receivable from subsidiaries : Debts outstanding for a period exceeding six months Rs.105,224 (Previous year Rs.105,224).

NOTE 16 - CASH & BANK BALANCES	Figures as at 31st March, 2013	Figures as at 31st March, 2012
Balance with Scheduled Banks in Current Accounts	**65,430**	60,609
Balance with Fixed Deposit Accounts *		
Bank Deposit with more than 12 months maturity	**37,947**	38,437
Others	**282,519**	455,650
Cheques on Hand	**2,356**	-
Cash on Hand	**1,248**	684
TOTAL	**389,500**	555,380

* i) Balances with Fixed Deposit Account pledged with bank as margin money/under lien Rs.250,466 (previous year Rs. 219,511).

NOTE 17 - SHORT TERM LOANS AND ADVANCES	Figures as at 31st March, 2013	Figures as at 31st March, 2012
Unsecured, considered good		
Advances to Related Parties		
Subsidiary Companies	**624,603**	442,936
Others	**50,000**	81,958
Other Loans and Advances		
Security Deposits	**16,878**	24,870
Advances Recoverable in cash or in kind or for value to be received	**347,882**	341,544
Advance tax/TDS	**526,882**	310,893
MAT credit entitlement	**112,586**	7,056
Loans to body/non-body corporate	**90,000**	90,000
Advances to Vendors	**1,291,949**	576,661
Balance with Central Excise & Customs authorities	**73,773**	60,432
TOTAL	**3,134,553**	1,936,350

NOTE 18 - OTHER CURRENT ASSETS	Figures as at 31st March, 2013	Figures as at 31st March, 2012
Interest Receivable	**201,279**	209,241
TOTAL	**201,279**	209,241

(₹ in thousands)

NOTE 19 - REVENUE FROM OPERATIONS	Figures for the year ended 31st March, 2013	Figures for the year ended 31st March, 2012
Sales of Product	**1,296,830**	1,210,051
Sales of Services	**4,876,301**	1,428,231
	6,173,131	2,638,282
Less: Excise Duty	**119,635**	31,204
TOTAL	**6,053,496**	2,607,078

NOTE 20 - OTHER INCOME	Figures for the year ended 31st March, 2013	Figures for the year ended 31st March, 2012
Interest (Gross)		
On fixed deposits	**37,296**	40,905
(TDS Rs.3,175; previous period Rs.2,378)		
Others	**193**	102
Profit on sales of Investments	**122,500**	171,900
Excise Claim received	**500**	-
Loans & advances & others recovered (earlier written off)	**80,547**	24,460
Dividends on investments	**13,417**	39,137
Miscellaneous income	**4,845**	947
TOTAL	**259,298**	277,451

NOTE 21 - COST OF GOODS CONSUMED	Figures for the year ended 31st March, 2013	Figures for the year ended 31st March, 2012
Opening Balance	**320,381**	328,380
Add : Purchases during the year	**913,364**	273,616
	1,233,745	601,996
Less: Closing Stock	**318,389**	320,381
TOTAL	**915,356**	281,615

NOTE 22 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE	Figures for the year ended 31st March, 2013	Figures for the year ended 31st March, 2012
Opening Stock		
Finished Goods	**6,463**	6,494
Work in Progress	**104,477**	96,612
Stock In Trade - Securities	**56,075**	66,319
	167,015	169,425
Less: Provision for non moving written /off	**6,261**	-
Less: Closing Stock		
Finished Goods	**379**	6,463
Work in Progress	**150,004**	104,477
Stock In Trade - Securities	**28,249**	56,075
	178,632	167,015
CHANGE IN STOCK	**(17,878)**	2,410

(₹ in thousands)

NOTE 23 - EMPLOYEE BENEFIT EXPENSES	**Figures for the year ended 31st March, 2013**	Figures for the year ended 31st March, 2012
Salaries, wages and bonus	**882,939**	324,021
Contribution to provident & other funds	**42,485**	36,536
Welfare expenses	**51,989**	23,456
TOTAL	**977,413**	384,013

NOTE 24 - FINANCE COST	**Figures for the year ended 31st March, 2013**	Figures for the year ended 31st March, 2012
Interest expenses (Refer Note No. 31)	**257,507**	322,869
Bank charges	**14,309**	12,070
TOTAL	**271,816**	334,939

NOTE 25 - OTHER EXPENSES	**Figures for the year ended 31st March, 2013**	Figures for the year ended 31st March, 2012
Manufacturing & turnkey activities expenses		
Consumption of packing material	**22,704**	12,191
Consumption of stores and spare parts	**10,357**	6,349
Labour and service charges	**2,145,823**	221,707
Loose tools written off	**948**	360
Power, fuel and water charges	**29,118**	16,433
Repairs to buildings	**1,107**	914
Repairs to machinery	**2,665**	5,244
Other repairs	**7,861**	2,624
Insurance charges	**17,089**	6,278
Administrative & other Expenses		
Rent	**71,675**	27,717
Rates and taxes	**4,750**	4,117
Auditors remuneration		
Audit fees	**4,113**	3,640
In other capacity	**1,887**	1,729
Out of pocket expenses	**189**	172
Legal and professional charges	**110,869**	87,638
Communication expenses	**30,573**	12,716
Travelling, conveyance and vehicle expenses	**320,785**	98,806
Directors fees	**371**	190
Charity & donation	**796**	5,943
Increase/(decrease) in excise duty on finished goods	**23**	(3)
Miscellaneous expenses	**101,048**	43,574
Selling and distribution	**29,700**	17,750
Provision for inventories	**10,321**	32,757
Liquidated damages	**8,166**	4,506
Foreign exchange fluctuation	**16,903**	12,665
Loss on sale / written off of fixed assets	**1,356**	1,588
Prior period items	**(19,043)**	(4,826)
TOTAL	**2,932,154**	622,779

(₹ in thousands)

26 Significant Accounting Policy to Financial Statements

(i) Method of Accounting

(a) The financial statements are prepared on the historical cost convention and in accordance with the Generally Accepted Accounting Principles (‘GAAP’).

(b) The Company follows accrual system of accounting in the preparation of accounts except where otherwise stated.

(c) The preparation of the financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported accounts of income and expenses of the period, reported values of assets and liabilities and disclosures relating to contingent assets and liabilities as of date of the financial statements. Examples of such estimates include provision for doubtful debts, provision for doubtful loans and advances, provisions for diminution in value of investments, estimated period of utility of software package, provision for value of obsolete/non moving inventories etc. Actual results may differ from these estimates.

(ii) Fixed Assets

(a) Fixed Assets 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 but is net of CENVAT.

(b) Capital Work-in-Progress -All expenses incurred for acquiring, erecting and commissioning of fixed assets including interest on long term loans utilized for meeting capital expenditure and incidental expenditure incurred during construction of the projects are shown under capital work-in-progress and are allocated to the fixed assets on the completion of the respective projects.

(c) Intangible Assets- (i) Revenue expenditure of specialized R&D including technical know-how fee incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets. (ii) Purchased of computer software used for the purpose of operations is capitalised, however, any expenses on software support, maintenance, upgrade etc. payable periodically is charged to the Profit & Loss Account.

(iii) Leases

(a) Finance Lease or similar arrangements, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized and disclosed as leased assets. Finance charges are charged directly against income.

(b) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account or on a basis, which reflect the time pattern of such payment appropriately.

(iv) Depreciation, Amortisation and Impairment

(a) Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other fixed assets on written down value method at the rates prescribed in the Schedule XIV of the Companies Act, 1956.

(b) Depreciation due to increase or decrease in the liability on account of exchange fluctuation or on account of rollover charges on forward exchange contract is provided prospectively over the residual life of the assets.

(c) On assets acquired on lease (including improvements to the leasehold premises), depreciation has been provided for on Straight Line Method at the rates as per Schedule XIV of the Companies Act, 1956 or at the rates worked out on the basis of remaining useful life of the assets, whichever is higher.

(d) Premium on leasehold land is amortised over the period of lease.

(e) The Technical Know-how fees is written off over a period of six years from the year of the commencement of commercial production of the respective projects. Where the production has not commenced and the benefit of know- how is unlikely to accrue, the fee paid therefore is fully written off in the year in which it is so determined.

(f) Intangible assets are amortised over a period of five years or life of the product considered at the end of each financial year whichever is earlier. Amortisation commences when the asset is available for use.

(g) At the balance sheet date, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

(v) Investments

(a) The cost of an investment includes incidental expenses like brokerage, fees and duties incurred prior to acquisition.

(b) Long term investments are shown at cost. Provision for diminution is made only if, in the opinion of the management such a decline is other than temporary.

(₹ in thousands)

(c) Investments which are intended to be held for less than one year are classified as current investments and are carried at lower of cost and fair value determined on an individual investment basis.

(d) Advance against share application money are classified under the head “Investments”.

(vi) Inventories

(a)	Raw Materials, Materials in transit, Packing Materials, Stores & Spares and Components.	At cost or net realizable value whichever is lower.
(b)	Finished Goods and Work-in-Process Cost of Inventories is ascertained on	At lower of cost and net realizable value First in First out (FIFO) basis.
(c)	Stock in trade - Quoted - Unquoted	At lower of cost and market value At lower of cost and break-up value
(d)	Contract Work in Progress	At cost
(e)	Loose Tools	After write-off at 27.82% p.a.

(vii) Revenue Recognition

(a) Sales & services include sales during trial run and excise duty recoverable. Liquidated damages are accounted for as and when they are ascertained.

(b) Revenue in respect of long term turnkey works contracts is recognised under percentage of completion method subject to such contracts having progressed to a reasonable extent. Revenue in respect of other works contracts and services is recognised on completed contract method.

(c) Insurance claims are accounted for as and when admitted by the concerned authority.

(viii) Foreign Currency Transactions

(a) Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transactions.

(b) Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the year end rates.

(c) Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognised in the profit and loss account as income or expense.

(d) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract, further exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/expense for the period except where the foreign currency liabilities have been incurred in connection with fixed assets acquired up to March, 2004 and subsequent thereto in case of fixed assets acquired from a country outside India, where the exchange differences are adjusted in the carrying amount of concerned fixed assets.

(ix) Provisioning/Write off of Doubtful Debts

The trade receivables are continuously reviewed by the Management for ascertaining its recoverability. The receivables which are outstanding for more than three years from their respective due dates are written off to profit and loss account. The debtors which are outstanding for more than two years but less than three years are provided for at 100% whereas debtors outstanding for more than one year but less than two years are provided for at 30% of the amount outstanding. Wherever the Management is of the view that no write offs or provisions are required to be made for specific cases where the amounts are recoverable even if falling under the aging as mentioned above.

(x) 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.

(xi) Excise and Customs Duty

Excise duty payable on production is accounted for on accrual basis. Provision is made in the books of account for customs duty on imported items on arrival and lying in bonded warehouse and awaiting clearance.

(₹ in thousands)

(xii) CENVAT Credit

The CENVAT credit available on purchase of raw materials, other eligible inputs and capital goods is adjusted against excise duty payable on clearance of goods produced. The unadjusted CENVAT credit is shown under the head "Loans and advances".

(xiii) Employees Benefits

(Effective April 1, 2007, the Company has adopted the Revised Accounting Standard – 15(Revised-2005) 'Employee Benefits'. The relevant policies are:

Short Term Employee Benefits

Short term employee benefits are recognised in the period during which the services have been rendered.

Long Term Employee Benefits

a) Defined Contribution plan

(i) 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 Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

(ii) 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 Accounting Standard 15 (revised), "Employee Benefits " The Company makes annual 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.

b) Other long term benefit

Leave Encashment

The Company has provided for the liability at period end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

c) Actuarial gains and losses are recognized as and when incurred.

(xiv) Preliminary, Securities issue expenses and Redemption premium Preliminary, Securities issue expenses and Redemption premium on bonds and debentures are adjusted against securities premium account.

(xv) Research & Development Costs

Revenue expenditure on research phase is charged to Profit & Loss Account in the year in which it is incurred. Capital Expenditure is added to the cost of fixed assets.

(xvi) Taxes on Income

Tax expense comprises of current, deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

(₹ in thousands)

(xvii) Segment Reporting

Segments are identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organization structure as well as the differential risk and returns of the segments. The unallocable items include income and expenses items which are not directly identifiable to any segment and therefore not allocated to any business segment.

(xviii) Earnings Per Share

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

(xix) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is provable that there will be a out flow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the Financial Statements.

