BOARD OF DIRECTORS

Shri Mahendra Pratap Shukla	Non-Executive Chairman
Shri Mahendra Nahata	Managing Director
Shri Arvind Kharabanda	Director (Finance)
Dr. R M Kastia (Wholetime Director up to 31.01.2009)	Director
Shri Y S Choudhary (w.e.f. 31.01.2009 up to 30.05.2009)	Director (Operations)
Shri R K Bansal	Nominee Director (IDBI)
Shri Y L Agarwal	Director
Shri Manoj Baid	Company Secretary

BANKERS
State Bank of India
Oriental Bank of Commerce
Punjab National Bank
Bank of Baroda
Union Bank of India
Centurian Bank of Punjab Limited
(now merged with HDFC Bank Limited)

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

CONTENTS

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.
NOTICE

Notice is hereby given that the 22nd Annual General Meeting of Himachal Futuristic Communications Ltd. will be held on Wednesday, the 30th day of September, 2009 at 11:00 A.M. at the Mushroom Centre, Chambaghat, Solan, (H.P.) to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2009 and the Reports of the Directors and of the Auditors thereon.
2. To appoint a Director in place of Shri M P Shukla 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 2009-2010 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. **Authority to borrow funds**

   To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:-

   "**RESOLVED THAT** in supersession to the resolution passed at the Extraordinary General Meeting of the Company held on 2nd December, 1994 and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time from any one or more of the combination of banks, financial institutions, persons, firms, bodies corporate, mutual funds, trusts etc. whether by way of loans or advances or deposits or issue of debentures or otherwise (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) and whether unsecured or secured by charge of any kind whatsoever including mortgage, hypothecation or lien or pledge of the Company's assets and properties whether immovable or movable or stock in trade (including raw materials, stores, spare parts and components in stock or in transit) and work in progress and all or any of the undertakings of the Company notwithstanding that the money to be borrowed together with the monies already borrowed by the Company will or may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, so that the total amount up to which the money may be so borrowed by the Board of Directors of the Company and outstanding at any time shall not exceed Rs. 2000.00 crores at the relevant time.

   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to execute such mortgages, charges, hypothecations, lien, debenture trust deeds, promissory notes, deposit receipts and other deeds and instruments or writings containing such conditions and covenants as the Directors may think fit".

6. **Authority for creation of mortgages /charges**

   To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:-

   "**RESOLVED THAT** in supersession to the resolution passed at the Extraordinary General Meeting held on 2nd December, 1994 and pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions and at such time or times and in such form or manner as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertaking, or all the undertakings, including the present and/or future properties, whether movable or immovable comprised in any existing or new undertaking/undertakings of the Company, as the case may in favour of the Financial Institutions and/or Banks and/or Trustees (to be appointed by the Board) for the holders of Secured Redeemable Convertible or Non-Convertible Debentures and/or any other persons up to Rs. 2000.00 crores at the relevant point of time upon the terms and conditions to be decided by the Board of Directors of the Company in accordance with the relevant statutory provisions and the guidelines issued thereunder, to secure the said amount of loans / debentures / advances together with interest thereto, further interest, if any, commitment charges, liquidated damages premium on redemption, trustee's remuneration, costs, charges, expenses and other monies, as may be agreed to between the concerned parties and as may be thought expedient by the Board of Directors, such securities to rank pari-passu or such other ranking as may be deemed expedient in the interest of the Company with the mortgages and/or charges already created or to be created in future by the Company or in such other manner as may be agreed to between the concerned parties.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise any deeds or documents in this connection with the Financial Institutions and/or Banks and/or any other persons or with the trustees (to be appointed by the Board) of Debentures, Convertible or Non-convertible, Trust Deed for any loans and borrowings up to an aggregate value not exceeding Rs. 2000.00 crores at the relevant point of time upon the terms and conditions to be decided by the Board of Directors of the Company for the holders of the said debentures, in accordance with the agreements and other documents, if any, necessary for creating the aforesaid mortgages and / or charges and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution and to resolve any question or doubt which may arise in relation thereto or otherwise considered by the Board of Directors of the Company to be in the best interest of the Company".

7. **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, 2009 for a period of three years on the following terms and conditions including remuneration:-

A. Basic Salary

Rs. 2,40,000/- per month with annual increment of Rs.24,000/- falling due on 1st October every year during the tenure of 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".

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

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

Place: New Delhi
Date : 31st August, 2009

(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 authorised representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorising their representatives to attend and vote on their behalf at the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2009 to 30th September, 2009 (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.

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT (INFORMATION IN PURSUANCE OF CLAUSE 49 IV (G) OF THE LISTING AGREEMENT)

Item Nos. 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	Shares held in the Company
Shri M P Shukla	18.06.1932	B.E. (Electricals)	Shri M P Shukla has been the Chairman-cum-Managing Director of Telecommunication Consultants India Ltd (TCIL) and Chairman-cum-Managing Director of Mahanagar Telephone Nigam Ltd (MTNL). He has to his credit more than 51 years of experience in the filed of business planning, implementation and telecommunication services.	1. HFCL Infotel Ltd. 2. HFCL Satellite Communications Ltd. 3. HTL Ltd.	Himachal Futuristic Communications Ltd. Remuneration - Chairman Audit - Chairman Share Transfer & Investor Grievance - Chairman HFCL Infotel Ltd. Remuneration - Member Audit - Member Share Transfer & Investor Grievance - Member HFCL Satellite Communications Ltd. Audit - Member HTL Ltd. Audit - Member	Nil
Dr. R M Kastia	10.10.1941	Ph.D., FBIM (London)	Dr. Kastia has to his credit more than 46 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. 2.HFCL Infotel Ltd.	Himachal Futuristic Communications Ltd. Share Transfer & Investor Grievance - Member HFCL Infotel Ltd. Remuneration - Member Share Transfer & Investor Grievance - Chairman	Nil

The Board of Directors of the Company commends their re-appointment.

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

Item Nos. 5 & 6

The Shareholders at their Extraordinary General Meeting (EGM) held on 2nd December, 1994 has authorised Board of Directors of the Company to borrow a sum, the total of which shall not exceed three times of the paid up capital and free reserves of the Company at the relevant time. The paid up share capital and free reserves after adjusting the debit balance in profit & loss account as at 31st March, 2009 stood at Rs.137.76 crores. Accordingly the Board of Directors can borrow an amount up to Rs. 413.28 crores, whereas the total secured and unsecured borrowings as at 31st March, 2009 is already Rs. 1235.25 crores. The Board of Directors, therefore, cannot borrow any further amount. In view of this to augment the fund position of the Company and to use the proceeds for partial retirement of high cost borrowings, upgrading the existing facilities, expansion / modernisation and general corporate purposes including working capital requirements, the Board proposes to borrow an amount not exceeding Rs. 2000.00 crore (including existing borrowings) at any point of time at appropriate times from financial institutions, banks, bodies corporate, firms, persons, mutual funds, trusts etc. by way of loans or advances or deposits or by issue of debentures, convertible or non convertible or otherwise, whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of Company's assets, properties whether immovable or movable in such manner as stated in the above resolutions.

The above requires the consent of shareholders under Section 293(1)(d) and other applicable provisions of the Companies Act, 1956.

The Resolution as stated at sl. no. 6 of this notice also authorises the Board in terms of Section 293(1)(a) of the Act, where the loan obtained is secured, to create by mortgages or charges such security as may be required for any securities issued, such mortgages or charges to rank subordinate to the charges created for the Company's existing and future borrowings.

Shareholders are requested to accord their approval to the Resolutions as set out at serial no.(s) 5 & 6 of the Notice.

None of the Directors of the Company is concerned or interested in the above Resolution.

Item No. 7

Present tenure of Shri Mahendra Nahata as Managing Director is expiring on 30th September, 2009. On the recommendation of the Remuneration Committee, the Board of Directors at its meeting held on 31st August, 2009 has re-appointed him as Managing Director for a period of three years w.e.f. 1st October, 2009. Keeping in view the present financial position of the Company, Shri Mahendra Nahata has voluntarily reduced his basic salary from Rs.4,40,000/- per month to Rs. 2,40,000/- per month and has desired to draw the same salary after re-appointment.

The Remuneration Committee at its meeting held on 31st August, 2009 has approved remuneration and terms and conditions of his re-appointment.

The details of his remuneration as given in the aforesaid Resolution may be treated as the abstracts of the terms and conditions of the re-appointment of Shri Mahendra Nahata, Managing Director under Section 302 of the Companies Act, 1956.

Shri Mahendra Nahata is a Commerce Graduate from Calcutta University and has business experience of over 26 years. Mr. Nahata is the promoter director of Himachal Futuristic Communications Ltd. Mr. Nahata is the visionary behind the Company's R&D, technology partnership, business development and marketing initiatives. Mr. Nahata is one of the Pioneer in the new age telecom sector in India. Mr. Nahata's contributions to the telecom sector are commendable and many mile stones 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 2 years. Mr. 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:-

HFCL Infotel Ltd.

HTL Ltd.

Smart Digivision Pvt. Ltd.

India Card Technologies Pvt. Ltd.

He is a member of Audit Committee of HFCL Infotel Ltd.

The members are requested to accord their approval to the re-appointment of Shri Mahendra Nahata as Managing Director of the Company by passing the Special Resolution as set out at sr. no. 7 of the Notice.

None of the Directors except Shri Mahendra Nahata is concerned or interested in the Resolution.

Registered Office:	By order of the Board
8, Electronics Complex	For **Himachal Futuristic**
Chambaghat, Solan - 173 213 (H.P.)	**Communications Ltd.**
Place: New Delhi	**(Manoj Baid)**
Date : 31st August, 2009	**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*f*

HFCL Corporate Philosophy envisages complete transparency and adequate disclosure 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

During the year 2008-2009, the Company has got a broad based Board of Directors with one Promoter Managing Director, three Non-Executive Independent Directors (one Non-Executive Chairman, one Nominee Director of IDBI and one Non-Executive Independent Director) and three Wholetime Directors including one Director (Finance) and one Director (Operations). During the year under review, Dr. R M Kastia ceased to be a wholetime director w.e.f. 1st February, 2009. Shri Y S Choudhary who was appointed as Director (Operations) w.e.f. 31st January, 2009 has ceased to be a Director of the Company w.e.f. 30th May, 2009.

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 ended 31st March, 2009, 6 Board Meetings were held on 26.05.2008, 30.06.2008, 31.07.2008, 11.08.2008, 30.10.2008 and 31.01.2009. The last Annual General Meeting was held on 29th September, 2008.

The composition of the Board, attendance of Directors at the Board Meetings held during the 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	Category	No. of other present Director-ships held	No. of Board Meetings		Attended last AGM (29/09/2008)
			Held	Attended	
Shri M P Shukla	NEID	3	6	6	NO
Shri Mahendra Nahata	PD[MD]	4	6	4	NO
Dr. R M Kastia (ceased to be a Wholetime Director w.e.f. 01.02.2009)	WD	5	6	5	YES
Shri Arvind Kharabanda	WD	2	6	5	YES
Shri Y L Agarwal	NEID	2	6	6	NO
Shri R K Bansal (IDBI Nominee)	NEID	3	6	5	NO
Shri Y S Choudhary (ceased to be a Director w.e.f. 30.05.2009)	WD	2	1	1	N.A.

[PD - Promoter Director, NEID - Non-Executive Independent Director, MD - Managing Director, WD - Wholetime 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 Infotel Ltd. 2. HFCL Satellite Communications Ltd. 3. HTL Ltd.	Himachal Futuristic Communications Ltd.	Remuneration	Chairman
			Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Chairman
			HFCL Infotel Ltd.	Remuneration	Member
			HFCL Infotel Ltd.	Audit	Member
			HFCL Infotel Ltd.	Share Transfer & Investors Grievance	Member
			HFCL Satellite Communications Ltd.	Audit	Member
			HTL Ltd.	Audit	Member
2.	Shri Mahendra Nahata	1. HFCL Infotel Ltd. 2. HTL Ltd.	HFCL Infotel Ltd.	Audit	Member
3.	Dr. R M Kastia (ceased to be a Wholetime Director w.e.f. 01.02.2009)	1. HTL Ltd. 2. HFCL Infotel Ltd.	Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Member
			HFCL Infotel Ltd.	Remuneration	Member
			HFCL Infotel Ltd.	Share Transfer & Investors Grievance	Chairman
4.	Shri Arvind Kharabanda	Nil	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Member
5.	Shri Y L Agarwal	1. Electronics Systems Punjab Ltd. 2. HFCL Kongsung Telecom Ltd.	Himachal Futuristic Communications Ltd.	Remuneration	Member
			Himachal Futuristic Communications Ltd.	Audit (w.e.f. 31st July, 2008)	Member
6.	Shri R K Bansal	1. HFCL Infotel Ltd. 2. Madhya Pradesh State Industrial Development Corporation Ltd. 3. National Securities Depository Ltd.	Himachal Futuristic Communications Ltd.	Remuneration	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
			HFCL Infotel Ltd.	Audit	Member
			Madhya Pradesh State Industrial Development Corporation Ltd.	Audit	Member
7.	Shri Y S Choudhary (ceased to be a Director w.e.f. 30.05.2009)	1. HTL Ltd. 2. Polymedicure Ltd.	HTL Ltd.	Audit	Member
			Polymedicure Ltd.	Remuneration	Member
			Polymedicure 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 Ventures / 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 requirement 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 unlisted subsidiary companies and significant transactions and arrangements made by the material unlisted subsidiary company.

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 year 2008-09 :-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	6	6
Shri R K Bansal	Member	6	5
Shri Arvind Kharabanda	Member	6	5
Shri Y L Agarwal (w.e.f. 31st July, 2008)	Member	3	3

During the period 01.04.2008 to 31.03.2009 the Audit Committee met six times on 26.05.2008, 30.06.2008, 31.07.2008, 11.08.2008, 30.10.2008 and 31.01.2009.

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 statement is 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 report.
- 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

During the year under review, the Remuneration Committee met on 31.01.2009. The attendance of the members in the Remuneration Committee Meetings are as under:-

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

This Committee is responsible for determining the Company's policy on specific remuneration package for Executive Directors including any compensation payment.

The details of remuneration and perquisites paid to the Executive and Non-Executive Directors during the year 2008-09 are given below:-

Name of Director	Salary	Allowances	Perks	Sitting Fee	Total
	Rs.				
Category A - Executive Directors					
Shri Mahendra Nahata Managing Director	36,40,000	7,35,000	3,86,745	-	47,61,745
Dr. R M Kastia Wholetime Director (ceased to be a wholetime director w.e.f 01.02.2009)	34,20,000	20,52,000	10,21,740	-	64,93,740
Shri Arvind Kharabanda Director (Finance)	24,00,000	14,40,000	3,06,293	-	41,46,293
Category B ˜ Nominee Director (Independent Director)					
Shri R K Bansal Director	-	-	-	55,000	55,000
Category C ˜ Non-Executive Independent Directors					
Shri M P Shukla Chairman	-	-	-	1,00,000	1,00,000
Shri Y L Agarwal Director	-	-	-	50,000	50,000

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

Since the Company has defaulted in repayment of its debts for a continuous period of 30 days in the preceding financial year before the date of re-appointment of its Managing Director, Wholetime Director and Director (Finance), necessary applications for managerial remuneration have been made to the Central Government pursuant to section 198, 269, 309 & 311 along with applications under section 637B(a) of the Companies Act, 1956. The approval of the Central Government is awaited.

3.3 Details of pecuniary relationship/transactions of the Non-Wholetime Directors / their Firms & Companies vis-a-vis the Company during the year 2008-2009

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 subdivision 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. The Committee met seven times during the year 2008-2009. The followings are the members and their attendance at the Committee Meetings:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	7	7
Shri Arvind Kharabanda	Member	7	6
Dr. R M Kastia	Member	7	7

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	LOCATION	DATE	TIME
2007-2008	AGM	Mushroom Centre, Solan	29.09.2008	03:00 P.M.
2007-2008	EGM	Mushroom Centre, Solan	25.02.2008	11:00 A.M.
2006-2007	AGM	Mushroom Centre, Solan	27.12.2007	11:00 A.M.
2005-2006	AGM	Mushroom Centre, Solan	28.09.2006	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
2007-2008	AGM	Delisting of Equity /Preference Shares from Stock Exchanges.	29.09.2008	3:00P.M.
2007-2008	EGM	Change of Name of the Company.	25.02.2008	11:00A.M.
2005-2006	AGM	1. Re-appointment of M.D., WDs and Director (Finance). 2. Increase in FIIs Investment limit.	28.09.2006	11:00A.M.

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. 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.

8. 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. Press releases are also issued simultaneously. The Company's website **www.hfcl.com** contains Annual Reports, Financial Results etc. Annual Reports, Shareholding Patterns & Un-Audited/ Audited Financial Results of the Company are posted on the SEBI EDIFAR website i.e. **www.sebiedifar.nic.in**. Management Discussions and Analysis forms part of the Directors' Report, which is posted to the shareholders of the Company.

9. 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.

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

NIL

11. Extent to which mandatory requirements have not been complied with:

Risk assessment and minimization procedure is being formulated.

The Chairman of the Audit Committee did not attend the last Annual General Meeting (AGM). However, Director (Finance) who is a member of Audit Committee was present in the last AGM to answer the shareholders queries.

12. Extent to which non mandatory requirements have been complied with:

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

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

Shareholders Information

1.	**Dates of Book Closing**	:	16th September, 2009 to 30th September, 2009 (both days inclusive)	
2.	**Date and venue of Annual General Meeting**	:	30th September, 2009 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
			Ludhiana Stock Exchange Ltd. Phiroze Gandhi Market Ludhiana - 141 008	Tel : +91-161-4612317 Fax : +91-161-2404748
			The Calcutta Stock Exchange Association Ltd. 7, Lyons Range Calcutta - 700 001	Tel : +91-33-22104470 Fax : +91-33-22102223
			Delhi Stock Exchange Ltd. DSE House, 3/1, Asaf Ali Road New Delhi - 110 002	Tel : +91-11-23292417 Fax : +91-11-23292181
4.	**Status of Listing Fees**	:	Paid to Bombay Stock Exchange Ltd. & National Stock Exchange of India Ltd. for 2009-2010	
5.	**Listing 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.	**Website/Email**	:	www.hfcl.com / investor@hfcl.com	
10.	**CIN No.**	:	L64200HP1987PLC007466	
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. Share Transfer in physical form and other communication regarding share certificates, demat and change of address etc., to be sent to:

M/s. MCS Ltd.
F-65, Okhla Industrial Area, Phase-II
New Delhi-110 020

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

14. 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 year 2008-2009:

Number of transfer deeds	17
Number of Shares	3850

15. Investors complaints received during the year 2008-2009 :

Nature of Complaints	Received	Attended
Non Receipt of Shares (Transfers/ Transmissions/Exchange)	15	15
Non receipt of Annual Reports	3	3
Dematerialisation	4	4
Non receipt of dividend	1	1
Issue of duplicate shares	4	4
Others	2	2
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 year 2008-2009 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2009. The Board in its meeting held on 31st October, 2006 has designated Shri Manoj Baid, Company Secretary as the Compliance Officer.

16. Distribution of shareholdings as on 31st March, 2009 :

No. of Equity held	No. of Shareholders	% of Shareholders	Shares Amount (Rs.)	% of Shareholdings
Upto 5000	259961	71.573	505829130	11.424
5001 – 10000	52391	14.425	422018070	9.531
10001 – 20000	26156	7.201	411600910	9.296
20001 – 30000	8781	2.418	227516820	5.138
30001 – 40000	3837	1.057	139061190	3.141
40001 – 50000	3731	1.027	178718090	4.036
50001–100000	4647	1.279	346463050	7.824
100001& above	3423	0.942	2180779460	49.250
Shares in Transit	283	0.078	15950250	0.360
TOTAL	**363210**	**100.000**	**4427936970**	**100.000**

17. Categories of Shareholding as on 31st March, 2009 :

S. No.	Category	Shares	%
A	**Promoters Holding**		
1	Indian Promoters	9298999	2.10007
2	Foreign Promoters	-	-
	Sub Total	**9298999**	**2.10007**
B	**Public Shareholding**		
1	**Institutional Investors**		
a)	Mutual Funds & UTI	40380	0.00912
b)	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/Non-Government Institutions)	6982795	1.57699
c)	Foreign Institutional Investors	4357813	0.98416
	Sub Total	**11380988**	**2.57027**
2	**Non Institutional Investors**		
a)	Private Corporate Bodies	119601049	27.01056
b)	Indian Public	295696223	66.77968
c)	NRIs	4713859	1.06457
d)	**Any Other**		
i)	Foreign Banks	1705	0.00039
ii)	Trusts	101469	0.02292
iii)	OCBs	58200	0.01314
iv)	Shares in transit	1595025	0.36022
C	**Shares held by Custodian and against which depository receipts have been issued**	346180	0.07818
	GRAND TOTAL(A+B+C)	**442793697**	**100.00000**

18. Dematerialisation of shares:

The Company's shares are compulsorily traded in dematerialised form as per SEBI Guidelines. As on 31st March, 2009, 99.77% of the equity shares have been dematerialised.

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

Outstanding GDRs as on 31st March, 2009 represent 346180 Shares (0.08 %). The 31918000 Zero Coupon Premium Bonds are convertible at option of lender if the Company opts for non-payment of premium of 8.5% p.a.

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

Month	N S E		NIFTY INDEX	
	Highest	Lowest	Highest	Lowest
April, 2008	22.75	18.05	5230.75	4628.75
May, 2008	22.85	18.50	5298.85	4801.90
June, 2008	20.50	14.70	4908.80	4021.70
July, 2008	19.45	12.70	4539.45	3790.20
August, 2008	18.70	14.90	4649.85	4201.85
September, 2008	16.20	9.05	4558.00	3715.05
October, 2008	12.70	5.95	4000.50	2252.75
November, 2008	9.00	6.40	3240.55	2502.90
December, 2008	10.15	6.50	3110.45	2570.70
January, 2009	13.45	7.80	3147.20	2661.65
February, 2009	8.80	7.45	2969.75	2677.55
March, 2009	9.70	6.65	3123.35	2539.45

21. Stock Codes: BSE : **500183** , NSE : **HIMACHLFUT**, CSE : **10018008**, LSE : **HIMF**, DSE : **08015**

22. Financial Calendar (tentative and subject to change) 2009-2010:

Financial Reporting for the first quarter ending June 30, 2009 : **Last week of July, 2009**.

Financial Reporting for the second quarter and half year ending September 30, 2009 : **Last week of October, 2009**.

Financial Reporting for the third quarter ending December 31, 2009 : **Last week of January, 2010**.

Audited Accounts for the year ending March 31, 2010 : **Last week of June, 2010**.

Annual General Meeting for the year ending March 31, 2010 : **September, 2010**.

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, 2009.

sd/-
(Mahendra Nahata)
Managing Director

Date : 31st August, 2009

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
HIMACHAL FUTURISTIC COMMUNICATIONS LTD

1. We have examined the compliance of conditions of Corporate Governance by **Himachal Futuristic Communications Limited** ("the Company") for the year ended 31st March 2009, 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 11 of the Corporate Governance Report, w*e 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 Investor Grievance Committee, there were no investor grievance remaining unattended/ pending for more than 30 days as at 31st March 2009 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.
CHARTERED ACCOUNTANTS

(AKASH SHINGHAL)
Partner
Membership No. : 103490

Place: New Delhi
Date: 31st August, 2009

DIRECTORS REPORT

To the Members,

The Directors have pleasure in presenting the Annual Report and Audited Accounts for the Financial Year ended 31st March, 2009.

(Rs. in crores)

FINANCIAL RESULTS	**2008-2009**	2007-2008
Sales and Services	**143.52**	357.92
Other Income	**5.44**	1.87
Profit/(Loss) before depreciation, finance charges and taxation	**(199.97)**	(57.79)
Less : Depreciation & Amortisation	**26.15**	27.16
Finance charges	**90.99**	69.37
Profit/(Loss) before taxes	**(317.11)**	(154.32)
Provision for taxation	**0.42**	0.44
Prior period adjustments	**(0.85)**	(4.21)
Profit/(Loss) for the year	**(316.68)**	(150.55)
Balance brought forward from previous year	**(1173.22)**	(1022.12)
Charge on account of transitional liability for employees benefits	**-**	0.55
Balance carried to Balance Sheet	**(1489.90)**	(1173.22)

DIVIDEND

In view of the loss incurred by the Company, your Directors do not recommend any dividend on equity and preference shares for the year ended 31st March, 2009.

