

Corporate Governance Report

Corporate Governance is a set of standards which aims to improve the Company's image, efficiency and effectiveness. It is the road map, which guides and directs the Board of Directors of the Company to govern the affairs of the Company in a manner most beneficial to all the Shareholders, the Creditors, the Government and the Society at large.

The Securities and Exchange Board of India ("SEBI") on 2nd September, 2015, issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "Listing Regulations") with an aim to consolidate and streamline the provisions of the Listing Agreements for different segments of capital markets to ensure better enforceability. The Listing Regulations were made effective from 1st December, 2015 (effective date). Accordingly, all listed entities were required to enter into the Uniform Listing Agreement within 6 (six) months from the effective date. Your Company has accordingly entered into Listing Agreement with BSE Limited and the National Stock Exchange of India Limited during the month of January, 2016.

A report on compliance with the implementation of Regulation 34(3) read with Chapter IV and Schedule V of Listing Regulations is given below:

1. HFCL Philosophy on Corporate Governance

The cardinal principles of the Corporate Philosophy of HFCL on Corporate Governance can be summarized in the following words:

**"Transparency, professionalism and
Accountability
With an
Ultimate aim of value creation"**

The attendance of Directors at the Board Meetings held during the financial year under review as well as in the last Annual General Meeting and the number of the other Directorships/Committee positions presently held by them are as under:-

Name	Director Identification No.	Category	No. of other present Directorships held in public companies	No. of Board Meetings		Attended last AGM (30.09.2015)	Shareholdings in the Company
				Held	Attended		
Shri Mahendra Pratap Shukla	00052977	NEID	1	5	5	Yes	Nil
Shri Mahendra Nahata	00052898	PD [MD]	4	5	5	No	73477
Shri Arvind Kharabanda	00052270	WD	-	5	5	Yes	Nil
Dr. R M Kastia	00053059	NED	3	5	5	No	Nil
Shri Rajiv Sharma (IDBI Bank Ltd. Nominee)	01342224	NED	-	5	5	No	Nil
Smt. Bela Banerjee	07047271	NEID	3	5	5	Yes	Nil

[NEID - Non-Executive Independent Director, PD - Promoter Director, MD - Managing Director, WD - Whole-time Director, NED-Non Executive Director]

HFCL Corporate Philosophy envisages complete transparency and adequate disclosures with an ultimate aim of value creation for all players i.e. the Stakeholders, the Creditors, the Government and the Employees.

2. Board of Directors

The composition of the Board is in conformity with Regulation 17 of Listing Regulations as well as the Companies Act, 2013. As on 31st March, 2016, Company had 6 (six) Directors on the Board. More than fifty percent of the Board comprised of Non-Executive Directors. Out of 6 (six) Directors, 2 (two) are Non-Executive Independent Directors including 1 (one) Woman Director, 2 (two) Non-Executive Directors including 1 (one) Nominee Director of IDBI Bank Limited, a Lender and 2 (two) Whole time Directors including 1 (one) Promoter Managing Director as on 31st March, 2016. The Chairman of the Board is Non-Executive Independent Director.

The members on the Board possess adequate experience, expertise and skills necessary to manage the affairs of the Company in the most efficient manner.

2.1 Board Meetings

During the financial year 31st March, 2016, 5 (five) Board Meetings were held on 18.05.2015, 03.08.2015, 17.08.2015, 26.10.2015 and 21.01.2016. The Last Annual General Meeting was held on 30th September, 2015.

2.2 Present Directorship in other Companies/Committee Position (including Himachal Futuristic Communications Ltd.)

Sr. No.	Name of Director	Directorships (Name of Companies)*	Committee Position(s)		
			Name of the Company	Committee(s)	Position
1.	Shri M P Shukla	1. HTL Ltd.	Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Chairman
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
			HTL Ltd.	Audit	Chairman
			HTL Ltd.	Nomination & Remuneration	Member
2.	Shri Mahendra Nahata	1. HTL Ltd. 2. Reliance Jio Infocomm Ltd. 3. HFCL Advance Systems (P) Ltd.** 4. DigiVive Services (P) Ltd.**	Reliance Jio Infocomm Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
3.	Shri Arvind Kharabanda	Nil	HTL Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
4.	Dr. R M Kastia	1. HTL Ltd. 2. Moneta Finance (P) Ltd.** 3. HFCL Advance Systems (P) Ltd.**	Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
			HTL Ltd.	Audit	Member
5.	Shri Rajiv Sharma	Nil	Nil	Nil	Nil
6.	Smt. Bela Banerjee	1. Media Matrix Worldwide Ltd. 2. Bharuch Dahej Railway Company Ltd. 3. The Braithwaite Burn and Jessop Constructions Co. Ltd.	Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Chairperson
			Himachal Futuristic Communications Ltd.	Audit	Member
			Media Matrix Worldwide Ltd.	Nomination & Remuneration	Member
			Bharuch Dahej Railway Company Ltd.	Nomination & Remuneration	Chairperson
		The Braithwaite Burn and Jessop Constructions Co. Ltd.	Audit	Member	

* The directorship held by directors as mentioned above does not include directorship of foreign companies, Section 8 companies and private limited companies, if any.