		As at 31.03.2013	As at 31.03.2012
27	Contingent Liabilities not provided for in respect of :		
	(a) Unexpired Letters of Credit (margin money paid Rs.18,155 ; Previous year Rs.70,000)	**18,155**	125,214
	(b) Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits Rs.106,424; Previous year Rs.147,919)	**329,274**	338,176
	(c) Counter Guarantees given by the Company to the financial institutions/banks for providing guarantees on behalf of companies promoted by the Company. (margin money kept by the banks by way of fixed deposits Rs.Nil ; Previous year Rs Nil)	**201,591**	1,374,331
	(d) Arrears of Dividend on Cumulative redeemable preference shares	**189,013**	136,688
28	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**66,565**	78,138
29	Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest Rs.5,000 shown as advance)	**39,984**	100,903

30 Directors remuneration including Managing Director

(excluding provision for gratuity)	**2012-2013**	2011-2012
(i) Salaries	**5,400**	-
(ii) Contribution to provident fund	**648**	-
(iii) Perquisites and allowances	**10,043**	-
	16,091	-

The Company has received necessary approval from the Central Government (CG) for the re-appointment and payment of remuneration to Wholetime Directors for the Financial Year 2007-08, 2008-09 and part Financial Year 2009-10 for Rs.27,464.The Company also filed the necessary Applications with the CG seeking their approval for re-appointment and payment of remuneration to Wholetime Directors for remaining part of the Financial Year 2009-10 and onwards which have not been approved by the CG in absence of “no objection letter” from the lenders. Accordingly a sum of Rs.41,144 being the excess amount paid for the aforesaid period continuous to be shown as recoverable. The working capital lenders have authorised IDBI Bank Ltd. (IDBI) to issue ‘no objection letter’ (NOC) for payment of managerial remuneration to whole time directors for the aforesaid period which has since been received from IDBI. The Company will now file its representation with the CG for seeking their approval for the balance amount of remuneration. However, pending approval from the Central Government, the said amount, subsequent to Balance Sheet date, has been recovered from the respective Directors.

(₹ in thousands)

31 Interest charges on loans is net of Interest income from loans and advances amounting to Rs.4,515 (Previous year Rs.4,282).

32 Stock in trade - Securities include equity shares of the following companies:

	As at 31.03.2013		As at 31.03.2012	
	Qty	**Amount**	Qty	Amount
Adinath Bio Labs Ltd.	**6,408,000**	**1,858**	6,408,000	6,792
Granules India Ltd.	**100,000**	**3,200**	100,000	3,200
Manvens Biotech Ltd.	**17,000**	**13**	17,000	40
Media Matrix Worldwide Ltd.	**4,750**	**8**	4,750	22
Optimates Textile Ltd.	**1,302,500**	**2,735**	1,302,500	9,704
Rashel Agrotech Ltd.	**478,500**	**986**	478,500	431
Sahara India Media and Entertainment Ltd.	**250,950**	**19,449**	250,950	35,886
		28,249		56,075

33 Debt of the Company were earlier restructured under Corporate Debt Restructuring (CDR) mechanism in April 2004 which was subsequently modified in June 2005 with cut-off date as 1st April, 2005. CDR Empowered Group at its meeting held on 9th February, 2011 has approved the reworked package of the Company with the cut off date as 1st January 2011 and communicated its sanction vide their letter No. BY CDR(JCP)/No 8643/2010-11 dated 29.03.2011. The reworked package includes interalia reduction in the existing rate of interest, re-schedulement for repayment of loans, conversion of overdue interest into funded interest term loan (FITL), conversion of Zero Coupon Premium Bonds (ZCPB's), part of their premium and part of working capital loans into Equity, conversion of part of working capital loan into working capital Term Loan (WCTL), waiver of unpaid dividend on preference shares, waiver of penal interest etc. The conditions as stipulated by CDR EG while sanctioning Rework Package have been complied with by the Company. Accordingly, the impact of the reworked package has been considered in the Financial Statement.

34 Pursuant to the disinvestment by the Government of India, the Company had acquired 11,10,000 equity shares of Rs.100/- each of HTL Limited representing 74% of its equity capital at total consideration of Rs. 550,000 in terms of Shareholders Agreement dated 16.10.2001. The above consideration paid by the Company is subject to post closing adjustments on account of difference in net worth of HTL Limited as on 31.03.2001 and as on the date of purchase of shares in terms of Share Purchase Agreement dated 16.10.2001.The Company has submitted its claim on account of Closing Date Adjustment to the Government in respect of such reduction in net assets of HTL Limited which has not been settled by the Government. Due to this, the Company has invoked the provisions of the Share Purchase Agreement for settlement of dispute by Arbitration. The Hon'ble Arbitral Tribunal has since given the award in favour of the company on 10th October, 2007 upholding the claim of the company on account of the above to the extent of Rs.550,000 and interest from the date of award. The said award has been upheld by the Divisional Bench of Hon'ble High Court of Delhi on 25th February, 2013, however, the consequential effect has not been given as DoT is entitled to appeal against said order before Hon'ble Supreme Court of India.

35 The Company had made payment of Rs.2,400 (Previous year Rs.2,400) to certain cumulative redeemable preference shareholders as per contractual obligations in the earlier years. The said amount paid have been shown as "advances" to be adjusted against future expected liability of dividend on cumulative preference shares.

36 Payment made to lenders towards guarantee contract/obligation amounting to Rs.98,187 including associate company (Previous year Rs.59,500) has been accounted for under the head Exceptional items.

37 In accordance with the Company Policy, the company has reviewed the outstanding receivables and is in continuous process of working out different modalities of recovery. The Company has also written off a sum of Rs. 303,007 during the year, which in the opinion of the Management, is adequate.

38 During the year, Company has recognised the following amounts in the financial statements as per Accounting Standard 15 (Revised) "Employees Benefits" issued by the ICAI:

a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised are charged off for the year/period as under:

	For the year ended 31.03.2013	For the year ended 31.03.2012
Employer's Contribution to Provident Fund	**6,593**	5,616
Employer's Contribution to Pension Scheme	**2,482**	2,409

(₹ in thousands)

b) Defined Benefit Plan

The employees' gratuity fund scheme managed by HDFC Standard Life Insurance Company Limited 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.

	Gratuity (Funded)		Leave Encashment	
Actuarial assumptions	**As at 31.03.2013**	As at 31.03.2012	**As at 31.03.2013**	As at 31.03.2012
Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	**8.75%**	8.75%	**8.00%**	8.00%
Rate of increase in Compensation levels	**8.00%**	8.00%	**8.00%**	8.00%
Rate of Return on plan assets	**8.60%**	8.60%	**N.A.**	N.A.
Average remaining working lives of employees (Years)	**-**	-	**21.70**	17.51
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	**34,346**	36,117	**14,522**	14,617
Acquisition adjustment	**Nil**	Nil	**Nil**	Nil
Interest Cost	**3,005**	2,980	**1,162**	1,173
Past service cost (Vested Benefit)	**Nil**	Nil	**Nil**	Nil
Current Service Cost	**8,811**	3,138	**29,039**	2,519
Curtailment cost / (Credit)	**Nil**	Nil	**Nil**	Nil
Settlement cost /(Credit)	**Nil**	Nil	**Nil**	Nil
Benefits paid	**Nil**	Nil	**(5,004)**	(3,478)
Actuarial (gain)/ loss on obligations	**6,120**	(7,890)	**4,958**	(309)
Present value of obligation as at the end of the period	**52,282**	34,345	**44,677**	14,522
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	**8,828**	8,511	**Nil**	Nil
Acquisition adjustments	**Nil**	Nil	**Nil**	Nil
Expected return of plan assets	**759**	681	**N.A.**	N.A.
Employer contribution	**Nil**	Nil	**Nil**	Nil
Benefits paid	**Nil**	Nil	**Nil**	Nil
Actuarial gain/ (loss) on obligations	**(11)**	(365)	**Nil**	Nil
Fair value of plan assets at year end	**9,576**	8,827	**Nil**	Nil
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	**(748)**	(316)	**Nil**	Nil
Expected return on plan assets	**759**	681	**Nil**	Nil
Excess of actual over estimated return on plan assets	**Nil**	Nil	**Nil**	Nil
Actuarial (gain)/ loss-plan assets	**11**	365	**Nil**	Nil
Actuarial Gain / loss recognised				
Actuarial (gain) / loss for the period - Obligation	**6,120**	(7,890)	**4,958**	(309)
Actuarial (gain) / loss for the period - Plan assets	**11**	365	**Nil**	Nil
Total (gain) / loss for the period	**6,131**	(7,525)	**4,958**	(309)
Actuarial (gain) / loss recognized in the period	**6,131**	(7,525)	**4,958**	(309)
Unrecognised actuarial (gains) / losses at the end of the period	**Nil**	Nil	**Nil**	Nil
The amounts to be recognized in Balance Sheet and statement of Profit and Loss:				
Present value of obligation as at the end of the period	**52,281**	34,346	**44,677**	14,522
Fair value of plan assets as at the end of the period	**9,576**	8,828	**Nil**	Nil
Funded Status	**(42,706)**	(25,518)	**(44,677)**	(14,522)
Unrecognised actuarial (gains) / losses	**Nil**	Nil	**Nil**	Nil
Net asset / (liability) recognised in Balance Sheet	**(42,706)**	(25,518)	**(44,677)**	(14,522)

(₹ in thousands)

Expenses recognised in statement of Profit and Loss :				
Current service cost	**8,811**	3,138	**29,039**	2,519
Past service cost (Vested Benefit)	**Nil**	Nil	**Nil**	Nil
Interest Cost	**3,005**	2,980	**1,162**	1,173
Expected return on plan assets	**(759)**	(681)	**Nil**	Nil
Curtailment and settlement cost /(credit)	**Nil**	Nil	**Nil**	Nil
Net Actuarial (gain)/ loss recognised in the period	**6,131**	(7,525)	**4,958**	(309)
Expenses recognised in the statement of Profit and Loss	**17,188**	(2,088)	**35,159**	3,383

Investment Details

HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	-	-

Note: The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

39 The Company has carried out Impairment Test on its Fixed Assets as on 31.3.2013 and the Management is of the opinion that there is no asset for which impairment is required to be made as per Accounting Standard-28 on Impairment of Assets issued by ICAI . (Previous year Rs. Nil)

40 Lease payments under cancellable operating leases have been recognised as an expense in the profit & loss account. Maximum obligation on lease amount payable as per rentals stated in respective agreements are as follows:-

	Financial Year ended 31.03.2013	Financial Year ended 31.03.2012
Not later than one year	**54,247**	47,180
Later than one year but not later than five years	**118,786**	122,082
More than five years	**31,022**	62,324

41 Balances of some of the Trade receivable, Trade payables, lenders, loans and advances are subject to confirmations from the respective parties and consequential adjustments arising from reconciliation, if any. The Management, however is of the view that there will be no material adjustments in this regard.

42 As required by Accounting Standard 18 “Related Party Disclosures”

(i) Name and description of related parties.

Relationship	Name of Related Party
(a) Subsidiaries:	HTL Ltd. Moneta Finance Pvt. Ltd.
(b) Associates:	Microwave Communications Ltd. Exicom Tele-systems Ltd. HFCL Satellite Communications Ltd HFCL Dacom Infochek Ltd (HDIL) HFCL Bezeq Telecom Ltd Westel Wireless Ltd Polixel Security Systems Pvt. Ltd. DragonWave HFCL India Pvt. Ltd. ANM Enginnering and Works Pvt. Ltd. NextWave Communications Pvt. Ltd.
(c) Key management personnel :	Shri Mahendra Nahata Shri Arvind Kharabanda

Note: Related party relationship is as identified by the Company and relied upon by the auditors.

