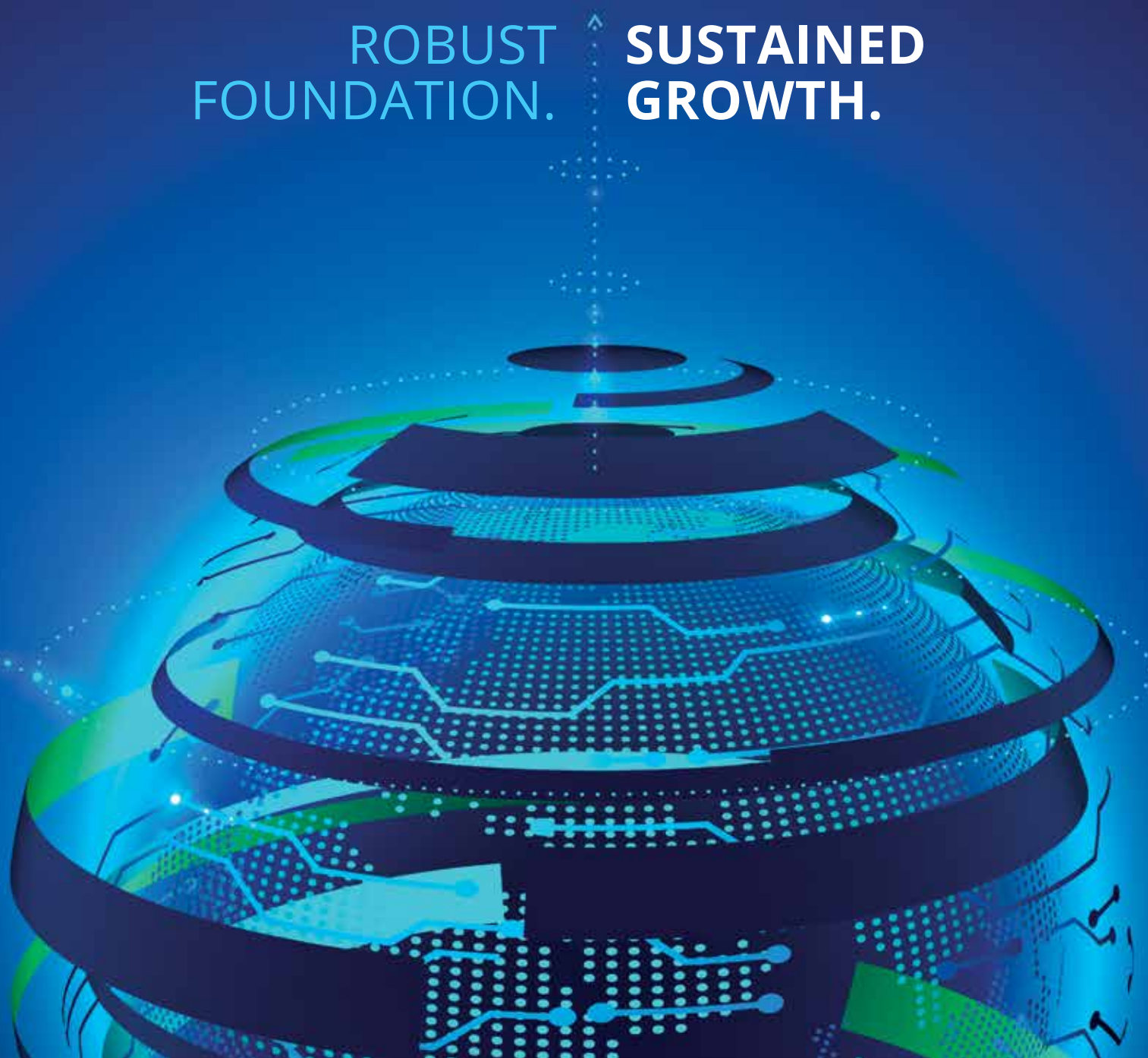


ROBUST
FOUNDATION.

**SUSTAINED
GROWTH.**



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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.



ROBUST FOUNDATION. SUSTAINED GROWTH.

Telecommunication over the last two decades, has transformed the socio-economic growth and development of India. Having reached mobile telephony to over a billion Indians across the length and breadth of the country, the Indian telecom industry is headed to script its next wave of revolution across high-speed broadband and rollout of 5G services. From existing 1.5 million fibre kilometers (mfkm), country's fibre backbone is headed to cross 2.5 mfkm in the next four-five years. A denser fibre network holds the key for content-heavy 5G services, both for front haul and the back haul.

