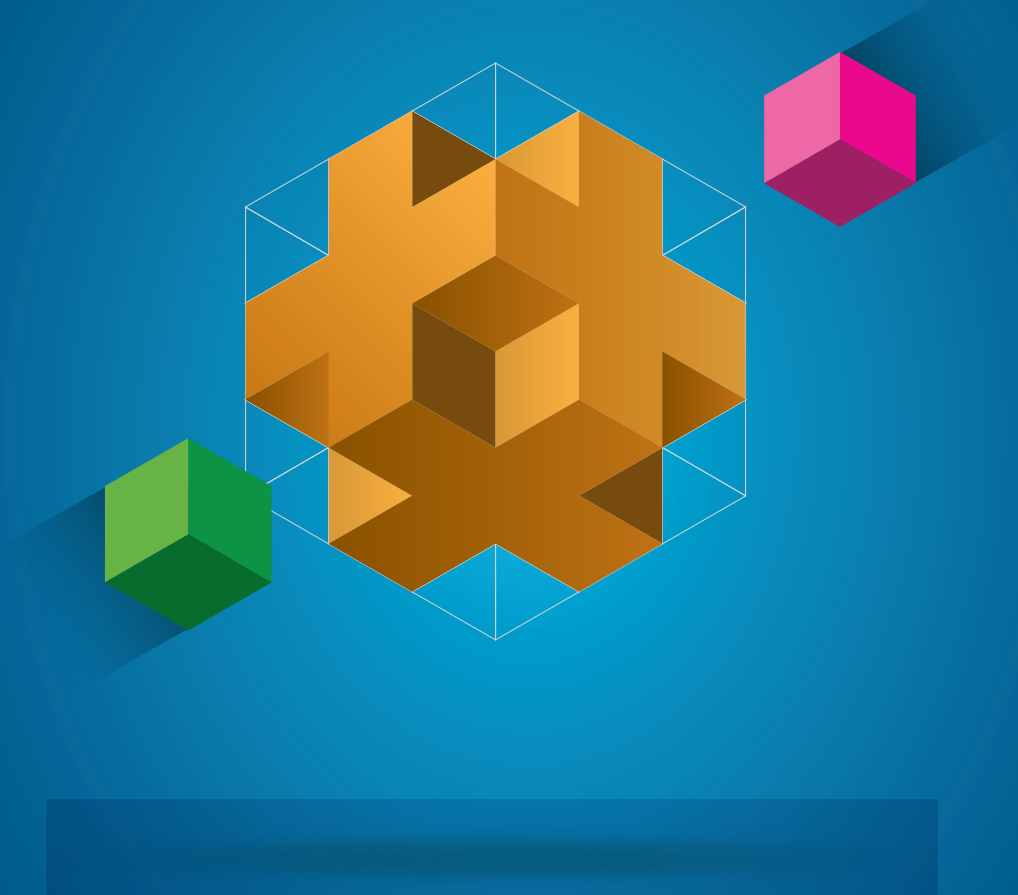


Adding New Dimensions



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Forward Looking Statements

Certain statements in this Annual Report relating to the Company's future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.





Adding New Dimensions

From annual revenue of ₹ 261 Crore in FY12, we have come a long way in recording revenue of ₹ 2570 Crore with net profit of ₹ 119 Crore in the just concluded FY16. The accelerated progress of these four years gets reflected in our revenue and net profit growing at a CAGR of 78% and 80% respectively.

While being encouraging, what these numbers don't reveal include the methodical inside-out diversification of our business domain, thoughtfully crafted and executed strategies, disciplined cost regime and a sustained fostering of performance driven work culture. Not surprising, our telecom products revenue has grown 15 times while the turnkey contract revenue grew by 9 times in the last four years. Our thrust on turnkey contracts and services helped sustain our growth momentum, while also aiding growth of our telecom products business.

