Stakeholders Empowerment Services

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Proxy Advisory Report (Addendum)

HFCL Ltd

ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance Research and Advisory Firm. SES assists Investors to analyze Governance Practices including matters relating to sustainability, prevalent at Listed Entities and empower Investors to undertake meaningful engagement with Investee Entities.

SES SERVICES

E-BRSR Tool: Online web-based platform to create **BRSR Report** by the Company and generate **XBRL** in seamless, cost and time effective manner
Already subscribed by HUL, Maruti, TVS Motors, Kansai Nerolac, CDSL, Hero, L&T, Wipro, Bharat Forge, Reliance Group and many others. Read More
Contact for Demo – esgdata@sesgovernance.com

SES AIMS:
Designed primarily for Institutional Investors to carry out their stewardship activities in an efficient manner.
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Proxy Advisory:
Advises Investors on the matters that require shareholder approval at Listed Entities and identify Governance Issues.
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ESG Scores:
Analyze sustainability initiatives of Companies based on various environmental, social and governance factors.
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Corporate Governance Score (CGS):
CGS model measures the Company's compliance and also evaluates the Governance Practices with respect To Global Benchmarks. Read More

E-Ballot:
A web-based, one-stop vote management system to cater to the requirements of Institutional Investors.
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COMPANY INFORMATION

BSE CODE: 500183

NSE SYMBOL: HFCL

ISIN: INE548A01028

Industry: Telecom - Infrastructure

Email: secretarial@hfcl.com

Phone: +91 1792 2306 44

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

MEETING DETAILS

Meeting Type: EGM

Meeting Date: 24th April, 2026 at 1:00 PM

Venue / Mode of Meeting: Video Conference (VC) or Other Audio-Visual Means (OAVM)

Notice Date: 25th March, 2026

Notice: Click here

Annual Report: FY 2024-25

SES PA Report (Last AGM): Report

E-VOTING DETAILS

e-Voting Platform: NSDL

Cut-off Date: 17th April, 2026

Remote E-voting:

- **Start**: 21st April, 2026
- **Ends**: 23rd April, 2026

ADDENDUM REPORT RELEASE DATE: 22nd April, 2026

Research Analyst: Pooja Patra

Conflict Disclosure: SES - No Conflict | Analyst - No Conflict

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION

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ADDENDUM

There is no change in the SES Recommendations on any resolution. However, shareholders may take note of the Company's clarification and SES' comments thereon.

BACKGROUND

SES as per its policy, had emailed its PA Report weblink to the Company on 15th April, 2026 in respect of the PB of the Company.

Post release of PA Report, SES received an email from the Company on 17th April, 2026. The Company, through the email, provided its view point, which is reproduced at the last in *blue text*.

It may be noted that the email of the Company dated 17th April, 2026 (as per SES policy framed to comply with SEBI Circular dated 3rd August, 2020 SEBI/HO/IMD/DF1/CIR/P/2020/147) has already been forwarded to SES clients as it is, without any inputs from SES.

This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS TO COMPANY'S RESPONSE

Company's Views: (in Blue colour) & SES Reply: (in Black colour)

1. ***Warrants priced approx. at par with equity shares***

*The issue price of the warrants has been determined strictly in accordance with Regulation 164 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**"SEBI ICDR Regulations"**), based on the higher of:*

(i) the 90-trading-day VWAP i.e. ₹68.31; and

(ii) the 10-trading-day VWAP i.e. ₹72.52 preceding the relevant date.

Accordingly, the issue price of ₹74 per warrant is higher than the price computed in accordance with the SEBI ICDR Regulations.

*The assumption that **"Warrants are effectively Call Options where the subscriber can enjoy the upside for 18 months by paying only 25% upfront"** is speculative and does not reflect the inherent market risks applicable to all investors, including promoters. Further, it is clarified that neither the Company nor its promoters have any control over the market price of the Company's shares, which is determined by market forces, trading volumes, investor sentiment, and macroeconomic factors. Any suggestion, direct or indirect, that the promoters can influence or time market prices is unfounded and inconsistent with established securities law principles.*

The warrant structure, including the upfront payment requirement, is a statutory construct prescribed under the SEBI ICDR Regulations and applies uniformly to all issuers and investors. Participation by promoters under this framework does not involve any assurance of upside, as the market price of the Company's shares remains entirely subject to market forces, and the risk of adverse price movements is equally borne by the warrant holders, including the promoters.

SES Reply:

Shareholders may take note of the clarification provided by the Company. SES had raised a concern regarding the pricing of convertible warrants at par with equity shares.

