



Himachal Futuristic Communications Ltd.



Annual Report 2011-2012

BOARD OF DIRECTORS

Shri Mahendra Pratap Shukla
Shri Mahendra Nahata
Shri Arvind Kharabanda
Dr. R M Kastia
Shri Y L Agarwal
Shri R K Bansal (up to 27.02.2012)
Shri S.G. Nadkarni (w.e.f. 28.02.2012)

Non Executive Chairman
Managing Director
Director (Finance)
Director
Director
Nominee Director (IDBI)
Nominee Director (IDBI)

Shri Manoj Baid

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 25th Annual General Meeting of Himachal Futuristic Communications Limited will be held on Friday, the 28th day of September, 2012 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, 2012 and the Reports of the Directors and of the Auditors thereon.
2. To appoint a Director in place of Shri Arvind Kharabanda, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. R M Kastia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the financial year 2012-2013 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

5. Re-appointment 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 pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and also subject to the approval of the Central Government wherever required and such other approvals as may be necessary, consent of the Company be and is hereby accorded for the re-appointment of Shri Mahendra Nahata as the Managing Director of the Company w.e.f. 1st October, 2012 for a period of three years on the following terms and conditions including remuneration:-

A. Basic Salary

Rs. 5,00,000/- (Rupees Five Lacs only) per month with annual increment of Rs.50,000/- (Rupees Fifty Thousand only) falling due on 1st October every year during the tenure of his appointment.

B. Perquisites

In addition to salary, the above Managing Director will be allowed perquisites as specified in Category A, B and C below:-

Category – A

- i) The expenditure incurred by the Company on hiring unfurnished accommodation will be subject to a ceiling of sixty percent of the basic salary.

- ii) In case the accommodation is owned by the Company, ten percent of the basic salary of the Managing Director shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in clause (i) above.
- iv) The expenditure incurred by the Company for gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the basic salary of the Managing Director.
- v) Medical Reimbursement: Expenditure incurred for self and family subject to a ceiling of one month’s basic salary in a year.
- vi) Leave Travel Concession: For self and family, once in a year in accordance with the Rules of the Company.
- vii) Club Fees: Fees of Clubs subject to a maximum of two clubs. This will not include life membership fees.
- viii) Personal Medical/Accident Insurance: Personal Medical/Accident Insurance of an amount, the annual premium of which shall be paid as per the Rules of the Company.

Category – B

The Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration:-

- a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961;
- b) Gratuity payable at a rate not exceeding half a months’ salary for each completed year of service and
- c) Encashment of Leave at the end of the tenure.

Category – C

The Company shall provide car with driver for use of the Managing Director. The Company shall also provide telephone facility at the residence of the Managing Director.

Other Terms

- i) The Managing Director is entitled to reimbursement of all actual expenses as per the Rules of the Company including on entertainment and travelling incurred in the course of the Company’s business.
- ii) The Managing Director is entitled to avail of fully paid leave as per the Rules of the Company as applicable to senior executives.
- iii) The Managing Director, subject to the applicable provisions of the Companies Act, 1956, is also eligible for housing loan as applicable in accordance with the Rules of the Company.
- iv) The Managing Director is also entitled to the benefits under all other schemes, privileges and amenities as are granted to

the senior executives of the Company in accordance with the Company's Practice, Rules and Regulations in force from time to time.

- v) The Managing Director is not entitled to payment of any sitting fees for attending meetings of the Board or of a Committee thereof.
- vi) The appointment shall be terminable by the Company by giving him six months' notice or on payment of six months' basic salary in lieu thereof and by him by giving six months' notice.
- vii) For all other terms and conditions not specifically spelt out above, the Rules and Orders of the Company shall apply.
- viii) The Managing Director holds office as such, subject to the provisions of Section 283(1) of the Companies Act, 1956.

Minimum Remuneration

In case in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or the profits are inadequate, the Company shall, subject to the approval of the Central Government wherever required and the provisions of Section 198, 269 & 309 of the Companies Act, 1956 and subject to the conditions and the limits specified in Schedule XIII to the Act, pay to the Managing Director basic salary, perquisites and allowances as specified above".

6. Re-appointment of 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 the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and also subject to the approval of the Central Government wherever required and such other approvals as may be necessary, consent of the Company be and is hereby accorded for the re-appointment of Shri Arvind Kharabanda as the Director (Finance) of the Company w.e.f. 1st June, 2012 for a period of two years on the following terms and conditions including remuneration:-

1. Basic Salary

Rs. 2,40,000/- (Rupees Two Lac Forty Thousand Only) per month.

2. Perquisites, allowances and other benefits

In addition to the basic salary, Shri Arvind Kharabanda shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, reimbursement of expenses or allowances for gas, electricity, water, furnishing etc. medical reimbursement, leave travel allowances, club fee and such other perquisites and allowances under the Company's Rules.

The total cost of the aforesaid perquisites, allowances and other benefits shall be restricted to Rs. 1,92,000/- (Rupees One Lac Ninety Two Thousand Only) per month.

The above remuneration payable to Shri Arvind Kharabanda is subject to the condition that the total remuneration including basic salary, perquisites and allowances as mentioned above shall not exceed Rs. 4,32,000/- (Rupees Four Lakhs Thirty Two Thousand Only) per month.

3. Other Benefits

The following benefits shall not be included in the computation of ceiling on perquisites and allowances:-

- a) Contribution to Provident Fund, Superannuation Fund and Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity
Gratuity shall be payable in accordance with the Rules of the Company.
- c) Earned Leave
Earned leave on full pay and allowances as per the Rules of the Company.
- d) Leave encashment
Encashment of leave at the end of the tenure in accordance with the Rules of the Company.
- e) Provision of Car for use on Company's business.
- f) Telephone at residence.

Minimum Remuneration

Notwithstanding anything to the contrary contained herein, where in a financial year, during the currency of the tenure of Shri Arvind Kharabanda, the Company has no profits or its profits are inadequate, the Company shall subject to the approval of the Central Government wherever required and subject to the provisions of Sections 198, 269 & 309 of the Companies Act, 1956 and subject to the conditions and the limits specified in Schedule XIII to the Act, pay to Shri Arvind Kharabanda, basic salary, perquisites and allowances as specified above as minimum remuneration.

The appointment of Shri Arvind Kharabanda can be terminated with three months notice or payment of three months basic salary in lieu thereof from either side”.

Registered Office:
8, Electronics Complex
Chambaghat,
Solan-173 213 (H.P.)
Place: New Delhi
Date : 20th August, 2012

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

(Manoj Baid)
Company Secretary

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 24th September, 2012 to 28th September, 2012 (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.

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

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 & 3 of the Notice

Name	Date of Birth	Qualification	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 Arvind Kharabanda	09.03.1947	Chartered Accountant	Shri Arvind Kharabanda has got over 37 years experience in managerial positions, project implementation and finance.	Nil	Himachal Futuristic Communications Ltd. Audit Committee -Member Share Transfer & Investors Grievance -Member Committee	30.10.2004	Nil
Dr. R M Kastia	10.10.1941	Ph.D., FBIM (London)	Dr. Kastia has to his credit more than 49 years of business experience. Dr. Kastia has occupied various important positions in well known industries. He has in depth knowledge of manufacturing of telecom equipments.	1.HTL Ltd.	Himachal Futuristic Communications Ltd. Share Transfer & Investor Grievance -Member Committee Remuneration -Member Committee HTL Ltd. Audit Committee -Member	07.02.1996	Nil

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

Item Nos. 5 & 6

Present tenure of Shri Mahendra Nahata as Managing Director is expiring on 30th September, 2012. The Remuneration Committee at its meeting held on 20th August 2012 has approved remuneration and term and conditions of re-appointment of Mr. Nahata. On the recommendations of the Remuneration Committee, the Board of Directors at its meeting held on 20th August, 2012 has re-appointed

him as Managing Director for a period of three years w.e.f. 1st October, 2012.

Shri Mahendra Nahata is a Commerce Graduate from Calcutta University and has business experience of over 29 years. Shri Nahata is the promoter director of Himachal Futuristic Communications Ltd. Shri Nahata is the visionary behind the Company's R&D, technology partnership, business development and marketing initiatives. Shri Nahata is one of the Pioneer in the new age telecom sector in India. Shri Nahata's contributions to the telecom sector are commendable and many milestones in the sector have been achieved over the years

due to his initiatives and entrepreneurship. In recognition of his wide experience in the industry, he was elected president of Telecom Equipment Manufacturers Association of India for a period of two years. Shri Nahata was conferred with the "Telecom Man of the Millennium" award by Voice & Data Magazine in 2003.

He is on the Board of the following Companies:-

Infotel Broadband Services Ltd.
HTL Ltd.
Smart Digivision (P) Ltd.
India Card Technologies (P) Ltd.
MN Ventures (P) Ltd.
DragonWave HFCL India (P) Ltd.
DegiVive Services (P) Ltd.
Infotel Access Enterprises (P) Ltd.
Infotel Gigahertz Enterprises (P) Ltd.
Digivision Holdings (P) Ltd.
Digivision Wireless (P) Ltd.

He is a member of Audit Committee of Infotel Broadband Services Ltd.

Present tenure of Shri Arvind Kharabanda as Director (Finance) has expired on 30th May, 2012. The Board of Directors of the Company at its meeting held on 30th May, 2012 has re-appointed him as Director (Finance) w.e.f. 1st June, 2012 on the terms and conditions including payment of remuneration, minimum remuneration to be paid in case of inadequacy of profits or no profits and the tenure of re-appointment as may be approved by the Remuneration Committee.

The Remuneration Committee at its meeting held on 20th August, 2012 has approved remuneration and terms and conditions of his re-appointment.

Shri Arvind Kharabanda aged 65 years is a Member of the Institute of Chartered Accountants of India and has got over 37 years of experience in managerial positions, project implementations and finance. He is on the Board of the Company since January, 1994 except for a brief period from 25th August, 2004 to 29th October, 2004 when he did not offer himself for re-appointment at the Annual General Meeting held on 25th August, 2004.

He is on the Board of the following Companies:-

1. Pals India Pvt. Limited
2. My Box Technologies Pvt. Limited

Shri Kharabanda is active on various committees as detailed below:-

Name of the Company	Name of the Committee	Committee Position
Himachal Futuristic Communications Ltd.	Audit	Member
Himachal Futuristic Communications Ltd.	Share Transfer & investors Grievance	Member

STATEMENT AS REQUIRED UNDER CLAUSE (C) (iv) OF SECTION II OF SCHEDULE XIII TO THE COMPANIES ACT, 1956

I GENERAL INFORMATION

1. Nature of Industry:

Manufacturing of telecom equipments and rendering turnkey services.

2. Date or expected date of commencement of commercial production:

Commercial production already started in October, 1989.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

N.A.

4. Financial performance based on given indicators : (as on 31.03.2012)

Particulars	(Rs. in crore)
Turnover including other income	291.57
Total expenditure including prior period adjustments	280.09
Profit/(Loss) before Tax	11.48
Profit/(Loss) after tax	11.43
Earning per equity share (in Rupees)	0.06
Dividend rate (%) on equity share capital	NIL

5. Export performance & net foreign exchange collaborations:

FOB value of exports : Rs.9,43,878/-

6. Foreign investments or collaborators if any:

N.A.

II INFORMATION ABOUT THE APPOINTEES

1. Background details :

Shri Mahendra Nahata

Shri Arvind Kharabanda

Already given in the foregoing paragraph

2. Past remuneration

Shri Mahendra Nahata (from 01.04. 2011 to 31.03.2012)

Rs.51,72,875/- (Remuneration includes salary, allowance and perquisites etc).

Shri Arvind Kharabanda (from 01.04.2011 to 31.03.2012)

Rs.53,93,133/- (Remuneration includes salary, allowance and perquisites etc.)

3. Recognition or awards:

In recognition of vast experience in the telecom industry, Shri Mahendra Nahata, Managing Director was elected President of Telecom Equipment Manufacturer Association of India for the year 1994-95 and 1995-96. He had been conferred with the "Telecom Man of the Millennium" award by Voice & Data Magazine in 2003.

Shri Kharabanda has been associated with Federation of Indian Chamber of Commerce and various other Chambers and has been member on their various panels in the areas of direct taxation, indirect taxation and industrial activities.

4. Job profile and his suitability:

Mr. Nahata has been leading the Company's Research &

Development activity, business development and marketing. Shri Nahata is one of the pioneers in the new age telecom sector of India and has participated in a large number of national/international conferences/seminars on the telecom industry. Shri Nahata's contributions to the telecom sector are commendable and many milestones in the sector have been achieved due to his initiatives and entrepreneurship. Shri Nahata's expertise and experience is evident by his being one of the members of the Board of Governors of IIT, Chennai till mid 2005 for six years. He was member of various associations and committees. He was Co-chairman of the Telecom Committee of FICCI and Executive member of Telecom Industry and Services Association of India. He was also the Chairman of Telecom Committee of PHD Chamber of Commerce and Industry. He has also been on the Board of Governors of Indian Institute of Information Technology, Allahabad and Member of Council of Scientific & Industrial Research, Government of India, New Delhi.

Shri Arvind Kharabanda has developed expertise in the field of management discipline such as marketing, project appraisal, finance and the like. He has to his credit around 37 years of experience in various industries such as IT, telecommunications, electronics and consumer durables etc. This includes around 18 years of experience as Executive Director in the Company.

5. Remuneration Proposed:

As mentioned in the Resolution.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):

In view of inadequacy of profit in the financial year 2011-12, the appointees have opted for drawing much less remuneration compared to the remuneration being drawn by their counterparts in the Industry though the appointees are entitled to receive remuneration at par with their counterparts in the industry by virtue of his profile of the position and person.

7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel:

There is no direct or indirect pecuniary relationship with the Company or relationship with managerial personnel.

III OTHER INFORMATION

1. Reason for loss/inadequate profit:

Due to Stiff market competitions from multinationals and non availability of adequate working capital and high cost borrowings from Banks and Financial Institutions and others, Company earned a Profit of Rs. 1,14,286/- during the financial year 2011-12.

2. Steps taken or proposed to be taken for improvement:

The Company has recently approached to Corporate Debt Restructuring (CDR) Cell of IDBI Bank Ltd. for restructuring of its debts which has been approved at CDR Empowered Group meeting held on 9th February, 2011. The Rework Package inter-alia includes waiver of penal interest, liquidated damages on all loans and premium on Zero Coupon Premium Bonds (ZCPBs); settlement of certain liabilities on One Time Settlement (OTS) basis; reduction in interest rate on all loans with effect from cut-off date i.e. 1st January, 2011; re-schedulement and elongation of repayment period of term loans, conversion of some of loans into equity shares etc.

The aforesaid restructuring will improve the cash flow and strengthen the financial position of the Company.

3. Expected increase in productivity and profits in measurable terms:

After the sanctioning of CDR Rework Package, the Company's cash inflow will increase and the Company is expected to earn profits of Rs. 35 Crore approx in the financial year 2012-2013.