₹ 8,700 cr.
STRONGEST EVER
ORDER BOOK
.....>

6.4 mfkm pa
GREENFIELD **OPTICAL**
FIBRE PLANT UNDER
EXECUTION
.....>

7 mfkm pa
GREENFIELD **OPTICAL**
FIBRE CABLE PLANT
UNDER EXECUTION
.....>



TRAI's recommendation of 'zero net import' of telecom gears by 2022 would serve well in transforming the Indian telecom equipment sector from being import-dependent to export-oriented. The consolidation in telecom space, coupled with rapid adoption of new age telecom solutions across defence, railways, smart cities, power transmission, etc. is going to present much larger network deployment opportunities than what has been witnessed in the last two decades.

As an established Indian player in telecom product, network and turnkey solutions, we, at HFCL, have far consolidated our strengths. With a proven track record of over three decades across telecom product manufacturing and network development, deployment and maintenance, we have emerged as a partner of choice for a range of customers including private and PSU telcos, defence, railway and metro, civic utilities, etc. Forging partnerships with Indian and MNC entities of repute, we have expanded our serving domains and geographies in recent years.

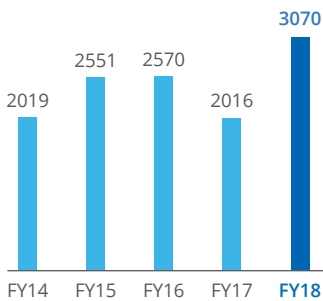
Our FY18 performance was marked with highest ever revenue and operating profit. Including the post FY18 wins, our order book is around ₹8700 crore, which far exceeds our last three year's cumulative revenue. Also on the anvil are a backward integration project of optical fibre manufacturing and an optical fibre cable manufacturing plant, both greenfield. Post commencement of these two facilities, we would feature among the top 10 global OFC manufacturers (including installed capacity of one of our subsidiary companies).

From a revenue of ₹ 261 crore in FY12 to ₹ 3070 crore in FY18, our journey has been one of putting a robust foundation - a multi-dimensional strengthening of our business foundation that spanned manufacturing and technological capabilities, human capital, social capital and environmental capital. As the roots of these capitals deepen, we are headed to deliver sustained value creation over coming years, for all our stakeholders – customers, employees, partners, investors, governments, communities and the peer group.

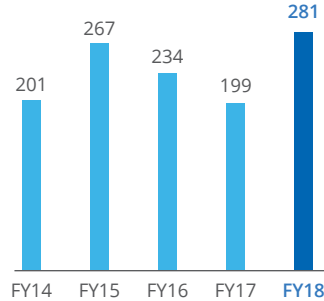
Artist's impression of our upcoming Optical Fibre Plant at Hyderabad, Telangana

FINANCIAL HIGHLIGHTS

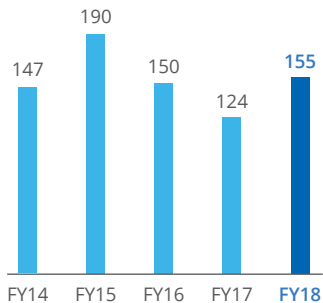
REVENUE (₹ in crore)



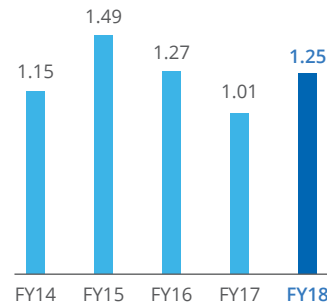
EBITDA (₹ in crore)



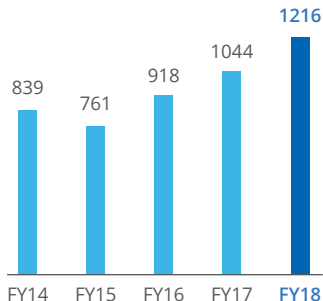
NET PROFIT (₹ in crore)



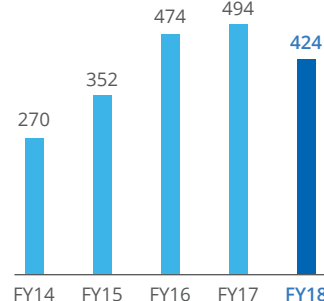
EPS (in ₹)



NET WORTH (₹ in crore)



GROSS DEBT (₹ in crore)



Operational Highlights

- Company recorded the highest ever revenue, EBITDA and net worth
- A 6.4 mfkms Greenfield Optical Fibre plant coming up at Hyderabad at a CAPEX of ₹ 225 crore
- A 7 mfkms Greenfield Optical Fibre Cable plant also coming up at Hyderabad at a CAPEX of ₹ 75 crore
- Highest ever outstanding Order Book of ₹ 8,700 crore (including post FY18 orders)
- An indigenously developed WiFi network solution ready for deployment
- Dividend payout of ₹ 7.44 crore, subject to shareholders approval
- Debt reduction of ₹ 70 crore

OFC MANUFACTURING. SUSTAINED GROWTH AND PROFITABILITY.