SES acknowledges that the proposed issue price of ₹ 74 per warrant is higher than the minimum price of ₹ 72.52 determined under the pricing mechanism prescribed under the SEBI ICDR Regulations. However, the premium of ~2% over the regulatory floor price appears inadequate considering the additional economic benefits available to warrant holders. In particular, subscribers are required to pay only 25% upfront initially and may decide later whether to exercise the warrants. Such flexibility itself carries value.

It may be noted that the SEBI ICDR Regulations prescribe only the minimum issue price based on historical market prices. Such minimum price should not be regarded as the fair value of the Company, its equity shares, or the warrants. Therefore, SES is of the view that warrant pricing should also consider an appropriate premium for the 18 months exercise period.

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SES would further like to reiterate that warrants are fundamentally different instruments and cannot be equated with equity shares. The ICDR pricing mechanism does not appear to adequately capture the value of the flexibility available to warrant holders during the exercise period.

SES notes that while the Company has stated that future share prices are subject to market forces, this does not address the rationale for promoter participation through warrants at the proposed price. Promoters, being closely associated with the Company and its business prospects, would ordinarily subscribe only where they perceive potential long-term value.

Consequently, the Company's response does not address the concern of whether the proposed warrant price is fair to existing shareholders.

In view of the above, there is **no change** in the SES recommendation on the proposed resolution.

2. ***Lack of Clarity on Preferential Warrant Allotment to Promoters:***

The Company respectfully submits that the proposed preferential issue of warrants to NextWave Communications Private Limited and Satellite Finance Private Limited has been undertaken after due consideration of the Company's funding requirements and the availability of committed capital from within the promoter/promoter group.

In this regard, it is clarified that the Company had approached promoter and promoter group entities for participation in the proposed fund raise. However, based on internal assessments and investment considerations, NextWave Communications Private Limited and Satellite Finance Private Limited have expressed their willingness to participate and commit capital under the proposed structure.

Both the aforesaid entities are existing shareholders forming part of the promoter/promoter group of the Company and have demonstrated long-term association with the Company. Their participation reflects continued confidence in the Company's business model, long-term growth strategy and future prospects and no preferential terms, rights or governance benefits accrue to them beyond what is uniformly applicable under applicable law and regulations.

The selection of these entities is therefore not discretionary in nature but is driven by their willingness to invest, their financial capacity to support the proposed fund infusion, and their alignment with the Company's long-term strategic objectives. Their participation also ensures continuity of promoter support and reinforces stability in ownership, which is particularly relevant in the context of the Company's ongoing expansion initiatives.

Further, the proposed issuance is being undertaken strictly in compliance with the applicable provisions of the SEBI ICDR Regulations, including pricing, disclosures and other regulatory safeguards, thereby ensuring transparency and fairness to all shareholders.

Accordingly, the rationale for selecting NextWave Communications Private Limited and Satellite Finance Private Limited as allottees is based on objective and commercially sound considerations, including availability of committed capital, existing shareholding, and alignment with the Company's long-term growth plans, and does not result in any inequitable treatment of minority shareholders.

SES Reply:

Shareholders may take note of the clarification provided by the Company regarding the proposed allotment of warrants to promoter/promoter group entities.

The Company has now provided additional context regarding the rationale for allotting warrants to promoters.

The Company has stated that the selected allottees were identified based on willingness to invest, availability of committed capital, financial capacity, and alignment with the Company's long-term objectives.

However, the explanation does not specifically indicate whether alternative fundraising options or participation from non-promoter investors were evaluated,

In the absence of such disclosure, the concern raised under this head **remains unaddressed**.

3. ***Impact on strategic projects due to negative recommendation***

The Company is currently undertaking critical capacity-building and strategic expansion initiatives, including:

- *Setting up of a defence manufacturing facility;*

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- *Establishment of a preform manufacturing facility to achieve backward integration;*
- *Expansion of defence business through HFCL Advance Systems Private Limited.*

Any disruption or delay in the proposed capital raising arising from ***your adverse voting recommendations*** *has the potential to materially impede the timely execution of these strategically critical projects, which are closely aligned with national defence indigenisation goals as well as the Company's long-term strategy of revenue diversification and margin enhancement. Such a negative recommendation would, in effect, constrain all stakeholders from participating in and benefiting from the Company's long-term growth trajectory and value creation initiatives.*

SES Reply:

Shareholders may note that, SES in its earlier report, had already acknowledged the Company's stated requirement for funds. It is also noted that the Notice itself did not specifically justify the funding requirement in detail. However, SES had independently analysed the need for funds based on the Company's recent corporate announcements and aligned the stated utilisation of proceeds with the Company's recent business developments.

SES reiterates that it has no concern regarding the Company's fund raising or the requirement of funds for ongoing development per se.

