

NELCO LIMITED

A TATA Enterprise

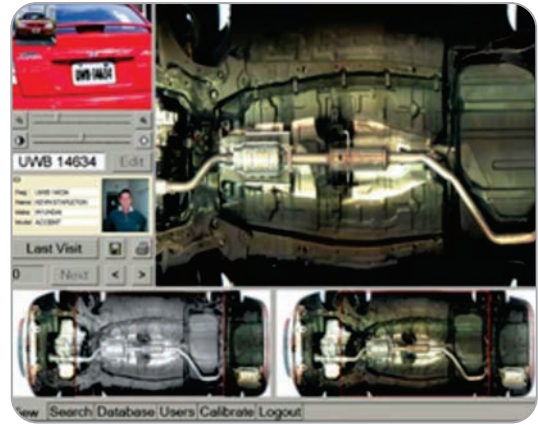
**68th Annual Report
2009-2010**

Solutions for Protecting Lives and Assets

Baggage Scanning Systems



Under Vehicle Scanning Systems



Mobile Vehicle scanning system



Ceilometer for cloud Height Measurement



Bomb Blanket



Bomb Suit



Water Jet Disruptor



NELCO LIMITED

Chairman Emeritus

R. N. Tata

Board of Directors

P. R. Menon – *Chairman*

B. B. Dubash

R. R. Bhinge

V. K. Deshpande

P. K. Ghose

S. Ramakrishnan

Lt. Gen. Davinder Kumar (Retd.)

S. K. Gupta

K. A. Mahashur – *Executive Director*

Z. J. Engineer – *Executive Director (Retired on 29/7/2010)*

Company Secretary

Girish V. Kirkinde

Bankers

Bank of India

Allahabad Bank

Union Bank of India

Calyon Bank

Axis Bank Ltd.

Solicitors

Mulla & Mulla and Craigie, Blunt & Caroe.

Auditors

Deloitte Haskins & Sells, Mumbai.

REGISTERED OFFICE

Francysters Cybernetics Centre, 3rd Floor,
Eucharistic Congress Building No. III,
5, Convent Street, Colaba, Mumbai – 400 001.

Works & Facilities

Plot EL-6, Electronic Zone, TTC Industrial Area,
MIDC, Mahape, Navi Mumbai 400 710.

Share Registrars

TSR Darashaw Limited

6-10, 1st floor,

Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road,

Mahalaxmi,

Mumbai - 400 011.

Tel.: 022-66568484 Fax: 022-66568494

Website: www.tsrdarashaw.com

SALES OFFICES

Mumbai

3rd Floor, Eucharistic Congress Building III,
5, Convent Street, Colaba, Mumbai – 400 001.

Bangalore

3rd Floor, No.15-17-19,
Sri Lakshmi Complex,
St. Mark's Road,
Bangalore 560 001.

Chennai

Flat No.1-D, 1st Floor,
New No. 75 & 77 (Old No. 41 & 41A)
K. G. Marina Bay, Santhome High Road,
Santhome, Chennai 600 004.

Delhi

702,703, Vikram Tower,
16, Rajindra Place,
New Delhi 110 008.

Jamshedpur

Kashi Kunj Road No.2,
Contractors Area,
Bistipur, Jamshedpur 831 001.

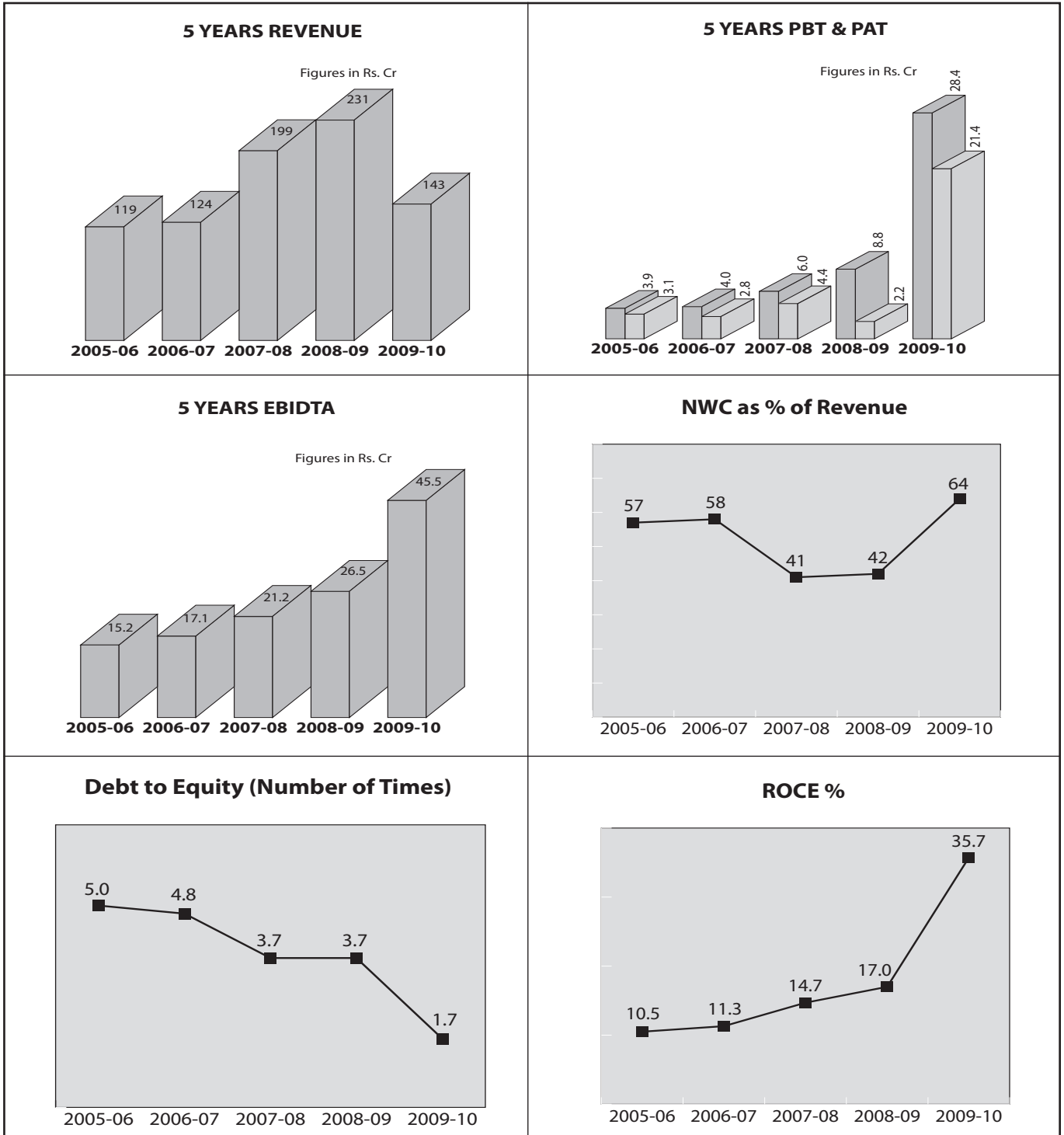
Kolkata

Trust House, 1st floor,
32-A, Chittaranjan Avenue,
Kolkata 700 012.

Secunderabad

Plot No.65, Paigah Colony,
Behind Anand Theatre,
Off Sardar Patel Road,
Secunderabad 500 003.

Financial Highlights



For the purpose of comparison, the figures are calculated on annualised basis wherever necessary.

NOTICE

The SIXTY EIGHTH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Wednesday the 19th January 2011 at 4.00 p.m. at the Cultural Hall, Chavan Centre, 4th floor, Gen Jagannath Bhosale Marg, Mumbai – 400 021 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th September 2010 and the Audited Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. B.B.Dubash who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S.Ramakrishnan who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. P.K.Ghose who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

7. Amendment of the Articles of Association of the Company.

To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Sections 31, 48 and other applicable provisions, if any, of the Companies Act, 1956, as amended or re-enacted from time to time, the consent of the Company be and is hereby accorded to substitute the following Article in place of existing Article 176 of the Articles of Association of the Company:

‘Every deed or other instrument to which the Seal of the Company is required to be affixed shall be signed by (a) two Directors, or (b) one Director and the Secretary, or (c) one Director and such other authorized person, as the Board or a duly constituted Committee thereof may appoint for the purpose; provided nevertheless that certificates of debentures may be signed by one Director only or by Attorney of the Company duly authorized in this behalf and certificates of shares shall be signed as provided in Article 27(a)‘.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, things and matters as they may in their absolute discretion deem necessary, expedient or proper in order to give effect to this Resolution‘.

NOTES:

- (a) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in respect of business under Item No.7 set out above and the relative details in respect of Item Nos.3 to 5 pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
- (c) Corporate Members intending to nominate their authorized representatives to attend the Annual General Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- (d) In case of joint holders attending the Meeting, the joint holder who is higher in the order of names will only be entitled to vote.
- (e) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 11th January 2011 to Friday, 14th January 2011 (both days inclusive). If the dividend as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made on or after 24th January, 2011 as under :
 - i) To all Beneficial Owners in respect of shares held in dematerialized form as per the data as may be made available by National Securities Depository Limited and Central Depository Services (India) Limited as of the close of business hours on 10th January, 2011;

- ii) To all Members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on 10th January, 2011.
- (f) Members are requested to notify immediately any change in their addresses and/or bank mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
- (g) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.
- (h) Consequent upon the amendment of Section 205A of the Act and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend declared for the financial year ended 31st March, 2003 which remained unclaimed /unpaid for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company has been transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 30th September, 2009 are requested to make their claims to the Company accordingly without any delay.

- (i) Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the meeting.
- (j) As a measure of economy copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.
- (k) Members may please note that, as per the Securities and Exchange Board of India (SEBI) directive, remittance of dividend through Electronic Clearing Service (ECS) is replaced with National Electronic Clearing Service (NECS), with effect from 1st October, 2009. To avail of NECS facility, Members holding shares in demat mode are requested to update their new bank details, post implementation of Core Banking Solutions (CBS) in which they wish to receive dividend with their respective Depositories. The Company or Share Transfer Agents will not act on any direct request from members holding shares in demat mode for change/updation/deletion of such bank details. Members holding shares in physical mode must give instructions regarding their new bank details in which they wish to receive dividend to the Company or Share Transfer Agents. In the absence of NECS facility, the bank account details, if available, will be printed on the dividend warrants.
- (l) Members may please note that, Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish the copy of PAN card to the Company/Share Transfer Agents for registration of such transfer of shares.

Members may please note that, SEBI has also made it mandatory for submission of PAN in the following cases viz. (i) deletion of name of the deceased shareholder(s) (ii) transmission of shares to the legal heir(s) and (iii) transposition of shares.

By Order of the Board of Directors

Mumbai, 22nd November 2010.

Registered office:

Francysters Cybernetics Centre,
Eucharistic Congress Building No. III, 3rd floor,
5, Convent Street, Colaba, Mumbai – 400 001.

Girish V. Kirinde
Company Secretary

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956 ('The Act'), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item No. 7 of the accompanying Notice dated 22nd November 2010.

Item No.7

Amendment of the Articles of Association of the Company.

Article 176 of the Articles of Association of the Company stipulates that every deed or other instrument to which the Seal of the Company is required to be affixed, shall unless the same is executed by a duly constituted attorney of the Company, be signed by two Directors of the company. For operational convenience it is proposed that this common seal provision of signing by two Directors be amended to signing by (a) two Directors, or (b) one Director and the Secretary, or (c) one Director and such other authorized person, as the Board or a duly constituted Committee thereof may appoint for the purpose.

Accordingly, the Members' approval is being sought for amending the Article No.176 of the Articles of Association of the Company.

A copy of the Memorandum and Articles of Association, together with the proposed alteration is available for inspection by the Members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company.

The Directors recommend the resolution contained in item no. 7 for approval by the Members. None of the Directors is concerned or interested in this resolution.

By Order of the Board of Directors

Mumbai, 22nd November 2010.

Girish V. Kirinde
Company Secretary

Registered office:

Francysters Cybernetics Centre,
Eucharistic Congress Building No. III, 3rd floor,
5, Convent Street, Colaba, Mumbai – 400 001.

Details of Directors seeking re-appointment at the Annual General Meeting. (Pursuant to Clause 49(IV) (G) of the Listing Agreement)

Name of the Director	Mr. B.B. Dubash	Mr. S. Ramakrishnan	Mr. P.K. Ghose
Date of Birth	29 th October, 1936	19 th February, 1949	3 rd September, 1950
Date of Appointment	6 th December, 1985	31 st October, 2005	28 th July, 2005
Qualifications	B.Com.	B.Tech. (Mech.) Degree from IIT, Madras and a Management Degree from IIM, Ahmedabad.	Honours Graduate in Commerce and a member of the Institute of Cost and Works Accountants of India, The Institute of Company Secretaries of India and is an alumnus of the Advanced International General Management Programme of CEDEP, (INSEAD) France.
Expertise in Specific Functional Area	Has rich and varied experience in Shipping Stevedoring and General Management	He joined the Tata Administrative Services in 1972. He has been associated with the Tata Group for over 30 years and he has handled a multitude of national as well as international projects.	Work experience in the field of Corporate Finance and Accounts
Directorships in other Public Limited Companies*	Darabshaw B. Cursetjee's Sons (Bombay) Ltd. Darabshaw B. Cursetjee's Sons Shipping Co. Ltd. Tata Advanced Materials Ltd. Transocean Shipping Agency Ltd.	AGC Networks Ltd. The Tata Power Co. Ltd. Tata Power Trading Co.Ltd Af-taab Investment Co. Ltd. Coastal Gujarat Power Ltd. North Delhi Power Ltd.	Tata Chemicals Ltd. Tata Services Ltd.
Committee positions held in other companies	Nil	<u>Audit Committee</u> AGC Networks Ltd. Tata Power Trading Co.Ltd North Delhi Power Ltd. Coastal Gujrat Power Ltd. Tata BP Solar India Ltd. <u>Shareholders' Investors' Grievance Committee</u> The Tata Power Co. Ltd.	<u>Audit Committee</u> Tata Chemicals Ltd. Tata Services Ltd.
No. of shares held	Nil	Nil	Nil

* Note: Excludes Alternate Directorships and Directorships on Private Limited Companies and Foreign Companies.

DIRECTORS' REPORT

To the Members

The Directors present their Sixty Eighth Annual Report together with the Audited Statement of Accounts for the period ended 30th September, 2010.

1. FINANCIAL RESULTS

The summarized financial results are indicated below:-

	For the 12 Months Period Ended 30.09.2010 (Rs.)	For the 18 Months Period Ended 30.09.2009 (Rs.)
Net Sales / Income from Operations	1,394,554	3,404,475
Operating Expenditure	1,492,660	3,168,805
Operating Profit /(Loss)	(98,106)	235,670
Add : Other Income	33,678	57,979
Less : Interest	127,256	182,528
Profit/(Loss) Before Tax and Depreciation and Exceptional Items	(191,684)	111,121
Less : Depreciation	43,696	83,345
Profit/(Loss) Before Tax and Exceptional Items	(235,380)	27,776
Exceptional Items		
Less: Deferred Revenue Expenditure (Voluntary Retirement Scheme)	(10,575)	31,722
Add : Profit on sale of Long term Investments (Associate)	—	135,375
Add:- Profit on sale of Business	530,247	—
Profit Before Tax	284,292	131,429
Less : Provision for Tax (including provision for Deferred Tax and Fringe Benefit Tax)	70,270	98,630
Net Profit After Tax	214,022	32,799
Balance Brought Forward	33,216	16,434
Balance available for appropriation	247,238	49,233
Appropriated as under :		
Proposed Dividend	45,635	13,690
Tax on Dividend	7,580	2,327
Transfer to General Reserve	25,000	—
Balance to be Carried Forward	169,023	33,216

2. DIVIDEND

The Directors of your Company are pleased to recommend for the approval of the shareholders a dividend of 20%, including 10% as special dividend (Rs.2/- per share including Re. 1/- as special dividend) (Previous year 6%).