MANAGEMENT DISCUSSIONS & ANALYSIS (MDA)

Financial Review

Sales during the year has decreased to Rs.143.52 crore from Rs. 357.92 crore in the previous year. The import duties on the telecommunication equipments manufactured by the Indian companies have been reduced to almost zero level. This has resulted in capturing of telecom equipment market by Chinese and Korean companies because of their low cost of production and scale of economies. As a result almost all the Indian telecom equipment manufacturing companies have been badly affected and faced survival problem. To overcome this situation, these companies have started providing services in telecom sector. Due to continuous acute liquidity crisis being faced by the Company in the last few financial year, the Company could not participate in the tenders for supply of telecom equipments floated by Bharat Sanchar Nigam Ltd / Mahanagar Telephone Nigam Ltd who used to be main customers of the Company, which has lead to decrease in the turnover of the Company. The Company has incurred a net loss of Rs. 316.68 crore as against the net loss of Rs. 150.55 crore in the previous year due to certain provisions and write offs made during the year under review.

Capital Structure

During the financial year 2008-09 the paid up capital of the Company comprising of equity and preference shares stood at Rs. 523.29 crore.

Overview of Telecom growth in India

Telecommunication is one of the few sectors in India, which has witnessed the most fundamental structural and institutional reforms since 1991. In recent times, India has emerged as one of the fastest growing telecom markets in the world. It has the third largest telecom network and the second largest wireless network in the world. With a strong population of over 1.1 billion, India has become one of the most dynamic and promising Telecom markets of the world.

Considering the great potential for the growth of telephone demand with the accelerated growth of economic activities, the Government of India had announced the National Telecom Policy in 1994 and the New Telecom Policy in 1999. The National Telecom Policy provides for private sector participation in both fixed line and mobile operations. The opening up of the services provided a big opportunity for private & foreign investors. More policy initiatives included addendum to NTP -1999, Broadband Policy 2004 and amendment to Broadband Policy 2004.

The entire telecom sector is now open to unrestricted competition. The opening of the sector has not only led to rapid growth but also helped a great deal towards maximization of consumer benefits. The tariffs have been falling continuously across the board as a result of healthy and unrestricted competition and India today has one of the lowest tariffs in the world. Besides, as a result of the various measures and initiatives taken by the Government, India is now one of the leading nations in the telecom growth. The overall tele density has already crossed 40%. The reforms process in the telecom sector is still on, aiming to remove the balance hurdles and limitations.

Opportunities

The Company's core business being telecom products and services, it is expected to grow at a rapid pace due to the projected high growth rate of the Indian telecommunication sector. There is an addition of about 10 million mobile subscriber every month by mobile operators viz. Bharti, Hutch, Tata, Aircel, Reliance, BSNL and MTNL etc. For such rapid expansion, large infrastructure requirements for tower construction, equipments, power supplies and installations will be generated for which your Company is focused. Moreover, the private operators are now outsourcing the operation and maintenance of their network for which your Company is eminently suitable as it has all the necessary qualifications. The Government of India has recently issued Unified Access Services licenses to new operators for providing mobile services. These operators are going for massive installation of their networks in India along with their foreign partners which will generate good turnkey business for the Company. New operators are either building networks of their own or are outsourcing to big infra vendors such as Indus, WTTIL, Quippo etc. and your Company is already providing services to above vendors.

Your Company is well placed with its various services in line with the telecom market through its site infra services, RF planning services and telecom equipment installation and commissioning services. Your Company has already taken leadership position in providing these services in various circles of India.

The two main Govt. Telecom PSUs are BSNL and MTNL, who have large expansion plans. The shift in demand from voice to data domination and from wireline to wireless, has revolutionized the very nature of the network. BSNL has already set in place several measures that would enable it to evolve into a fully integrated multi-operator by 2012 by massive procurements of the required products and systems by tenders in which your Company is likely to participate. MTNL has a market share of about 13% of the National telecom Network. With the increased economic activity due to liberalization, growth of lines is around 4,00,000 a year. MTNL is second largest operator in Fixed Line and one among the seven ILD operators. MTNL has ambitious growth plans benefiting Company prospects directly.

Outlook

The Indian economy is expected to grow at around 8% until 2020 and is poised to become second biggest economy of the world by 2050. With increase of 10 million subscribers every month for the next two to three years making Indian telecom network to have 500 million subscribers and tele density of about 50% by 2010. Telecom equipment production is expected to reach $32 billion by 2011. As of now no Indian telecom equipment manufacturing companies have got technology of their own thus giving multinational a clear road map of creating the present infrastructure and suggesting the way forward to the operators. Therefore, there is little scope in the field of manufacturing of telecom equipments by the Company. However, your Company has a wide range of services offerings to cater to the wire line and wireless services. Some of the services being provided by the Company are RF services, Telecom equipment installation and commissioning services, telecom site infrastructure supply and services, optical services, AMC and Facility management services, operations and management services, DWDM & SDH network implementation . With all these, the outlook for the Company appears to be good. The company will focus on telecom infrastructure services, operation and maintenance of networks and increased attention will be given to businesses where only moderate financial requirements are there.

Threats, Risks & Concerns

The telecommunication market in India is among the most competitive markets. The Company faces intense competition from other companies in the same domain . This has led to an increased pressure on margins due to customer generated competitive bidding. The Average revenue per user is also going down. Such competitive pressures are likely to increase further, putting a further strain on the margins. Recently DOT has issued LOIs to a number of new players which will lead to increased competition to market share among companies serving them.

Service quality though having improved significantly, there is ground left to cover as India still lags behind many other countries in this regard, even within the developing world.

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 that 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, businesses 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. Hence, the Company has taken various initiatives in that direction. Employees have undergone technical trainings to further enhance their skills. Performance reviews of employees are conducted on a regular basis to motivate and reward the performers.

The policies are in the process of being reviewed to make them more employees friendly. The total employee strength of HFCL as on 31st March, 2009 was 691. Due to slow down in the market Company has reduced the manpower so as to bring down the wage bill and administrative overheads.

SUBSIDIARIES

M/s. HTL Ltd., M/s HFCL Infotel Ltd. and M/s Moneta Finance (P) Ltd., continue to be the subsidiaries of your Company. During the year under review M/s Infotel Tower Infrastructure Pvt. Ltd. (ITIPL) has become the subsidiary of HFCL Infotel Ltd. w.e.f. 5th August, 2008 which itself is a subsidiary of the Company. By virtue of this, ITIPL will also be treated as a subsidiary of your Company.

As required under Section 212 of the Companies Act, 1956 the audited statements of accounts, along with the reports of the Directors' and the Auditors' thereon of the above subsidiaries for the year ended 31st March, 2009 are not annexed as the Company has obtained the approval under Section 212 (8) of the Companies Act, 1956 from the Ministry of Corporate Affairs exempting the requirements of attaching the annual accounts of the above mentioned subsidiaries.

However, any shareholder desirous of obtaining the Annual Accounts and related information of the above subsidiary companies may write to the Company Secretary at the address given below and the same shall be sent by post:-

The Company Secretary
M/s Himachal Futuristic Communications Ltd.
8, Commercial Complex
Masjid Moth, Greater Kailash – II
New Delhi - 110 048

The Annual Accounts of the subsidiary companies are kept open for inspection for the Members at the Registered Office and Corporate Office of the Company as well as at the Registered Office of concerned subsidiary companies between 10:00 A.M. to 1:00 P.M. on all working days up to the date of AGM.

CAUTIONARY STATEMENT

Statements 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 M P Shukla 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 Board of Directors of the Company has appointed Shri Y S Choudhary as an Additional Director designated as Director (Operations) w.e.f. 31st January, 2009. Mr. Y S Choudhary has resigned from the position of Director (Operations) and ceased to be a Director of the Company w.e.f. 30th May, 2009. However he is continuing with Company as Chief Executive Officer of the Company w.e.f. 1st June, 2009. Dr. R M Kastia has resigned from the position of Wholetime Director w.e.f. 1st February, 2009. However he continues on the Board as the Non-Executive Director of the Company.

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, 2009, 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 loss 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, 2009 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

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended forms part of this report and marked as **Annexure - II**.

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 the **Annexure-III** and forms part of this Report.

DEPOSITORY SYSTEM

The Company's scrip have come under compulsory dematerialisation w.e.f. 29th November, 1999 for Institutional Investors and w.e.f. 17th January, 2000 for all investors. So far 99.77% of the shares have been dematerialised. The ISIN no. allotted to the equity shares of the Company is INE548A01010.

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.

VOLUNTARY DELISTING OF SECURITIES

As approved by the Shareholders at their Annual General Meeting held on 29th September, 2008, Company has filed necessary application for delisting of its equity shares from Delhi Stock Exchange Ltd. (DSE), The Calcutta Stock Exchange Association Ltd. (CSE), Jaipur Stock Exchange Ltd. (JSE) & Ludhiana Stock Exchange Ltd. (LSE) and preference shares from LSE. The Company has already obtained the delisting approval from JSE.

ACKNOWLEDGEMENTS

The Directors thank the Central Government, Government of Himachal Pradesh, Government of Goa, Industrial Development Bank of India, State Bank of India, Oriental Bank of Commerce, Unit Trust of India, Punjab National Bank, Bank of Baroda, Union Bank of India, Centurian Bank of Punjab Ltd. (now merged with HDFC Bank Ltd.) and other Banks and Institutions for all co-operation, 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 deep appreciation for the services rendered by the officers, staff and workers of the Company at all levels and for their dedication and loyalty.

For and on behalf of the Board

Place : New Delhi **M P Shukla**
Date : 31st August, 2009 **Chairman**

ANNEXURE - I TO THE DIRECTORS REPORT

INFORMATION AND EXPLANATION ON QUALIFICATIONS/ OBSERVATIONS IN THE AUDITORS REPORT

A. OBSERVATIONS IN THE MAIN AUDITORS REPORT

Auditors Observations:

1. Para 4:

(a) *As stated in Note 8 of Schedule 19, the Company has accounted for the impact of modified CDR Package after* *complying with most of the terms and conditions stipulated therein, however compliance of some of them are still in process. The Company is also not regular in payment of its dues including interest thereon to the lenders and may be liable to consequential withdrawal of any of the relief's granted earlier.*

Reply:

The Company has complied with most of conditions as stipulated in CDR package. Due to continued cash losses and acute liquidity crisis, the Company could not meet its interest and repayment obligations towards its lenders under CDR package. However, the Management is under discussions with lenders in respect of such default and exploring the possibility of further restructuring/modification in the CDR package and in view of this, Company does not expect withdrawal of any relief granted by the lenders under existing CDR package.

2. Para 4:

(b) *As stated in Note 9 of Schedule 19, the Company has, in terms of the CDR Package, provided for interest on ballooning basis at the rate specified for the year which is higher than the rate on YTM basis i.e. @ 8.5% per annum, resulting in the loss for the year is higher by Rs. 88,862,684/-. Had the interest has been provided on YTM basis, the Cumulative effect upto 31st March,2009 on the provision for interest and accumulated losses would have been higher by Rs. 218,951,740/-.*

Reply:

The provision of interest has been made according to CDR Package approved by the CDR Empowered Group. The Contingency of charging of interest on YTM basis would arise only if the Company makes pre-payment of debts.

3. Para 4:

(c) *As stated in Note 17 of Schedule 19, with regard to the sundry debtors outstanding for a long period, 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 loss for the year, if any, is unascertainable.*

Reply:

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

4. Para 4:

(d) *As stated in Note 22 of Schedule 19, regarding 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 confirmations in ordinary course of business from time to time and no major variations found.

5. Para 4:

(e) *As stated in Note 4 of Schedule 19, the Company has paid remuneration to managerial personnel during the year for which approval of central government is yet to be obtained.*

Reply*:*

The Company has already filed the necessary applications with the Central Government seeking their approval for payment of managerial remuneration. The approval is awaited from Central Government.

6. Para 4:

(f) As stated in Note 20 of Schedule 19, the Company is in the process of determining the impairment loss, if any, on its assets as per Accounting Standard – 28 "Impairment of Assets" issued by The Institute of Chartered Accountants of India and will give effect thereto upon such determination. As such we are unable to express any opinion as to the effect thereof on the value of assets and loss for the year.

The effect of items mentioned at paragraph 4(a), (c), (d), (e) and (f) above is unascertainable and hence the consequential cumulative effect thereof on loss for the year, assets, liabilities and reserves is unascertainable. If the observation at paragraph 4(b) above had been considered, the loss for the year would have been lower by Rs. 88,862,684/- and accumulated debit balance in profit and loss account and the liabilities and provisions would have been higher by Rs. 218,951,740/-

Reply:

As already stated in note 20 of the Schedule 19, the management has appointed an outside agency for conducting an exercise of identifying the assets that may have been impaired. Since the exercise is still under process, the effect of diminution in value of assets due to impairment if any, shall be given in the accounts upon such determination as required under Accounting Standards (AS-28) issued by the Institute of Chartered Accountants of India. The reply to the later para above, has been given in Para 2 of this annexure.

B. OBSERVATIONS IN ANNEXURE TO THE AUDITORS REPORT

7. Para (vii):

The Company is having internal audit system which needs to be strengthened further to make it commensurate with the size of the Company and nature of its business.

Reply:

The management will take necessary measures in future to make the internal control and internal audit system more extensive and effective, commensurate to the operations of the Company.

8. **Para (ix):**

(*a*) *According to the information and explanations given to us and records examined by us, the Company has not been regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income tax deducted at source, income tax, wealth tax, excise duty, service tax, sales tax/works contract tax and Fringe Benefit Tax. As at the year end undisputed arrears of statutory dues outstanding for a period of more than six months from the date they became payable, are as follows:*

Sr. No.	Particulars	Outstanding for more than 6 months
1.	Income Tax deducted at source	67,643,463
2.	Fringe Benefit Tax	7,317,901

Reply:

Due to acute financial crunch, the statutory dues could not be deposited in time. The above dues have been partially deposited since then and all efforts are being made to deposit the balance amount shortly. In future, the management will make all efforts to deposit the same in time.

9. **Para (x):**

The accumulated losses of the Company are more than fifty percent of its net worth at the end of the financial year. The Company has incurred cash loss during the year. In the immediately preceding financial year also, the Company had incurred cash loss.

Reply:

As accumulated losses as on 31.03.2009 have resulted in erosion of more than fifty percent of its peak net worth during the immediately preceding four financial years, the Company shall continue to be a Potentially Sick Company as defined under Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985. The Company has already placed before its shareholders a Report of the Directors on erosion of more than fifty percent of the Company's peak net worth during the immediately preceding four financial years at its Extraordinary General Meeting (EGM) held on 25th February, 2008 as required under Section 23 of The Sick Industrial Companies (Special Provisions) Act, 1985.

10. **Para (xi):**

According to the information and explanations given to us and records examined by us, the Company has defaulted in repayment of dues to financial institutions or banks in respect of the following:-

Name of Lender	*Nature of the Dues*	*Period of Default/ delay*	*Maximum overdue during the year*	*Over due amount as on 31.03.2009 (Rs.)*
ARCIL (ICICI)	*Principal*	*April, 2007 to March, 2009*	*70,630,000*	*70,630,000*
ARCIL (ICICI)	*Interest*	*April, 2005 to March, 2009*	*215,653,020*	*215,653,020*
OBC (eGTBL)	*Principal*	*April, 2007 to March, 2009*	*331,931,499*	*331,931,499*
OBC (eGTBL)	*Interest*	*February,2004 to March, 2009*	*103,107,318*	*78,970,059*
J & K BANK	*Principal*	*April, 2007 to March, 2009*	*7,545,546*	*7,545,546*
J & K BANK	*Interest*	*April, 2007 to March, 2009*	*17,766,006*	*17,766,006*
IDBI	*Principal*	*April, 2007 to March, 2009*	*54,554,636*	*54,554,636*
IDBI	*Interest*	*April, 2007 to March, 2009*	*135,917,259*	*135,917,259*
Bank of Baroda	*Principal*	*April, 2007 to March, 2009*	*112,407,632*	*112,407,632*
Bank of Baroda	*Interest*	*April, 2007 to March, 2009*	*18,491,473*	*18,491,473*
HDFC Bank Ltd (eCBOP)	*Principal*	*July, 2008 to March, 2009*	*249,527,463*	*249,527,463*
HDFC Bank Ltd (eCBOP)	*Interest*	*July, 2008 to March, 2009*	*20,087,494*	*20,087,494*
Union Bank of India	*Principal*	*January, 2009 to March, 2009*	*133,990,177*	*133,990,177*
Union Bank of India	*Interest*	*January, 2009 to March, 2009*	*5,115,505*	*5,115,505*
State Bank of India	*Principal*	*October, 2008 to March, 2009*	*444,372,339*	*444,372,339*
State Bank of India	*Interest*	*October, 2008 to March, 2009*	*33,808,639*	*33,808,639*

Reply:

Due to liquidity crisis, the repayments to the Financial Institutions/Banks could not be made so far.

11. **Para (xix):**

The Company has not issued any secured debentures during the year. The Company has created securities / charges in respect of 15,704,000 Zero Coupon Premium Bonds (ZCPBs) of Rs.100/- each issued under the CDR package approved on 6th April, 2004. *However, no securities / charges is created in respect of 10,937,000 ZCPBs of Rs. 100/- each issued under the said CDR package, as the status-quo on the existing security is maintained by each lender for its exposure.*

Reply:

Since the lenders have agreed among themselves to maintain the status quo on the existing securities, the Company is not required to create further charge / security.

ANNEXURE - II TO THE DIRECTORS REPORT

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 31.03.2009.

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.	Mr. Ashok Kumar Sharma	3383180.00	Contractual	As per service rules of the Company	President	MBA, LLB 28 years	03.07.2000	54	YKM Holdings Pvt. Ltd. Corp. Executive Director
2.	Mr. P C Bhandari	3796693.00	Contractual	As per service rules of the Company	Sr. Vice President	AMIE 41 years	27.06.1993	61	Keshari Steels General Manager (Co-ordination)
3.	Mr. Rakesh Mathur	2915540.00	Contractual	As per service rules of the Company	Sr. Vice President	M. Tech 33 years	13.07.1998	55	Bharat Electronics Ltd. DGM (D&E- Radars)
4.	Mr. T C Pant	2592944.00	Contractual	As per service rules of the Company	Asst. Vice President	M.Sc. 28 years	10.03.2000	54	TCIL Sr. Manager
5.	Mr. Naveen Sharma	2491264.00	Contractual	As per service rules of the Company	Vice President	B.E., PGDM 15 years	10.08.2004	38	Cellnext Solutions Ltd. Head – Telecom business sales
(B)	**Employed for part of the year**								
6.	Mr. Ramesh Sundriyal	1950820.00	Contractual	As per service rules of the Company	Asst. Vice President	B. Tech. 35 years	19.01.2000	56	Tata Telecom Ltd. Senior G.M.
7.	Mr. Pradeep Sharma	1635390.00	Contractual	As per service rules of the Company	Asst. Vice President	B. Tech. 22 years	01.09.2004	47	LG Electronics India Pvt. Ltd. General Manager

Notes :

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

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

(iii) The remuneration paid to Shri Mahendra Nahata, Dr. R M Kastia and Shri Arvind Kharabanda, wholetime directors of the Company as shown under item no. 3.2 of Report on Corporate Governance is subject to approval from the Central Government for which necessary applications have already been made. However, the amount paid to them towards remuneration has not been charged to profit & loss account this year which shall be done after receipt of approval from the Central Government.

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 the above R&D	: -
3.	Future plan of action	: -
4.	Expenditure on R&D (a) Capital (b) Recurring (excluding depreciation) (c) Total (d) Total R&D expenditure as a percentage of total turnover	 : NIL : NIL : NIL : NIL
TECHNOLGOY ABSORPTION, ADAPTATION AND INNOVATION		
1.	Efforts, in brief, made towards technology absorption, adaptation and innovation.	: The Technology of the products have been absorbed substantially.
2.	Benefits derived as a result 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:	
	(a) Technology Imported	i) SDH Optical Transmission System ii) Digital Loop Carrier System iii) Digital Microwave Radio iv) CDMA based terminals
	(b) Year of Import	: 2003-2008
	(c) Has Technology been fully absorbed	: Technology has been absorbed almost in all the areas of the Company's operation.
	d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions.	: -

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review the Company had made an export of Rs. 5.41 Crore. 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 the products and services in which the Company is engaged. The details of foreign exchange earnings and outgo are as under :

(Rs. in crore)

Total foreign exchange earnings and outgo	Financial Year Ended 31st March, 2009	Financial Year Ended 31st March, 2008
FOB Value of Exports	5.41	4.17
Value of Imports	16.29	32.65
Expenditure in foreign currency	0.24	1.01

For and on behalf of the Board

Place : New Delhi **M P Shukla**
Date : 31st August, 2009 **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, 2009, the Profit & Loss Account 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 stated in Note 8 of Schedule 19, the Company has accounted for the impact of modified CDR package after complying with most of the terms and conditions stipulated therein, however compliance of some of them are still in process. The company is also not regular in payment of its dues including interest thereon to the lenders and may be liable to consequential withdrawal of any of the relief's granted earlier.*

   b) *As stated in Note 9 of Schedule 19, the Company has, in terms of the CDR package, provided for interest on ballooning basis at the rate specified for the year which is higher then the rate on YTM basis i.e. @ 8.5% per annum, resulting in the loss for the year is higher by Rs. 88,862,684/-. Had the interest has been provided on YTM basis, the cumulative effect upto 31st March 2009 on the provision for interest and accumulated losses would have been higher by Rs. 218,951,740/-.*

   c) *As stated in Note 17 of Schedule 19, with regard to the sundry debtors outstanding for a long period, 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 loss for the year, if any, is unascertainable.*

   d) *As stated in Note 22 of Schedule 19, regarding balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any.*

   e) *As stated in Note 4 of Schedule 19, the Company has paid remuneration to managerial personnel during the year for which approval of central government is yet to be obtained.*

   f) *As stated in Note 20 of Schedule 19, the Company is in process of determining the impairment loss, if any, on its assets as per Accounting Standard - 28 "Impairment of Assets" issued by The Institute of Chartered Accountants of India and will give effect thereto upon such determination. As such we are unable to express any opinion as to the effect thereof on the value of Assets and loss for the year.*

   The effect of items mentioned at paragraph 4(a), (c), (d), (e) and (f) above is unascertainable and hence the consequential cumulative effect thereof on loss for the year, assets, liabilities and reserves is unascertainable. If the observation at paragraph 4(b) above had been considered, the loss for the year would have been lower by Rs. 88,862,684/- and accumulated debit balance in profit and loss account and the liabilities and provisions would have been higher by Rs. 218,951,740/-.
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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Profit and Loss Account 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 *except AS 28 - Impairment of Assets (Refer para 4(f) above)*

   e) On the basis of written representations received from the directors, as on 31st March, 2009 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, 2009;

(ii) In the case of the Profit and Loss Account, of the loss 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.,
Chartered Accountants,
(Akash Shinghal)
Partner
Membership No:103490

Place: New Delhi
Dated:30th June, 2009

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, 2009;

(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 year, the Company has not disposed off any substantial part of the fixed assets.

(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) *The Company is having internal audit system which needs to be strengthened further to make it commensurate with the size of the Company and nature of its business.*

(viii) The Central Government has prescribed maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 in respect of one of the product of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.

(ix) (a) *According to the information and explanations given to us and records examined by us, the Company has not been regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income tax deduced at source, income tax, wealth tax, excise duty, service tax, sales tax/works contract tax and Fringe Benefit Tax. As at the year end undisputed arrears of statutory dues outstanding for a period of more than six months from the date they became payable, are as follows:-*

Sr. No.	Particulars	Outstanding for more than 6 months
1.	Income Tax deducted at source	67,643,463
2.	Fringe Benefit Tax	7,317,901

(b) According to the records of the Company, the dues of Sales tax and additional custom duty, 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. Custom Tariff Act	Additional Custom Duty	10,883,115	2002-2003 & 2003-2004	CESTAT, New Delhi and Hon'ble Supreme Court of India
	Total	**29,625,834**		

(x) *The accumulated losses of the Company are more than fifty percent of its net worth at the end of the financial year. The Company has incurred cash loss during the year. In the immediately preceding financial year also, the Company had incurred cash loss.*

(xi) *According to the information and explanations given to us and records examined by us, the Company has defaulted in repayment of dues to financial institution or banks in respect of the following:-*

Name of Lender	***Nature of the Dues***	***Period of Default/ delay***	***Maximum overdue during the year***	***Over due amount as on 31.03.2009 (Rs.)***
ARCIL (ICICI)	*Principal*	*April, 2007 to March, 2009*	*70,630,000*	*70,630,000*
ARCIL (ICICI)	*Interest*	*April, 2005 to March, 2009*	*215.653.020*	*215,653,020*
OBC (eGTBL)	*Principal*	*April, 2007 to March, 2009*	*331,931,499*	*331,931,499*
OBC (eGTBL)	*Interest*	*February,2004 to March, 2009*	*103,107,318*	*78,970,059*
J & K BANK	*Principal*	*April, 2007 to March, 2009*	*7,545,546*	*7,545,546*
J & K BANK	*Interest*	*April, 2007 to March, 2009*	*17,766,006*	*17,766,006*
IDBI	*Principal*	*April, 2007 to March, 2009*	*54,554,636*	*54,554,636*
IDBI	*Interest*	*April, 2007 to March, 2009*	*135,917,259*	*135,917,259*
Bank of Baroda	*Principal*	*April, 2007 to March, 2009*	*112,407,632*	*112,407,632*
Bank of Baroda	*Interest*	*April, 2007 to March, 2009*	*18,491,473*	*18,491,473*
HDFC Bank Ltd (eCBOP)	*Principal*	*July, 2008 to March, 2009*	*249,527,463*	*249,527,463*
HDFC Bank Ltd (eCBOP)	*Interest*	*July, 2008 to March, 2009*	*20,087,494*	*20,087,494*
Union Bank of India	*Principal*	*January, 2009 to March, 2009*	*133,990,177*	*133,990,177*
Union Bank of India	*Interest*	*January, 2009 to March, 2009*	*5,115,505*	*5,115,505*
State Bank of India	*Principal*	*October, 2008 to March, 2009*	*444,372,339*	*444,372,339*
State Bank of India	*Interest*	*October, 2008 to March, 2009*	*33,808,639*	*33,808,639*

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

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

(xiv) The Company has maintained proper records of transactions and contracts in respect of trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other investments have been held by the Company in its own name.

