

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. The Company has complied with the requirements of the Corporate Governance Code in terms of Clause 49 of the Listing Agreement with the Stock Exchanges as disclosed here in below:

2. Board of Directors

Composition of the Board:

The Company has an optimum combination of Executive and Non-Executive Directors. The Chairman is a Non-Executive Director. The number of Independent Non-Executive Directors is half of the Board's total strength. All Independent Non-Executive Directors comply with the legal requirements of being "Independent." Except the Managing Director, all other directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

Name of the Director and their Identification Number (DIN)	Category	Designation	Directorship in other Companies @	Chairmanship in committees of Boards of other Companies	Date and change of status
Mr. Maruti Ram Praturi DIN – 01556649	Promoter Director	Managing Director	Nil	Nil	Nil
Ms. P. Swetha DIN – 06397865	Independent Non- Executive Director	Director	Nil	Nil	Nil
Mr. K.S.R C. Sekhar DIN –06998136	Independent Non- Executive Director	Director	Nil	Nil	Nil
Mr. D. Seenu Reddy DIN – 01556700	Independent Non- Executive Director	Director	Nil	Nil	Nil

@ Directorships in private and foreign companies are excluded.

\$ Membership/Chairmanship of only Audit Committee and Shareholders Grievance Committee has been considered.

Board Procedure:

The calendar of meetings of the Board of Directors is determined well in advance and Notices of the Meetings of the Board are issued by the Company Secretary on the advice and guidance of the Managing Director. The agenda and notes thereon are finalised by the Managing Director and circulated sufficiently in advance by the Company Secretary.

Elaborate and meticulous deliberations take place at the meetings of the Board; all relevant information is put up to the Board and comprehensive presentations are made to it to facilitate considered and informed decision making. Heads of the business verticals also attend the meetings of the Board as invitees to provide a better perspective on the operations. The time gap between two meetings of the Board did not exceed four months.

Details of Board Meetings and Attendance:

During the financial year 2013-14 Board of Directors of the Company met eight times on 8/2/2014,20/3/2014,9/5/2014,16/5/2014,16/6/2014,12/9/2014,4/11/2014, and 26/11/2014. The attendance details of the directors at the Board Meetings and last Annual General Meeting is as follows:

Name of the Director	Number of meetings held	Number of meetings attended	Whether attended the last AGM in 2013
Mr. Maruti Ram Praturi	8	8	No
Mr. D. Seenu Reddy	8	3	No
P. Swetha	8	6	Yes
K. S. R. C. Sekhar	8	1	No

Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company. All the Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

3. **Audit Committee**

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956. The terms of reference includes:

- a) Oversight of the company's financial reporting process.
- b) Recommending appointment and removal of external auditors and fixing of their fees.
- c) Reviewing with management the quarterly, half-yearly and annual financial results / statements with special emphasis on accounting policies and practices, compliances with accounting standards and other legal requirements concerning financial statements.
- d) Reviewing the adequacy of the Audit and compliance functioning including their policies, procedures, techniques and other regulatory requirements.
- e) Reviewing the adequacy of internal control systems and significant audit findings.
- f) Discussion with external auditors regarding nature and scope of audit.

Composition and Attendance:

There are three members of the audit committee and all the members of the committee are Non-Executive in which two members are Independent Directors. Members of the Audit Committee are, Mr. D. Seenu Reddy and Ms. P Swetha. Mr. D. Seenu Reddy is the Chairman of the Audit Committee. The Company Secretary Mr. N.Rama Swamy acts as the Secretary to the Committee.

Minutes of the Audit Committee are circulated to the members of the Committee and the Board is kept apprised.

4. Remuneration Committee

The members of the Remuneration Committee of the Board of Directors of the Company are Ms.P Swetha, Mr. Mr. D. Seenu Reddy and Mr. KSRC Sekhar. Mr. Seenu Reddy is the Chairman of the said Committee.

The terms of reference of the Remuneration Committee are:

- a) To review and approve / recommend the remuneration for the Corporate officers and Managing Director of the Company
- b) To review and recommend to the Board the remuneration policy for the Company.
- c) To approve grant of stock options to the employees and / or directors of the Company and subsidiary.
- d) To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time.

Remuneration Policy:

The Committee has the mandate to review and recommend compensation payable to the Managing Director and Senior Executives of the Company. No director other than Mr. Maruti Ram Praturi is drawing remuneration from Company. Mr. Maruti Ram Praturi is drawing remuneration for the services rendered in the capacity of Managing Director of the Company. The Company is paying a maximum sitting fee of Rs.10,000/- to the Non-Executive Directors for attending each board meeting, depending on the occasion.