With both these segments attaining sizeable market-share, customer confidence and financial independence, we have successfully added dedicated business divisions for Railways and Defence in the year under review. The synergistic move is backed by our proven capabilities in telecom products and turnkey services, which map well with sizeable opportunities unfolding in Indian Railways and Defence sectors. With Government of India's thrust on domestic manufacturing and indigenisation of critical electronic components to be used in strategic sectors, we did take upon ourselves to respond to this clarion call of national self-reliance. Putting a talent pool of diversely experienced senior professionals and putting a robust business strategy in place during the year, we earned confidence of the Government in form of seven licenses for manufacturing defence equipment. We stand within striking range of forging technological partnerships with some globally renowned players.

Electronic security and surveillance, a big enabler of homeland security and a must add feature for smart cities, offers another area of significant growth for us. In order to maximise from this opportunity, we have raised our stake in Polixel Security Systems Private Ltd. ("Polixel") to 94%. Polixel provides integrated security and surveillance solutions/systems including CCTVs, Traffic Management and Enforcement, Access Control, Fire Alarm and Intelligent Building Management.

Our participation in four sizeable tenders aggregating to about ₹ 5000 Crore in FY15 and FY16, has culminated in awarding of one advance order of ₹ 1245 Crore and emergence as the lowest bidder in another tender of about ₹ 2500 Crore, where techno-commercial evaluation stands completed. We remain optimistic of positive outcome in the remaining tenders as well.

In less than four years of our recent business journey, we have gone through the survival, revival and accelerated growth phases of our business. Fortifying our current strengths while also adding new dimensions, we shall ensure and secure our business sustainability and profitability over the coming years.



REACTING LINE-4

REACTING LINE-3

STANDING



The world of HFCL

Established in 1987, Himachal Futuristic Communications Limited (HFCL) is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment and Optic Fibre Cable (OFC). As an integrated telecom infrastructure enabler, it delivers innovative, customized and competitively priced end-to-end telecom solutions. Its technologically advanced solutions cover all aspects of the telecom value chain.

The Company is spreading its business spectrum by adding manufacturing of Defence Gears and turnkey installation of communication and signaling network for Railways in recent times.

VISION

To provide cost effective futuristic end-to-end solutions in telecom, defence and railways with focus on developing state-of-art technologies to maintain sustained long-term growth and create value for all Stakeholders

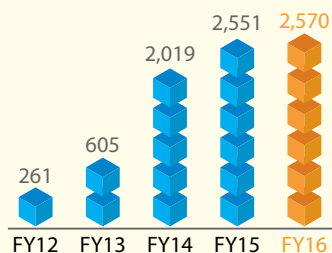
MISSION

To tap opportunities in the broadband revolution, defence indigenization and railways modernization, with focus on technologically advanced products for manufacturing, and to provide system integration and turnkey solutions.

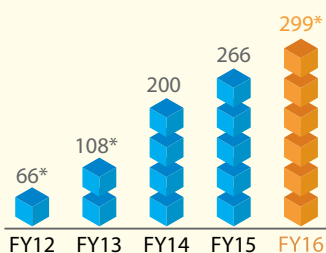


Financial Highlights

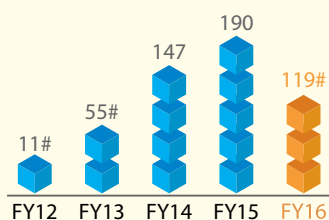
Revenue (₹ in Crore)



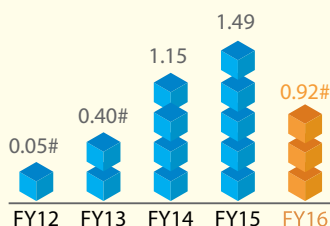
EBITDA (₹ in Crore)



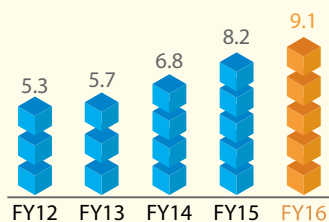
Net Profit (₹ in Crore)