(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. The Company has created securities/charges in respect of 15,704,000 Zero Coupon Premium Bonds (ZCPBs) of Rs. 100 each issued under the CDR package approved on 6th April 2004. *However, no securities/charges is created in respect of 10,937,000 ZCPBs of Rs. 100 each issued under the said CDR package, as the status-quo on the existing security is maintained by each lender for its exposure.*

(xx) The Company has not raised any money by public issue during the year ended March 31, 2009.

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

For KHANDELWAL JAIN & CO.,
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No:103490

Place: New Delhi
Dated:30th June, 2009

BALANCE SHEET

As at 31st March, 2009

	Schedule No.		As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
I SOURCES OF FUNDS				
1. Shareholders' funds				
(i) Capital	1	**5,232,905,920**		5,232,905,920
(ii) Reserves & surplus	2	**11,043,757,539**		11,315,060,539
			16,276,663,459	16,547,966,459
2 Loan funds				
(i) Secured loans	3	**9,027,956,510**		8,237,671,629
(ii) Unsecured loans	4	**3,324,514,516**		2,993,977,663
			12,352,471,026	11,331,649,262
			28,629,134,485	27,879,615,721
II APPLICATION OF FUNDS				
1 Fixed assets	5			
(i) Gross block		**4,670,343,520**		4,673,099,143
(ii) Less :Depreciation/Impairment		**2,552,279,083**		2,307,084,323
(iii) Net block		**2,118,064,437**		2,366,014,820
(iv) Capital work-in-progress		**97,231,496**		96,251,040
(v) Technical know-how fees		**-**		4,357,831
			2,215,295,933	2,466,623,691
2 Investments	6		**7,196,681,618**	7,251,716,726
3 Current Assets, loans and advances				
(i) Inventories	7	**587,753,016**		807,778,599
(ii) Sundry debtors	8	**4,535,136,765**		6,806,216,644
(iii) Cash and bank balances	9	**246,982,245**		279,120,765
(iv) Other current assets	10	**61,510,011**		67,722,549
(v) Loans and advances	11	**919,110,070**		998,768,877
		6,350,492,107		8,959,607,434
Less : Current liabilities and provisions				
(i) Current Liabilities	12	**2,005,150,807**		2,423,292,610
(ii) Provisions	13	**27,207,815**		107,299,801
Net Current Assets			**4,318,133,485**	6,429,015,023
4 Profit and Loss Account			**14,899,023,449**	11,732,260,281
			28,629,134,485	27,879,615,721
Notes forming part of the Accounts	19			

As per our report of even date attached

For **Khandelwal Jain & Co.**
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 30th June, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board

M P Shukla — *Chairman*
Mahendra Nahata — *Managing Director*
Dr. R M Kastia — *Director*
Arvind Kharabanda — *Director (Finance)*

New Delhi, 30th June, 2009

PROFIT AND LOSS ACCOUNT

For The Year Ended 31st March, 2009

	Schedule No.		2008-2009 Rs.	2007-2008 Rs.
INCOME				
Sales and services		**1,435,248,525**		3,579,182,269
Less: Excise Duty		**44,258,286**		83,263,736
			1,390,990,239	3,495,918,533
Other income	14		**54,411,137**	18,733,574
Increase/(decrease) in stock	15		**(79,964,918)**	(28,407,513)
			1,365,436,458	3,486,244,594
EXPENDITURE				
Materials consumed/cost of goods sold	16		**702,136,143**	2,698,111,425
Manufacturing and other expenses	17		**752,148,475**	876,521,152
Finance charges	18		**909,891,106**	693,726,742
Depreciation			**257,095,349**	255,614,493
Loss on sale of pledged/other investments (net)			**-**	2,275,000
Provision for doubtful debts			**1,112,043,706**	497,216,948
Provision for inventories			**22,940,698**	-
Bad debts, advances and miscellaneous balances written off (Net)		**742,700,005**	-	(21,353,696)
Less : Transferred from provision for doubtful debts		**739,807,011**	**2,892,994**	-
Liquidated Damages			**410,379,586**	13,477,742
Payment towards guarantee/contract obligation			**107,405,392**	18,966,612
Foreign exchange fluctuation			**256,892,974**	(5,379,109)
Loss on sale / disposed off of fixed assets			**2,743,710**	262,598
			4,536,570,133	5,029,439,907
PROFIT /(LOSS) BEFORE TAXES				
Provision for taxation :			**(3,171,133,675)**	(1,543,195,313)
Current tax			-	81,408
Fringe Benefit tax			**4,209,112**	4,363,626
PROFIT /(LOSS) FOR THE YEAR			**(3,175,342,787)**	(1,547,640,347)
Prior period adjustments			**(8,579,619)**	(42,155,016)
			(3,166,763,168)	(1,505,485,331)
Balance brought forward from previous year			**(11,732,260,281)**	(10,221,248,662)
Add: Charge on account of transitional liability for employees benefits under AS 15 (Revised)			**-**	(5,526,288)
(Refer note no.B-19 of Schedule 19)				
Balance carried to Balance Sheet			**(14,899,023,449)**	(11,732,260,281)
Earning per share (Face value of Rs.10/- each)				
Basic (Rs.)			**(7.27)**	(3.52)
Diluted (Rs.)			**(7.27)**	(3.52)
Notes forming part of the Accounts	19			

As per our report of even date attached

For **Khandelwal Jain & Co.**
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 30th June, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board

M P Shukla	*Chairman*
Mahendra Nahata	*Managing Director*
Dr. R M Kastia	*Director*
Arvind Kharabanda	*Director (Finance)*

New Delhi, 30th June, 2009

SCHEDULES FORMING PART OF THE ACCOUNTS

1.SHARE CAPITAL		**As at 31.03.2009 Rs.**	As at 31.03.2008 Rs.
Authorised :			
500,000,000	(Previous year 500,000,000) Equity shares of Rs.10/- each	**5,000,000,000**	5,000,000,000
25,000,000	(Previous year 25,000,000) Redeemable preference shares of Rs.100/- each	**2,500,000,000**	2,500,000,000
		7,500,000,000	7,500,000,000
Issued and Subscribed :			
442,793,697	(Previous year 442,793,697) Equity shares of Rs.10/- each (Note-1)	**4,427,936,970**	4,427,936,970
7,000,000	(Previous year 7,000,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each (Note-2)	**700,000,000**	700,000,000
1,050,000	(Previous year 1,050,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each (Note-2)	**105,000,000**	105,000,000
		5,232,936,970	5,232,936,970
Paid Up :			
442,793,697	(Previous year 442,793,697) Equity shares of Rs.10/- each, fully paid up (Note-1)	**4,427,936,970**	4,427,936,970
	Less : Calls in arrears	**31,050**	31,050
		4,427,905,920	4,427,905,920
7,000,000	(Previous year 7,000,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each, fully paid up (Note-2)	**700,000,000**	700,000,000
1,050,000	(Previous year 1,050,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each, fully paid up (Note-2)	**105,000,000**	105,000,000
		5,232,905,920	5,232,905,920

NOTES :

1 Of the above Equity shares :

(i) 346180 (Previous year 346,780) shares represent Global Depository Receipts.

(ii) 14,550,000 (Previous year 14,550,000) shares issued for consideration other than cash pursuant to the amalgamation of erstwhile Himachal Telematics Ltd. with the Company.

2 8,050,000 6.5% CRPS of Rs.100/- each are redeemable in the financial year 2017-18 and 2018-19 in terms of the modified CDR package. (Refer note no B-8b(ii) and 8(d) of Schedule 19)

SCHEDULES FORMING PART OF THE ACCOUNTS ......contd.

2. RESERVES & SURPLUS		**As at 31.03.2009 Rs.**	As at 31.03.2008 Rs.
Capital Reserve			
As per last Balance Sheet			
Central investment subsidy	**1,000,000**		1,000,000
Gain on foreign exchange fluctuation	**244,753,082**		244,753,082
D.G. set subsidy	**13,911**		13,911
Amount paid on warrants forfeited	**46,000,000**		46,000,000
		291,766,993	291,766,993
Securities Premium Account			
As per last Balance Sheet	**10,536,322,246**		10,807,625,246
Add : Addition during the year	**-**		-
	10,536,322,246		10,807,613,246
Less : Calls in arrears	**12,000**		12,000
	10,536,310,246		10,807,613,246
Less :Premium on redemption of bonds	**271,303,000**		271,303,000
		10,265,007,246	10,536,310,246
Amalgamation Reserve	**97,000,000**		97,000,000
Less : Proportionate calls in arrears	**16,700**		16,700
		96,983,300	96,983,300
Capital Redemption Reserve		**140,000,000**	140,000,000
Debenture Redemption Reserve		**250,000,000**	250,000,000
		11,043,757,539	11,315,060,539

3.SECURED LOANS

(Refer note no.B-8 of Schedule 19)

Zero coupon premium bonds	**2,664,100,000**	2,664,100,000
Working capital loans from banks	**1,489,294,577**	1,281,311,392
Term loans from financial institutions and banks	**2,247,040,287**	2,247,040,286
Funded interest term loans	**790,722,387**	780,569,890
Other loans	**57,511,380**	59,261,566
Premium payable on redemption of bonds	**1,294,754,530**	1,068,306,030
Interest accrued and due	**484,533,349**	237,082,465
	9,027,956,510	8,337,671,629

NOTES :

Secured loans comprising :-

1 12,804,000 (Previous year 12,804,000) Zero Coupon Premium Bonds (ZCPBs) of Rs.100/- each, Term loan of Rs.791,042,605 (Previous year Rs.791,042,605) from financial institution and Funded interest term loan of Rs.443,289,272 (Previous year Rs. 443,289,272) 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 above said loan to be credited to the Escrow/designated account.

SCHEDULES FORMING PART OF THE ACCOUNTS ......contd.

2 10,937,000 (Previous year 10,937,000) Zero Coupon Premium Bonds (ZCPBs) of Rs.100/- each, Term loan of Rs.706,300,000 (Previous year Rs.706,300,000) from financial institution and Funded interest term loan of Rs.230,624,958 (Previous year Rs. 230,624,958) are required to be secured by way of first charge on all the immovable properties, both present and future, on pari-passu basis, by way of equitable mortgage and hypothecation of moveable assets, both present and future, subject to the prior charge of the Company's bankers on specified moveable assets for securing the borrowings for working capital requirements. Term loan is further secured by way of pledge of certain shares.

3 2,900,000 (Previous year 2,900,000) Zero Coupon Premium Bonds (ZCPBs) of Rs.100/- each, Term loan of Rs.259,477,196 (Previous year Rs.259,477,196) from a bank andFunded interest term loan of Rs.116,808,157 (Previous year Rs. 106,655,660) are secured by way of pledge of shares/Bonds/Units.

4 Term loan of Rs.175,220,485 (Previous year Rs.175,220,485) from bank is secured/ to be secured by way of pledge of shares.

5 Term loan of Rs.315,000,000 (Previous year Rs.315,000,000) from a bank is secured/ to be secured by way of first charge on all the immovable properties, both present and future, by way of equitable mortgage on pari-passu basis.

6 Working capital loans from banks aggregating to Rs.1,438,807,476/- (Previous year Rs. 1,230,824,289) 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.

7 Working capital loans from banks aggregating to Rs.50,487,101 (Previous year Rs.50,487,101) are secured on pari passu basis by way of hypothecation of current assets of the Company relating to specific order.

8 Other loans amounting to Rs.2,511,380/- (Previous year Rs.4,261,566) are secured by way of hypothecation of assets under hire purchase agreements. Installments of loans falling due for repayment within one year Rs.1,039,094/- (Previous year Rs. 1,750,387). Loans of Rs. 55,000,000 (Previous year Rs. 55,000,000) are secured by way of pledge of shares.

9 All the secured loans except as stated in 3 & 8 above are also personally guaranteed by some of the directors of the Company.

10 26,641,000 (Previous year 26,641,000) ZCPBs are to be redeemed in 48 monthly installments, on ballooning basis, from 30th April 2011 and ending 31st March 2015 to ensure yield of 8.5% p.a. by way of premium.

11 Term loans from financial institutions and banks include overdue loans of Rs.175,220,485 (Previous year Rs.175,220,485). Term Loans repayable within one year Rs.89,204,858/-(Previous year Rs.89,204,858).

4. UNSECURED LOANS

(Refer note no.B-8 of Schedule 19)	**As at 31.03.2009 Rs.**	As at 31.03.2008 Rs.
Zero coupon premium bonds	**527,700,000**	527,700,000
Term loans from banks	**208,000,886**	208,000,886
Loans from bodies corporate	**2,129,395,459**	1,823,254,840
Funded interest term loans	**98,960,920**	91,377,566
Premium payable on redemption of bonds	**242,648,037**	197,793,537
Interest accrued & due	**117,809,214**	145,850,804
	3,324,514,516	2,993,977,633

NOTES :

1 Term loans from banks are personally guaranteed by some of the directors of the Company. Term Loans repayable within one year Rs.6,705,512/- (Previous year Rs.6,705,512/-).

2 5,277,000 (Previous year 5,277,000) Zero coupon premium bonds of Rs.100/- each are personally guaranteed by some of the directors of the Company. These are to be redeemed in 48 monthly installments, on ballooning basis, from 30th April, 2011 and ending 31st March, 2015 to ensure yield of 8.5% p.a. by way of premium.

3 Loans from bodies corporate repayable within one year Rs.271,978,551 (Previous year Rs. 992,200,000).

SCHEDULES FORMING PART OF THE ACCOUNTS ......contd.

5. FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2008	Additions	Deductions/ disposed off	**As at 31.03.2009**	Up to 31.03.2008	For the year	Deductions/ disposed off	**Up to 31.03.2009**	**As at 31.03.2009**	As at 31.03.2008
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.	Rs.	**Rs.**	**Rs.**	Rs.
1. Land - Leasehold	8,221,386	-	-	**8,221,386**	1,120,690	86,540	-	**1,207,230**	**7,014,156**	7,100,696
- Freehold	7,580,296	-	-	**7,580,296**	-	-	-	-	**7,580,296**	7,580,296
2. Buildings-Leasehold	14,500,411	-	-	**14,500,411**	4,526,403	-	-	**4,526,403**	**9,974,008**	9,974,008
- Freehold	144,344,834	-	-	**144,344,834**	51,966,191	5,305,442	-	**57,271,633**	**87,073,201**	92,378,643
- Leasehold										
- Improvements	30,309,507	-	-	**30,309,507**	30,309,507	-	-	**30,309,507**	**-**	-
3. Plant & machinery	4,155,065,827	2,185,850	8,552,305	**4,148,699,372**	1,948,413,504	240,131,641	6,188,196	**2,182,356,949**	**1,966,342,423**	2,206,652,323
4. Electrical installation	49,637,626	-	-	**49,637,626**	42,577,122	1,297,454	-	**43,874,576**	**5,763,050**	7,060,504
5. Furniture & fixtures	38,342,663	4,829,121	867,780	**42,304,004**	32,859,006	2,732,143	387,282	**35,203,867**	**7,100,137**	5,483,657
6. Office equipments	176,992,241	5,659,294	688,255	**181,963,280**	156,419,732	5,162,059	451,498	**161,130,293**	**20,832,987**	20,572,509
7. Vehicles	47,568,121	475,238	5,796,786	**42,246,573**	38,360,488	2,378,704	4,873,613	**35,865,579**	**6,380,994**	9,207,633
8. Moulds & dies	536,231	-	-	**536,231**	531,680	1,366	-	**533,046**	**3,185**	4,551
Total	4,673,09,143	13,149,503	15,905,126	**4,670,343,520**	2,307,084,323	257,095,349	11,900,589	**2,552,279,083**	**2,118,064,437**	2,366,014,820
Previous year	4,593,164,658	85,843,256	5,098,771	4,673,099,143	2,055,306,011	255,707,755	3,929,443	2,307,084,323	2,366,014,820	2,537,858,647
Capital work-in progress									**97,231,496**	96,251,040

NOTES :-

1. Out of the depreciation for the year an amount of Rs Nil (Previous year Rs.93,262/-) has been transferred to prior period adjustment account.

2. 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.342,833,202, Electrical Installation Rs.1,245,295 and Office Equipments Rs.12,440,707.

SCHEDULES FORMING PART OF THE ACCOUNTS ......contd.

6. INVESTMENTS

	Face value per share/ debenture	As at 31.03.2009 No.of shares/ debentures	As at 31.03.2009 Amount Rs.	As at 31.03.2009 Amount Rs.	As at 31.03.2008 No.of shares/ debentures	As at 31.03.2008 Amount Rs.
A. LONG TERM INVESTMENTS (AT COST)						
(i) **TRADE INVESTMENTS**						
IN EQUITY SHARES (FULLY PAID UP)						
Unquoted						
Microwave Communications Ltd. (MCL) *	10	**12,187,440**	**-**		12,187,440	-
Exicom tele-system Ltd.(formerly known as Himachal Exicom Communications Limited)	10	**1,110,223**	**76,367,664**		2,127,663	146,367,664
HFCL Kongsung Telecom Ltd.	10	**620,100**	**-**		620,100	-
HFCL Satellite Communications Ltd. (HSCL) **	10	**2,400,000**	**-**		2,400,000	-
HFCL Dacom Infochek Ltd. (HDIL)	10	**1,409,500**	**-**		1,409,500	-
HFCL Bezeq Telecom Ltd.	10	**100**	**-**		100	-
WPPL Ltd.	10	**10**	**-**		10	-
Platinum EDU Ltd.	10	**400**	**-**		400	-
Westel Wireless Ltd.	10	**89,700**	**-**		89,700	-
Pioneer.net Pvt Ltd.	10	**5,200,000**	**-**		5,200,000	-
Pagepoint Services (India) Pvt. Ltd.	10	**49**	**490**		49	490
Cleave Global e-Services Ltd.	10	**300,000**	**-**		300,000	-
Fascel Limited	10	**100**	**1,000**		100	1,000
Apex Enterprises (India) Limited	10	**39,999**	**2**		39,999	2
AB Corp Ltd.$	10	**13,300,000**	**1,650,000,000**		13,300,000	1,650,000,000
Gujarat Pickers Industries Ltd.	10	**500,000**	**-**		500,000	-
D L M Construction Pvt. Ltd.	10	**150,000**	**-**		150,000	-
Ja Ra Investments Pvt. Ltd.	100	**15,000**	**-**		15,000	-
Sant Lal Jain & Sons Pvt. Ltd.	100	**10,000**	**-**		10,000	-
Softline Leasing & Finance Ltd.	10	**150,000**	**-**		150,000	-
Midas Communication Technologies Pvt. Ltd.	10	**2,642**	**3,000,000**		300,000	3,000,000
Etco Telecom Ltd	10	**1,200,000**	**36,000,000**		1,200,000	36,000,000
Creative Properties Pvt. Ltd.	100	**19,800**	**19,800,000**		19,800	19,800,000
* shares pledged with IDBI as a security for the term loan given by IDBI to MCL.				**1,785,169,156**		1,855,169,156
** shares pledged with IFCI as a security for the term loan given by IFCI to HSCL.						
$ 6,500,000 shares are pledged as security for the term loan given by OBC to HSCL and the Company. 6,800,000 shares are pledged as security for the term loan given by ICICI Bank to the Company.						
(ii) **INVESTMENT IN SUBSIDIARY COMPANIES**						
IN EQUITY SHARES (FULLY PAID UP)						
Unquoted						
HFCL Infotel Ltd. (HIL) # (Formerly known as The Investment Trust of India Limited) (refer note no. B-13 of Schedule 19)	10	**326,705,000**	**3,267,050,000**		325,205,000	3,252,050,000
HTL Ltd. (Refer note no. B-11 of Schedule 19)	100	**1,110,000**	**553,710,000**		1,110,000	553,710,000
Moneta Finance Pvt. Ltd.	10	**300,000**	**3,700,000**		300,000	3,700,000
# 163,000,000 shares pledged with IDBI as a security for the term loan given by IDBI to HIL and 47,500,000 shares pledged with other lenders as a security for the loans to the Company.				**3,824,460,000**		3,809,460,000
IN 2% (7.5%) CUMULATIVE REDEEMABLE PREFERENCE SHARES (FULLY PAID UP)						
Unquoted						
HFCL Infotel Ltd. (HIL)	100	6,500,000		**650,000,000**	6,500,000	650,000,000

SCHEDULES FORMING PART OF THE ACCOUNTS ......contd.

	Face value per share/ debenture	As at 31.03.2009 No.of shares/ debentures	Amount Rs.	Amount Rs.	As at 31.03.2008 No.of shares/ debentures	Amount Rs.
(iii) IN 0% OPTIONALLY FULLY CONVERTIBLE DEBENTURES						
Unquoted						
Amrit Sales Promotion Pvt. Ltd.	100	11,906,150	**597,215,000**		11,906,150	597,215,000
Apex Enterprises (India) Limited	100	24,175,860	**607,612,984**		24,175,860	607,612,984
Apurva Vanijya Pvt. Ltd.	100	420,000	**42,000,000**		420,000	42,000,000
Authentic Finance Pvt. Ltd.	100	58,061,080	**1,259,108,000**		58,061,080	1,259,108,000
APJR Traders & Commission Agent Pvt. Ltd.	100	100,000	**10,000,000**		100,000	10,000,000
Bachhawat Share Broking Pvt. Ltd.	100	147,000	**14,700,000**		147,000	14,700,000
Basant Marketing Pvt. Ltd.	100	2,000,000	**200,000,000**		2,000,000	200,000,000
Database Software & Technology Pvt. Ltd.	100	4,500,000	**450,000,000**		4,500,000	450,000,000
Etco Telecom Ltd.	100	3,000,000	**300,000,000**		3,000,000	300,000,000
Etisha Finance & Investment Pvt. Ltd.	100	685,000	**68,500,000**		685,000	68,500,000
Igloo Commerce Pvt. Ltd.	100	734,000	**51,800,000**		734,000	51,800,000
Lexus Infotech Ltd.	100	5,130,000	**513,000,000**		5,130,000	513,000,000
Shyam Basic Infrastructure Projects (P) Ltd. (formerly known as Shyam Telecommunications Pvt. Ltd.)	100	6,434,000	**643,400,000**		6,434,000	643,400,000
Telelink Finance Pvt. Ltd.	100	2,113,000	**91,100,000**		2,113,000	91,100,000
Vaibhav Credit & Portfolio Pvt. Ltd.	100	2,104,000	**649,136,058**		2,104,000	649,136,058
VSB Investment Pvt. Ltd.	100	225,000	**22,500,000**		225,000	22,500,000
Westel Wireless Ltd.	100	126,000	**12,600,000**		126,000	12,600,000
			5,532,672,042			5,532,672,042
Less: Provision for diminution in value			**4,597,472,042**			4,597,472,042
				935,200,000		935,200,000
B. CURRENT INVESTMENTS						
(AT LOWER COST AND FAIR VALUE)						
OTHER INVESTMENTS						
IN EQUITY SHARES (FULLY PAID UP)						
Quoted						
Sumedha Fiscal Services Ltd	10	18,200	**116,662**		18,200	159,978
Indo Vanilion Ltd	10	50,000	**35,000**		50,000	35,000
Valiant Communications Ltd	10	8,700	**87,000**		8,700	87,000
Magma Fincorp Ltd. (formerly known as Shrachi Securities Ltd)	10	91,700	**1,375,500**		91,700	1,375,500
				1,614,162		1,657,478
Unquoted						
The Greater Bombay co-op Bank Ltd.	25	4,000	**100,000**	**100,000**	4,000	100,000
IN UNITS (FULLY PAID UP)						
Quoted						
Mutual Fund - Cash Management Dividend	10	12,839	**138,300**	138.300	12,839	130,092
				7,196,681,618		7,251,716,726

NOTES :

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
1. Aggregate book value of investments		
-Quoted	**1,752,462**	1,787,570
-Unquoted	**7,194,929,156**	7,249,929,156
2. Aggregate market value of quoted investments	**5,520,332**	10,676,883

SCHEDULES FORMING PART OF THE ACCOUNTS ......contd.