(ii) Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at 31st March, 2013 are as under:

(₹ in thousands)

Particulars	Related parties referred above in				
	i(a)		i(b)		
	HTL LTD	Moneta Finance (P) Ltd.	Exicom Tele-systems Ltd.	Polixel Security Systems Pvt. Ltd.	HFCL Bezeq Telecom Ltd.
Purchases/receiving of					
Goods and materials	**-**	**-**	**-**	**3,068**	**-**
	(-)	(-)	(13,407)	(43)	(-)
Services	**-**	**-**	**144,944**	**545**	**-**
	(-)	(-)	(35,516)	(-)	(-)
Sales/rendering of					
Goods and materials	**-**	**-**	**-**	**543**	**-**
	(-)	(-)	(10)	(60)	(-)
Services	**-**	**-**	**11,054**	**-**	**-**
	(-)	(-)	(3,384)	(-)	(-)
Income					
Rent/other expenses	**-**	**-**	**726**	**2,807**	**-**
	(-)	(-)	(949)	(-)	(-)
Expenses					
Rent/other expenses	**716**	**-**	**-**	**-**	**-**
	(453)	(-)	(1,774)	(-)	(-)
Advances					
Advance given	**208,000**	**383**	**-**	**103,000**	**-**
	(91,500)	(70,000)	(-)	(28,000)	(-)
Outstanding (net)					
Payables	**13,075**	**-**	**-**	**3,059**	**-**
	(12,414)	(-)	(-)	(-)	(-)
Receivables	**679,924**	**63,500**	**3,061**	**-**	**50,000**
	(471,924)	(88,649)	(11,020)	(31,957)	(50,000)

	As at 31.03.2013	As at 31.03.2012
Guarantees and collaterals		
Microwave Communications Ltd.	**136,591**	662,731
Exicom Tele-systems Ltd.	**65,000**	101,600
HFCL Satellite Communications Ltd	-	590,000

Details of remuneration to directors are disclosed under note no.30. Figure in brackets represent the previous year figures

43 Segment Reporting

(a) Primary segment information

The Company'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 Accounting Standard on Segment Reporting 'AS-17' .Telecom products and Turnkey contracts and services are the primary business segments whereas Others constituting less than 10% of the segment revenue/results/assets and accordingly have been considered as other business segments and are disclosed in the financial statements. Details of business segments are as follows:

(₹ in thousands)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Segment Revenue		
a. Telecom Products	**1,121,960**	381,000
b. Turnkey Contracts and Services	**4,931,536**	2,226,078
Total	**6,053,496**	2,607,078
Less: Inter segment revenue	**-**	-
Turnover/Income from Operations	**6,053,496**	2,607,078
Segment Results		
a. Telecom Products	**(217,345)**	(490,291)
b. Turnkey Contracts and Services	**1,027,662**	761,747
Total	**810,317**	271,456
Less: i. Interest and Finance charges	**271,816**	334,939
ii. Other un-allocable expenditure net off un-allocable income	**(9,905)**	(178,281)
Profit/(Loss) before Tax	**548,406**	114,798
Capital Employed		
a. Telecom Products	**3,581,122**	2,887,932
b. Turnkey Contracts and Services	**555,904**	672,446
Total capital employed in segments	**4,137,026**	3,560,378
Add: Un-allocable corporate assets less liabilities	**2,972,968**	3,001,610
Total capital employed in Company	**7,109,994**	6,561,988

(b) Secondary segment information

The Company caters mainly to the needs of Indian market and the export turnover being 0.02% (Previous year 0.03%) of the total turnover of the Company, there are no reportable geographical segments.

44 Deferred Tax

The break up of net deferred tax liability is as under:

	As at 31.03.2013		As at 31.03.2012	
	Deferred tax liability	**Deferred tax asset**	Deferred tax liability	Deferred tax asset
Depreciation	**47,805**	**-**	81,136	-
Others	**-**	**-**	-	2,320
Unabsorbed losses (to the extent of liability only) *	**-**	**47,805**	-	78,816
	47,805	**47,805**	81,136	81,136
Net deferred tax liability		**-**		-

* On conservative basis the Company recognises deferred tax asset only to the extent of deferred tax liability and excess of the deferred tax assets has not been given effect to in the Balance Sheet.

45 Discloser required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :

Particulars	As at 31.03.2013	As at 31.03.2012
a. Principal amount due	**11,927**	7,243
Interest due on above	**180**	97
b. Interest paid during the period beyond the appointed day	**Nil**	Nil
c. Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	**Nil**	Nil
d. Amount of interest accrued and remaining unpaid at the end of the period	**Nil**	Nil
e. 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 7 ‘Trade Payable’ regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company and has been relied upon by the auditors.

(₹ in thousands)

46 Earning per Share (EPS)- In accordance with the Accounting Standard (AS-20)

	Year ended 31.03.2013	Year ended 31.03.2012
(a) Basic & Diluted Earning per share before extra ordinary items		
Profit /(Loss) after tax	**548,006**	114,286
Less: Preference dividend	**52,325**	52,325
Profit attributable to ordinary shareholders	**495,681**	61,961
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	**1,239,377,194**	1,088,893,713
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	**1,239,377,194**	1,088,893,713
Nominal value of ordinary share	**Re.1/-**	Re.1/-
Earning per share basic	**0.40**	0.06
Earning per share diluted	**0.40**	0.06
(b) Basic & Diluted Earning per share after extra ordinary items		
Profit /(Loss) after tax	**548,006**	114,286
Less: Preference dividend	**52,325**	52,325
Profit attributable to ordinary shareholders	**495,681**	61,961
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	**1,239,377,194**	1,088,893,713
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	**1,239,377,194**	1,088,893,713
Nominal value of ordinary share	**Re.1/-**	Re.1/-
Earning per share basic	**0.40**	0.06
Earning per share diluted	**0.40**	0.06
(Ignored as the effect of potential equity shares is anti dilutive)		

47 Details of loans and advances in nature of loans outstanding from Subsidiary for the year ended 31st March, 2013 - Disclosure required by Clause 32 of the Listing Agreement.

Subsidiary Company	Outstanding as at		Maximum amount outstanding during the year	
	31.03.2013	31.03.2012	**31.03.2013**	31.03.2012
HTL Ltd	**574,700**	354,286	**574,700**	366,700
Moneta Finance (P) Ltd.	**63,500**	88,649	**88,649**	88,649

48 Previous period's figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

(₹ in thousands)

49 Value of imported and indigenous raw material and stores & spares consumed:

Particulars	Year ended 31.03.2013		Year ended 31.03.2012	
	%	**Value**	%	Value
(a) Raw materials				
Imported	**64**	**588,968**	48	133,788
Indigenous	**36**	**326,388**	52	147,827
	100	**915,356**	100	281,615
(b) Component/Material purchased				
Imported	**2**	**2,407**	0.44	3,776
Indigenous	**98**	**126,670**	99.56	849,649
	100	**129,077**	100	853,425
(c) Stores & spares				
Imported	**18**	**1,893**	24	1,547
Indigenous	**82**	**8,464**	76	4,802
	100	**10,357**	100	6,349

50 Value of Imports on CIF Basis		
Raw material & components	**561,700**	119,056
Stores & spares	**3,585**	1,300
Capital goods	**102,010**	12,222
51 Income /Expenditure in foreign currency		
(On payment basis)		
Exp. - Travelling, Subscription & others	**7,902**	6,441
Income - Commission received	**1,098**	-
52 Earnings in foreign exchange		
FOB Value of export	**13,948**	944

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(₹ in thousands)

	Particulars		For the year ended 31.03.2013	For the year ended 31.03.2012
A.	**Cash flow from Operating Activities :**			
	Net Profit before taxes		**548,406**	114,798
	Adjustments for :			
	Depreciation	**166,765**		150,652
	Loss /(Profit) on sale of investments (net)	**(122,500)**		(171,900)
	Diminution in value of investment	**35**		-
	Interest & finance charges	**271,816**		334,939
	Interest income	**(37,489)**		(41,007)
	Dividend income	**(13,417)**		(39,137)
	Loss/(Profit) on sale of fixed assets	**1,356**		1,588
	Bad Debts, advances and miscellaneous balances written off	**291,498**		80,398
	Payment towards guarantee obligation	**98,187**		59,500
			656,251	375,033
	Operating Profit before working capital changes		**1,204,657**	489,831
	Adjustments for :			
	Trade and other receivables	**(1,290,136)**		(525,864)
	Inventories	**(5,822)**		26,383
	Trade payables	**1,039,749**		(14,750)
			(256,209)	(514,231)
	Cash generated from operations		**948,448**	(24,400)
	Income tax		**(105,930)**	(7,056)
	Net Cash used in operating activities		**842,518**	(31,456)
B.	**Cash flow from investing activities**			
	Purchase of fixed assets		**(356,737)**	(206,428)
	Sale of fixed assets		**1,013**	11,643
	Purchase of investments		**(687,511)**	(11)
	Sale/disposal of investments (net)		**687,465**	815,000
	Interest received		**4,204**	11,084
	Dividend received		**13,417**	39,137
	Net Cash used in investing activities		**(338,149)**	670,425

(₹ in thousands)

Particulars		For the year ended 31.03.2013	For the year ended 31.03.2012
C. Cash flow from financing activities			
Proceed from issue of share capital including premium (net of issue expenses)		-	2,430,301
Repayment of long term/short term borrowings			
Secured	**(202,564)**		(2,583,343)
Unsecured	**(199,928)**		(379,300)
		(402,492)	(2,962,643)
Interest paid (net)		**(267,757)**	(301,144)
Net Cash from financing activities		**(670,249)**	(833,486)
Net increase in cash & cash equivalents		**(165,880)**	(194,517)
Cash & cash equivalents (Opening Balance)		**555,380**	749,897
Cash & cash equivalents (Closing Balance)		**389,500**	555,380

Notes:

1 The Cash flow statement has been prepared under the indirect method as set-out in the Accounting Standard 3 "Cash Flow Statements" issued by Institute of Chartered Accountants of India.

2 Figures in bracket indicate cash outflow.

3 Cash & cash equivalents represents:

	31.03.2013	31.03.2012
Cash on hand	**1,248**	684
Cheques in hand	**2,356**	-
Balances with Scheduled banks in		
Current accounts	**65,430**	60,609
Fixed deposit accounts	**320,466**	494,087
Total	**389,500**	555,380

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

Independent Auditor's Report

To
The Board of Directors of
HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

We have audited the accompanying consolidated financial statements of **Himachal Futuristic Communications Limited** ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

1. Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements (CFS) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

2. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. 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. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

3. Basis for Qualified Opinion

A) In the case of holding company HFCL

a) With regard to the trade receivable outstanding for a long period as mentioned in Note No. 35, we are unable to comment on the extent of realisability and consequently on the adequacy of provision for doubtful debts made by the Company. Impact thereof on the profit for the year, if any, is unascertainable.

b) As mentioned in Note No. 38, balances of some of the trade receivable, trade payable, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any.

The effect of items mentioned at paragraph (a) and (b) above on profit for the year, assets, liabilities and reserves is unascertainable.

B) In the case of the subsidiary, HTL Ltd., as mentioned in Note No. 39(i) in the Notes forming part of CFS, the Subsidiary incurred a net loss of Rs.1,185,575 during the year and has accumulated losses of Rs 5,664,343,226 as at March 31, 2013, which has resulted in negative net worth of Rs. 5,514,343,226. The Subsidiary's current liabilities have exceeded its current assets by Rs 5,495,099,180 as at that date. Further, the Subsidiary has overdrawn borrowings from banks by Rs. 245,652,976 and also has overdue loans from Government of India amounting to Rs 62,420,000 and interest accrued and due thereon of Rs. 226,524,150. The turnover during the current year is only Rs. 6,264,988. The Subsidiary's plans to raise funds are dependent on resolution of various uncertainties as referred to in the said note. These factors along with other matters as set forth in the said note raises doubt that the Subsidiary will be able to continue as a going concern. The Subsidiary is expecting to receive orders for erection of Telecom Towers and Turnkey Integration work for lying of Optical Fiber Cable. In view of the management's expectation of the successful outcome of the above proposals, the financial statements have been prepared on a going concern basis. However, in view of the above uncertainties, we are unable to comment on the ability of the Subsidiary to continue as a 'going concern' and the consequential adjustments to the accompanying financial statements, if any, that might have been necessary had the financial statements been prepared under liquidation basis.

4. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, *except for the effects of the matters described in the Basis for Qualified Opinion paragraph the effect of which is unascertainable* and read together with the other notes, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

5. Other Matter

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs. 74,004,797 as at March 31, 2013, total revenues of Rs. 5,541,009/- and net cash outflows amounting to Rs. 17,995 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

For Khandelwal Jain & Co.
Chartered Accountants
Firm Registration No: 105049W

(Akash Shinghal)
(Partner)
Membership No. 103490

Place: New Delhi
Date : 29th April, 2013

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2013

(₹ in thousands)

	Particulars	Note No(s)	Figures as at 31.03.2013	Figures as at 31.03.2012
I	EQUITY AND LIABILITIES			
	(1) Shareholder's Funds			
	(a) Share Capital	1	**2,044,377**	2,044,377
	(b) Reserves & Surplus	2	**(252,101)**	(815,822)
	(2) Non-Current Liabilities			
	(a) Long Term Borrowings	3	**2,024,290**	2,169,359
	(b) Other Long Term Liabilities	4	**39,699**	6,186,747
	(c) Long Term Provisions	5	**102,564**	73,104
	(3) Current Liabilities			
	(a) Short Term Borrowings	6	**1,562,071**	1,738,616
	(b) Trade Payables	7	**1,819,847**	1,816,910
	(c) Other Current Liabilities	8	**5,069,015**	4,339,203
	(d) Short Term Provisions	9	**57,450**	35,481
	Total		**12,467,212**	17,587,975
II	ASSETS			
	(1) Non Current Assets			
	(a) Fixed Assets	10		
	(i) Tangible Assets		**1,060,979**	890,486
	(ii) Intangible Assets		**25,035**	15,959
	(iii) Capital-Work-In-Process		**216,467**	197,450
	(iv) Intangible Assets under Development		**937**	363
	(b) Non-Current Investments	11	**3,102,710**	9,152,114
	(c) Long Term Loans & Advances	12	**117,178**	110,044
	(d) Goodwill (on Consolidation of Subsidiary)		**742,205**	742,205
	(2) Current Assets			
	(a) Current Investments	13	**1,815**	1,839
	(b) Inventories	14	**328,232**	329,504
	(c) Trade Receivables	15	**3,567,629**	3,683,258
	(d) Cash & Bank Balance	16	**494,194**	662,137
	(e) Short-term Loans & Advances	17	**2,572,478**	1,557,300
	(f) Other Current Assets	18	**237,353**	245,316
	Total		**12,467,212**	17,587,975
	See other accompanying notes to the financial statements	1 to 49		

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2013

(₹ in thousands)

	Particulars	Note No(s)	Figures for the year ended 31st March, 2013	Figures for the year ended 31st March, 2012
	INCOME			
I	Revenue From Operations	19	**6,065,301**	2,610,089
II	Other Income	20	**1,074,499**	403,830
III	Total Revenue		**7,139,800**	3,013,919
IV	**EXPENDITURE**			
	Cost of Materials Consumed	21	**932,291**	282,804
	Purchase of goods for resale		**129,077**	853,425
	Changes in inventories of Finished Goods, Work in Progress and Stock in Trade	22	**(17,878)**	2,410
	Employee Benefits Expenses	23	**1,098,842**	533,227
	Finance Cost	24	**857,439**	878,523
	Depreciation and Amortization Expenses	10	**169,706**	154,315
	Other Expenses	25	**3,027,918**	797,900
	Investments written off		**12,600**	-
	Less: Transferred from provision for diminution in value		**(12,600)**	-
	Bad debts, Loans & advances and Others written off (Net)		**291,498**	157,280
	Less : Transferred from provision made in earlier years		**-**	(74,660)
	Total Expenses		**6,488,893**	3,585,224
V	Profit before Exceptional items, Extraordinary items and Tax (III- IV)		**650,907**	(571,305)
VI	Exceptional Items		**98,187**	59,500
VII	Profit before Extraordinary items and Tax (V- VI)		**552,720**	(630,805)
VIII	Extraordinary Items		**-**	-
IX	Profit before Tax (VII- VIII)		**552,720**	(630,805)
X	Less: Tax Expense:			
	Current Tax		**107,624**	8,060
	MAT credit entitlement		**(105,530)**	(7,056)
	Share of results of Associates		**(13,095)**	36,003
	Minority Interest		**-**	-
XI	Profit (Loss) for the year (after tax) (IX- X)		**563,721**	(667,812)
XII	Earning per share (Face value of Re 1/- each)			
	Basic (Rs.)		**0.41**	(0.66)
	Diluted (Rs.)		**0.41**	(0.66)
	See other accompanying notes to the financial statements	1 to 49		

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in thousands)

1. Share Capital		Figures as at 31.03.2013	Figures as at 31.03.2012
Authorised :			
5,100,000,000 (Previous year 5,100,000,000) Equity shares of Re.1/- each		**5,100,000**	5,100,000
2,50,00,000 (Previous year 2,50,00,000) Cumulative redeemable preference shares of Rs.100/- each		**2,500,000**	2,500,000
		7,600,000	7,600,000
Issued & Subscribed :			
1,23,93,77,194 (Previous year 123,93,77,194) Equity Shares of Re.1/- each		**1,239,377**	1,239,377
80,50,000 (Previous year 80,50,000 6.5%) 6.5% Cumulative Redeemable Preference Shares of Rs.100/- each		**805,000**	805,000
		2,044,377	2,044,377
Paid Up :			
1,23,93,77,194 (Previous year 123,93,77,194) Equity Shares of Re.1/- each fully paid up		**1,239,377**	1,239,377
80,50,000 (Previous year 80,50,000 6.5%) 6.5% Cumulative Redeemable Preference Shares of Rs.100/- each, fully paid up		**805,000**	805,000
		2,044,377	2,044,377

2. Reserves & Surplus			
Capital Reserve			
Consolidation of Associates		**30,234**	30,234
Securities Premium Account			
Opening balance	**4,001,174**		1,817,855
Add : On issue of equity share to banks	**-**		2,183,319
		4,001,174	4,001,174
Profit & Loss Account			
Opening balance	**(4,847,230)**		(4,179,418)
Add: Net Profit / (Net Loss) for the current year	**563,721**		(667,812)
		(4,283,509)	(4,847,230)
		(252,101)	(815,822)

3. Long Term Borrowings		
Secured		
Working Capital Loans from Financial Institutions	**346,212**	389,529
Term Loans from Banks & Financial Institutions	**819,720**	922,126
Funded Interest Term Loans (FITL)	**857,554**	857,554
Other loans and advances	**684**	-
Unsecured		
Other loans and advances	**120**	150
	2,024,290	2,169,359

(₹ in thousands)

		Figures as at 31.03.2013	Figures as at 31.03.2012
4.	**Other Long Term Liabilities**		
	Trade Payables (Retention Money Payable)	**39,699**	1,712
	Advance against Investment	**-**	6,185,035
		39,699	6,186,747
5.	**Long Term Provisions**		
	Provision for Gratuity & Leave Encashment	**101,818**	72,306
	Provision for claims	**746**	798
		102,564	73,104
6.	**Short Term Borrowings**		
	Secured Loans		
	Working Capital Loans from Banks	**644,316**	980,932
	Working Capital Term Loan	**23,034**	23,034
	Un-Secured Loans		
	Short Term Loans From Bodies Corporate	**844,650**	734,650
	Buyer's credit	**50,071**	-
		1,562,071	1,738,616
7.	**Trade Payables**		
	For Material & Services	**1,744,552**	1,717,243
	For Expenses	**75,295**	99,667
		1,819,847	1,816,910
8.	**Other Current Liabilities**		
	Current maturities for Long term debt		
	Term Loan from Banks	**145,897**	145,740
	Loans from Govt. of India	**62,420**	62,420
	Interest accrued and due on Borrowing		
	Interest Accrued & Due on Long Term	**223**	211,503
	Interest Accrued & Due on Short term	**2,757,577**	2,037,918
	Interest Accrued but not due	**1,981**	-
	Advances from Customers and others	**1,340,906**	183,926
	Other Payables		
	Creditors for Capital Goods	**24,736**	11,682
	Retention Payable	**4,082**	2,944
	Expenses Payable	**414,800**	238,542
	Other Short term Advances	**17,420**	26,076
	Statutory Dues Payable	**298,973**	1,418,452
		5,069,015	4,339,203
9.	**Short Term Provisions**		
	Provision for Employee benefits	**55,178**	27,933
	Provision for Income Tax	**2,272**	7,548
		57,450	35,481

10. FIXED ASSETS

(₹ in thousands)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2012	Additions/ Adjustments	Deductions/ Adjustments	**As at 31.03.2013**	Up to 31.03.2012	For the year	On Sales / Adjustment	**Up to 31.03.2013**	**As at 31.03.2013**	As at 31.03.2012
Tangible Assets										
1. Land - Leasehold	8,465	-	-	**8,465**	1,467	87	-	**1,554**	**6,911**	6,998
- Freehold	24,553	-	-	**24,553**	-	-	-	-	**24,553**	24,553
2. Buildings-Leasehold	15,068	-	-	**15,068**	7,018	-	-	**7,018**	**8,050**	8,050
- Freehold	189,231	130,250	-	**319,481**	107,015	6,998	-	**114,013**	**205,468**	82,216
- Leasehold Improvements	22,546	-	-	**22,546**	22,546	-	-	**22,546**	**-**	-
3. Plant & machinery	4,627,459	147,059	798,426	**3,976,092**	3,964,973	117,733	796,982	**3,285,724**	**690,368**	662,486
4. Electrical installation	52,257	15,351	-	**67,608**	46,586	1,345	-	**47,931**	**19,677**	5,671
5. Furniture & fixtures	58,375	1,250	1,749	**57,876**	54,361	1,270	1,180	**54,451**	**3,425**	4,014
6. Office equipments	252,056	35,203	3,301	**283,958**	209,356	19,778	3,234	**225,900**	**58,058**	42,700
7. Vehicles	95,755	5,815	3,848	**97,722**	41,958	14,854	3,558	**53,254**	**44,468**	53,797
8. Moulds & dies	536	-	-	**536**	535	-	-	**535**	**1**	1
Intangible Assets										
1. Computer Software	17,228	16,717	-	**33,945**	1,269	7,641	-	**8,910**	**25,035**	15,959
TOTAL	5,363,529	351,645	807,324	**4,907,850**	4,457,084	169,706	804,954	**3,821,836**	**1,086,014**	906,445
Previous year	5,246,744	147,803	31,018	5,363,529	4,320,557	154,315	17,788	4,457,084	906,445	926,187

NOTES :-

1. Gross block and Net block of fixed assets is net of provision for impairment made in Financial Year 2004-05 in respect of Plant & Machinery Rs.342,833 Electrical Installation Rs.1,245 and Office Equipments Rs.12,441 and in FY 2010-11 further provision for impairment in respect of Plant & Machinery of Rs.795,275.
2. During the year computer software amounting to Rs.5,331 has been regrouped from office equipment to Intangible Assets as Computer software.

(₹ in thousands)

11.	Non Current Investment	Figures as at 31.03.2013	Figures as at 31.03.2012
(a)	Trade Investments - Unquoted In equity shares (fully paid up)	**1,673,303**	8,423,303
(b)	Investments in Associates - Unquoted In equity shares (fully paid up)	**72,507**	59,411
(c)	0% Optionally Fully Convertible Debentures - Unquoted	**643,400**	643,400
(d)	In Zero Coupon Optionally Converted Bond	**26,000**	26,000
(e)	In Compulsorily Converted Zero Coupon Bond	**687,500**	-
		3,102,710	9,152,114

12.	Long Term Loans & Advances		
	Unsecured, considered good		
	Capital Advances	**14,802**	8,194
	Security Deposits	**49,353**	28,254
	Loans to others	**53,023**	73,596
		117,178	110,044

13.	Current Investment		
	(At lower of cost and fair value)		
(a)	In equity shares (Quoted) (fully paid up)	**1,644**	1,679
(b)	In units (Quoted) (fully paid up)	**171**	160
		1,815	1,839

14.	Inventories (As Certified and valued by the management)		
	Stores & spare parts	**16,156**	13,025
	Loose tools	**2,584**	950
	Raw materials	**489,711**	508,622
	Raw materials in transit	**13,314**	18,986
	Packing materials	**1,590**	427
	Work in process	**199,534**	154,007
	Finished goods	**11,924**	18,008
	Stocks in trade (Securities)	**28,249**	56,075
	Less: Provision for Non Moving	**(434,830)**	(440,596)
		328,232	329,504

15.	Trade Receivables		
	Debts outstanding for a period exceeding six months		
	- Unsecured considered good	**3,207,144**	3,177,466
	- Unsecured considered doubtful	**346,001**	346,001
	Debts outstanding for a period less than six months		
	- Unsecured considered good	**360,485**	505,792
		3,913,630	4,029,259
	Less : Provision for doubtful debts	**346,001**	346,001
		3,567,629	3,683,258

(₹ in thousands)