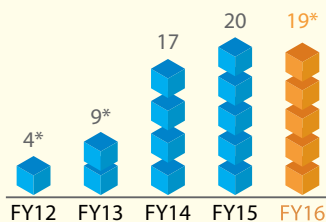
EPS (₹)



Book Value per Share (₹)

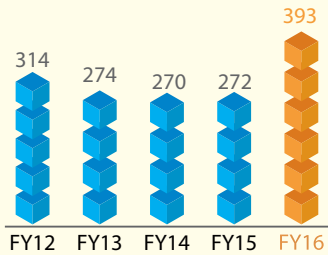


Return on Capital Employed(%)

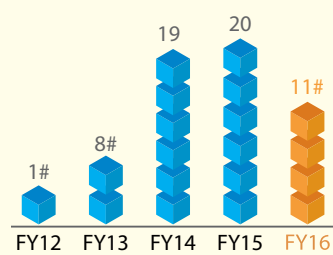


* Before exceptional items # After exceptional items

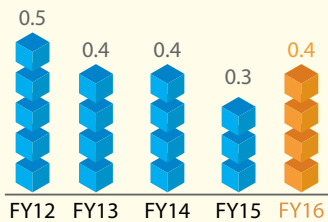
Gross Debt (₹ in Crore)



Return on Equity (%)



Debt to Equity Ratio (x)



Our turnaround from a revenue base of ₹ 261 Crore in FY12 to reported net profit of ₹ 119 Crore in FY16 (net off of exceptional items of ₹ 109.95 Crore) tells an impressive story.

Operational Highlights

- Secured seven licenses for manufacturing defence equipment
- Bagged an Advance Purchase Order worth ₹ 1245 Crore from BSNL, taking current order book to ₹ 3300 Crore approx
- Commissioned a dedicated OFC manufacturing facility at Chennai (under HTL Ltd., a subsidiary company)
- Bagged a breakthrough order from Switzerland's Trans Adriatic Pipeline AG for OFC supply
- Recorded impressive growth of over 100% in export of OFC

#After exceptional items



Managing Director's Message

highest ever revenue of 2570 Crore with EBIT Margin of 6.4% and our order book stands at 3300 Crore approx.

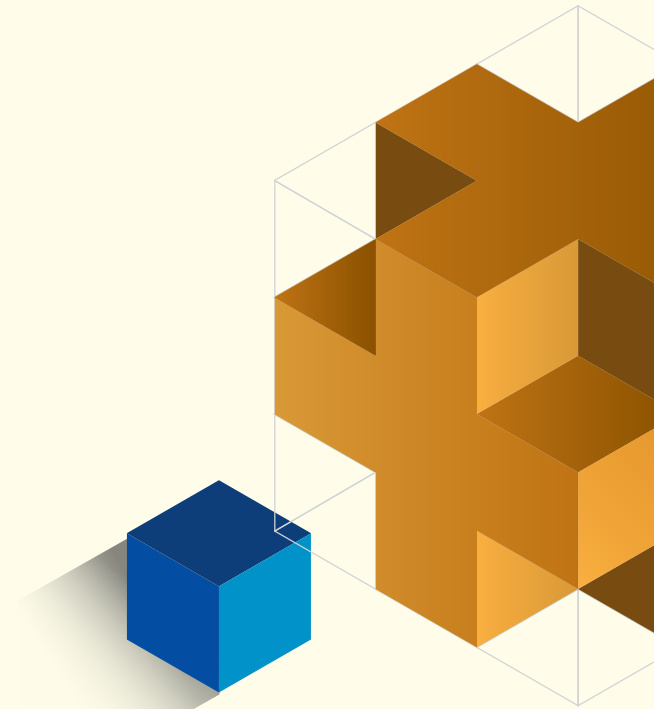
We continued to leverage our expanded capacity to grow the OFC business. Having expanded our OFC capacity at Goa facility in FY15, we expanded the OFC capacity of our subsidiary company, HTL Limited in the year gone by. You will be happy to note that the Chennai facility of HTL is fully operational. An impressive growth in exports of OFC remains the highlight of the year. Our export focus is going to intensify in coming times.

