

## DIRECTORS REPORT

To the Members of

### Infotel Tower Infrastructure (P) Limited

Your Directors take pleasure in presenting the First Annual Report of the business and operations together with the Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2009.

#### SUMMARY OF FINANCIAL RESULTS

The summarized Financial Results for the year ended 31<sup>st</sup> March, 2009 are as under:

Particulars	(Rs.)
	For the Year ended March 31, 2009
Income From operations	2,17,23,203
Total Income	2,17,23,203
Expenditure before Depreciation	2,28,17,966
Operating Profit /(Loss) before Depreciation	(10,94,763)
Depreciation	-
Profit/ (Loss) before Tax	(10,94,763)
Provision for taxation	-
Deferred tax (Liability)/ Assets	3,53,696
Fringe Benefit Tax	(14,452)
(Loss) / Profit carried to the Balance Sheet	(7,55,519)

Previous year figures are not comparable as the company is preparing the accounts for the first time since its incorporation.

#### OPERATIONS AND PERFORMANCE

During the year under review your Company has commenced its operations and earned a revenue of Rs. 2,17,23,203 by providing manpower services and trading / distribution of the mobile handsets. Your Company's endeavor is to expand its operations geographically by providing bouquet of services to various Companies.

#### DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 2008-09.

#### TRANSFER TO RESERVES

During the year under review, no amount has been transferred to reserves.

#### MATERIAL CHANGES AND COMMITMENTS OCCURRED BETWEEN THE END OF FINANCIAL YEAR AND THE DATE OF REPORT

There is no material change/s occurred during the period from the end of financial year and the date of this report.

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

Your Company does not carry on any manufacturing activity and accordingly, the provision to furnish information as per Section 217(1) (e) of the Companies Act, 1956 relating to Conservation of Energy is not applicable.

During the year under report, Company has not spent any amount on Research and Development and Technology Absorption.

During the year, there were no foreign exchange earnings or any foreign exchange outgo.

#### SHARE CAPITAL

The issued, subscribed and paid up share capital of the Company is Rs.1,00,000/- (Rupees One Lac only) divided into 10,000 (Ten Thousand) equity shares of Rs. 10/- each. The Company has not issued any equity shares during the year.

#### DIRECTORS

Mr. Dinesh K Verma and Mr. Gurdial Singh Khandpur were appointed as Additional Directors on the Board of the Company w.e.f. December 10, 2008 and January 09, 2009 respectively to hold office till the date of ensuing Annual General Meeting of the Company. The Company is in receipt of notices in writing from members of the Company u/s 257 of the Companies Act, 1956 signifying their intention to propose the appointment of Mr. Dinesh K Verma and Mr. Gurdial Singh Khandpur as Directors of the Company.

Mr. Baburaj Eradath, Director has resigned due to his pre-occupation. The Board place on record its sincere appreciation for the valuable services rendered by him during his tenure as a Director and wishes him all the success.

#### PARTICULARS OF EMPLOYEES

There is no employee drawing salary in excess of the limits stipulated under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and amendments made there under.

#### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm as under: -

- (i) that in the preparation of the annual accounts for the financial year ended March 31, 2009, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) that the Directors have selected appropriate accounting policies and applied them consistently, made changes wherever required, disclosed the same in the financial statements wherever applicable 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 as at March 31, 2009 and of the loss of the Company for the said period;
- (iii) that proper and sufficient care has been taken 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 and
- (iv) that the Directors have prepared the accounts for the financial year ended March 31, 2009 on a going concern basis.

#### SUBSIDIARY

The Company does not have any subsidiary.

#### HOLDING COMPANY

Your Company was incorporated as a subsidiary of HFCL Infotel Limited for the purpose of creating infrastructure for telecom operations, manpower outsourcing and trading activities related to telecommunication operations. HFCL Infotel Limited has subscribed to 9,980 equity shares in Infotel Tower Infrastructure Pvt. Ltd. at par.