		As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
7. INVENTORIES			
(As Certified and valued by the management)			
Stores & spare parts	**9,281,242**		
Less : Provision for Non Moving	**1,937,382**	**7,343,860**	8,913,163
Loose tools		**1,338,741**	1,846,648
Raw materials	**314,654,438**		
Less : Provision for Non Moving	**21,003,316**	**293,651,122**	330,858,495
Raw materials in transit		**6,180,543**	107,211,597
Stock in trade - securities *		**62,141,864**	75,070,534
Packing materials		**908,150**	653,178
Work in process**		**209,712,946**	276,465,806
Finished goods		**6,475,790**	6,759,178
		587,753,016	807,778,59
*(Refer note no.B-6 of Schedule 19)			
**(Refer note no.B-7 of Schedule 19)			
8. SUNDRY DEBTORS			
(Unsecured)			
Debts outstanding for a period exceeding six months			
Considered good *		**4,097,640,350**	5,253,768,673
Considered doubtful		**1,112,488,113**	740,251,418
Other debts *- considered good		**437,496,415**	1,552,447,971
		5,647,624,878	7,546,468,062
Less: Provision for doubtful debts		**1,112,488,113**	740,251,418
		4,535,136,765	6,806,216,644
* Includes receivable from subsidiaries : Debts outstanding for a period exceeding six months Rs.105,764,518/- (Previous year Rs105,284,216/-), Other debts Rs.2,407,659/- (Previous year Rs.646,464/-)			
9. CASH & BANK BALANCES			
Cash on hand		**2,708,403**	2,572,646
Cheques in hand		**4,039,204**	4,032,235
Balances with Scheduled banks in			
Current accounts		**32,207,951**	54,156,160
Fixed deposit accounts *		**208,026,687**	218,359,724
		246,982,245	279,120,765
*(a) includes fixed deposit receipts pledged with banks as margin money/under lien Rs.177,906,687/- previous year Rs.218,339,724)			
(b) confirmation awaited for FDR with IDBI of Rs. 50,000,000/-			
10. OTHER CURRENT ASSETS			
Interest receivable		**14,409,674**	12,919,600
Security deposits		**43,713,636**	52,335,683
Insurance claim receivable		**3,386,701**	2,467,266
		61,510,011	67,722,549
11. LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
Loans to others		**75,408,066**	75,342,066
Advances recoverable in cash or in kind or for value to be received		**384,756,018**	361,774,765
Advances to vendors		**338,567,346**	423,757,720
Balances with Central excise & Customs authorities		**43,336,916**	48,687,278
Advance payment of Income tax		**77,041,724**	89,207,048
		919,110,070	998,768,877

SCHEDULES FORMING PART OF THE ACCOUNTS ....contd.

		As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
12. CURRENT LIABILITIES			
Sundry creditors		**1,722,095,091**	1,560,739,851
Other liabilities		**251,285,336**	274,587,319
Interest accrued but not due		**28,128,772**	-
Advances from customers		**3,641,608**	587,965,440
		2,005,150,807	2,423,292,610
13. PROVISIONS			
Provision for Tax / FBT		**9,691,774**	90,113,986
Provisions for employees' retirement benefits		**17,516,041**	17,185,815
		27,207,815	107,299,801
14. OTHER INCOME			
		2008-2009 Rs.	2007-2008 Rs.
Interest (Gross)			
On fixed deposits	**8,077,373**		13,413,418
(TDS Rs.2,268,706 ; previous year Rs.4,065,568)			
On loans and advances	**-**		4,807
Others	**-**		2,923,133
		8,077,373	16,341,358
Appreciation/(Diminution) in value of investments (to the extent of cost price)		**(43,316)**	(1,638)
Excise Claim received		**38,098,700**	-
Dividends on investments (Gross)		**6,905,781**	92,187
Miscellaneous income		**1,372,599**	2,301,667
		54,411,137	18,733,574
15. INCREASE/(DECREASE) IN STOCK			
Opening stock			
Finished goods		**6,759,178**	7,404,437
Stock in trade - securities		**75,070,534**	74,862,784
Work in process		**276,465,806**	304,435,810
		358,295,518	386,703,031
Closing stock			
Finished goods		**6,475,790**	6,759,178
Stock in trade - securities		**62,141,864**	75,070,534
Work in process		**209,712,946**	276,465,806
		278,330,600	358,295,518
Increase/(Decrease) in Stock		**(79,964,918)**	(28,407,513)
16. MATERIALS CONSUMED/COST OF GOODS SOLD			
Opening stock		**330,858,495**	309,765,030
Add : Purchases during the year *		**685,932,086**	2,719,204,890
		1,016,790,581	3,028,969,920
Less : Closing stock		**314,654,438**	330,858,495
		702,136,143	2,698,111,425

* includes goods purchased for resale amounting to Rs.344,207,372 (Previous year Rs.1,770,001,441)

SCHEDULES FORMING PART OF THE ACCOUNTS...contd.

		2008-2009 Rs.	2007-2008 Rs.
17. MANUFACTURING AND OTHER EXPENSES			
Payments to and provisions for employees			
Salaries, wages and bonus	**181,839,647**		200,740,066
Contribution to provident & other funds	**11,940,241**		13,858,868
Welfare expenses	**20,337,172**		24,145,230
		214,117,060	238,744,164
Operating and other expenses			
Consumption of packing material	**12,768,441**		19,112,891
Consumption of stores and spare parts	**15,943,512**		16,553,392
Loose tools written off	**515,984**		711,745
Power, fuel and water charges	**14,596,890**		17,130,441
Repairs to buildings	**1,108,042**		1,427,839
Repairs to machinery	**2,048,068**		3,206,572
Other repairs	**4,818,349**		19,229,767
Rent	**21,608,121**		35,967,702
Rates and taxes	**7,098,259**		11,835,658
Insurance charges	**2,069,428**		11,763,960
Auditors remuneration			
Audit fees	**2,757,500**		2,471,920
In other capacity	**1,430,315**		1,402,253
Out of pocket expenses	**159,191**		138,053
Legal and professional charges	**28,048,419**		35,517,560
Communication expenses	**12,108,465**		16,304,219
Traveling, conveyance and vehicle expenses	**44,385,851**		63,303,451
Labour and service charges	**305,118,413**		297,686,039
Directors fees	**205,000**		190,000
Charity & Donation	**49,106**		321,818
Increase/(decrease) in excise duty on finished goods	**(115,995)**		28,055
Other expenses	**29,235,994**		39,033,641
		505,957,353	593,336,976
Selling and distribution expenses		**27,716,238**	28,432,199
Technical know-how fee written off		**4,357,824**	16,007,813
		752,148,475	876,521,152

	2008-2009 Rs.	2007-2008 Rs.
18. FINANCE CHARGES		
Interest and up front fee on loans	**353,707,930**	143,967,922
Interest on other loans (net) (Refer note no. B-5 of Schedule 19)	**538,935,514**	510,892,316
Discounting & bank charges	**17,247,662**	38,866,504
	909,891,106	693,726,742

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

19. NOTES FORMING PART OF THE ACCOUNTS

A. 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 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.

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 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- Revenue expenditure of specialized R&D Division including its depreciation incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets.

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, 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.

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

(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.

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 are 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 Note : Cost of Inventories is ascertained on First in First out (FIFO) basis.	At lower of cost and net realizable value
(c)	Stock in trade - Quoted	At lower of cost and market value
	- Unquoted	At lower of cost and break up value
(d)	Contract Work in Progress	At cost
(e)	Loose Tools	After write-off at 27.82% p.a.

7. Revenue Recognition

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

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

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

8. 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.

9. 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.

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. 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.

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

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

15. 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.

16. Taxes on Income

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

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

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.

B. OTHER NOTES

		As at 31.03.2009 (Rs)	As at 31.03.2008 (Rs)
1	Contingent Liabilities not provided for in respect of :		
	(a) Unexpired Letters of Credit (margin money paid Rs.2,617,038 ; Previous year Rs.4,554,544)	**26,170,384**	34,679,788
	(b) Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits Rs.123,704,763 ; Previous year Rs.153,700,542)	**440,057,738**	834,176,692
	(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)	**7,225,671,621***	7,225,671,621

* 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. The DoT has filed application for restoration of appeal before the Double Bench of the Hon'ble High Court of Delhi which has been allowed and matter is now pending for decision.

	(d) Arrears of Dividend on Cumulative redeemable preference shares (net of advances)	**596,181,325**	543,856,325
2	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**18,019,868**	18,318,194

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

		As at 31.03.2009 (Rs)	As at 31.03.2008 (Rs)
3	a) Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt	**45,225,834**	45,225,834
	b) Other Claims against the company not acknowledge as debt	**65,114,438**	65,114,438
4	Directors remuneration including Managing Director (excluding provision for gratuity)	**2008-2009 * Rs.**	2007-2008 * Rs.
	(i) Salaries	-	-
	(ii) Contribution to provident fund	-	-
	(iii) Perquisites and allowances	-	-
		-	-

* As the Company has no profits to pay remuneration to managerial personnel's, the appointment of and remuneration to the managerial personnel's required approval of Central Government. Pending the approval of the Central Government, the remuneration of Rs.16,572,014 (Previous year Rs.18,204,389) has been paid to the managerial personnel's during the year 2008-09. Accordingly amount paid aggregating to Rs.34,776,403(Previous year Rs.18,204,389) is shown as recoverable from them as at 31st March,2009.

5 Interest income from loans and advances and others is net of interest charges amounting to Rs.1,014,949/-(Previous year Rs.782,875/-) on loans raised and utilised for the purpose.

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

	As at 31.03.2009		As at 31.03.2008	
	Qty	**Amount(Rs.)**	Qty	Amount(Rs.)
Adinath Bio Labs Ltd.	**640,800**	**17,363,848**	640,800	14,738,400
Granules India Ltd.	**100,000**	**3,200,000**	100,000	3,200,000
Manvens Biotech Ltd.	**1,700**	**230,219**	1,700	230,219
Media Matrix Worldwide Ltd.	**4,750**	**26,505**	4,750	25,745
Optimates Textile Ltd.	**1,302,500**	**9,703,625**	1,302,500	9,703,625
Rashel Agrotech Ltd.	**478,500**	**913,935**	478,500	1,205,820
Sahara India Media and Entertainment Ltd.	**250,950**	**30,703,733**	250,950	45,966,725
		62,141,865		75,070,534

7. The disclosures as per the Accounting Standard 7 on 'Construction Contracts' issued by Institute of Chartered Accountants of India are as under

	2008-2009	Amount (Rs.) 2007-2008
Contract revenue recognized as revenue in the year	**276,224,436**	848,646,800
Aggregate amount of costs incurred and profit up to the reporting date on the contract under progress	**120,876,929**	120,869,342
Advance received on contract under progress	**26,846,920**	56,519,367
Retention amounts on contract under progress	**NIL**	NIL
Gross amount due from customers for the contract work as on assets	**158,957,537**	122,008,765
Gross amount due from customers for the contract work as a liability	**62,266,083**	-

8 a The Company had approached its lenders viz. Banks and Financial Institutions for financial restructuring and a financial restructuring package, has been approved under the Corporate Debt Restructuring (CDR) mechanism by the CDR Empowered Group of lenders vide letter dated 6th April ,2004. Subsequently the CDR Empowered Group in its meeting held on 8th June, 2005 has approved

modifications to the aforesaid CDR package with the cut off date as 1st April 2005 and communicated to the company vide their letter No. BY CDR(ALB)/No 404 dated 24.06.2005. The modification in the CDR package include, inter-alia, reduction of interest rate on loans with effect from new cut off date, re-schedulement of repayment of loans and Cumulative Redeemable Preference Shares (CRPS) and conversion of certain loan amounts into Zero Coupon Premium Bonds (ZCPBs) . The said CDR package also stipulates conditions to be complied with by the Company and arrangement of additional infusion of working capital from existing or new lenders.

b The Company has complied with most of the conditions as stipulated in CDR package and Master Restructuring Agreement (MRA) has been signed with the lenders. Pursuant to the modified CDR package :

i) Interest to banks and financial institutions has been accounted for at the rates specified in the said package.

ii) The Cumulative Redeemable Preference Shares (CRPS) aggregating to Rs. 805,000,000 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 9% from old cut off date till new cut off date and 6.50% from new cut off date. (Also refer Note no.8(d) below)

iii) The Company has issued 23,600,000 and 8,318,000 Zero Coupon Premium Bonds (ZCPBs) of Rs.100 each on 30th October, 2004 and 8th October, 2005 respectively in lieu of the part of term loans and debentures from financial institutions and banks. ZCPBs are to be redeemed in 48 monthly installments, from 30th April 2011 and ending 31st March 2015 on ballooning basis to ensure yield of 8.5% p.a. on simple interest basis by way of premium payable in 36 monthly interest free installments commencing from 30th April, 2015 till 31st March, 2018.

iv) Secured and unsecured working capital loans from banks amounting to Rs. 315,000,000 and Rs. 76,405,937 respectively have been converted into working capital term loans to be repaid in 48 monthly installments, on ballooning basis, from 30th April 2011 and ending 31st March 2015 to ensure yield of 8.5% p.a.on simple interest basis.

v) The outstanding principal amount of secured and unsecured term loans (after conversion into OFCDs and ZCPBs) amounting to Rs.1,756,819,801 (Previous year Rs.1,756,819,801) and Rs.131,594,949 (Previous year Rs.131,594,949) respectively from financial institutions and banks have been rescheduled so as to be repaid on ballooning basis in monthly installments commencing from 30th April, 2007 till 31st March 2013. The installments fallen due/repayable during the year amounted to Rs.89,204,858 (Previous year Rs.61,927,498) and Rs. 6,705,512 (Previous year Rs.4,190,330) which have not been paid respectively for Secured and unsecured loans.

vi) Funded Interest Term Loan (FITL) amounting to Rs.889,683,307 (Previous year Rs.871,947,456) is repayable in twenty four monthly installments commencing from 30th April 2017 till 31st March 2019 and shall not carry any interest.

vii) The Company is required to open and operate Trust and Retention Account and the rights, title and interest in all bank accounts have to be assigned to the lenders by way of first ranking security interest.

viii) The Company has to create securities as stipulated by the CDR Empowered Group.

c Due to continued cash losses and very tight liquidity conditions, the company could not meet its interest and repayment obligations towards its lenders under CDR package its over due amount towards such lenders as on 31st March, 2009 is Rs. 556,912,155 including interest Rs. 394,883,957/-. However the company is in continuous discussions with lenders in respect of such default / possibility of further restructuring /modification in the CDR package in view of this, the company does not expect withdrawal of any relief.

d Some of the Cumulative Redeemable Preference Share (CRPS) shareholders have disputed the modified terms of redemption and rate of dividend as per CDR package on the ground that they have not agreed to any of the restructuring granted by CDR empowered group and hence original terms and conditions of 12% CRPS continues to be in force and accordingly are insisting for redemption and dividend as per the original terms of the issue of CRPS. The management has requested the said CRPS shareholders to accord their approval to revised package in view of the present financial position of the company. One of the shareholders, has, however filed case against the company for recovery which is being contested.

e The company is in process of reconciliation of balances with the lenders i.e. financial institutions and banks. Adjustments, if any, on account of interest/ principal will be made when the same are confirmed by them.

9 In terms of the modified CDR package, Company has to pay interest on term loans on ballooning basis over the period 2006 to 2013 at the ballooning rates of interest from 2% to 15.5% p.a. . The Company accounts for interest at the rate it is required to pay during the respective year in terms of the aforesaid package on monthly rests for this year, in place of @ 8.50% p.a. i.e. on YTM basis. Had the interest been provided for on YTM basis, the loss for the year would have been lower by Rs 88,862,684/- and the accumulated debit balance in the Profit and Loss Account would have been higher by Rs.218,951,740/-.

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

10 Advances recoverable in cash or in kind or for value to be received includes an amount of Rs.22,170,704 (Previous year Rs.22,170,704) on account of work contract undertaken by the Company which was terminated by the customer on the ground of non completion in the agreed time. The Company had disputed the same and took the dispute in arbitration for decision. The Arbitral Tribunal has given the award in favour of the Company. However, the other party has appealed against the award in the Hon'ble High Court at Delhi which is still pending for decision by the High Court. Pending final outcome of the appeal, the above amount is shown under the head advances recoverable and the loss, if any, arising therefrom shall be adjusted/accounted for on receipt of the order of the High Court.

11 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. 550,000,000 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. 550,000,000/- 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. It shall be made as and when the appeal is decided finally.

12 The Company had made a payment of Rs.113,375,183 to certain cumulative preference shareholders as per contractual obligations in the earlier years. The said amounts paid have been treated as "advances" to be adjusted against future expected liability of dividend on cumulative preference shares.

13 In the previous year Company had inadvertently sold 1,500,000 equity share of Rs.10/ each of HFCL Infotel Ltd, which were locked-in- period in terms of BSE letter no. DCS/SMG/RCG/2005/511116 dated 14/03/2006, at a consideration of Rs.20/- per share and accounted for profit of Rs. 15,000,000/- accordingly. The transaction has been reversed during the year and the profit accounted for in pervious year has been reversed during the year under prior period, as the said shares could not be transferred.

14 During the year the Company has paid Guarantee contract/obligation amounting to Rs. 107,405,392/-. It includes Rs.94,673,033/- on account of compensation to its customers/ invocation of performance bank guarantees due to non fulfillment of contractual obligations in terms of work orders and Rs. 12,732,359/- towards obligation payments (as Corporate guarantor) to the lenders of promoted companies against their over dues.

15 In earlier year, one of the banks has transferred 30,000,000 equity shares of Rs.10/- each of HFCL Infotel Ltd, which were pledged with them as security against loan, in their name as beneficial owner and adjusted their loan amount against the value of those shares. The difference between the cost of the said securities and loan outstanding has been accounted for in earlier year as loss on sale of investment. Adjustment, if any, on account of actual realisation of securities by the bank shall be made as and when the same are disposed off.

16 The Accumulated losses of the company as at the end of the financial year have resulted in erosion of more than fifty per cent of its peak net worth during the immediately preceding four financial years. The Company, has reported the fact of such erosion to the BIFR and such erosion was considered by the shareholders in the Extra Ordinary General Meeting held on 25/02/2008, in compliance with the provisions of section 23 of the Sick Industrial Companies (Special Provision) Act, 1985.

17 Sundry debtors include debtors outstanding for more than two years amounting to Rs. 1,584,058,706/- after assignment to third party and provisioning. The Company is in continuous process of working out different modalities of recovery for its remaining long outstanding debtors. Pending outcome of such exercise, provision of Rs. 1,112,043,706/- made during the year, is considered adequate in the opinion of the management.

18 Excise duty on sales has been deducted from gross sales on the face of profit and loss account and 'Increase/(decrease) in excise duty on finished goods' has been shown under the head ' manufacturing and other expenses in schedule 17 as required by Accounting Standard - 9, 'Revenue Recognition' read with Accounting Standard Interpretation 14 (Revised) "Disclosure of Revenue from Sales Transactions."

19 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 :

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

a) Defined Contribution Plan

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

	2008-2009	2007-2008
		Amount (Rs.)
Employer's Contribution to Provident Fund	**7,488,574**	7,854,432
Employer's Contribution to Pension Scheme	**3,579,869**	3,962,776

b) Defined Benefit Plan

The employees' gratuity fund scheme managed by HDFC Standard Life Insurance Company Limited a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation and the obligation for leave encashment is recognised in the same manner as gratuity.

Amount (Rs.)

	Gratuity (Funded)		**Leave Encashment**	
Actuarial assumptions	**2008-2009**	2007-2008	**2008-2009**	2007-2008
Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	**8.00%**	8.00%	**7.00%**	8.00%
Rate of increase in Compensation levels	**8.00%**	5.00%	**8.00%**	8.00%
Rate of Return on plan assets	**8.00%**	8.00%	**N.A.**	N.A.
Average remaining working lives of employees (Years)			**20.84**	20.05
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	**24,189,853**	22,157,345	**16,853,508**	14,787,484
Acquisition adjustment	**Nil**	Nil	**Nil**	Nil
Interest Cost	**2,188,756**	1,764,376	**1,179,766**	1,186,241
Past service cost	**Nil**	Nil	**Nil**	Nil
Current Service Cost	**3,169,602**	2,785,074	**2,195,089**	2,376,348
Curtailment cost / (Credit)	**Nil**	Nil	**Nil**	Nil
Settlement cost /(Credit)	**Nil**	Nil	**Nil**	Nil
Benefits paid	**Nil**	(5,775,450)	**(4,338,926)**	(2,338,695)
Actuarial (gain)/ loss on obligations	**6,192,998**	3,258,508	**1,404,247**	842,130
Present value of obligation as at the end of the period	**35,741,209**	24,189,853	**17,293,664**	16,853,508
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	**6,497,290**	119,038	**Nil**	Nil
Acquisition adjustments	**Nil**	Nil	**Nil**	Nil
Actual return of plan assets	**519,783**	775,051	**N.A.**	N.A.
Employer contribution	**Nil**	12,456,824	**Nil**	Nil
Benefits paid	**Nil**	(5,775,450)	**Nil**	Nil
Actuarial gain/ (loss) on obligations	**(660,021)**	(1,075,673)	**Nil**	Nil
Fair value of plan assets at year end	**6,357,052**	6,499,790	**Nil**	Nil
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	**(140,238)**	(300,622)	**Nil**	Nil
Expected return on plan assets	**519,783**	775,051	**Nil**	Nil
Excess of actual over estimated return on plan assets	**Nil**	Nil	**Nil**	Nil
Actuarial (gain)/ loss-plan assets	**(660,021)**	(1,075,673)	**Nil**	Nil
Actuarial Gain / loss recognised				
Actuarial (gain) / loss for the period - Obligation	**6,192,898**	3,258,508	**1,404,247**	842,130

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

	Gratuity (Funded)		Leave Encashment	Amount (Rs.)
	2008-2009	2007-2008	**2008-2009**	2007-2008
Actuarial (gain) / loss for the period - Plan assets	**660,021**	1,075,673	**Nil**	Nil
Total (gain) / loss for the period	**6,853,019**	4,334,181	**1,404,247**	842,130
Actuarial (gain) / loss recognized in the period	**2,518,838**	4,334,181	**1,404,247**	842,130
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 31st March, 2009	**35,741,209**	24,189,853	**17,293,664**	16,853,508
Fair value of plan assets as at 31st March, 2009	**6,357,052**	6,499,790	**Nil**	Nil
Funded Status	**(29,384,157)**	(17,690,063)	**(17,293,664)**	(16,853,508)
Unrecognised actuarial (gains) / losses	**Nil**	Nil	**Nil**	Nil
Net asset / (liability) recognised in Balance Sheet	**(29,384,157)**	(17,690,063)	**(17,293,664)**	(16,853,508)
Expenses recognised in statement of Profit and Loss :				
Current service cost	**3,169,602**	2,785,074	**2,195,089**	2,376,348
Past service cost	**Nil**	Nil	**Nil**	Nil
Interest Cost	**2,188,756**	1,764,376	**1,179,746**	1,186,241
Expected return on plan assets	**(519,783)**	(775,051)	**Nil**	Nil
Curtailment and settlement cost /(credit)	**Nil**	Nil	**Nil**	Nil
Net Actuarial (gain)/ loss recognised in the period	**6,853,019**	4,334,181	**1,404,247**	842,130
Expenses recognised in the statement of Profit and Loss	**11,691,594**	8,108,580	**4,779,082**	4,404,719
Investment Details				
HDFC Standard Life Insurance Company Limited	**6,357,052**	6,499,790	**-**	-
(Cash accumulation) Policy				

Note-1: 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.

Note-2: The discloser requirements and accounting treatment as required under Accounting Standard 15 (Revised 2005) are being first time implemented during the previous year accordingly the difference amounting to Rs.55,26,287/- between existing provisions for employees benefits (Rs.92,61,197/-, as per erstwhile company policy) and provision for employees benefits in terms of AS-15(R) as at 01/04/2007 (Rs.1,47,87,484/-), have been added with accumulated Losses as at 01/04/2007.

20 In accordance with the Accounting Standard (AS-28) on “Impairment of Assets” the management has appointed an outside agency for conducting an exercise of identifying the assets that may have been impaired, if any. Since the exercise still in process, the effect of diminution in value of assets due to impairment if any shall be given in the accounts upon such determination.

21 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:-

		Amount (Rs.)
	2008-2009	2007-2008
Not later than one year	**4,674,615**	14,306,392
Later than one year but not later than five years	**2,237,997**	13,176,126

22 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.