3. FINANCIAL HIGHLIGHTS

The period under review is for 12 months as compared to the previous year's figures which were for 18 months. During the period under review, the total income was Rs. 1,394,554('000) as against Rs. 3,404,475('000) in previous year. The Company reported Profit before tax of Rs. 2,84,292('000) as against Rs.131,429('000) for the previous year. The Profit after tax was Rs. 214,022('000) as against Rs. 32,799('000) in the previous year.

4. SALE OF BUSINESSES

Your Company has constantly faced the challenge of achieving growth in terms of revenue and profitability due to diverse portfolio, limited offerings and lack of critical mass. Despite having core competencies, execution of prestigious projects and references built over the years by Traction Electronics, Industrial Drives, and Supervisory Control and Data Acquisition (SCADA) consisting of Industrial Supervisory Control Data Acquisition System (I-SCADA) and Power Sector Supervisory Control and Data Acquisition System (PS - SCADA) businesses ("Businesses"), these businesses were facing major challenges in achieving sustained viability in the future. The Board of Directors of your Company at its meeting held on 29th April, 2010, approved the transfer of these Businesses as a "going concern" on a slump sale basis to Crompton Greaves Limited ("CGL") for a total consideration not exceeding Rs. 92.00 crores, subject to necessary statutory consents and approval by the Members.

On 14th June, 2010, the Members approved through postal ballot, the sale of these Businesses to CGL by passing an ordinary resolution pursuant to sections 293(1)(a) and 192A of the Companies Act, 1956, read with the Companies (Passing of Resolution by Postal Ballot), Rules, 2001. The votes cast assenting to the Ordinary Resolution were 1,16,19,913 shares (99.96%) of the total valid votes polled. On 28th July, 2010 i.e. the Closing Date, the Businesses were transferred as a going concern to CGL on slump sale basis for a consideration of Rs. 81 crores. The additional Rs. 11 crores has not been received as the financial parameters to be met by 30th September, 2010 were not achieved.

While your Company transferred the Traction Electronics, Industrial Drives and the I - SCADA businesses to CGL on 28th July 2010, the PS - SCADA business shall be transferred at a later date after obtaining the requisite clearances from relevant Government / Public Sector Authorities. Pending this transfer, the Company received the entire amount of consideration i.e. Rs. 81 crores.

Following the sale of these businesses, the Company intends to focus on building its position in Strategic Electronics, Network Systems (Tatanet) and pursue further synergistic opportunities in related areas.

5. SUBSIDIARY COMPANY

The financial statement and reports of the subsidiary company, Tatanet Services Limited (TNSL) for the financial year 2009-10 are attached. The revenue of TNSL for the year ended 31st March, 2010 was Rs. 289,975('000) [Rs. 252,368('000) for the year ended 31st March, 2009.

6. HUMAN RESOURCE MANAGEMENT

There is consistent focus on development of Human Resources (HR). HR plans have been defined with appropriate measurement indicators keeping in mind both long term goals and short term requirements. Employees' voices are captured through 'Open Houses', the forum through which employees are encouraged to voice their concerns, suggest innovative ideas and also seek answers from the top management on issues of common interest. The Company constantly reviews facilities and benefits to enhance overall employee well being. Employee Satisfaction / Engagement Surveys are carried out through external agency to formally assess the voice of employees. Action plans have been prepared and are being implemented to increase employee engagement.

Since the Company is in the high tech and high visibility areas of telecommunication (Tatanet Division) and Electronic Security and Surveillance (Strategic Electronics Division), maintaining the talent pool and competence building for the core areas of strength and the challenge of attracting and retaining talent continues. The Company has initiated measures like employee referral scheme, competency mapping, providing growth opportunities to existing employees and strengthening the Performance Management System (PMS) to include assessment on Tata Leadership Practices, training need assessment, identification of high potential employees and development plan for employees. Recruitment cycle time has been reduced and the attrition rates have been kept at a manageable level. The PMS recognizes individual and segment wise contribution through performance linked pay, thereby motivating employees' ownership and responsibility. RACE (Reward and Recognition for Achievement and Contribution towards Excellence), a comprehensive reward and recognition scheme, has been put in place for motivation of employees for excellence in performance. In Tatanet Division, 'UNWIND', a monthly informal gathering on the last Friday of each month, has been successfully serving as a forum to foster teamwork in an informal manner.

The Company maintained cordial industrial relations during the period under review. The total manpower employed during the period was 336, after the transfer of the employees of the Businesses hived off to CGL.

7. INTERNAL CONTROLS AND SYSTEMS

The Company has an adequate system of internal controls to ensure that all assets are safeguarded and accounted for and business transactions are authorised and recorded. An external established audit firm carries out internal audit. This audit is based on an Annual Audit Plan and includes regular reviews by the Audit Committee of Directors to ensure adequacy of controls and adherence to laid down procedures and systems. The Board of Directors also carries out Company Wide Risk Assessment and Management on a systematic and regular basis.

8. QUALITY SYSTEMS AND TATA BUSINESS EXCELLENCE MODEL (TBEM)

The Company has focused on continuous improvement through internationally recognized Quality Management Systems viz. TL 9000 and ISO 9001 for Tatanet and ISG respectively. Tatanet has already got certified in ISO 20000 (Information Technology Management System) and ISO 27001 (Information Security Management System). This certification for Tatanet has been a key step towards success in its Managed Services revenue stream. During the period under review, Tatanet has participated as a Strategic Business Unit in TBEM external assessment by Tata Quality Management Services (TQMS). Tatanet implemented Balanced Score Card (BSC), Strategy Deployment Matrix (SDM), Quality Function Deployment (QFD), Process Management and improvement, etc. After the TBEM external assessment, Tatanet has scored 457 points and has been awarded the Serious Adoption Award in TBEM. ISG has been gearing up for revised ISO 9000:2008 certification from the current ISO 9000:2000 certification by Standardization, Testing and Quality Certification (STQC) audit.

9. FIXED DEPOSITS

The Company has neither accepted nor renewed any fixed deposits during the period under review. However, there were outstanding unclaimed deposits amounting to Rs.154,000/- as on 30th September, 2010 which remain outstanding as some of the deposit holders have not claimed the repayment despite follow up by the Company.

In accordance with the provisions of Investor Education Protection Fund (Awareness and Protection of Investors) Rules, 2001, an amount of unclaimed deposits with interest aggregating to Rs. 10,579/- has been transferred during the financial year 2009-10 to the Investor Education and Protection Fund.

10. SAFETY, HEALTH AND ENVIRONMENT

The Company accords high priority to health, safety, and environment. The operations of the Company are not of a hazardous nature. However, the Company emphasizes on maintaining a healthy and safe environment in and around its facilities as well as contract sites where ongoing projects are under execution. Safety Awareness is inculcated through regular Safety Awareness Programs, basic fire safety training, mock drills, regular Safety Committee meetings and capturing employees' voices through safety observation and near miss reporting. The employees working at project sites are given requisite training for ensuring safety during work. Periodic Safety Audit is carried out and action taken to eliminate unsafe conditions.

There has been no incidence of any accidents reported in the past several years. The Company also has a disaster management system to take care of exigencies.

11. DISCLOSURE OF PARTICULARS

Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure A to the Directors' Report.

Particulars of Employees: Information in accordance with Section 217(2A) of the Companies Act, 1956 (the Act) read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure B to the Directors' Report. However, having regard to the provisions of section 219(1) (b) (IV) of the Act, the Annual Report is being sent to all the Members excluding the aforesaid information. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

12. DIRECTORS

Mr. Z. J. Engineer retired as an Executive Director of the Company on 29th July, 2010. The Board expresses its sincere gratitude for the guidance and contribution of Mr. Engineer during his long and fruitful association with the Company.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. B. B. Dubash, Mr. S. Ramakrishnan and Mr. P. K. Ghose retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

13. AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

14. CORPORATE GOVERNANCE

To comply with the conditions of Corporate Governance, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Statement, Report on Corporate Governance and Auditors' Certificate, are included in the Annual Report.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures therefrom;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care to the best of their knowledge and information, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) they have prepared the annual accounts on a going concern basis.

16. ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support and Co-operation received from customers, vendors, investors, business associates, bankers, regulatory and governmental authorities. The Directors acknowledge the continued support and guidance from the Tata Group. The Directors appreciate the contribution made by employees at all levels.

On Behalf of the Board of Directors

P. R. Menon
Chairman

Mumbai, 22nd November, 2010.

Annexure "A" to the Directors' Report

DISCLOSURE OF PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

Conservation of energy

Although energy is not a major element of the cost for the Company, constant endeavors have been made to conserve energy and consequently minimize power costs.

Technology absorption

The major thrust of technology absorption has been in the areas of Strategic and Surveillance Electronics

Future plan of action

- (a) To upgrade technology particularly in the area of Strategic and Surveillance Electronics to meet the requirement of defence forces, paramilitary groups and Homeland Security requirements.
- (b) Solutions and value added services for Close User Group (CUG) and networks based on VSATs.

Expenditure on R&D

Rs. in '000

Revenue and recurring

81

Technology absorption, adaptation and innovation

Constant endeavors are being made towards technology absorption, adaptation and innovation. The focus has been on improving the quality of the products and developing new product designs adapted to suit the customers' requirements.

Foreign exchange earnings and outgo

Rs. in '000

Total foreign exchange earned

32,980

Total foreign exchange used

444,566

Management Discussion and Analysis

Strategic Electronics (SE)

The Strategic Electronics business of the Company (SE) has been active in the homeland security, defence, industrial process viewing and meteorology fields and has made several strides by way of securing some prestigious orders and their successful and timely execution.

The Company is addressing the growing market of the homeland security and surveillance activity, particularly for the Indian Railway security related tenders and is getting qualified for all the major tenders being floated by various zonal Railways.

The Company, while addressing industrial process viewing business, has focused on industries in oil and gas, petrochem and refinery, power sector and steel sector. The Company has established itself with prestigious references and is on the approved list of all the major consultants, OEMs and EPC contractors.

In the upcoming area of meteorology, the effort to work in the Automated Weather Station (AWS), the hydrograph projects, etc. are being pursued with suitable collaborators.

The Company expects homeland security / defence, industrial process viewing and meteorology market to grow many folds in the coming years. Based on the successful track record in executing the defence and security electronics orders so far and the appropriate technology tie-ups by the Company, it is expected to be a major line of business and is likely to contribute significantly to the growth and profitability of the Company in the years ahead.

Financial Highlights

During the period under review, automation and control system achieved revenue of Rs.595,291('000) (12 Months) as against Rs. 1,782,715 ('000) in the previous year (18 months), with an operating loss of Rs.155,914('000) (12 Months) as against operating profit Rs. 124,419('000) in the previous year (18 months).

Industry structure and development

The security and surveillance sector scenario and markets have undergone radical change over the recent years worldwide as well as in India due to terrorist attacks. It has highlighted the importance of adequate levels of security and safety for strategic installations. Now a days, integrated security solutions, both for products and services, are being sought by the customers from a single dependable vendor. Large public undertakings are also going in for investments in the sophisticated integrated security systems.

The high-tech electronic security markets include intrusion alarms, access control, Closed Circuit Television (CCTV) surveillance, IP-solutions, fire alarm and evacuation systems, scanning solutions, bomb detection and disposal, security management and command and control systems, etc. The security and surveillance equipments find their major applications in important establishments like Government and large strategic installations, city traffic security and monitoring, commercial units such as retail outlets, banks, transport systems such as railways, metros, airports and ports and defence establishments.

Need to assess better predictability of weather, along with development of hi-tech electronics based solutions for AWS, Airport Weather Observation Stations (AWOS), hydro-meteorological systems, agrimet systems, meteorological data communication systems, etc. have opened up tremendous opportunity for private sector participation.

The Company's Strategic Electronics business shall continue to focus on increasing its presence in the homeland security and surveillance and defence integrated security solutions markets. It will continue to expand its presence in the traditional industrial process viewing and monitoring applications. In the area of meteorology, the Company continues to identify and focus on developing applications for meeting customer's needs. The Company's Strategic Electronics business will focus on growing as a state-of-the-art e-solutions provider in supporting its customers to protect lives and assets.

Opportunities and Threats

Though the security and surveillance market has been projected to be very large and growing, the predictability of the business will remain questionable at best, due to difference in perception about adequate level of security

required. This also opens up an opportunity for the Company to play a consultative role for the customers, based on its vast experience of implementing large integrated security solutions for various critical installations.

Following are the threats to the business:

- Stiff competition from local un-organised sector in the physical security market is putting pressure on margins.
- Long decision making cycle time on the part of the customers.
- Technology partners may become competitors in the future.
- The investment in security and safety gets the least priority from the customers in India. However, this trend is seen to be changing quickly in the recent times.

Outlook

The Indian Railways (all the 16 zonal railways) have been the pioneers in implementing integrated security and surveillance solutions for various stations in India to protect lives and assets. A capital expenditure budget of Rs. 750 crores has been approved by the Indian Railways for this purpose. SE business of the Company is well poised to address all these tenders of the Indian Railways. The Company expects limited competition due to stiff qualifying criteria. Besides the Railway tenders, following are the other segments which would bring impetus to SE growth:

- Integrated security solutions for establishments like ordnance depots, factories, etc.
- New airports and upgradation of existing ones.
- Coast Guard's significant modernization program.
- Various security needs recommended by Central Industrial Security Force (CISF) to protect various critical installations.
- City monitoring and surveillance.
- Various scanning solutions for passenger scanning, vehicle scanning at various entry and exit points like airports, ports, octroi check posts, city entry points, bridges, etc.
- Integrated security solutions for industries, particularly petrochemical, power, steel and various core sectors, will be driven by overall growth projected for these sectors.

Besides the above, budget allocations of Rs. 900 crores for modernization plan of the Indian Meteorology Department (IMD) including airport modernization will open up opportunities for the meteorology applications.

All the above is expected to put Strategic Electronics on a growth path over the next few years.

Risks and Concerns:

SE primarily serves the requirements for capital goods and also security aspects of the business, which at times is assigned a lower priority by customers. It also requires long gestation period even to acquire order and then to finally execute and hand over the project. Cash flow and profitability uncertainty are inbuilt in this type of business. The projects from Government departments and other public sectors, who are the biggest customers, carry risk of policy changes.

Tatanet Network Systems (Tatanet)

Tatanet is a leading VSAT service provider in the country. Over the years, it has developed expertise in satcom services, implementation, operation and maintenance of IT and communication related projects on a turnkey basis and IT and communication infrastructure management services.

In IT and communication infrastructure management services, Tatanet provides Application Performance Monitoring (APM) and End User Experience (EUE) management services, managed network services, managed data centre services, design and consultancy services and data security services.

It also provides management of network connectivity services and internet services over VSATs for corporates, across industry verticals such as Banking and Financial Services and Insurance (BFSI), oil and gas, manufacturing and distribution, education, media, Government and defence.