** Subsidiaries of Public Limited companies.

None of the Directors on the Board hold directorships in more than ten public companies and memberships in more than ten Committees and they do not act as Chairman of more than five Committees across all companies in which they are directors.

2.3 Disclosure of relationship between directors inter-se

None of the Directors of the Company are related to each other.

2.4 Number of shares and convertible instruments held by Non-Executive Directors

None of the Non-Executive Directors holds any share or convertible instrument of the Company.

2.5 Information Placed before the Board

The Board has complete access to all information of the Company, including inter-alia, the information to be placed before the Board of Directors as required under the Listing Regulations.

The important decisions taken at the Board/Board Committee Meetings are communicated to the concerned Departments/Divisions.

2.6 Evaluation of Board

In terms of Section 178(2) of the Companies Act, 2013 read with Rules framed thereunder and Part D of Schedule II of Listing Regulations, the Nomination & Remuneration Committee have evaluated the performance of each Director, Board and various committees for the financial year ended 31st March, 2016. The evaluation of the performance of each Director was based on level of participation in meetings, understanding the roles & responsibilities, understanding the strategic issues and challenges in the Company. The evaluation of the Performance of Board was based on board composition, experience & competencies, understanding of business and competitive environment, quality of discussions at the board meetings, time spent by the board on the Company's long term goals and strategies. The Independent Directors at their meeting also discussed the performance of the Non-Executive Directors including the Chairman of the Board. Based on the above broad parameters, the effectiveness of the Board and its Committees were found satisfactory.

2.7 Independent Directors

Your Company had at its Annual General Meeting (AGM) held on 30th September, 2014 has appointed Shri Mahendra Pratap Shukla as an Independent Director to hold office for 2 (two) consecutive years for a term up to the conclusion of this Annual General Meeting pursuant to Section 149 and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modifications or re-enactment thereof for the time being in force). The Nomination & Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 22nd August, 2016 have re-appointed Shri Mahendra Pratap Shukla as an Independent Director of the Company for his second term of two years commencing from the conclusion of this Annual General Meeting subject to the approval of shareholders.

Your Company has at its Annual General Meeting (AGM) held on 30th September, 2015 has appointed Smt. Bela Banerjee as an Independent Director to hold office for 1 (One) year for a term up to the conclusion of this Annual General Meeting pursuant to Section 149 and 152 read

with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications or re-enactment thereof for the time being in force). The Nomination & Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 22nd August, 2016 have re-appointed Smt. Bela Banerjee as an Independent Director of the Company for her second term of two years commencing from the conclusion of this Annual General Meeting subject to the approval of shareholders.

Independent Directors have submitted a declaration that they meet the criteria of Independence as per the provisions of Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations and none of the Independent Directors is holding directorships in more than 7 listed companies. Company has issued the formal letter of appointment to the Independent Directors in the manner provided under the Companies Act, 2013.

2.8 Meeting of Independent Directors

The Independent Directors of the Company meet at least once in every financial year without the presence of Executive Directors or management personnels. All Independent Directors strive to be present at such meetings.

During the Financial Year ended 31st March, 2016, 1 (one) meeting was held on 28th March, 2016.

2.9 Familiarization Programme for Independent Directors

Regulation 25(7) of the Listing Regulations mandates the Company to familiarize the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. through various programmes.

The Company through its Managing Director/ Whole time Director/ Senior Managerial Personnel conduct programmes/ presentations periodically to familiarize the Independent Directors with the strategy, business and operations of the Company.

Such programmes/presentations will provide an opportunity to the Independent Directors to interact with the senior leadership team of the Company and help them to understand the Company's strategy, business model, operations, services and product offerings, organization structure, finances, sales and marketing, human resources, technology, quality of products, facilities and risk management and such other areas as may arise from time to time.

The above programme also includes the familiarization on statutory compliances as a Board member including their roles, rights and responsibilities. The Company also circulates news and articles related to the industry from time to time and provide specific regulatory updates.

The Familiarization programme for Independent Directors in terms of Regulation 25(7) of the Listing Regulations is uploaded on the website of the Company and can be accessed through the following link: <http://www.hfcl.com/wp-content/uploads/2016/04/HFCL-Familiarisation-Prog.pdf>.