#### FIXED DEPOSITS

During the year under review, your Company has not accepted any deposits under the provisions of section 58A of the Companies Act, 1956 and Rules made there under.

#### AUDITORS

M/s Khandelwal Jain & Co., Chartered Accountants, New Delhi, 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 Statutory auditors of the Company have submitted its report on the Accounts of the Company for the financial year ended March 31, 2009, which is self-explanatory.

#### MANAGEMENT'S EXPLANATION TO THE AUDITORS' OBSERVATIONS:

The company has acquired handset business and has capitalized goodwill as a consideration over the net value of assets and liabilities acquired. The liability for payment of the business is of short term nature. Hence the value of goodwill amounting to Rs. 3,12,29,573 along with other assets amounting to Rs. 3,50,709 and losses amounting to Rs. 7,55,519 as reduced by shareholders fund amounting to Rs.1,00,000 is being disclosed by auditors as funds raised on short term basis applied towards long term applications because goodwill is being amortized over the period of 5 years.

#### HUMAN RESOURCE (HR) DEVELOPMENT

The Company's HR policies and processes are continuously aimed at intellectual growth and orientation to effectively motivate the employees in the drive for growth of the Company's business. The Company encourages its employees to strengthen their entrepreneurial skills in order to enhance productivity and creativity.

#### ACKNOWLEDGEMENTS

Your Directors wish to place their sincere appreciation with gratitude and acknowledge the cooperation and support extended by the Shareholders, Employees, the State Government and other Regulatory Authorities.

Your Directors take this opportunity to put on record their sincere appreciation for the contribution made by the employees at all levels.

for and on behalf of the Board

Place : Mohali  
Date : July 20, 2009

Kamal Kumar Sharma  
Chairman

## AUDITORS' REPORT

To

THE MEMBERS OF  
INFOTEL TOWER INFRASTRUCTURE PRIVATE  
LIMITED

1. We have audited the attached Balance Sheet of INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED as at 31<sup>st</sup> March, 2009 and the Profit & Loss Account and also the Cash Flow Statement for the period 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. 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;
  - e) On the basis of written representations received from the directors, as on 31<sup>st</sup> 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 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 31<sup>st</sup> March, 2009;
    - (ii) In the case of the Profit and Loss Account, of the loss for the period ended on that date; and
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

For KHANDELWAL JAIN & CO.,  
Chartered Accountants,

(Akash Shinghal)  
Partner

Membership No: 103490

Place: Mohali  
Dated: June 24, 2009

## ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED on the accounts for the year ended 31<sup>st</sup> 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, which affects the going concern status of the company.
- (ii) (a) As per the information furnished, the Inventories have been physically verified by the management at reasonable intervals during the period. 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 companies, firms or other parties listed in the register maintained under section 301 of the Act. Accordingly, Clause 3 (b), (c) & (d) of the said order were 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 3 (f) and (g) of the said Order is not applicable.
- (iv) In our opinion and according to information and explanations given to us, there are adequate internal control systems 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 given to us, no transaction have taken place during the year in respect of contracts or arrangements with the parties referred to in Section 301 of the Companies Act, 1956. Accordingly, Clause 4(v)(a) and (b) of said Order are not applicable.
- (vi) The Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) As informed to us, the Central Government has not prescribed maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 in respect to the company's product.
- (ix) (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing, with the appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, cess, and other statutory dues wherever applicable. According to information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31<sup>st</sup> March, 2009 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us and records examined by us, there are no dues of income-tax, sales tax, service tax, custom duty, excise duty & cess or any other statutory dues which have not been deposited on account of any dispute.
- (x) The Company was incorporated on 5<sup>th</sup> August 2008, since the Company is in existence for less than five years, we are of the opinion that no comment is required under clause (x) of Para 4 of the order regarding the erosion of 50% or more of network

and cash losses in the current and immediately preceding financial year.