I am delighted to share that our turnkey business has been successful in bagging an Advance Purchase Order (APO) of about 1,245 Crore from BSNL for setting up of the prestigious countrywide Telecom Transmission Network. Your Company has also emerged as the lowest bidder in one more such tender. The order book position shall get a significant boost from such positive outcomes.

We are considering to expand our telecom product bouquet beyond GSM equipment with potential addition of WiFi Systems and Optical Broadband Access Equipment (FTTx). Our telecom product and turnkey solutions segments shall both continue to drive Company's growth in view of the Government's thrust on transforming the country into a 'Digital India' on the back of a robust OFC network that addresses fast multiplying data transmission requirements. Schemes like 'BharatNet' and 'Rural Wireline Broadband Scheme' shall fuel the demand for OFC and network installations. Need for speed and quantum jump in data consumption shall emphasise continued investments in next generation infrastructure and networks by telecom service providers, which augurs well for your Company.

Dear Shareholders,

We have witnessed another year of continued growth in recently concluded FY16. We made good progress across all our key objectives as set out in the previous year. Turnkey and Optic Fibre Cable (OFC) businesses both have contributed to our Growth while we made encouraging progress in our newly added business dimensions of Railways and Defence. The Company has achieved



On the macro-economic front, the aims of Railway Modernization, Defence Self-sufficiency, Digital Security, Make in India, Smart Cities etc. could not have been better timed than now. All these initiatives spell a bountiful of opportunities for your company, which has expanded its capability of manufacturing telecom products and has assimilated a valuable reservoir of know-how on constructing formidable telecom network across all kinds of terrains and topographies.

Having envisaged dedicated divisions to cater to emerging opportunities in Railways and Defence in the previous year, we have made good progress in FY16. Network Modernisation of Indian Railways by way of dedicated freight corridors and port connectivity remains high on Government's priority. Ensuing Metro Rail Projects would see a multiplier growth on the back of Smart City Program. All these provide a big opportunity of Design, Supply and Execution of Telecom Network on turnkey basis for our Company. The first success in form of a ₹ 92 Crore approx order from a leading MNC adds to our confidence of extracting better results in coming times.

The convergence of country's policy direction of strengthening the manufacturing sector as well as modernising its framework of sovereign defence is likely to catapult India as a promising destination for defence related manufacturing and assemblies. Our in-time alignment with this emerging segment has helped us earn seven Defence Production licences. Our discussions on forging technology alliances with some renowned global defence suppliers are at advanced stages.

In another synergistic move aimed at strengthening our business interest in electronic surveillance and security, we have recently

increased our stake in Polixel Security Systems Private Ltd. to 94%. Polixel, now a subsidiary company of HFCL, provides surveillance and security equipment and solutions and holds a promising prospect in light of increasing thrust on Homeland Security and Smart Cities.

With all these new developments and absolute readiness of our traditional business, order book of ₹ 3300 Crore with tender pipeline of another ₹ 5000 Crore, your Company is headed to further fortify its growth prospects as formidable player in the telecom products and infrastructure development.

Our growth has been fueled by unflinching dedication, passion and hard work of our people. On behalf of the Board of Directors, I appreciate their valued contribution. I extend my sincere thanks to all other stakeholders including you, our dear shareholders, for the continued trust and patronage that we, at HFCL have always received and valued.

In continued togetherness, our march forward on the path of value creation appears smoother and surer. Let us move ahead with our agenda of strengthening the telecom network and infrastructure in India and elsewhere in the world.

With best wishes,

Mahendra Nahata

Managing Director