3. Committees of the Board

In terms of the Listing Regulations, the Board of the Company has constituted the following Committees:-

Audit Committee

Nomination & Remuneration Committee

Stakeholders Relationship Committee

Corporate Social Responsibility Committee

Risk Management Committee

3.1 Audit Committee

The brief description of terms of references of Audit Committee is as under: -

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment / re-appointment of external and internal auditors, tax auditors, cost auditors, fixation of statutory audit fees, internal audit fees and tax audit fees and also approval for payment of any other services.
- Review with management, the annual financial statements before submission to the Board.
- Review quarterly un-audited/audited financial results/quarterly review reports.
- Review the financial statements in particular of the investments made by the unlisted subsidiary companies.
- Review with management, performance of external and internal auditors, and adequacy of internal control system.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussions with statutory auditors before the audit commence about nature and scope of audit as well as have post audit discussions to ascertain any area of concern.
- Approve the appointment of Chief Financial Officer.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors, if any.
- Review of the use/application of money raised through Public/Rights/Preferential Issue, if any.
- Approval or any subsequent modification(s) of transactions of the Company with related parties, if any.
- Review and monitor auditors independence and performance and effectiveness of audit process.
- Scrutiny of inter corporate loans and investments.
- Review the Company's financial and Risk Management Policy.
- Discussions with internal auditors of any significant findings and follow up thereon.

- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Valuation of Undertakings or assets of the Company where it is necessary.
- To review the functioning of the Whistle Blower / Vigil mechanism.
- Evaluation of Internal Financial control and risk management system.

The Composition of the Audit Committee is in line with the provision of Section 177 of the Companies Act, 2013 and Regulation 18 of Listing Regulations. The members of the Audit Committee are financially literate and have requisite experience in financial management. Shri Mahendra Pratap Shukla, Non-Executive Independent Director is the Chairman of the Committee. The Company Secretary acts as Secretary to the Committee.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2016:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	7	7
Shri Arvind Kharabanda	Member	7	7
Smt. Bela Banerjee	Member	7	7

During the financial year ended 31st March, 2016, the Audit Committee met 7 (seven) times on 18.05.2015, 03.08.2015, 17.08.2015, 26.10.2015, 21.01.2016, 05.02.2016 and 16.03.2016.

3.2 Nomination & Remuneration Committee

The Board of Directors of the Company has constituted a Nomination & Remuneration Committee which amongst others is responsible for determining the Company's policy on specific remuneration package for Directors/KMPs and other employees of the Company.

The brief description of term of reference of this Committee amongst others includes the following:-

- To identify persons who are qualified to become Directors and who may be appointed in Senior Management Personnel in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
- To formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for directors, key managerial personnel and other employees.
- devising a policy on diversity of Board of Directors.
- Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of Independent Directors.

- To carry out evaluation of every director's performance.
- To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification(s), amendment(s) or modification(s) as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

The following are members of the Committee and their attendance at the Committee Meetings held during the financial year ended 31st March, 2016.

Name of Director	Status	No. of Meetings	
		Held	Attended
Smt. Bela Banerjee	Chairperson	2	2
Shri M P Shukla	Member	2	2
Dr. R M Kastia	Member	2	2

During the financial year ended 31st March, 2016, the Nomination & Remuneration Committee met 2 (Two) times on 18.05.2015 and 17.08.2015.

Performance evaluation of Independent Directors

Pursuant to Regulation 17(10) of Listing Regulations, the performance evaluation of independent directors was done by the entire Board of Directors excluding independent director being evaluated. Broad parameters for reviewing

The details of remuneration paid to the Executive and Non-Executive Directors during the financial year 2015-16 are given below:-

(Amount in ₹)						
Name of Director	Salary	Allowances	Perks etc.	Contribution to PF	Sitting Fee	Total
Category A - Executive Directors						
Shri Mahendra Nahata Managing Director	2,10,00,000	77,58,650	22,41,350	25,20,000	-	3,35,20,000
Shri Arvind Kharabanda Director (Finance)	31,80,000	26,86,004	2,46,728	3,81,600	-	64,94,332
Category B – Nominee Director (Non-Executive Director)						
Shri Rajiv Sharma Non- Executive Director (IDBI Bank Nominee)	-	-	-	-	1,20,000	1,20,000
Category C – Non-Executive Independent Directors/ Non-Executive Directors						
Shri M P Shukla Non-Executive Independent Director–Chairman	-	-	-	-	4,75,000	4,75,000
Smt. Bela Banerjee Non-Executive Independent Director	-	-	-	-	2,95,000	2,95,000
Dr. R M Kastia Non-Executive Director	-	-	-	-	3,50,000	3,50,000