- (xi) Based on our audit procedures and the information and explanations given to us, the Company doesn't have any amount due to any financial institution or bank and it has not issued any debentures.
- (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 is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, Clause 4 (xiv) of the said Order is not applicable.
- (xv) Based on our examination of the records and information and explanations given to us, the company has not given any guarantee for loans taken by others, from bank or financial institutions.
- (xvi) Based on our examinations of the records and information and explanations given to us during

the year no term loans have been obtained by the Company.

- (xvii) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis by way of net Current liabilities amounting Rs. 32,235,801/-are applied towards long term application of funds.
- (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 debentures during the year.
- (xx) The Company has not raised any money by public issues 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,

Dated: June 24, 2009  
Place: Mohali

(Akash Shinghal)  
Partner  
Membership No: 103490

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED  
BALANCE SHEET AS AT MARCH 31, 2009

(Unless and otherwise stated, all amounts are in rupees)

PARTICULARS	SCHEDULE No.	As At March 31, 2009 (Rs.)
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Fund</b>		
Share Capital	1	100,000
		<u>100,000</u>
		<u>100,000</u>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block		
Tangible Assets		-
Intangible Assets		31,229,573
Less: Accumulated Depreciation		-
Net Block		31,229,573
Capital Work-In-Progress		350,709
		<u>31,580,282</u>
Deferred Tax Asseets		353,696
<b>Current Assets, Loans and Advances</b>		
Inventory	3	9,733,780
Sundry Debtors	4	-
Cash and Bank Balances	5	278,865
Loans and Advances	6	1,030,945
		<u>11,043,590</u>
<b>Less: Current Liabilities and Provisions</b>		
Current Liabilities		42,595,866
Provisions		1,037,221
		<u>43,633,087</u>
<b>Net Current Assets</b>		<u>(32,589,497)</u>
<b>Profit and Loss Account</b>		<u>755,519</u>
		<u>100,000</u>
<b>Significant Accounting Policies</b>	14	
<b>Notes to Accounts</b>	15	

The Schedules referred to above and the Notes to Accounts form an integral part of the Balance Sheet.

As per our report of even date

For Khandelwal Jain & Co.  
Chartered Accountants

For and on behalf of the Board

Place : Mohali  
Date : 24.06.2009

Akash Shinghal  
Partner  
Membership No.: 103490

Dinesh K Verma  
Director

Kamal Kr. Sharma  
Director

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED  
 PROFIT AND LOSS ACCOUNT FOR PERIOD AUGUST 05, 2008 TO MARCH 31, 2009  
 (Unless and otherwise stated, all amounts are in rupees)

PARTICULARS	SCHEDULE No.	As At March 31, 2009
<b>INCOME</b>		
Service Revenue	8	
Sales	9	21,721,903
		1,300
		<u>21,723,203</u>
<b>Expenditure</b>		
Cost of Goods Sold	10	1,300
Personnel Expenditure	11	21,350,947
Administrative and Other Expenditure	12	1,442,816
		<u>22,795,063</u>
<b>Operating Loss before Finance Charges, Depreciation, Amortization and Loss on Sold / Discarded Fixed Assets</b>		
Preliminary Expenses		1,071,860
Finance Charges	13	22,454
		449
<b>Loss for the period before Prior Period Expenditure and Tax</b>		<u>1,094,763</u>
Prior Period Expenditure (Net)		-
<b>Loss for the period before Tax</b>		1,094,763
Provision for Taxation		(353,696)
Deferred Tax Liability / (Assets)		14,452
Fringe Benefit Tax		
<b>Loss for the period</b>		<u>755,519</u>
<b>Loss, brought forward from previous year</b>		-
Less Transfer from General Reserve		-
<b>Loss carried to the Balance Sheet</b>		755,519
Loss per share (equity shares, par value of Rs 10 each)		
Basic (in Rs)		75.55
Diluted (in Rs)		75.55
Weighted average number of shares used in computing earnings per share		
Basic		10,000
Diluted		10,000
<b>Significant Accounting Policies</b>	14	
<b>Notes to Accounts</b>	15	

The Schedules referred to above and the Notes to Accounts form an integral part of the Profit & Loss Account.