			Figures as at 31.03.2013	Figures as at 31.03.2012
16.	**Cash & Bank Balances**			
	Cash on hand		**1,506**	895
	Cheques on hand		**2,356**	-
	Balances with Scheduled banks in Current Accounts		**82,207**	68,301
	Fixed Deposit with more than 12 month maturity		**37,947**	38,437
	Fixed deposit / Margin money account		**370,178**	554,504
			494,194	662,137
17.	**Short Term Loans & Advances**			
	Unsecured, considered good			
	Loans and advances to Related Parties		**50,000**	69,543
	Other Loans and Advances			
	Security Deposits		**58,952**	66,964
	Advances Recoverable in cash or in kind or for value to be received		**353,062**	346,318
	Advance tax/TDS		**542,111**	340,185
	MAT Credit Entitlement		**112,586**	7,056
	Other Loans and Advances		**90,028**	90,097
	Advances to Vendors		**1,291,949**	576,661
	Balance with Central Excise & Customs authorities		**73,790**	60,476
			2,572,478	1,557,300
	Unsecured, considered Doubtful			
	Advances Recoverable in cash or in kind or for value to be received		**37,567**	37,567
	Balance with Central Excise & Custom authorities		**8,996**	8,996
	Less :Provision for doubtful loans and advances		**46,563**	46,563
			-	-
			2,572,478	1,557,300
18.	**Other Current Assets**			
	Interest receivable		**201,279**	209,241
	Discarded Assets held for Sale		**1,374**	1,375
	Insurance Claim receivable		**34,700**	34,700
			237,353	245,316
19 .	**Revenue from Operations**			
	Sales of Products		**1,246,664**	1,210,091
	Sales of Services		**4,939,933**	1,431,206
			6,186,597	2,641,297
	Less :Excise Duty		**121,296**	31,208
			6,065,301	2,610,089
20.	**Other Income**			
	Interest (Gross)			
	On fixed deposits	**46,735**		49,278
	Others	**193**		102
			46,928	49,380
	Dividends on investments		**13,417**	39,137
	Excise Claim received		**500**	-
	Profit on sale of investment		**122,500**	171,900
	Loans & advances and other recovered (earlier written off)		**80,547**	24,460
	Excess Liabilities Written Back		**805,390**	117,655
	Miscellaneous income		**5,217**	1,298
			1,074,499	403,830

(₹ in thousands)

21. Materials Consumed/Cost Of Goods Sold	Figures for the year ended 31st March, 2013	Figures for the year ended 31st March, 2012
Opening stock	**508,622**	516,758
Add : Purchases during the year	**913,380**	274,668
	1,422,002	791,426
Less : Closing stock	**489,711**	508,622
	932,291	282,804

22. Changes in inventories of Finished Goods, Work in Process and Stock in Trade		
Opening stock		
Finished goods	**18,008**	18,039
Work in process	**154,007**	146,142
Stock In Trade - Securities	**56,075**	66,319
	228,090	230,500
Less: Provision for non moving written off	**6,261**	-
Closing stock		
Finished goods	**11,924**	18,008
Work in process	**199,534**	154,007
Stock In Trade - Securities	**28,249**	56,075
	239,707	228,090
Increase/(Decrease) in Stock	**(17,878)**	2,410

23. Employees Benefit Expenses		
Payments to and Provisions for Employees		
Salaries, Wages and Bonus	**984,686**	453,271
Contribution to Provident & Other Funds	**51,124**	45,505
Welfare Expenses	**63,032**	34,451
	1,098,842	533,227

24. Finance Charges		
Interest and upfront fee on debentures and fixed loans	**720,411**	762,434
Interest on other loans	**116,083**	102,771
Discounting & bank charges	**20,945**	13,312
Lease charges	-	6
	857,439	878,523

(₹ in thousands)

25. Other Expenses	**Figures for the year ended 31st March, 2013**	Figures for the year ended 31st March, 2012
Manufacturing & turnkey activities expenses		
Consumption of packing material	**22,704**	12,191
Consumption of stores and spare parts	**10,380**	6,352
Labour and service charges to sub-contractors	**2,145,847**	222,037
Loose tools written off	**948**	360
Power, fuel and water charges	**32,746**	18,995
Repairs to buildings	**3,974**	3,207
Repairs to machinery	**2,665**	5,309
Other repairs	**8,665**	2,938
Administrative & other Expenses		
Rent	**71,710**	27,988
Rates and taxes	**6,767**	5,257
Insurance charges	**17,891**	7,222
Auditors remuneration		
Audit fees	**5,032**	4,556
In other capacity	**2,124**	1,950
Out of pocket expenses	**210**	346
Legal and professional charges	**115,178**	92,123
Communication expenses	**31,058**	13,178
Travelling, conveyance and vehicle expenses	**323,253**	101,114
Directors fees	**406**	228
Charity & Donation	**796**	5,943
Foreign exchange fluctuation	**87,877**	161,518
Provision for Inventories	**10,321**	32,757
Provision for Doubtful debts	**-**	385
Increase/(decrease) in excise duty of finished goods	**23**	(3)
Other expenses	**105,850**	47,571
Liquidated Damages	**8,166**	9,829
Selling and distribution expenses	**29,737**	17,787
Loss on sale of fixed assets	**1,357**	1,588
Prior period adjustments	**(17,767)**	(4,826)
	3,027,918	797,900

(₹ in thousands)

26. A. Principles of Consolidation

1. The Consolidated financial statements (CFS) relate to Himachal Futuristic Communications Limited (the Company) and its majority owned subsidiary companies. The Consolidated Financial Statements have been prepared on the following basis:-

   i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expense. The intra-group balances and intra-group transactions and unrealized profits and losses are fully eliminated.

   ii) The results of operations of a subsidiary with which Parent -

   Subsidiary relationship ceases to exist are included in the consolidated statement of profit and loss until the date of cessation of the relationship.

   iii) The excess of cost to the Company of its investment in the subsidiary, over its share of equity at the dates on which the investment in the subsidiary is made, is recognized as 'Goodwill' being an asset in the Consolidated Financial Statements. The excess of Company's share of equity in the subsidiary as at the date of its investment is treated as Capital Reserve.

   iv) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.

   v) In case of Associate where the Company directly or indirectly through subsidiary holds 20% or more of the equity, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) – 23 "Accounting of Investments in Associates in Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India.

   vi) The Company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealized profit and losses resulting from transaction between the company and its associates to the extent of its share, through its profit and loss account to the extent such change is attributable to the associates' profit and loss accounts and through its reserves for the balance, based on the available information.

   vii) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of the share in the associates is identified in the financial statements as goodwill or capital reserve as the case may be.

   viii) As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements.

   ix) Investments other than in subsidiaries and associates have been accounted for as per Accounting Standard 13 (AS-13) "Accounting for Investments" issued by the Institute of Chartered Accountants of India.

2. Significant Accounting Policies and Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and guide to better understanding the consolidated position of the companies. Recognising this purpose, only such policies and notes from the individual financial statements, which fairly present the needed disclosures have been disclosed. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed, when referred from the individual financial statements.

B. Significant Accounting Policies

(i) **Method of Accounting**

   (a) The financial statements are prepared on the historical cost convention and in accordance with the Generally Accepted Accounting Principles ('GAAP').

   (b) The Company follows accrual system of accounting in the preparation of accounts except where otherwise stated.

   (c) The preparation of the financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumption that affect the reported accounts of income and expenses of the period, reported values of assets and liabilities and disclosures relating to contingent assets and liabilities as of date of the financial statements. Examples of such estimates include provision for doubtful debts, provision for doubtful loans and advances, provisions for diminution in value of investments, estimated period of utility of software package, provision for value of obsolete/non moving inventories etc. Actual results may differ from these estimates.

(₹ in thousands)

(ii) **Fixed Assets**

(a) Fixed Assets 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 but is net of CENVAT.

(b) Capital Work-in-Progress

All expenses incurred for acquiring, erecting and commissioning of fixed assets including interest on long term loans utilized for meeting capital expenditure and incidental expenditure incurred during construction of the projects are shown under capital work-in-progress and are allocated to the fixed assets on the completion of the respective projects. The advances given for acquiring fixed assets are also shown along with capital work-in-progress.

(c) Intangible Assets – i) Revenue expenditure of specialized R&D including Technical know-how fee incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets. ii) Purchase of computer software used for the purpose of operations is capitalised, however, any expenses on software for support, maintenance, upgrade etc. payable periodically is charged to the profit & loss account.

(iii) **Leases**

a) Finance Lease or similar arrangements, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized and disclosed as leased assets. Finance charges are charged directly against income.

b) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account or on a basis, which reflect the time pattern of such payment appropriately.

(iv) **Depreciation, Amortization and Impairment**

a) Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight-line method and on other fixed assets on written down value method at the rates prescribed in the Schedule XIV of the Companies Act, 1956. In one of the subsidiaries, depreciation on all the fixed assets is provided for on straight-line method. Based on useful life of the assets estimated by the management.

b) Depreciation due to increase or decrease in the liability on account of exchange fluctuation or on account of rollover charges on forward exchange contract is provided prospectively over the residual life of the assets.

c) On assets acquired on lease (including improvements to the leasehold premises), depreciation has been provided for on Straight Line Method at the rates as per schedule XIV to the Companies Act, 1956 or at the rates worked out on the basis of remaining useful life of the assets, whichever is higher.

d) Premium on leasehold land is amortised over the period of lease.

e) Intangible assets are amortised over a period of five years or life of the product considered at the end of each financial year whichever is earlier. Amortisation commences when the asset is available for use.

f) At the balance sheet date, an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(v) **Investments**

(a) The cost of an investment includes incidental expenses like brokerage, fees and duties incurred prior to acquisition.

(b) Long term investments are shown at cost. Provision for diminution is made only if, in the opinion of the management such a decline is other than temporary.

(c) Investments, which are intended to be held for less than one year, are classified as current investments and are carried at lower of cost and fair value determined on an individual investment basis.

(d) Advance against share application money is classified under the head “Investments”.

(vi) **Inventories**

(a)	Raw Materials, Materials in transit, Packing Materials, Stores & Spares and Components	At cost or net realizable value whichever is lower.
(b)	Finished Goods and Work-in-Process	At lower of cost and net realizable value.

Note: Cost of Inventories is ascertained on First In First Out (FIFO) basis.

(₹ in thousands)

(c) Contract Work in Progress At cost

(d) Loose Tools After write-off at 27.82% p.a.

(e) Securities as stock in trade At lower of cost or market rate

(vii) **Revenue Recognition**

(a) Sales and services include Sales during trial run and excise duty recoverable. Liquidated damages are accounted for as and when they are ascertained.

(b) Revenue in respect of long term turnkey works contracts is recognised under percentage of completion method subject to such contracts having progressed to a reasonable extent. Revenue in respect of other works contracts and services is recognised on completed contract method.

(c) Insurance claims are accounted for as and when admitted by the concerned authority.

(viii) **Provisioning/Write-off of Doubtful Debts**

The sundry debtors which are outstanding for more than three years from their respective due dates are written off to profit and loss account. The debtors which are outstanding for more than two years but less than three years are provided for at 100% whereas debtors outstanding for more than one year but less than two years are provided for at 30% of the amount outstanding. No write off or provisions are made for specific cases where management is of the view that the amounts are recoverable even if falling under the ageing as mentioned above.

(ix) **Foreign Currency Transactions**

(a) Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transactions.

(b) Monetary items denominated in foreign currency at the year-end and not covered under forward exchange contracts are translated at the year-end rates.

(c) Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognised in the profit and loss account as income or expense.

(d) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract, further exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/expense for the period except where the foreign currency liabilities have been incurred in connection with fixed assets acquired up to March, 2004 and subsequent thereto in case of fixed assets acquired from a country outside India, where the exchange differences are adjusted in the carrying amount of concerned fixed assets..

(x) **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.

(xi) **Excise and Customs Duty**

Excise Duty payable on production is accounted for on accrual basis. Provision is made in the books of account for customs duty on imported items on arrival and lying in bonded warehouse and awaiting clearance.

(xii) **CENVAT Credit**

The CENVAT credit available on purchase of raw materials, other eligible inputs and capital goods is adjusted against excise duty payable on clearance of goods produced. The unadjusted CENVAT credit is shown under the head “Loans and advances”.

(xiii) **Retirement Benefits**

(Effective April 1, 2007, the Company has adopted the Revised Accounting Standard – 15(Revised-2005) ‘Employee Benefits’. The relevant policies are:

Short Term Employee Benefits

Short term employee benefits are recognised in the period during which the services have been rendered.