In VSAT services, the product and services offerings are bandwidth on committed information rate basis, bandwidth-on-demand, interactive distance learning, IP multicast and digital streaming.

In project implementation on a turnkey basis, Tatanet provides implementation of satellite communication systems and other communication network design and implementation services to customers in the Government, Public Sector and large corporates.

Financial Highlights

During the period under review, Tatanet achieved revenue of Rs.799,263 ('000) (12 Months) as against Rs. 1,623,709 ('000) in the previous year (18 months) with an operating profit of Rs.132,897 ('000) (12 Months) and Rs. 144,984 ('000) in the previous year (18 months).

Industry structure and development

Key drivers of VSAT growth in India have been banking, financial services, insurance, Common Service Center programs (CSC), telecom, energy, education and health sectors.

Along with these, internet over VSAT, interactive distance education, telemedicine, digital signage / cinema, etc. are expected to drive VSAT growth in the next 2-3 years.

The extended C (Ex-C) band remains the preferred choice for critical interactive applications like stock broking and commodity trading, as this band is immune to rain conditions or rain fade. On the other hand, Ku band is the preferred technology for ATM, e-Governance and other applications requiring lower initial investment in the cost of equipment at the customer end. Tatanet offers both these to the customers.

It is expected that extensive use of VSATs will continue in defence applications and the oil and gas segment due to connectivity requirements in remote locations, tough terrain and harsh conditions and also since VSAT provides near 100% implementation feasibility and very high uptime as compared to terrestrial networks, VSAT as means of connectivity is preferred where availability and uptime of the terrestrial network is doubtful. Therefore, VSAT is projected to co-exist with Multi Protocol Label Switching (MPLS) Virtual Private Networks (VPN) over terrestrial.

Tatanet's focus shall continue to be on increasing the recurring revenue through sale of VSAT services and through sale of Managed Services (MS). During the year, it has inaugurated its compact but state-of-the-art data center with tier three standards and a dedicated Video Network Operations Center (NOC) with an in-house studio. Tatanet has entered in to a strategic partnership with Compuware Corporation based in USA to deliver application performance monitoring and EUE management services in India.

Opportunities and Threats

Though the managed services market is at least 10 times bigger than the VSAT business and has a promising growth potential, being a new entrant in managed service business, Tatanet is gearing up to quickly establish itself in the market. With some of the large system integrators and IT players already well entrenched in the market, Tatanet faces a challenge to find its appropriate place and start increasing the revenue and profits. Tatanet intends to differentiate in the market through its unique offering like APM and EUE services. This is not only expected to make Tatanet the first choice of the customer amongst even some of the established players but also to create a new market in the managed services space. Tatanet also aims to leverage its existing customer base and other Tata companies for offering these services. Besides this, to meet with the stringent qualification criteria to participate in IT and communication services tenders, it has already completed the ISO 20000 and 27001 certifications.

It will provide unified monitoring dashboards to its customers through 'Nirikshan' toolkit, comprising a mix of in-house and industry-leading Network Management Software (NMS) and APM tools.

Following are the threats in the VSAT business:

- The increasing penetration of networking services based on competing technologies to be launched by terrestrial telecom operators, need to be addressed by launching new innovative products and solutions from time to time by Tatanet
- Pricing pressures in the market poses an additional challenge in maintaining revenue and profit growth. This is being countered by Tatanet through increased focus on operational excellence and increasing the efficiency of the network.

-
- Availability of bandwidth also may continue to pose a challenge. Measures have been taken to optimize the existing bandwidth and advance planning for procurement of additional bandwidth, which should support bandwidth requirement to address future customer needs at least for the next 3 years.

In the turnkey project implementation operations and maintenance business, efforts are being made to offer Tatanet's skill sets outside the country and create new markets for the division.

Segment wise performance

Tatanet division's total reported VSAT installed base is 13,904. Tatanet has maintained its market share of 10.30% (10.24% as of 2009) of the total VSAT installed base. Further, out of Tatanet's total installed base, 10,880 VSATs are operating on Ku- band, while the remaining 3,204 VSATs are on the Ex-C band.

Tatanet has made major inroads in managed services for distance education and video collaboration bagging major order of Team Lease (IJT). Other major orders bagged are Prizm Payments, Euronet and C-Edge in BFSI segment and Beltron in Government segment. Tatanet is in the final stages of completing the implementation of one of the largest satellite communication based networks for the Ministry of Defence.

In response to the increasing demand in the market for outsourced IT and communication infrastructure management services, Tatanet has started rebranding and product development in the Managed Services (MS) portfolio, thus aiming to become a holistic solutions provider and a one-stop-shop for the customer. The NOC for managed services has been established and the managed services business is poised to see favorable growth.

Outlook

The total VSAT base in India is set to grow by 20% during 2010-11 to around 1,34,700 from 1,12,857, adding about 22,000 VSATs in 2010-11. Reflecting the macro economic environment, the current industry trends and outlook, Tatanet will continue to focus on growth opportunities in the manufacturing, BFSI, energy and telecom sectors, and enhance efforts towards building business in education and infrastructure along with e-governance segments, where the high volume CSC market is poised to remain strong.

The MS market is growing at a CAGR of 24%. With over a decade of experience in managing application performance over WAN, Tatanet is set to build and develop its MS business by working closely with alliance partners, leveraging channel strength for reach, increasing marketing efforts and widening the bouquet of offerings to suit the networking needs of large and medium enterprises.

Risks and Concerns:

With terrestrial Telecom players getting aggressive with its reach of copper / fiber optic cable connectivity in tier-2 and 3 cities, VSAT has transformed from being the only available means for connectivity, to its present complimentary role in supporting the more prevalent terrestrial solutions. Telecom players offer VSAT connectivity solutions to its customers based in unserved geographies when their conventional terrestrial or line of sight radio connections are not feasible. Risks related to falling prices of VSATs have been adequately factored in the strategic business plans.

There is dependence on a few enterprise customers for which various sales and marketing initiatives have been taken to defend and grow contracted business.

Cautionary Statement

Statements in the Management Discussion and Analysis, describing the Company's objectives, projections and estimates may be forward - looking statements within the meaning of applicable securities laws and regulations. Actual results may vary from those expressed or implied, depending upon economic condition, Government policies and other incidental / related factors.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The Company continues to adhere to the good corporate practices established by it, in all its business activities. The Corporate Governance of the Company is led by strong emphasis on human values, individual dignity and adherence to the honest, ethical and professional conduct. The Company aims at achieving transparency, accountability and equity in its operations, interactions with stakeholders including shareholders, lenders and the Government through good governance and best business practices. In addition to these, the Company has also adhered to the requirements of Corporate Governance under Clause 49 of the Listing Agreements.

2. Board of Directors

Composition

As on 22nd November, 2010, the Board of Directors has 9 members, out of whom 1 is Executive Director and 8 are Non-Executive Directors who bring in a wide range of skills and experience to the Board. The Composition of the Board is in conformity with Clause 49 of the Listing Agreement.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

Table 1 : The names and categories of the Directors on the Board, their attendance at the Board Meetings during the year under review and at the last Annual General Meeting (AGM), as also the number of Directorships and Committee positions held by them in other companies.

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	Number of Directorships/Committee positions held in other public limited companies		
				Number of Directorships(*) in other public limited companies	Chairman	Member
Mr.P.R.Menon (*)	Non Executive Chairman (Non-Independent)	5	Yes	10	-	1
Mr. B. B. Dubash	Non Executive Director (Independent)	2	Yes	4	-	-
Mr. R. R. Bhinge	Non Executive Director (Independent)	2	Yes	3	-	3
Mr. V. K. Deshpande	Non Executive Director (Independent)	3	-	1	-	-
Mr. P. K. Ghose	Non Executive Director (Independent)	5	Yes	2	-	2
Mr. S. Ramakrishnan	Non Executive Director (Non-Independent)	3	Yes	6	3	3
Lt. Gen. Davinder Kumar (Retd)	Non Executive Director (Independent)	2	Yes	2	-	-
Mr. S. K. Gupta	Non Executive Director (Non-Independent)	5	Yes	-	-	-
Mr.K.A. Mahashur	Executive Director	5	Yes	3	-	-
Mr. Z. J. Engineer (Retired with effect from 29.07.2010)	Executive Director	5	Yes	-	-	-

* Excludes Alternate Directorships and Directorships in private companies, foreign companies and Section 25 companies.

** Represents Memberships/Chairmanships of Audit Committee and Shareholders'/Investors' Grievance Committee.

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

Five Board Meetings were held during the year and the gap between two meetings did not exceed four months. Following are the dates on which the said meetings were held:

27th November 2009, 10th December 2009, 27th January 2010, 29th April 2010 and 26th July 2010.

The information as required under Annexure IA to Clause 49 is being made available to the Board.

Code of Conduct

The Company has adopted the Tata Code of Conduct for all the employees, Executive Directors and Non-Executive Directors and the same is posted on the Company's website www.nelcoin.com. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. The Executive Director (CEO) has also confirmed and certified the same. The certification is enclosed at the end of this report.

Committees of the Board

3. Audit Committee

Table 2: Composition of the Audit Committee and details of meetings attended by the Directors during the year under review:

Name of the Director	Category of Directorship	No. of Meeting(s) attended
Mr. P. K. Ghose, Chairman	Non-Executive, Independent	6
Mr. V. K. Deshpande	Non-Executive, Independent	3
Lt.Gen Davinder Kumar (Retd)	Non-Executive, Independent	5

The Audit Committee met six times during the year under review on the following dates :

26th November 2009, 15th December 2009, 27th January 2010, 28th April 2010, 4th June 2010, 26th July 2010.

Terms of Reference

The terms of reference of the Audit Committee, broadly are as under:-

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment of the statutory auditor, fixation of audit fees and for other services.
- Reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval.
- Reviewing the adequacy of internal control systems and internal audit function, including the working of the internal audit department, staffing and seniority of the official heading the function, reporting coverage and frequency of internal audit.
- Discussing with internal auditors any significant findings and follow up there on.
- 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.
- Discussion with the statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons, if any, for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.

In addition to the above, all other matters listed in Clause 49 (II)(D) of the Listing Agreement.

The Audit Committee invites such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at its meetings. The Statutory Auditors and Internal Auditors are also invited to the meetings. Mr. Girish V. Kirkinde, the Company Secretary acts as the Secretary of the Committee.

4. Remuneration Committee

Table 3: Composition of the Remuneration Committee and details of meetings attended by the Directors during the year under review:-

Name of the Director	Category of Directorship	No. of Meeting(s) attended
Mr. V. K. Deshpande, Chairman	Non-Executive Independent	2
Mr. R. R. Bhinge	Non-Executive Independent	2
Mr. S. Ramakrishnan	Non-Executive Non-Independent	1
Mr. P. K. Ghose	Non-Executive Independent	2

The Remuneration Committee met two times during the year under review on 17th November, 2009 and 11th June, 2010.

The terms of reference of the Committee include recommending to the Board of Directors, the remuneration package for Executive Directors.

Mr. Girish V. Kirkinde, Company Secretary is the Secretary to the Committee.

Remuneration Policy:

- Executive Directors**

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and Performance Linked Incentive (variable component) to the Executive Directors. The salary is paid within the range approved by the shareholders and the approval of the Central Government, if any. Annual increments effective 1st April each year, as recommended by the Remuneration Committee, are placed before the Board for approval. The ceiling on perquisites and allowances as a percentage of salary is fixed by the Board. Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee and approved by the Board. The amount of Performance Linked Incentive is based on defined set of matrix and clear goals.

The details of remuneration and perquisites paid and/or value calculated as per the Income Tax Act, 1961 to the Executive Directors for the financial year ended 30th September 2010 are as under:

Table 4:

(Rs. in Mn.)

Terms of Agreement	Mr. K. A. Mahashur	Mr. Z. J. Engineer
Period of appointment	From 1 st September 2008 to 12 th June 2012	From 1 st June 2005 to 31 st May 2010 and 1 st June, 2010 to 29 th July 2010
Salary and allowance	3.55	3.63
Other Perquisites	0.28	0.45
Performance Linked Incentive	2.30	4.80
Contribution to Provident Fund & Superannuation Fund	0.44	0.45
Retirement benefits (Gratuity and Leave Encashment)	—	6.68
Notice Period	By either party giving six months notice or the Company paying six months salary in lieu thereof.	By either party giving one month notice or the Company paying one month salary in lieu thereof.
Severance Fees	There is no separate provision for payment of severance fees.	
Stock Option	Nil	

- **Non Executive Directors**

The Company pays sitting fees of Rs. 10,000/- per meeting to the Non-Executive Directors for attending meetings of the Board and Committee attended by them. The details of sitting fees paid to Non-Executive Directors during the year under review are as under :

Table 5:

Name of the Director	Amount (Rs.)
Mr. P.R. Menon	Nil
Mr. B.B. Dubash	20,000
Mr. R.R. Bhinge	1,30,000
Mr. V.K. Deshpande	1,00,000
Mr. P. K. Ghose	1,30,000
Mr. S. Ramakrishnan	Nil
Lt. Gen. Davinder Kumar (Retd.)	70,000
Mr.S.K.Gupta	50,000
Total	5,00,000

5. Shareholders'/Investors' Grievance Committee

Table 5: Composition of the Shareholders'/Investors' Grievance Committee and details of meetings attended by the Directors during the year under review:

Name of the Director	Category of Directorship	No. of Meeting(s) attended
Mr. R.R.Bhinge, Chairman	Non-Executive Independent	3
Mr. K. A. Mahashur	Executive Non-Independent	3
Mr. Z. J. Engineer	Executive Non-Independent	3

The Shareholders'/Investors' Grievance Committee met three times during the year under review on 12th November, 2009, 22nd April, 2010 and 22nd July, 2010.

Mr. Girish V. Kirkinde, Company Secretary is the Secretary to the Committee.

During the year all Investors' complaints (identified and reported under Clause 41 of the Listing Agreement) were received and resolved. There were no unresolved complaints as on 30th September, 2010.

No transfer of shares in physical mode was pending as on 30th September, 2010. One request for demat of shares pending on 30th September, 2010 has been subsequently processed and completed.

Terms of Reference

To look into redressal of investors' complaints and requests such as transfer of shares, non-receipt of dividend, annual reports, etc. The Members of the Committee are severally empowered to approve the Share transfer/transmissions and requests for issue of duplicate share certificates, split/consolidation of share certificates, etc. Share Transfer formalities are regularly attended to at least once in a fortnight.

6. Subsidiary Company

Clause 40 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company did not have any “material non-listed Indian subsidiary” during the year under review. The subsidiary of the Company functions independently, with an adequately empowered Board of Directors and sufficient resources. However, for more effective governance, the minutes of Board Meetings of Subsidiary of the Company are placed before the Board of Directors of the Company for their review.

7. Prevention of Insider Trading

The Company has adopted the Code of Conduct for Prevention of Insider Trading under SEBI (Prohibition of Insider Trading) Regulations. Mr. R. B. Upadhyay, CFO & Sr. Vice President – (Finance) is the Compliance Officer for the implementation of and overseeing compliance with the Regulations and the Code across the Company.

