

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.

A report on compliance with the implementation of Regulation 34(3) read with Chapter IV and Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "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"**

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 the Listing Regulations as well as the Companies Act, 2013. As on 31st March, 2018, 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, 3 (three) Non-Executive Directors including 1 (one) Nominee Director of IDBI Bank Limited, a Lender and 1 (one) Promoter Managing Director as on 31st March, 2018. The Chairman of the Board is a Non- Executive Independent Director. He will cease to be an Independent Director of the Company at ensuing Annual General Meeting (AGM) of the Company. He is proposed to be appointed as a Non-Executive Director designated as Non-Executive Chairman at the ensuing AGM.

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 ended 31st March, 2018, 8 (Eight) Board Meetings were held on 10.05.2017, 29.06.2017, 10.08.2017, 26.08.2017, 07.11.2017, 22.01.2018, 09.02.2018 and 15.03.2018. The Last AGM was held on 25th September, 2017.

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

Name of the Director	Director Identification No.	Category	No. of other present Directorships held in public companies	No. of Board Meetings		Attended last AGM (25.09.2017)	Shareholdings in the Company
				Held	Attended		
Shri Mahendra Pratap Shukla	00052977	NEID	1	8	8	Yes	Nil
Shri Mahendra Nahata	00052898	PD [MD]	3	8	7	No	73477
Shri Arvind Kharabanda	00052270	NED	-	8	8	Yes	Nil
Dr. Ranjeet Mal Kastia	00053059	NED	3	8	8	No	Nil
Shri Rajiv Sharma* (IDBI Bank Ltd.- Nominee)	01342224	NED	-	4	2	No	Nil
Shri Ranjeet Anandkumar Soni** (IDBI Bank Ltd.- Nominee)	07977478	NED	-	4	4	N.A.	Nil
Smt. Bela Banerjee	07047271	NEID	3	8	7	Yes	Nil

* ceased to be a Director w.e.f. 7th November, 2017.

** Appointed as Nominee Director of IDBI Bank Limited in place of Shri Rajiv Sharma w.e.f. 7th November, 2017.

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

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 Mahendra Pratap Shukla	1. HTL Ltd.	Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Chairman
			Himachal Futuristic Communications Ltd.	Nomination, Remuneration and Compensation	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.**	Nil	Nil	Nil
3.	Shri Arvind Kharabanda	Nil	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
4.	Dr. Ranjeet Mal 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 and Compensation	Member
			HTL Ltd.	Audit	Member
5.	Shri Rajiv Sharma (up to 6th November, 2017)	NIL	NIL	NIL	NIL
6.	Shri Ranjeet Anandkumar Soni (w.e.f. 7th November, 2017)	Nil	Nil	Nil	Nil
7.	Smt. Bela Banerjee	1. Media Matrix Worldwide Ltd. 2. Adhunik Power & Natural Resources Ltd. 3. The Braithwaite Burn and Jessop Constructions Co. Ltd.	Himachal Futuristic Communications Ltd.	Nomination, Remuneration and Compensation	Chairperson
			Himachal Futuristic Communications Ltd.	Audit	Member
			Media Matrix Worldwide Ltd.	Nomination & Remuneration	Chairperson
			Adhunik Power & Natural Resources Ltd.	Audit	Member
			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

Listing Regulations mandate the Board of listed companies to monitor and review the Board Evaluation framework. Section 134(3) of the Companies Act, 2013 read with the Rule 8 of the Companies (Accounts) Rules, 2014 issued thereunder further provides that a formal annual evaluation needs to be made by the Board of its own performance and that of its Committees and individual Directors. The Schedule IV of the Companies Act, 2013 read with the Rules issued thereunder and Regulation 17(10) of the Listing Regulations states that the performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated.

After taking into consideration the Guidance Note on Performance Evaluation of Board dated 5th January, 2017 published by SEBI, a questionnaire was prepared to evaluate the performance of the Board, Committees of the Board and individual performance of each Director including the Chairman of the Company.