The non-executive directors were paid sitting fee of ₹15,000/- for every Board / Committee meeting attended by them up to 16.08.2015. The Board of Directors increased the payment of sitting fees from ₹15,000/- to ₹25,000/- (excluding service tax) w.e.f. 17.08.2015.

the performance of Independent Directors amongst other include participation at the Board/Committee meetings, understanding their roles and responsibilities and business of the Company, effectiveness of their contribution/commitment, effective management of relationship with stakeholders, integrity and maintaining of confidentiality, exercise of independent judgment in the best interest of the Company, ability to contribute to and monitor corporate governance practice, adherence to the code of conduct for independent directors, bringing independent judgement during board deliberations on strategy, performance, risk management, etc.

3.3 Remuneration of Directors:

Details of pecuniary relationship or transactions of the Non-Executive Directors vis-a-vis the Company

Nil

Criteria of making payments to Non- Executive Directors:

The Company has adopted a Remuneration Policy for Directors, Key Managerial Personnel and other Employees, regulated by the Nomination and Remuneration Committee of the Board.

The Non-Executive Directors are entitled to sitting fees for attending Meeting of the Board and its Committees. The remuneration to the Managing Director and Whole-Time Director is paid on the scale determined by the Nomination and Remuneration Committee/Board of Directors within limits approved by the shareholders at the General Meeting.

Service contracts, notice period, severance fees:

The appointment of the Executive Directors is governed by Resolutions passed by the Shareholders of the Company, which covers the terms and conditions of such appointment, read with the service rule of the Company. A separate service contract is not entered into by the Company with Executive Directors. The office of the Managing Director may be terminated by the Company or by the Managing Director by giving the other 6(six) months' prior notice in writing. The office of the Whole-time Director can be terminated within three months' notice or on payment of three months' basic salary in lieu thereof from either side. No severance fee is payable to any Director.

Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable:

The Company does not have any stock option scheme.

Nomination & Remuneration Policy of the Company

The Nomination & Remuneration Policy of the Company is designed to attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The Policy emphasize on promoting talent and to ensure long term sustainability of talented managerial persons and create competitive advantage. The policy reflects the Company's objectives for good corporate governance as well as sustained long term value creation for shareholders.

The Remuneration Policy applies to Directors, Senior Management Personnel including its Key Management Personnel (KMPs) and other employees of the Company. When considering the appointment and remuneration of Whole-time Directors, the Nomination and Remuneration Committee inter -alia considers pay and employment conditions in the industry, merit and seniority of person and the paying capacity of the Company. The Non-Executive-Directors are paid remuneration in the form of sitting fees for attending the Board and its Committees. Presently Non Executive Directors are paid Rs.25000/- for attending each Board and its committee meetings. Remuneration of KMPs and senior management personnel is decided by the Managing Director. The remuneration to other employees is fixed as per principles outlined above.

The guiding principle is that the remuneration and the other terms of employment should effectively help in attracting and retaining committed and competent personnel. While designing remuneration packages, industry practices and cost of living are also taken into consideration.

3.4 Stakeholders Relationship Committee

The composition of the Stakeholder Relationship Committee is in compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations.

As on 31st March, 2016, the Committee consists of one Non-Executive Independent Director, one Non-Executive Director and one Whole time Director and is chaired by

Shri M P Shukla, Chairman and Non-Executive Independent Director of the Company. This Committee looks into transfer and transmission of shares/debentures/bonds etc., issue of duplicate share certificates, issue of shares on re-materialization, consolidation and sub-division of shares and investors' grievances. This Committee particularly looks into the investors grievances and oversees the performance of the Share Department /Share Transfer Agent and to ensure prompt and efficient investors' services. During the financial year ended 31st March, 2016, the Stakeholders Relationship Committee met 6 (Six) times on 18.05.2015, 18.06.2015, 17.09.2015, 26.10.2015, 02.02.2016 and 25.02.2016. The followings are the members and their attendance at the Committee Meeting:

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

Details of the Shareholders' complaints:

Number of shareholders' complaints received during the financial year 2015-16	44
Number of complaints not resolved to the satisfaction of shareholders as on 31st March, 2016	Nil
No. of pending complaints	Nil

The Company has attended to the investor's grievances/ correspondence within a period of 15 days from the date of receipt of the same during the financial year 2015-2016 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2016.

The Board in its meeting held on 31st October, 2006 has designated Shri Manoj Baid, Company Secretary as the Compliance Officer. The Board has delegated powers of share transfer and dematerialization to Shri Manoj Baid, Company Secretary to expedite the process of share transfer/ dematerialization work.