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

23 As required by Accounting Standard 18 "Related Party Disclosures"

A. Name of related parties and description of relationship:

Relationship	Name of Related Party
(a) Subsidiaries:	HFCL Infotel Ltd.
	HTL Ltd.
	Moneta Finance Pvt. Ltd.
	Infotel Tower Infrastructure Pvt. Ltd.
(b) Associates:	HFCL Bezeq Telecom Ltd
	HFCL Dacom Infochek Ltd (HDIL)
	Infotel Business Solutions Ltd.(formerly known as HFCL Internet Services Ltd)
	HFCL Kongsung Telecom Ltd
	HFCL Satellite Communications Ltd
	Exicom Tele-systems Ltd. (formerly known as Himachal Exicom Communications Ltd)
	The Investment Trust of India Limited
	Microwave Communications Ltd.
	Pagepoint Services (India) Pvt. Ltd.
	Westel Wireless Ltd
	WPPL Ltd
(c) Key management personnel :	Mr. Mahendra Nahata
	Dr. R M Kastia
	Mr. Arvind Kharabanda
(d) Relatives of key management personnel : (with whom transactions have taken place during the year)	Mrs. Kamala Kastia

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

B. Nature of transactions - The transactions entered into with the related parties during the year alongwith related balances as at 31st March, 2009 are as under :

Amount (Rs.)

Particulars	Related parties referred above in		
	1(a)	1(b)	1(d)
Purchases/receiving of Goods and materials	**2,142,000**	**1,214,918**	-
	(2,060,000)	(12,332)	(-)
Services	**72,539,869**	**2,933,550**	-
	(-)	(1,486,542)	(-)
Sales/rendering of			
Goods and materials	**7,216,254**	**45,158,944**	-
	(31,714,502)	(70,902,551)	(-)
Services	**479,889**	**21,398,018**	-
	(1,019,689)	(18,581,423)	(-)
Income			
Rent received	**720,647**	**223,543**	(-)
	(-)	(-)	(-)
Expenses			
Rent/other expenses	**498,369**	**-**	-
	(5,063,035)	(-)	(2,268,000)
Interest on loans	**-**	**464,040**	-
	(-)	(464,040)	(-)
Advance Received	**-**	**-**	-
	(20,200,000)	(289,472)	(-)
Outstanding (net)			
Payables	**4,885,414**	**97,760,185**	-
	(-)	(12,767,860)	(-)
Receivables	**108,321,627**	**56,092,491**	-
	(159,155,375)	(385,338,730)	(-)
Guarantees and collaterals	**5,766,340,621**	**1,459,331,000**	-
	(5,766,340,621)	(1,459,331,000)	(-)

Details of remuneration to directors are disclosed under note B-4 Figure in brackets represent the previous year figures

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

24 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 have been considered as other business segments and are disclosed in the financial statements. Details of business segments are as follows:

Amount(Rs.)

Particulars	**2008-2009**	2007-2008
Segment Revenue		
a. Telecom Products	**928,381,401**	1,759,842,922
b. Turnkey Contracts and Services	**462,608,838**	1,736,075,611
c. Others	**-**	-
Total	**1,390,990,239**	3,495,918,533
Less:Inter segment revenue	**-**	-
Turnover/Income from Operations	**1,390,990,239**	3,495,918,533
Segment Results		
a. Telecom Products	**(2,108,068,118)**	(866,859,601)
b. Turnkey Contracts and Services	**(130,299,757)**	107,857,729
c. Others	**-**	-
Total	**(2,238,367,875)**	(759,001,872)
Less: i. Interest and Finance charges	**909,891,106**	693,726,742
ii.Other un-allocable expenditure net off un-allocable income	**14,295,069**	48,311,683
Profit/(Loss) before Tax	**(3,162,554,050)**	(1,501,040,297)
Capital Employed		
a. Telecom Products	**688,287,025**	3,033,131,297
b. Turnkey Contracts and Services	**587,702,273**	925,497,131
c. Others	**-**	-
Total capital employed in segments	**1,275,989,298**	3,958,628,428
Add: Un-allocable corporate assets less liabilities	**101,650,712**	857,077,750
Total capital employed in Company	**1,377,640,010**	4,815,706,178

(b) Secondary segment information

The Company caters mainly to the needs of Indian market and the export turnover being 3.77% (Previous year 1.16%) of the total turnover of the Company, there are no reportable geographical segments.

25 Deferred Tax

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

Amount (Rs.)

	2008-2009		2007-2008	
	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset
Depreciation	**464,570,812**	**-**	510,827,158	-
Others	**-**	**3,858,221**	-	5,605,786
Unabsorbed losses (to the extent of liability only) *	**-**	**460,712,591**	-	505,221,372
	464,570,812	**464,570,812**	510,827,158	510,827,158
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.

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

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

Particulars	Amount (Rs.) 2008 - 2009	Amount (Rs.) 2007 - 2008
a. Principal amount due	**33,497,769**	1,071,539
Interest due on above	**43,653**	207,835
b. Interest paid during the period beyond the appointed day	**Nil**	Nil
c. Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	**Nil**	Nil
d. Amount of interest accrued and remaining unpaid at the end of the period	**Nil**	Nil
e. Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprises for the purpose of disallowance as a deductible expenditure under Sec. 23 of the Act	**Nil**	Nil

Note: 1. The above informations and that are given in schedule-12 ' Current Liabilities' regarding Micro, Small and Medium Enterprises has been determine on the basis of information available with the Company and has been relied upon by the auditors.

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

Amount (Rs.)

	2008-2009	2007-2008
(a) Basic Earning per share		
Profit /(Loss) after tax	**(3,166,763,162)**	(1,505,485,331)
Less: Preference dividend	**52,325,000**	52,325,000
Profit attributable to ordinary shareholders	**(3,219,088,162)**	(1,557,810,331)
Weighted average number of ordinary shares	**442,793,697**	442,793,697
Nominal value of ordinary share	**10**	10
Earning per share	**(7.27)**	(3.52)
(b) Diluted Earning per share		
Profit /(Loss) after tax	**(3,166,763,162)**	(1,505,485,331)
Less: Preference dividend	**52,325,000**	52,325,000
Profit attributable to ordinary shareholders	**(3,219,088,162)**	(1,557,810,331)
Weighted average number of ordinary shares	**442,793,697**	442,793,697
Nominal value of ordinary share	**10**	10
Earning per share	**(7.27)**	(3.52)

28 Details of loans and advances in nature of loans outstanding from Subsidiary for the year ended 31st March, 2009 - Disclosure required by Clause 37 of the Listing Agreement.

	Outstanding as at		**Maximum amount outstanding during the year**	
Subsidiary Company	**31.03.2009**	31.03.2008	**31.03.2009**	31.03.2008
Moneta Finance (P) Ltd.	**149,450**	107,950	**149,450**	107,950

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

30 Additional information pursuant to Paragraphs 3,4C and 4D of Part-II of the Schedule VI to The Companies Act, 1956

(Previous year's figures are in brackets unless otherwise shown in separate columns)

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

(A) Licenced and installed capacity and actual production

Product	Unit	Licenced * capacity	Installed capacity	Actual production
Analog subscriber carrier system	Lines	**N.A**	**20,000**	**-**
		(N.A)	(20,000)	(-)
Coils **	Nos	**N.A**	**600,000**	**-**
		(N.A)	(600,000)	(-)
30 CH-PCM	Nos	**N.A**	**2,028**	**-**
		(N.A)	(2,028)	(-)
Optical line terminal	Nos	**N.A**	**480**	**-**
equipment (OLTE)-systems #		(N.A)	(480)	(-)
OLTE terminals #	Nos	**N.A**	**1,200**	**-**
		(N.A)	(1,200)	(-)
STM ##	Nos	**N.A**	**1,200**	**-**
		(N.A)	(1,200)	(-)
Digital Cross Connection (DXC) ##	Nos	**N.A**	**225**	**-**
		(N.A)	(225)	(-)
D L C	Nos	**N.A**	**240**	**-**
		(N.A)	(240)	(-)
Dense Wavelength Digital Multiplexer (DWDM)	Nos	**N.A**	**150**	**-**
		(N.A)	(150)	(-)
Microwave communications equipments	Nos	**N.A**	**1,700**	**-**
		(N.A)	(1,700)	(-)
CorDECT (Infra/FWT)	Lines	**N.A**	**350,000**	**-**
		(N.A)	(350,000)	(-)
CDMA (Infra/FWT)	Lines	**N.A**	**650,000**	**-**
		(N.A)	(650,000)	(-)
Digital Satellite Phone Terminals (DSPT)	Nos	**N.A**	**12000**	**430**
		(N.A)	(12,000)	(485)
Optical fiber cables @	Kms	**N.A**	**25,704**	**21,899**
		(N.A)	(25,704)	(28,287)
Software	N.A	**N.A**	**N.A**	**Not**
		(N.A)	(N.A)	**ascertainable**

Notes

* As none of the Company's products are covered under licensing requirements of the new Industrial Policy, the licenced capacity is being treated and disclosed as 'N.A' i.e. Not Applicable. Installed capacity is taken as certified by the management being a technical matter.

** Coils are mainly used for captive consumption.

\# The installed capacity for OLTE is 480 nos. of systems. It will be equivalent to 960 nos. for fully equipped terminals or 1440 nos. for a product mix of fully equipped terminals and regenerators.

\## The installed capacity of STM/DXC is either 1200 nos. of STM-1 or 900 nos. of STM-16 or 225 nos.of DXC.

@ The installed capacity of optical fibre cable is based on number of fibre in the cable and is calculated on 12 Fibre Unitube cable.

(B) Opening and closing stock of finished goods

Product	Unit	Opening stock		Closing stock	
		Qty	Value (Rs.)	Qty	Value (Rs.)
OLTE - terminals	Nos	**3**	**2,844,615**	**3**	**2,844,615**
		(3)	(2,844,615)	(3)	(2,844,615)
STM Cards	N.A.	**-**	**3,416,776**	**-**	**3,416,776**
		(-)	(3,416,776)	(-)	(3,416,776)
Optical fibre cables	Kms	**13**	**497,787**	**10**	**214,399**
		(13)	(1,143,046)	(13)	(497,787)
Total			**6,759,178**		**6,475,790**
			(7,404,437)		(6,759,178)

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

(C) Sales and services

Product	Unit	Qty	Value (Rs)
Optical Fibre Cables	Kms	**21,902**	**427,087,579**
		(28,287)	(615,842,350)
Turnkey contracts and services	N.A.	**N.A.**	**462,608,838**
		(N.A.)	(1,736,075,611)
Job charges & annual maintenance charges	N.A.	**N.A.**	**120,658,878**
		(N.A.)	(95,545,140)
FWT	Nos	**24,360**	**31,396,165**
		(55,600)	(70,902,551)
Digital Satellite Phone Terminals (DSPT) with accessories	Nos	**430**	**2,250,147**
		(485)	(37,555,375)
Components and others #	N.A.	**N.A.**	**391,246,918**
		(N.A.)	(1,023,261,242)
(# In view of various items of different nature and specifications the quantitative details are not furnished)		**Total**	**1,435,248,525**
			(3,579,182,269)

(D) Material Consumed/Cost of goods sold

		2008 - 2009		2007 - 2008	
	Unit	Qty	Value(Rs.)	Qty	Value(Rs.)
PCBs	Nos	**1,867**	**481,493**	7,105	2,837,804
ICs	Nos	**214,149**	**9,519,714**	225,536	37,628,854
Optical fibre	Kms	**291,892**	**105,597,812**	480,347	177,479,171
Nylon-12	Kgs	**89,890**	**31,899,155**	62,125	16,898,452
FRP Rod	Kms	**-**	**-**	151	364,392
FWT	Nos	**-**	**-**	55,600	69,663,146
DSPT (Digital Satellite Phone Terminals) with accessories#	N.A.	**-**	**4,491,626**	485	34,116,274
For turnkey contracts and services#	N.A.	**-**	**52,260,613**	-	1,217,328,602
Components and others #	N.A.	**-**	**497,885,730**	-	1,141,794,730
			702,136,143		2,698,111,425

(# It is not practicable to furnish quantitative information of components consumed in view of the considerable number of items diverse in size and nature.)

(E) Value of imported and indigenous raw material and stores & spares consumed

Particulars	**2008 - 2009**		2007 - 2008	
	%	**Value (Rs.)**	%	Value (Rs.)
(a) Raw materials				
Imported	**46**	**162,975,072**	15	257,680,785
Indigenous	**54**	**190,273,118**	85	1,493,741,170
	100	**353,248,190**	100	1,751,421,955
(b) Component purchased				
Imported	**22**	**76,494,100**	1	12,536,343
Indigenous	**78**	**272,393,853**	99	934,153,127
	100	**348,887,953**	100	946,689,470
(c) Stores & spares				
Imported	**3**	**493,788**	30	4,915,535
Indigenous	**97**	**15,449,724**	70	11,637,857
	100	**15,943,512**	100	16,553,392

SCHEDULES FORMING PART OF THE ACCOUNTS......contd.

(F)	**Value of Imports on CIF Basis**	**2008 - 2009**	2007 - 2008
	Raw material & components	**161,880,397**	280,426,235
	Stores & spares	**428,813**	2,902,588
	Capital goods	**630,128**	43,228,723
(G)	**Expenditure in foreign currency**		
	(On payment basis)		
	Technical Know how fee	**-**	4,297,955
	Others	**2,407,117**	5,831,700
(H)	**Earnings in foreign exchange**		
	FOB Value of export	**54,062,591**	41,746,545

31 BALANCE SHEET ABSTRACT AND COMPANY S GENERAL BUSINESS PROFILE

I.	**Registration Details**		
	Registration No.	:	7466
	State Code	:	06
	Balance Sheet Date	:	31.03.2009
II.	**Capital raised during the year (Amount in Rupees Thousands)**		
	Public Issue	:	-
	Rights Issue	:	-
	Bonus Issue	:	-
	Private Placement	:	-
III.	**Position of Mobilisation and Deployment of Funds**		
	(Amount in Rupees Thousands)		
	Total Liabilities	:	28,629,134
	Total Assets	:	28,629,134
	Sources of Funds		
	Paid-up Capital	:	5,232,906
	Reserves & Surplus	:	11,043,757
	Secured Loans	:	9,027,957
	Unsecured Loans	:	3,324,514
	Application of Funds		
	Net Fixed Assets	:	2,215,296
	Investments	:	7,196,682
	Net Current Assets	:	4,318,133
	Accumulated Losses		14,899,023
IV.	**Performance of Company (Amount in Rupees Thousands)**		
	Turnover including other income	:	1,489,660
	Total Expenditure including prior period adjustments	:	4,652,214
	Loss before tax	:	3,162,554
	Loss after tax	:	3,166,763
	Earning per equity share (in Rupees)	:	(7.27)
	Dividend rate (%)-On equity share capital	:	-
V.	**Generic names of four Principal Products / Services of Company (as per monetary terms)**		
	Product Description		Item Code (ITC Code)
	(a) Optical Line Terminal Equipment (OLTE)	:	85.17
	(b) Microwave Communication/WLL Equipment	:	85.25
	(c) Software	:	85.24
	(d) Optical Fibre Cable	:	85.44

As per our report of even date attached
For Khandelwal Jain & Co.
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 30th June, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board
M P Shukla — *Chairman*
Mahendra Nahata — *Managing Director*
Dr. R M Kastia — *Director*
Arvind Kharabanda — *Director (Finance)*

New Delhi, 30th June, 2009

CASH FLOW STATEMENT

for the year ended 31st March 2009

Particulars		Year ended 31.3.2009 (Rs.)	Year ended 31.3.2008 (Rs.)
A. Cash Flow from Operating Activities :			
Net Profit before taxes		**(3,171,133,675)**	(1,543,195,313)
Adjustments for :			
Depreciation	**257,095,349**		255,614,493
Loss /(Profit) on sale of pledged/other investments	**-**		2,275,000
Provision for diminution in value of investments	**43,316**		1,638
Interest & finance charges	**909,891,106**		693,726,742
Interest income	**(8,077,373)**		(16,341,358)
Dividend income	**(6,905,781)**		(92,187)
Technical knowhow fee written off	**4,357,824**		16,007,813
Loss/(Profit) on sale of fixed assets	**2,743,710**		262,598
Bad Debts written off	**2,892,994**		4,802,013
Payment towards guarantee obligation	**107,405,392**		18,966,612
		1,269,446,537	975,223,364
Operating Profit before working capital changes		**(1,901,687,138)**	**(567,971,949)**
Adjustments for :			
Trade and other receivables	**2,186,438,911**		970,405,257
Inventories	**220,025,583**		(59,688,115)
Trade payables	**(527,089,701)**		(764,722,283)
		1,879,374,793	145,994,859
Cash generated from operations		**(22,312,345)**	(421,977,090)
Prior period adjustments		**8,579,619**	42,248,278
Net Cash used in operating activities		**(13,732,726)**	**(379,728,812)**
B. Cash flow from investing activities			
Purchase of fixed assets		**(17,610,423)**	(67,817,474)
Sale of fixed assets		**1,260,827**	1,716,730
Purchase of investments		**(8,208)**	(7,242)
Sale/disposal of investments		**70,000,000**	7,500,000
Disposal/(reversal) of investment in subsidiary		**(15,000,000)**	47,275,000
Loans and advances		**61,702,501**	(1,781,639)
Interest paid (net)		**(382,716,773)**	(179,721,790)
Dividend received		**6,905,781**	92,187
Net Cash used in investing activities		**(275,466,295)**	**(192,744,228)**
C. Cash flow from financing activities			
Proceeds from long term/short term borrowings			
Secured	**71,502,277**		-
Unsecured	**1,989,755,000**		1,247,200,000
		2,061,257,277	1,247,200,000
Repayment of long term/short term borrowings			
Secured	**(1,750,186)**		(333,555,447)
Unsecured	**(1,683,614,381)**		(107,281,621)
		(1,685,364,567)	(440,837,068)
Interest paid (net)		**(118,832,209)**	(314,942,667)
Net Cash from financing activities		**257,060,501**	**491,420,265**
Net increase in cash & cash equivalents		**(32,138,520)**	**(81,052,775)**
Cash & cash equivalents (Opening Balance)		**279,120,765**	**360,173,540**
Cash & cash equivalents (Closing Balance) (refer Schedule 9)		**246,982,245**	**279,120,765**

As per our report of even date attached
For Khandelwal Jain & Co.
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 30th June, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board
M P Shukla — *Chairman*
Mahendra Nahata — *Managing Director*
Dr. R M Kastia — *Director*
Arvind Kharabanda — *Director (Finance)*

New Delhi, 30th June, 2009

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY S INTEREST IN SUBSIDIARY COMPANIES

Particulars	Name of the Subsidiary Company			
	HTL Ltd.	**Moneta Finance Pvt. Ltd.**	**HFCL Infotel Ltd. (HITL)**	**Infotel Tower Infrastructure (Pvt.) Limited**
1 The Financial Year of the Subsidiary ended on	31.03.2009	31.03.2009	31.03.2009	31.03.2009
2 Shares of the Subsidiary held by the Company on the above date				
(a) Number and face value	11,10,000 equity shares of Rs.100/- only	3,00,000 equity shares of Rs.10/- only	32,67,05,000 equity shares of Rs.10/- only	9,980 equity shares of Rs.10/- only
(b) Extent of Holding	74%	100%	62%	99.80% (Held by HITL)
3 Net aggregate of profits /(losses) of the subsidiary for the above financial year so far as they concern members of the Company (Rs in Lakhs)				
(a) Dealt with in the accounts of the Company for the year ended 31st March, 2009	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of the Company for the year ended 31st March, 2009	(10,426.96)	4.15	(21,472.95)	(7.56)
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 (Rs in Lakhs)				
(a) Dealt with in the accounts of the Company for the year ended 31st March, 2008	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of the Company for the year ended 31st March, 2008	(4,518.96)	3.41	(14,253.58)	

For and on behalf of the Board

M P Shukla	*Chairman*
Mahendra Nahata	*Managing Director*
Dr. R M Kastia	*Director*
Arvind Kharabanda	*Director (Finance)*

Manoj Baid
Company Secretary

New Delhi, 31st July, 2009

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** as at 31st March 2009, the Consolidated Profit & Loss Account 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 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (Net) of Rs. 1,672,596,455/- as at 31st March 2009, total revenue of Rs. 2,644,001,199/- and net cash flow of Rs. 13,645,080/- for the year then ended. These financial statements and other financial information of the subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other auditors.

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, 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) *Note C5 of Schedule 21, regarding the Company has accounted for the impact of modified CDR package after complying with most of the terms and conditions stipulated therein, however compliance of some of them are still in process. The company is also not regular in payment of its dues including interest thereon to the lenders and may be liable to consequential withdrawal of any of the relief's granted earlier.*

   b) *Note C6 of Schedule 21, regarding the Company has, in terms of the CDR package, provided for interest on ballooning basis at the rate specified for the year which is higher then the rate on YTM basis i.e. @ 8.5% per annum, resulting in the loss for the year is higher by Rs. 88,862,684/-. Had the interest has been provided on YTM basis, the cumulative effect upto 31st March 2009 on the provision for interest and accumulated losses would have been higher by Rs. 218,951,740/-.*

   c) *Note C11 of Schedule 21, regarding the sundry debtors outstanding for a long period, we are unable to comment on the extent of realisability and consequently on the adequacy of provision for doubtful debts made by the Company.*

   d) *Note C14 of Schedule 21, regarding balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmation reconciliation and adjustments, if any.*

   e) *Note C4 of Schedule 21, regarding the Company has paid remuneration to managerial personnel during the year for which approval of central government is yet to be obtained.*

   f) *Note C12 of Schedule 21, regarding the Company is in process of determining the impairment loss, if any, on its assets as per Accounting Standard - 28 "Impairment of Assets" issued by The Institute of Chartered Accountants of India and will give effect thereto upon such determination. As such we are unable to express any opinion as to the effect thereof on the value of Assets and loss for the year.*

The effect of items mentioned at paragraph 5(a), (c), (d), (e) and (f) above is unascertainable, and hence the consequential cumulative effect thereof on loss for the year, assets, liabilities and reserves is unascertainable. If the observation at paragraph 5(b) above had been considered, the loss for the year would have been lower by Rs 88,862,684/-. and accumulated debit balance in profit and loss account and the liabilities and provisions would have been higher by Rs. 218,951,740/-.

6. Further to our comments as above, we report that:

   a) In the case of the subsidiary, HFCL Infotel Ltd. attention is drawn to following notes appearing in Schedule 21 of Notes forming part of CFS:-

   (i) Without qualifying the opinion, attention is drawn to Note No. C15(A)(ii) regarding the Group has incurred a loss of Rs 1,957,743,020 during the year (accumulated loss of Rs 11,194,623,558) resulting into erosion of its net-worth, and has a net current liability of

Rs 3,420,336,760 (after considering provision for interest amounting to Rs 1,025,846,205 being the difference in the amount paid in comparison to the amount accrued on yield basis as per the CDR scheme) as of March 31, 2009. The Group has achieved profitability at the 'Earnings before interest and depreciation/amortisation' level, and is also able to generate cash from operations during previous financial year. Further the Subsidiary has paid Rs 1,517,500,000 towards alternate technology, which has been currently funded through an advance. The ability of the Subsidiary to continue as a going concern is significantly dependent on its ability to successfully arrange the balance funding in terms of the CDR scheme and achieve financial closure to fund its operating and capital funding requirements and launch the alternate technology operations as well as increase subscriber growth. The management is in the process of arranging funds and it is confident of generating cash flows and to fund the operating and capital requirements of the Subsidiary in the event of any delay in the arrangement of the balance funding. Accordingly, these statements have been prepared on a going concern basis.