The Questionnaire for evaluation of performance of the Directors were prepared based on various aspects which amongst other parameters included the level of participation of the Directors, understanding of the roles and responsibilities of Directors, understanding of the business and competitive environment in which the Company operates, understanding of the strategic issues and challenges for the Company, protecting the legitimate interest of the Company, shareholders and employees, implementation of best corporate governance practice etc.

The parameters for performance evaluation of Board includes composition of the Board, process of appointment to the Board of directors, common understanding that the different Board members have understanding of the roles and responsibilities of the Board, timeliness for circulating the board papers,

content and the quality of information provided to the Board, attention to the Company's long term strategic issues, evaluating strategic risks, overseeing and guiding major plans of action, acquisitions, divestment.

Some of the performance indicators for the Committees include understanding of the terms of reference, effectiveness of the discussions at the Committee meetings, information provided to the Committee to discharge its duties and performance of the Committee vis-à-vis its responsibilities, composition of the Committee with the appropriate mix of experience, knowledge and skills.

Pursuant to Regulation 17(10) of the 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 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.

Basis the feedback received on questionnaire from all the Directors, the performance evaluation of the Board as a whole, Committees of the Company, Chairperson of the Company and individual directors was found satisfactory.

2.7 Independent Directors

Your Company had at its 29th Annual General Meeting (AGM) held on 29th September, 2016 has appointed Shri Mahendra Pratap Shukla and Smt. Bela Banerjee as Independent Directors to hold office for second term of 2 (two) consecutive years for a term up to the conclusion of 31st 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). Accordingly Shri Mahendra Pratap Shukla and Smt. Bela Banerjee cease to be Independent Director of the Company with the conclusion of 31st Annual General Meeting to be held on 29th September, 2018.

The Board of Directors of the Company at their meeting held on 27th August, 2018 has appointed Shri Surendra Singh Sirohi and Shri Ved Kumar Jain as Independent Director of the Company for a consecutive period of three years w.e.f. 27th August, 2018 to 26th August, 2021 subject to the approval of shareholders in the ensuing AGM.

Independent Directors have submitted a declaration that they meet the criteria of Independence as per the provisions of the 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 (seven) listed companies. The Company has issued the formal letter of appointment to the Independent Directors in the manner provided under the Companies Act, 2013 and Listing Regulations.

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 personnel's. All Independent Directors strive to be present at such meetings. Independent Directors at their meeting interact and discuss matters including review of the performance of the Non-Independent Directors and the Board as a whole, review of the performance of the Chairman of the Company taking into account views of Executive/Non-Executive Directors and assessing the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

During the financial year ended 31st March, 2018, 1 (one) meeting of Independent Directors was held on 30th March, 2018.

2.9 Familiarisation Programme for Independent Directors

Regulation 25(7) of the Listing Regulations mandates the Company to familiarise 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/ Senior Managerial Personnel conduct programmes/ presentations periodically to familiarise the Independent Directors with the strategy, business and operations of the Company.

Such programmes/presentations 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 Familiarisation 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/2017/04/HFCL-Familiarisation-Prog.-Independent-Director.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 and Compensation 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 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 provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the 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 following are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	4	4
Shri Arvind Kharabanda	Member	4	4
Smt. Bela Banerjee	Member	4	4

During the financial year ended 31st March, 2018, the Audit Committee met 4 (Four) times on 10.05.2017, 10.08.2017, 07.11.2017 and 09.02.2018.

3.2 Nomination, Remuneration and Compensation Committee

The Board of Directors of the Company has constituted a Nomination, Remuneration and Compensation 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 including their remuneration.
- 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.
- Administer, implement and superintend the Employees' Long Term Incentive Plan.
- 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, 2018.