As per our report of even date

For Khandelwal Jain & Co.  
Chartered Accountants

For and on behalf of the Board

Place : Mohali  
Date : 24.06.2009

Akash Shinghal  
Partner  
Membership No.: 103490

Dinesh K Verma  
Director

Kamal Kr. Sharma  
Director

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED  
SCHEDULES TO THE ACCOUNTS

PARTICULARS As at  
March 31, 2009

**Schedule 1: Share Capital**

**Authorised:**

10,000 equity shares of Rs 10 each 100,000

100,000

**Issued, Subscribed and Paid up**

10,000 equity shares of Rs 10 each fully paid up 100,000

(Out of above 9,800 Equity shares are held by Holding Company HFCL  
Infotel Limited) 100,000

100,000

**Schedule 2: Fixed Assets**

ASSETS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at 01.04.2008	Additions during the period	Sale/ Adjustment	As at 31.03.2009	As at 01.04.2008	For the period	On sale/ Adjustment	As at 31.03.2009	As at 31.03.2009
Tangible Assets	-	-	-	-	-	-	-	-	-
Intangible Assets Goodwill [See Schedule 15, Note 6]	-	31,229,573	-	31,229,573	-	-	-	-	31,229,573
<b>TOTAL (A+B)</b>	-	31,229,573	-	31,229,573	-	-	-	-	31,229,573
Capital work-in progress									350,709

PARTICULARS As at  
March 31, 2009

**Schedule 3: Inventory**

Inventory - Handsets & Accessories 9,733,780

9,733,780

**Schedule 4: Sundry Debtors**

*Debts outstanding for a period exceeding six months:*

Secured and Considered Good -

Unsecured and Considered Good -

Unsecured and Considered Doubtful -

*Debts outstanding for a period less than six months:*

Secured and Considered Good -

Unsecured and Considered Good -

Unsecured and Considered Doubtful -

Less: Provision for Doubtful Debts -

-

**Schedule 5: Cash and Bank Balances**

Cash in Hand 1,552

Balances with Scheduled Banks 277,313

In Current Account 278,865

278,865

**Schedule 6: Loans and Advances**

(Unsecured, considered good except otherwise stated)

Advances Recoverable in cash or in kind or for value to be received 484,583

Considered Good -

Considered Doubtful 546,362

Tax deducted at source recoverable 1,030,945

1,030,945

Less: Provision for Doubtful Advances -

1,030,945



**INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED**  
**SCHEDULES TO THE ACCOUNTS**

**PARTICULARS**

As at  
**March 31, 2009**

**Schedule 7: Current Liabilities and Provisions**

**Current Liabilities**

Sundry Creditors	34,756,482
Due to Micro/Small & Medium Enterprises	-
Due to Other	-
Expenses Payable	5,265,613
Other Liabilities	2,573,771

34,756,482  
 5,265,613  
 2,573,771

42,595,866

**Provisions**

Fringe Benefit Tax	14,597
Leave Encashment / Availment	904,467
Gratuity	118,157

14,597  
 904,467  
 118,157

1,037,221

43,633,087

Notes:

Creditors includes amount due from HFCL Infotel Limited, Holding Company, amounting to Rs. 32,833,638/-

**Schedule 8: Service Income**

Revenue from Providing Manpower Services	21,721,903
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21,721,903

**Schedule 9: Sales**

Sale of Handsets	1,300
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1,300

1,300

**Schedule 10: Cost of Goods Sold**

Opening Stock	-
Purchases - Handsets & Accessories	9,735,080
Less: Closing Stock	9,733,780