8. General Body Meetings

The last three Annual General Meetings (AGMs) were held as under:

Financial Year Ended	Day and date	Time	Venue	No. of Special Resolution(s)/ purpose
30 th September, 2009 (18 months)	Wednesday, 27 th January, 2010	4.00 p.m.	Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Opp. Inox Cinema, 226, Nariman Point, Mumbai – 400 021	1 (One) For reappointment of Mr. Z. J. Engineer as Executive Director and payment of remuneration for the period from 1 st June, 2010 to 29 th July, 2010
31 st March, 2008 (12 months)	Friday, 8 th August, 2008	4.00 p.m.	Bombay House Auditorium 24, Homi Mody Street Mumbai – 400 001	1 (One) For reappointment of Mr. K.A.Mahashur as Executive Director and payment of remuneration for the period from 1 st September, 2008 to 12 th June, 2012.
31 st March, 2007 (Six months)	Friday, 31 st August, 2007	4.00 p.m.	Bombay House Auditorium 24, Homi Mody Street Mumbai – 400 001	-

All the Special Resolutions moved at the previous AGMs were passed with requisite majority.

Postal Ballot

- a) The Company successfully completed the process of obtaining the approval of its Members on the Ordinary Resolution under Section 293(1) (a) of the Companies Act, 1956 to transfer the undertakings which comprise of Traction Electronics, Supervisory Control and Data Acquisition (SCADA) and Industrial Drives businesses (“Businesses”) as a “going concern” on a slump sale basis to Crompton Greaves Limited vide the postal ballot.

The Company appointed Mr. P. N .Parikh, Practicing Company Secretary as Scrutinizer who carried out the Postal Ballot process in a fair and transparent manner. The results were announced on 18th June, 2010.

Voting Pattern and Procedure for Postal Ballot

- i) The Board of Directors of the Company at its meeting held on 29th April, 2010, had appointed Mr. P.N.Parikh, Practicing Company Secretary as the Scrutinizer for conducting the postal ballot voting process.

- ii) The Company had completed on 15th May, 2010, the dispatch of postal ballot forms along with postage prepaid business reply envelopes to its Members whose name(s) appeared on the Register of Members/ list of beneficiaries as on 7th May, 2010.
- iii) Particulars of the postal ballot forms received from the Members were entered in a register separately maintained for the purpose.
- iv) The postal ballot forms were kept by the Scrutinizer under his safe custody in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.
- v) All postal ballot forms received/receivable up to the close of working hours on 14th June, 2010, the last date and time fixed by the Company for receipt of the forms, had been considered for his scrutiny.
- vi) Envelopes containing postal ballot forms received after close of business hours on 14th June, 2010, had not been considered for his scrutiny.
- vii) Mr. K.A.Mahashur, Executive Director, had announced the following result of the Postal Ballot as per the scrutinizer's Report.

Particulars	No. of Ballot Forms	No. of shares
Total Received	658	1,16,55,422
Less: Invalid	91	30,888
Valid	567	1,16,24,534
- Assent	553	1,16,19,913
- Dissent	14	4,621

Accordingly, the Ordinary Resolution set out in the Notice dated 29th April, 2010 was duly passed by the requisite majority of the shareholders.

- b) It is proposed to obtain, by means of a postal ballot, the approval of the members by passing a special resolution pursuant to Section 146 of the Companies Act, 1956 for shifting the Registered Office of the Company from the limits of Mumbai to Navi Mumbai, i.e. from Francysters Cybernetics Center, Eucharistic Congress Building no. III, 5, Convent Street, Colaba, Mumbai – 400 001 to MIDC, Plot no. EL 6, TTC Industrial Area, Electronics Zone, Navi Mumbai – 400 710. The Notice, Explanatory statement, the postal ballot form and the self addressed (postage prepaid) business reply envelope are being sent separately to the members and the voting rights of such members will be reckoned as on the cut off date which will be 3rd December, 2010. The result of the postal ballot will be announced on 14th January, 2011
- c) No court convened meetings were held during the last three years.

9. Disclosures

- (i) There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their subsidiaries or relatives, etc. during the year that may have potential conflict with the interests of the Company at large.
- (ii) During the year under review, there were no transactions entered into by the senior management personnel with the Company and the declarations to this effect have been received by the Board.
- (iii) There were no instances of non-compliance during the last three years by the Company on any matter related to capital markets. There were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.
- (iv) The Board of Directors of the Company has adopted a Whistle Blower Policy for establishing a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud

or violation of the Company's Code of Conduct or ethics policy. The said policy has been posted on the Company's intranet site. The Company affirms that no employee has been denied access to the Audit Committee.

- (v) The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and there are no audit qualifications in this regard.
- (vi) In terms of Clause 49(V) of the Listing Agreement, the Executive Director (CEO) and CFO & Sr. Vice President-Finance made a certification to the Board of Directors in the prescribed format for the year under review which has been reviewed by the Audit Committee and taken on record by the Board.
- (vii) Transactions with the related parties are disclosed in Note 20 of Schedule 7 to the notes forming part of the Accounts in the Annual Report.

10. Means of Communication

- (i) Quarterly and half yearly Results are published in the Free Press Journal (English) and Navashakti (Marathi) newspapers and displayed on the Company's website www.nelcoin.com.
- (ii) The Corporate Filing and Dissemination System (CFDS) portal is a single source to view information filed by listed companies. All disclosures and communications to Bombay Stock Exchange Limited and National Stock Exchange of India Limited are filed electronically through CFDS portal. Hard copies of the said disclosures and communications are also filed with the Stock Exchanges.

11. General Shareholder Information

- i) Annual General Meeting (AGM) is scheduled to be held on Wednesday, 19th January, 2011 at 4.00 p.m. at Cutral Hall, Chavan Center, 4th floor, Gen. Jagannath Bhosale Marg, Mumbai – 400 021 :

As required under Clause 49(IV)(G)(i) of the Listing Agreement with the Stock Exchanges, particulars of Directors seeking re-appointment at the forthcoming AGM are given in the Annexure to the Notice of the AGM to be held on 19th January, 2011.

- ii) Financial Year : 1st October, 2009 to 30th September, 2010
- iii) Book closure date : from Tuesday, 11th January, 2011 to Friday, 14th January, 2011
(both days inclusive)

- iv) **Listing on Stock Exchanges** : The Company's Shares are listed on the following two Stock Exchanges in India.

- (a) Bombay Stock Exchange Ltd. (BSE), (Regional Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.
- (b) The National Stock Exchange of India Ltd., (NSE), Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Company has paid annual listing fee to both the above mentioned Stock Exchanges for the financial year 2009-10.

- v) **Stock Code and Corporate Identification Number (CIN)**

Bombay Stock Exchange Ltd. (Physical Segment)	-	4112
Bombay Stock Exchange Ltd. (Demat Segment)	-	504112
The National Stock Exchange of India Ltd.	-	NELCO EQ

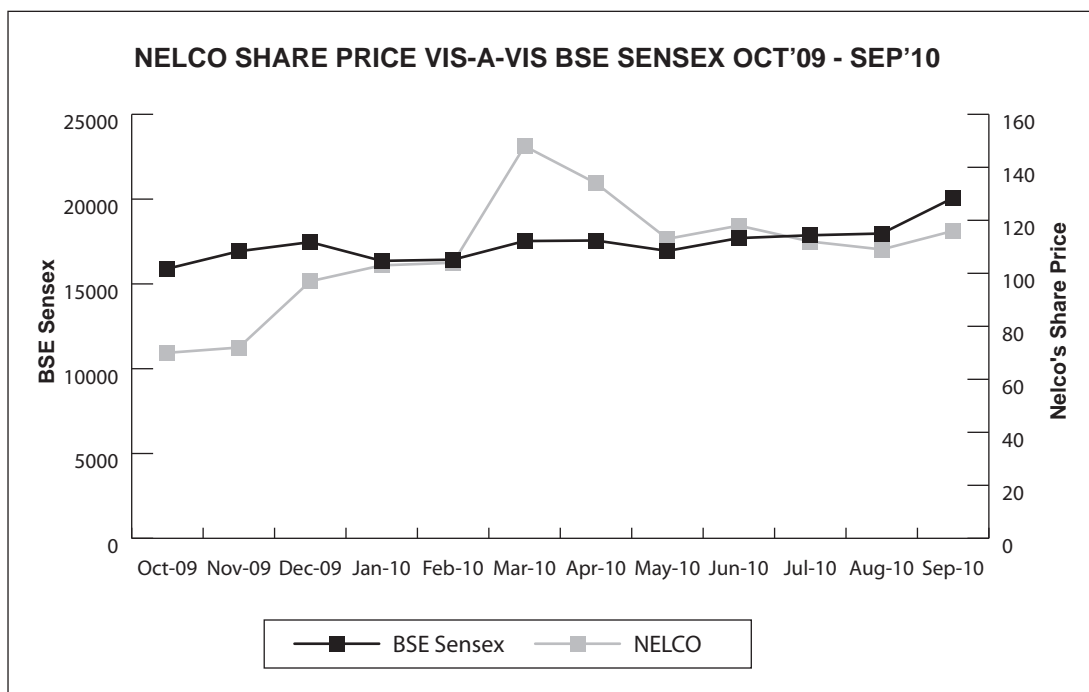
The CIN allotted to the Company by the Ministry of Corporate Affairs, Government of India is L32200MH1940PLC003164

vi) Market Information

a) Market Price Data : High, Low during each month and trading volumes of the Company's Equity Shares during the period 1st October 2009 to 30th September 2010 at the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) are given below: -

Stock Exchange	BSE			NSE		
	High	Low	Number of Shares Traded	High	Low	Number of Shares Traded
October 2009	92.70	61.45	4835212	92.30	61.35	4727646
November 2009	78.90	66.50	562617	79.00	66.60	570657
December 2009	107.75	75.30	3786533	107.90	75.50	4531092
January 2010	132.75	95.25	6488771	132.25	95.15	8275918
February 2010	115.80	95.00	2322810	115.90	91.60	3782650
March 2010	152.45	102.60	17581460	152.75	102.70	27413060
April 2010	151.50	131.25	5706416	152.00	131.60	9166877
May 2010	135.05	108.00	2120164	135.00	108.10	3999837
June 2010	125.45	110.65	1673878	125.35	108.15	2755347
July 2010	129.40	111.70	2545680	129.20	111.80	3903329
August 2010	124.20	107.25	2173114	124.30	106.20	4376992
September 2010	122.50	109.10	2194981	123.40	109.10	3435477

b) Performance of the Company's Share Price in comparison to BSE Sensex



vii) Registrars and Share Transfer Agents

TSR Darashaw Limited (TSRD)
6-10 Haji Moosa Patrawala Industrial Estate,
20, Dr. E Moses Road, Mahalaxmi
Mumbai – 400 011

Tel. :022- 6656 8484,
Fax :022- 6656 8494
E-mail: csg-unit@tsrdarashaw.com
website : www.tsrdarashaw.com

For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches/agency of TSR Darashaw Limited.

Branches of TSRDL

- | | |
|--|---|
| <p>1 503, Barton Centre, 5th Floor
84, Mahatma Gandhi Road
Bengaluru - 560 001
Tel : 080 25320321
Fax : 080-25580019
e-mail tsrdlbg@tsrdarashaw.com</p> | <p>3 Bungalow No.1, "E" Road
Northern Town, Bistupur
Jamshedpur – 831 001
Tel: 0657 – 2426616,
Fax: 0657 – 2426937
Email : tsrdljsr@tsrdarashaw.com</p> |
| <p>2 Tata Centre, 1st Floor,
43, Jawaharlal Nehru Road
Kolkata – 700 071
Tel : 033 – 22883087,
Fax : 033 – 22883062
e-mail : tsrdlcal@tsrdarashaw.com</p> | <p>4 Plot No.2/42, Sant Vihar
Ansari Road, Daryaganj
New Delhi – 110 002
Tel : 011 – 23271805,
Fax : 011 – 23271802
e-mail : tsrdldel@tsrdarashaw.com</p> |

Agent of TSRDL

Shah Consultancy Services Ltd. 1, Sumatinath Complex, 2nd Dhal,
Pritam Nagar, Ellisbridge Ahmedabad – 380 006.
Telefax : 079 – 2657 6038, Email : shahconsultancy@hotmail.com

viii) Share Transfer System

Shares in physical mode which are lodged for transfer with TSR Darashaw Ltd. at the above-mentioned addresses are processed within 15-20 days from the date of receipt, if the documents are complete in all respects. The share certificates after transfer are returned to the investors within the prescribed time.

ix) Distribution of shares as on 30th September, 2010.

No. of shares held (Range)	Shareholding	% of total Shareholding	No. of Shareholders	% of total Shareholders
1 to 5000	3,035,412	13.30	22,421	82.22
5001 to 10000	1,287,886	5.64	1,549	6.09
10001 to 20000	1,099,085	4.82	708	2.79
20001 to 30000	6,44,704	2.82	249	0.98
30001 to 40000	387,868	1.70	110	0.43
40001 to 50000	565,675	2.48	119	0.47
50001 to 100000	1,137,684	4.99	155	0.61
100001 and above	14,660,086	64.25	105	0.41
Total	22,818,400	100	25,416	100.00

x) Shareholding pattern as on 30th September, 2010

Sr.No.	Category	No. of shares	Percentage
1	TATA Companies	11,432,640	50.10
2	Financial Institutions/ Banks	43,720	0.19
3	Mutual Funds	10,900	0.06
4	State Government / Government Companies	82,160	0.36
5	Bodies Corporate / Trusts	2,176,423	9.54
6	Individuals	8,056,281	35.30
7	Foreign Institutional Investors	1,016,276	4.45
	Total	22,818,400	100.00

xi) Dematerialisation of shares as on 30th September, 2010 and Liquidity

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Annual Custodian Fees for the financial year 2009-10 were paid to NSDL and CDSL.

21,299,363 Equity Shares of the Company representing 93.34% of the share capital were dematerialised as on 30th September 2010.

Under the Depository Systems, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE045B01015.

xii) The Company has not issued any GDR's/ADR's/Warrants or any Convertible Instruments.

xiii) Works and facilities

Plot No.EL-6, Electronics Zone,
MIDC, Mahape Village,
Navi Mumbai- 400 710
Telephone No.022-67399100
Fax No.022-27686797

xiv) Address for correspondence

NELCO Limited
Francysters Cybernetics Centre,
Eucharistic Congress Building No. III, 3rd Floor,
5, Convent Street, Colaba, Mumbai - 400 001.
Telephone No.022-66384509
Fax No.022-66384510
Email ID: girish.kirkinde@nelcoin.com

xv) Compliance with Non-mandatory Requirements

- The Company has adopted the guidelines for the composition of the Board of Directors, which provide for the tenure and retirement age for the Non-Executive Directors.
- The Company has set up a Remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Executive Directors, determine and recommend to the Board, compensation payable to Executive Directors.
- The Company posts the quarterly and half yearly results on its website at www.nelcoin.com

- During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure the regime of unqualified financial statements.
- The Company has adopted a Whistle Blower Policy. Please refer to the para under the head "Disclosures".

xvi) Transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the dividend for the financial year 2002-03 which remained unclaimed/unpaid for a period of seven years from the date of transfer to the unpaid dividend account has been transferred to IEPF established by the Central Government. No claims in this respect shall lie against the IEPF or the Company nor shall any payment be made in respect of such claim.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges. I affirm that the Board Members and the Senior Management Personnel have confirmed compliance with the Codes of Conduct, as applicable to them for the year ended 30th September 2010.

For NELCO Limited

Mumbai,
22nd November 2010

K. A. Mahashur
Executive Director

CERTIFICATE

To,

The Members of NELCO Limited

We have examined the compliance of conditions of Corporate Governance by Nelco Limited, for the year ended 30th September 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations 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.