Long Term Employee Benefits

a) Defined Contribution plan

(i) Provident Fund and employees’ state insurance schemes

(₹ in thousands)

Contributions to both these schemes are expensed in the Profit and Loss Account.

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 has no further obligations under these plans beyond its monthly contributions.

(ii) Gratuity

Gratuity obligations provides for 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 Accounting Standard 15 (revised), "Employee Benefits " Liability is provided by way of premium to the HDFC Standard Life Insurance Company Ltd. And Life Insurance Company Limited under group gratuity scheme 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.

b) Other long term benefit

Provision for leave encashment has provided for the liability at period end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

c) Actuarial gains and losses are recognized as and when incurred.

(xiv) **Miscellaneous Expenditure**

Preliminary, Securities issue expenses and redemption premium on bonds and debentures are adjusted against balance in securities premium account, where available.

In one of the subsidiary preliminary expenditure are written off in the year of the commencement of commercial operations.

Voluntary Retirement Scheme expenses are amortized over a period of three years

(xv) **Research & Development Expenditure**

Revenue expenditure is charged to profit & loss account (in the year in which it is incurred). Capital expenditure is added to the cost of fixed assets.

(xvi) **Income Tax**

Tax expense comprises of current and deferred tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

(xvii) **Segment Reporting**

Segments are identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organization structure as well as the differential risk and returns of the segments. The unallocable items include income and expenses items, which are not directly identifiable to any segment and therefore not allocated to any business segment.

(xviii) **Earnings Per Share**

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

(xix) **Contingent Liabilities**

No provision is made for liabilities, which are contingent in nature, but if material, the same are disclosed by way of notes to the accounts.

(₹ in thousands)

27. (a) Information of subsidiary companies:

The following is the list of all subsidiary companies along with the proportion of voting power held. Each of them is incorporated in India.

Name of the Subsidiary Company	Percentage of Holding
HTL Limited (“HTL”)	74%
Moneta Finance (P) Ltd.	100%

(b) Information of Associate Companies:

The Following is the list of significant associate Companies considered in the CFS along with proportion of voting power held. Each of them is incorporated in India.

(i) Name of the Associate Company	Proportion of Ownership
HFCL Satellite Communications Ltd.	30.00%
Microwave Communications Ltd.	32.50%
HFCL Dacom Infocheck Ltd.	29.99%
Westel Wireless Ltd.	28.94%
Polixel Security Systems Pvt. Ltd.	47.95%
Dragonwave HFCL India Pvt. Ltd.	49.90%

(ii) Name of Associates in which the company is holding less than 20% of voting power, however having significant influence:

Exicom Tele-systems Ltd.

HFCL Bezeq Telecom Ltd.

28. Contingent Liabilities not provided for in respect of:

		As at 31.03.2013	As at 31.03.2012
(a)	Unexpired Letters of Credit	**18,155**	125,214
(b)	Guarantees given by banks on behalf of the company	**353,572**	405,755
(c)	Counter Guarantees given by the Company to financial institutions/banks for providing guarantees on behalf of companies promoted by the Company	**201,591**	1,374,331
(d)	Arrears of Dividend on Cumulative redeemable preference shares (net of advances)	**189,013**	1,37,937
(e)	Claims against the Company towards sales tax, income tax, excise duty demand and others in dispute not acknowledged as debt (Net of advance)	**39,984**	107,162
(f)	Claim against the Company not acknowledge as debt	**412**	-

29. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.66,565 (Previous year Rs. 78,138).

30. Directors remuneration including Managing Director:
(Excluding provision for gratuity)

	2012–2013	2011–2012
(i) Salaries	**19,801**	13,412
(ii) Contribution to provident fund	**1,582**	633
(iii) Perquisites and allowances	**10,523**	338
Total	**31,906**	14,383

(₹ in thousands)

a) The Company has received necessary approval from the Central Government (CG) for the re-appointment and payment of remuneration to Whole time Directors for the Financial Year 2007-08, 2008-09 and part Financial Year 2009-10 for Rs.27,464.The Company also filed the necessary Applications with the CG seeking their approval for re-appointment and payment of remuneration to Whole time Directors for remaining part of the Financial Year 2009-10 and onwards which have not been approved by the CG in absence of “no objection letter” from the lenders. Accordingly a sum of Rs.41,144 being the excess amount paid for the aforesaid period continuous to be shown as recoverable. The working capital lenders have authorised IDBI Bank Ltd. (IDBI) to issue ‘no objection letter’ (NOC) for payment of managerial remuneration to whole time directors for the aforesaid period which has since been received from IDBI. The Company will now file its representation with the CG for seeking their approval for the balance amount of remuneration. However, pending approval from the Central Government, the said amount, subsequent to Balance Sheet date, has been recovered from the respective Directors.

b) In the case of subsidiary HTL Ltd., the term of the Whole Time Director Dr. R.M. Kastia’s has been ended on 31st January, 2012 as per the Government of India approval dt. 19.11.2010. Hence, the remuneration paid from April 2011 to January 2012 has been charged to the Statement of Profit and Loss. Further, Dr. R.M. Kastia has been re-appointed as Whole Time Director in the Board Meeting held on 30th March, 2012. The remuneration paid / payable from 1st February 2012 to 31st March 2012 amounting to Rs.1,502 instead of being charged to the statement of Profit & Loss, has been deferred and shown as recoverable, pending approval of Government of India.

During the year, the total remuneration of Rs. 12,973charged to the statement of profit and loss includes for February and March 2012 as said above in addition to current year remuneration. The Govt. of India, Ministry of Corporate Affairs clarified vide letter SRN No. B39228101/2/2012-CL.VII dated 24/09/2012, that in view of amendments made Schedule XIII of Companies Act, 1956 vide Gazette Notification GSR 534 (E) dated 14/07/2011, the approval of the Central Govt. is not required with effect from 14/07/2011.

31. Debt of the Company were earlier restructured under Corporate Debt Restructuring (CDR) mechanism in April 2004 which was subsequently modified in June 2005 with cut-off date as 1st April, 2005. CDR Empowered Group at its meeting held on 9th February, 2011 has approved the reworked package of the Company with the cut off date as 1st January 2011 and communicated its sanction vide their letter No. BY CDR(JCP)/No 8643/2010-11 dated 29.03.2011. The reworked package includes interalia reduction in the existing rate of interest, re-shedulement for repayment of loans, conversion of overdue interest into funded interest term loan (FITL), conversion of Zero Coupon Premium Bonds (ZCPB’s), part of their premium and part of working capital loans into Equity, conversion of part of working capital loan into working capital Term Loan (WCTL), waiver of unpaid dividend on preference shares, waiver of penal interest etc. The conditions as stipulated by CDR EG while sanctioning Rework Package have been complied with by the Company. Accordingly, the impact of the reworked package has been considered in the Financial Statement.

32. Pursuant to the disinvestment by the Government of India, the Company had acquired 11,10,000 equity shares of Rs.100/- each of HTL Limited representing 74% of its equity capital at total consideration of Rs. 550,000 in terms of Shareholders Agreement dated 16.10.2001. The above consideration paid by the Company is subject to post closing adjustments on account of difference in net worth of HTL Limited as on 31.03.2001 and as on the date of purchase of shares in terms of Share Purchase Agreement dated 16.10.2001.The Company has submitted its claim on account of Closing Date Adjustment to the Government in respect of such reduction in net assets of HTL Limited which has not been settled by the Government. Due to this, the Company has invoked the provisions of the Share Purchase Agreement for settlement of dispute by Arbitration. The Hon’ble Arbitral Tribunal has since given the award in favour of the company on 10th October, 2007 upholding the claim of the company on account of the above to the extent of Rs.550,000 and interest from the date of award. The said award has been upheld by the Divisional Bench of Hon’ble High Court of Delhi on 25th February, 2013, however, the consequential effect has not been given as DoT is entitled to appeal against said order before Hon’ble Supreme Court of India .

33. The Company had made payment of Rs.2,400 (Previous year Rs. 2,400) to certain cumulative preference shareholders as per contractual obligations in the earlier years. The said amounts paid have been shown as “advances” to be adjusted against future expected liability of dividend on cumulative preference shares.

34. Payment made to lenders towards guarantee contract/obligation amounting to Rs.98,187 including associate company (Previous year 59,500) has been accounted for under the head Exceptional items.

35. In the case of holding company, In accordance with the Company Policy, the company has reviewed the outstanding receivables and is in continuous process of working out different modalities of recovery. Company has also written off a sum of Rs. 303,007 during the year, which in the opinion of the Management, is adequate.

(₹ in thousands)

36. During the year, Company has recognised the following amounts in the financial statements as per Accounting Standard 15 (Revised) "Employees Benefits" issued by the ICAI :

a) Defined Contribution Plan

	Year ended 31.03.2013	Year ended 31.03.2012
Employer's Contribution to Provident Fund	**13,080**	12,076
Employer's Contribution to Pension Scheme	**3,473**	3,678

b) Defined Benefit Plan

The employees' gratuity fund scheme managed by HDFC Standard Life Insurance Company Limited is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected 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 and the obligation for leave encashment is recognised in the same manner as gratuity.

	Gratuity (Fund)/non fund		**Leave Encashment**	
	Year ended 31.03.2013	Year ended 31.03.2012	**Year ended 31.03.2013**	Year ended 31.03.2012
Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	**8.75%**	8.75%	**8.00%**	7.00%
Rate of increase in Compensation levels	**8.00%**	8.00%	**8.00%**	8.00%
Rate of Return on plan assets	**8.60%**	8.60%	**NA**	NA
Average remaining working lives of employees (Years)			**17.41**	17.51
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	**95,509**	114,325	**39,811**	40,052
Acquisition adjustment	**Nil**	Nil	**Nil**	Nil
Interest Cost	**7,308**	8,192	**2,918**	2,840
Past service cost (Vested Benefit)	**Nil**	Nil	**Nil**	Nil
Current Service Cost	**10,253**	5,126	**29,817**	3,292
Curtailment cost / (Credit)	**Nil**	Nil	**Nil**	Nil
Settlement cost /(Credit)	**Nil**	Nil	**Nil**	Nil
Benefits paid	**(22,250)**	(26,121)	**(14,756)**	(12,672)
Actuarial (gain)/ loss on obligations	**10,223**	(6,014)	**8,567**	6,299
Present value of obligation as at the end of the period	**101,043**	95,509	**66,357**	39,811
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	**9,560**	9,191	**Nil**	Nil
Acquisition adjustments	**Nil**	Nil	**Nil**	Nil
Expected return on plan assets	**821**	735	**N.A.**	N.A.
Employer contribution	**92**	576	**Nil**	Nil
Benefits paid	**Nil**	(576)	**Nil**	Nil
Actuarial gain/ (loss) on obligations	**(70)**	(367)	**Nil**	Nil
Fair value of plan assets at year end	**10,403**	9,560	**Nil**	Nil

(₹ in thousands)

	Gratuity (Fund)/non fund		Leave Encashment	
	Year ended 31.03.2013	Year ended 31.03.2012	**Year ended 31.03.2013**	Year ended 31.03.2012
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	**(745)**	(368)	**Nil**	Nil
Expected return on plan assets	**821**	735	**Nil**	Nil
Excess of actual over estimated return on plan assets Actuarial (gain)/ loss-plan assets	**70**	367	**Nil**	Nil
Actuarial Gain / loss recognized				
Actuarial (gain) / loss for the period - Obligation	**10,223**	(6,014)	**8,567**	6,299
Actuarial (gain) / loss for the period - Plan assets	**70**	367	**Nil**	Nil
Total (gain) / loss for the period	**10,293**	(5,651)	**8,567**	6,299
Actuarial (gain) / loss recognized in the period	**10,293**	(5,651)	**8,567**	6,299
Unrecognised actuarial (gains) / losses at the end of the period	**Nil**	Nil	**Nil**	Nil
The amounts to be recognized in Balance Sheet and statement of Profit and Loss:				
Present value of obligation as at the end of the period	**101,043**	95,509	**66,357**	39,811
Fair value of plan assets as at the end of the period	**10,403**	9,560	**Nil**	Nil
Funded Status	**(90,640)**	(85,949)	**(66,357)**	(39,811)
Unrecognised actuarial (gains) / losses	**Nil**	Nil	**Nil**	Nil
Net asset / (liability) recognised in Balance Sheet	**(90,640)**	(85,949)	**(66,357)**	(39,811)
Expenses recognised in statement of Profit and Loss :				
Current service cost	**10,253**	5,126	**29,817**	3,292
Past service cost (Vested Benefit)	**Nil**	Nil	**Nil**	Nil
Interest Cost	**7,308**	8,192	**2,918**	2,840
Expected return on plan assets	**(821)**	(735)	**Nil**	Nil
Curtailment and settlement cost /(credit)	**Nil**	Nil	**Nil**	Nil
Net Actuarial (gain)/ loss recognised in the period	**10,293**	(5,651)	**8,567**	6,299
Expenses recognised in the statement of Profit and Loss	**27,033**	6,932	**41,302**	12,431
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	**Nil**	Nil		

Note: The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

37. The Company has carried out impairment test on its Fixed Assets as on 31.03.2013 and the Management is of the opinion that there is no asset for which impairment required to be made as per Accounting Standard-28 on Impairment of Assets issued by ICAI. (Previous years Rs.NIL)

38. Balances of some of the Trade receivable, Trade payables, lenders, loans and advances are subject to confirmations from the respective parties and consequential adjustments arising from reconciliation, if any. The Management however is of the view that there will be no material adjustments in this regard.