3.5 Corporate Social Responsibility (CSR) Committee

The broad terms of reference of the CSR Committee are as follows:

- To formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Act.
- Recommending the amount of expenditure to be incurred on CSR activities of the Company
- Monitoring the CSR policy of the Company from time to time

The Composition of the CSR Committee is in alignment with the provisions of Section 135 of the Companies Act, 2013.

The following are the members and their attendance at the CSR Committee Meeting held during the financial year ended 31st March, 2016:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri Mahendra Nahata, Managing Director	Chairman	1	0
Shri M P Shukla, Non-Executive Independent Director	Member	1	1
Shri Rajiv Sharma, Nominee Director (IDBI Bank Ltd.)	Member	1	1

During the financial year ended 31st March, 2016, 1 (One) meeting of the Corporate Social Responsibility Committee was held on 28.03.2016.

The details of the CSR initiatives of the Company and expenditure incurred on it have been given in the Directors' Report which forms part of the Annual Report. The CSR policy has been placed on the website of the Company and can be accessed through the following links: <http://www.hfcl.com/wp-content/uploads/2016/01/CSR-Policy.pdf>.

3.6 Risk Management Committee

The Board of Directors has constituted a Risk Management Committee and defined its roles and responsibilities in accordance with Regulation 21 of Listing Regulations. Roles and Responsibilities of the Committee include the followings:

- Framing of Risk Management Policy.
- Overseeing implementation of Risk Management Plan and Policy.
- Monitoring of Risk Management Plan and Policy.
- Validating the process of risk management.
- Periodically reviewing and evaluating the Risk Management Policy and practices with respect to risk assessment and risk management processes.

The following resolutions were passed as Special Resolutions in previous three years AGMs/ EGMs:-

YEAR	AGM/EGM	SUBJECT MATTER OF SPECIAL RESOLUTIONS	Date	TIME
2014-2015	AGM	● Adoption of new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013	30-09-2015	10:00 A.M.
2013-2014	AGM	● Authorizing the Board of Directors to borrow money from time to time under Section 180 (1) (c) of the Companies Act, 2013 ● Authorizing the Board of Directors to provide security under Section 180 (1) (a) of the Companies Act, 2013	30-09-2014	2:30 P.M.
2012-2013	AGM	● Increase in remuneration of Shri Mahendra Nahata, Managing Director ● Waiver of excess remuneration paid to Shri Mahendra Nahata, Managing Director ● Waiver of excess remuneration paid to Shri Arvind Kharabanda, Director (Finance) ● Waiver of excess remuneration paid to Dr. R M Kastia	30-09-2013	11:00 A.M.

Postal Ballot

No special resolution was put through postal ballot during the financial year 2015-16.

None of the business proposed to be transacted in the ensuing Annual General Meeting (AGM) require passing of a Special Resolution through postal ballot.

- Performing such other functions as may be necessary for the performance of its oversight function.

Though Regulation 21 of Listing Regulations is applicable to top 100 listed entities determined on the basis of market capitalization at the end of immediate previous financial year, the Board constituted the Risk Management Committee of Directors of the Company for effective risk management.

The following are the members and their attendance at the Risk Management Committee Meeting held during the financial year ended 31st March, 2016:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri Mahendra Nahata	Chairman	1	0
Shri M P Shukla	Member	1	1
Shri Arvind Kharabanda	Member	1	1

During the financial year ended 31st March, 2016, the Risk Management Committee Meeting was held on 28.03.2016.

4. General Body Meetings

Location and time where Annual General Meetings held in the last 3 years are given below:

Year	AGM/EGM	Location	Date	Time
2014-2015	AGM	Mushroom Centre, Solan	30-09-2015	10:00 A.M.
2013-2014	AGM	Mushroom Centre, Solan	30-09-2014	2:30 P.M.
2012-2013	AGM	Mushroom Centre, Solan	30-09-2013	11:00 A.M.

5. Means of Communications

Quarterly results

The quarterly/ half-yearly/ annual financial results are regularly submitted to the Stock Exchanges where the securities of the Company are listed pursuant to the Listing Regulations requirements and are published in the newspapers. The financial results are displayed on the Company's website www.hfcl.com.

Newspapers wherein results normally published

The quarterly/ half-yearly/ annual financial results are published in Economic Times, Indian Express, Jansatta and Dainik Tribune.

Website, where displayed

The financial results and the official news releases are also placed on the Company's website **www.hfcl.com** in the 'Investor Relations' section.

Whether website also displays official news releases:

The Company has maintained a functional website **www.hfcl.com** containing basic information about the Company e.g. details of its business, financial information, shareholding pattern, codes, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievance, etc.