The details of remuneration and sitting fees paid or provided to each of the Directors during the year 2013-14 are as follows:

(In Rs.)

Name of the Director	Designation	Salary & Perks	Commission	Sitting Fees	Total
Mr. Maruti Ram Praturi	Managing Director	30,00,000	0		30,00,000
Mr. D. Seenu Reddy	Director	0	0	10000	10000
Ms. P. Swetha	Director	0	0	30000	30000
Mr. K R C Sekhar	Director	0	0	0	0

No other benefits, bonuses, stock options, pensions or performance-linked incentives are paid to directors except as mentioned above and there are no pecuniary relationships or transactions by the non-executive directors during the financial year.

Shareholding details of directors as on June, 30th, 2012 is as follows:

Name of the Director	No. of shares held
Mr. Maruti Ram Praturi	1353548
Mr. D. Seenu Reddy	Nil
Ms. P.Swetha	Nil
Mr. K.R.C. Sekhar	Nil

None of the Non-executive directors have any material pecuniary relationship or transactions with the Company.

5. Investor Grievance Committee

The Share Transfers and Shareholders Grievance Committee comprises of two non-executive directors and one executive director. The Chairman of the Committee is the Independent Director. The members are Mr. KRC Sekhar (Chairman), Mr. P. Maruti Ram and Ms. P. Swetha. Mr. N. Rama Swamy, Company Secretary is the Compliance Officer.

Scope of the Committee

The scope of the Shareholders' Share Transfers and Shareholders Grievance Committee is to review and address the grievances of the shareholders in respect of share transfers, transmissions, dematerializations and rematerialisation of shares, dividend, change of address, and other miscellaneous matters.

During the year under review the Company had resolved all the complaints from the shareholders and there are no pending shareholder complaints or share transfers as on date of this report.

Meetings and Attendance:

The Committee generally meets once in a month to approve share transfers, issue of duplicate shares and review matters connected with redressal of shareholders complaints.

6. Annual General Meetings

Details of the last three Annual General Meetings (AGM) are as follows:

Year/Period	Day, Date and Time	Location
2008-2009	Wednesday, 30 th September 2009 at	At the Registered office of the Company at G-1, Parameshwara Apartments 6-3-626, Anand

	10.30 A.M.	Nagar, Khairatabad, Hyderabad – 500 004.
2009-2010	Thursday,30 th September 2010 at 10.30 A.M.	At the Registered office of the Company at 2 nd Floor, Imrat Park , Road No.2,Banjara Hills, Hyderabad – 500 034.
2010-2011	Friday,30 th September 2011 at 10.30 A.M.	At the Registered office of the Company at 2 nd Floor, Imrat Park , Road No.2,Banjara Hills, Hyderabad – 500 034.
2011-2012	Wednesday,31 st December 2012 at 9.30 A.M.	At the Registered office of the Company at G-1, Parameshwara Apartments 6-3-626, Anand Nagar, Khairatabad, Hyderabad – 500 004.
2012-2013	Tuesday,31 st December 2012 at 9.30 A.M.	At the Registered office of the Company at G-1, Parameshwara Apartments 6-3-626, Anand Nagar, Khairatabad, Hyderabad – 500 004.

. No business was transacted through postal ballot at the last three Annual General Meetings. At the forthcoming Annual general Meeting no business is required to be transacted through postal ballot.

7. Disclosures:

- The Company has not entered into any transaction of material nature with the promoters, the Directors or the management, their subsidiaries or relatives, etc., that may have any potential conflict with the interests of the Company.
- There are no pecuniary relationship or transactions with non-executive directors vis-à-vis the Company, which has potential conflict with the interests of the Company at large.
- The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures has been imposed on the Company by Stock Exchange(s) or SEBI or any statutory authority on any matter related to capital markets during last three years.
- The Company has complied with all the applicable mandatory requirements of the revised Clause 49 of the Listing Agreement.

Prohibition of Insider Trading

- In compliance with the SEBI Regulations on Prevention of Insider Trading, the Company has framed a Code of Conduct for insider trading regulations which is applicable to all the directors, officers and such employee's of the Company who are expected to have access to the unpublished price sensitive information relating to the Company. The Code lays down guidelines, which advises them on procedure to be followed and disclosures to be made, while dealing with the shares of the Company.

8. Means of Communication

The Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges, immediately after these are taken on record by the Board. These financial results are normally published in Business Standard/Indian Express (English) and Andhra Bhumi/Andhra Prabha/Andhra Jyothi (Telugu) Newspapers and are displayed on the website of the Company www.telecanor.com.