39. In respect of subsidiaries company, the following additional notes to accounts are disclosed: -

(₹ in thousands)

HTL LIMITED

i) The Subsidiary has incurred loss of Rs. 1,186 (Previous year Rs. 746,871) during the current year and has accumulated losses of Rs. 5,664,343 (Previous year Rs. 5,663,159) as at March 31, 2013, resulting in negative net worth of Rs. 5,514,343 (Previous year Rs. 5,513,159). The Subsidiary's current liabilities exceed its current assets by Rs.5,495,099 (Previous year Rs. 5,461,857) as of that date. Further, the Subsidiary has overdrawn borrowings from banks by Rs.245,653 (Previous year Rs. 500,428) and also has overdue loans from Government of India amounting to Rs. 62,420 (Previous year: Rs. 62,420) together with interest accrued and due thereon of Rs.226,524 (Previous year: Rs 211,503). The turnover during the period ended 31, March 2013 is Rs. 6,265 (Previous Year: Rs. 1,307). Due to lack of working capital required, the operations of the Subsidiary have been substantially curtailed. The Subsidiary has already made reference to Board for Industrial and Financial Reconstruction under Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985, and has since, been declared as a Sick Industrial Company vide order no. 261/2003 dated June 16, 2009. Subsequently, State Bank of India, on behalf of the consortium banks, issued a notice to the Company u/s 13 (2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) requiring the Subsidiary to discharge its full dues and attached the freehold surplus land mortgaged to the extent of 11.02 acres and 2.56 acres.

The Subsidiary's ability to continue as a going concern in spite of the present losses is dependent upon infusion of funds for its operations. In the earlier years, the Subsidiary had decided to sell the free hold land of 11.02 acres ('the land') situated in the Developed plot in Thiru Vi Ka Industrial Estate, Guindy Chennai and had held an e – auction at a value of Rs. 27.10 crores per acre after obtaining the permission of the Ministry of Communications and Information Technology. However based on the request of Small Industrial Development Corporation ('SIDCO'), the Government of Tamil Nadu decided to take back the land and to pay market value prevailing on the date of the relinquishing of the land. SIDCO informed that the Subsidiary did not obtain the permission from the Department of Industries & Commerce as per the condition laid down in the Assignment Deed before the auction. Subsequently, the Subsidiary has obtained a favorable order against the actions taken by SIDCO / Government of Tamilnadu from the Madras High Court. The Writ Appeal filed by the Government of Tamil Nadu against this has also been dismissed by the Division Bench of High Court of Madras. Further, the Special Leave Petition (SLP) filed by Govt. of Tamilnadu before the Supreme Court has been dismissed by the Supreme Court.

In the interregnum, since the Company could not pay the bank dues as demanded by them, The State Bank of India (SBI), leader of the Consortium of Banks has taken formal possession of the above lands on 29.06.2009 under SARFAESI ACT. Since the BIFR has not agreed for abatement of their proceedings as pleaded by SBI during the hearing held on 27.8.2009, SBI made an appeal before the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) and obtained a stay on 13.1.2010. The AAIFR in their order dated 13.10.2010 in the said appeal abated the proceedings of the Subsidiary's reference before BIFR and permitted SBI to proceed with action initiated under SARFAESI ACT for realizations of their dues.

The SBI has made attempts to sell one piece of vacant land measuring 10.162 acres thru' e-auction four times i.e., on 17.2.2011, 09.03.2011, 05.10.2012 and 23.01.2013 by giving necessary advertisements in leading Newspapers but no bid was received in any of these attempts. In the said circumstances, it was decided at the consortium meeting of banks held on 07.03.2013 to sell the said land to any prospective buyer who is willing to pay the reserve price of Rs. 250 crores or more on private treaty basis. M/s. VGN Developers Private Ltd., Chennai has offered a price of Rs. 272 crores to SBI in March 2013 and SBI accepted the said offer with an advance payment of 10% and has given 90 days time to remit the balance amount. The said sale is expected to complete in June 2013. The said 10% advance amount of Rs. 27.20 crores received by banks accounted for in the books of account as advance against sale of land and shown under Note 7 "Other Current Liabilities". Thus, the Management is confident that the proceeds of land will be available to settle its outstanding liabilities.

The Subsidiary is also expecting further orders for Telecom Towers Turnkey Integration work for lying of Optical Fiber Cable. In expectation of the successful outcome of the above proposals, the financial statements have been prepared on a going concern basis.

ii) Secured loans from banks and interest accrued and due include Rs. 149,798 and Rs. 86,820 respectively (Previous year Rs. 276,164 and Rs. 676,911 respectively) on account of dues to IndusInd Bank and Axis Bank as the Banks have assigned the loans to Pegasus Assets Reconstruction Private Limited (an Asset Management Company).

iii) a. Working Capital Demand Loans and Cash Credit facilities from Banks and are secured by pari-passu first charge on the inventories, receivables, moveable fixed assets of the Subsidiary and equitable mortgage of the Subsidiary's immovable properties viz. land measuring 11.02 acres situated at Thiru Vi Ka Industrial Estate,

(₹ in thousands)

Guindy Chennai and another land measuring 2.56 acres at Lucky Bungalow Premises in Guindy Industrial Estate, Chennai together with buildings and erections thereon.

b. Loan of Rs. 62,420 (Previous year Rs. 62,420) together with interest accrued and due thereon of Rs.226,524 (Previous year Rs. 211,503) is due to Government of India (GOI). As at March 31, 2013, total loan of Rs.62,420 (Previous year Rs 62,420) is overdue for payment. In addition to this, the Govt. of India has acceded to adjust Rs.347,00 compensation receivable by HTL in case of ETP claim against the outstanding interest portion in respect of GOI Loan.

iv) a) Out of the total land in possession of the Subsidiary at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Subsidiary in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Subsidiary, the Government of Tamil Nadu had required the Subsidiary to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Subsidiary had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in earlier years. In respect of the land measuring 27.30 acres, the name of the Subsidiary has been entered in the revenue records of the Government of Tamil Nadu. Other necessary formalities to transfer the land in favour of the Subsidiary are in progress. In respect of the balance land of 3.69 acres, the name of the Subsidiary has not been entered in the revenue records of Government of Tamil Nadu.

b) The Subsidiary has 15.09 acres of land at Hosur District, Tamil Nadu, which was acquired by the Subsidiary from State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) under lease cum sale agreement in 1983. The Estate Officer SIPCOT has issued order under Section 4 of the Tamil Nadu Public Premises Eviction Act, 1975 to surrender unused land aggregating to 11.50 acres out of the said land on 13.01.2010. The Subsidiary has filed a writ before the Hon’ble High Court of Madras against this order and obtained an interim stay on 22.2.2010 and the Court has passed final orders on 16.11.2010 while disposing of the writ filed by the Company with a direction to both the petitioner (HTL) and the respondents (CMD & Project Officer, SIPCOT) to go before the Dispute Resolution Committee for resolving the dispute. The Court also made it clear that the status quo as on date shall be maintained till then. It is open to the petitioner (HTL) to work out their remedy, depending upon the outcome of the proceedings of the Disputes Resolution Committee.

As per the above direction, the Industries Department of Government of Tamilnadu have constituted a Committee with two members from Government, two members representing SIPCOT and three members representing the Company under Chairmanship of the Principal Secretary to Government, Industries Department.

The Disputes Resolution Committee has met and could not arrive at a mutually acceptable solution and hence the Company has filed a Writ Petition (WP no: 10532 /2012) before the Honorable High Court of Madras with a prayer to quash the resumption order of SIPCOT and to direct SIPCOT to execute and register Sale Deed in favour of the Company. The court has given interim stay and further court hearing is in progress.

v) (a) As at 01.04.2012, aggregate sales amounting to Rs. 1,488,112 (Previous year Rs. 1,488,112) inclusive of excise duty and sales tax (as certified by the management) was pending fixation of final price from Bharat Sanchar Nigam Limited (BSNL) (formerly Department of Telecom Services) and had been accounted for on provisional price basis in earlier years. Out of the above, provisional sales of Rs. NIL (Previous year Rs. Nil) was firmed up during the year and the balance are still pending for firm price fixation. The impact of the firm price orders, which can be higher or lower than the provisional price, will be reflected in the books as and when such firm price is fixed by BSNL.

(b) From May 11, 2002, against the sales made to BSNL and MTNL, central sales tax at the concessional rate of 4% has been charged against C Forms to be received from them. During the year Subsidiary has performed reconciliation of C forms received and the sales made till the year ended March 31, 2007 and provided for Rs.98,700 against the tax liability for the cases where C forms has not been collected till date.

vi) (a) Trade receivable include Rs.134,185 (Previous year Rs.134,185) debited to BSNL in an earlier year pertaining to differential sales tax over and above 4 % in respect of purchase orders where scheduled delivery fell after 30.09.2000 and where actual delivery was executed subsequent to 30.09.2000 and upto 31.03.2001. Upto the close of the year, only Rs. 3,242 (Previous year Rs.3,242) have been received out of the total debit notes of Rs.9,544 (Previous year Rs.9,544) raised on BSNL so far against the above recoverable amount. However, no provision is considered necessary against the outstanding balance as the management is fully hopeful of recovery of the entire amount.

(₹ in thousands)

vii) Claims receivable includes Rs.34,700 receivable from BSNL against the compensation approved by Telecom Commission letter No. U-37012/3/97-FAC dated 1st May, 2001 for pre-closure of ETP project. Department of Telecommunications (DoT) vide letter No.U-37012-3/97-FAC dated 02.12.2003 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 Subsidiary requested DoT vide letter no.43.12 ETP dated 08.12.2003 to adjust the compensation amount of Rs. 34,700 against the principal amount of loan outstanding as on 01.05.2001, the date on which the compensation was approved. The Govt. of India has rejected this request and reiterated the adjustment of Rs. 34,700 compensation receivable by Subsidiary in case of ETP claim against the interest portion of the outstanding in respect of GOI Loan while making payment of outstanding Govt. of India Loan with accrued interest thereon.

viii) In accordance with Accounting Standard 22 on 'Accounting for Taxes on Income' (AS 22), issued by the Institute of Chartered Accountants of India, on conservative basis, deferred tax assets have not been accounted for in the books, since the estimation of future taxable profits cannot be made with virtual certainty supported by convincing evidences, against which such deferred tax assets would be realized.

40. In case of subsidiary HTL Limited, depreciation on Fixed Assets is charged on Straight Line Method, based on the useful lives of the assets as estimated by the management. Depreciation is charged for the full year in respect of additions during the year, which is not in line with the accounting policy of the Company. The gross value of such assets is Rs.529,938 (Previous year Rs. 528,533) and depreciation charged for the year is Rs.2,940 (Previous year Rs.3,663).

41. In case of subsidiary, HTL Limited, inventory of raw materials, components and stores & spares amounting to Rs.666 (Previous year Rs.7,759) are valued at cost which is arrived at on quarterly moving weighted average basis, which is not in line with the accounting policy of the company i.e. FIFO basis.

42. The break up of goodwill shown as net off with capital reserve arising on consolidated of subsidiaries with the holding company is as under :

HTL Ltd.	Goodwill	741,730
Moneta Finance (P) Ltd.	Goodwill	475
Total		742,205

43. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the company's financial statements.