-  
 9,735,080  
 9,733,780

1,300

**Schedule 11: Personnel Expenditure**

Salaries, Wages and Bonus	18,459,412
Employer's Contribution to Provident and Other Funds	2,875,035
Recruitment & Training Expenses	16,500

18,459,412  
 2,875,035  
 16,500

21,350,947

**Schedule 12: Administrative and Other Expenditure**

Legal and Professional Expenses	1,144,490
Travelling and Conveyance	278,629
Insurance	19,152
Rates and Taxes	545

1,144,490  
 278,629  
 19,152  
 545

1,442,816

**Schedule 13: Finance Charges**

Other Finance Charges	449
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449

449

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT AND FOR THE PERIOD ENDED MARCH 31, 2009

[All amounts in Indian Rupees, unless and otherwise stated]

**SCHEDULE 14: SIGNIFICANT ACCOUNTING POLICIES**

**1. Nature of Operations**

- i) The Company is engaged in the business of establishing, acquiring, providing Infrastructure facilities and all kinds of value added services for Telecom operations / services, maintenance and asset management of telecommunication towers, IT services, Business Process Outsourcing services, Staffing services that include Telemarketing, Tele-sales and all other call center services.
- ii) The service spectrum will also include hiring/ leasing, licensing and / or sharing of infrastructure (including communication sites, wireless and broadcast towers, Telecom & Enterprise Networks and communication equipments of similar nature etc.)
- iii) To carry on the business of establishing, acquiring, managing, providing infrastructure facilities, including trading of mobile handsets, to provide and to operate fixed line, Cellular, Wireless Mobility, Internet services and other Telecommunication services etc.

**2. Basis of Accounting**

- i) Financial Statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- ii) The Company follows mercantile system of accounting & recognizes the income & expenditure on accrual basis.
- iii) The preparation of the financial statements in conformity with GAAP requires that the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of date of the financial statements and reported amounts of income and expense during the period. Actual results could differ from those estimates.

**3. Revenue Recognition**

- i) Revenue from sales is recognized on dispatch of goods from the warehouse. Sales are exclusive of sales tax.
- ii) Revenue from services is recognized on the performance of concerned services.

**4. Fixed Assets**

**i) Owned Assets**

Fixed assets are stated at cost less impairment loss, if any, and accumulated depreciation. The Company capitalizes direct costs including taxes, duty, freight and incidental expenses attributable to the acquisition and installation of fixed assets. Capital work in progress is stated at cost.

**ii) Intangible Assets**

The excess of cost incurred for acquisition of "Handset Business" over net value of Assets and Liabilities has been treated as Goodwill.

**5. Depreciation & Impairment**

Depreciation is provided on straight-line method as per rates prescribed in schedule XIV of the Companies Act, 1956. Intangible assets are amortized over the period of 5 Years on straight-line method.

At the Balance sheet date, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount

**6. Inventories**

Inventories of Stock in trade are valued at lower of cost or net realizable value.

**7. Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**8. Retirement Benefit**

**Short Term Employee Benefits**

Short term employee benefits are recognized 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 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 provides 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.

9. Income Tax

i) Income tax comprises of current tax, fringe benefit tax and deferred tax.

ii) Current tax is provided for on the taxable profits of the year at applicable tax rates. 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.

iii) 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.

10. Earning Per Share

Basic earning per share is calculated by dividing the net profits/(losses) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted earning per share, the number of shares comprise the weighted average shares considered for deriving basic earning per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

11. Business Segment

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 un-allocable items include income and expenses items which are not directly identifiable to any segment and therefore not allocated to any business segment.

12. Contingent Liabilities

Contingent liabilities are determined on the basis of available information and are disclosed by way of a note to the accounts.

13. Cash & Cash Equivalents

Cash & cash equivalents in the Balance Sheet comprise cash in hand and at bank.