The vision of a truly digital India can only be realised on the bedrock of a high density OFC network. Domestic OFC demand from ongoing broadband and network development initiatives, BharatNet Project for connecting over 2,50,000 Gram Panchayats, dedicated network for defence forces, massive upgradation of railway connectivity and signaling, connectivity for smart cities, etc. are likely to keep supplies stretched over the next couple of years. With the country readying to roll out 5G services by 2022, OFC demand would further accentuate and sustain.

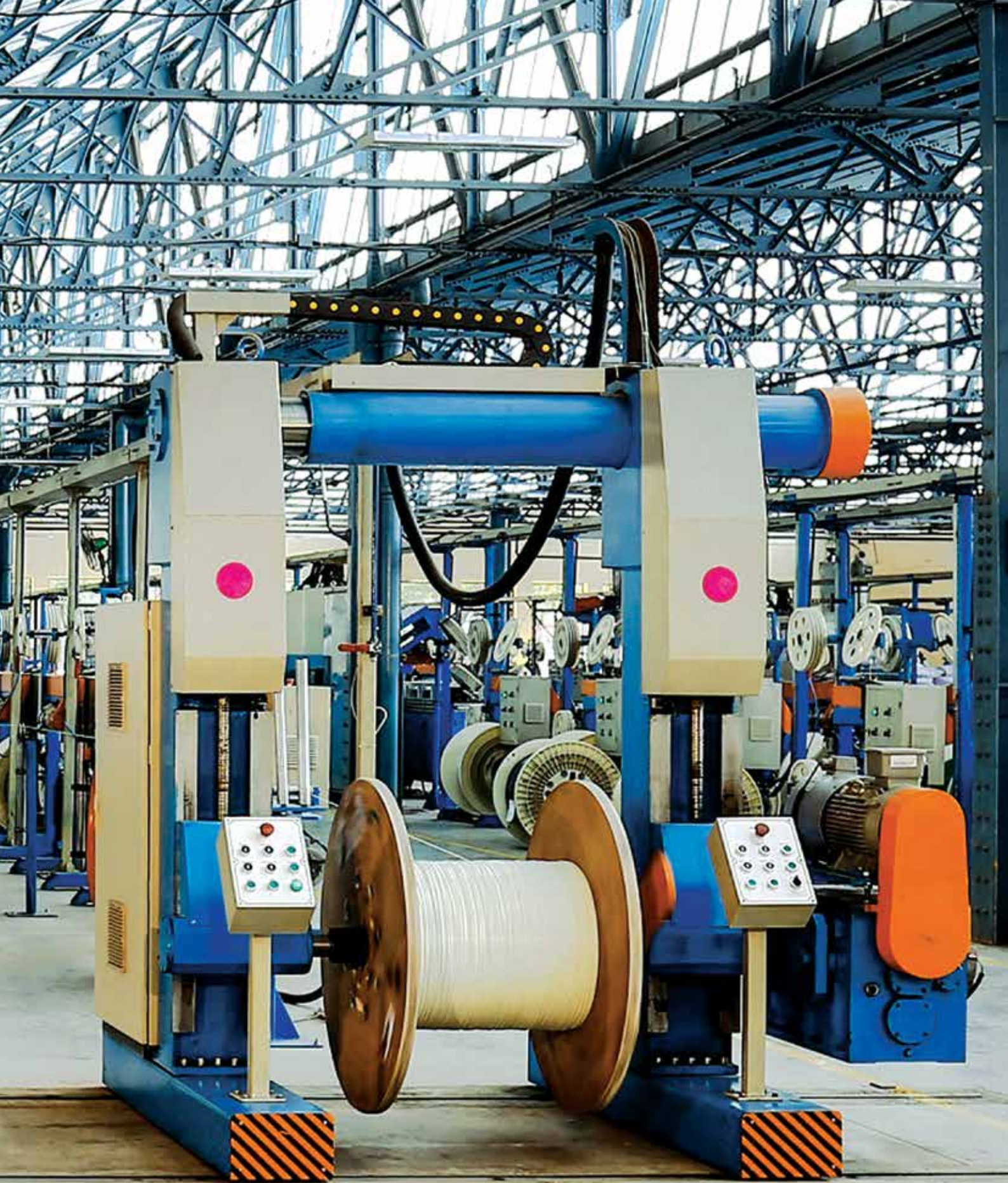


Our OFC manufacturing units are already running at near full capacities and then there are worldwide supply constraints of optical fibre. Aiming to counter supply vagaries of optical fibre and also strengthening operating margin, we are foraying into optical fibre manufacturing. With an estimated CAPEX of ₹ 225 crore, our Greenfield plant at Hyderabad, Telangana would initially manufacture 6.4 million fibre kilometer (mfkm) pa. With the orders for key machinery and equipment already placed, the construction work at the site is progressing as planned. The plant is likely to be commissioned by May, 2019, accruing business benefits from FY20.