IV. DISCLOSURES

(1) The shareholders of the company shall be informed of the remuneration package of the managerial person:

As mentioned above.

(2) The following disclosures shall be mentioned in the Board of Directors' Report under the heading 'Corporate Governance' if any, attached to the Annual Report:

i) All elements of remuneration package such as salary, benefits, bonuses, stocks options, pension etc. of all the directors:

This has been mentioned under the 'Corporate Governance Report'.

ii) Details of fixed component and performance linked incentives along with performance criteria

Fixed component as given in the Resolution. Presently no performance linked incentives is given by the Company.

iii) Service contracts, Notice period, severance fees:

There are no severance fees prescribed by the Company. The appointment of Shri Mahendra Nahata can be terminated by the Company by giving him six months notice or on payment of six months basic salary in lieu thereof and by him by giving six months notice.

The appointment of Shri Arvind Kharabanda can be terminated with three months notice or payment of three months basic salary in lieu thereof from either side.

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

Not applicable.

The Board of Directors of your Company is confident that the Company will be immensely benefited with the association of the above Directors.

The members are requested to accord their approval to the Special Resolution as set out at Sr. No. 5 & 6 of the Notice. None of the Directors except Shri Mahendra Nahata and Shri Arvind Kharabanda are concerned or interested in the above Resolutions.

The details of remuneration as given in the aforesaid Resolutions may be treated as abstracts of the terms and conditions of the reappointment of Shri Mahendra Nahata, Managing Director and Shri Arvind Kharabanda, Director (Finance) under Section 302 of the Companies Act, 1956.

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

Place: New Delhi
Date : 20th August, 2012

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

(Manoj Baid)
Company Secretary

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, 2012, 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, 2012, five Board Meetings were held on 11.05.2011, 30.05.2011, 12.08.2011, 10.11.2011 and 13.02.2012. The last Annual General Meeting was held on 24th September, 2011.

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 (24/09/2011)	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	4	NO	73477
Shri Arvind Kharabanda	00052270	WD	–	5	5	YES	Nil
Dr. R M Kastia	00053059	NED	1	5	4	NO	Nil
Shri Y L Agarwal	00024770	NEID	3	5	5	YES	Nil
Shri R K Bansal (IDBI Nominee) (up to 27.02.2012)	00122506	NEID	7	5	4	NO	Nil
Shri S G Nadkarni (IDBI Nominee) (w.e.f. 28.02.2012)	03401830	NEID	-	0	0	NA	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.)

S.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. Infotel Broadband Services Ltd.	Infotel Broadband Services 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 R K Bansal (up to 27.02.2012)	1. National Securities Depository Ltd. 2. IDBI Federal Life Insurance Co. Ltd. 3. IDBI Asset Management Ltd. 4. J K Lakshmi Cements Ltd. 5. Investor Services of India Ltd. 6. Lloyds Steel Industries Ltd. 7. NSDL Depository Ltd.	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Remuneration	Member
			IDBI Federal Life Insurance Co. Ltd.	Audit	Member
			J K Lakshmi Cements Ltd.	Audit	Member
7.	Shri S G Nadkarni (w.e.f. 28.02.2012)	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, 2012:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	4	4
Shri Y L Agarwal	Member	4	4
Shri Arvind Kharabanda	Member	4	4
Shri R K Bansal (up to 27.02.2012)	Member	4	3
Shri S G Nadkarni (w.e.f. 28.02.2012)	Member	-	-

During the financial year ended 31st March, 2012, the Audit Committee met four times on 30.05.2011, 12.08.2011, 10.11.2011 and 13.02.2012.

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, 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 composition of Remuneration Committee are as under:-

Name of Director	Status
Shri M P Shukla	Chairman
Shri Y L Agarwal	Member
Shri R K Bansal (up to 27.02.2012)	Member
Dr. R M Kastia (w.e.f. 28.02.2012)	Member

The details of remuneration and perquisites paid to the Executive and Non-Executive Directors during the financial year 2011-12 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	33,12,000	8,10,696	6,52,739	3,97,440	-	51,72,875
Shri Arvind Kharabanda Director (Finance)	28,80,000	17,28,000	4,39,533	3,45,600	-	53,93,133
Category B – Nominee Director (Independent Director)						
Shri R K Bansal Director	-	-	-		35,000	35,000
Category C – Non-Executive Independent Directors/ Non Executive Directors						
Shri M P Shukla Chairman	-	-	-		70,000	70,000
Shri Y L Agarwal Director	-	-	-		45,000	45,000
Dr. R M Kastia Director	-	-	-		40,000	40,000

The non-executive directors are paid sitting fee of Rs.5000/- for every Board / Committee meeting attended by them.

The remuneration paid to Shri Mahendra Nahata, Managing Director and Shri Arvind Kharabanda, Director (Finance) of the Company as shown under item no. 3.2 of Report on Corporate Governance was subject to approval from the Central Government. Since the Central Government has not given its approval for remuneration paid to above Wholetime Directors for the financial year ended 31st March, 2012, Rs.1,05,66,008/- 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 2011-2012

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, 2012, the Share Transfer & Investors Grievance Committee met five times on 24.05.2011, 23.09.2011, 16.12.2011, 16.01.2012 and 31.03.2012. 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	3
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
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.
2008-2009	AGM	Mushroom Centre, Solan	30.09.2009	11:00 A.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
2010-2011	AGM	Issue and allotment of Equity Shares to Financial Institution/ 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.
2008-2009	AGM	Re-appointment of Shri Mahendra Nahata, Managing Director	30.09.2009	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.

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 Service (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. 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.

9. 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. Management Discussions and Analysis forms part of the Directors’ Report, which is posted to the shareholders of the Company.

10. 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.

11. Shares/Convertible Instruments held by Non- Executive Directors

Nil

12. Extent to which mandatory requirements have not been complied with

Risk assessment and minimization procedure is being formulated.

13. 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** : 24th September, 2012 to 28th September, 2012
(both days inclusive)
2. **Date and venue of Annual General Meeting** : 28th September, 2012 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 2012-2013
5. **Listing of Global Depository Receipts on Stock Exchanges outside India** : The London Stock Exchange Plc
10, Paternoster Square
London EC 4 M7LS
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 : +91-1792-230643/44
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. **Works** : Electronics Complex
Chambaghat
Solan - 173 213 (H.P.)
Tel : +91-1792-230643/44
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** : 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. Tel : +91-11-41406149
F-65, Okhla Industrial Area, Phase-I Fax : +91-11-41709881
New Delhi-110 020 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 2011-2012:

Number of transfer deeds	9
Number of Shares	1020

16. Investors complaints received during the financial year 2011-2012:

Nature of Complaints	Received	Attended
Non receipt of Annual Reports	5	5
Non-receipt of dividend	8	8
Dematerialisation of shares	1	1
Issue of Duplicate shares	1	1
Reduction of Capital	8	8
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 2011-2012 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2012. 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, 2012:

No. of Equity held (Rs.)	No. of Shareholders	% of Shareholders	Shares Amount (Rs.)	% of Shareholdings
Up to 5000	276301	97.444	143125960	11.548
5001 – 10000	3805	1.342	28566295	2.305
10001 – 20000	1652	0.583	23811300	1.921
20001 – 30000	594	0.209	14864805	1.199
30001 – 40000	215	0.076	7657692	0.618
40001 – 50000	170	0.059	7931452	0.640
50001 – 100000	308	0.109	22893171	1.847
100001 & above	319	0.113	988730659	79.777
Shares in Transit	185	0.065	1795860	0.145
TOTAL	283549	100.000	1239377194	100.000

18. Categories of Shareholding as on 31st March, 2012:

S. No.	Category	Shares	%
A	Promoters Holding		
1	Indian Promoters	479299214	38.67259
2	Foreign Promoters	-	-
	Sub Total	479299214	38.67259
B	Public Shareholding		
1	Institutional Investors		
a)	Mutual Funds & UTI	59480	0.00480
b)	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/Non-Government Institutions)	248001938	20.01021
c)	Foreign Institutional Investors	17992932	1.45177
	Sub Total	266054350	21.46678
2	Non Institutional Investors		
a)	Private Corporate Bodies	230116518	18.56711
b)	Indian Public	258350666	20.84520
c)	NRIs	3295232	0.26588
d)	Any Other		
i)	Foreign Banks	1705	0.00014
ii)	Trusts	142469	0.01149
iii)	OCBs	43000	0.00347
iv)	Shares in transit	1795860	0.14490
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, 2012:

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	82825353	6.683
5.	Reliance Industrial Investments and Holdings Limited	48532764	3.916
6.	Maryada Barter Private Limited	13283645	1.072
7.	State Bank of India	13211382	1.066
8.	Infotel Telecom Infrastructure Private Limited	11068876	0.893
9.	Santosh Industries Limited	9240702	0.746
10.	Carwin Mercantiles Private Limited	8618298	0.695

20. Dematerialisation of shares:

The Company's shares are compulsorily traded in dematerialised form as per SEBI Guidelines. As on 31st March, 2012, 99.92% 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, 2012 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, 2011	20.00	11.90	5944.45	5693.25
May, 2011	20.80	15.00	5775.25	5328.70
June, 2011	21.35	13.80	5657.90	5195.90
July, 2011	17.70	15.40	5740.40	5453.95
August, 2011	16.20	11.15	5551.90	4720.00
September, 2011	13.90	11.00	5169.25	4758.85
October, 2011	14.35	10.70	5399.70	4728.30
November, 2011	14.70	10.75	5326.45	4639.10
December, 2011	12.25	10.25	5099.25	4531.15
January, 2012	14.45	10.50	5217.00	4588.05
February, 2012	15.60	13.30	5629.95	5159.00
March, 2012	14.45	11.00	5499.40	5135.95

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

24. Financial Calendar (tentative and subject to change) 2012-2013:

Financial Reporting for the first quarter ending 30th June, 2012 : **Second week of July, 2012**

Financial Reporting for the second quarter and half year ending 30th September, 2012 : **Second week of November, 2012**

Financial Reporting for the third quarter ending 31st December, 2012 : **Second week of February, 2013**

Audited Accounts for the year ending 31st March, 2013 : **Last week of May, 2013**

Annual General Meeting for the year ending 31st March, 2013 : **September, 2013**

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, 2012.

sd/-

(Mahendra Nahata)
Managing Director

Date : 20th August, 2012

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, 2012, 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. 12 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. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Share Transfer and Investors Grievance Committee, there were no investor grievance remaining unattended/ pending for more than 30 days as at 31st March, 2012 against the Company except in cases which are constrained by disputes and legal impediments.
5. 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: 20th August, 2012

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Annual Report and Audited Accounts for the financial year ended 31st March, 2012.

(Rs. in thousands)

FINANCIAL RESULTS	2011-2012	2010-2011
Sales and Services	2638282	885526
Other Income	277451	131976
Profit/(Loss) before depreciation, finance charges and taxation	600389	768148
Less: Depreciation & Amortisation	150652	112246
Finance charges	334939	253539
Profit/(Loss) before taxes	114798	402363
Provision for taxation	7568	212
MAT credit entitlement	(7056)	-
Profit/(Loss) for the year	114286	402151
Balance brought forward from previous years	402151	-
Balance carried to Balance Sheet	516437	402151

DIVIDEND

The Board of Directors have decided to conserve the financial resources of the Company and do not recommend any dividend on equity and preference shares for the financial year ended 31st March, 2012.

MANAGEMENT DISCUSSIONS & ANALYSIS (MDA)

Financial Review

Sales during the financial year ended 31st March, 2012 stood at Rs.26,38,282 thousand as against the sale of Rs.8,85,526 thousand in the previous financial year for six Months ended 31st March, 2011. During the year, the Company has earned a net profit of Rs.1,14,286 thousand as compared to net profit of Rs.4,02,151 thousand in the previous financial year.

Capital Structure

During the financial year 2011-12 the paid up capital of the Company stood at Rs.20,44,377 thousand.

Pursuant to the Rework Package as approved by the Corporate Debt Restructuring (CDR) cell at its meeting held on 9th February, 2001, the Board of Directors of the Company at its meeting held on 10th November, 2011 has allotted 24,69,81,857 equity shares of Re.1/- each at a premium of Rs.8.84 per equity arrived at in accordance with the Securities and Exchange of India (Issue of Capital and Disclosure Requirement) Regulations, 2009 in favour of Financial Institution and Banks.

OVERVIEW OF TELECOM GROWTH IN INDIA

Telecommunication is one of the largest success stories in Indian Industry. From just 5 million connections in 1991 to 950 million in 2012 and still growing, India is the fastest growing and second largest telecom industry in the world which accounts for 12 per cent of the world's total telephone subscribers. Wireless revolution is the biggest success story making India to demonstrate unparalleled growth over the last few years. The tele-density has increased from 4.3 in March 2002 to 78.1 in February 2012, wherein the rural areas registered an increase from 1.2 in March 2002 to 38.5 in February 2012. Telecommunications is no longer limited to voice. The evolution from analog to digital technology has facilitated the conversion of voice, data and video to the digital form. Increasingly, these are now being rendered through single networks bringing about

a convergence in networks, services and also devices.

Government Policies have been big boost factor for telecom. The Sector has witnessed the most fundamental structural and institutional reforms since 1991 continuously. This has made the sector more competitive, while enhancing the accessibility of telecommunication services at affordable tariffs to the consumers.

Massive investments have been made, both by private and Government sectors in the last decade and growth continues unabated adding subscribers month on month. 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. Telecom ranked top infrastructure area attracting FDI of US\$1988 million during April-Dec., 2011, 49% of the total FDI in infrastructure against US\$ 1664 million during FY 2010-11.

Telecom Sector was in news during 2011 for many reasons. While, for certain reasons it gathered much political attention, it also witnessed some significant developments such as introduction of Mobile Number Portability (MNP), 3G rollout, and unveiling of National Telecom Policy giving much needed direction to the industry.

The year 2012 will be very exciting year for telecom industry. The third-generation (3G) and broadband wireless access (BWA) auctions that took place last year are expected to act as catalysts for enabling internet access to even the remotest parts of India and further boost the use of mobile broadband and mobile data as well as applications. The upcoming decade will usher in an information era through mobile value added services (MVAS) and 'broadband for all'. Moreover, Government has approved a project for a national optical fibre network in October 2011 for providing broadband connectivity to every village panchayat at a cost of Rs. 20,000 crore which boost the Indian telecom infrastructure and services industry. Government has also approved a budget of about Rs. 13000 crore for setting up a fibre optic network of Rs. 60,000 route kilometers for defence services. This will enable the defence forces, specially army to vacate the wireless spectrum they use for their communication and release it to the Department of Telecommunication (DoT). The Government had invited tenders for this project about two years back but because of the budget constraint, the project was delayed. It is expected that the Government will again invite the bids for this project this year. These opportunities will result in investment from the private sector both for providing different services and for manufacturing of broadband

related telecom equipment. Corresponding investment shall be made in various broadband access technologies.