Name of Director	Status	No. of Meetings	
		Held	Attended
Smt. Bela Banerjee	Chairperson	3	3
Shri M P Shukla	Member	3	3
Dr. R M Kastia	Member	3	3

During the financial year ended 31st March, 2018, the Nomination, Remuneration and Compensation Committee met 3 (three) times on 10.05.2017, 26.08.2017 and 09.02.2018.

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/ Whole-time Director:

The Company has adopted a Remuneration Policy for Directors, Key Managerial Personnel and other Employees, regulated by

the Nomination, Remuneration and Compensation 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 is paid on the scale determined by the Nomination, Remuneration and Compensation Committee /Board of Directors within limits approved by the shareholders at the General Meeting.

The details of remuneration paid to the Executive and Non-Executive Directors during the financial year 2017-18 are given below :-

(in ₹)

Name of Director	Salary	Allowances	Perks etc.	Contribution to PF	Sitting Fee	Total
Category A - Executive Directors						
Shri Mahendra Nahata Managing Director	5,00,00,000	98,26,529	21,73,471	60,00,000		6,80,00,000
Category B – Nominee Director (Non-Executive Directors)						
Shri Rajiv Sharma* Non-Executive Director (IDBI Nominee)	-	-	-	-	70,000	70,000
Shri Ranjeet Anandkumar Soni** Non-Executive Director (IDBI Nominee)	-	-	-	-	1,75,000	1,75,000
Category C – Non-Executive Independent Directors/ Non-Executive Directors						
Shri M P Shukla Non-Executive Independent Director-Chairman	-	-	-	-	9,45,000	9,45,000
Smt. Bela Banerjee Non-Executive Independent Director	-	-	-	-	5,25,000	5,25,000
Dr. R M Kastia Non-Executive Director	-	-	-	-	8,05,000	8,05,000
Shri Arvind Kharabanda Non-Executive Director	-	-	-	-	9,45,000	9,45,000

* Ceased to be a director w.e.f 7th November, 2017

** Appointed as Nominee Director of IDBI Bank Limited in place of Shri Rajiv Sharma w.e.f. 7th November, 2017

The non-executive directors were paid sitting fee of ₹35,000/- for every Board / Committee meeting attended by them. In case of Nominee Directors, sitting fee is paid to nominating institution.

Details of fixed components and performance linked incentives along with the performance criteria

The details of fixed components are mentioned aforesaid in the table and there is no performance linked incentive along with the performance criteria for Managing Director as on 31st March, 2018.

Service contracts, notice period, severance fees

The appointment of the Managing Director is governed by resolutions passed by the Shareholders of the Company, which covers the terms and conditions of such appointment, read with

the service rules of the Company. A separate service contract is not entered into by the Company with the Managing Director. 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. No severance fee is payable to any Director.

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

The Company has already received in-principle approval from National Stock Exchange Limited (NSE) and BSE Limited

(BSE) vide their letter dated 15th June, 2018 and 21st June, 2018 respectively for the listing upto a maximum of 2 Crore equity shares to be issued under HFCL Employees Long Term Incentive Plan -2017 ("HFCL Plan – 2017"). Pursuant to aforesaid approval Company can issue upto 1 Crore options under Employee Stock Option Plan (ESOP) and 1 Crore units under Restricted Stock Units (RSU's) Plan. The Company has also received in-principle approval from NSE and BSE vide their letter dated 15th June, 2018 and 28th June, 2018 respectively for listing upto a maximum of 50 Lakh equity shares to be issued under Employee Stock Purchase Scheme. During the financial year ended 31st March, 2018, no stock options/units/shares were allotted under the HFCL Plan – 2017.

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, Remuneration and Compensation 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 ₹35,000/- for attending each Board and its committee meetings. Remuneration of KMPs and senior management personnel is decided by the Nomination, Remuneration and Compensation Committee/Managing Director. The remuneration to other employees is fixed as per principles outlined above and prevailing HR Policies of the Company.

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.

The Nomination, Remuneration and Compensation Committee also administers, implements and superintend the HFCL Long Term Incentive Plan-2017 through HFCL Employee Trust.