In our opinion and to the best of our information and according to the explanations given to us, and the representation 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 above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

R.A. Banga
Partner

Mumbai, 22nd November 2010

Membership No. 37915

AUDITORS' REPORT

TO THE MEMBERS OF NELCO LIMITED

1. We have audited the attached balance sheet of Nelco Limited as at 30th September, 2010, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 30th September, 2010;
 - (b) in the case of the profit and loss account of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.
5. On the basis of written representations received from the directors, as on 30th September, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **Deloitte Haskins & Sells**

Chartered Accountants
(Registration No 117366W)

R.A.Banga

(Partner)

Place: Mumbai

Membership No. 37915

Date: 22nd November, 2010

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF NELCO LIMITED

(Referred to in paragraph (3) thereof)

- (i) Having regard to the nature of the Company's business/activities, clauses (xiii) and (xiv) of CARO are not applicable.
- (ii) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Physical verification of fixed assets was carried out during the year in accordance with the company's policy of verifying the fixed assets over a period of three years. In our opinion, the frequency of verification of fixed assets is at reasonable intervals. No material discrepancies between book records and the physical inventories of fixed assets were noticed.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) (a) The inventory of the company has been physically verified by the management during the year and at the year end. In respect of stocks lying with third parties, a substantial portion was physically verified or has been confirmed by third parties during the year or at the year end. In our opinion the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material in relation to the operations of the company.
- (iv) According to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the company has not granted / taken any loans, secured or unsecured, to / from parties listed in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4 (iii) (b), (c), (d), (f) and (g) of the Companies (Auditors' Report) Order, 2003, are not applicable.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items are of a special nature and their prices cannot be compared with alternative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination and the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weakness in the aforesaid internal control system.
- (vi) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraph (v)(b) of the Order is not applicable.
- (vii) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public during the year and has complied with the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other court or any other Tribunal on the company.
- (viii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (ix) We have broadly reviewed the books of accounts and records maintained by the company relating to the manufacture of Electronic Products, pursuant to the rule made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any other products of the company.
- (x) (a) According to the information and explanations given to us, and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth tax, service tax, value added tax, custom duty, excise duty, cess and other material statutory dues as applicable, have generally been regularly deposited by the company during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as mentioned above as at 30th September, 2010 for a period of more than six months from the date they became payable.

- (b) As at 30th September, 2010 according to the records of the company and the information and explanations given to us, the following are the particulars of dues on account of income-tax, sales-tax, custom duty, excise duty and service tax matters that have not been deposited on account of any dispute.

Name of the statute	Nature of the dues	Financial Year to which the matter pertains	Forum where the dispute is pending	Amount (Rs. in lakhs)
Sales – Tax Laws	Sales-Tax	1989-90 and 1990-91	Appellate Authority High Court Level	17.43
		1985-86 to 1988-89, 1992 -93, 1996-97, 2001-02, 2003-04, 2009-10	Appellate Authority - Commissioner Level	121.87
Customs Duty Laws	Customs Duty	1991 to 1993	Appellate Authority - Assessing Officer Level	30.04
Excise Duty Laws	Excise Duty	1983-84 to 1993-94	Appellate Authority - Commissioner Level	2,064.05
		2006-07	Appellate Authority - Assistant Director Level	1.07
Service Tax Laws	Service Tax	2003-04, 2005-06, 2006-07	Appellate Authority – up to Commissioner Level	271.52

- (xi) The company does not have accumulated losses as at 30th September, 2010 and has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
- (xiii) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prejudicial to the interest of the company.
- (xv) In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
- (xvi) Based on the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, funds raised on a short term basis have not been used for long term investments.
- (xvii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year.
- (xviii) The company has not issued any debentures during the year.
- (xix) The company has not raised any money by public issue during the year.
- (xx) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of significant fraud on or by the company, noticed or reported during the year nor have we been informed of such case by the management.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No 117366W)
R.A.Banga
(Partner)
Membership No. 37915

Place: Mumbai
Date: 22nd November, 2010

BALANCE SHEET AS AT 30TH SEPTEMBER, 2010

(Rupees ' 000)

	Schedule	As at 30.09.2010	As at 30.09.2009
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	228,175	228,175
(b) Reserves and Surplus	B	194,023	33,216
		422,198	261,391
2. LOAN FUNDS			
(a) Secured Loans	C	30,479	208,348
(b) Unsecured Loans	D	698,255	754,529
		728,734	962,877
3. Deferred Tax Liability (Net)		-	3,260
TOTAL		1,150,932	1,227,528
APPLICATION OF FUNDS			
1. FIXED ASSETS	E		
(a) Gross Block		598,892	603,006
(b) Less: Depreciation		390,140	384,624
(c) Net Block		208,752	218,382
(d) Capital work-in-progress		2,550	3,635
		211,302	222,017
2. INVESTMENTS	F	19,825	19,825
3. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	G	139,841	304,533
(b) Sundry Debtors	H	1,108,620	1,512,110
(c) Cash and Bank Balances	I	51,917	155,798
(d) Loans and Advances	J	335,081	318,509
		1,635,459	2,290,950
Less :			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	K	565,184	1,181,597
(b) Provisions	L	150,470	134,242
		715,654	1,315,839
4. NET CURRENT ASSETS		919,805	975,111
5. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	M	-	10,575
TOTAL		1,150,932	1,227,528
NOTES FORMING PART OF THE ACCOUNTS	7		

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

R. A. BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 22nd November, 2010

Mumbai, 22nd November, 2010

PROFIT AND LOSS ACCOUNT FOR THE TWELVE MONTHS PERIOD ENDED 30TH SEPTEMBER, 2010

		(Rupees ' 000)
		For the twelve months period ended 30.09.2010
		For the eighteen months period ended 30.09.2009
INCOME	Schedule	
1. Income from Operations	1	1,394,554
2. Other Income	2	33,678
3. Total Income		1,428,232
EXPENDITURE		
4. Raw Materials, Finished and Semi-Finished Products	3	705,084
5. Personnel	4	270,462
6. Operating and Other Expenses	5	517,114
7. Interest	6	127,256
8. Depreciation		43,696
9. Total Expenditure		1,663,612
10. Profit / (Loss) before exceptional items and taxation		(235,380)
11. Exceptional Items		
a. Deferred Revenue Expenditure (Voluntary Retirement Scheme)		(10,575)
b. Profit on sale of Business (Note 3)		530,247
c. Profit on sale of Long term Investments		-
12. PROFIT BEFORE TAXATION		284,292
13. Profit / (Loss) from continuing operations before tax (Note 3)		270,185
Provision for tax		(11,008)
1. Current Tax		
a. For the period		68,926
b. In respect of earlier years		1,010
c. MAT Credit reversed		-
2. Deferred Tax		69,936
3. Fringe Benefit Tax		(3,260)
		-
		66,676
14. Profit / (Loss) from continuing operations after tax		203,509
15. Profit from discontinuing operations before tax (Note 3)		14,107
Provision for tax		142,437
1. Current Tax		3,594
2. Deferred Tax		-
3. Fringe Benefit Tax		-
		1,849
		3,594
16. Profit from discontinuing operations after tax		10,513
17. PROFIT AFTER TAXATION (14+16)		214,022
18. Balance Brought Forward		33,216
19. AMOUNT AVAILABLE FOR APPROPRIATION		247,238
20. Proposed Dividend		45,635
21. Tax on Proposed Dividend		7,580
22. Transfer to General Reserve		25,000
		78,215
23. BALANCE CARRIED TO BALANCE SHEET		169,023
Earnings per share Rs. (Basic & Diluted) - Face Value Rs.10 per share (Note 15)		9.38
NOTES FORMING PART OF THE ACCOUNTS	7	1.44

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

R. A. BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 22nd November, 2010

Mumbai, 22nd November, 2010

Cash Flow Statement for the twelve months period ended 30th September, 2010

	For the twelve months period ended 30.09.2010	For the eighteen months period ended 30.09.2009
(Rupees ' 000)		
A. NET PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS AND TAXATION	(235,380)	27,776
ADJUSTMENTS FOR		
Depreciation	43,696	83,345
Investment and Interest Income	(10,057)	(21,567)
Dividend Income	(1,140)	(7,155)
Interest Expense	127,256	182,528
Loss on Sale of Fixed Assets	1,127	2,313
	160,882	239,464
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	(74,498)	267,240
Changes in		
Trade and Other Receivables	262,942	(491,344)
Inventories	(95,124)	(3,858)
Trade and other Payables	(491,048)	288,451
	(323,230)	(206,751)
CASH GENERATED (USED IN) / FROM OPERATIONS	(397,728)	60,489
Direct taxes paid	(11,611)	(19,026)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES (A)	(409,339)	41,463
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(59,908)	(95,588)
Sale of fixed assets	1,913	1,214
Interest received	10,057	21,567
Dividend received	1,140	7,155
Exceptional Items		
Sale proceeds on sale of long term Investments	-	164,014
NET CASH FLOW (USED) IN / FROM INVESTING ACTIVITIES (B)	(46,798)	98,362
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,881,500	2,404,501
Repayment of borrowings	(3,115,643)	(2,338,278)
	(234,143)	66,223
Dividend Paid	(13,690)	-
Tax on Dividend Paid	(2,327)	-
Interest paid	(126,584)	(180,197)
Exceptional Item		
Proceeds from Sale of business to Crompton Greaves Limited (Refer Note 3 of Schedule 7)	729,000	-
NET CASH FROM (USED) IN FINANCING ACTIVITIES (C)	352,256	(113,974)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(103,881)	25,851
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD (Refer Schedule I)	155,798	129,947
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer Schedule I)	51,917	155,798
	(103,881)	25,851

Cash Flow Statement for the twelve month period ended 30th September, 2010 (contd.)

Notes :

(Rupees ' 000)

1) Cash and cash equivalents include	As at 30.09.2010	As at 30.09.2009
i) Cash and Cheques on Hand	447	4,301
ii) Balance with Scheduled Banks		
In current accounts	43,646	91,802
Deposit under Escrow Agreement with Bank	-	25,862
On Margin Money account against Letters of credit and bank guarantees	7,824	33,833
	51,917	155,798

The above includes:

- a) Margin Money against letters of credit and bank guarantees Rs. 7,824 ('000) (Previous Year Rs. 33,833 ('000))
 - b) Deposit under Escrow Account agreement with bank Rs. Nil ('000)(Previous Year Rs. 25,862 ('000)) which are not available for use by the Company.
- 2) Sale proceeds from sale of Long term investment includes Rs. Nil (Previous year: Rs. 159,600 ('000) on sale of investments in Nelito Systems Limited, an associate.
 - 3) During the previous year, the Company had extended its financial year to eighteen months to end on September 30, 2009. The current financial year is for 12 months ended September 30, 2010 and accordingly the current year figures are not comparable with those of previous year.
 - 4) The Cash flow from Continuing and Discontinuing operations are:

	Continuing Operation		Discontinuing Operation		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(476,261)	(41,234)	66,922	82,697	(409,339)	41,463
NET CASH FLOW (USED) IN/FROM INVESTING ACTIVITIES	(42,522)	107,654	(4,276)	(9,292)	(46,798)	98,362
NET CASH FROM (USED) IN FINANCING ACTIVITIES	352,256	(113,974)	—	—	352,256	(113,974)

- 4) Previous period's figures have been regrouped wherever necessary.

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

R. A. BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 22nd November, 2010

Mumbai, 22nd November, 2010

Schedules forming part of the Balance Sheet as at 30th September, 2010

		(Rupees '000)	
		As at 30.09.2010	As at 30.09.2009
SCHEDULE A			
SHARE CAPITAL			
AUTHORISED :			
25,000,000	Equity Shares of Rs. 10/- each	250,000	250,000
2,500,000	Redeemable Preference Shares of Rs.100/- each	250,000	250,000
		500,000	500,000
ISSUED :			
22,496,370	Equity Shares of Rs.10/- each fully paid-up for payment in cash (including 939 Equity Shares pending allotment) ...	224,964	224,964
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to shareholders of the erstwhile General Radio & Appliances Ltd. in terms of the Scheme of Amalgamation	3,167	3,167
22,818,400	TOTAL	228,185	228,185
SUBSCRIBED AND PAID-UP :			
22,495,431	Equity Shares of Rs.10/- each fully paid-up for payment in cash	224,954	224,954
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to Shareholders of the erstwhile General Radio & Appliances Ltd in terms of the Scheme of Amalgamation	3,167	3,167
22,817,461	TOTAL	228,175	228,175

Note :Of the above

- a) 11,099,630 (Previous Year Rs. 11,099,630) Equity Shares are held by The Tata Power Company Limited, the Holding Company
- b) 328,460 (Previous Year Rs. 328,960) Equity Shares are held by the Aftaab Investments Company Limited - Subsidiary of Tata Power Company Limited, the Holding Company

Schedules forming part of the Balance Sheet as at 30th September, 2010

(Rupees '000)

	As at 30.09.2010	As at 30.09.2009
SCHEDULE B		
RESERVES AND SURPLUS		
General Reserve		
Opening Balance	-	-
Add: Transfer from Profit and loss account	25,000	-
	<u>25,000</u>	<u>-</u>
Profit and Loss Account	169,023	33,216
TOTAL	<u>194,023</u>	<u>33,216</u>

SCHEDULE C SECURED LOANS

1. Cash Credit with Banks	-	129,926
2. Term Loan from Axis Bank Ltd	-	35,000
3. Term Loans from The Zoroastrian Co-op.Bank Ltd	30,479	43,422
TOTAL	<u>30,479</u>	<u>208,348</u>

In respect of the above term loans, Rs. 14,193,959/- (Previous Year Rs. 47,929,451) is due and repayable within a year.

NOTES :

- Cash Credit with Banks are secured by hypothecation of all tangible moveable assets, including stocks of raw materials, finished goods, goods-in-process, book-debts, monies receivable and a second charge on the fixed assets of the company.
- Term Loan from Axis Bank Limited was secured by pari-passu first charge on the present and future fixed assets (moveable and immoveable) of the company and first pari-passu charge on the receivables of the company arising from installation of first 2000 new VSAT's.
- Term Loans from The Zoroastrian Co-operative Bank Limited are secured by pari-passu first charge both on the present and future fixed assets, (all tangible moveable machinery and plant) of the company.