In its continuous endeavour to boost the telecom growth, government has rolled out the New Telecom Policy (NTP 2012) which targets to increase rural tele-density from the current level of around 39 to 70 by the year 2017 and 100 by the year 2020 and have 175 million broadband connections by the year 2017 and 600 million by the year 2020. Indigenous R&D and manufacturing has been given due importance which shall promote the manufacturing of telecom products. NTP-2012 also endeavours to create an investor friendly environment for attracting additional investments in the sector apart from generating manifold employment opportunities in various segments of the sector. NTP-2012 has the vision of Broadband on demand for rural or urban ensuring equitable and inclusive development across the nation. NTP-2012 incorporates framework for increasing the availability of spectrum for telecom services including triple play services (voice, video and data) for which broadband is the key driver. Therefore, growth lies in the areas of Wireless Broadband, Next Generation Networks, Rural Connects, Mobile VAS. The prospects of continued aggressive growth of the internet and mobile data traffic would prompt service providers to invest in the growth of these networks. The total investment in the pan-India broadband rollout is expected to be US\$ 16.79 billion, while another US\$ 9 billion will be invested in augmenting the transmission network.

India will become the second largest mobile broadband market globally within the next four years with 367 million mobile broadband connections by 2016. This will make it a larger market than the US. India's 3G subscriber base will grow at 30% CAGR to reach 200 million by 2016. Not only this, boosted by better handsets and data speed, mobile value-added services (MVAS) will also boom in the future. MVAS users are expected to be 430 mn with CAGR of 28%. Further, the rural mobile subscriber base is anticipated to grow at a compound annual growth rate of 12% between 2012 and 2016, at nearly twice the expected growth rate of the saturated urban market. It is likely that 62% of the new mobile subscribers added in the next five years will be from the rural market. India is expected to have a cumulative capex spend of about \$121 billion in the next 5 years.

OPPORTUNITIES AND OUTLOOK

As mentioned above, there is a huge potential of business in both equipment and turnkey services during the next 3-5 years. The broadband networks will be IP based and there will be rollout of several Pan India Broadband wireless networks. Your Company is a proven one-stop-shop for telecom infrastructure providers capable to deliver end to end telecom solutions. For seeking the first mover advantage in the broadband era, the service operators would strive for rapid installation and expansion of IP networks by sourcing out the same to vendor who can provide end to end turnkey services with no hassles and your Company is eminently suited for the same as it offers a comprehensive set of services led by a team of highly experienced professionals who are engaged at every stage of the network lifecycle, from the initial planning and design to the ongoing support of the network and equipment. The Company has the expertise in RF planning, telecom equipment installation, commissioning, testing and handing over the networks.

Moreover a number of private operators are now outsourcing operation and maintenance services of their network. The Company has again the experience and expertise of managing and maintaining the networks at highest level of efficiency.

With the Government's intent to promote local manufacture, there is huge potential for contract manufacturing. Your Company has already signed contract manufacturing agreement with DragonWave Inc., a Canadian Radio manufacturing company. The Company also has the capability to cater the upcoming demand of customer

premises equipment. In order to penetrate Internet at Panchayat level there is ambitious plan for laying optical fibre cable through out the country. 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. 11574 thousand to increase the existing manufacturing capacity of optical fibre cable at its Goa plant.

Therefore, big opportunity lies for the Company in providing turnkey services to the telecom infrastructure providers and manufacturing of IP Radios, Optical Fibre Cables, GPON-FTTH, Wireless Repeaters and Broadband CPEs.

THREATS, RISKS & CONCERN

The telecommunication market in India is one of the most competitive markets. The mobile services operators, generally outsource the main switching 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.

The presence of unorganised sector doing installation work puts strain on the margins of the turnkey activities of the Company. There is also some concern related to delay in rollout of the new 3G/BWA networks where the Company is expecting supply of equipments and turnkey business.

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, 2012 was 973.

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 21st July, 2012 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. 74 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 Arvind Kharabanda and Dr. R M Kastia, Directors retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment. During the year under review, the IDBI Bank Limited vide its letter no. SS.CB/53/56/Nom.8 dated 14th February, 2012 has withdrawn the nomination of Shri R K Bansal from the Board of the Company and in his place appointed Shri S G Nadkarni as its Nominee Director w.e.f. 28th February, 2012.

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, 2012, 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, 2012 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**

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 99.92% 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, Unit Trust of India, State Bank of India, Oriental Bank of Commercial, 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
Date: 20th August, 2012**

**M P Shukla
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) *As mentioned in Note No. 33, the Company has accounted for the impact of Rework Package approved by the CDR Empowered Group after complying with most of the terms and conditions stipulated therein, though compliance of few of them is still in process.*

Reply :

The Company has complied with the conditions as stipulated in the Rework Package of CDR.

2. Para 4 :

- b) *With regard to the sundry debtors 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.

3. Para 4 :

- c) As mentioned in Note No. 41, balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any.

Reply :

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

4. Para 4 :

- d) As stated in Note No. 30, the Company has paid remuneration to managerial personnel during the year for which approval of central government is pending.

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

Reply :

The Company has received necessary approval from the Central Government for the re-appointment and payment of remuneration to Wholetime Directors for the financial year 2007-08, 2008-09 and part financial year of 2009-10 for Rs.2,74,63,608/-. The Company has also filed the necessary

applications with the Central Government 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 Central Government. However, since the financial year 2007-08, the Company has so far paid Rs.6,43,95,693/- as remuneration to Wholetime Directors. As the approval of Central Government received is of lesser amount than the actual remuneration paid for the aforesaid period, the excess amount of Rs.3,69,32,085/- paid continues to be shown as recoverable. The Company is in the process of making representation to the Central Government for seeking their approval for the entire amount of remuneration paid to them.

B. OBSERVATIONS IN ANNEXURE TO THE AUDITORS' REPORT

5. 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, 2012 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, 2012

S. No.	Name	Remuneration received (In Rs.)	Nature of employment	Other terms & conditions	Designation/nature of duties	Qualifications & experience	Date of commencement of employment	Age (Years)	Last employment held and designation
(A) Employed throughout the year									
1.	Shri Y S Choudhary	98,73,743	Contractual	As per service rule of Company	CEO	B.E.(Telecom), M.E.(Electronics) 43 Years	01.06.2009	69	Exicom Tele-Systems Ltd., M.D.
(B) Employed for part of the year									
1.	Shri Prasad Dasika	73,92,776	Contractual	As per service rule of Company	Dy. CEO	MBA 16 Yrs	01-08-2011	42	CIENA, Director Marketing
2.	Shri Madhukar Srivastava	79,06,385	Contractual	As per service rule of Company	President	B. Tech 24 Yrs	08-07-2011	50	Bharti Airtel Ltd, Vice President
3.	Shri Dhananjay S. Ozarkar	38,41,464	Contractual	As per service rule of Company	Sr. Vice President	BE /Diploma 18 Yrs	05-10-2011	42	Bharti Infratel Ltd, Chief Development Officer
4.	Shri S K Wadhwa	39,77,497	Contractual	As per service rule of Company	Vice President	FCS, ICWA 30 Yrs	21-07-2011	52	Aircel, Head - Commercial
5.	Shri Karan Bamba	9,40,652	Contractual	As per service rule of Company	Vice President	MBA Finance 20 Yrs	01-03-2012	45	Nokia Siemens Ltd, Transformation Program Manager

Notes:

- (i) The remuneration shown above comprises Salary, Allowances, Perquisites, Exgratia, Gratuity, 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 Year of Import Has Technology been fully absorbed If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	: N.A. : N.A. : Technology has been absorbed almost in all the areas of the Company’s operation. : -

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year under review the Company had made an export of Rs.944 thousand. No fresh initiatives were undertaken by the Company to increase and develop new export market for products and services as there is hardly any scope of export for products and services in which the Company is engaged. 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, 2012	Financial year ended 31st March, 2011
FOB Value of Exports	944	1599
Value of Imports	132578	71035
Expenditure in Foreign Currency	6441	1867

For and on behalf of the Board

**Place: New Delhi
Date: 20th August, 2012**

**M P Shukla
Chairman**

AUDITORS' REPORT

**To
THE MEMBERS OF
HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED**

1. We have audited the attached Balance Sheet of **Himachal Futuristic Communications Limited** (the Company) as at 31st March, 2012, the Statement of Profit & Loss and also the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4.
 - a) *As mentioned in Note No. 33, the Company has accounted for the impact of Rework Package approved by the CDR Empowered Group after complying with most of the terms and conditions stipulated therein, though compliance of few of them is still in process.*
 - b) *With regard to the sundry debtors 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.*
 - c) *As mentioned in Note No. 41, balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any.*
 - d) *As stated in Note No. 30, the Company has paid remuneration to managerial personnel during the year for which approval of central government is pending.*

The effect of items mentioned at paragraph 4(a), (b), (c) and

(d) above is unascertainable, and hence the consequential cumulative effect thereof on profit for the year, assets, liabilities and reserves is unascertainable.

5. Further to our comments in the Annexure referred to above paragraph, 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 purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as 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 dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on above date from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to para 4* above and read together with the other notes and the significant accounting policies thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For KHANDELWAL JAIN & CO.,
Firm Registration No. 105049W
Chartered Accountants,
(Akash Shinghal)

Place: New Delhi
Dated: 30th May, 2012

Partner
Membership No: 103490

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, 2012;

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets.
- (b) As per the information and explanations given to us, there is a phased programme of physical verification of fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.
- (c) During the period, 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 few cases.* According to information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2012 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. Income Tax Act	Income Tax	82,160,582	A/Y 2002-2003 & 2003-2004	Commissioner of Income Tax (Appeal), New Delhi
	Total	100,903,301		

- (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 period.
- (xi) According to the information and explanations given to us and records examined by us, in view of the Rework 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

Himachal Futuristic Communications Limited

- 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 OBC (erstwhile GTBL) and held in OBC's name.
- (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 period ended March 31, 2012.
- (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.,
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner

Place: New Delhi
Dated: 30th May, 2012

Membership No: 103490

BALANCE SHEET AS AT 31st MARCH, 2012

(₹ in thousands)

Particulars	Note No(s)	Figures as at 31st March, 2012	Figures as at 31st March, 2011
I EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	2,044,377	1,797,395
(b) Reserves & Surplus	2	4,517,611	2,220,006
(2) Loans Pending conversion into equity		-	2,430,301
(3) Non- Current Liabilities			
(a) Long Term Borrowings	3	2,169,209	2,297,071
(b) Other Long Term Liabilities	4	6,186,747	6,185,546
(c) Long Term Provision	5	12,309	12,139
(4) Current Liabilities			
(a) Short Term Borrowings	6	973,654	1,523,873
(b) Trade Payables	7	333,203	529,708
(c) Other Current Liabilities	8	695,104	358,554
(d) Short Term Provision	9	9,780	2,690
Total		16,941,994	17,357,283
II ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets	10		
(i) Tangible Assets		860,524	888,121
(ii) Intangible Assets		11,506	-
(iii) Capital Work-In-Progress		197,450	144,654
(iv) Intangible Assets under Development		362	-
(b) Non- Current Investments	11	9,698,304	10,341,404
(c) Long Term Loans & Advances	12	36,448	29,902
(2) Current Assets			
(a) Current Investments	13	1,839	1,829
(b) Inventories	14	321,745	348,128
(c) Trade Receivables	15	3,112,845	3,329,951
(d) Cash & Bank Balance	16	606,181	749,898
(e) Short-term Loans & Advances	17	1,885,549	1,325,712
(f) Other Current Assets	18	209,241	197,684
Total		16,941,994	17,357,283

See other accompanying notes to the financial statements

1 to 52

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in thousands)

Particulars	Note No(s)	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
INCOME			
I Revenue From Operations	19	2,607,078	864,147
II Other Income	20	277,451	131,976
III Total Revenue		<u>2,884,529</u>	<u>996,123</u>
IV EXPENDITURE			
Cost of Materials Consumed	21	281,615	211,723
Purchase of goods for resale		853,425	399,609
Changes in inventories of Finished Goods, Work in Process and Stock in Trade	22	2,410	6,903
Employee Benefits Expenses	23	384,013	87,711
Finance Cost	24	334,939	253,539
Depreciation	10	150,652	112,246
Provision for Impairment of Fixed assets	10	-	795,275
Other Expenses	25	622,779	228,662
Bad debts, Loans & advances and Others written off (Net)		155,058	2,244,284
Less : Transferred from provision made in earlier years		(74,660)	(1,132,715)
Total Expenses		<u>2,710,231</u>	<u>3,207,237</u>
V Profit/(Loss) before Exceptional items, Extraordinary items and Tax (III- IV)		174,298	(2,211,114)
VI Exceptional Items	36	59,500	(2,613,477)
VII Profit before Extraordinary items and Tax (V- VI)		114,798	402,363
VIII Extraordinary Items		-	-
IX Profit before Tax (VII- VIII)		114,798	402,363
X Less: Tax Expense:			
Current Tax		7,568	212
MAT credit entitlement		(7,056)	-
XI Profit/(Loss) for the year (after tax)(IX- X)		<u>114,286</u>	<u>402,151</u>
XII Earning per share (Face value of Rs.10/- each)	46		
Basic (Rs.)		0.06	0.38
Diluted (Rs.)		0.06	0.35
See other accompanying notes to the financial statements	1 to 52		

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ in thousands)

NOTE 1 - SHARE CAPITAL	Figures as at 31st March, 2012	Figures as at 31st March, 2011
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 and SUBSCRIBED:		
1,239,377,194 (Previous year 992,395,337) Equity Shares of Re.1/- each.	1,239,377	992,395
8,050,000 (Previous year 8,050,000, 6.5%) 6.5% Cumulative redeemable preference shares of Rs.100/- each.	805,000	805,000
	2,044,377	1,797,395
PAID UP		
1,239,377,194 (Previous year 992,395,337) Equity Shares of Re.1/- each fully paid up	1,239,377	992,395
8,050,000 (Previous year 8,050,000, 6.5%) 6.5% Cumulative redeemable preference shares of Rs.100/- each.	805,000	805,000
TOTAL	2,044,377	1,797,395

A Equity Shares

- 278,180 (Previous year 278,180) shares of Re. 1/- each represent Global Depository Receipts.
- 14,550,000 (Previous year 14,550,000) shares of Re. 1/- each issued for consideration other than cash pursuant to the amalgamation of erstwhile Himachal Telematics Ltd. with the Company.
- The Company on 10th April 2006, further allotted 100B to F Series Foreign Currency Convertible Bonds (FCCBs) of USD 100,000 each fully paid up aggregating to USD 10 million. Each FCCB has been converted into 168,620 fully paid up equity shares of face value of Rs.10 each at a premium of Rs.16.45 per equity share (At a total price of Rs.26.45 per share).
- 529,601,640 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. 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, 2012	Figures as at 31st March, 2011
		No. of share held	No. of share held
NextWave Communications Private Ltd		234,765	234,765
	% of Holding	18.94%	23.65%
ANM Enginnering & Works Pvt Ltd		234,765	234,765
	% of Holding	18.94%	23.65%
IDBI Bank Limited		150,945	-
	% of Holding	12.18%	-
Oriental Bank of Commerce		82,825	-
	% of Holding	6.68%	-