3.4 Stakeholders Relationship Committee

The composition of the Stakeholders 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, 2018, the Committee consists of one Non-Executive Independent Director, two Non-Executive Directors 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 etc. 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, 2018, the Stakeholders Relationship Committee met 7 (Seven) times on 31.07.2017, 30.10.2017, 04.12.2017, 08.01.2018, 24.01.2018, 07.03.2018 and 28.03.2018. The followings are the members and their attendance at the Committee Meetings:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	7	6
Dr. R M Kastia	Member	7	7
Shri Arvind Kharabanda	Member	7	7

Details of the Shareholders' complaints:

Number of Shareholders' complaints received during the financial year 2017-18	47
Number of complaints not resolved to the satisfaction of shareholders as on 31st March, 2018	NIL
No. of pending complaints as at 31st March, 2018	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 2017-18 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2018.

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/dematerialisation 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, 2018:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri Mahendra Nahata, Managing Director	Chairman	1	1
Shri M P Shukla Non-Executive Independent Director	Member	1	1
Shri Ranjeet Anandkumar Soni Nominee Director - IDBI Bank Ltd. (w.e.f. 07.11.2017)	Member	1	1
Shri Rajiv Sharma Nominee Director - IDBI Bank Ltd. (up to 06.11.2017)	Member	0	0

During the financial year ended 31st March, 2018, 1 (One) meeting of the Corporate Social Responsibility Committee was held on 30.03.2018.

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 the 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.
- Reviewing and evaluating the Risk Management Policy and practices with respect to risk assessment and risk management processes.
- Performing such other functions as may be necessary for the performance of its oversight function.

Though Regulation 21 of the 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 has voluntarily constituted the Risk Management Committee of Directors of the Company for effective risk management.

The following are the members of the Risk Management Committee.

Name of Director	Status
Shri Mahendra Nahata	Chairman
Shri M P Shukla	Member
Shri Arvind Kharabanda	Member

4. General Body Meetings

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

Year	AGM	Location	Date	Time
2016-2017	AGM	Mushroom Centre, Solan	25-09-2017	11:00 A.M.
2015-2016	AGM	Mushroom Centre, Solan	29-09-2016	11:00 A.M.
2014-2015	AGM	Mushroom Centre, Solan	30-09-2015	10:00 A.M.

No EGM was held in last three years.

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

Year	AGM	Subject matter of Special Resolutions	Date	Time
2016-17	AGM	<ul style="list-style-type: none"> To increase the remuneration of Shri Mahendra Nahata (DIN:00052898), the Managing Director of the Company To consider and approve HFCL Employees' Long Term Incentive Plan-2017 and its implementation through trust To consider and approve extending benefits of HFCL Employees' Long Term Incentive Plan-2017 to the employees of subsidiary companies To consider and approve authorization to HFCL Employees Trust to subscribe, acquire, hold, transfer shares under the HFCL Employees' Long Term Incentive Plan-2017 To consider and approve granting loans to HFCL Employees Trust for subscription of HFCL shares under HFCL Employees' Long Term Incentive Plan-2017 To Issue Convertible Warrants on preferential basis 	25-09-2017	11:00 A.M.
2015-2016	AGM	<ul style="list-style-type: none"> To re-appoint Shri Mahendra Pratap Shukla (DIN:00052977) as an Independent Director To re-appoint Smt. Bela Banerjee (DIN:07047271) as an Independent Director To consider and approve re-classification of Promoters of the Company To issue 10.30% 33,72,750, Secured, Unlisted Non Convertible Debentures (NCD's) on a Private Placement basis by way of conversion of outstanding recompense amount payable to the Lenders 	29-09-2016	11:00 A.M.
2014-2015	AGM	<ul style="list-style-type: none"> 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.

Postal Ballot

No special resolution was put through postal ballot during the financial year 2017-18.

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

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 generally published in Financial Express, Jansatta and Divya Himachal.