Presentations made to institutional investors or to the analysts:

NIL

6. General Shareholders' Information

6.1 Date, time and venue of Annual General Meeting

29th September, 2016 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan - 173213 (H.P.)

6.2 Financial Year

1st April, 2015 to 31st March, 2016

6.3 Dividend Payment Date

Not Applicable

6.4 Date of Book Closing

23rd, September, 2016 to 28th September, 2016 (both days inclusive)

6.5 Registered Office

8, Electronics Complex
Chambaghat
Solan - 173 213 (H.P.)
Tel : +91-1792-230644
Fax : +91-1792-231902

6.6 Corporate Office

8, Commercial Complex
Masjid Moth, Greater Kailash - II
New Delhi - 110 048
Tel : +91-11-30882624
Fax : +91-11-30689013

6.7 Corporate Identity Number (CIN)

L64200HP1987PLC007466

6.8 Website/Email

www.hfcl.com / secretarial@hfcl.com & investor@hfcl.com

6.9 Depositories

National Securities Depository Ltd.
4th Floor, 'A' Wing, Trade World
Kamla Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai - 400 013
Tel : +91-22-24994200
Fax : +91-22-24972993

Central Depository Services (India) Ltd.

Phiroze Jeejeebhoy Towers
28th Floor, Dalal Street
Mumbai - 400 023
Tel : +91-22-22723333
Fax : +91-22-22723199

6.10 ISIN

INE548A01028

6.11 Name and address of Stock Exchanges at which the Company's securities are listed

BSE Ltd
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Tel : +91-22-22721233
Fax : +91-22-22723121
National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra Kurla Complex
Bandra (East)
Mumbai - 400 051
Tel : +91-22-26598235
Fax : +91-22-26598237

The Company has paid the listing fees to the above Stock Exchange (s) for the financial year 2016-2017.

6.12 Stock Codes

BSE: 500183 & NSE: HFCL

6.13 Stock Market Price Data on NSE and Performance in comparison to broad-based indices:

(in ₹)

Month	NSE		NIFTY INDEX	
	Highest	Lowest	Highest	Lowest
April, 2015	16.40	13.30	8844.80	8144.75
May, 2015	14.45	11.95	8489.55	7997.15
June, 2015	12.75	9.10	8467.15	7940.30
July, 2015	15.30	11.40	8654.75	8315.40
August, 2015	16.90	10.85	8621.55	7667.25
September, 2015	16.90	11.65	8055.00	7539.50
October, 2015	18.70	15.75	8336.30	7930.65
November, 2015	19.90	14.40	8116.10	7714.15
December, 2015	22.20	16.80	7979.30	7551.05
January, 2016	24.65	16.65	7972.55	7241.50
February, 2016	22.25	15.15	7600.45	6825.80
March, 2016	18.70	14.10	7777.60	7035.10

6.14 In case, the securities are suspended from trading, reason thereof:

Not applicable, since the securities of the Company have not been suspended from trading.

6.15 Registrar and Share Transfer Agents (RTA):

M/s. MCS Share Transfer Agent Limited
F-65, 1st Floor, Okhla Industrial Area, Phase-I
New Delhi-110 020
Tel: +91-11-41406149
Fax: +91-11-41709881
Email: admin@mcsregistrars.com

6.16 Share transfer Systems

Shares sent for physical transfers are generally registered and returned within a period of 15 days from the date of receipt if the documents are clear in all respects. The Stakeholders Relationship Committee meets as often as required.

The Total Number of equity shares transferred in physical form during the financial year 2015-2016:

Number of transfers	4
Number of Shares	400

6.17 Distribution of shareholdings as on 31st March, 2016

No. of Equity held (₹)	No. of Shareholders	% of Shareholders	Shares Amount (₹)	% of Shareholdings
Up to 5000	235984	96.036	134246721	10.832
5001 – 10000	4765	1.939	36449880	2.941
10001 – 20000	2257	0.919	33201250	2.679
20001 – 30000	833	0.338	21040838	1.698
30001 – 40000	343	0.140	12162792	0.981
40001 – 50000	258	0.105	12172312	0.982
50001 – 100000	494	0.201	36593754	2.952
100001 & above	484	0.197	948730447	76.549
Clearing Members	307	0.125	4779200	0.386
TOTAL	245725	100.000	1239377194	100.000