44. Lease payments under cancellable operating leases have been recognised as an expense in the profit & loss account. Maximum obligation on lease amount

	31.03.2013	31.03.2012
Not later than one year	**54,247**	47,180
Later than one year but not later than five years	**118,786**	122,082
More than five years	**31,022**	62,324

45. Segment Reporting

(a) Primary segment information

The Company and its subsidiaries operations primarily relates to manufacturing of telecom products, providing turnkey solutions relating thereto and providing basic telephony & ISP services. Accordingly segments have been identified in line with Accounting Standard on Segment Reporting (AS) - 17 Telecom products, Turnkey contracts & services and Basic telephony & ISP are the primary business segments whereas others constituting less than 10% of the segment revenue/results/assets and accordingly have been considered as other business segments and are disclosed in the financial statements accordingly. The details of business segments are as follows:

(₹ in thousands)

Particulars	2012-2013		2011-2012	
	Inter segment	**Total**	Inter segment	Total
Segment Revenue				
a. Telecom Products	-	**1,128,142**	-	381,035
b. Turnkey Contracts and Services		**4,931,619**		2,227,350
c. Others		**5,540**		1,704
Total	-	**6,065,301**	-	2,610,089
Less:Inter segment revenue		-		-
Turnover/Income from Operations		**6,065,301**		2,610,089
Segment Results				
a. Telecom Products		**367,092**		(693,579)
b. Turnkey Contracts and Services		**1,027,662**		761,747
c. Others		**5,501**		1,269
Total		**1,400,255**		69,437
Less: i. Interest and Finance charges		**857,439**		878,523
ii. Other un-allocable expenditure net off un-allocable income		**(9904)**		(178,281)
Profit/(loss) before Tax		**(552,720)**		(630,805)
Capital Employed				
a. Telecom Products		**(1,933,221)**		(2,712,307)
b. Turnkey Contracts and Services		**555,904**		768,149
c. Others		**7,719**		3,912
Total capital employed in segments		**(1,369,599)**		(1,940,246)
Add: Un-allocable corporate assets less liabilities		**422,679**		711,691
Total capital employed in Company		**(1,792,277)**		(1,228,555)

(b) Secondary segment information

The Company caters mainly to the needs of Indian market and the export turnover being insignificant of the total turnover of the company; there are no reportable geographical segments.

46. Deferred Tax

The break up of net deferred tax liability as on 31st March 2013 is as under:

	2012-2013		2011-2012	
	Deferred tax Liability	**Deferred tax Assets**	Deferred tax Liability	Deferred tax Assets
Depreciation	**47,805**	-	81,136	
Others	-		-	2,320
Unabsorbed Losses (to the extent of liability only)*	-	**47,805**	-	78,816
	47,805	**47,805**	81,136	81,136
Net deferred tax Assets	-		-	-

*On conservative basis the Company recognises deferred tax asset only to the extent of deferred tax liability and excess of the deferred tax assets has not been given effect to in the Balance Sheet.

(₹ in thousands)

47. Related Party Disclosures:

1. Name of related parties and description of relationship:

(a) Associates:

Exel Netcommerce Ltd.
HFCL Bezeq Telecom Ltd.
HFCL Dacom Infochek Ltd. (HDIL)
HFCL Satellite Communications Ltd.
Exicom Tele-systems Ltd.
Microwave Communications Ltd.
Westel Wireless Ltd.
Polixel Security Systems Pvt. Ltd.
ANM Enginnering and Works Pvt. Ltd.
NextWave Communications Pvt. Ltd.
DragonWave HFCL India Pvt. Ltd.

(b) Key management personnel:

a) Shri Mahendra Nahata
b) Dr. R M Kastia
c) Shri Arvind Kharabanda
d) Shri D. P. Gupta

Note: Related party relationship is as identified by the Company and relied upon by the auditors.

2. Nature of transactions: The transaction entered into with the related parties during the year along with related balances as at March 31, 2013 are as under:

Particulars	Exicom Tele-system Ltd.	Polixel Security Systems P Ltd.	HFCL Bezeq Telecom Ltd.
Purchases			
Goods	**-**	**3,068**	**-**
	(13,407)	(42)	(-)
Services	**144,944**	**545**	-
	(35,516)	(-)	(-)
Sales			
Goods	**-**	**543**	**-**
	(10)	(60)	(-)
Services	**11,054**	-	-
	(3,384)	(-)	(-)
Expenses			
Rent/ Business Promotion	**-**	**-**	**-**
	(1,775)	(-)	(-)
Income			

(₹ in thousands)

Rent & other expenses recovered	**923**	**2,807**	**-**
	(1,161)	(-)	(-)
Advance given/received	-	-	-
	(20,422)	(28,000)	(-)
Outstanding (net)			
Payables	**-**	**3,059**	**-**
	(-)	(-)	(-)
Receivables	**3,390**	-	**50,000**
	(11,115)	(31,957)	(50,000)
Guarantees and collaterals	**As at 31.03.2013**	As at 31.03.2012	
Microwave Communications Ltd	**136,591**	662,731	
Exicom Tele-systems Ltd.	**65,000**	101,600	
HFCL Satellite Communications Ltd.	**-**	590,000	

Notes: Details of remuneration to directors are disclosed under note 30

		2012-2013	2011-2012
48. (a)	Basic & Diluted Earnings per Share (EPS) before extra ordinary items		
	Profit/(Loss) after tax and minority interest	**563,721**	(667,812)
	Less: preference dividend	**52,325**	52,325
	Profit/(Loss) attributable to ordinary share holders	**511,396**	(720,137)
	Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	**1,23,93,77,194**	1,08,88,93,713
	Weighted average number of ordinary shares (used as denominator for calculating Diluted EPS)	**1,23,93,77,194**	1,08,88,93,713
	Nominal value of ordinary share	**Re.1/-**	Re. 1/-
	Earning per Share basic	**0.41**	(0.66)
	Earning per Share diluted	**0.41**	(0.66)
(b)	Basic & Diluted Earnings per Share after extra ordinary items		
	Profit/(Loss) after tax and minority interest	**563,721**	(667,812)
	Less: preference dividend	**52,325**	52325
	Profit/(Loss) attributable to ordinary share holders	**511,396**	(720,137)
	Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	**1,23,93,77,194**	1,08,88,93,713

(₹ in thousands)

	2012-2013	2011-2012
Weighted average number of ordinary shares	**1,23,93,77,194**	1,08,88,93,713
(used as denominator for calculating Diluted EPS)		
Nominal value of ordinary share	**Re.1/-**	Re. 1/-
Earning per Share basic	**0.41**	(0.66)
Earning per Share diluted	**0.41**	(0.66)

(Ignored as the effect of potential equity shares is anti dilutive)

49. Previous period's figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

(₹ in thousands)

Consolidated Cash Flow Statement for the year ended 31st March 2013

	Particulars		Year ended 31.03.2013	Year ended 31.03.2012
A.	Cash Flow from Operating Activities :			
	Net Profit before taxes		**552,720**	(630,805)
	Adjustments for :			
	Depreciation/Impairment	**169,706**		154,315
	Diminution in value of investments	**35**		-
	Interest & finance charges	**850,803**		877,275
	Interest income	**(46,928)**		(49,380)
	Dividend income	**(13,417)**		(39,137)
	Loss/(Profit) on sale of fixed assets	**1,357**		1,588
	Loss/(Profit) on sale of Investment	**(122,500)**		(171,900)
	Unpaid/ Unrealised exchange difference	**70,974**		148,854
	Bad debts written off	**291,498**		80,398
	Payment towards guarantee contract/ obligation	**98,187**		59,500
	Excess Provision/Liability Written Back	**(805,339)**		(117,655)
			494,376	943,858
	Operating Profit before working capital changes		**1,047,096**	313,053
	Adjustments for :			
	Trade and other receivables	**(1,270,358)**		(596,399)
	Inventories	**1,272**		26,521
	Trade and other payables	**825,833**		191,312
			(443,253)	(378,566)
	Cash generated from operations		**603,843**	(65,512)
	Taxation		**(93,010)**	(7,056)
	Net Cash from operating activities		**510,833**	(72,568)
B.	Cash flow from investing activities			
	Purchase of fixed assets		**(358,184)**	(206,441)
	Sale of fixed assets		**1,017**	11,642
	Purchase of investments		**(687,511)**	(11)
	Sale of investments		**687,465**	815,000
	Advance against sale of Land		**272,000**	-
	Interest received/(paid) net		**13,643**	19,456
	Dividend received		**13,417**	39,137
	Net Cash used in investing activities		**(58,153)**	678,783

(₹ in thousands)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
C. Cash flow from financing activities		
Proceed from issue of share capital including premium (net of issue expenses)	**-**	2,430,301
Proceeds from long term/short term borrowings - Secured/ Unsecured	**360,841**	107,000
Repayment of long term/short term borrowings - Secured/ Unsecured	**(682,267)**	(2,950,772)
Interest paid (net)	**(299,196)**	(389,865)
Net Cash used in financing activities	**(620,622)**	(803,336)
Net increase in cash & cash equivalents	**(167,943)**	(197,122)
Cash & cash equivalents (Opening Balance)	**662,137**	859,259
Adjustment for Disposal of investments in subsidiary	-	-
Cash & cash equivalents (Closing Balance)	**494,194**	662,137

As per our report of even date attached

For Khandelwal Jain & Co.
Firm Regn. No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
M.No. 103490

New Delhi, 29th April, 2013

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 29th April, 2013

(₹ in thousands)

Summary of Financial information of subsidiary companies
Financial Year 2012-13

Particulars	Name of Subsidiary companies	
	HTL Limited	Moneta Finance Pvt Ltd.
Capital	150,000	3,000
Reserves	(5,664,344)	4,719
Total Assets	924,107	74,045
Total Liabilities	6,438,451	66,286
Investment other than Investment in Subsidiary	-	20,203
Turnover	7,925	5,541
Profit Before Taxation	(1,186)	5,500
Provision for Taxation	-	1,693
Profit after Taxation	(1,186)	3,807
Proposed dividend	-	-

Statement pursuant to Section 212 of the Companies Act, 1956
relating to Company's interest in subsidiary companies

Name of the Subsidiary Company		HTL Ltd.	Moneta Finance Pvt. Ltd.
1	The Financial Year of the Subsidiary ended on	31.03.2013	31.03.2013
2	Shares of the Subsidiary held by the Company on the above date		
(a)	Number and face value	1,110,000 equity shares of Rs.100/- only	300,000 equity shares of Rs.10/- only
(b)	Extent of Holding	74%	100%
3	Net aggregate of profits /(losses) of the subsidiary for the above financial year so far as they concern members of the Company		
(a)	Dealt with in the accounts of the Company for the year ended 31st March 2013	Nil	Nil
(b)	Not dealt with in the accounts of the Company for the year ended 31st March 2013	(1,186)	3,807
4	Net aggregate of profits /(losses) of the subsidiary for the previous financial year, since it became a subsidiary so far as they concern members of the Company		
(a)	Dealt with in the accounts of the Company for the year ended 31st March 2012	Nil	Nil
(b)	Not dealt with in the accounts of the Company for the year ended 31st March 2012	(746,871)	776

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

V. R. Jain
Chief Finance Officer

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

New Delhi, 23rd August, 2013

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

Regd. Office: 8, Electronics Complex, Chambaghat, Solan – 173 213 (Himachal Pradesh)

ATTENDANCE SLIP

26th Annual General Meeting

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE VENUE.

I/We hereby record my/our presence at the Annual General Meeting of the Company held on Monday, the 30th day of September, 2013 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan – 173213, Himachal Pradesh.

Folio No.		
DP ID No.		
Client ID No.		
Full name of the Shareholder (In Block Letters)		Signature
Full Name of Proxy (in Block Letters)		Signature

PROXY

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

Regd. Office: 8, Electronics Complex, Chambaghat, Solan – 173 213 (Himachal Pradesh)

I/We ______

of ______ **being a member / members of Himachal Futuristic Communications Ltd., hereby appoint** ______

of ______ **or failing him** ______

of ______ **or failing him** ______

of ______ **as my / our proxy in my / our absence to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on Monday, the 30th day of September, 2013 at 11:00 A.M.**

Signed this ______ **day of Septemebr, 2013**

Affix Revenue Stamp

Folio No.:	
DP ID No.:	
Client ID No.:	
No. of Shares:	

Signature ______

Note:

The proxy form must be deposited at the Registered Office of the Company at 8, Electronics Complex, Chambaghat, Solan – 173213, Himachal Pradesh, not less than 48 hours before the time fixed for holding the Meeting.