Website, where displayed

The financial results and the official news releases are also placed on the Company's website www.hfcl.com in the 'Investors' 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. The information required to be disclosed under Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are disseminated at the website of the Company.

Presentations made to institutional investors or to the analysts

Information which are already in public domain are shared with the institutional investors/financial analyst from time to time. No unpublished price sensitive information is discussed in meeting/presentation with the institutional investors/financial analyst.

6. General Shareholders' Information

6.1 Date, time and venue of Annual General Meeting

29th September, 2018 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan - 173213 (H.P.)

6.2 Financial Year

1st April, 2017 to 31st March, 2018

6.3 Dividend Payment Date

The Board of Director of your Company has recommended a dividend of ₹0.06 (paise six) i.e. 6% per equity share of ₹1/- each for the financial year 2017-18. Dividend, if declared, in the AGM, will be paid within the statutory time limits i.e. 30 days from the date of AGM.

6.4 Date of Book Closure

24th September, 2018 to 29th September, 2018 (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 2018-2019.

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, 2017	16.95	12.80	9367.15	9075.15
May, 2017	16.05	12.80	9649.60	9269.90
June, 2017	13.60	11.85	9709.30	9448.75
July, 2017	19.15	11.95	10114.85	9543.55
August, 2017	19.20	14.50	10137.85	9685.55
September, 2017	35.95	18.05	10178.95	9687.55
October, 2017	31.40	22.95	10384.50	9831.05
November, 2017	32.00	26.30	10490.45	10094.00
December, 2017	32.15	25.65	10552.40	10033.35
January, 2018	36.65	28.60	11171.55	10404.65
February, 2018	32.25	23.35	11117.35	10276.30
March, 2018	30.70	24.65	10525.50	9951.90

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

Share 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/transposed in physical forms during the financial year 2017-18

Number of Transfer	4
Number of shares	680

6.17 Distribution of Equity Shareholdings as on 31st March, 2018

No. of Equity Share held (₹)	No. of Shareholders	% of Shareholders	Shares Amount (₹)	% of Shareholdings
Upto 5000	231389	95.615	138741048	11.194
5001 - 10000	5309	2.194	41078995	3.315
10001-20000	2336	0.965	34879836	2.814
20001-30000	920	0.380	23113639	1.865
30001-40000	327	0.135	11652179	0.940
40001-50000	325	0.134	15408580	1.243
50001-100000	563	0.233	42276433	3.411
100001 & above	582	0.240	925724402	74.693
Clearing Member	251	0.104	6502082	0.525
Total	242002	100.000	1239377194	100.000

6.18 Categories of Equity Shareholding as on 31st March, 2018

Sl. No.	Category	Shares	%
A	Promoters Holding		
1	Indian Promoters	474682198	38.30006
2	Foreign Promoters	-	-
	Sub Total (A)	474682198	38.30006
B	Public Shareholding		
1	Institutional Investors		
a)	Mutual Funds/UTI	1156621	0.09332
b)	Venture Capital Funds	-	-
c)	Alternate Investment Funds	-	-
d)	Foreign Venture Capital Investors	-	-
e)	Foreign Portfolio Investors	77794526	6.27691
f)	Financial Institutions and Banks	30308238	2.44544
g)	Insurance Companies	521000	0.04204
h)	Provident Funds/Pension Funds	-	-
i)	Any Others(specify)		
	i) Foreign Institutional Investors	1310820	0.10577
	ii) Foreign Banks	5305	0.00043
	Sub Total (B1)	111096510	8.96391
2	Central Government/State Government(s)/President of India		
	Sub Total (B2)	0	0
3	Non Institutional Investors		
a)	Indian Public	378429259	30.53382
b)	NBFCs Registered with RBI	-	-
c)	Employee Trusts	-	-
d)	Overseas Depositories (holding DRs)	-	-
e)	Any Other		
i)	Bodies Corporates	259468039	20.93536
ii)	OCBs	38250	0.00309
iii)	NRIs	9082212	0.73280
iv)	Foreign Nationals	1000	0.00008
v)	Trusts	77644	0.00626
vi)	Clearing Members	6502082	0.52462
	Sub Total (B3)	653598486	52.73603
	Total Public Shareholding (B = B1 + B2 + B3)	764694996	61.69994
C	Non Promoter-Non Public Shareholders		
1	Custodian /DR Holder – Name of DR Holders	-	-
2	Employee Benefit Trustee (Under SEBI (Share based Employee Benefits) Regulations, 2014)	-	-
	Total Non-Promoter- Non Public Shareholders (C = C1 + C2)	-	-
	Grand Total (A + B + C)	1239377194	100.0000