(ii) *Attention is drawn to Note No. C15(A)(xi) regarding the Subsidiary has obtained advance of Rs. 1,517,500,000 from a non shareholder Company/ Promoter to fund the entry fee for using alternate technology under existing Unified Access Service License (UASL) for Punjab Service Area during March 31, 2008 and Rs. 111,000,000 for operations during the year. The terms and conditions with respect to tenure, interest, rights and obligations etc. are yet to be finalised, hence we are unable to comment on the carrying value and thereby its impact on the profit and loss for the year.*

(iii) *Attention is drawn to Note No. C15(A)(v) regarding the Subsidiary has given effect to restructuring of secured loans pursuant to the revised restructuring package approved by Corporate Debt Restructuring Cell ('CDR') vide their letter no CDR (JCP) No 138 / 2009-10 dated May 20, 2009('CDR letter') We have relied upon the CDR letter and the confirmation from the lenders is awaited*

b) In the case of the subsidiary, HTL Ltd. attention is drawn to Note No.C15(B)(i) of Schedule 21 of Notes forming part of CFS, the Subsidiary incurred a net loss of Rs. 1,040,070 thousands during the year and has accumulated losses of Rs 3,887,410 thousands as at March 31, 2009, which has resulted in negative net worth of Rs. 3,737,410 thousands. The Subsidiary's current liabilities have exceeded its current assets by Rs 1,982,887 thousands as at that date. Further, the Subsidiary has overdrawn borrowings from banks by Rs. 492,613 thousands and also has overdue loans from Government of India amounting to Rs 62,420 thousands together with interest accrued and due thereon of Rs. 166,440 thousands. The turnover during the current year is only Rs 380,124 thousands. The Subsidiary plans to raise fund are dependent on resolution of various uncertainties and litigation involving the sale of land as referred in the above note. These factors along with other matters as set forth in the above note raise substantial doubt that the Subsidiary will be able to continue as a going concern. The Subsidiary is hopeful of a successful outcome in the litigation. The Subsidiary has also received orders for erection of Telecom Towers and is also expecting further orders for Telecom Towers and Integrated Fixed Wireless Terminals. In expectation of the successful outcome of the above proposals, the financials statements have been prepared on a going concern basis. In view of the above, 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 also read along with comment in Para 6(a)(i) above and *subject to Para 5, 6(a)(ii) and (iii) and 6(b) 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, 2009;

(b) in the case of the Consolidated Profit and Loss Account, 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.,
Chartered Accountants**,**

(Akash Shinghal)
Partner
Membership No:103490

Place: New Delhi
Dated:31st July, 2009

Consolidated Balance Sheet

As at 31st March, 2009

	Schedule No.		As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
I SOURCES OF FUNDS				
1 Shareholders' funds				
(i) Share Capital	1	5,232,905,920		5,232,905,920
(ii) Advance against share application money		867,431,181		867,431,181
(iii) Reserves & surplus	2	11,244,939,454		11,529,353,041
			17,345,276,555	17,629,690,142
2 Minority Interest			-	600
3 Loan funds				
(i) Secured loans	3	17,139,953,388		15,980,791,408
(ii) Unsecured loans	4	4,971,831,523		4,692,131,340
			22,111,784,911	20,672,922,748
			39,457,061,466	38,302,613,490
II APPLICATION OF FUNDS				
1 Fixed assets	5			
(i) Gross block		18,123,172,120		18,607,319,891
(ii) Less :Depreciation/ Impairment		9,075,069,261		8,447,706,438
(iii) Net block		9,048,102,859		10,159,613,453
(iv) Capital work-in-progress		169,798,901		220,911,241
(v) Technical know-how fees		-		4,357,831
			9,217,901,760	10,384,882,525
2 Investments	6		2,796,460,333	3,620,619,464
3 Goodwill (on consolidation of subsidiaries)			477,885,464	490,996,051
4 Deferred Tax Assets			353,696	-
5 Current Assets, loans and advances				
(i) Inventories	7	648,611,135		900,413,778
(ii) Sundry debtors	8	5,661,932,483		7,942,889,178
(iii) Cash and bank balances	9	488,784,051		692,853,857
(iv) Other current assets	10	233,880,857		230,752,400
(v) Loans and advances	11	1,104,725,681		1,135,006,573
		8,137,934,207		10,901,915,786
Less : Current liabilities and provisions				
(i) Current Liabilities	12	9,057,025,022		8,694,743,407
(ii) Provisions	13	165,811,347		238,408,596
Net Current Assets			(1,084,902,162)	1,968,763,783
6 Miscellaneous expenditure				
(to the extent not written off or adjusted)	14		-	4,449,196
7 Profit & Loss Account			28,049,362,375	21,832,902,471
			39,457,061,466	38,302,613,490
Notes forming part of consolidated financial statements	21			

As per our report of even date attached

For **Khandelwal Jain & Co.**
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 31st July, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board

M P Shukla — *Chairman*
Mahendra Nahata — *Managing Director*
Dr. R M Kastia — *Director*
Arvind Kharabanda — *Director (Finance)*

New Delhi, 31st July, 2009

Consolisated Profit & Loss Account

For the year ended 31st March, 2009

	Schedule No.		2008-2009 Rs.	2007-2008 Rs.
INCOME				
Sales and services		3,971,221,252		6,056,594,543
Less: Excise Duty		47,295,374		85,979,986
			3,923,925,878	5,970,614,557
Profit/(Loss) on dilution of investments in subsidiary			165,084,281	52,237,915
Profit/(Loss) on sale of fixed assets			179,230,017	(25,106,568)
Other income	15		82,089,901	51,194,426
Increase/(decrease) in stock	16		(115,007,432)	(28,363,296)
			4,235,322,645	6,020,577,034
EXPENDITURE				
Materials consumed/cost of goods sold	17		1,053,074,352	2,710,401,049
Cost of traded goods sold	18		12,928,670	(207,750)
Manufacturing and other expenses	19		3,034,638,137	1,880,036,795
Impact of price revision of sales of earliers			-	(7,757,338)
Network operation expenditure			1,133,672,179	1,150,464,770
Depreciation			1,237,880,628	1,287,170,055
Finance charges	20		1,957,700,664	1,686,139,239
Provision for diminution in value of investments			699,714,216	1,638
Provision for doubtful debts and advances			1,130,178,838	532,777,539
Bad Debts written off			66,719,544	160,566,004
Research & Development expenses written off			20,551	2,346,725
Payment towards guarantee contract/obligation			107,405,392	18,966,612
			10,433,933,171	9,420,905,338
PROFIT/(LOSS) BEFORE TAXES			(6,198,610,526)	(3,400,328,304)
Provision for taxation :				
Current tax			54,330	152,648
Deferred tax			(353,696)	-
Fringe Benefit Tax			10,568,808	12,307,906
Deferred Tax			(353,696)	-
Share of results of Associates			53,408,873	(43,038,359)
PROFIT/(LOSS) FOR THE YEAR BEFORE MINORITY INTEREST			(6,262,288,841)	(3,369,750,499)
Prior period adjustments			45,828,937	23,462,139
Less : Minority Interest			-	-
PROFIT/(LOSS) AFTER MINORITY INTEREST			(6,216,459,904)	(3,346,288,360)
Add : Balance brought forward from previous year			(21,832,902,471)	(18,481,087,823)
Add : Charge on account of transitional under AS-15			-	(5,526,288)
Balance carried to Balance Sheet			(28,049,362,375)	(21,832,902,471)
Earning per share (Face value of Rs.10/- each)				
Basic (Rs.)			(14.16)	(7.68)
Diluted (Rs.)			(14.16)	(7.68)
Notes forming part of consolidated financial statements	21			

As per our report of even date attached

For **Khandelwal Jain & Co.**
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 31st July, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board

M P Shukla — *Chairman*
Mahendra Nahata — *Managing Director*
Dr. R M Kastia — *Director*
Arvind Kharabanda — *Director (Finance)*

New Delhi, 31st July, 2009

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
1. SHARE CAPITAL			
Authorised :			
500,000,000 (Previous year 500,000,000) Equity shares of Rs.10/- each		5,000,000,000	5,000,000,000
25,000,000 (Previous year 25,000,000) Cumulative redeemable preference shares of Rs.100/- each		2,500,000,000	2,500,000,000
		7,500,000,000	7,500,000,000
Issued & Subscribed :			
442,793,697 (Previous year 442,793,697) Equity shares of Rs.10/- each		4,427,936,970	4,427,936,970
7,000,000 (Previous year 7,000,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each		700,000,000	700,000,000
1,050,000 (Previous year 1,050,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each		105,000,000	105,000,000
		5,232,936,970	5,232,936,970
Paid Up :			
442,793,697 (Previous year 442,793,697) Equity shares of Rs.10/- each, fully paid up		4,427,936,970	4,427,936,970
Less : Calls in arrears		31,050	31,050
		4,427,905,920	4,427,905,920
7,000,000 (Previous year 7,000,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each, fully paid up		700,000,000	700,000,000
1,050,000 (Previous year 1,050,000 9%) 6.5% Cumulative redeemable preference shares of Rs.100/- each, fully paid up		105,000,000	105,000,000
		5,232,905,920	5,232,905,920
2. RESERVES & SURPLUS			
Capital Reserve			
Central investment subsidy	1,000,000		1,000,000
Consolidation of Associates	189,281,915		189,281,915
Gain on foreign exchange fluctuation	244,753,082		244,753,082
Share Warrants forfeited	46,000,000		46,000,000
D.G. set subsidy	13,911		13,911
		481,048,908	481,048,908
Securities Premium Account			
Opening balance	10,536,310,246		10,807,613,246
Add : Addition during the year	-		13,110,587
Less: Premium payable on redemption of bonds	271,303,000		271,303,000
		10,265,007,246	10,549,420,833
Amalgamation Reserve		96,983,300	96,983,300
Capital Redemption Reserve		140,000,000	140,000,000
Debenture Redemption Reserve		250,000,000	250,000,000
Statutory Reserve		11,900,000	11,900,000
		11,244,939,454	11,529,353,041

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS ......contd.

3. SECURED LOANS	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
Zero coupon premium bonds	2,664,100,000	2,664,100,000
Working capital loans from banks	2,383,396,281	2,222,341,643
Term loans from financial institutions and banks	8,266,790,286	8,297,040,286
Funded Interest term loan	790,722,387	780,569,890
Other loans	64,184,688	70,571,633
Premium payable on redemption of bonds and debentures	1,294,754,530	1,068,306,030
Interest accrued and due	1,676,005,216	877,861,926
	17,139,953,388	15,980,791,408

4. UNSECURED LOANS		
Term loans from banks	208,000,886	208,000,886
Funded interest term loans	98,960,920	91,377,566
Loans from bodies corporate	3,069,636,177	2,733,495,558
Loans from Govt. of India	62,420,000	62,420,000
Vendor Finance Facilities	311,440,519	403,252,347
Zero coupon premium bonds	527,700,000	527,700,000
Optionally Fully Convertible Debentures	166,776,100	166,776,100
Premium payable on redemption of bonds	242,648,037	197,793,537
Interest accrued and due	284,248,884	301,315,346
	4,971,831,523	4,692,131,340

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS ......contd.

5. FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2008	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2009	Upto 31.03.2008	For the year	On Sales/ Adjustments	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Land - Leasehold	17,361,797	-	-	17,361,797	1,953,198	178,700	-	2,131,898	15,229,899	15,408,599
- Freehold	24,310,469	-	-	24,310,469	-	-	-	-	24,310,469	24,310,469
2. Buildings-Leasehold	14,456,746	-	-	14,456,746	4,029,729	-	-	4,029,729	10,427,017	10,427,017
- Freehold	378,329,678	-	-	378,329,678	109,861,257	10,194,190	-	120,055,447	258,274,321	268,468,421
- Leasehold Improvements	119,961,330	615,585	14,662,202	105,914,713	82,306,627	7,471,658	8,020,298	81,757,987	24,156,726	37,654,703
3. Plant & machinery	4,578,050,537	9,567,040	8,552,305	4,579,065,272	2,336,285,644	246,690,598	6,188,196	2,576,788,046	2,002,277,226	2,241,764,893
4. Network Equipment	3,547,851,095	168,866,137	553,240,452	3,163,476,780	1,827,824,141	336,961,940	402,913,940	1,761,872,725	1,401,604,055	1,720,026,954
5. Optical Fibre Cable & Copper Cable	4,164,981,882	23,582,211	-	4,188,564,093	1,693,654,675	292,359,514	-	1,986,014,189	2,202,549,904	2,471,327,207
6. Telephone Instruments at Customers Premises	991,919,044	107,134,095	241,589,054	857,464,085	646,045,051	141,954,508	172,688,262	615,311,297	242,152,788	345,873,993
7. Electrical installation	49,637,626	-	-	49,637,626	42,577,122	1,297,454	-	43,874,576	5,763,050	7,060,504
8. Furniture & fixtures	94,005,288	5,023,229	1,076,794	97,951,723	78,046,559	6,530,913	480,795	84,096,677	13,855,046	15,958,729
9. Office equipments	667,833,662	13,714,354	11,268,200	670,279,816	502,602,773	49,341,003	5,857,003	546,086,717	124,193,099	165,230,889
10. Vehicles	87,925,903	5,438,468	10,929,456	74,434,915	62,786,517	8,841,455	14,367,800	57,260,172	17,174,743	25,139,386
11. Moulds & dies	536,231	-	-	536,231	531,680	1,366	-	533,046	3,185	4,551
Intangible Assets										
12. Licence entry fees	3,870,158,603	-	-	3,870,158,603	1,059,201,465	136,055,290	-	1,195,256,755	2,674,901,848	2,810,957,138
13. Goodwill	-	31,229,573	-	31,229,573	-	-	-	-	31,229,573	-
TOTAL	18,607,319,891	365,170,692	849,318,463	18,123,172,120	8,447,706,438	1,237,878,589	610,515,766	9,075,069,261	9,048,102,859	10,159,613,453
Previous year	16,438,378,685	2,285,542,643	116,601,437	18,607,319,891	7,246,892,471	1,287,263,317	86,449,350	8,447,706,438	10,159,613,453	9,191,486,214

NOTES :-

1. Out of the depreciation for the year an amount of Rs. Nil (Previous year Rs 93,262/-) has been transferred to prior period adjustment account.
2. 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.342,833,202, Electrical Installation Rs.1,245,295 and Office Equipments Rs.12,440,707.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS ......contd.

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
6. INVESTMENTS		
A. LONG TERM INVESTMENTS (at cost)		
(a) Trade Investments - Unquoted		
In equity shares (fully paid up)	1,708,801,002	1,708,801,002
(b) Investments in Associates - Unquoted		
In equity shares (fully paid up)	150,606,869	974,730,892
(c) 0% Fully Optionally Convertible Debentures - Unquoted	935,200,000	935,200,000
B. CURRENT INVESTMENTS		
(At lower of cost and fair value)		
(a) In equity shares (fully paid up)		
(i) Quoted	1,614,162	1,657,478
(ii) Unquoted	100,000	100,000
(b) In units (fully paid up)		
Quoted	138,300	130,092
	2,796,460,333	3,620,619,464
7. INVENTORIES		
(As Certified and valued by the management)		
Stores & spare parts	44,234,767	34,943,044
Loose tools	1,338,741	1,846,648
Raw materials	496,454,002	555,813,579
Raw materials in transit	6,180,543	107,211,597
Packing materials	908,150	653,178
Work in process	262,610,123	379,889,243
Finished goods	20,766,112	18,494,424
Stocks in trade (Securities)	62,141,864	75,070,534
Less: Provision for Non Moving	(246,023,167)	(273,508,469))
	648,611,135	900,413,778
8. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
- Secured considered good	2,201,627	679,966
- Unsecured considered good	4,711,832,418	5,964,358,133
- Unsecured considered doubtful	1,577,068,105	1,196,695,121
Debts outstanding for a period less than six months		
- Secured considered good	9,266,309	28,692,519
- Unsecured considered good	935,262,531	1,949,158,560
- Unsecured considered doubtful	13,680,977	22,279,934
	7,249,311,967	9,161,864,233
Less : Provision for doubtful debts	1,587,379,484	1,218,975,055
	5,661,932,483	7,942,889,178
9. CASH AND BANK BALANCE		
Cash on hand	5,560,672	4,173,154
Cheques in hand	12,003,250	13,782,961
Balances with Scheduled banks in		
Current accounts	81,694,823	89,367,305
Fixed deposit / Margin money account	389,525,306	585,530,437
	488,784,051	692,853,857

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS ......contd.

		As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
10. OTHER CURRENT ASSETS			
Interest receivable		30,646,814	24,229,692
Discarded assets held for sale		1,374,424	1,374,424
Security deposits		111,662,918	115,871,018
Insurance claim receivable		90,196,701	89,277,266
		233,880,857	230,752,400
11. LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
Loans		78,774,801	80,063,650
Advances recoverable in cash or in kind or for value to be received		499,574,289	646,602,539
Advances to vendors		338,567,346	403,557,720
Balances with Central excise & Customs authorities		121,946,784	80,972,335
Advance payment of Income tax (net of provisions)		114,425,697	103,970,093
		1,153,288,917	1,315,166,337
Less : Provision for doubtful advances		48,563,236	180,159,764
		1,104,725,681	1,135,006,573
12. CURRENT LIABILITIES			
Sundry creditors		5,031,635,279	4,442,839,567
Acceptances		-	34,991,472
Unclaimed dividends		441,005	520,779
Unclaimed deposits		532,079	802,574
Other liabilities		723,214,041	702,730,025
Interest accrued but not due		1,057,317,375	997,882,895
Advances from customers		2,243,885,243	2,514,976,095
		9,057,025,022	8,694,743,407
13. PROVISIONS			
Provisions for tax		9,770,700	90,185,226
Provisions for employees' retirement benefits		156,040,647	148,223,370
		165,811,347	238,408,596
14. MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Voluntary Retirement Scheme Expenditure			
Opening Balance	4,449,196		9,392,839
Add: Incurred during the year	-		357
Less: Written off during the year	4,499,196	-	4,944,000
		-	4,449,196

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS ......contd.

		2008-2009	2007-2008
15. OTHER INCOME		Rs.	Rs.
Interest (Gross)			
On fixed deposits	26,390,532		38,571,924
On loans and advances	212,474		60,798
Others	219,890		3,362,711
		26,822,896	41,995,433
Dividends on investments (Gross)		6,905,781	92,187
Excise claim received		38,098,700	-
Excess Liabilities Written Back		4,231,431	464,685
Miscellaneous income		6,031,093	8,642,121
		82,089,901	51,194,426
16. INCREASE/ (DECREASE) IN STOCK			
Opening stock			
Finished goods		18,494,424	19,164,223
Work in process		379,889,243	407,582,740
		398,383,667	426,746,963
Closing stock			
Finished goods		20,766,112	18,494,424
Work in process		262,610,123	379,889,243
		283,376,235	398,383,667
Increase/(Decrease) in Stock		(115,007,432)	(28,363,296)
17. MATERIALS CONSUMED/COST OF GOODS SOLD			
Opening stock		555,813,579	501,018,276
Add : Purchases during the year		993,714,775	2,765,196,352
		1,549,528,354	3,266,214,628
Less : Closing stock		496,454,002	555,813,579
		1,053,074,352	2,710,401,049
18. COST OF TRADED GOODS SOLD			
Opening stock		75,070,534	74,862,784
Less : Closing stock		62,141,864	75,070,534
		12,928,670	(207,750)

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS ......contd.

19. MANUFACTURING AND OTHER EXPENSES		2008-2009 Rs.	2007-2008 Rs.
Payments to and provisions for employees			
Salaries, wages and bonus	739,488,469		763,005,676
Contribution to provident & other funds	58,366,398		62,379,379
Welfare expenses	47,992,658		59,330,804
		845,847,525	884,715,859
Operating and other expenses			
Consumption of packing material	12,768,441		19,112,891
Consumption of stores and spare parts	16,952,296		16,756,002
Loose tools written off	549,184		1,437,483
Power, fuel and water charges	33,774,098		39,312,798
Repairs to buildings	4,361,241		4,380,676
Repairs to machinery	2,048,068		3,210,842
Other repairs	19,063,071		34,200,186
Rent	48,439,232		65,231,835
Rates and taxes	138,180,988		16,283,967
Insurance charges	10,189,180		20,595,303
Auditors remuneration			
Audit fees	5,581,457		5,595,528
In other capacity	2,185,615		2,133,026
Out of pocket expenses	528,006		491,040
Legal and professional charges	63,949,750		84,790,128
Communication expenses	16,375,650		21,928,187
Travelling, conveyance and vehicle expenses	117,951,380		138,575,817
Labour and service charges to sub-contractors	280,188,521		289,304,204
Directors fees	568,440		470,940
Charity & Donation	49,106		321,818
Foreign exchange fluctuation	638,367,654		(172,501,458)
Commission to PC Operators	67,972,731		68,496,295
Provision for Inventories	(27,485,302)		7,692,317
Increase/(decrease) in excise duty of finished goods	(155,995)		28,055
Other expenses	61,765,509		33,598,352
		1,514,208,321	701,446,232
Liquidated Damages		474,127,873	35,955,556
Selling and distribution expenses		74,720,958	133,305,201
Customer acquisition cost		116,925,636	103,662,134
Technical know-how fee written off		4,357,824	16,007,813
Deferred revenue expenses written off		4,450,000	4,944,000
		3,034,638,137	1,880,036,795

20. FINANCE CHARGES

Interest and upfront fee on debentures and fixed loans	952,054,479	757,225,342
Interest on other loans	963,552,176	864,644,363
Discounting & bank charges	42,094,009	64,269,534
	1,957,700,664	1,686,139,239

21 Notes forming part of Consolidated Financial Statements

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 are 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 – Revenue expenditure of specialized R&D including its depreciation incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets.

(d) Telephone sets lying with deactivated customers for more than 90 days since disconnections are written off.

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 except as follows:-

i) Optical Fiber Cable and Copper Cable: over the period of 15 years.

ii) Testing Equipments (included in Network Equipments) and Telephone Instruments: over a period of five years except for instruments costing less than Rs.5000/- each.

iii) Furniture and Fixtures & Office equipments: Over the period of 10 years Vehicles: Over the period of 4 years.

iv) Intangible Assets: Billing and Allied Software: over a period of five years.

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) 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 benefits 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount.

5. Licence Fees

(i) Licence Entry Fee

The Licence Entry Fee has been recognised as an intangible asset and is amortised over the remainder of the licence period of 20 years from the date of commencement of commercial operations. Licence entry fees includes interest on funding of licence entry fees, foreign exchange fluctuations on the loan taken upto the date of commencement of commercial operations.

The carrying value of license entry fees are assessed for recoverability by reference to the estimated future discounted net cash flows that are expected to be generated by the asset. Where this assessment indicates a deficit, the assets are written down to the market value or fair value as computed above.

(ii) Revenue Sharing Fee

Revenue Sharing Fee, currently computed at the prescribed rate of adjusted gross revenue (AGR) is expensed in the Profit and Loss Account in the year in which the related income from providing unified access services is recognised.

An additional revenue share towards spectrum charges is computed at the prescribed rate of the service revenue earned from the customers who are provided services through the CDMA and CorDect wireless technology. This is expensed in the Profit and Loss Account in the year in which the related income is recognised.

Further, effective February 15, 2008, the TRAI has issued an amendment to IUC Regulation 2006, requiring to pay additional 0.75 per cent of AGR towards access deficit charge. Further on March 28, 2008 the same was abolished. These costs are expensed in the Profit and Loss Account in the year in which the related revenues are recognised.

6. **Interconnection Usage Revenue and Charges**

The TRAI issued Interconnection Usage Charges Regulation 2003 (‘IUC regime’) effective May 1, 2003 and subsequently amended twice with effect from February 1, 2004 and February 1, 2005. Under the IUC regime, with the objective of sharing of call revenues across different operators involved in origination, transit and termination of every call, the Company pays interconnection charges (prescribed as Rs per minute of call time) for all outgoing calls originating in its network to other operators, depending on the termination point of the call i.e. mobile, fixed line, and distance i.e. local, national long distance and international long distance. The Company receives certain interconnection charges from other operators for all calls terminating in its network.

Accordingly, interconnect revenue are recognised on those calls originating in another telecom operator network and terminating in the Company’s network. Interconnect cost is recognised as charges incurred on termination of calls originating from the Company’s network and terminating on the network of other telecom operators. The interconnect revenue and costs are recognised in the financial statement on a gross basis and included in service revenue and network operation expenditure, respectively.

7. 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".

8. 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

9. 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) Revenue from unified access services are recognised on services rendered and is net of rebates, discounts and service tax. Unbilled revenues resulting from unified access services provided from the billing cycle date to the end of each month are estimated and recorded. Revenues from unified access services rendered through prepaid cards are recognised based on actual usage by the customers. Billings made but not expected to be collected, if any, are estimated by the management and not recognized as revenues in accordance with Accounting Standard on Revenue Recognition ('AS 9').

(d) Revenue on account of internet services and revenue from infrastructure services are recognised as services are rendered, in accordance with the terms of the related contracts.

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

10. 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 is made for specific cases where management is of the view that the amounts are recoverable even if falling under the ageing as mentioned above.

11. 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.

12. 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.

13. Excises 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.

14. 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".

15. 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 Corporation of India 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.

16. 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.

17. 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.

18. Income Tax

Tax expense comprises current and deferred taxes. Current income tax and Fringe Benefit tax is measured at the amount expected to paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of 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.

19. 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.

20. 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.

21. 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.

C. OTHER NOTES

1 **(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.