SCHEDULE D UNSECURED LOANS

1. Deferred Sales Tax Liability (Under the SICOM Incentive Scheme)	25,755	32,029
(repayable within one year Rs. 5,261, 375/- (Previous Year Rs. 6,274,282))		
2. Short Term Loan		
- From Banks	350,000	450,000
- Inter Corporate Deposit (Others)	322,500	172,500
3. Other Loan from Banks	-	100,000
TOTAL	<u>698,255</u>	<u>754,529</u>

Schedules forming part of the Balance Sheet as at 30th September, 2010

SCHEDULE E FIXED ASSETS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK		
	AS AT 01.10.2009	ADDITIONS/ ADJUST- MENTS	DEDUCTIONS/ ADJUST- MENTS	TRANSFER ON SALE OF BUSINESS (NOTE 2)	AS AT 30.09.2010	FOR THE PERIOD	DEDUCTIONS/ ADJUST- MENTS	TRANSFER ON SALE OF BUSINESS (NOTE 2)	UPTO 30.09.2010	AS AT 30.09.2010	AS AT 30.09.2009
Tangible Assets											
1. Land : Leasehold	3,590	-	-	-	3,590	38	-	-	831	2,759	2,797
2. Buildings	33,855	-	265	-	33,590	1,114	265	-	15,217	18,373	19,487
3. Plant and Machinery	83,090	13,259	1,739	31,086	63,524	3,956	944	9,165	37,429	26,095	39,508
4. Electric Installation	13,978	7,028	-	249	20,757	724	-	203	5,515	15,242	8,984
5. Office Equipments, Furniture and Fixtures	313,724	37,583	11,603	5,165	334,539	31,877	9,358	3,245	209,180	125,359	123,818
6. Vehicles	6,030	-	-	-	6,030	572	-	-	3,696	2,334	2,906
Intangible Assets											
7. Software Expenditure	25,428	3,123	-	-	28,551	5,415	-	-	9,961	18,590	20,882
8. Technical Knowhow Fees	123,311	-	-	15,000	108,311	-	-	15,000	108,311	-	-
Total	603,006	60,993	13,607	51,500	598,892	43,696	10,567	27,613	390,140	208,752	218,382
Capital work-in-progress										2,550	3,635
Total	603,006	60,993	13,607	51,500	598,892	43,696	10,567	27,613	390,140	211,302	-
Previous Year	520,121	99,853	16,968	-	603,006	83,345	10,576	-	384,624	-	222,017

Notes :

- Office Equipments include assets given on operating lease having original cost of Rs. 90,564 ('000) (Previous Year Rs 94,527 ('000)) accumulated depreciation of Rs. 47,736 ('000) (Previous Year Rs. 38,845 ('000)) and depreciation charge for the period amounting to Rs. 15,815 ('000) (Previous Year Rs. 19,685 ('000)).
- Consequent to transfer of Traction Electronics, SCADA and Industrial Drives businesses, assets in respect of these businesses are transferred to Crompton Greaves Limited (Refer note 3 of Schedule 7)

Schedules forming part of the Balance Sheet as at 30th September, 2010

(Rupees '000)

	As at 30.09.2010	As at 30.09.2009
SCHEDULE F		
INVESTMENTS		
LONG TERM Unquoted (fully paid up unless otherwise stated)		
A. NON TRADE		
Others		
4,000 Ordinary Shares of Zoroastrian Cooperative Bank Ltd. of Rs. 25/- each.	100	100
	<u>100</u>	<u>100</u>
B. TRADE		
Subsidiary		
6,000 Equity Shares of Tatanet Services Limited of Rs.100/- each.	600	600
Others		
450,000 Equity Shares of Nelito Systems Ltd. of Rs.10/- each.	19,125	19,125
1,810,000 Equity Shares of Technopolis Knowledge Park Ltd. of Rs.10/- each.	18,100	18,100
Less : Provision for Diminution	<u>18,100</u>	<u>18,100</u>
	-	-
	<u>19,725</u>	<u>19,725</u>
TOTAL	<u>19,825</u>	<u>19,825</u>
Notes:		
(1) Aggregate of unquoted investments		
Cost	37,925	37,925

SCHEDULE G INVENTORIES

1. Raw Materials	29,538	110,448
2. Semi-finished products	35,507	81,953
3. Finished Goods and Spares	53,099	90,435
4. Stock-in-trade (Car Park)	<u>21,697</u>	<u>21,697</u>
TOTAL	<u>139,841</u>	<u>304,533</u>

Schedules forming part of the Balance Sheet as at 30th September, 2010

(Rupees '000)

	As at 30.09.2010	As at 30.09.2009
SCHEDULE H		
SUNDRY DEBTORS (Unsecured) (Note 7)		
1. Debts outstanding for a period exceeding six months		
Considered Good	731,815	529,421
Considered Doubtful	28,814	26,388
Less : Provision for Doubtful Debts (Net of Rs. 11239 ('000) transferred to Crompton Greaves Limited on sale of business)	28,814	26,388
	<u>731,815</u>	<u>529,421</u>
2. Other debts		
Considered Good	376,805	982,689
Considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	<u>376,805</u>	<u>982,689</u>
TOTAL	<u>1,108,620</u>	<u>1,512,110</u>

SCHEDULE I

CASH AND BANK BALANCES

1. Cash and Cheques on Hand	447	4,301
2. Balance with Scheduled Banks		
In current accounts	43,646	91,802
Deposit under Escrow Agreement with Bank	-	25,862
On Margin Money account against Letters of credit and bank guarantees	7,824	33,833
TOTAL	<u>51,917</u>	<u>155,798</u>

SCHEDULE J

LOANS AND ADVANCES

(Unsecured - Considered good)

1. Deposit with subsidiary (Tatanet Services Limited)	194,980	169,757
2. Crompton Greaves Limited (Refer Note 3)	29,490	-
3. Advances recoverable in cash or in kind or for value to be received	50,536	52,092
Considered Doubtful	6,968	718
Less : Provision for Doubtful Advances	6,968	718
	<u>50,536</u>	<u>52,092</u>
4. Loans and Advances to employees	1,351	1,321
5. Advance payment of Tax (Net of Provision)	12,450	74,368
6. Balances with Excise, Customs etc.	5,541	5,190
7. Service tax receivable	40,733	15,781
TOTAL	<u>335,081</u>	<u>318,509</u>

Schedules forming part of the Balance Sheet as at 30th September, 2010

(Rupees '000)

SCHEDULE K

CURRENT LIABILITIES

	As at 30.09.2010	As at 30.09.2009
1. Acceptances	-	31,228
2. Sundry Creditors (other than micro and small enterprises) (Note 12)	295,872	880,980
3. Liabilities for expenses	168,015	121,477
4. Advances from customers	42,297	44,482
5. Other Liabilities	17,188	53,283
6. Liability for Voluntary Retirement Scheme	37,383	46,369
7. Interest accrued but not due on unsecured loans	4,021	3,349
8. Unpaid Dividend *	254	258
9. Unpaid Matured Deposits*	154	171
TOTAL	565,184	1,181,597

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

SCHEDULE L

PROVISIONS

1. Provision for Gratuity	27,046	36,921
2. Provision for Compensated absences	18,014	26,424
3. Proposed Dividend	45,635	13,690
4. Tax on Proposed Dividend	7,580	2,327
5. Provision for Warranty (Note 17)	52,195	54,880
TOTAL	150,470	134,242

SCHEDULE M

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

DEFERRED REVENUE EXPENDITURE

Voluntary Retirement Scheme		
As per last Balance Sheet	10,575	42,297
Less : Written off during the year	10,575	31,722
	-	10,575
TOTAL	-	10,575

Schedules forming part of the Profit & Loss Account for the twelve months period ended 30th September, 2010

	For the twelve months period ended 30.09.2010	(Rupees '000) For the eighteen month period ended 30.09.2009
SCHEDULE 1		
INCOME FROM OPERATIONS		
1. Sales : Traded and Manufactured Goods	985,294	2,917,346
Less : Excise Duty	35,119	137,155
	950,175	2,780,191
2. Income from Services Rendered	444,379	624,284
TOTAL	1,394,554	3,404,475
 SCHEDULE 2		
OTHER INCOME		
1. Interest Received (Gross)		
(a) On Long term Investments - Non Trade	-	49
(b) On Deposits with Banks	518	948
(Tax deducted at Source Rs. 12,120 (Previous Year Rs. 129,970))		
(c) On Others *	9,539	20,570
* Includes Interest on Income Tax Refund Rs. 91,98,427 (Previous Year Rs. 20,145,807)	10,057	21,567
2. Dividend on Long term Investments - Trade	1,140	7,155
3. Insurance Claims Recovered	1,591	383
4. Scrap Sales	1,067	623
5. Bad Debts Recovered	-	2,622
6. Liabilities / Provisions no longer required written back	5,345	21,010
7. Octroi Refund	6,486	-
8. Management Service Fees From Crompton Greaves Limited	1,095	-
9. Miscellaneous Income	6,897	4,619
TOTAL	33,678	57,979

Schedules forming part of the Profit & Loss Account for the twelve months period ended 30th September, 2010

	For the twelve months period ended 30.09.2010	For the eighteen month period ended 30.09.2009
(Rupees '000)		
SCHEDULE 3		
RAW MATERIALS, FINISHED AND SEMI-FINISHED PRODUCTS :		
1. Decrease /(Increase) to Stock of Finished goods and Semi-finished products :		
Opening Stock		
(i) Finished goods produced and purchase for sale	90,435	67,133
(ii) Semi-finished products	81,953	42,973
(iii) Car Park / Property under development	21,697	25,500
Less : Capitalised during the year	-	2,795
	194,085	132,811
Less : Stock transfer on sale of Business (Note 3)		
(i) Finished goods produced and purchase for sale	2,273	-
(ii) Semi-finished products	74,832	-
(iii) Car Park / Property under development	-	-
	77,105	-
Less : Closing Stock		
(i) Finished goods produced and purchase for sale	53,099	90,435
(ii) Semi-finished products	35,507	81,953
(iii) Car Park	21,697	21,697
	110,303	194,085
	6,677	(61,274)
2. Raw Materials Consumed		
Opening Stock	110,448	165,069
Add : Purchases made during the Year	426,910	1,046,987
	537,358	1,212,056
Less : Stock transfer on sale of business (Note 3)	157,172	-
	380,186	1,212,056
Less : Closing Stock	29,538	110,448
	350,648	1,101,608
3 Purchases of Finished Goods and Spares	347,759	1,156,377
	705,084	2,196,711
SCHEDULE 4		
Personnel		
Salaries, Wages, Bonus, etc.	233,396	307,901
Contribution to Provident fund	9,167	13,466
Contribution to Superannuation and other funds	6,538	10,242
Gratuity	5,442	8,708
Welfare expenses	22,629	36,815
	277,172	377,132
Less : Expenses shared by Crompton Greaves Limited	6,710	-
	270,462	377,132

Schedules forming part of the Profit & Loss Account for the twelve months period ended 30th September, 2010

	for the twelve months period ended 30.09.2010	for the eighteen month period ended 30.09.2009
(Rupees '000)		
SCHEDULE 5		
OPERATING AND OTHER EXPENSES :		
Stores and loose tools consumed	2,676	1,697
Power and fuel	15,288	20,638
Freight Outward	23,654	32,477
Repairs to machinery	9	986
Repairs to building	-	191
Repairs and Maintenance-others	15,351	19,909
Rent	7,419	10,664
Insurance	4,456	7,988
Travelling and Conveyance	51,754	82,013
Lease Rentals	10,421	6,048
Rates and Taxes	1,116	4,384
Bank charges	17,161	27,780
Royalty	170	132
Loss on Sale of Fixed Assets (Net)	1,127	2,313
Sub Contracting Expenses	78,396	93,572
Warranty Expenses	22,261	38,278
Installation Expenses	86,250	32,354
Professional and Legal Charges	78,950	39,064
(Gain) / Loss on Foreign Currency Fluctuations (Net)	(23,403)	21,705
Sales Commission	4,138	4,269
Cash Discount	-	68
Directors' Sitting fees	500	528
Other Expenses (Note 6)	91,495	121,516
	489,189	568,574
Less : Expenses shared by Crompton Greaves Limited	3,930	-
	485,259	568,574
Bad Debts / Advances Written off	11,940	7,298
Less : Provision for Doubtful debts / Advances made in earlier years	11,940	7,298
	-	-
Provision for Doubtful Debts / Recoverables	31,855	26,388
	517,114	594,962
SCHEDULE 6		
INTEREST		
Term Loans	56,869	110,212
Others	70,387	72,316
TOTAL	127,256	182,528

NOTES: Forming Part of the Accounts

SCHEDULE 7

1. Significant Accounting Policies

1.1 System of Accounting

The financial statements are prepared under the historical cost convention, on an accrual basis, in accordance with the generally accepted accounting principles and applicable accounting standards as notified under the Companies (Accounting Standards) Rule, 2006, issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and relevant provisions of the Companies Act, 1956 ('the Act') to the extent applicable.

1.2 Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost less depreciation. Cost comprises of cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition of its intended use.
- b) Depreciation for the year has been provided on the straight line method on all fixed assets at the rates specified as per Schedule-XIV of the Companies Act, 1956 except for Very Small Aperture Terminals (VSAT) used as back up, which are depreciated at 25% on straight line basis.
- c) Leasehold land is amortised over the period of the lease.

1.3 Intangible Assets

- a) Intangible assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.
- b) Software Expenditure and Technical Know-how
Software Expenditure and Technical Know-how incurred are amortised over a period of five years from the date of acquisition.

1.4 Inventory Valuation

- a) Inventories comprise all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition.
- b) Raw materials are valued at the lower of cost or net realisable value. Cost is determined on the basis of the moving weighted average method.
- c) Finished goods produced and purchased for sale, semi finished products and spares are carried at cost or net realisable value, whichever is lower.
- d) Car Park/ Property under development in pursuance of additional right of construction are valued at cost or net realisable value, whichever is lower.

1.5 Investments

Investments, being long term, are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

1.6 Revenue Recognition

- 1.6.1 Sale of product is recognised when risk and rewards of ownership of the product are passed on to the customers, which is generally on the dispatch of goods.
- 1.6.2 Sales from services are recognised when services rendered.
- 1.6.3 Income on Investment
 - i) Interest income is accounted on accrual basis.
 - ii) Dividend income is accounted when right to receive payment is established.

1.7 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year is recognised as income or expense, as case may be.

Any premium or discount arising at the inception of a forward exchange contract is recognised as income or expense over the life of contract.

1.8 Voluntary Retirement Expenses

Voluntary Retirement scheme is amortised equally up to March 31, 2010.

1.9 Warranty Expenses

In respect of warranties given by the company on sale of certain products, the estimated costs of these warranties are accrued at the time of sale. The estimates for accounting of warranties are reviewed and revisions are made as required.

1.10 Retirement Benefits

(i) Defined Contribution Plan

Company's contributions paid/payable during the year towards Superannuation Scheme of the employees in accordance with the scheme of Life Insurance Corporation (LIC) are recognised in the Profit and Loss Account.

(ii) Defined Benefit Plan

a) Company's liability towards gratuity and long term compensated absences are determined by independent actuaries, using projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the statement of Profit and loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using discounted rate that is determined by reference to the market yields at the balance sheet date on Government Bonds where currency and terms of Government Bonds are consistent with the currency and estimated terms of the benefit obligation.

b) Company's Contribution towards Provident Fund is based on a percentage of salary which is made to a trust administered by the company. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the company.

1.11 Lease Rentals

The company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, etc.), plant, machinery and equipments taken on lease. The leasing arrangements, which are not non-cancellable, range between eleven months and five years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.

1.12 Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, subject to consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

2. During the previous year, the Company had extended its financial year to eighteen months to end on September 30, 2009. The Current financial year is for 12 months ended September 30, 2010.
3. On April 29, 2010, the Board of Directors approved the transfer of Traction Electronics, SCADA and Industrial Drives businesses (sub-divisions of Automation and Control segment) (together referred to as "Businesses") to Crompton Greaves Limited (CGL). The transfer is consistent with the Company's long-term strategy to focus on building its position in Strategic Electronics and Network Systems (Tatanet) and to pursue further synergistic opportunities in related areas.

On July 28, 2010 (being the Closing date), the Company transferred these Businesses as a "going concern" to CGL on a slump sale basis for a total consideration of Rs. 8,100 lakhs. Additional Rs. 1,100 lakhs has not been received as the financial parameters to be met by September 30, 2010 were not achieved by the company.