The official news releases and the presentation made to the investors/ analysts are also displayed on the Company's website.
Management Discussion and Analysis Report forms part of the Report of the Directors.

9. General Shareholders Information:

Registered Office & address for Correspondence:	Parameshwara Apts, 6-3-626, Anandnagar, Khairatabad, Hyderabad 500004, Telephone : 9848033304, www.telecanor.com , Email : ram@telecanor.com
Annual General Meeting: (Date, Time and Venue)	Friday the 26 th Day of December 2014 at 945 A.M at GHMC Community Hall, New Ashok Nagar, Secunderabad, Hyderabad – 500 048
Financial Year:	October 1 st , 2013 to 30 th September 2014.
Book Closure:	December 22, 2014 to December 26 th , 2014 (both days inclusive)
Listing of Shares:	The Company shares are listed on The Bombay Stock Exchange Limited and The Hyderabad Stock Exchange Limited.
Stock Code	BSE 530595
ISIN No for NSDL &CDSL	INE 381G01013
Share Transfer Agent:	Purva Sharegistry (India) Pvt. Ltd. Unit no. 9, Shiv Shakti Ind. Estt. J .R. Boricha marg.Opp. Kasturba Hospital Lane Lower Parel (E), Mumbai 400 011
Share Transfer System:	Equity Shares lodged for transfer in physical mode are normally registered within 15 days from the date of receipt. The Share Transfer Agent is handling all the Share Transfers and related transactions.
Details on use of public funds obtained in 3 years	No fund was raised from public during the last three years
Address for Correspondence:	Parameshwara Apts, 6-3-626, Khairatabad, Hyderabad www.telecanor.com , Email : ram@telecanor.com

Dematerialization of Shares and liquidity:

The Shares of the Company are in compulsory demat segment and are available for trading in the depository system of both NSDL and CDSL. As on September 30th, 2013, 39,16,243 Equity Shares of the Company forming 66.32 % of the Share Capital of the Company, stand dematerialized.

Identification Number of scrip given by NSDL and CDSL is INE381G01013.

Market Price Data in the last financial year:

The company's scrip has been suspended from trading beginning 18th September 2013 till data and hence not traded.

Category wise Shareholding as at 30th September, 2014.

Category	Total Shares	%
(A) Shareholding of Promoter		
(1) Indian		
Individuals / Hindu Undivided Family	1789078	18.62%
Sub Total	1789078	18.62%
(2) Foreign	0	0.00%
Total shareholding of Promoter and Promoter Group		
(A)	1789078	18.62%
(B) Public Shareholding		
(1) Institutions		
Mutual Funds / UTI	16100	0.17%
Sub Total	16100	0.17%
(2) Non-Institutions		
Bodies Corporate	1568995	16.33%
<i>Individuals</i>		
Individual shareholders holding nominal share capital up to Rs. 1 lakh	1937930	20.17%
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	3340655	34.78%
Any Others (Specify)	476578	4.96%
Non Resident Indians	234451	2.44%
Trusts	200	0.00%
Clearing Members	241927	2.52%
Sub Total	7800736	81.21%
Total Public shareholding (B)	7816836	81.38%
		100.00
Total (A)+(B)	9605914	%
(C) Shares held by Custodians and against which Depository		
(1) Promoter and Group	0	0.00%
(2) Public	0	0.00%
Sub Total	0	0.00%
		100.00
Total (A)+(B)+(C)	9605914	%

Distribution of Shareholding as at 30th September, 2013.

Number of Equity Shares held	Shareholders (Numbers)	Shareholders (Percentage)	Shares (No.s)	Shares %

1 - 5000	1101	55	581333	6.05%
5001 - 10000	98	25	621945	6.47%
10001 - 20000	41	11	523782	5.45%
20001 - 30000	13	3	266798	2.78%
30001 - 40000	12	2	440328	4.58%
40001 - 50000	33	1	779028	8.11%
50001 - 100000	29	2	1262967	13.15 %
100001 & above	17	1	5129733	53.40 %
Total	1344	100	9605914	100.00 %

Declaration

I, Maruti Ram Praturi, Managing Director do hereby declare that pursuant to the provisions of Clause 49(I) (D) (ii) of the Listing Agreement, all the members of the Board and the Senior Management Personnel of the Company have furnished their affirmation of compliance with the Code of Conduct of the Company.

Maruti Ram Praturi
Managing Director

Place: Hyderabad
Date: 24-11-2014