(₹ in thousands)

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

Name of Shareholders		Figures as at 31st March, 2012	Figures as at 31st March, 2011
		No. of share held	No. of share held
General Insurance Corporation of India Ltd.		500,000	500,000
	% of Holding	6.21%	6.21%
Unit Trust of India		-	2,950,000
	% of Holding	-	36.65%
Digivive Contents Services (P) Ltd.		2,950,000	-
	% of Holding	36.65%	-
IDBI Bank Limited		3,500,000	3,500,000
	% of Holding	43.48%	43.48%
Oriental Bank of Commerce		600,000	600,000
	% of Holding	7.45%	7.45%

D Statement of Reconciliation of equity capital is set below:

Particulars		Figures as at 31st March, 2012	Figures as at 31st March, 2011
		No of shares held	No of shares held
No. of shares at the beginning of the year		992,395	462,794
Add: Shares issued during the year		246,982	529,602
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	992,396

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, 2012	Figures as at 31st March, 2011
Securities Premium Reserve		
As per last Balance Sheet	1,817,855	301,125
Add : On issue of equity share to banks	2,183,319	-
Add : Premium on bonds reversed	-	1,516,730
TOTAL	4,001,174	1,817,855
Profit & Loss Account		
Opening balance	402,151	-
Add: Net Profit / (Net Loss) for the current year	114,286	402,151
	516,437	402,151
TOTAL	4,517,611	2,220,006

(₹ in thousands)

NOTE 3 - LONG TERM BORROWINGS	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Secured		
Term Loans from Banks & Financial Institutions	1,311,655	1,341,535
Funded Interest Term Loans (FITL)	857,554	955,536
TOTAL	2,169,209	2,297,071

Secured Long Term Borrowings

- a) Term loan of Rs.791,043 (Previous year Rs.791,043) from financial institution and Funded interest term loan of Rs.339,154 (Previous year Rs. 450,022) 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.233,541 (Previous year Rs.233,541) from a bank, Working capital term loan of Rs.182,010(Previous year Rs.182,010) and Funded interest term loan of Rs.310,600 (Previous year Rs. 361,614) 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.250,800 (Previous year Rs.134,941) from banks and Funded interest term loans of Rs.207,800 (Previous year Rs.143,900) 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) Pursuant to the rework CDR package, some of the loans amounting to Rs.24,30,301 have been converted into Equity shares of the Company at a price of Rs.9.84 per equity share as per SEBI guidelines, after complying with necessary formalities in this regard. In the previous year pending completion of such formalities the said amount of Rs.24,30,301 was shown as " Loans pending conversion into Equity" under the head "Loan Funds".
- 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 2012-13	F.Y 2013-14	F.Y 2014-15	F.Y 2015-16	F.Y 2016-17	F.Y 2017-18	F.Y 2018-19
Term Loans	145,739	145,739	145,739	218,609	218,609	291,479	291,479
FITL	-	-	-	-	285,851	285,851	285,851

NOTE 4 - OTHER LONG TERM LIABILITIES	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Trade Payables (Retention Money Payable)	1,712	511
Advance against Investment	6,185,035	6,185,035
TOTAL	6,186,747	6,185,546

NOTE 5 - LONG TERM PROVISIONS	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Provision for Employees Benefits	12,309	12,139
TOTAL	12,309	12,139

(₹ in thousands)

NOTE 6 - SHORT TERM BORROWINGS	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Secured		
Loans Repayable on Demand		
From Banks	363,504	534,300
Other loans and advances	-	123
Unsecured		
Loans Repayable on Demand		
From Body Corporates	610,150	989,450
TOTAL	973,654	1,523,873

- a) Working capital loans from banks aggregating to Rs.363,504 (Previous year Rs. 534,300) 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.
- b) Other loans amounting to Rs. Nil (Previous year Rs.123) are secured by way of hypothecation of assets under hire purchase agreements.

NOTE 7 - TRADE PAYABLES	Figures as at 31st March, 2012	Figures as at 31st March, 2011
(refer note 45)		
Trade Payables		
For Material & Services	221,853	456,592
For Expenses	111,350	73,116
TOTAL	333,203	529,708

NOTE 8 - OTHER CURRENT LIABILITIES	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Current maturities for Long term secured debt		
Term Loan from Banks (refer foot note 'a to f' of note no. 3)	145,739	-
Interest accrued and due on Borrowing	84,017	68,587
Advance from Customers	183,926	-
Other Payables	-	-
Retention Payable	464	244
Expenses Payable	165,646	176,228
Other employees dues	26,076	18,407
Statutory Dues Payable	89,236	95,088
TOTAL	695,104	358,554

NOTE 9 - SHORT TERM PROVISIONS	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Provision for Employee benefits	2,212	2,478
Provision for Income Tax	7,568	212
TOTAL	9,780	2,690

NOTE 10 - FIXED ASSETS
(₹ in thousands)

Description	GROSS BLOCK			DEPRECIATION			*IMPAIRMENT		NET BLOCK	
	As at 31.03.2011	Additions	Deductions/ disposed off	As at 31.03.2012	Up to 31.03.2011	For the year	Deductions/ disposed off	Up to 31.03.2012	As at 31.03.2011	As at 31.03.2012
Tangible Assets										
1. Land - Leasehold - Freehold	8,221 23,965	- -	- -	8,221 23,965	1,380 -	87 -	- -	1,467 -	- -	6,754 23,965
2. Buildings-Leasehold - Freehold - Leasehold Improvements	15,068 143,892 22,546	- 598 -	- - -	15,068 144,490 22,546	6,495 65,916 22,546	523 4,806 -	- - -	7,018 70,722 22,546	- - -	8,050 73,768 -
3. Plant & machinery	4,165,590	31,490	-	4,197,080	2,646,684	117,490	-	2,764,174	795,275	637,631
4. Electrical installation	49,638	2,619	-	52,257	45,718	868	-	46,586	-	5,671
5. Furniture & fixtures	41,864	1,306	465	42,705	37,553	1,528	370	38,711	-	3,994
6. Office equipments	184,830	41,415	4,598	221,647	170,264	8,960	4,572	174,652	-	46,995
7. Vehicles	62,074	58,466	25,954	94,586	37,737	16,000	12,846	40,891	-	53,695
8. Moulds & dies	536	-	-	536	535	-	-	535	-	1
	4,718,224	135,894	31,017	4,823,101	3,034,828	150,262	17,788	3,167,302	795,275	860,524
Intangible Assets										
Computer software	-	11,896	-	11,896	-	390	-	390	-	11,506
Total	4,718,224	147,790	31,017	4,834,997	3,034,828	150,652	17,788	3,167,692	795,275	872,030
Previous year	4,722,589	7,309	11,673	4,718,224	2,933,653	112,246	11,070	3,034,828	-	888,121
Capital work-in progress										197,450
										197,450

*(Refer note no. 39)

NOTE :-

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.

NOTE II - NON CURRENT INVESTMENT	As at 31.03.2012			As at 31.03.2011		
	Face value per share/ debenture	No. of shares/ debentures	Amount	Face value per share/ debenture	No. of shares/ debentures	Amount
I TRADE INVESTMENTS						
Unquoted						
ii) Investments in Equity Instruments						
Associates						
Microwave Communications Ltd. (MCL) *	10	12,187,440	-	10	12,187,440	-
Excicom 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 Infocheck 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
DragonWave 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	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
			8,403,100			8,403,100
iii) Investment in 0% Optionally Fully Convertible Debentures						
Unquoted						
APJR Traders & Commission Agent Pvt. Ltd.	100	100,000	10,000	100	100,000	10,000
Bachawat 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
Etisha Finance & Investment Pvt. Ltd.	-	-	-	100	685,000	68,500
Shyam Basic Infrastructure Projects (P) Ltd.	100	6,434,000	643,400	100	6,434,000	643,400
Westel Wireless Ltd.	100	126,000	12,600	100	126,000	12,600
			1,330,700			1,399,200
			687,300			755,800
Less: Provision for diminution in value			643,400			643,400
			9,028,904			9,028,904
iv) Investment In Zero Coupon Optionally Converted Bond Scpl						
Infotel Business Solutions Ltd.	1000	26,000	-	1000	26,000	-
Total	10	-	-	10	13,000,000	643,100
			9,698,304			10,341,404

* 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.

	As at 31.03.2012	As at 31.03.2011
Aggregate amount of unquoted investment	10,385,604	11,097,204
Less: Provision for diminution in value of investment	687,300	755,800
Aggregate amount of unquoted investment	9,698,304	10,341,404

(₹ in thousands)

NOTE 12 - LONG TERM LOANS AND ADVANCES	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Unsecured, considered good		
Capital Advances	8,195	13,674
Security Deposits	28,253	16,228
TOTAL	36,448	29,902

NOTE 13 - CURRENT INVESTMENT	As at 31.03.2012				As at 31.03.2011			
	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	
Indo Vanilion Ltd	10	50,000	35		10	50,000	35	
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	
				1,680				1,680
Investment in Units (Fully Paid Up)								
Quoted								
Principal Cash Management fund - Dividend Plan	1000	159	159	159	10	14,829	149	149
				1,839				1,829

	As at 31.03.2012	As at 31.03.2011
1. Aggregate book value of investments		
-Quoted	1,839	1,829
-Unquoted	-	-
2. Aggregate market value of quoted investments	12,137	9,898

NOTE 14 - INVENTORY	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Raw Materials	320,381	328,380
Raw Materials in transit	18,986	-
Less: Provision for Non Moving	118,525	85,768
	220,842	242,612
Work in Progress	104,477	96,612
Less: Provision for Non Moving	66,991	66,992
	37,486	29,620
Finished Goods	6,463	6,494
Less: Provision for Non Moving	6,261	6,261
	202	233
Stock-in-trade- Securities (Refer Note No. 32)	56,075	66,319
Stores and spares	7,701	8,979
Less: Provision for Non Moving	1,937	1,937
	61,839	73,361
Loose tools	950	877
Others (Packing Material)	426	1,425
TOTAL	321,745	348,128

Himachal Futuristic Communications Limited

(₹ in thousands)

NOTE 15 - TRADE RECEIVABLES	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Unsecured, considered good (Debts outstanding for a period exceeding six months)		
Considered good	2,607,053	2,862,513
Considered Doubtful	-	-
	2,607,053	2,862,513
Others Debts*	505,792	467,438
TOTAL	3,112,845	3,329,951

* Includes receivable from subsidiaries : Debts outstanding for a period exceeding six months Rs.105,224(Previous year Rs105,575).

NOTE 16 - CASH & BANK BALANCE	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Balance with Scheduled Banks in Current Accounts	60,609	82,055
Balance with Fixed Deposit Accounts *		
Bank Deposit with more than 12 months maturity	38,437	27,294
Others	505,651	415,130
Cheques on Hand	-	224,107
Cash on Hand	1,484	1,312
TOTAL	606,181	749,898

* i) Balances with Fixed Deposit Account pledged with bank as margin money/under lien Rs.219,511(previous year 191,462).

ii) confirmation awaited for FDR with IDBI of Rs.50,000.

NOTE 17 - SHORT TERM LOANS AND ADVANCES	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Unsecured, considered good		
Loans and advances to Related Parties	474,893	292,639
Other Loans and Advances		
Security Deposits	24,870	22,622
Advances Recoverable in cash or in kind or for value to be received	340,744	439,547
Advance tax/TDS	310,893	111,865
MAT credit entitlement	7,056	-
Loans to body/non-body corporate	90,000	90,000
Advances to Vendors	576,661	311,835
Balance with Central Excise & Customs authorities	60,432	57,204
TOTAL	1,885,549	1,325,712

NOTE 18 - OTHER CURRENT ASSETS	Figures as at 31st March, 2012	Figures as at 31st March, 2011
Interest Receivable	209,241	197,684
TOTAL	209,241	197,684

Himachal Futuristic Communications Limited

(₹ in thousands)

NOTE 19 - REVENUE FROM OPERATIONS	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
Sales of Product	1,210,051	298,730
Sales of Services	1,428,231	586,796
	2,638,282	885,526
Less: Excise Duty	31,204	21,379
TOTAL	2,607,078	864,147

NOTE 20 - OTHER INCOME	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
Interest (Gross)		
On fixed deposits	40,905	27,706
(TDS Rs.2,378 previous period Rs.3,334)		
Others	102	351
Profit on sales of Investments	171,900	85
Loans & advances & others recovered (earlier written off)	24,460	89,837
Dividend on investments	39,137	13,604
Miscellaneous income	947	393
TOTAL	277,451	131,976

NOTE 21 - COST OF GOODS CONSUMED	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
Opening Balance	328,380	310,083
Add : Purchases during the year	273,616	230,020
	601,996	540,103
Less: Closing Stock	320,381	328,380
TOTAL	281,615	211,723

NOTE 22 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROCESS AND STOCK IN TRADE	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
Opening Stock		
Finished Goods	6,494	6,480
Work in Process	96,612	95,178
Stock In Trade - Securities	66,319	74,670
	169,425	176,328
Less: Closing Stock		
Finished Goods	6,463	6,494
Work in Process	104,477	96,612
Stock In Trade - Securities	56,075	66,319
	167,015	169,425
CHANGE IN STOCK	2,410	6,903

Himachal Futuristic Communications Limited

(₹ in thousands)

NOTE 23 - EMPLOYEE BENEFIT EXPENSES	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
Salaries, wages and bonus	324,021	75,562
Contribution to provident & other funds	36,536	5,454
Welfare expenses	23,456	6,695
TOTAL	384,013	87,711

NOTE 24 - FINANCE COST	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
Interest expenses (Refer Note No. 31)	322,869	248,238
Bank charges	12,070	5,301
TOTAL	334,939	253,539

NOTE 25 - OTHER EXPENSES	Figures for the year ended 31st March, 2012	Figures for the period (Six Months) ended 31st March, 2011
Manufacturing & turnkey activities expenses		
Consumption of packing material	12,191	5,877
Consumption of stores and spare parts	6,349	4,862
Labour and service charges	221,707	36,224
Loose tools written off	360	141
Power, fuel and water charges	16,433	6,314
Repairs to buildings	914	573
Repairs to machinery	5,244	1,427
Other repairs	2,624	669
Insurance charges	6,278	1,564
Administrative & other Expenses		
Rent	27,717	4,491
Rates and taxes	4,117	1,702
Auditors remuneration		
Audit fees	3,640	1,655
In other capacity	1,729	971
Out of pocket expenses	172	140
Legal and professional charges	87,638	39,309
Communication expenses	12,716	7,249
Travelling, conveyance and vehicle expenses	98,806	19,863
Directors fees	190	150
Charity & Donation	5,943	118
Increase/(decrease) in excise duty on finished goods	(3)	1
Miscellaneous expenses	43,574	18,868
Selling and Distribution	17,750	9,488
Provision For Inventories	32,757	38,975
Liquidated Damages	4,506	26,887
Foreign exchange fluctuation	12,665	231
Loss on sale / written off of fixed assets	1,588	279
Prior Period Items	(4,826)	634
TOTAL	622,779	228,662

26 Significant Accounting Policy to Financial Statements**A. 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.

B 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 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.