The following statement shows the revenue and expenses and assets and liabilities of continuing and discontinuing operations: Rs. in ('000)

Particulars	Continuing Operations		Discontinuing Operations		Total	
	2010	2009	2010	2009	2010	2009
Net Sales from Operations	1,018,570	2,027,019	375,984	1,377,456	1,394,554	3,404,475
Other Income	18,688	51,778	14,990	6,201	33,678	57,979
Total Income`	1,037,258	2,078,797	390,974	1,383,657	1,428,232	3,462,454
Total Expenditure	1,286,745	2,193,458	376,867	1,241,220	1,663,612	3,434,678
Profit / (Loss) before exceptional items ..	(249,487)	(114,661)	14,107	142,437	(235,380)	27,776
Exceptional Items						
Deferred Revenue Expenditure	(10,575)	(31,722)	-	-	(10,575)	(31,722)
Profit of Transfer of Business	530,247	-	-	-	530,247	
Profit on sale of Investment	-	135,375	-	-	-	135,375
Profit /(Loss) before tax	270,185	(11,008)	14,107	142,437	284,292	131,429
Provision for taxation.	66,676	80,332	3,594	18,298	70,270	98,630
Profit / (loss) After Taxation	203,509	(91,340)	10,513	124,139	214,022	32,799
Assets	1,897,229	2,038,568	-	535,873	1,897,229	2,574,441
Liabilities	1,475,031	2,053,885	-	259,165	1,475,031	2,313,050

4. However, at the request of Crompton Greaves Limited, the company has continued with certain operations of the transferred businesses, pending assignment of certain contracts by customers to CGL. Consequently Sales, Income from Service rendered, Raw material consumed and sub-contracting expenses in respect of these contracts during the period July 28, 2010 to September 30, 2010 have been included under the respective head in these financial statements.

Particulars

Rupees ('000)

Sales	39,513
Income from Service rendered	7,164
Raw Material Consumed	39,128
Sub-contracting expenses	7,164

5. Consequent to the reasons stated in note 2, 3 and 4 above, figures for current year are not comparable with previous period.

6. Amounts paid/ payable to Auditors (net of service tax where applicable) :

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
(i) Audit Fees(excluding service tax)(including in respect of previous year Rs. 600 ('000))	1,800	600
(ii) Taxation Services	*275	*1,385
(iii) Other Services(excluding service tax)	1,450	1,000
(iv) Reimbursement of Expenses(excluding service tax)	-	75

* Represents payments of Rs.275 ('000) (Previous Year : Rs. 1,385) (excluding service tax) for taxation matters to an affiliated firm in view of the networking arrangement which is registered with Institute of Chartered Accountants of India.

7. Sundry Debtors includes Rs. 383,677 ('000) (Previous Year: Rs. 749,283 ('000)), which in accordance with the terms of the contracts, were not due for payments as at 30th September, 2010 (30th September, 2009).

8. The tax year for the company being the year ending 31st March, the provision for taxation for the period is the aggregate of the provision made for the six months ended 31st March, 2010 and the provision based on the figures for the remaining six months up to 30th September, 2010, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2010 to 31st March, 2011.

9. **Capital Commitment**

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	34,852	13,285

10. **Contingent Liabilities**

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
a) Guarantees issued by the company on behalf of its subsidiary	110,000	100,000
b) Claims against the company not acknowledged as debt comprises of:		
i) Excise duty, sales tax and service tax claims disputed by the company relating to issues of applicability and classification	251,542	229,434
ii) Arbitration Proceeding's initiated for non- payment of royalty and interest thereon under the technical knowhow agreement	-	47,404
iii) Other matters (excluding claims where amounts are not ascertainable)	4,506	10,756
c) Taxation Matters		
Demand against the company not acknowledged as debt and not provided for, relating to issues of deductibility and taxability in respect of which company is in appeal and exclusive of the effects of similar matters in respect of assessments remaining to be completed.	-	36,656

11. Managerial Remuneration

(Rupees '000)

	2009-10 Twelve months	2008-09 Eighteen months
i) Salary and Allowance	14,286	11,672
ii) Contribution to Provident and Superannuation Funds	896	1,098
iii) Other Perquisites	721	671
iv) Directors sitting fees (Non-Whole time Directors)	500	528
Sub Total	16,403*	13,969*
v) Gratuity and leave encashment paid on retirement	6,676	-
Grand Total	23,079	13,969

* above excludes charge for gratuity, provision for leave encashment as separate actuarial valuation figures are not available.

12. Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are as follows:

(Rupees. '000)

Sr. Particulars No.	2009-10 Twelve months	2008-09 Eighteen months
(a) Principal Amount Outstanding	-	-
(b) Interest Due on the above	-	-
(c) Interest paid during the year beyond the appointed day	-	-
(d) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
(e) Amount of interest accrued and remaining unpaid at the end of the year	-	-
(f) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

The above information regarding micro enterprises and small enterprises has been determined on the basis of information available with the company. This has been relied upon by the auditors.

13. EMPLOYEE BENEFITS

I. Defined Contribution Plan

Company's contribution paid/payable during the year to Superannuation fund and ESIC contribution are recognised as an expense and included in the Schedule 4 of the Profit and Loss Account under the heading "Contribution to Superannuation and other Funds" are as under:

(Rupees. '000)

	2009-10 Twelve months	2008-09 Eighteen months
a) Contribution to Employees' Superannuation Fund	6,260	10,039
b) Employees' State Insurance Scheme	278	203

II. Defined Benefit Plan

a) Provident Fund

The company makes monthly contributions to Provident Fund managed by a trust administered by the company for qualifying employees. Under the schemes, the company is required to contribute a specified percentage of the payroll costs to fund the benefits. During the year the company has contributed Rs. 9,167 ('000) (Previous Year: Rs. 13,466 ('000)) to the Provident Fund Trust.

In keeping with the Guidance on implementation of Accounting Standard (AS) 15 (Revised) on Employees Benefits notified by the Companies (Accounting Standards) Rules, 2006, employer established provident fund trust are treated as Defined Benefit Plans, since the company is obligated to meet interest shortfall, if any, with respect to covered employees. According to the Management, the Actuary has opined that actuarial valuation cannot be applied to reliably measure provident fund liabilities in the absence of guidance from the Actuarial Society of India. Accordingly, the company is currently not in position to provide other related disclosures as required by the aforesaid AS-15 read with the Accounting Standards Board Guidance. Having regard to the assets of the fund and the return on investments, the entity does not expect any deficiency in the foreseeable future. Accordingly, no provision is required towards the guarantee given for notified interest rates.

b) Gratuity (Unfunded)

(Rupees. '000)

Particulars	Twelve months ended 30th September, 2010	Eighteen months months September, 2009
1 Expenses recognised in statement of Profit and Loss Account for the period ended		
Current Service cost	2,642	3,839
Interest cost	2,954	4,345
Expected return on plan assets	—	—
Net Actuarial (Gain)/Loss	(154)	524
Total Expense	5,442	8,708
2 Net Asset/(Liability) recognised in the Balance Sheet as at		
Present value of Defined Benefit obligations as at the end of year	27,046	36,921
Fair value of plan assets as at the end of the year	—	—
Net Asset/(Liability) as at	(27,046)	(36,921)
3 Changes in present value of obligations during the period		
Present value of obligations as at beginning of year	36,921	36,522
Interest cost	2,954	4,345
Current Service cost	2,642	3,839
Benefits Paid	(7,156)	(8,309)
Paid to CGL on sale of Businesses (Refer note 3)	(8,161)	—
Actuarial (Gain)/Loss	(154)	524
Present value of Defined Benefit obligations as at end of year	27,046	36,921
4 Experience Adjustments		
Experience (Gain)/Loss on adjustments on plan assets	—	—
Experience (Gain)/Loss on adjustments on plan liabilities	(1,192)	524
Experience Adjustments (Total)	(1,192)	524
5 Assumptions		
Discount Rate	8.25%	8.00%
Salary Escalation	6.00%	6.00%
Attrition Rate	2.00%	2.00%
Mortality Rate	LIC (94-96) Ultimate	LIC (94-96) Ultimate

Note: The above disclosure is made to the extent of information given by the actuaries.

III. Long Term Employee Benefit – Compensated Absences

Provision for Compensated Absences has been made on the basis of actuarial valuation report as at the Balance Sheet date. The charge for the year of Rs. 4,713 ('000) (Previous Year: Rs. 7,857 ('000)) has been made in the Profit and Loss Account.

14. (a) The aggregate lease rentals in respect of operating leases for the period charged as Lease Rentals in the Profit and Loss Account aggregate to Rs. 10,421 ('000) (Previous Year: Rs. 6,048 ('000)).

The future minimum lease payments under non-cancellable operating leases are as under:

(Rupees '000)

	2009-10 Twelve months	2008-09 Eighteen months
i) Not later than one year	1,375	2,063
ii) Later than one year and not later than five years	Nil	1,375
iii) Later than five years	Nil	Nil

- (b) In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Profit and Loss Account for the period included under Income from Services Rendered under Income from Operations aggregate to Rs.29,386 ('000) (Previous Year: Rs. 40,642 ('000)).

15. Earnings Per Share (EPS)

	2009-10 Twelve months	2008-09 Eighteen months
a) Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b) Net Profit after Tax available for Equity Shareholders (Rupees '000)	214,022	32,799
c) Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	9.38	1.44
d) Diluted Earning Per Share (Rs.)	9.38	1.44

16. The components of Deferred Tax Assets /(Liabilities) are as under:

(Rupees '000)

	2009-10 Twelve months	2008-09 Eighteen months
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	15,290	22,105
b) On Provision for Doubtful debts	9,572	8,969
c) Disallowance U/S 40 a(ia)	4,726	-
d) Others	1,055	-
Total:	30,643*	31,074
Less: Deferred Tax Liability		
a) On Fiscal allowances of Fixed asset	30,643	30,739
b) On Deferred Revenue Expenditure	-	3,595
Total:	30,643	34,334
Net Deferred Tax Assets / (Liabilities)	-	(3,260)

* Considered to the extent that there are compensating timing differences, reversal of which will result in sufficient income against which this can be realized.

17. Provision for Warranty

Provision for Warranty relates to warranty provision made in respect of sale of certain products, the estimated cost of which is accrued at the time of sale. The products are generally covered under free warranty period ranging from one to three years.

The movement in above provision is as follows:

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
Opening Balance	54,880	30,637
Add: Provisions made during the period	22,261	38,278
Less: Utilisation during the period	8,169	14,035
Less: Transferred on Sale of Business (Note 3)	16,777	-
Closing Balance	52,195	54,880

18. The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are:

Particulars	Foreign Currency	2009-10 Twelve months	2008-09 Eighteen months
		Amount in Foreign Currency ('000)	
Receivable	USD	559	644
Payable	USD	2,503	8,890
	EUR	44	555
	GBP	-	22
	JPY	2,230	7,606
	CHF	290	2,828
	NOK	-	766

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end Rs. Nil (Previous Year: Rs. Nil)

19. Additional information pursuant to the Provisions of Paragraphs 3(i)(a) and (ii), 4C and 4D, of Part II of Schedule VI to the Companies Act, 1956.

A. Particulars of Raw Materials consumed:

Particulars	Units	2009-10 Twelve months		2008-09 Eighteen months	
		Quantity	Rs in ('000)	Quantity	Rs in ('000)
Electronic Modules	Nos.	3,297	78,328	15,740	452,943
Camera, Monitor& Lens	Nos.	1,862	38,808	4,932	65,291
Cables and Wires	Nos.	293,107	27,903	852,902	42,756
Fabricated Items	Nos.	19,890	13,059	306,258	108,363
Coolers	Nos.	568	2,272	7,456	42,977
Resistors and Capacitors	Nos.	550,442	27,226	121,386	80,155
Insulation, Transformer	Nos.	19,777	9,082	134,562	47,695
Others		-	153,970	-	261,428
Total			350,648		1,101,608

Notes:

- The consumption in value has been ascertained on the basis of opening stock plus purchases less closing stock and includes adjustment in respect of write-off of obsolete raw materials and components.
- Rs. 350,648 ('000) includes Rs. 39,128 ('000) in respect of contracts as referred to in note 4 above.

B. Value of Imported / Indigenous Raw Materials Consumed

Particulars	2009-10		2008-09	
	%	Value	%	Value
Imported	41	144,807	65	721,403
Indigenous	59	205,841	35	380,205
	100	350,648	100	1,101,608

C. Particulars in respect of goods manufactured:

Sl. No	Class of Goods	Installed Capacity	Opening Stock	Production	Sales	Closing Stock	
		Nos.	Nos.	Nos.	Nos.	Nos.	
					Rs in ('000)		
1	Variable Speed Drives	2500 (2500)	- -	57 (136)	57 (136)	39,760 (52,923)	- -
2	Power Converters (Refer note e)	24 (24)	- -	7 (18)	7 (18)	154,868 (449,558)	- -
3	Auxiliary Converters (Refer note e)	50 (50)	- -	1 (42)	1 (42)	7,500 (344,084)	- -
4	Control Electronics (Refer note e)	60 (60)	- -	16 (47)	16 (47)	53,087 (173,147)	- -
5	Converters Assemblies & Equipments (Refer note e)		- -	21 (196)	21 (196)	22,756 (148,191)	- -
6	Supervisory Control and Data Acquisition Systems - Assemblies & Equipment	700 (700)	- -	20 (111)	20 (111)	12,908 (39,459)	- -
7	Undergrounded Sensors (UGS)	125 (125)	- -	- -	- -	- -	- -
8	UGS / GPS - Assemblies & Equipments	1025 (1025)	- -	383 (526)	383 (526)	19,581 (41,185)	- -
9	Automatic Weather Station (AWS)		- -	- (84)	- (84)	- (3,986)	- -
10	Fencing Equipments & Networking		- -	6 (138)	6 (138)	12,660 (252,014)	- -
11	CCTV Systems		- -	33 (100)	33 (100)	120,698 (96,864)	- -
	Total					443,818 (1,601,412)	

Notes:

- The installed capacity has been certified by the management, which the auditors have relied on without verification as this is a technical matter. Further Item no. 10 and 11 are made to order assemblies of various sizes and installed capacity is not ascertainable
- As per the notification no:SO477(E) dated 25-07-1991 and the subsequent Press Notes issued by the Government of India, Ministry of Industry, Department of Industrial Development, the products manufactured by the company are out of the purview of the industrial licensing requirements. Accordingly, the particulars of the licensed capacity are not given.
- Figures in bracket are in respect of the previous year and are regrouped / reclassified wherever necessary.
- Sales are inclusive of Excise Duty.
- The above includes 11 quantities produced and sold and 39,513 ('000) in respect of contracts as stated in note 4 above.