The Company has further stated that "*Any disruption or* ***delay i****n the proposed capital raising arising from your adverse voting recommendations has the potential to materially impede the timely execution of these strategically critical projects*"

In this context, SES is of the view that if such projects are critical from the Company's perspective and timely funding is essential, the proposed warrant structure does not fully align with the stated urgency of funds, given that only 25% of the funds are receivable upfront and the balance may be received over a period of up to 18 months, subject to exercise.

While an equity issue, on the other hand, could have enabled the Company to raise the full amount upfront, thereby supporting more efficient execution of the stated projects.

SES does not question the Management's commercial decisions (unless legally untenable), SES evaluates the disclosures and surrounding factors relevant to such decisions from a shareholder perspective.

Further, while the Company has referred to **national defence indigenisation goals** and other strategic objectives, **SES acknowledges the importance of such initiatives and the ongoing situation. However, strategic importance does not, by itself, override the need to examine governance concerns relating to the structure of the proposed transaction**.

From the foregoing submissions, it is abundantly and unequivocally clear that the proposed transaction is fully compliant with the applicable laws and regulations, is subject to due shareholder approval, and is supported by transparent and comprehensive disclosures.

SES Reply:

SES would like to reiterate that there is no legal concern entailing the above points. SES has raised governance concern on the proposed resolution.

The transaction clearly reflects the promoters' long-term commitment to the Company and aligns the inflow of funds with the actual and phased business requirements of the Company. Further, it results in only a moderate and controlled dilution of approximately 4.7%, accompanied by a significant infusion of promoter capital, thereby increasing promoter shareholding and reinforcing their financial stake in the Company. This enhanced promoter participation is expected to strengthen confidence among public shareholders. Accordingly, the proposed resolution does not confer any inequitable benefit on the promoters at the expense of public shareholders.

SES Reply:

Shareholders may take note the clarification provided by the Company. Further, SES in its Report has **not** raised any concern on the dilution on account of preferential issue of convertible warrants to promoter/ promoter group.

For the reasons explained above, the Company respectfully submits that the concerns raised in the SES report are either based on incorrect assumptions or do not adequately consider regulatory safeguards and commercial realities.

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SES Reply:

SES, as a proxy advisory firm, evaluates such matters not only from a legal standpoint but also from a governance perspective, based on publicly available information, regulatory framework, and disclosures made to shareholders.

Accordingly, the concerns raised by SES reflect an independent assessment of the proposal and the overall interests of shareholders. A different view taken by the Company does not by itself make such concerns incorrect.

In view of the above, **there is no change in the SES' recommendation on the proposed resolution**.

Nonetheless, shareholders may take a note of the Company's clarification above along with the SES' comments thereon, and take an informed and adequate voting decision.

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COMPANY'S EMAIL

Dear Sir/Ma'am,

Greetings from HFCL...!

*We are thankful for your sharing the Proxy Advisory (PA) Report, which includes your recommendations regarding the voting on resolution proposed to be placed before the members at the Extra-Ordinary General Meeting (**"EGM"**) of HFCL Limited (the **"Company/HFCL"**) scheduled on April 24, 2026.*

*With reference to Agenda Item No. 1 (Special Resolution) pertaining to the issue of securities on a preferential basis, proposed to be passed at the EGM, we note your **"Against"** recommendation and the concerns raised therein.*

*The Company respectfully submits that such concerns are unsatisfactory and appear to be based on certain assumptions that do not adequately consider the applicable legal framework and factual position. Accordingly, the Company places on record its response to the observations and recommendation made by Stakeholders Empowerment Services (**"SES"**) in its proxy advisory report received by the Company through e-mail on April 15, 2026, relating to the proposed preferential allotment of convertible warrants to members of the promoter and promoter group, with a request that the same be duly considered and the recommendation revisited for the benefit of all stakeholders.*

The Company respectfully submits the following clarifications:

1. ***Warrants priced approx. at par with equity shares***

*The issue price of the warrants has been determined strictly in accordance with Regulation 164 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**"SEBI ICDR Regulations"**), based on the higher of:*

(i) the 90-trading-day VWAP i.e. ₹68.31; and

(ii) the 10-trading-day VWAP i.e. ₹72.52 preceding the relevant date.

Accordingly, the issue price of ₹74 per warrant is higher than the price computed in accordance with the SEBI ICDR Regulations.