We are also putting up a Greenfield OFC manufacturing facility at the same site at Hyderabad. With an estimated CAPEX of ₹ 75 crore, the plant would initially manufacture 7 mfkm pa of OFC. The plant is likely to be commissioned by April, 2019 and would take Company's standalone OFC capacity to 15 mfkm pa. Our consolidated capacity of 22 mfkm pa (including 7 mfkm pa of our subsidiary HTL Limited) would catapult us into world's top 10 OFC manufacturers. The strategic location of the plant would help the Company save on logistic costs.

In terms of operations, FY18 was a landmark year which witnessed development of several new products, optimal utilization of capacities and market expansion across domestic and export geographies. The division recorded its highest ever throughput and revenues. The critical pivots of our business strategy, going forward, include intense development of value-added next generation products, broad-basing our product mix with clear skew towards high-margin and new-application products, increasing contribution of exports and steady expansion of our manufacturing and distribution footprints.







NETWORK TURNKEY SOLUTION. **SCALABILITY AND SUSTAINABILITY**

The power of secure, scalable and speedy telecom network is fast being acknowledged. In a country of 1.3 billion people, while 5G readiness is being contemplated at the one end, many a million people still await mobile telephony, leave aside hi-speed broadband. The paradox is, thankfully, drawing attention and resources from a multitude of stakeholders and the country is receiving the socio-commercial benefits of modern telecommunication technology.



At HFCL, we have steadily strengthened our network design, implementation and maintenance capabilities while implementing many arduous assignments in terms of technology, topography, cost or time complexities. As a result of which, we have emerged as a network developer of choice for our customers. Successful completion and delivery of many of these assignments have led to follow-up orders of similar or much higher scale and/or complexities heading our way.

Through the FY18, our delivery roster as well as our order book continued to swell as India continued to build/upgrade/expand its telecom network. Taking the GSM network deeper into LWE (Left Wing Extremism) area across 6 states, setting up of WiFi hotspots across 16 states in Northern & Eastern India, setting up 6,000 access points across Gram Panchayats in Rajasthan, upgradation and IPfication of BSNL backhaul network empowering them with 4G offerings.

Significant addition to the order book during the year included a purchase order worth ₹ 935 crore from BSNL for building a dense wavelength division multiplexing (DWDM) based transmission network for armed forces. A purchase order worth ₹ 2,004 crore was received in the current year (FY19) for implementing GIS based Optical Fiber Network Management System (GOFNMS). Two more Purchase orders totalling ₹583 crore were received during the current year (FY19) from Bharat Broadband Network

Limited for creating Optical Fiber Cable GPON Network and Radio Network in the State of Punjab.

We also received an advance purchase order from BSNL worth ₹579 crore for establishing a green-energy based GSM network for unconnected villages of Karbi Anglong and Dima Hasao districts of Assam, deploying 924 BTS sites catering to 1,313 villages. Another advanced purchase order from BSNL worth ₹558 crore was received for implementing high capacity wireless backbone links in strategic locations for the Indian Armed Forces.

Alongside our turnkey network projects, we have been building a healthy portfolio of Operation & Maintenance (O&M) revenue, which is adding visibility and predictability to our revenues and cash flow. Our turnkey order book stood more than ₹6,400 crore while our O&M order book stood more than ₹1,850 crore.

Besides, we have also got a healthy tender mix, out of which we expect positive outcomes in many of them. With a view to channelise our accumulated skills and scale up abilities, we have started to explore overseas markets for turnkey network development opportunities.

NEW BUSINESSES. **BUILDING A SOLID FOUNDATION.**

In order to leverage our telecom product and EPC capabilities in adjacent space, we ventured into railways, smart city and defence segments. Each of these segments offer sizeable opportunities and we have steadily been strengthening our business proposition.



Railway Communication & Signaling

We have secured three significant orders with a combined contract value of ₹ 291 crore. These include a ₹113 crore turnkey order from Alstom Systems India Pvt. Ltd., a ₹95 crore project from Larsen & Toubro Ltd. and a ₹ 83 crore order from China Railway Signal & Communication Co. Ltd. Being part of both (Eastern as well as Western) Dedicated Freight Corridors, the orders involved designing, developing, commissioning, testing and onsite training for the telecommunication system. In collaboration with a leading Indian EPC company, we have submitted bids for turnkey telecommunication solutions for a metro-rail project overseas. We continue to explore collaboration and co-development opportunities with Indian as well as foreign players in the railway sector.