14. Preliminary Expenses

Expenditures incurred for the incorporation of company are considered as Preliminary expenses and are charged to profit and loss account.

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT AND FOR THE PERIOD ENDED MARCH 31, 2009

[All amounts in Indian Rupees, unless and otherwise stated]

SCHEDULE 15: NOTES TO ACCOUNTS

1. The company was incorporated on August 5, 2008 with the main object to carry on the business of Trading of Mobile Handsets and providing Infrastructure & Manpower services

2. Contingent liabilities not provided for :

Particulars	For the Period ended March 31, 2009
NIL	NIL

3. On the basis of information to the extent available with company, there is no liability towards amount and interest payable to Micro, Small and Medium enterprises as at March 31, 2009. Hence, other disclosures pursuant to the provisions of Micro, Small and Medium Enterprises Development Act 2006 are not applicable to the Company. Above information has been relied upon by the auditors.

4. Payment to Auditors:

Particulars	For the Period ended March 31, 2009
Audit Fees	35,000
Tax Audit Fees	15,000
<b>Total</b>	<b>50,000</b>

5. During the year company have not incurred any expense on account of Managerial Remuneration.

6. Business acquisition

The Company has entered into agreement dated 31<sup>st</sup> 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.

7. Fixed Assets:

Computers and Furniture and Fixtures amounting to Rs 350,709 have not yet put to use and disclosed under capital work in progress.

8. Basic Earning /Diluted Earning Per Share:

	For the Period ended March 31, 2009
Profit/(Loss) after Tax & Prior Period Expense	(755,519)
Weighted Average no of ordinary Shares	10,000
Nominal Value of Share	10
Profit/(Loss) Per Share	(75.55)

9. Employees Benefits

The Company, during the year, has adopted Accounting Standard 15 (Revised) "Employees Benefits" issued by the ICAI.

During the year, Company has recognized the following amounts in the financial statements:

Defined Contribution Plan

Particulars	Amount in Rs.
Employer's Contribution to Provident Fund *	1,081,678
Employer's Contribution to ESI *	625,612

\* Included in Employer's Contribution to Provident and Other Funds

Defined Benefit Plans

The employee's gratuity fund is non-funded The present value of obligation 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. The obligation for leave encashment is recognized in the same manner as gratuity

**Actuarial assumptions**

Particular	Gratuity	Leave Encashment
Discount Rate (Per Annum)	7.50%	7.50%
Rate of increase in Compensation levels	5.00%	5.00%
Rate of Return on plan assets	7.50%	7.50%
Average remaining working lives of employees (Years)	8.49 Years	8.49 Years

**Table showing changes in present value of obligations:**

Particular	Gratuity	Leave Encashment
Present value of obligation as at the beginning of the year	Nil	Nil
Interest Cost	Nil	Nil
Current Service Cost	Nil	Nil
Benefits paid	Nil	Nil
Actuarial (gain)/ loss on obligations	118,157	904,467
Present value of obligation as at the end of the period	118,157	904,467

**Table showing changes in the fair value of plan assets:**

Particular	Gratuity	Leave Encashment
Fair value of plan assets at beginning of the year	Nil	Nil
Acquisition adjustments	Nil	Nil
Expected return of plan assets	Nil	Nil
Employer contribution	Nil	Nil
Benefits paid	Nil	Nil
Actuarial gain/ (loss) on obligations	Nil	Nil
Fair value of plan assets at year end	Nil	Nil

**Actuarial Gain / loss recognized**

Particular	Gratuity	Leave Encashment
Actuarial gain/(loss) for the year - obligations	(118,157)	(904,467)
Actuarial gains/(loss) for the year - Plan Assets	Nil	Nil
Total gain/(loss) for the year	(118,157)	(904,467)
Actuarial Gain / (loss) recognised in the year	(118,157)	(904,467)