6.18 Categories of Shareholding as on 31st March, 2016:

Sl. No.	Category	Shares	%
A	Promoters Holding		
1	Indian Promoters	482924214	38.96507
2	Foreign Promoters	-	-
	Sub Total (A)	482924214	38.96507
B	Public Shareholding		
1	Institutional Investors		
a)	Mutual Funds/UTI	1747079	0.14096
b)	Venture Capital Funds	-	-
c)	Alternate Investment Funds	-	-
d)	Foreign Venture Capital Investors	-	-
e)	Foreign Portfolio Investors	37748135	3.04573
f)	Financial Institutions and Banks	106158937	8.56551
g)	Insurance Companies	521000	0.04204
h)	Provident Funds/Pension Funds	-	-
i)	Any Others(specify)		
	Foreign Institutional Investors	10843825	0.87494
	Foreign Banks	5305	0.00043
	Sub Total (B1)	157024281	12.66961
2	Central Government/State Government(s)/President of India	-	-
	Sub Total (B2)	-	-
3	Non Institutional Investors		
a)	Indian Public	325377781	26.25333
b)	NBFCs Registered with RBI	-	-
c)	Employee Trusts	-	-
d)	Overseas Depositories (holding DRs)	-	-
e)	Any Other		
i)	Bodies Corporates	263718436	21.27830
ii)	OCBs	38250	0.00309
iii)	NRIs	5416668	0.43705
iv)	Foreign Nationals	4720	0.00038
v)	Trusts	93644	0.00756
vi)	Clearing Members	4779200	0.38561
	Sub Total (B3)	599428699	48.36532
	Total Public Shareholding (B = B1 + B2 + B3)	756452980	61.03493
C	Non Promoter-Non Public Shareholders		
1	Custodian /DR Holder – Name of DR Holders	-	-
2	Employee Benefit Trustee (Under SEBI (Share based Employee Benefit) Regulation, 2014	-	-
	Total Non-Promoter- Non Public Shareholders (C = C1 + C2)	-	-
	GRAND TOTAL (A + B + C)	1239377194	100.00000

6.19 Dematerialization of shares and liquidity:

The Company's shares are compulsorily traded in dematerialized form as per SEBI Guidelines. As on 31st March, 2016, 99.96% of the equity shares have been dematerialized. The equity shares of the Company are frequently traded in BSE and NSE and hence provide liquidity to the investors.

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

N.A.

6.21 Commodity price risk or foreign risk and hedging activities

During the financial year 2015-16, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company entered into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 49 to the Standalone Financial Statements.

6.22 Plant Locations

Telecom Equipment Plant

Electronics Complex, Chambaghat
Solan - 173 213 (H.P.)
Tel : +91-1792-230644
Fax : +91-1792-231902

Optical Fibre Cable Plant

L 35-37, Industrial Area, Phase - II
Verna Electronic City, Salcete
Goa - 403 722
Tel : +91-832-6697000
Fax : +91-832-2783444

6.23 Address for correspondence

For Share Transfer in physical form and other communication regarding share certificates, dividends and change of address etc. may be sent to

M/s. MCS Share Transfer Agent Limited
F-65, 1st Floor, Okhla Industrial Area, Phase-I
New Delhi-110 020
Tel: +91-11-41406149
Fax: +91-11-41709881
Email: admin@mcsregistrars.com

7. Other Disclosures:

7.1 Disclosures on materially significant related party transactions that may have potential conflict with the interest of the Company at large:

None of the materially significant transactions with any of the related parties were in conflict with the interest of the Company. Attention of the members is drawn to the disclosures of transactions with related parties set out in Note No. 42 of the Standalone Financial Statements forming part of the Annual Report. The Board has

approved a policy for related party transactions which has been uploaded on the Company's website and can be accessed through the following links: <http://www.hfcl.com/wp-content/uploads/2016/02/HFCL-Related-party-transactions-policy.pdf>.

7.2 Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange(s) or SEBI or any statutory authorities, on any matter related to capital markets, during the last three years:

None.

7.3 Details of establishment of Vigil Mechanism and Whistle-Blower Policy of the Company

The Board of Directors of the Company has adopted Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of Listing Regulations. The management of the Company, through this policy envisages to encourage the employees of the Company to report to the higher authorities any unethical, improper, illegal or questionable acts, deeds and things which the management or any superior may indulge in. This Policy has been circulated to employees of the Company and is also available on Company's website www.hfcl.com.

No employee of the Company is denied access to the Audit Committee.

7.4 Details of compliance with mandatory requirements and adoption of non-mandatory requirements

Company has complied with the all mandatory requirements specified in Listing Regulations and the status of compliance with non-mandatory requirements of this Regulation has been detailed hereunder:

- i) Separate Post of Chairman and CEO: The Chairman of the Board is Non Executive Independent Director and his position is separate from that of Managing Director.
- ii) Reporting of Internal Auditor: The Internal Auditor has direct access to Audit Committee.

7.5 Web link where policy for determining 'material' subsidiaries is disclosed

The Company has adopted a Policy for determining material subsidiaries, which has been uploaded on the Company's website and can be accessed at the following links: <http://www.hfcl.com/wp-content/uploads/2016/02/Policy-for-determining-material-subsidiaries.pdf>.