C 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.

D 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.

E 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.

M 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.

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

O 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.

P Taxes on Income

Tax expense comprises of current and 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.

Q 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.

(₹ in thousands)

R 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.

S 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 31.03.2012	As at 31.03.2011
27 Contingent Liabilities not provided for in respect of :		
(a) Unexpired Letters of Credit (margin money paid Rs.70,000 ; Previous year Rs.20,511)	125,214	15,702
(b) Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits Rs.147,919; Previous year Rs.168,812)	338,176	478,992
(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)	1,374,331	1,374,331*
(d) Arrears of Dividend on Cumulative redeemable preference shares	137,937	400,513
* This excludes Company's counter guarantees of Rs.56.70 crore in respect of guarantees provided by the banks and institutions on behalf of HFCL Bezeq Telecom Ltd. for bid bonds to Department of Telecommunications (DoT) towards tender for operation of basic telephone services as the guarantees have already expired and the Hon'ble Delhi High Court vide its order dated 19.09.97 granted permanent injunction restraining the DoT from invoking the said guarantees. The appeal filed by DoT against this also stands dismissed as per order dated 02/01/2012. The Hon'ble High Court has further directed the banks to treat the said bank guarantee(s) as discharged.		
28 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	78,138	51,625
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)	100,903	100,903
30 The Company has received necessary approval from the Central Government for the re-appointment and payment of remuneration to Wholetime Directors for the Financial Year 2007-2008, 2008-09 and part Financial Year 2009-10 for Rs.27,464. The Company has also filed the necessary application with the Central Government seeking their approval for re-appointment and payment of remuneration to Wholetime Director for remaining part of the Financial Year 2009-10 and onwards which has not been approved by the Central Government. However, since the Financial Year 2007-08, the company has so far paid Rs.64,396 as remuneration to Whole time Directors. As the approval of Central Government received is of lesser amount than the actual amount paid for the aforesaid period, the excess amount of Rs.36,932 paid continues to be shown as recoverable. The Company is in the process of making representation to the Central Government for seeking their approval for the entire amount of remuneration paid to them.		
31 Interest charges on loans is net of Interest income from loans and advances amounting to Rs.4,282 (Previous year Rs.122,333) .		
32 Stock in trade - Securities include equity shares of the following companies:		

	As at 31.03.2012		As at 31.03.2011	
	Qty	Amount	Qty	Amount
Adinath Bio Labs Ltd.	6,408,000	6,792	6,408,000	14,610
Granules India Ltd.	100,000	3,200	100,000	3,200
Manvens Biotech Ltd.	17,000	40	17,000	92
Media Matrix Worldwide Ltd.	4,750	22	4,750	15
Optimates Textile Ltd.	1,302,500	9,704	1,302,500	9,704
Rashel Agrotech Ltd.	478,500	431	478,500	603
Sahara India Media and Entertainment Ltd.	250,950	35,886	250,950	38,094
Total		56,075		66,318

(₹ in thousands)

- 33 (a) 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 Rework 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 Rework package interalia includes 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 said CDR package also stipulates arrangement of additional infusion of funds by the promoters.
- (b) The Company has created securities as stipulated by the CDR Empowered Group and complied with all other terms and conditions except execution of pledge of shares in favour of the lenders. The execution of pledge of shares as stipulated in CDR rework package which is in process. Accordingly, during the year:
- i) In terms of CDR rework package, Secured working capital loans from banks amounting to Rs.165,201 Zero Coupon Premium Bonds (ZCPBs) amounting to Rs.19,50,700 and the premium of Rs.3,14,400 accrued on these ZCPB's till cut off date have been converted into equity shares of face value of Re.1/-each at a price of Rs.9.84 per equity share as per SEBI guidelines.
- ii) Subsequent to the individual sanctions & reconciliation with working capital lenders, a sum of Rs.120,800 (Previous period Rs.235,604) out of working capital loan have been converted into working capital term loans (WCTL) and the same is to be repaid in 84 monthly installments commencing from 30th April 2012.
- iii) Subsequent to the individual sanctions & reconciliation with working capital lenders, a sum of Rs.63,900 (Previous period Rs.793,654) being interest accrued and due up to the cut off date on working capital loans have been converted into Funded Interest Term Loan (FITL) and which is repayable in three equal annual installments commencing from 31st December 2016 onwards and shall not carry any interest.
- (c) The Company is in process of reconciliation of balances with one of the bank. Adjustments, if any, on account of interest/ principal will be made when the same stands reconciled and confirmed.
- 34 Pursuant to the disinvestment by the Government of India, the Company had acquired 1,110,000 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.
- Since the Government of India has gone in appeal against the above arbitral award which is yet to be decided by the Hon'ble High Court, no adjustment has been made in the accounts in respect of above award pending the final outcome.
- 35 The Company had made payment of Rs.113,375 to certain cumulative preference shareholders as per contractual obligations in the earlier years. Pursuant to the CDR rework package some of the preferential share holders has adjusted a sum of Rs.110,975 against the contractual liability and waived the balance dues. Accordingly, a sum of Rs.110,975 has been written off and the balance amount of Rs.2,400 (previous year 113,375) has been shown as "advances" to be adjusted against future expected liability of dividend on cumulative preference shares.
- 36 Exceptional items consists of (i) Payment made to lenders towards guarantee contract/obligation amounting to Rs.59,500 including promoted companies (Previous period 64,500) (ii) Written back of liabilities / waiver under rework package of CDR and on account of One Time Settlement of some of the of the lenders Rs. NIL (Previous period Rs.2,677,977).
- 37 Sundry debtors include debts outstanding for more than two years amounting to Rs.2,417,161. The Company is in continuous process of working out different modalities of recovery for its remaining long outstanding debts. Pending outcome of such exercise, an amount of Rs.83,507 has been written off during the year, which is in 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 :

	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011
Employer's Contribution to Provident Fund	5,616	2,100
Employer's Contribution to Pension Scheme	2,409	1,713

(₹ in thousands)

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 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	
	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011
Actuarial assumptions				
Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	8.75%	8.25%	8.00%	8.00%
Rate of increase in Compensation levels	8.00%	5.00%	8.00%	8.00%
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	36,117	33,256	15	14,863
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	2,980	1,372	1,173	593
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Current Service Cost	3,138	1,524	2,519	881
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	Nil	Nil	(3,478)	(670)
Actuarial (gain)/ loss on obligations	(7,890)	(35)	(309)	(1,050)
Present value of obligation as at the end of the period	34,345	36,117	(80)	14,617
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	8,511	8,441	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	681	338	N.A.	N.A.
Employer contribution	Nil	Nil	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	(365)	(268)	Nil	Nil
Fair value of plan assets at year end	8,827	8,511	Nil	Nil
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	(316)	(268)	Nil	Nil
Expected return on plan assets	681	338	Nil	Nil
Excess of actual over estimated return on plan assets	Nil	Nil	Nil	Nil
Actuarial (gain) / loss-plan assets	365	70	Nil	Nil
Actuarial Gain / loss recognised				
Actuarial (gain) / loss for the period - Obligation	(7,890)	(35)	(309)	(1,050)
Actuarial (gain) / loss for the period - Plan assets	365	268	Nil	Nil
Total (gain) / loss for the period	(7,525)	233	(309)	(1,050)
Actuarial (gain) / loss recognized in the period	(7,525)	233	(309)	(1,050)
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	34,346	36,117	14,522	14,617
Fair value of plan assets as at the end of the period	8,828	8,511	Nil	Nil
Funded Status	(25,518)	(27,606)	(14,522)	(14,617)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(25,518)	(27,606)	(14,522)	(14,617)

(₹ in thousands)

Expenses recognised in statement of Profit and Loss :

Current service cost	3,138	1,524	2,519	881
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Interest Cost	2,980	1,372	1,173	593
Expected return on plan assets	(681)	(338)	Nil	Nil
Curtailement and settlement cost /(credit)	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognised in the period	(7,525)	233	(309)	(1,050)
Expenses recognised in the statement of Profit and Loss	(2,088)	2,791	3,383	424

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 31.03.2012 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 period Rs.795,275 has been impaired)
- 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:-

	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011
Not later than one year	47,180	7,224
Later than one year but not later than five years	122,082	4,556
More than five years	62,324	-

- 41 Balances of some of the sundry debtors, creditors, 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 :	Mr. Mahendra Nahata Mr. 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, 2012 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.
Purchases/receiving of				
Goods and materials	- (-)	- (-)	13,407 (7,710)	43 (-)
Services	- (4,164)	- (-)	35,516 (4,704)	- (-)
Sales/rendering of *				
Goods and materials	- (-)	- (-)	10 (106)	60 (-)
Services	- (-)	- (-)	3,384 (3,852)	- (-)
Income				
Rent received	- (-)	- (-)	949 (379)	- (-)
Expenses				
Rent/other expenses	453 (246)	- (-)	1,774 (138)	- (-)
Advances				
Advance given	91,500 (30,000)	70,000 (18,500)	- (-)	28,000 (4,000)
Outstanding (net)				
Payables	12,414 (7,044)	- (-)	- (11,919)	- (-)
Receivables	471,924 (380,774)	88,649 (18,649)	11,020 (24,224)	31,957 (4,000)

As at 31.03.2012 As at 31.03.2011

Guarantees and collaterals

Microwave Communications Ltd.	662,731	662,731
Exicom Tele-systems Ltd.	101,600	101,600
HFCL Satellite Communications Ltd	590,000	590,000

Note: Details of remuneration to directors are disclosed under note number 30. Figure in brackets represent the previous period 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:

Himachal Futuristic Communications Limited

(₹ in thousands)

Particulars	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011
Segment Revenue		
a. Telecom Products	381,000	277,351
b. Turnkey Contracts and Services	2,226,078	586,796
c. Others	-	-
Total	2,607,078	864,147
Less: Inter segment revenue	-	-
Turnover/Income from Operations	2,607,078	864,147
Segment Results		
a. Telecom Products	(490,291)	(1,267,833)
b. Turnkey Contracts and Services	761,747	51,013
c. Others	-	-
Total	271,456	(1,216,820)
Less: i. Interest and Finance charges	334,939	253,539
ii. Other un-allocable expenditure net off unallocable income	(178,281)	405,725
iii. Waivers, writes back of liability	-	(2,278,447)
Profit/(Loss) before Tax	114,798	402,363
Capital Employed		
a. Telecom Products	2,887,932	3,303,532
b. Turnkey Contracts and Services	672,446	677,159
c. Others	-	-
Total capital employed in segments	3,560,378	3,980,691
Add: Un-allocable corporate assets less liabilities	3,001,610	36,710
Total capital employed in Company	6,561,988	4,017,401

(b) Secondary segment information

The Company caters mainly to the needs of Indian market and the export turnover being 0.03% (Previous period 0.20%) 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 31.03.2012		As at 31.03.2011	
	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset
Depreciation	81,136	-	335,633	-
Others	-	2,320	-	3,568
Unabsorbed losses (to the extent of liability only) *	-	78,816	-	332,065
	81,136	81,136	335,633	335,633
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 Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :

Particulars	As at 31.03.2012	As at 31.03.2011
a. Principal amount due	7,243	6,631
Interest due on above	97	189
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 Section 23 of the Act.	Nil	Nil

Himachal Futuristic Communications Limited

(₹ in thousands)

Note: 1. The above information and that given in Note No. 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.

Note: 2. The Company is in process of compiling relevant information for the period from its suppliers, since the information is not ready, no disclosure have been made in accounts. However, in view of the management, the impact of interest, if any, that may be payable is not expected to be material.

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

	<u>Twelve Months ended 31.03.2012</u>	<u>Six Months ended 31.03.2011</u>
(a) Basic & Diluted Earning per share before extra ordinary items		
Profit /(Loss) after tax	114,286	402,151
Less: Preference dividend	52,325	26,163
Profit attributable to ordinary shareholders	61,961	375,988
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	1,088,893,713	992,395,337
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	1,088,893,713	1,061,745,232
Nominal value of ordinary share	Re.1/-	Re.1/-
Earning per share basic	0.06	0.38
Earning per share diluted	0.06	0.35

(b) Basic & Diluted Earning per share after extra ordinary items

Profit /(Loss) after tax	114,286	402,151
Less: Preference dividend	52,325	26,163
Profit attributable to ordinary shareholders	61,961	375,988
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	1,088,893,713	992,395,337
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	1,088,893,713	1,061,745,232
Nominal value of ordinary share	Re.1/-	Re.1/-
Earning per share basic	0.06	0.38
Earning per share diluted	0.06	0.35

(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, 2012 - Disclosure required by Clause 32 of the Listing Agreement.