**Amounts to be recognized in Balance Sheet:**

Particular	Gratuity	Leave Encashment
Present value of obligation as at 31st March, 2009	(118,157)	(904,467)
Fair value of plan assets as at 31st March, 2009	Nil	Nil
Funded Status	(118,157)	(904,467)
Unrecognized actuarial (gains) / losses	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(118,157)	(904,467)

**Expenses recognised in statement of Profit and Loss:**

Particular	Gratuity	Leave Encashment
Current service cost	Nil	Nil
Past service cost	Nil	Nil
Interest Cost	Nil	Nil
Expected return on plan assets	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil
Net Actuarial (gain)/ loss recognized in the period	118,157	904,467
Expenses recognized in the statement of Profit and Loss	118,157	904,467

**10. Related Party Disclosures**

List of Related parties:

Name of Company	Relation with Company
Himachal Futuristic Communications Limited (HFCL)	Ultimate Holding Company
HFCL Infotel Limited	Holding Company
HTL Limited	Fellow Subsidiary of Ultimate Holding Company
Moneta Finance Pvt. Ltd.	Fellow Subsidiary of Ultimate Holding Company
Connect Broadband Services Ltd.	Subsidiary of Holding Company (upto 16/04/2008)
Infotel Business Solutions Ltd.	Company Under Key Managerial Personnel

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

Following are the transactions with the related parties:

PARTICULARS	HFCL Infotel Ltd.	Infotel Business Solution Ltd
Nature of Transaction	For the Period ended March 31, 2009	For the Period ended March 31, 2009
<b>Assets</b>		
Purchase of Inventory, Fixed Assets, Goodwill and Distributors Balances	-	40,838,699
Balance- Receivable		-
Debit Notes raised on us		7,674
<b>Liabilities</b>		
Issue of Equity Shares	99,800	-
Balance-Payable	32,833,638	-
<b>Income /Receipt</b>		
Services Provided	24,111,337	-
Payment received by us	14,649,999	-
<b>Expenses/Payments</b>		
Purchase of Services	-	1,003,956
Credit Notes raised	41,748,613	-
Debit Notes raised	-	41,736,581

**11. Deferred Tax Assets**

Deferred Tax 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 comprises of the followings:-

Particulars	Charge/(Credit) during the year	As at March 31, 2009
Deferred Tax Liability in Total (A)	-	-
Provision for Gratuity	40,162	40,162
Provision for Leave encashment	307,428	307,428
Preliminary Expenses	6,106	6,106
Deferred Tax Assets in Total (B)	353,696	353,696
Net Deferred Tax Liability/ (Asset) (A-B)	(353,696)	(353,696)

**12. Business Segment:**

The Company is primarily engaged in the business of providing manpower supply services for Telecom operations to its group company HFCL Infotel Limited only. As the Company is rendering these services to and on behalf of a single customer, the operations of the Company are considered to be one segment.

**13. Inventory:**

The Inventory have been valued at cost on a first in first out basis. The quantity and valuation of inventory is taken as physically verified, valued and certified by the management at the end of the year.

**Quantitative Information**

Particulars in respect of Purchases, Sales and Stocks of Finished goods purchased for resale.

Class of Goods	Unit	Opening Stock		Purchases (Net of Returns)		Sales (Net of Returns)		Closing stock	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)
CDMA Mobile Handsets (Ping)	Nos.	-	-	6,263	8,189,466	1	1,300	6,262	8,188,166
Handset Accessories	Nos.	-	-	12,004	1,545,614	-	-	12,004	1,545,614
<b>Total</b>		-	-	<b>18,267</b>	<b>9,735,080</b>	<b>1</b>	<b>1,300</b>	<b>18,266</b>	<b>9,733,780</b>

14. The Company has adopted Accounting Standard 28, Impairment of Assets ('AS 28'), which has not given rise to any impairment loss to be recognized in the financial Statements for the year ended March 31, 2009.

15. Previous year figures are not required to be shown as the company is preparing the accounts for the first time since its incorporation.