7.6 DISCLOSURE OF COMPLIANCE OF REGULATION 17 TO 27 AND CLAUSES (b) TO (i) OF SUB-REGULATIONS (2) OF REGULATIONS 46

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clause (b) to (i) of sub-regulations (2) of Regulation 46 of the Listing Regulations.

7.7 Code of conduct for Board Members and Senior Management Personnel

Pursuant to Regulation 17 of the Listing Regulations, the Company has adopted a Code of Conduct for Directors and Senior Management Personnel and the same has been posted on the Company's website. Pursuant to Regulation 26(3) of the Listing Regulations, the Directors and the Senior Management Personnel affirm the Compliance of the Code annually. A certificate to this effect is attached to this Report duly signed by the Managing Director.

7.8 Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance

The certificate from the statutory auditors of the Company regarding compliance of conditions of corporate governance is annexed with the Corporate Governance Report and forms an integral part of the Annual Report.

7.9 Company's Policy on Prohibition of Insider Trading

Your Company has adopted a "Code of Internal procedure and conduct for regulating, monitoring and reporting of trading in securities by Insiders" as required under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. The Company formulated a Code of Conduct to Regulate, Monitor, and Report trading by Insiders to deter the Insider trading in the securities of the Company based on the unpublished price sensitive information. The Code envisages procedures to be followed and disclosures to be made while dealing in the securities of the Company. During the year under review there has been due compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

7.10 Subsidiary companies

The Audit Committee reviews the consolidated financial statements of the Company and the investment made by its unlisted subsidiary companies. The minutes of the Board Meetings of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

The Company does not have any material non-listed Indian subsidiary companies.

7.11 Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with corresponding Rules framed thereunder, Shri Baldev Singh Kashtwal, Practicing Company Secretary, holding Membership No. FCS 3616 and C.P. No. 3169 was appointed as the Secretarial

Auditor of the Company to carry out the secretarial audit for the year ending 31st March, 2016.

A Secretarial Audit Report given by the Secretarial Auditor in Form No. MR-3 is annexed to Directors' Report as **ANNEXURE – B** which forms the part of Annual Report.

There are no qualifications, reservations or adverse remarks made by Secretarial Auditor in his Report.

7.12 Secretarial Certificates

- (i) Pursuant to Clause 47(c) of the Listing Agreement and Regulation 40(9) of the Listing Regulations, certificates, on half- yearly basis, have been issued by a Company Secretary in-Practice certifying that all certificates have been issued within thirty days of date of lodgement for transfer, sub-division, consolidation, renewal and exchange etc.
- (ii) A Company Secretary in-Practice carries out a reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited ("Depositories") and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the aggregate of the total number of shares in physical form and total number of shares in dematerialized form held with Depositories.

7.13 CEO & CFO certification

The Managing Director, Director (Finance) and Chief Financial Officer (CFO) give annual certifications on financial reporting and internal controls to the Board in terms of Regulation 17(8) of the Listing Regulations.

7.14 Financial Calendar (tentative and subject to change) 2016-2017:

Financial Reporting for the first quarter ending **30th June, 2016: Fourth week of August, 2016**

Financial Reporting for the second quarter and half year ending **30th September, 2016: Second week of December, 2016**

Financial Reporting for the third quarter ending **31st December, 2016: Second week of February, 2017**

Audited Accounts for the year ending **31st March, 2017: Last week of May, 2017**

Annual General Meeting for the year ending **31st March, 2017: September, 2017**

Declaration regarding Compliance of Code of Conduct

I, Mahendra Nahata, Managing Director of Himachal Futuristic Communications Ltd. hereby declare that all Board Members and Senior Management Personnel have affirmed compliance of the Code of Conduct as on 31st March, 2016 pursuant to Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Place: New Delhi
Date : 22nd August, 2016

(Mahendra Nahata)
Managing Director

Certificate on Corporate Governance

To The Members of

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

1. We have examined the compliance of conditions of Corporate Governance by Himachal Futuristic Communications Limited (“the Company”), for the year ended on 31st March, 2016, as stipulated in:
 - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Company with stock exchange(s) for the period from April 01, 2015 to November 30, 2015.
 - Clause 49(VII)(E) of the Listing Agreements of the Company with the stock exchange(s) for the period from April 01, 2015 to September 01, 2015.
 - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016, and
 - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016.
5. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **KHANDELWAL JAIN & CO.**
Firm Registration No. 105049W
Chartered Accountants

(Manish Singhal)
Partner
Membership No.: 502570

Place: New Delhi
Date: 22nd August, 2016