Subsidiary Company	Outstanding as at		Maximum amount outstanding during the year	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
HTL Ltd	354,286	275,200	366,700	275,200
Moneta Finance (P) Ltd.	88,649	18,649	88,649	18,649

48 The figures of the current year are not comparable with those of previous period as current year is for Twelve months as against six months for previous period. Previous period's figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

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

(₹ in thousands)

Particulars	Year ended 31.03.2012		Six Months ended 31.03.2011	
	%	Value	%	Value
(a) Raw materials				
Imported	48	133,788	27	56,577
Indigenous	52	147,827	73	155,146
	<u>100</u>	<u>281,615</u>	<u>100</u>	<u>211,723</u>
(b) Component/Material purchased				
Imported	0.44	3,776	-	-
Indigenous	99.56	849,649	100	399,609
	<u>100</u>	<u>853,425</u>	<u>100</u>	<u>399,609</u>
(c) Stores & spares				
Imported	24	1,547	42	2,046
Indigenous	76	4,802	58	2,816
	<u>100</u>	<u>6,349</u>	<u>100</u>	<u>4,862</u>

50 Value of Imports on CIF Basis

Raw material & components	119,056	70,291
Stores & spares	1,300	744
Capital goods	12,222	-

51 Expenditure in foreign currency

(On payment basis)

Travelling, Subscription & others	6,441	1,867
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52 Earnings in foreign exchange

FOB Value of export	944	1,599
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As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in thousands)

Particulars	For the year ended 31.03.2012	Six Months ended 31.03.2011
A. Cash flow from Operating Activities :		
Net Profit before taxes	114,798	402,363
Adjustments for :		
Depreciation/Impairment	150,652	907,521
Loss /(Profit) on sale of investments (net)	(171,900)	(85)
Interest & finance charges	334,939	253,539
Interest income	(41,007)	(28,057)
Dividend income	39,137	(13,604)
Loss/(Profit) on sale of fixed assets	(1,588)	279
Bad Debts, advances and miscellaneous balances written off	80,398	1,111,569
Waiver of term Loan and interest thereon	-	(2,278,447)
Payment towards guarantee obligation	59,500	64,500
	<u>375,033</u>	<u>17,215</u>
Operating Profit before working capital changes	489,831	419,578
Adjustments for :		
Trade and other receivables	(475,064)	1,059,565
Inventories	26,383	41,712
Trade payables	(14,750)	(1,301,017)
	<u>(463,431)</u>	<u>(199,740)</u>
Cash generated from operations	26,400	219,838
Income tax	(7,056)	-
Net Cash used in operating activities	<u>19,344</u>	<u>219,838</u>
B. Cash flow from investing activities		
Purchase of fixed assets	(206,428)	(60,603)
Sale of fixed assets	11,643	324
Purchase of investments	(11)	(24,954)
Sale/disposal of investments	815,000	36,086
Loans and advances	-	(3,257)
Interest received	11,084	(174,411)
Dividend received	39,137	13,604
Net Cash used in investing activities	<u>670,425</u>	<u>(213,211)</u>

(₹ in thousands)

Particulars	For the year ended 31.03.2012	Six Month ended 31.03.2011
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	(2,583,343)	(238,831)
Unsecured	(379,300)	(68,242)
	(2,962,643)	(307,073)
Interest paid (net)	(301,144)	(166,402)
Net Cash from financing activities	(833,486)	(473,475)
Net increase in cash & bank balances	(143,718)	(466,848)
Cash & bank balances (Opening Balance)	749,898	1,216,746
Cash & bank balances (Closing Balance)	606,181	749,898

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 & bank balances represents:

Cash on hand	1,484	1,312
Cheques on hand	-	224,107
Balances with Scheduled banks in Current accounts	60,609	82,055
Fixed deposit accounts	544,088	442,424
Total	606,181	749,898

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

AUDITORS' REPORT

To,

The Board of Directors,

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

1. We have audited the attached Consolidated Balance Sheet of **Himachal Futuristic Communications Limited (the company) and its Subsidiaries and Associates** as at 31st March 2012, the Consolidated Statement of Profit & Loss and the Consolidated Cash Flow Statement for the year then ended. These Consolidated Financial Statements (CFS) are the responsibility of the Himachal Futuristic Communications Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Moneta Finance Private Limited, the subsidiary company, whose financial statements reflect total assets of Rs. 22,672,498 and total liability of Rs. 19,537,015 as at 31st March, 2012, total revenue of Rs. 1,703,835 and total expenditure of Rs. 927,407 and cash flow arising therefrom for the year ended on that date. The financial statements and other financial information of the subsidiary have been audited by other auditor whose report have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
4. We report that the CFS have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of the Chartered Accountants of India and on the basis of the separate audited financial statements of Himachal Futuristic Communications Limited and its subsidiaries included in the CFS.
5. *In the case of holding company HFCL, attention is invited to:*
 - a) *As mentioned in Note No. 31, the Company has accounted for the impact of Rework Package approved by the CDR Empowered Group after complying with most of the terms and conditions stipulated therein, though compliance of few of them is still in process.*
 - b) *With regard to the sundry debtors 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.*

- c) *As mentioned in Note No. 38, balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmation reconciliation and adjustments, if any.*
- d) *As mentioned in Note No. 30, the Company has paid remuneration to managerial personnel during the year for which approval of central government is pending.*

The effect of items mentioned at paragraph (a), (b), (c) and (d) above is unascertainable, and hence the consequential cumulative effect thereof on loss for the year, assets, liabilities and reserves is unascertainable.

6. *In the case of the subsidiary, HTL Ltd., as mentioned in Note No. 39(i) of Notes forming part of CFS. The Subsidiary incurred a net loss of Rs. 746,870,920 during the year and has accumulated losses of Rs 5,663,158,749 as at March 31, 2012, which has resulted in negative net worth of Rs. 5,513,158,749. The Subsidiary's current liabilities have exceeded its current assets by Rs 5,461,857,110 as at that date. Further, the Subsidiary has overdrawn borrowings from banks by Rs. 500,428,266 and also has overdue loans from Government of India amounting to Rs 62,420,000 and interest accrued and due thereon of Rs. 211,503,030. The turnover during the current year is only Rs 1,307,320. The Subsidiary's plans to raise fund 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 raise substantial 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 Integrated Fixed Wireless Terminals. In view of the management's expectation of the successful outcome of the above proposals, the financials 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.*
7. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Himachal Futuristic Communications Limited and its aforesaid subsidiaries, in our opinion, the CFS together with notes thereon and *subject to Para 5 and 6 above*, 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 consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2012;
 - (b) in the case of the Consolidated Statement of Profit and Loss, of the loss 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.

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

(Akash Shinghal)
Partner
Membership No.: 103490
Place: New Delhi
Dated: 30th May, 2012

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in thousands)

	Note No(s)	Figures as at 31.03.2012	Figures as at 31.03.2011
I EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	2,044,377	1,797,395
(b) Reserves & Surplus	2	(815,822)	(2,331,329)
(2) Loans Pending conversion into equity			
		-	2,430,301
(3) Minority Interest			
		-	-
(4) Non- Current Liabilities			
(a) Long Term Borrowings	3	2,169,359	2,297,521
(b) Other Long Term Liabilities	4	6,186,747	6,185,546
(c) Long Term Provisions	5	98,824	115,511
(5) Current Liabilities			
(a) Short Term Borrowings	6	1,738,616	2,169,964
(b) Trade Payables	7	1,828,592	1,923,282
(c) Other Current Liabilities	8	4,327,521	3,552,202
(d) Short Term Provisions	9	9,761	2,690
Total		<u>17,587,975</u>	<u>18,143,083</u>
II ASSETS			
(1) Non Current Assets			
(a) Fixed Assets	10		
(i) Tangible Assets		894,939	926,187
(ii) Intangible Assets		11,506	-
(iii) Capital-Work-In-Progress		197,450	158,328
(iv) Intangible Assets under Development		363	-
(b) Non- Current Investments	11	9,152,114	9,831,217
(c) Long Term Loans & Advances	12	110,044	18,290
(d) Goodwill (on Consolidation of Subsidiary)		742,205	742,205
(2) Current Assets			
(a) Current Investments	13	1,839	1,829
(b) Inventories	14	329,504	356,024
(c) Trade Receivables	15	3,683,258	3,908,337
(d) Cash & Bank Balances	16	712,937	859,259
(e) Short-term Loans & Advances	17	1,506,500	1,107,649
(f) Other Current Assets	18	245,316	233,758
Total		<u>17,587,975</u>	<u>18,143,083</u>
See other accompanying notes to the financial statements	1 to 49		

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in thousands)

	Note No(s)	Figures for the year ended 31st March, 2012	Figures for the period (six months) ended on 31st March, 2011
INCOME			
I			
Revenue From Operations	19	2,610,089	864,724
II			
Other Income	20	403,830	165,869
III			
Total Revenue		<u>3,013,919</u>	<u>1,030,593</u>
IV EXPENDITURE			
Cost of Materials Consumed	21	282,804	211,945
Purchase for trading		853,425	399,609
Changes in inventories of Finished Goods, Work in Process and Stock in Trade	22	2,410	6,903
Employee Benefits Expenses	23	533,227	178,189
Finance Cost	24	878,523	455,358
Depreciation and Amortization Expenses	10	154,315	114,471
Provision for Impairment of Fixed assets		-	795,275
Other Expenses	25	797,900	253,848
Bad debts, Loans & advances and Others written off (Net)		157,280	2,244,284
Less : Transferred from provision made in earlier years		<u>(74,660)</u>	<u>(1,132,715)</u>
Total Expenses		<u>3,585,224</u>	<u>3,527,167</u>
V			
Profit/(Loss) before Exceptional items, Extraordinary items and Tax (III- IV)		(571,305)	(2,496,574)
VI			
Exceptional Items		59,500	(2,613,477)
VII			
Profit/(Loss) before Extraordinary items and Tax (V- VI)		(630,805)	116,903
VIII			
Extraordinary Items		-	-
IX			
Profit/(Loss) before Tax (VII- VIII)		(630,805)	116,903
X			
Less: Tax Expense:			
Current Tax		8,060	212
MAT credit entitlement		(7,056)	-
Share of results of Associates		36,003	12,497
Minority Interest		-	-
XI			
Profit/(Loss) for the year (after tax) (IX- X)		(667,812)	104,194
XII			
Earning per share (Face value of Re 1/- each)			
Basic (Rs.)		(0.66)	0.08
Diluted (Rs.)		(0.66)	0.07
See other accompanying notes to the financial statements	1 to 49		

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in thousands)

1. Share Capital	Figures as at 31.03.2012	Figures as at 31.03.2011
Authorised :		
5,10,00,00,000 (Previous year 5,10,00,00,000) Equity shares of Re.1/- each	5,100,000	5,100,000
2,50,00,00,000 (Previous year 2,50,00,00,000) Cumulative redeemable preference shares of Rs.100/- each	2,500,000	2,500,000
	<u>7,600,000</u>	<u>7,600,000</u>
Issued & Subscribed :		
1,23,93,77,194 (Previous year 99,23,95,337) Equity Shares of Re.1/- each	1,239,377	992,395
8,050,000 (Previous year 8,050,000 6.5%) 6.5% Cumulative redeemable preference shares of Rs.100/- each, fully paid up	805,000	805,000
	<u>2,044,377</u>	<u>1,797,395</u>
Paid Up :		
1,23,93,77,194 (Previous year 99,23,95,337) Equity Shares of Re.1/- each fully paid up	1,239,377	992,395
8,050,000 (Previous year 8,050,000 6.5%) 6.5% Cumulative redeemable preference shares of Rs.100/- each, fully paid up	805,000	805,000
	<u>2,044,377</u>	<u>1,797,395</u>
2. Reserves & Surplus		
Capital Reserve		
Consolidation of Associates	30,234	30,234
Securities Premium Account		
Opening balance	1,817,855	301,125
Add : On issue of equity share to banks	2,183,319	-
Add : Premium on bonds reversed	<u>-</u>	<u>1,516,730</u>
	4,001,174	1,817,855
Profit & Loss Account		
Opening balance	(4,179,418)	(4,283,612)
Add: Net Profit / (Net Loss) for the current year	<u>(667,812)</u>	<u>104,194</u>
	<u>(4,847,230)</u>	<u>(4,179,418)</u>
	<u>(815,822)</u>	<u>(2,331,329)</u>
3. Long Term Borrowings		
Secured		
Working Capital Loans from Financial Institutions	-	76,406
Term Loans from Banks & Financial Institutions	1,311,655	1,265,129
Funded Interest Term Loans (FITL)	857,554	955,536
Other loans and advances	150	450
	<u>2,169,359</u>	<u>2,297,521</u>

Himachal Futuristic Communications Limited

(₹ in thousands)

4. Other Long Term Liabilities	Figures as at 31.03.2012	Figures as at 31.03.2011
Trade Payables (Retention Money Payable)	1,712	511
Advance against Investment	6,185,035	6,185,035
	<u>6,186,747</u>	<u>6,185,546</u>
5. Long Term Provisions		
Provision for Gratuity & Leave Encashment	98,026	115,099
Provision for claims	798	412
	<u>98,824</u>	<u>115,511</u>
6. Short Term Borrowings		
Secured Loans		
Working Capital Loans from Banks	980,932	1,139,857
Working Capital Term Loan	23,034	23,034
Other Loans	-	123
Un -Secured Loans		
Short Term Loans From Bodies Corporate	734,650	1,006,950
	<u>1,738,616</u>	<u>2,169,964</u>
7. Trade Payables		
For Material & Services	1,717,243	1,850,166
For Expenses	111,349	73,116
	<u>1,828,592</u>	<u>1,923,282</u>
8. Other Current Liabilities		
Current maturities for Long term debt		
Term Loan from Banks	145,740	-
Loans from Govt. of India	62,420	62,420
Interest accrued and due on Borrowing		
Interest Accrued & Due on Long Term	211,503	1,546,146
Interest Accrued & Due on Short term	2,037,918	234,231
Advances from Customers and others	183,926	-
Other Payables		
Retention Payable	2,944	2,301
Expenses Payable	238,542	258,807
Other Short term Advances	26,076	18,407
Statutory Dues Payable	1,418,452	1,429,890
	<u>4,327,521</u>	<u>3,552,202</u>
9. Short Term Provisions		
Provision for Employee benefits	2,213	2,478
Provision for Income Tax	7,548	212
	<u>9,761</u>	<u>2,690</u>

10. Fixed Assets

(₹ in thousands)

Description	GROSS BLOCK			DEPRECIATION			IMPAIRMENT		NET BLOCK	
	As at 31.03.2011	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2012	Up to 31.03.2011	For the year	On Sales / Adjustment	Up to 31.03.2012	As at 31.03.2011	As at 31.03.2012
<u>Tangible Assets</u>										
1. Land - Leasehold - Freehold	8,465 24,553	- -	- -	8,465 24,553	1,380	86	-	1,466	-	6,999 24,553
2. Buildings-Leasehold -Freehold - Leasehold Improvements	15,068 188,633 22,546	- 598 -	- - -	15,068 189,231 22,546	6,495 101,052 22,546	523 5,963 -	- - -	7,018 107,015 22,546	- -	8,050 82,216 -
3. Plant & machinery	4,595,969	31,490	-	4,627,459	3,049,944	119,754	-	3,169,698	795,275	662,486
4. Electrical installation	49,638	2,619	-	52,257	45,719	868	-	46,587	-	5,670
5. Furniture & fixtures	57,535	1,306	466	58,375	53,178	1,553	370	54,361	-	4,014
6. Office equipments	220,557	41,429	4,598	257,388	205,678	9,129	4,572	210,235	-	47,153
7. Vehicles	63,244	58,465	25,954	95,755	38,756	16,048	12,846	41,958	-	53,797
8. Moulds & dies	536	-	-	536	534	1	-	535	-	1
<u>Intangible Assets</u>										
1. Computer Software	-	11,896	-	11,896	-	390	-	390	-	11,506
TOTAL	5,246,744	147,803	31,018	5,363,529	3,525,282	154,315	17,788	3,661,809	795,275	906,445
Previous year	5,251,097	7,320	11,673	5,246,744	3,421,882	114,471	11,071	3,525,282	-	926,187

NOTES :-

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.