*The assumption that **"Warrants are effectively Call Options where the subscriber can enjoy the upside for 18 months by paying only 25% upfront"** is speculative and does not reflect the inherent market risks applicable to all investors, including promoters. Further, it is clarified that neither the Company nor its promoters have any control over the market price of the Company's shares, which is determined by market forces, trading volumes, investor sentiment, and macroeconomic factors. Any suggestion, direct or indirect, that the promoters can influence or time market prices is unfounded and inconsistent with established securities law principles.*

The warrant structure, including the upfront payment requirement, is a statutory construct prescribed under the SEBI ICDR Regulations and applies uniformly to all issuers and investors. Participation by promoters under this framework does not involve any assurance of upside, as the market price of the Company's shares remains entirely subject to market forces, and the risk of adverse price movements is equally borne by the warrant holders, including the promoters.

2. ***Lack of Clarity on Preferential Warrant Allotment to Promoters:***

The Company respectfully submits that the proposed preferential issue of warrants to NextWave Communications Private Limited and Satellite Finance Private Limited has been undertaken after due consideration of the Company's funding requirements and the availability of committed capital from within the promoter/promoter group.

In this regard, it is clarified that the Company had approached promoter and promoter group entities for participation in the proposed fund raise. However, based on internal assessments and investment considerations, NextWave Communications Private Limited and Satellite Finance Private Limited have expressed their willingness to participate and commit capital under the proposed structure.

Both the aforesaid entities are existing shareholders forming part of the promoter/promoter group of the Company and have demonstrated long-term association with the Company. Their participation reflects continued confidence in the Company's business

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model, long-term growth strategy and future prospects and no preferential terms, rights or governance benefits accrue to them beyond what is uniformly applicable under applicable law and regulations.

The selection of these entities is therefore not discretionary in nature but is driven by their willingness to invest, their financial capacity to support the proposed fund infusion, and their alignment with the Company's long-term strategic objectives. Their participation also ensures continuity of promoter support and reinforces stability in ownership, which is particularly relevant in the context of the Company's ongoing expansion initiatives.

Further, the proposed issuance is being undertaken strictly in compliance with the applicable provisions of the SEBI ICDR Regulations, including pricing, disclosures and other regulatory safeguards, thereby ensuring transparency and fairness to all shareholders.

Accordingly, the rationale for selecting NextWave Communications Private Limited and Satellite Finance Private Limited as allottees is based on objective and commercially sound considerations, including availability of committed capital, existing shareholding, and alignment with the Company's long-term growth plans, and does not result in any inequitable treatment of minority shareholders.

*4. **Impact on strategic projects due to negative recommendation***

The Company is currently undertaking critical capacity-building and strategic expansion initiatives, including:

- *Setting up of a defence manufacturing facility;*
- *Establishment of a preform manufacturing facility to achieve backward integration;*
- *Expansion of defence business through HFCL Advance Systems Private Limited.*

*Any disruption or delay in the proposed capital raising arising from **your adverse voting recommendations** has the potential to materially impede the timely execution of these strategically critical projects, which are closely aligned with national defence indigenisation goals as well as the Company's long-term strategy of revenue diversification and margin enhancement. Such a negative recommendation would, in effect, constrain all stakeholders from participating in and benefiting from the Company's long-term growth trajectory and value creation initiatives.*

From the foregoing submissions, it is abundantly and unequivocally clear that the proposed transaction is fully compliant with the applicable laws and regulations, is subject to due shareholder approval, and is supported by transparent and comprehensive disclosures.

The transaction clearly reflects the promoters' long-term commitment to the Company and aligns the inflow of funds with the actual and phased business requirements of the Company. Further, it results in only a moderate and controlled dilution of approximately 4.7%, accompanied by a significant infusion of promoter capital, thereby increasing promoter shareholding and reinforcing their financial stake in the Company. This enhanced promoter participation is expected to strengthen confidence among public shareholders. Accordingly, the proposed resolution does not confer any inequitable benefit on the promoters at the expense of public shareholders.

For the reasons explained above, the Company respectfully submits that the concerns raised in the SES report are either based on incorrect assumptions or do not adequately consider regulatory safeguards and commercial realities.

*In view of facts explained above, we respectfully request you to consider our above submissions positively and after having its due consideration, kindly issue an addendum giving recommendations to vote in **"Favour"** of the resolution no. 1 of the EGM Notice and share your revised recommendations with all the concerned stakeholders.*

Please feel free to write at secretarial@hfcl.com / investor@hfcl.com /manoj.baid@hfcl.com for further queries or clarifications.

Thanking you.

Yours faithfully,

*For **HFCL Limited***

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Sources

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, Sustainability Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its website. The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage with the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

While SES has made every effort, and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

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All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: *The Company has not met statutory compliance requirements*

FC – Fairness Concern: *The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders*

GC – Governance Concern: *SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.*

TC - Disclosures & Transparency Concern: *The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.*

Company Information

S E S
Stakeholders Empowerment Services

SEBI Reg. No. INH000000016
CIN No. - U74120MH2012NPL232154

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Warning

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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