	Percentage of Holding
HFCL Infotel Limited ("HITL")	62.17%
CBSL Cable Networks Limited Erstwhile - Connect Broadband Services Limited ("CBSL")	Ceased to be subsidiary on April 16, 2008
Infotel Tower Infrastructure Private Ltd.	99.80% By HITL (w.e.f August 5, 2008)
HTL Limited ("HTL")	74%
Moneta Finance (P) Ltd.	100%

(b) Information of Associate Companies:

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

(i)	**Name of the Associate Company**	**Proportion of Ownership**
	Exicom Tele-systems Ltd. (Formerly known as Himachal Exicom Communications Ltd.)	25.94%
	HFCL Satellite Communications Ltd.	30.00%
	Page Point Services (India) Pvt. Ltd.	49.00%
	Microwave Communications Ltd.	32.50%
	HFCL Kongsung Telecom Ltd.	21.13%
	HFCL Dacom Infocheck Ltd.	29.99%
	Westel Wireless Ltd.	28.94%

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

HFCL Bezeq Telecom Ltd.

WPPL Ltd

		As at 31.03.2009	As at 31.03.2008
2.	Contingent Liabilities not provided for in respect of:		
(a)	Unexpired Letters of Credit	38,790,528	82,578,339
(b)	Guarantees given by banks on behalf of the company	835,294,224	1,152,835,242
(c)	Counter Guarantees given by the Company to the financial institutions/banks for providing guarantees on behalf of companies promoted by the Company *	7,225,671,621	7,225,671,621

(*)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. The DoT has filed application for restoration of appeal before the Double Bench of the Hon'ble High Court of Delhi which has been allowed and matter is now pending for decision.

(d)	Arrears of Dividend on Cumulative redeemable preference shares (net of advances)	596,181,325	543,856,325
(e)	Claims against the Company towards sales tax , income tax, excise duty demand and others in dispute not acknowledged as debt	1,069,908,642	558,028,722

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.41,981,122 (Previous year Rs . 118,778,168).

4. Directors remuneration including Managing Director:

(Excluding provision for gratuity)

			Amount (Rs.)
		2008 – 2009*	2007 – 2008
(i)	Salaries	4,296,000	4,144,952
(ii)	Contribution to provident fund	421,240	376,955
(iii)	Perquisites and allowances	4,364,226	5,968,890
	Total	9,081,466	10,490,797

* As the Company has no profits to pay remuneration to managerial personnel's, the appointment of and remuneration to the managerial personnel's required approval of Central Government. Pending the approval of the Central Government, the remuneration of Rs.16,572,014 (Previous year Rs.18,204,389) has been paid to the managerial personnel's during the year 2008-09. Accordingly amount paid aggregating to Rs.34,776,403(Previous year Rs.18,204,389) is shown as recoverable from them as at 31st March,2009.

5. (a) The Company had approached its lenders viz. Banks and Financial Institutions for financial restructuring and a financial restructuring package, has been approved under the Corporate Debt Restructuring (CDR) mechanism by the CDR Empowered Group of lenders vide letter dated 6th April ,2004. Subsequently the CDR Empowered Group in its meeting held on 8th June, 2005 has approved modifications to the aforesaid CDR package with the cut off date as 1st April 2005 and communicated to the company vide their letter No. BY CDR(ALB)/No 404 dated 24.06.2005. The modification in the CDR package include, inter-alia, reduction of interest rate on loans with effect from new cut off date, re-schedulement of repayment of loans and Cumulative Redeemable Preference Shares (CRPS) and conversion of certain loan amounts into Zero Coupon Premium Bonds (ZCPBs) . The said CDR package also stipulates conditions to be complied with by the Company and arrangement of additional infusion of working capital from existing or new lenders.

(b) The Company has already complied with most of the conditions as stipulated in CDR package and Master Restructuring Agreement (MRA) has been signed with the lenders. Pursuant to the modified CDR package:

i) Interest to banks and financial institutions has been accounted for at the reduced rates of interest as per the said package.

ii) The Cumulative Redeemable Preference Shares (CRPS) aggregating to Rs. 805,000,000 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 9% from old cut off date till new cut off date and 6.50% from new cut off date.

iii) The Company has issued 23,600,000 and 8,318,000 Zero Coupon Premium Bonds (ZCPBs) of Rs.100 each on 30th October, 2004 and 8th October, 2005 respectively in lieu of the part of term loans and debentures from financial institutions and banks. ZCPBs are to be redeemed in 48 monthly installments, from 30th April 2011 and ending 31st March 2015 on ballooning basis to ensure yield of 8.5% p.a. on simple calculation basis by way of premium payable in 36 monthly interest free installments commencing from 30th April, 2015 till 31st March, 2018.

iv) Secured and unsecured working capital loans from banks amounting to Rs. 315,000,000 and Rs. 76,405,937 respectively have been converted into working capital term loans to be repaid in 48 monthly installments, on ballooning basis, from 30th April 2011 and ending 31st March 2015 to ensure yield of 8.5% p.a.on simple interest basis.

v) The outstanding principal amount of secured and unsecured term loans (after conversion into OFCDs and ZCPBs) amounting to Rs.1,756,819,801 (Previous year Rs.1,784,097,161) and Rs.131,594,949 (Previous year Rs.134,110,131) respectively from financial institutions and banks have been rescheduled so as to be repaid on ballooning basis in seventy two monthly installments commencing from 30th April 2007 till 31st March 2013. The installments fallen due/ repayable during the year amounted to Rs.89,204,858 (previous year Rs.61,927,498) and Rs.6,705,512 (Previous year Rs.4,190,330) which have not been paid respectively for Secured and unsecured loans.

vi) Funded Interest Term Loan (FITL) amounting to Rs. 889,683,307 (Previous year Rs.871,947,456) is repayable in twenty four monthly installments commencing from 30th April 2017 till 31st March 2019 and shall not carry any interest.

vii) The Company is required to open and operate Trust and Retention Account and the rights, title and interest in all bank accounts have to be assigned to the lenders by way of first ranking security interest.

viii) The Company has to create securities as stipulated by the CDR Empowered Group.

c) Due to continued cash losses and very tight liquidity conditions, the company could not meet its interest and repayment obligations towards its lenders under CDR package its overdue amount towards such lenders as on 31st march 2009 is Rs. 556,912,155 including interest Rs. 394,883,957/-. However the company is in continuous discussions with lenders in respect of such default / possibility of further restructuring /modification in the CDR package in view of this, the company does not expect withdrawal of any relief.

d) Some of the Cumulative Redeemable Preference Share (CRPS) shareholders have disputed the modified terms of redemption and rate of dividend as per CDR package on the ground that they have not agreed to any of the restructuring granted by CDR empowered group and hence original terms and conditions of 12% CRPS continues to be in force and accordingly are insisting for redemption and dividend as per the original terms of the issue of CRPS. The management has requested the said CRPS shareholders to accord their approval to revised package in view of the present financial position of the company. One of the shareholders, has, however filed case against the company for recovery which is being contested.

e) The company is in process of reconciliation of balance with some of the lenders i.e. financial institutions and banks. Adjustments, if any, on account of interest/ principal will be made when the same are confirmed by them.

6. In terms of the modified CDR package, Company has to pay interest on term loans on ballooning basis over the period 2006 to 2013 at the ballooning rates from 2% to 15.5% . The company accounts for interest at the rate it is required to pay during the respective year in terms of the aforesaid package, which is 4.5% p.a. on monthly rests for this year and not @ 8.50% p.a. i.e. on YTM basis. Had the interest been provided for on YTM basis, the loss for the year would have been lower by Rs.88,862,684/- and the accumulated debit balance in the Profit and Loss Account would have been higher by Rs.218,951,740/-.

7. 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. 550,000,000 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 on 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 up holding the claim of the company on account of the above to the extent of Rs.550,000,000/- 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. It shall be made as and when the appeal is decided finally.

8. The Company had made a payment of Rs.113,375,183 to certain cumulative preference shareholders as per contractual obligations in the earlier years. The said amounts paid have been treated as "advances" to be adjusted against future expected liability of dividend on cumulative preference shares.

9. In the previous year Company had inadvertently sold 1,500,000 equity share of Rs.10/ each of HFCL Infotel Ltd, which were locked- in- period in terms of BSE letter no. DCS/SMG/RCG/2005/511116 dated 14/03/2006, at a consideration of Rs.20/- per share and accounted for profit of Rs. 15,000,000/- accordingly. The transaction has been reversed during the year and the profit accounted for in previous year has been reversed during the year under prior period, as the said shares could not be transferred.

10. The Accumulated losses of the company as at the end of the financial year have resulted in erosion of more than fifty per cent of its peak net worth during the immediately preceding four financial years. The Company has reported the fact of such erosion to the BIFR and such erosion was considered by the shareholders in the Extra Ordinary General Meeting held on 25/02/2008, in compliance with the provisions of section 23 of the Sick Industrial Companies (Special Provision) Act, 1985.

11. Sundry debtors include debtors outstanding for more than two years amounting to Rs 1,584,058,706/- after assignment to third party and provisioning. The Company is in continuous process of working out different modalities of recovery for its remaining long outstanding debtors. Pending outcome of such exercise, provision of Rs. 1,112,043,706/- made during the year, is considered adequate in the opinion of the management.

12. In accordance with the Accounting Standard (AS-28) on "Impairment of Assets" the management has appointed an outside agency for conducting an exercise of identifying the assets that may have been impaired, if any. Since the exercise still in process, the effect of diminution in value of assets due to impairment if any shall be given in the accounts upon such determination.

13. In the opinion of the Board, the Current Assets, loans and advances are approximately, of the value stated, if realised in the ordinary course of business.

14 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.

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

(A) HFCL INFOTEL LIMITED

(i) Nature of business and ownership

HFCL Infotel Limited ('the Subsidiary' or 'HIL'), Unified Access Services Licensee for Punjab Circle (including Chandigarh and Panchkula), is providing a full gamut of telecommunication services, which includes voice telephony, both wireline and fixed wireless, CDMA based mobile, internet services, broadband data services and a wide range of value added service viz., centrex, leased lines, VPNs, voice mail, video conferencing etc. The services were commercially launched in October 2000 and as on March 31, 2009, the Subsidiary has an active subscriber base of over 5.51 lakhs.

The HIL is a subsidiary of Himachal Futuristic Communications Limited ('the Company' or 'HFCL'). The Subsidiary was incorporated on August 2, 1946 with the name of The Investment Trust of India Limited (ITI) which was subsequently changed to HFCL Infotel Limited on May 12, 2003. This was done pursuant to a Scheme of amalgamation (the Scheme), approved by the Hon'ble High Court of the State of Punjab and Haryana and the State of Tamil Nadu on March 6, 2003 and March 20, 2003, respectively, whereby the *erstwhile* HFCL Infotel Limited (name earlier allotted to the transferor Subsidiary) ('*erstwhile* HFCL Infotel') was merged with the Subsidiary with effect from September 1, 2002. As per the Scheme envisaged the Subsidiary's then existing business of hire purchase, leasing and securities trading was transferred by way of slump sales to its wholly owned subsidiary, Rajam Finance & Investments Company (India) Limited ('Rajam Finance') with effect from September 1, 2002. Rajam Finance was renamed as The Investment Trust of India Limited with effect from June 17, 2003 and it ceased to be the subsidiary of the HIL with effect from September 30, 2003, due to allotment of fresh equity by Rajam Finance to other investors.

The Subsidiary, during the year ended March 31, 2004, surrendered its license granted by Reserve Bank of India (‘RBI’) to carry out NBFC business. RBI confirmed the cancellation of the NBFC license as per their letter dated May 24, 2004.

On July 2, 2004, the HIL has incorporated a subsidiary in the name of Connect Broadband Services Limited, which has been changed to CBSL Cable Networks Ltd. (‘CBSL’) w.e.f. February 5,2008. The main object of CBSL is to carry on the business as service provider and operator for distribution of cable television network. During the previous year, the Subsidiary has launched the integrated service to provide for voice, video and data services through cable television network, CBSL being the video service provider through cable television network. CBSL has launched the video services in October 2005. On March 26th 2008, the Subsidiary has entered into an agreement with CBSL and has sold its entire share holding in the Company to Digicable Networks (India) Ltd for a consideration of Rs. 90,500,000. The actual sale was executed on April 16, 2008.

On August 15, 2008, the subsidiary has incorporated one wholly owned Subsidiary Company Infotel Tower Infrastructure private limited (‘ITIPL’) with an Investment of Rs 99,800. The principal business of ITIPL is building, establishing, setting-up, accruing, developing, advising on, managing, providing, operating and/or maintaining, facilitating conduct of, fully or partially infrastructure facilities and services thereof for all kinds of value added services including Broadband Towers for telecom operations/services, payment gateway services and international gateway services.

(ii) Project Financing

The subsidiary’s project was initially appraised by Industrial Development Bank of India (‘IDBI’) during the year ended March 31, 2000 for an estimated peak fund requirement of Rs 11,800 million. The appraised means of finance for the project was to be funded by way of equity capital of Rs 5,240 million and debt of Rs 6,560 million.

Pursuant to the migration to UASL regime, the consortium of lenders, led by IDBI approved, through the Corporate Debt Restructuring (‘CDR’) mechanism approved an overall restructuring of the liabilities of the subsidiary, upward revision the peak funding requirements from Rs 11,800 million to Rs 13,450 million up to March 31, 2006, with peak funding gap of Rs 1,650 million.

Further, the CDR Empowered Group has approved the proposal of the subsidiary for expansion of services, change in the scope of the project, cost of project and means of finance and restructuring of debt as per the letter dated June 24, 2005. As per the said proposal, the peak-funding requirement has been further revised to Rs 15,470 Million and the principal repayment of existing term loan was rescheduled and the same will be repaid between May 1, 2008 and April 1, 2016. Moreover, the rate of interest on existing term loan, secured OFCDs and working capital shall be 9.3 percent per annum monthly compounding. The secured OFCD shall be converted into equity shares at par subject to applicable provisions of SEBI guidelines and other relevant Acts during financial year ended March 31, 2006.

Further, the project cost is to be funded by way of Equity share capital of Rs. 6,020 million, preference share capital of Rs 650 million, term loan of Rs 7,000 million, Buyer’s credit facility of Rs. 1,630 million and Unsecured OFCD of Rs 170 million.

During the year, the subsidiary has incurred losses of Rs 1,957.74 million resulting into accumulated loss of Rs 11,194.62 million as at March 31,2009 which has substantially eroded its net-worth and has a net current liability of Rs 3,420.34 Million including capital liability of Rs. 82.27 million and subscriber security deposits of Rs. 97.01 million (after considering provision for interest amounting to Rs 1025.85 million being the difference in the amount paid in comparison to the amount accrued on yield basis as per the CDR Scheme). As at March 31, 2009, the subsidiary has arranged Rs14,353.61 million and is in advanced stage of discussions for the arrangement of Rs 1116.39 million by way of terms loans / buyer credit facility and expects to achieve the complete financial closure in the immediate future. The ability of the subsidiary to continue as a going concern is substantially dependent on its ability to successfully arrange the remaining funding and achieve financial closure to fund its operating and capital funding requirements and to substantially increase its subscriber base. The management is confident of generating cash flows to fund the operating and capital requirements of the subsidiary in the event of any delay in the arrangement of the balance funding. Accordingly, these statements have been prepared on going concern basis.

(iii) Equity shares

Out of the total paid up equity share capital comprising of 525,517,152 equity shares of Rs 10 each, 515,070,338 of unlisted equity shares have been listed at Bombay Stock Exchange (BSE) vide it’s letter number 20090514-12 dated May 14, 2009 and letter number DCS/PREF/DMN/FIP/239/09-10 dated May 25, 2009. As a pre-condition to the listing of the aforesaid shares of the subsidiary, BSE directed the subsidiary to undertake an offer for sale in the domestic market as the non-promoter holding in the subsidiary was below the minimum stipulated level. Accordingly, the subsidiary filed the draft offer for sale document with SEBI for sale of 8,000,000 equity shares held by promoter in the subsidiary. However, SEBI, vide its order dated March 7, 2007 directed the subsidiary that communication of observations on the draft offer for sale document filed by the subsidiary be withheld till the proceedings under Section 11B of the SEBI Act against the subsidiary are disposed off. The subsidiary filed an appeal in SAT challenging the SEBI’s order dated March 7, 2007. The Hon’ble SAT directed SEBI to proceed with the letter of offer presented by the subsidiary, in accordance with law, and issue a letter of observations in terms of the guidelines within eight weeks from the date of filing of revised draft offer for sale document by the subsidiary. In parallel, pursuant to the restructuring package approved under CDR mechanism, the subsidiary has been in the process of issuance of fresh equity shares to Banks / Financial Institutions on conversion of optionally fully convertible debentures (OFCDs). Considering that post issuance of fresh equity on conversion of OFCDs, the non-promoter holding in the subsidiary would exceed the minimum stipulated threshold, the subsidiary requested BSE to grant listing of unlisted shares without stipulating the condition of offer of sale. BSE, vide its letter DCS / AMAL / RCG/ GEN / 1108 / 2008-09 dated February 13, 2009 has, inter-alia, agreed to exempt the condition imposed on the subsidiary to comply with requirement of making an offer for sale in the domestic market, subject to compliance of certain procedural requirements including three years lock-in period of 25% of newly issued equity shares pursuant to the merger i.e. 25% of 432,000,250 shares (108,000,063 equity shares). The subsidiary in compliance with conditions stipulated by BSE has placed under lock in 108,000,063 equity shares on May 14, 2009 for a period of 3 years ending May 15, 2012. The subsidiary has also complied with all other necessary requirements pursuant to the letter from BSE dated February 13, 2009 related to 83,070,088 equity shares issued pursuant to corporate debt restructuring scheme. BSE has also agreed to grant in-principle approval for allotment of 86,743,116 equity shares to be issued to Banks and financial institutions on conversion upon filing of necessary listing application, which the subsidiary has filed, vide its letter no. HITL/S&L/S-01/09/472 and 473 dated March 07, 2009. BSE vide their notice 20090514-12 dated May 14, 2009 hosted on it's website has granted listing and trading permission for 432,000,250 equity shares issued pursuant to scheme of amalgamation. BSE has granted listing approval for 83,070,088 equity shares vide their letter number DCS/PREF/DMN/FIP/239/09-10 dated May 25, 2009 and the shares have been listed vide BSE notice number 20090605-20 dated June 5, 2009.

On March 31, 2004, the subsidiary obtained the approval from the shareholders for de-listing the shares listed in the Calcutta Stock Exchange Association Limited ('CSE') and complied with all the necessary requirements for delisting and submitted its application in CSE. Despite repeated reminders, the subsidiary has not yet received CSE's approval in this regard.

(iv) Advance Against Share Application Money

As per the restructuring package approved under CDR mechanism, on October 16, 2004, the Subsidiary had issued 7,551,178 Zero percent Optionally Fully Convertible Debentures ('OFCDs') of Rs 100 each in lieu of interest accrued on term loans from financial institution and banks from January 1, 2004 to March 31, 2005. Pursuant to the revised CDR scheme dated June 24, 2005, and lender's confirmation regarding conversion of Zero percent Optionally Fully Convertible Debenture ('OFCD') including premium accrued till March 31, 2006, the Subsidiary transferred OFCDs of Rs 755,117,800 and OFCDs premium of Rs 119,873,594 into equity shares. However, pending clarifications on the conversion price, the Subsidiary, with the consent of the lenders, converted the convertible amount into Advance against Equity Share Application Money on March 31, 2006. During the year ended March 31, 2007, the Subsidiary had further transferred Rs 5,550,374 to Advance Against Equity Share Application Money, which pertained to differential interest due to monthly vis-à-vis quarterly compounding in respect of term loan from a scheduled bank. During the year ended March 31, 2008, the Subsidiary obtained additional confirmations from lenders regarding conversion of Zero percent Optionally Fully Convertible Debenture ('OFCD') including premium accrued till March 31, 2006. The Subsidiary has accordingly reduced an amount of Rs 131,110,587 from the OFCD premium and taken back the equivalent amount to securities premium account. Pending clarification on conversion price of such OFCDs (including premium) from SEBI, the Company, on the basis of directions of Financial Institution and Banks have requested Bombay Stock Exchange ('BSE') to grant 'in-principle' approval for allotment of shares at par. The BSE has agreed vide its letter no.DCS/AMAL/RCG/GEN/1108/2008-2009 dated February 13, 2009 to grant in-principle approval for allotment of 86,743,116 equity shares to be issued to Banks and financial institutions on conversion of OFCDs upon completion of necessary formalities. The Subsidiary has filed the requisite listing application in prescribed format vide its letter no. HITL/S&L/S-01/09/472 and 473 dated March 07, 2009 receipted by BSE on March 12, 2009 and response from BSE is still awaited.

(v) Secured Loans

i) As per the CDR Scheme approved on March 10, 2004 and subsequently approved on June 24, 2005, the Lenders have signed Master Restructuring Agreement ('MRA') for restructuring of their Debts and Security Trusteeship Agreement, whereby the Lenders have entered into an agreement and appointed IDBI Trusteeship Services Limited (herein after referred as "ITSL") as their custodian of security. On November 11, 2005 the charges were registered in favour of the ITSL for Rupee Term Loans, for providing Specific Credit Facility, for Working Capital Assistance and Zero percent Secured OFCDs. The same are secured by first pari passu charge on immovable properties of the subsidiary situated at Kandivali (East), Mumbai and properties situated at Mohali & Jalandhar under equitable mortgage, first pari passu charge of mortgage of movable properties of the subsidiary including movable plant & machinery, machinery spares, tools & accessories and other movables including book debts by way of hypothecation, both present and future. Further, the same are also secured by assignment of all rights, title, benefits, claims and interest in, under the project documents, insurance policies, all statutory, government and regulatory approvals, permissions, exemptions and waivers on pari passu basis. These arrangements/loans are further secured by consolidated corporate guarantee given by the Subsidiary, to the tune of Rs 5225 million. Subsequently, pursuant to the reworked restructuring scheme approved under CDR mechanism on June 24, 2005, the subsidiary has entered into amendatory Master Restructuring Agreement and

Amendatory Security Trusteeship Agreement ('STA') on March 9, 2006, whereby Centurian Bank of Punjab has also appoint ITSL as their custodian for security and signed the STA in line with other lenders in consortium.

On the request of the Subsidiary, Corporate Debt Restructuring Cell ('CDR') vide their letter no CDR (JCP) No 138 / 2009-10 dated May 20, 2009 has approved a revised restructuring package. The revised restructuring package inter-alia includes funding of interest from July 1, 2008 to October 31, 2009 on simple interest basis. Funded Interest on Term Loan ('FITL') would not carry any interest and the FITL shall be repaid in 16 equal monthly installments commencing from December 1, 2009, and re-schedulement of principle installments from August 1, 2008 to November 1, 2009 so as to be repayable from December 1, 2009 to March 1, 2011. In accordance with the aforesaid revision in the restructuring scheme, the Subsidiary has disclosed the Interest accrued but not due to the lenders amounting to Rs 373,097,077 from July 1, 2008 to March 31, 2009 as 0% FITL which shall be repaid from December 1, 2009 in 16 monthly installments. Further, in line with the aforesaid scheme, no installment of principle repayment is becoming due till November 1, 2009 and as such there is Nil amount due as on March 31, 2009.

ii) The above mentioned security has been further extended to amount of loans, working capital assistance, specific facility and OFCDs together with the interest, compound interest, additional interest, default interest, costs, charges, expenses and any other monies payable by the subsidiary in relation thereto and in terms with MRA and STA entered into between the lenders and ITSL.

iii) Vehicle Loans of Rs 6.67 million (March 31, 2008 – Rs 11.31 million) are secured by way of exclusive hypothecation charge in favour of bank on the specific assets acquired out of the loan proceeds of the subsidiary. These loans are repayable in monthly installments and shall be repaid by 2011. Vehicle loans repayable within one-year amounts to Rs 5.05 million. Interest rates on vehicle loans vary from 8.09 per cent per annum to 14.33 percent per annum. The tenure of loan is to 36 months.

(vi) Unsecured Loans

a) On October 16, 2004, the Subsidiary issued 1,667,761 zero percent Non Convertible Debentures ('NCDs') of Rs 100 each in lieu of interest accrued on term loans from a financial institution and a bank for the period April 1, 2003 to December 31, 2003. The NCDs earlier redeemable at par on March 31, 2014, are now redeemable at par on March 31, 2016 after repayment of the term loans as per revised CDR Scheme effective from April 1, 2005.

b) Interest payable on vendor finance facilities amounting to Rs Nil as at March 31, 2009 (March 31, 2008 – Rs 3,937,742).

c) On February 8, 2005, the subsidiary has entered into a buyer's credit loan agreement with The Export Import Bank of China to facilitate payment to one of its equipment supplier for a total amount of Rs 544.13 million (US$ 12.13 million). As on March 31, 2009, the subsidiary has utilized Rs 527.47 million (US$ 12.06 million) of this facility. The facility is secured by a financial Bank guarantee of Rs 108.82 million and by a Corporate Guarantee of Rs 544.13 million given by the Company, on pari passu basis with other lenders.

d) The Subsidiary in terms of the agreement dated May 1, 2007 has taken convertible loan to facilitate expansion and development of businesses amounting to Rs 499.50 million (outstanding at March 31, 2009 – Rs 499.50 million March 31, 2008 – Rs 499.50 million) from Infotel Digicomm Private Limited. The convertible loan is interest free and is repayable on demand, Infotel Digicomm Private Limited shall have an option to convert the Loan into Equity Shares, subject to getting necessary approvals subject to applicable pricing guidelines as per SEBI and other laws and regulations.

e) The Subsidiary in terms of the agreement dated May 1, 2007 has taken buyer's credit facility to facilitate funding of the telecom project amounting to Rs 410.74 million (outstanding at March 31, 2009 – Rs 410.74 million, March 31, 2008 – Rs 410.74 million) from Infotel Business Solutions Limited. The loan carries 12% interest and is repayable on demand. Infotel Business Solutions Limited has the option to convert the loan including interest accrued into equity shares, subject to applicable pricing guidelines as per SEBI and other laws and regulations.