Himachal Futuristic Communications Limited

(₹ in thousands)

11. Non Current Investment	Figures as at 31.03.2012	Figures as at 31.03.2011
Trade Investments - Unquoted		
In equity shares (fully paid up)	8,423,303	8,423,303
Investments in Associates - Unquoted		
In equity shares (fully paid up)	59,411	95,414
0% Optionally Fully Convertible Debentures - Unquoted	643,400	643,400
In Zero Coupon Optionally converted Bond	26,000	26,000
In 0.1% Unsecured Debenture	-	643,100
	<u>9,152,114</u>	<u>9,831,217</u>
12. Long Term Loans & Advances		
Unsecured, considered good		
Capital Advances	8,194	16,227
Security Deposits	28,254	2,063
Loans to others	73,596	-
	<u>110,044</u>	<u>18,290</u>
13. Current Investment		
(At lower of cost and fair value)		
In equity shares (Quoted) (fully paid up)	1,679	1,680
In units (Quoted) (fully paid up)	160	149
	<u>1,839</u>	<u>1,829</u>
14. Inventories (As Certified and valued by the management)		
Stores & spare parts	13,025	14,303
Loose tools	950	877
Raw materials	508,622	516,758
Raw materials in transit	18,986	-
Packing materials	427	1,425
Work in process	154,007	146,142
Finished goods	18,008	18,039
Stocks in trade (Securities)	56,075	66,319
Less: Provision for Non Moving	(440,596)	(407,839)
	<u>329,504</u>	<u>356,024</u>
15. Trade Receivables		
Debts outstanding for a period exceeding six months		
- Unsecured considered good	3,177,466	3,439,893
- Unsecured considered doubtful	346,001	346,001
Debts outstanding for a period less than six months		
- Unsecured considered good	505,792	468,444
	<u>4,029,259</u>	<u>4,254,338</u>
Less : Provision for doubtful debts	346,001	346,001
	<u>3,683,258</u>	<u>3,908,337</u>

Himachal Futuristic Communications Limited

(₹ in thousands)

16. Cash & Bank Balances	Figures as at 31.03.2012	Figures as at 31.03.2011
Cash on hand	1,695	1,476
Cheques on hand	-	224,107
Balances with Scheduled banks in Current Accounts	68,301	90,631
Fixed Deposit with more than 12 month maturity	38,437	90,826
Fixed deposit / Margin money account	604,504	452,219
	<u>712,937</u>	<u>859,259</u>
17. Short Term Loans & Advances		
Unsecured, considered good		
Loans and advances to Related Parties	19,543	292,639
Other Loans and Advances		
Security Deposits	66,964	66,661
Advances Recoverable in cash or in kind or for value to be received	345,518	149,241
Advance tax/TDS	340,185	139,862
MAT Credit Entitlement	7,056	-
Other Loans and Advances	90,097	90,163
Advances to Vendors	576,661	311,835
Balance with Central Excise & Customs authorities	60,476	57,248
	<u>1,506,500</u>	<u>1,107,649</u>
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
	<u>-</u>	<u>-</u>
	<u>1,506,500</u>	<u>1,107,649</u>
18. Other Current Assets		
Interest receivable	209,241	197,684
Discarded Assets held for Sale	1,375	1,374
Insurance Claim receivable	34,700	34,700
	<u>245,316</u>	<u>233,758</u>
19. Revenue from Operations		
	Figures for the year ended 31st March, 2012	Figures for the period (six months) ended 31st March, 2011.
Sales of Products	1,210,091	699,290
Sales of Services	1,431,206	186,816
	<u>2,641,297</u>	<u>886,106</u>
Less :Excise Duty	31,208	21,382
	<u>2,610,089</u>	<u>864,724</u>
20. Other Income		
Interest (Gross)		
On fixed deposits	49,278	31,336
Others	102	353
	<u>49,380</u>	<u>31,689</u>
Dividends on investments (Gross)	39,137	13,604
Profit on sale of investment	171,900	85
Loans & advances recovered (earlier written off)	24,460	89,837
Excess Liabilities Written Back	117,655	30,054
Miscellaneous income	1,298	600
	<u>403,830</u>	<u>165,869</u>

Himachal Futuristic Communications Limited

(₹ in thousands)

21. Materials Consumed/Cost of Goods Sold	Figures for the year ended 31st March, 2012	Figures for the period (six months) ended 31st March, 2011
Opening stock	516,758	498,464
Add : Purchases during the year	<u>274,668</u>	<u>230,239</u>
	791,426	728,703
Less : Closing stock	<u>508,622</u>	<u>516,758</u>
	<u>282,804</u>	<u>211,945</u>
22 Changes in inventories of Finished Goods, Work in Process and Stock in Trade		
Opening stock		
Finished goods	18,039	18,025
Work in process	146,142	144,708
Stock In Trade - Securities	66,319	74,670
	<u>230,500</u>	<u>237,403</u>
Closing stock		
Finished goods	18,008	18,039
Work in process	154,007	146,142
Stock In Trade - Securities	56,075	66,319
	<u>228,090</u>	<u>230,500</u>
	<u>2,410</u>	<u>6,903</u>
23 Employees Benefit Expenses		
Payments to and Provisions for Employees		
Salaries, Wages and Bonus	453,271	154,649
Contribution to Provident & Other Funds	45,505	11,166
Welfare Expenses	34,451	12,374
	<u>533,227</u>	<u>178,189</u>
24 Finance Charges		
Interest and upfront fee on debentures and fixed loans	762,434	251,553
Interest on other loans	102,771	197,672
Discounting & bank charges	13,312	6,089
Lease charges	6	44
	<u>878,523</u>	<u>455,358</u>

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(₹ in thousands)

25 Other Expenses	Figures for the year ended 31st March, 2012	Figures for the period (six months) ended 31st March, 2011
Manufacturing & turnkey activities expenses		
Consumption of packing material	12,191	5,877
Consumption of stores and spare parts	6,352	4,862
Labour and service charges to sub-contractors	222,037	33,455
Loose tools written off	360	141
Power, fuel and water charges	18,995	8,347
Repairs to buildings	3,207	2,121
Repairs to machinery	5,309	1,427
Other repairs	2,938	803
Administrative & other Expenses		
Rent	27,988	4,368
Rates and taxes	5,257	3,651
Insurance charges	7,222	1,969
Auditors remuneration		
Audit fees	4,556	2,567
In other capacity	1,950	1,081
Out of pocket expenses	346	165
Legal and professional charges	92,123	41,959
Communication expenses	13,178	7,433
Travelling, conveyance and vehicle expenses	101,114	21,185
Directors fees	223	165
Charity & Donation	5,943	119
Foreign exchange fluctuation	161,518	(6,102)
Provision for Inventories	32,757	38,975
Provision for Doubtful debts	385	-
Increase/(decrease) in excise duty of finished goods	(3)	1
Miscellaneous expenses	47,576	21,636
Liquidated Damages	9,829	36,434
Selling and distribution expenses	17,787	9,226
Loss on sale of fixed assets	1,588	279
Prior period adjustments	(4,826)	11,704
	<u>797,900</u>	<u>253,848</u>

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

1. 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.

2. 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) 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.

3. 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.

4. 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.

5. 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".

6. 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.

- | | |
|----------------------------------|---------------------------------|
| (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 |

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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".

13. 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

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.

(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.

14. 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

15. 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.

16. Income Tax

Tax expense comprises of current and 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.

17. 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.

18. 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.

19. 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.

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.

<u>Name of the Subsidiary Company</u>	<u>Percentage of Holding</u>
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.

(₹ in thousands)

(i)	<u>Name of the Associate Company</u>	<u>Proportion of Ownership</u>
	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:

	<u>As at 31.03.2012</u>	<u>As at 31.03.2011</u>
(a) Unexpired Letters of Credit	125,214	15,702
(b) Guarantees given by banks on behalf of the company	405,755	560,075
(c) Counter Guarantees given by the Company to the financial institutions/banks for providing guarantees on behalf of companies promoted by the Company *	13,74,331	13,74,331

(*)This excludes Company's counter guarantees of Rs.56.70 crore in respect of guarantees provided by the banks and institutions on behalf of HFCL Bezeq Telecom Ltd. for bid bonds to Department of Telecommunications (DoT) towards tender for operation of basic telephone services as the guarantees have already expired and the Hon'ble Delhi High Court vide its order dated 19.09.97 granted permanent injunction restraining the DoT from invoking the said guarantees. The appeal filed by DoT against this also stands dismissed as per order dated 02/01/2012. The Hon'ble High Court has directed the banks to treat the said bank guarantee(s) as discharged.

(d) Arrears of Dividend on Cumulative redeemable preference shares (net of advances)	137,937	4,00,513
(e) Claims against the Company towards sales tax, income tax, excise duty demand and others in dispute not acknowledged as debt (Net of advance)	107,162	189,057

29. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 78,138 (Previous year Rs. 51,625).

30. Directors remuneration including Managing Director*:

(Excluding provision for gratuity)	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011
(i) Salaries	13,412	18,043
(ii) Contribution to provident fund	633	1,308
(iii) Perquisites and allowances	338	1,253
Total	<u>14,383</u>	<u>20,604</u>

- a) *The Company has received necessary approval from the Central Government for the re-appointment and payment of remuneration to Wholetime Directors for the Financial Year 2007-2008, 2008-09 and part Financial Year 2009-10 for Rs.27,464. The Company has also filed the necessary application with the Central Government seeking their approval for re-appointment and payment of remuneration to Wholetime Director for the Financial Year 2009-10 and onwards which has not been approved by the Central Government. However, since the Financial Year 2007-08, the company has so far paid Rs.64,396 as remuneration to Whole time Directors. As the approval of Central Government received is of lesser amount than the actual amount paid for the aforesaid period, the excess amount of Rs.36,932 paid continues to be shown as recoverable. The Company is in the process of making representation to the Central Government for seeking their approval for the entire amount of remuneration paid to them.
- b) In the case of subsidiary HTL Ltd., as the Government of India approval received vide communication dt. 19.11.2010 with effect from 1 February, 2009, the remuneration payable from 1 February, 2009 to 31, March 2011 amounting to Rs. 9,326 has been accounted under prior period expenses and Rs. 8,772 under the current year expenses for 2010-11.
- c) In the case of subsidiary HTL Ltd., During the year, the Whole Time Director Dr. R.M. Kastia's term has 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 Profit and Loss Account. 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 Profit & Loss Account, has been deferred and shown as recoverable, pending approval of Government of India.

(₹ in thousands)

- 31 a). 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 Rework 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 Rework 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 said CDR package also stipulates arrangement of additional infusion of funds by the promoters.
- b) The Company has created securities as stipulated by the CDR Empowered Group and complied with all other terms and conditions except execution of pledge of shares in favour of the lenders. The execution of pledge of shares as stipulated in CDR rework package which is in process. Accordingly, during the year:
- i) In terms of CDR rework package, Secured working capital loans from banks amounting to Rs.165,201 Zero Coupon Premium Bonds (ZCPBs) amounting to Rs.19,50,700 and the premium of Rs.314,400 accrued on these ZCPB's till cut off date have been converted into equity shares of face value of Re.1/-each at a price of Rs.9.84 as per SEBI guidelines.
- ii) Subsequent to the individual sanctions & reconciliation with working capital lenders, a sum of Rs.1,20,800 (Previous period Rs.235,604) out of working capital loan have been converted into working capital term loans (WCTL) and the same is to be repaid in 84 monthly installments commencing from 30th April 2012.
- iii) Subsequent to the individual sanctions & reconciliation with working capital lenders, a sum of Rs.63,900 (Previous period Rs.793,654) being interest accrued and due up to the cut off date on working capital loans have been converted into Funded Interest Term Loan (FITL) and which is repayable in three equal annual installments commencing from 31st December 2016 onwards and shall not carry any interest.
- c) The company is in process of reconciliation of balances with one of the bank. Adjustments, if any, on account of interest/ principal will be made when the same stands reconciled and confirmed.
32. Pursuant to the disinvestment by the Government of India, the Company had acquired 1,110 equity shares of Rs.100/- each of HTL Limited representing 74% of its equity capital at total consideration of Rs. 5,50,000 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.5,50,000 and interest from the date of award.
- Since the Government of India has gone in appeal against the above arbitral award which is yet to be decided by the Hon'ble High Court, no adjustment has been made in the accounts in respect of above award pending the final outcome.
33. The Company had made payment of Rs.1,13,375 to certain cumulative preference shareholders as per contractual obligations in the earlier years. Pursuant to the CDR rework package some of the preferential share holders has adjusted a sum of Rs.1,10,975 against the contractual liability and waived the balance dues. Accordingly, a sum of Rs.1,10,975 has been written off and the balance amount of Rs.2,400 (previous year 1,13,375) has been shown as "advances" to be adjusted against future expected liability of dividend on cumulative preference shares.
34. Exceptional items consists of (i) Payment made to lenders towards guarantee contract/obligation amounting to Rs.59,500 including promoted companies (Previous year 64,500) (ii) Written back of liabilities, / waiver under rework package of CDR and on account of One Time Settlement of some of the of the lenders Rs. NIL (Previous year Rs.26,77,977).
35. Sundry debtors include debts outstanding for more than two years amounting to Rs.24,17,163. The Company is in continuous process of working out different modalities of recovery for its remaining long outstanding debts. Pending outcome of such exercise, an amount of Rs.85,125 has been written off during the year, which is in opinion of the management is adequate.
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 :

	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011
Employer's Contribution to Provident Fund	12,076	6,364
Employer's Contribution to Pension Scheme	3,678	2,466

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 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.

Himachal Futuristic Communications Limited

(₹ in thousands)

	Gratuity (Fund) /non fund		Leave Encashment	
	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011	Twelve Months ended 31.03.2012	Six Months ended 31.03.2011
Actuarial Assumption Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	8.75%	8.25%	7.00%	7.00%
Rate of increase in Compensation levels	8.00%	5.00%	8.00%	8.00%
Rate of Return on plan assets	8.60%	8.00%	NA	NA
Average remaining working lives of employees (Years)			17.51	17.93
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	1,14,325	1,20,612	40,052	45,226
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	8,192	7,359	2,840	2,680
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Current Service Cost	5,126	4,588	3,292	1,735
Curtailement cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(26,121)	(25,044)	(12,672)	(9,221)
Actuarial (gain)/ loss on obligations	(6,014)	6,810	6,299	(368)
Present value of obligation as at the end of the period	95,509	1,14,325	29,811	40,052
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	9,191	9,283	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return on plan assets	735	396	N.A.	N.A.
Employer contribution	576	24,810	Nil	8,551
Benefits paid	(576)	(25,044)	Nil	(8,551)
Actuarial gain/ (loss) on obligations	(367)	282	Nil	Nil
Fair value of plan assets at year end	9,560	9,191	Nil	Nil
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	(368)	(312)	Nil	Nil
Expected return on plan assets	735	396	Nil	Nil
Excess of actual over estimated return on plan assets Actuarial (gain) / loss- plan assets	367	84	Nil	Nil
Actuarial Gain / loss recognized				
Actuarial (gain) / loss for the period - Obligation	(6,014)	6,810	(6,917)	(377)
Actuarial (gain) / loss for the period - Plan assets	367	254	Nil	Nil
Total (gain) / loss for the period	(5,651)	7,064	(6,917)	(377)
Actuarial (gain) / loss recognized in the period	(5,651)	7,064	(6,917)	(377)
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	95,509	1,14,236	39,811	40,052
Fair value of plan assets as at the end of the period	9,560	9,191	Nil	Nil
Funded Status	(25,518)	(27,606)	(39,811)	(40,052)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(85,949)	(105,134)	(39,811)	(40,052)
Expenses recognised in statement of Profit and Loss :				
Current service cost	5,126	4,588	3,292	1,735
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Interest Cost	8,192	7,359	2,840	2,680
Expected return on plan assets	(735)	(396)	Nil	Nil
Curtailement and settlement cost /(credit)	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognised in the period	(5,651)	7,064	(6,917)	(368)
Expenses recognised in the statement of Profit and Loss	6,932	18,615	(785)	4,047
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	Nil	Nil	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.