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, 2018, 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

The Company has issued 4,50,00,000 warrants on preferential basis at a price of ₹16/- per warrants. The Warrants holders have already paid 25% of the issue price and balance 75% of the issue price shall be paid at the time of exercising of Warrants. The Company has 4,50,00,000 warrants outstanding as on 31st March, 2018. The Warrants are to be converted within 18 months from the date of allotment i.e. 30th October, 2017.

6.21 Commodity price risk or foreign risk and hedging activities

During the financial year 2017-18, 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. 58 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

6.24 Debenture Trustee

IDBI Trusteeship Services Limited
Reg. office: Asian Building, Ground Floor
17, R. Kamani Marg, Ballard Estate
Mumbai, Maharashtra – 400 001
Tel.: 022 4080 7000
Fax: 022 6631 1776
Email: itsl@idbitrustee.com/ response@idbitrustee.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. 51 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/2017/05/POLICY-ON-RELATED-PARTY-TRANSACTIONS.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 the 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 Auditors: The Internal Auditors 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/2017/05/Policy-on-Material-Subsidiaries.pdf>.

7.6 Dividend Distribution Policy

The Board of Directors has adopted dividend distribution policy under Regulation 43A of the Listing Regulations. The Policy has been uploaded on the Company's website and can be accessed through the following links: http://www.hfcl.com/wp-content/uploads/2017/05/Dividend_Distribution_Policy.pdf.

7.7 Disclosure of Compliance of Regulations 17 to 27 and Clauses (b) to (i) of sub-regulation (2) of Regulation 46

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

7.8 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.

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

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

7.10 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.

7.11 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 as on 31st March, 2018.

7.12 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, 2018.

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.

7.13 Secretarial Certificates

(i) Pursuant to Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, certificates on half- yearly basis, have been issued by a Company Secretary in-Practice certifying that all certificates have been issued within time prescribed under the Listing Regulations for 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.

7.14 CEO & CFO certification

The Managing Director 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.

7.15 Financial Calendar (tentative and subject to change) 2018-2019

Financial Reporting for the first quarter ending **30th June, 2018: On or before first week of August, 2018**

Financial Reporting for the second quarter and half year ending **30th September, 2018: On or before second week of November, 2018**

Financial Reporting for the third quarter ending **31st December, 2018: On or before second week of February, 2019**

Audited Accounts for the year ending **31st March, 2019: On or before last week of May, 2019**

Annual General Meeting for the year ending **31st March, 2019: On or before September, 2019**

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, 2018 pursuant to Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Place: New Delhi
Date : 3rd May, 2018

(Mahendra Nahata)
Managing Director

Certificate on Corporate Governance

To The Members
HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED
Solan (H.P.)

I have examined the compliance of conditions of Corporate Governance by M/s Himachal Futuristic Communications Limited ("**the Company**"), for the year ended on 31st March, 2018, as stipulated under Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) and Para C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**").

The compliance of conditions of corporate governance is the responsibility of the management of the Company. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated under Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) and Para C, D and E of Schedule V of the Listing Regulations.

I further 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.

Place : **New Delhi**
Dated : **August 8, 2018**

CS BALDEV SINGH KASHTWAL
PRACTISING COMPANY SECRETARY
C. P. NO. 3169