As per our report of even date attached

For Khandelwal Jain & Co.  
Chartered Accountants

For and on behalf  
of the Board

Akash Shinghal  
Partner  
Membership No: 103490

Dinesh K Verma  
Director

Place: Mohali  
Date: 24.06.2009

Kamal Kr. Sharma  
Director

**INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED**  
**CASH FLOW STATEMENT FOR THE PERIOD ENDING 31ST MARCH, 2009**

As At PARTICULARS	March 31, 2009
Cash flow from operating activities	
Profit/(Loss) for the year before Taxation, and Extraordinary	(1,094,763)
<u>Adjustments for:</u>	
Depreciation and amortisation	-
Prior Period Expense/ (Income) (Net)	-
Provision for Doubtful Advances	-
Provision for Doubtful Debts	-
Operating profit before working capital changes	(1,094,763)
<u>Movement in Working Capital :</u>	
(Increase)/Decrease in sundry debtors	-
(Increase)/Decrease in Loans and advances	(484,583)
(Increase)/Decrease in Inventory	(9,733,780)
Increase/(Decrease) in current liabilities & Provisions	42,581,414
Increase/(Decrease) in Provisions	1,037,221
(Increase)/Decrease in Advance Tax (Net of Provisions)	(546,362)
Wealth Tax and Fringe Benefit Tax Paid	32,853,910
Cash generated from operating activities	31,759,147
Direct Taxes paid (Net)	-
Net cash generated from operating activities	<u>31,759,147</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	(31,580,282)
Net cash used in Investing Activities	<u>(31,580,282)</u>
Cash flows from Financing Activities	
Proceeds from Equity share capital	100,000
Net cash (used in) generated from financing activities	<u>100,000</u>
Net (decrease)/increase in cash and cash equivalents during the per	<u>278,865</u>
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	278,865
Cash & Cash Equivalents	
Cash in Hand	1,552
Balances with Scheduled Banks	277,313
- In Current Accounts	<u>278,865</u>

This is the Cash Flow referred to in our report of even date

As per our report of even date

For Khandelwal Jain & Co.  
Chartered Accountants

For and on behalf of the Board

Place : Mohali  
Date : 24.06.2009

Akash Shinghal  
Partner  
Membership No.: 103490

Dinesh K Verma  
Director

Kamal Kr. Sharma  
Director

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED

STATEMENT PURSUANT TO PART - IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I REGISTRATION DETAILS</b>	
Registration No.	032171
State Code	16
Balance Sheet	March 31, 2009
<b>II CAPITAL RAISED DURING THE YEAR (RUPEES)</b>	
Public Issue	NIL
Bonus Shares	NIL
Rights Issue	NIL
Private Placement	NIL
<b>III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RUPEES)</b>	
Total Liabilities	100,000
Total Assets	100,000
<b>SOURCE OF FUNDS</b>	
Shareholders' Funds	100,000
Reserves & Surplus	-
Secured Loans	-
Unsecured Loans	-
<b>APPLICATION OF FUNDS</b>	
Net Fixed Assets	
(Including Intangible Asset)	31,580,282
Accumulated Losses	755,519
Deferred Tax Assets	353,696
Investments	-
Net Current Assets	(32,589,497)
<b>IV PERFORMANCE OF THE COMPANY (RUPEES)</b>	
Turnover	21,723,203
Total Expenditure	22,795,512
Profit /(Loss) Before Tax	(1,072,309)
Profit /(Loss) After Tax	(755,519)
Earning (Loss) Per Share	(75.55)
Dividend	Nil
<b>V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS /SERVICES OF THE COMPANY</b>	
Item Code No(ITC Code)	N.A.
Product Description	Providing Services for Telecom Operations

For and on behalf of the Board of Directors

Dinesh K Verma  
Director

Kamal Kr. Sharma  
Director

Place : Mohali  
Date : 24.06.2009