(₹ in thousands)

37. The Company has carried out impairment test on its Fixed Assets as on 31.03.2012 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 year Rs.795,275 has been impaired).
38. Balances of some of the sundry debtors, creditors, 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: -

HTL LIMITED

- i) The Subsidiary has incurred loss of Rs. 7,46,871 (Previous year Rs. 2,85,434) during the current period and has accumulated losses of Rs. 56,63,159 (Previous year: Rs 49,16,287) as at 31st March, 2012, resulting in negative net worth of Rs. 55,13,159 (Previous year Rs. 47,66,287). The Subsidiary's current liabilities exceed its current assets by Rs. 54,61,857 (Previous year Rs. 47,01,394) as of that date. Further, the Subsidiary has overdrawn borrowings from banks by Rs.5,00,428 (Previous year Rs 5,74,955) 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. 2,11,503 (Previous year: Rs 1,96,482). The turnover during the current period ended on 31, March, 2012 is Rs 1,307 (Previous Year: Rs 2,096). Due to lack of working capital required, the operations, 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 261/2003 dated June 16, 2009. During the year State Bank of India, has, on behalf of the consortium banks, issued a notice to the Subsidiary u/s 13(2) of the Securitization 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 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 Tamilnadu 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 Company 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 Company 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.

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 Company's reference before BIFR and permitted SBI to proceed with action initiated under SARFAESI ACT for realizations of their dues.

The Hon'ble High Court of Madras while disposing a Miscellaneous Petition in the Sales Tax Case No. WP. 15104/2007 passed orders directing that (1) the SBI is permitted to sell the said land ; (2) the sale shall be conducted in a transparent manner in accordance with the procedure under SARFAESI ACT ; (3) the sale proceeds of the said land shall be kept in a separate account by SBI subject to further orders of the Court; (4) on receipt of the sale proceeds, the Commercial Tax Department, SBI or the petitioner viz., HTL to move this Court for orders for appropriation; and (5) no amount consequent to the sale shall be appropriated by any party without the orders of the Court.

Subsequently, SBI issued a public advertisement on 3.1.2011 fixing the e-auction on 17.2.2011. Since no Earnest Money Deposit (EMD) was received within the stipulated time, SBI re-scheduled the e-auction date on 9.3.2011. No EMD was received within the re-scheduled stipulated time and the prospective bidders insisted for a No Objection Certificate from SIDCO for utilizing the said land for residential projects since the sale deed of SIDCO executed in favour of the Subsidiary stipulates that it can be used for industrial purposes only. The No Objection Certificate has received and SBI proposes to sell the said land of the Subsidiary under SARFAESI Act. As the Management is confident, to sell the said land under SARFAESI Act as proposed by the Bank, the proceeds of which will be available to settle its outstanding liabilities.

The Subsidiary is also expecting further orders for Telecom Towers and Integrated Fixed Wireless Terminals. 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. 9,53,075 (Previous year Rs.7,87,899) 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).

(₹ in thousands)

- iii) (a) Working Capital Demand Loans and Cash Credit facilities from Banks shown in note no. 3&6 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, 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.2,11,503 (Previous year Rs. 1,96,482) is due to Government of India (GOI). As at March 31, 2012, 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.34,700 compensation receivable by HTL in case of ETP claim against the outstanding interest portion in respect of GOI Loan.[Refer Note.vii below].
- 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 Subsidiary under Chairmanship of the Principal Secretary to Government, Industries Department on 16.06.2011.
- Meetings have been held and final decision of this Committee is awaited to resolve the dispute over the resumption of the land.
- v) (a) As at 01.04.2011, aggregate sales amounting to Rs. 14,88,112 (Previous year Rs. 14,88,112) 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 firming 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) Sundry Debtors include Rs.1,34,185 (Previous year Rs.1,34,185) 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 up to 31.03.2001. Up to 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.
- (b) Assessment for the 1993-94 to 1999-2000 has been completed & finalized after submitted 'C' and 'D' forms. Accordingly, amount provided towards liabilities amounting to Rs. 83,073 has been written back in the current year and shown under the head of 'Other Income'.
- 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

(₹ in thousands)

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. [Refer Note iii(b) above]

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.5,28,533 (Previous year Rs. 5,28,521) and depreciation charged for the year is Rs.3,663 (Previous year Rs.2,225).

41. In case of subsidiary, HTL Limited, inventory of raw materials, components and stores & spares amounting to Rs.7,759 (Previous year 7,896) 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	7,41,730
Moneta Finance (P) Ltd.	Goodwill	475
Total		<u>7,42,205</u>

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

	Twelve months Ended on 31.03.2012	Six month Ended on 31.03.2011
Not later than one year	47,180	7,224
Later than one year but not later than five years	1,22,082	4,556
More than five years	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:

Particulars	2011-2012		2010-2011	
	Inter segment	Total	Inter segment	Total
Segment Revenue				
a. Telecom Products	--	11,78,883	1,519	2,77,351
b. Turnkey Contracts and Services		14,29,502		5,88,892
c. Basic Telephony and ISP		-		-
d. Others		1,704		-
Total	--	26,10,089	1,519	8,66,243

Himachal Futuristic Communications Limited

(₹ in thousands)

Less: Inter segment revenue		-	1,519
Turnover/Income from Operations		26,10,089	864,724
Segment Results			
a. Telecom Products		(4,90,291)	(12,67,832)
b. Turnkey Contracts and Services		5,58,459	(32,603)
c. Basic Telephony and ISP		-	-
d. Others		1,269	(26)
Total		69,437	(13,00,461)
Less: i. Interest and Finance charges		8,78,523	4,55,358
ii. Other un-allocable expenditure net off un-allocable income		(1,78,281)	(18,72,722)
Profit/(loss) before Tax		(6,30,805)	1,16,903
Capital Employed			
a. Telecom Products		(27,12,307)	(14,62,755)
b. Turnkey Contracts and Services		7,68,149	6,77,159
c. Basic Telephony and ISP		--	--
d. Others		3,912	3,135
Total capital employed in segments		(19,40,246)	(7,82,461)
Add: Un-allocable corporate assets less liabilities		7,11,691	2,48,527
Total capital employed in Company		(12,28,555)	(5,33,934)

(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 2012 is as under:

	2011-2012		2010-2011	
	Deferred tax Liability	Deferred tax Assets	Deferred tax Liability	Deferred tax Assets
Depreciation	81,136	-	3,35,633	
Others	-	2,320	-	3,568
Unabsorbed Losses (to the extent of liability only)*	-	78,816	-	3,32,065
	<u>81,136</u>	<u>81,136</u>	<u>3,35,633</u>	<u>3,35,633</u>
Net deferred tax Assets	-	-	-	-

(₹ in thousands)

47. Related Party Disclosures:

1. Name of related parties and description of relationship:

- (a) Associates:
- HFCL Bezeq Telecom Ltd
 - HFCL Dacom Infochek Ltd.
 - HFCL Satellite Communications Ltd
 - Exicom Tele-systems Ltd.
 - Microwave Communications Ltd.
 - Westel Wireless Ltd
 - Polixel Security Systems Pvt. Ltd.
 - ANM Engineering and Works Pvt. Ltd.
 - NextWave Communications Pvt Ltd.
 - DragonWave HFCL India Pvt. Ltd.
- (b) Key management personnel:
- a) Mr. Mahendra Nahata
 - b) Dr. R M Kastia
 - c) Mr. Arvind Kharabanda
 - d) Mr. 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, 2012 are as under:

Particulars	Exicom Tele-systems Ltd.	Polixel Security Systems P. Ltd.
Purchases		
Goods	13,407	43
	(7,710)	(-)
Services	35,516	-
	(4,704)	(-)
Sales		
Goods	10	60
	(106)	(-)
Services	3,384	-
	(3,852)	(-)
Expenses		
Rent/ Business Promotion	1,775	-
	(138)	(-)
Income		
Rent & other expenses recovered	1,161	-
	(707)	(-)
Advance given/received	20,422	28,000
	(-)	(4,000)
Outstanding (net)		
Payables	-	-
	(32,457)	(-)
Receivables	11,115	31,957
	(24,224)	(4,000)
Guarantees and collaterals	As at 31.03.2012	As at 31.03.2011
Microwave Communications Ltd	6,62,731	6,62,731
Exicom Tele-systems Ltd.	1,01,600	1,01,600
HFCL Satellite Communications Ltd.	5,90,000	5,90,000

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

Himachal Futuristic Communications Limited

(₹ in thousands)

	2011-2012	2010-2011
48. (a) Basic & Diluted Earnings per Share (EPS) before extra ordinary items		
Profit/(Loss) after tax and minority interest	(6,67,812)	1,04,194
Less: preference dividend	52,325	26,162
Profit/(Loss) attributable to ordinary share holders	(7,20,137)	78,032
Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	1,08,88,93,713	99,23,95,337
Weighted average number of ordinary shares (used as denominator for calculating Diluted EPS)	1,08,88,93,713	1,06,17,45,232
Nominal value of ordinary share	Re.1/-	Re. 1/-
Earning per Share-basic	(0.66)	0.08
Earning per Share-diluted	(0.66)	0.07
(b) Basic & Diluted Earnings per Share after extra ordinary items		
Profit/(Loss) after tax and minority interest	(6,67,812)	1,04,194
Less: preference dividend	52,325	26,162
Profit/(Loss) attributable to ordinary share holders	(7,20,137)	78,032
Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	1,08,88,93,713	99,23,95,337
Weighted average number of ordinary shares (used as denominator for calculating Diluted EPS)	1,08,88,93,713	1,06,17,45,232
Nominal value of ordinary share	Re.1/-	Re.1/-
Earning per Share-basic	(0.66)	0.08
Earning per Share-diluted	(0.66)	0.07
(Ignored as the effect of potential equity shares is anti dilutive)		

49. The figures of the current year are not comparable with those of previous period as current year is for Twelve months as against six months for previous period. 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 Registration No. 105049W
Chartered Accountants

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

Consolidated Cash Flow Statement for the Year Ended 31st March 2012

(₹ in thousands)

Particulars	Year ended 31.03.2012	Six months ended 31.03.2011
A. Cash Flow from Operating Activities :		
Net Profit before taxes	(630,805)	116,903
Adjustments for :		
Depreciation/Impairment	154,315	909,746
Interest & finance charges	877,275	455,358
Interest income	(49,380)	(31,689)
Dividend income	(39,137)	(13,604)
Loss/(Profit) on sale of fixed assets	1,588	279
Loss/(Profit) on sale of Investment	(171,900)	(85)
Unpaid/ Unrealised exchange difference	148,854	(6,332)
Bad debts written off	80,398	712,039
Payment towards guarantee contract/obligation	59,500	64,500
Excess Provision/Liability Written Back	(117,655)	(30,054)
Term loan and their interest remit under OTS	-	(2,278,447)
	943,858	(218,289)
Operating Profit before working capital changes	313,053	(101,386)
Adjustments for :		
Trade and other receivables	(545,599)	1,206,039
Inventories	26,521	41,715
Trade and other payables	191,312	(826,707)
	(327,766)	421,047
Cash generated from operations	(14,713)	319,661
Taxation	(7,056)	-
Net Cash used in operating activities	(21,769)	319,661
B. Cash flow from investing activities		
Purchase of fixed assets	(206,441)	(60,614)
Sale of fixed assets	11,642	324
Purchase of investments	(11)	(43,454)
Sale of investments	815,000	36,086
Loans and advances	-	(3,257)
Interest received/(paid) net	19,456	(170,779)
Dividend received	39,137	13,604
Net Cash used in investing activities	678,783	(228,090)

Himachal Futuristic Communications Limited

(₹ in thousands)

Particulars	Year ended 31.03.2012	Six months ended 31.03.2011
C. Cash flow from financing activities		
Proceeds from issue of share capital including premium (net of issue expenses)	2,430,301	-
Proceeds from long term/short term borrowings - Secured/Unsecured	107,000	(90,561)
Repayment of long term/short term borrowings - Secured/Unsecured	(2,950,772)	(307,073)
Interest paid (net)	(389,865)	(170,051)
Net Cash from financing activities	<u>(803,336)</u>	<u>(567,685)</u>
Net increase in cash & Bank Balances	(146,322)	(476,114)
Cash & Bank Balances (Opening Balance)	859,259	1,335,373
Adjustment for Disposal of investments in subsidiary	-	-
Cash & Bank Balances (Closing Balance)	712,937	859,259

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490

New Delhi, 30th May, 2012

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

V.R. Jain
Chief Finance Officer

Chairman
Managing Director
Director (Finance)

Manoj Baid
Company Secretary

New Delhi, 30th May, 2012

Summary of Financial information of Subsidiary Companies
Financial Year 2011-12

(₹ in thousands)

Particulars	Name of Subsidiary companies	
	HTL Limited	Moneta Finance Pvt. Ltd.
Capital	150,000	3,000
Reserves	(5,698,605)	912
Total Assets	913,664	94,045
Total Liabilities	6,462,269	90,133
Investment other than Investment in Subsidiary	-	-
Turnover	1,312	1,704
Profit Before Taxation	(782,318)	1,268
Provision for Taxation	-	492
Profit after Taxation	(782,318)	776
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	31.03.2012	31.03.2012
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 2012	Nil	Nil
(b) Not dealt with in the accounts of the Company for the year ended 31st March 2012	(782,318)	776
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 2011	Nil	Nil
(b) Not dealt with in the accounts of the Company for the year ended 31st March 2011	(285,434)	(26)

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

Chairman
Managing Director
Director (Finance)

New Delhi, 30th May, 2012

V.R. Jain
Chief Finance Officer

Manoj Baid
Company Secretary

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

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

ATTENDANCE SLIP

25th 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 Friday, the 28th day of September, 2012 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 Friday, the 28th day of September, 2012 at 11:00 A.M. Signed this _____ day of September, 2012

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.