(vii) Fixed Assets and Capital work-in-progress

a) Capital Work in Progress includes Goods in Transit of Rs 92,177 (March 31, 2008 – Rs 23,818,282).

b) As on March 31, 2009, telephone instruments aggregating to a net book value of Rs 219,610,995 (March 31, 2008 – Rs 227,894,157) and other assets aggregating to net book value of Rs 280,717,435 (March 31, 2008 – Rs 190,673,090) are located at customer premises, other parties and at other operator's sites, respectively.

c) On July 30, 2008, the Subsidiary has entered into an agreement with Tower Vision India (P) Limited to sell 150 ready network sites to including 26 CorDect sites and 124 tower sites. Out of 124 tower sites, 99 ready tower sites were included in the Subsidiary's net fixed assets at written down value of Rs 59,964,154 and the balance 25 towers were yet to be constructed. The total consideration of the aforesaid agreement aggregates to Rs 656,000,000. The terms of the asset purchase agreement expires on December 31, 2008 and by then, the Subsidiary had handed over 83 ready tower sites for Rs 384,276,637 with gross book value of Rs 117,435,184 and accumulated depreciation of Rs 70,393,388, the net book value being Rs 47,041,796 and accordingly, recorded a profit of Rs 337,234,841 which has been disclosed under gain on Sold Fixed Assets in the Profit and Loss Account. With the expiry of the asset purchase agreement there is no binding upon the Subsidiary to execute the handing over the balance 67 sites. The profit includes Rs 40,836,000 as premium, out of which Rs 38,936,333 has been deferred over the term of the master infrastructure provisioning agreement.

d) During the year ended March 31, 2009, the Subsidiary has written off CorDect switch and telephones sets with gross book value of Rs 292,609,292 and accumulated depreciation of Rs 194,824,721, the net book value being Rs 97,784,571 and accordingly, recorded a loss of Rs 97,784,571 which has been disclosed under Loss on Discarded Fixed Assets in the Profit and Loss Account.

e) During the year ended March 31, 2009, the Subsidiary has also written off Lucent switch and its accessories with gross book value of Rs 289,659,578 and accumulated depreciation of Rs 289,113,567, the net book value being Rs 546,011 and accordingly, recorded a loss of Rs 546,011 which has been disclosed under Loss on Discarded Fixed Assets in the Profit and Loss Account.

(viii) Investments

a) As more fully discussed in note C 15(A)(i) of schedule 21, balance sheet of the Subsidiary includes investments of Rs 717.67 million (Rs 18.00 million as equity and Rs 699.67 million as unsecured OFCD redeemable in 10 years from the year 2002-03) in an associate company, The Investment Trust of India Limited ('ITI'). ITI, a non-banking finance company, incurred a net loss of Rs 93.81million for the year ended March 31, 2009, accumulated losses of Rs 212.86 million and has a negative net worth of Rs 175.36 million as on March 31, 2009. The Subsidiary believes that ITI would not be able to arrange funds as per their business plans and the recovery of their investments and accordingly has written off the investment of Rs 699.67 million and has disclosed as 'Diminution in value of investments' in the Profit and Loss Account. Since the share of losses of the Subsidiary in ITI's losses exceed the Subsidiaries investment in equity there is Rs Nil share of Profit from the Associate's company.

b) The Subsidiary held 9,050,000 equity shares of Rs 10 each amounting to Rs 90.50 million (99.9994 %) of entire paid up capital of subsidiary CBSL Cable Networks Limited. During the year ended March 31, 2008 the Subsidiary had entered into a share purchase agreement with Digicable Networks (India) Private Ltd on March 26, 2008 for sale of shares of CBSL at par. The transfer of shares has been completed on April 16, 2008.

c) During the year ended March 31, 2009 the Subsidiary has incorporated one wholly owned Subsidiary Company Infotel Tower Infrastructure private limited with an Investment of Rs 99,800. The principal business of the subsidiary is building, establishing, setting-up, accruing, developing, advising on, managing, providing, operating and/or maintaining, facilitating conduct of, fully or partially infrastructure facilities and services thereof for all kinds of value added services including Broadband Towers for telecom operations/services, payment gateway services and international gateway services.

(ix) Licensing

During the year ended March 31, 2008, the Subsidiary has deposited the entry fee of Rs 1,517,500,000 with The Department of Telecommunication ('DoT') for the use of GSM Technology in addition to CDMA technology being used under the existing Unified Access Services Licence ('UASL') for the Punjab Service Area. The UASL has since been amended to incorporate the license for use of GSM technology on January 15, 2008 vide DoT's letter number F.No.10-15/2004/BS.II/HITL/ Punjab/17 dated January 15, 2008. DoT had provided the allocation of radio spectrum on trial basis for a period of three months till December 9, 2008 vide their letter number L14047/20/2006-NTG (Pt) dated September 9, 2008. The Subsidiary has applied for extension of the same with DoT, reply to which is still awaited.

(x) Goodwill

The Subsidiary has entered into agreement dated 31st march 2009 for acquiring "the Handset Business" from M/s Infotel Business Solutions Limited for consideration amounting to Rs. 40,836,098. The value of acquired inventory of handsets is Rs 9,732,480 and fixed assets is Rs 350,709 and taken over net current liabilities amounting to Rs. 476,663. The excess of consideration over net value of Assets and Liabilities amounting to Rs. 31,229,573 has been recognized as Goodwill and disclosed as intangible assets in the Balance Sheet. Goodwill would be amortized over the period of 5 years on straight-line method starting from April 1, 2009.

(xi) During the year 2008, the Subsidiary had obtained advance of Rs 1,517.50 million to fund the entry fee for using GSM Technology under the existing Unified Access Services License (UASL) for Punjab Service Area. During the year ended March 31, 2009 the Subsidiary took additional advance of Rs 111.00 million. The amount of aforesaid advance is adjustable or refundable on such terms and conditions as may be mutually agreed.

B. HTL LIMITED

i) The Subsidiary has incurred loss of Rs. 1,042,696 thousands (Previous year Rs. 451,896 thousands) during the current year and has accumulated losses of Rs. 3,888,920 thousands (Previous year: Rs 2,846,224 thousands) as at March 31, 2009, resulting in negative net worth of Rs. 3,738,920 thousands (Previous year Rs. 2,700,673 thousands). The Subsidiary's current liabilities exceed its current assets by Rs. 1,984,397 thousands as of that date. Further, the Subsidiary has overdrawn borrowings from banks by Rs. 492,613 thousands (Previous year Rs 530,940 thousands) and also has overdue loans from Government of India amounting to Rs. 62,420 thousands (Previous year: Rs 60,420 thousands) together with interest accrued and due thereon of Rs. 166,440 thousands (Previous year: Rs 151,527 thousands). The turnover during the current year is Rs 380,124 thousands (Previous Year: Rs 41,985 thousands). Due to lack of orders for existing products from BSNL during the year and the shortfall in working capital required to diversify into new telecom products, 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, in an earlier year for being declared as a Sick Industrial Company. 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 Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 requiring the Subsidiary to discharge its full dues within 60 days from the date of the notice i.e. April 15, 2009. The Subsidiary has also received a notice from the Income Tax department wherein the department has provisionally attached the assets of the Subsidiary against dues that could arise on completion of assessment proceeding. The Subsidiary is in the process of discussions with the bankers and the Income Tax Department on the matter.

The Subsidiary's ability to continue as a going concern in spite of the present losses is dependent upon infusion of funds for its operations. In the previous year the Subsidiary 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 held an e – auction at a consideration of Rs 27.10 crores per acre after obtaining the permission of the Ministry of Communications and Information Technology. However based on the request of Small Industrial Development Corporation ('SIDCO'), the Government of Tamil Nadu decided to take back the land and to pay market value prevailing on the date of the relinquishing of the land. SIDCO informed that the Subsidiary did not obtain the permission from the Department of Industries & Commerce as per the condition laid down in the Assignment Deed before the auction. During the current year, the Subsidiary has obtained a favorable order against the actions taken by SIDCO/ Government of Tamilnadu. The Writ Appeal filed by the Government of Tamil Nadu against this has also been dismissed by the High Court of Madras.

Management plans to complete all the formalities and expects to sell its land of 11.02 acres, the proceeds of which will be available to settle its outstanding liabilities. The Subsidiary has also received substantial orders for erection of Telecom Towers and 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. 397,011 thousands on account of dues to IndusInd Bank IndusInd bank has assigned the loan to Pegasus Assets Reconstruction Private Limited (an Asset Management Company).

iii) 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 transaction in 1983. SIPCOT has issued notice to the subsidiary under Section 4 of the Tamil Nadu Public Premises Eviction Act, 1975 to surrender unused land aggregating to 11.05 acres out of above. The subsidiary has requested for extension of time till August 2009 and submitted the plan of manufacturing Telecommunication Tower Material at Hosur, the outcome of the said is still awaited.

iv) (a) As at 01.04.2008, aggregate sales amounting to Rs. 1,359,377 thousands, 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 same, no provisional sales was firmed up during the year along with the current year provisional sales of Rs.296,843 thousands are still pending for firm price fixation. Adjustments on account of firm price orders received subsequent to the close of the year in respect of provisional sales effected up to March, 31st , 2009 have been made in the accounts. 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.98700 thousands against the tax liability for the cases where C forms has not been collected till date.

v) (a) Sundry Debtors include Rs.134,185 thousands (Previous year Rs.134,185 thousands) debited to BSNL in an earlier year pertaining to differential sales tax over and above 4 % in respect of purchase orders where scheduled delivery fell after 30.09.2000 and where actual delivery was executed subsequent to 30.09.2000 and upto 31.03.2001. Upto the close of the year, only Rs.3,242 thousands (Previous year Rs.3,242 thousands) have been received out of the total debit notes of Rs.9,544 thousands (Previous year Rs.9,544 thousands) 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) (i) During an earlier year, the Subsidiary had raised debit notes amounting to Rs.75,427 thousands on MTNL towards differential sales tax over and above 4% payable against 'C' Form on supplies made during the period 1993-94 to 1997-98. Upto the close of the current year, the Subsidiary has received 'C' forms from MTNL for Rs.73,917 thousands (Previous year Rs.73,917 thousands). However, no adjustment for the sales tax forms received has been made in books. The Subsidiary has submitted the 'C' forms and the matter is pending for verification of the forms by the sales tax authorities. In the current year, provision for the balance amount of Rs.1510 thousands (Previous year Rs.1510 thousands) has been provided in the books of accounts

(ii) Interest liability on the delay in payment of differential sales tax as above, has not been provided for in the books in terms of circular no. Acts Cell-IV/45217/2000/04.11.2000 issued by Commissioner of Commercial Taxes, where it is clarified that "Where ever no penal interest was levied for the belated payment of tax and penalty under the Central Sales Tax Act, 1956 upto 11.05.2000, no penal interest need to be levied now. The assessing officer can resort to levy of penal interest for the payments made on or after 12.05.2000, the date of publication of Gazette of India". In view of above clarification, the management considers that interest liability, if any, after 11.05.2000 is contingent in nature and the same has been disclosed in Note No. 1 B (b) above.

vi) Claims receivable includes Rs.34,700 thousands receivable from BSNL against the compensation approved by Telecom Commission letter No. U-37012/3/97-FAC dated 1st May, 2001 for preclosure of ETP project. Department of Telecommunications (DoT) vide letter No.U-37012-3/97-FAC dated 02.12.2003 conveyed the decision of the competent authorities to adjust the above said amount against the interest portion of the outstanding Government of India Loan. In reply, the Subsidiary requested DoT vide letter no.43.12 ETP dated 08.12.2003 to adjust the compensation amount of Rs.34,700 thousands 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 thousands compensation receivable by HTL 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.

vii) During the year with effect from February 1, 2009, Dr.R.M. Kastia has been appointed as a whole time director at the Board Meeting held on March 31, 2009. The terms of remuneration has not yet been fixed by management and consequently no provision has been made in the books of accounts relating to the director's remuneration. The subsidiary is in the process of obtaining necessary approval under Companies Act including approvals under Section 269.

16. (a) In case of subsidiary HFCL INFOTEL LIMITED, depreciation is charged on Straight Line Method on Computers, Office equipments, Furniture & fixtures and Vehicles, whereas, the Company calculates it on written down value method. The gross value of such assets is Rs.525,557,174 (Previous year Rs. 535,650,688) and depreciation charged for the year is Rs.53,773,752 (Previous year Rs. 55,568,865).

(b) 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.528,463 thousand (Previous year Rs. 521,698 thousand) and depreciation charged for the year is Rs.8,822 thousand (Previous year Rs.11,735 thousand)

17. In case of subsidiary, HTL Limited, inventory of raw materials, components and stores & spares amounting to Rs.6,135 thousand 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.

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

HTL Ltd.	Goodwill	741,730,139
Moneta Finance (P) Ltd.	Goodwill	475,090
HFCL Infotel Ltd.*	Capital reserve	(264,319,765)
*(consolidated with its subsidiary Infotel Tower Infrastructure Private Ltd.)		477,885,464

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

20. 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 have been considered as other business segments and are disclosed in the financial statements accordingly. The details of business segments for the year-ended 31.03.2009 are as follows:

(b) Secondary segment information

Particulars	2008-2009 Inter segment	2008-2009 Total	2007-2008 Inter segment	2007-2008 Total
Segment Revenue				
a. Telecom Products	82,378,012	1,307,987,678	30,895,633	1,800,620,873
b. Turnkey Contracts and Services		462,608,838		1,736,075,611
c. Basic Telephony and ISP		2,235,707,374		2,464,813,706
d. Others		-		-
Total	82,378,012	4,006,303,890	30,895,633	6,001,510,190
Less:Inter segment revenue		82,378,012		30,895,633
Turnover/Income from Operations		3,923,925,878		5,970,614,557
Segment Results				
a. Telecom Products		(2,780,132,895)		(980,105,225)
b. Turnkey Contracts and Services		(130,299,757)		107,857,729
c. Basic Telephony and ISP		(1,270,822,851)		(824,415,293)
d. Others		469,647		(265,369)
Total		(4,180,785,856)		1,696,928,158
Less: i. Interest and Finance charges		1,957,700,664		1,686,139,239
ii. Other un-allocable expenditure net off un-allocable income		67,703,942		(49,239,591)
Profit/(loss) before Tax		(6,206,190,462)		(3,333,827,806)

Capital Employed

a. Telecom Products	(3,050,631,938)	1,791,595,641
b. Turnkey Contracts and Services	587,702,273	925,497,131
c. Basic Telephony and ISP	(4,353,454,349)	(2,395,711,329)
d. Others	3,402,442	-
Total capital employed in segments	(6,812,981,572)	321,381,443
Add: Un-allocable corporate assets less liabilities	(3,891,104,248)	(4,203,317,875)
Total capital employed in Company	(10,704,085,820)	(3,881,936,430)

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.

21. Deferred Tax

The break up of net deferred tax liability as on 31st March 2009 is as under:

Amount (Rs.)

	2008-2009		2007-2008	
	Deferred tax liability	Deferred tax assets	Deferred tax liability	Deferred tax assets
Depreciation	464,570,812	-	510,827,158	-
Others	-	4,211,917	-	5,605,786
Unabsorbed Losses (to the extent of liability only)*	-	460,712,591	-	505,221,372
	464,570,812	464,924,508	510,827,158	510,827,158
Net deferred tax Assets		353,696		-

* On conservative basis the company recognises a deferred tax asset only to the extent of deferred tax liabilities and excess of the deferred assets has not been given effect to in the Balance Sheet. However Deferred Tax in the fellow subsidiary ITIPL has been provided for in accordance with the accounting standard 22 - Accounting for taxes on Income issued by the Institute of Chartered Accountants of India. Net deferred tax assets amounting to Rs. 353,696/- as on 31st March, 2009.

22. Related Party Disclosures

1. Name of related parties and description of relationship:

(a) Associates:
HFCL Bezeq Telecom Ltd
HFCL Dacom Infochek Ltd (HDIL)
Infotel Business Solutions Ltd.(formerly known as HFCL Internet Services Ltd)
HFCL Kongsung Telecom Ltd
HFCL Satellite Communications Ltd
Exicom Tele-systems Ltd. (Formerly known as Himachal Exicom Communications Ltd.)
Investment Trust of India Limited
Microwave Communications Ltd.
Pagepoint Services (India) Pvt. Ltd
Westel Wireless Ltd
WPPL Ltd

(b) Key management personnel:
a) Mr. Mahendra Nahata
b) Dr. R M Kastia
c) Mr. Arvind Kharabanda
d) Mr. Surendra Lunia
e) Mr. D. P. Gupta

(c) Relatives of key management personnel: Mrs. Kamala Kastia

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, 2009 are as under

Particulars	Amount (Rs.) Related parties referred above in 1 (a)	1(c)
Purchases/receiving of		
Goods and materials	34,087,739	-
	(7,712,496)	(-)
Services	127,885,872	-
	(129,599,549)	(-)
Fixed assets	19,350,471	-
	(460,514,216)	(-)
Sales/rendering of		
Goods and materials	49,127,227	-
	(70,902,551)	(-)
Services	26,446,950	-
	(23,487,887)	(-)
Rent	-	-
	(-)	(2,268,000)
Interest on loans	464,040	-
	(464,040)	(-)
Income		
Rent & other expenses recovered	588,543	-
	(187,000)	(-)
Loans taken/repayment of loans given	-	-
	(111,773,384)	(-)
Outstanding (net)		
Payables	1,096,686,546	-
	(982,573,302)	(-)
Receivables	65,004,462	-
	(394,259,152)	(-)
Guarantees and collaterals	1,459,331,000	-
	(1,459,331,000)	(-)

Figures in brackets represent previous year's amounts.

Notes:

Details of remuneration to directors are disclosed under note 4

		2008-2009 Amount (Rs.)	2007-2008 Amount (Rs.)
23.	(a) Basic Earning per Share		
	Profit/(Loss) after tax and minority interest	(6,216,459,904)	(3,346,288,360)
	Less: preference dividend	52,325,000	52,325,000
	Profit/(Loss) attributable to ordinary share holders	(6,268,784,904)	(3,398,613,360)
	Weighted average number of ordinary shares	442,793,697	442,793,697
	Nominal value of ordinary share	10	10
	Earning per Share	(14.16)	(7.68)
	(b) Diluted Earning per Share		
	Profit/(Loss) after tax and minority interest	(6,216,459,904)	(3,346,288,360)
	Less: preference dividend	52,325,000	52,325,000
	Profit/(Loss) attributable to ordinary share holders	(6,268,784,904)	(3,398,613,360)
	Weighted average number of ordinary shares	442,793,697	442,793,697
	Nominal value of ordinary share	10	10
	Earning per Share*	(14.16)	(7.68)

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

As per our report of even date attached
For Khandelwal Jain & Co.
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 31st July, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board
M P Shukla — *Chairman*
Mahendra Nahata — *Managing Director*
Dr. R M Kastia — *Director*
Arvind Kharabanda — *Director (Finance)*

New Delhi, 31st July, 2009

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2009

Particulars		Year ended 31.03.2009 (Rs.)	Year ended 31.03.2008 (Rs.)
A. Cash Flow from Operating Activities :			
Net Profit before taxes		(6,198,610,526)	(3,400,328,304)
Adjustments for :			
Depreciation	1,237,880,628		1,287,170,055
Diminution in value of investments	699,714,216		1,638
Interest & finance charges	1,957,700,664		1,686,139,239
Interest income	(26,822,896)		(41,995,433)
Dividend income	(6,905,781)		(92,187)
Technical knowhow fee written off	4,357,824		16,007,813
Loss/(Profit) on sale of fixed assets	(179,230,017)		25,106,568
Loss/(Profit) on sale of Investment in Subsidiary	(165,084,281)		(52,237,915)
Unpaid/ Unrealised exchange difference	378,589,280		(133,376,383)
Bad debts written off	66,719,544		160,566,004
Payment towards guarantee contract/obligation	107,405,392		18,966,612
Provision for doubtful debts / advances	1,130,178,838		63,521,463
		5,204,503,411	3,029,777,474
Operating Profit before working capital changes		**(994,107,115)**	**(370,550,830)**
Adjustments for :			
Trade and other receivables	1,085,452,150		1,641,787,436
Inventories	251,802,643		(105,945,443)
Trade and other payables	(257,312,629)		663,996,624
		1,079,942,164	2,199,838,617
Cash generated from operations		**85,835,049**	**1,829,287,787**
Income tax for earlier years		(29,017,031)	(45,144,199)
Prior period adjustments		60,828,937	23,555,401
Net Cash used in operating activities		**117,646,955**	**1,807,698,989**
B. Cash flow from investing activities			
Purchase of fixed assets		(331,775,160)	2,394,529,074)
Sale of fixed assets		418,032,291	4,942,603
Miscellaneous expenditure		4,449,000	4,944,000
Purchase of investments		(1,566,288)	(2,555,242)
Sale/disposal of investments		222,632,281	54,775,000
Loans and advances		61,702,501	(1,781,639)
Interest received (net)		(368,914,687)	(156,034,849)
Dividend received		6,905,781	92,187
Net Cash used in investing activities		**11,465,719**	**(2,490,147,014)**

CONSOLIDATED CASH FLOW STATEMENT

C.	**Cash flow from financing activities**		
	Proceeds from long term/short term borrowings - Secured/ Unsecured	2,094,992,277	2,022,579,043
	Repayment of long term/short term borrowings - Secured/ Unsecured	(1,957,513,904)	(514,675,268)
	Interest paid (net)	(469,845,300)	(839,849,353)
	Repayment of Public deposit	(215,000)	(149,686)
	Dividends paid (including dividend tax)	(79,774)	-
	Net Cash from financing activities	**(332,661,701)**	**667,904,736**
	Net increase in cash & cash equivalents	**(203,549,027)**	**(14,543,289)**
	Cash & cash equivalents (Opening Balance)	**692,333,078**	**706,876,367**
	Cash & cash equivalents (Closing Balance)	**488,784,051**	**692,333,078**

As per our report of even date attached
For Khandelwal Jain & Co.
Chartered Accountants

(Akash Shinghal)
Partner
New Delhi, 31st July, 2009

Manoj Baid
Company Secretary

For and on behalf of the Board
M P Shukla *Chairman*
Mahendra Nahata *Managing Director*
Dr. R M Kastia *Director*
Arvind Kharabanda *Director (Finance)*

New Delhi, 31st July, 2009

Statement Pursuant to exemption recevied under section 212 (8) of the Companies Act , 1956 relating to subsidiary companies

Particulars	Name of Subsidiary companies			
	HTL Limited	**HFCL Infotel Limited(HITL)**	**Infotel Tower Infrastructure P Ltd.**	**Moneta Finance Pvt Ltd.**
Capital	150,000,000	6,772,602,701	100,000	3,000,000
Reserves	(3,888,920,000)	(11,125,313,762)	(755,519)	402,442
Total Assets	1,276,352,000	7,683,948,652	42,977,568	3,670,825
Total Liabilities	5,015,272,000	12,036,659,713	43,633,087	268,383
Investment other than Investment in Subsidiary	-	-	-	-
Turnover	382,642,000	2,235,707,374	21,723,203	212,474
Profit Before Taxation	(1,041,580,000)	(2,142,066,541)	(1,094,763)	469,515
Provision for Taxation/ FBT (Including for earlier years)	1,116,000	5,229,059	339,244	54,330
Profit after Taxation	(1,042,696,000)	(2,147,295,600)	(755,519)	415,185
Proposed dividend	-	-	-	-

For and on behalf of the Board

M P Shukla	*Chairman*
Mahendra Nahata	*Managing Director*
Dr. R M Kastia	*Director*
Arvind Kharabanda	*Director (Finance)*

Manoj Baid
Company Secretary

New Delhi, 31st July, 2009

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

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

ATTENDANCE SLIP

22nd 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 Wednesday, the 30th day of September, 2009 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan - 173 213, 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 Wednesday, the 30th day of September, 2009 at 11:00 A.M.

Signed this ____________ day of September, 2009

Affix a 15 Paise 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 - 173 213, Himachal Pradesh, not less than 48 hours before the time fixed for holding the Meeting.