D. Particulars in respect of goods traded and services rendered :

Sl. No	Class of Goods	Opening Stock		Purchase		Sales		Closing Stock	
		Nos.	Rs in ('000)	Nos.	Rs in ('000)	Nos.	Rs in ('000)	Nos	Rs in ('000)
1	Variable Speed Drives	-	-	128	304	128	1,466	-	-
		-	-	(4)	(12,688)	(4)	(15,641)	-	-
2	Supervisory Control and Data Acquisition Systems - Assemblies & Equipments	-	-	106	3,170	106	8,471	-	-
		-	-	(2,598)	(19,507)	(2,598)	(59,541)	-	-
3	Automatic Weather Station / Undergrounded sensors / E fence Spares	-	-	10,126	1,035	10,126	2,868	-	-
		-	-	(10,311)	(6,093)	(10,311)	(11,494)	-	-
4	Integrated Perimeter Alarm System	-	-	-	-	-	-	-	-
		-	-	(13)	(73,186)	(13)	(104,183)	-	-
5	CCTV / BMS System & Spares	1	7,857	7	702	7	11,837	1	199
		-	-	(4)	(20,753)	(3)	(21,912)	(1)	(7,857)
6	Network Related Systems Integration	5580 (5084)	76,404 (58,831)	88,451 (56,746)	289,498 (958,852)	87,504 (55,909)	480,086 (1,103,163)	6,527 (5,580)	46,391 (76,404)
7	Raw Material for Power Converter	-	-	-	36,748	-	36,748	-	-
8	Others - (Network Related Systems Integration)	-	-	-	15,967 (65,298)	-	-	-	-
9	Others	-	6,174 (8,302)	-	335	-	-	-	6,509 (6,174)
10	Income from services rendered						444,379 (624,284)		
	TOTAL		90,435 (67,133)		347,759 (1,156,377)		985,855 (1,940,218)		53,099 (90,435)

Notes:

- The Opening and Closing Stocks and Sales of Goods shown under item 6 above consist of Purchase of Network Related System Integration and its related spare parts. The bifurcation of stock/sales into Network Related System Integration and its related spare parts is not practicable.
- Opening stock under item 6 above has been utilized for captive consumption.
- The Opening and Closing Stocks shown under item 9 above consist of purchase of spares in earlier years for rendering Annual Maintenance services to the customers. The bifurcation of spares sales into income from services rendered and spare sales is not practicable.
- Figures in bracket are in respect of the previous year and are regrouped / reclassified wherever necessary.

E. Expenditure in Foreign Currency

(Rupees '000)

	2009-10 Twelve months	2008-09 Eighteen months
i) Foreign Travel	1,717	4,743
ii) Royalty	82	132
iii) Bank Charges	18	856
iv) Sub-contracting Expenses	9,076	20,647
v) Others	35,481	3,261

F. Earnings in Foreign Exchange

(Rupees '000)

	2009-10 Twelve months	2008-09 Eighteen months
i) Engineering / Software Services	4,553	16,322
ii) Exports of goods calculated on FOB basis	28,434	39,760

G. Value of Imports calculated on CIF basis

(Rupees '000)

	2009-10 Twelve months	2008-09 Eighteen months
i) Raw Materials and Component	191,901	612,990
ii) Finished Goods	194,765	992,703
iii) Capital Goods	3,421	9,216

H. Remittance in foreign currency on account of dividends to non-resident shareholders :

	No of Shareholder	No. of Equity shares of Rs. 10/- each	Amount Remitted (Rupees '000)	Dividend @6%
2009-10	One (1)	8,66,460	520	For eighteen months ended September 30, 2009.
2008-09	The Company has not declared any dividend for the year 2007-08.			

20. Related Party Disclosure:

- I. Holding company – The Tata Power Company Limited
- II. Related Parties where control exists
 - a. Subsidiary – Tatanet Services Limited
- III. Other parties with whom transactions have taken place during the year
 - a. Fellow Subsidiary – Af-taab Investment Company Limited
 - b. Associate – Nelito Systems Limited
- IV. Key Management Personnel
 - a. Executive Directors - Mr. K . A. Mahashur

Mr. Z. J. Engineer (Retired on July 29, 2010)

The related party transactions are as under:

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited (HOLDING COMPANY)	TATANET Services Limited (SUBSIDIARY)	Af-taab Investment Company Limited (FELLOW SUBSIDIARY)	Nelito Systems Limited (ASSOCIATE)	Key Management Personnel
1)	Purchase :					
	Goods	- (-)	- (-)	- (-)	- (182)	- (-)
2)	Sales :					
	a) Goods	8,512 (877)	- (-)	- (-)	- (-)	- (-)
	b) Services provided	8,684 (18,800)	112,800 (172,180)	- (-)	90 (135)	- (-)
3)	Investments :					
	Sale of long term Investment in Nelito Systems Ltd.	- (-)	- (-)	- (159,600)	- (-)	- (-)
4)	Deputation of Personnel :	3,072 (982)	- (-)	- (-)	- (-)	- (-)

Sr. no.	Particulars	The Tata Power Company Limited (HOLDING COMPANY)	TATANET Services Limited (SUBSIDIARY)	Af-taab Investment Company Limited (FELLOW SUBSIDIARY)	Nelito Systems Limited (ASSOCIATE)	Key Management Personnel
5)	Finance :					
	a) Inter Corporate Loans taken	100,000 (450,000)	- (-)	- (-)	- (-)	- (-)
	b) Inter Corporate Loans Repayment	100,000 (720,000)	- (-)	- (-)	- (-)	- (-)
	c) Interest Paid	1,352 (17,204)	- (-)	- (-)	- (-)	- (-)
	d) Dividend received	- (-)	- (-)	- (-)	1,125 (7,140)	- (-)
	e) Security Deposit given during the period	- (-)	67,309 (44,630)	- (-)	- (-)	- (-)
	f) Security Deposit refunded during the period	- (-)	42,086 (9,228)	- (-)	- (-)	- (-)
6)	Guarantees and collaterals given	- (-)	10,000 (40,000)	- (-)	- (-)	- (-)
7)	Other Transactions:					
	Reimbursements received from parties	241 (-)	1,584 (2,376)	- (-)	- (-)	- (-)
8)	Outstandings:					
	a) Debtors (Net)	4,632 (480)	62,694 (57,131)	- (-)	- (-)	- (-)
	b) Deposits given	- (-)	194,981 (169,758)	- (-)	- (-)	- (-)
	c) Guarantees and collaterals	- (-)	110,000 (100,000)	- (-)	- (-)	- (-)
	d) Other Recoverable	596 (620)	- (-)	- (-)	35 (38)	- (-)
9)	Managerial Remuneration	- (-)	- (-)	- (-)	- (-)	22,579 (13,441)

Note : Figures in brackets pertain to the Previous year

21. Previous year's figures have been regrouped wherever necessary.

Signature to Schedules "A" to "M" and "1" to "7"

For and on behalf of the Board

Prasad Menon
Chairman

K. A. Mahashur
Executive Director

R.B. Upadhyay
CFO & Senior Vice President(Finance)

Girish Kirkinde
Company Secretary

Mumbai, 22nd November, 2010

Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

0	1	1	-	3	1	6	4
---	---	---	---	---	---	---	---

State Code

1	1
---	---

Balance Sheet Date

3	0
---	---

 /

0	9
---	---

 /

2	0	1	0
---	---	---	---

Date Month Year

II. Capital raised during the year

(Amount in Rs. Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities

		1	1	5	0	9	3	2
--	--	---	---	---	---	---	---	---

Total Assets

		1	1	5	0	9	3	2
--	--	---	---	---	---	---	---	---

Source of Funds :

Paid-up Capital

		2	2	8	1	7	5
--	--	---	---	---	---	---	---

Secured Loans

		3	0	4	7	9
--	--	---	---	---	---	---

Deferred Tax

					N	I	L
--	--	--	--	--	---	---	---

Reserves & Surplus

		1	9	4	0	2	3
--	--	---	---	---	---	---	---

Unsecured Loans

		6	9	8	2	5	5
--	--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

		2	1	1	3	0	2
--	--	---	---	---	---	---	---

Net Current Assets

		9	1	9	8	0	5
--	--	---	---	---	---	---	---

Accumulated Losses

		-					
--	--	---	--	--	--	--	--

Investments

		1	9	8	2	5
--	--	---	---	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

IV. Performance of Company (Amount in Rs. Thousands)

Turnover/Total Income

		1	4	2	8	2	3	2
--	--	---	---	---	---	---	---	---

+ - Profit /Loss Before Tax

+		2	8	4	2	9	2
---	--	---	---	---	---	---	---

(Tick appropriate box + for Profit, - for Loss)

Earnings per Share (Weighted Average)

		9	.	3	8
--	--	---	---	---	---

Total Expenditure

		1	1	4	3	9	4	0
--	--	---	---	---	---	---	---	---

+ - Profit /Loss After Tax

+		2	1	4	0	2	2
---	--	---	---	---	---	---	---

Dividend Rate %

						2	0
--	--	--	--	--	--	---	---

V. Generic Names of Three Principal Products/Services of Company (As per Monetary terms)

Not applicable

Item Code No. (ITC Code)

				8	5	3	7	1	0
--	--	--	--	---	---	---	---	---	---

Product Description

S	O	L	I	D	S	T	A	T	E	V	A	R	I	A	B	L	E
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

S	P	E	E	D	D	R	I	V	E	S							
---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--

Item Code No. (ITC Code)

				8	5	1	7	3	0
--	--	--	--	---	---	---	---	---	---

Product Description

E	L	E	C	T	R	O	N	I	C	S	W	I	T	C	H	I	N	G	/
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

D	A	T	A	C	O	M	M	U	N	I	C	A	T	I	O	N				
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--

Item Code No. (ITC Code)

				8	4	7	1	1	0
--	--	--	--	---	---	---	---	---	---

Product Description

H	I	G	H	S	P	E	E	D	D	A	T	A							
---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--

A	C	Q	U	I	S	I	T	I	O	N	S	Y	S	T	E	M				
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

Name of Subsidiary	Tatanet Services Limited
1. Financial Year of the subsidiary ended on	31st March, 2010
2. Share of the subsidiary held by the Company on the above date	
a) Number and face value	6000 Equity shares of Rs 100/- each
b) Extent of holding	100%
3. Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary so far as they concern Members of the Company :	
a) dealt with in the accounts of the Company for the period ended 30th September, 2010	Nil
b) not dealt with in the accounts of the Company for the period ended 30th September, 2010	Rs. 50,42,000/-
4. Net aggregate amount of profits / (losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern Members of the Company :	
a) dealt with in the accounts of the Company for the period ended 30th September, 2010	Nil
b) not dealt with in the accounts of the Company for the period ended 30th September, 2010	Rs. 88,34,000/-

For and on behalf of the Board

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 22nd November, 2010

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF NELCO LIMITED

1. We have audited the attached Consolidated Balance Sheet of **Nelco Limited** ("the Company"), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and jointly controlled entities constitute "the Group") as at 30th September, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements). These financial statements are the responsibility of the Company's Management and have been prepared by management on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiary, whose financial statements reflect Group's share of total assets of Rs. 311,890 ('000) as at 30th September, 2010, Group's share of total revenues of Rs. 298,438 ('000) and Group's share of total net cash inflows of Rs. 2,224 ('000) for the year ended on that date and associate whose financial statements reflect the Group's share of profit (net) upto September 30, 2010 of Rs. 55,220 ('000) and of Group's share of profit (net) Rs. 8,379 ('000) for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of this subsidiary and associate is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 30th September, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**

Chartered Accountants
(Registration No. 117366W)

R. A. Banga

Partner

(Membership No.37915)

Place : Mumbai

Date: 22nd November, 2010

NELCO LIMITED (CONSOLIDATED)

BALANCE SHEET AS AT 30TH SEPTEMBER , 2010

(Rupees ' 000)

	Schedule	As at 30.09.2010	As at 30.09.2009
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	228,175	228,175
(b) Reserves and Surplus	B	255,485	84,839
		483,660	313,014
2. LOAN FUNDS			
(a) Secured Loans	C	30,479	208,348
(b) Unsecured Loans	D	698,255	754,529
		728,734	962,877
3. Deferred Tax Liability (Net)		6,312	10,994
TOTAL		1,218,706	1,286,885
APPLICATION OF FUNDS			
1. FIXED ASSETS	E		
(a) Gross Block		872,911	854,985
(b) Less: Depreciation		503,513	470,217
(c) Net Block		369,398	384,768
(d) Capital work-in-progress		18,488	4,244
		387,886	389,012
2. INVESTMENTS	F	73,320	66,066
3. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	G	139,841	304,533
(b) Sundry Debtors	H	1,117,406	1,512,359
(c) Cash and Bank Balances	I	69,398	171,056
(d) Loans and Advances	J	186,445	192,465
		1,513,090	2,180,413
Less :			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	K	605,120	1,224,939
(b) Provisions	L	150,470	134,242
		755,590	1,359,181
4. NET CURRENT ASSETS		757,500	821,232
5. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	M	-	10,575
TOTAL		1,218,706	1,286,885
NOTES FORMING PART OF THE ACCOUNTS	7		

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

For and on behalf of the Board

K.A. MAHASHUR
Executive Director

R.B. UPADHYAY
CFO & Senior Vice President (Finance)

R.A.Banga
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 22nd November, 2010

Mumbai, 22nd November, 2010

NELCO LIMITED (CONSOLIDATED)

PROFIT AND LOSS ACCOUNT FOR THE TWELVE MONTHS PERIOD ENDED 30TH SEPTEMBER, 2010

		(Rupees ' 000)	
	Schedule	For the twelve month period Ended 30.09.2010	For the eighteen month period ended 30.09.2009
INCOME			
1.	Income from Operations	1,580,192	3,626,967
2.	Other Income	32,796	50,944
3.	Total Income	1,612,988	3,677,911
EXPENDITURE			
4.	Raw Materials, Finished and Semi-Finished Products	705,084	2,196,831
5.	Personnel	270,462	377,132
6.	Operating and Other Expenses	670,054	780,878
7.	Interest	127,717	182,961
8.	Depreciation	71,476	114,175
9.	Total Expenditure	1,844,793	3,651,977
10.	Profit/(Loss) before exceptional items and taxation	(231,805)	25,934
11.	Exceptional Items		
a.	Deferred Revenue Expenditure (Voluntary Retirement Scheme)	(10,575)	(31,722)
b.	Profit on sale of Business (Note 4)	530,247	-
c.	Profit on disinvestment of interest in Associate	-	76,039
12.	PROFIT BEFORE TAXATION	287,867	70,251
13.	Profit/(Loss) from continuing operations before tax (Note 4)	273,760	(72,186)
	Provision for tax		
1.	Current Tax		
a.	For the period	72,463	26,226
b.	In respect of earlier years	1,010	10,751
c.	MAT Credit reversed	-	12,000
		73,473	48,977
2.	Deferred Tax	(4,682)	29,821
3.	Fringe Benefit Tax	-	3,626
		68,791	82,424
14.	Profit/(Loss) from continuing operations after tax	204,969	(154,610)
15.	Profit from discontinuing operations before tax (Note 4)	14,107	142,437
	Provision for tax		
1.	Current Tax	3,594	16,449
2.	Deferred Tax	-	-
3.	Fringe Benefit Tax	-	1,849
		3,594	18,298
16.	Profit from discontinuing operations after tax	10,513	124,139
17.	PROFIT/(LOSS) AFTER TAXATION AND BEFORE SHARE OF ASSOCIATE (14+16)	215,482	(30,471)
18.	Add : Share in Profit of Associate	8,379	63,491
		223,861	33,020
19.	Balance Brought Forward	84,839	67,836
20.	AMOUNT AVAILABLE FOR APPROPRIATION	308,700	100,856
21.	Proposed Dividend	45,635	13,690
22.	Tax on Proposed Dividend	7,580	2,327
23.	Transfer to General Reserve	25,000	-
		78,215	16,017
24.	Balance Carried to Balance Sheet	230,485	84,839
	Earnings per share Rs. (Basic & Diluted) - Face Value Rs.10 per share (Note 11)	9.81	1.45

NOTES FORMING PART OF THE ACCOUNTS

7

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

R.A.Banga
Partner
Mumbai, 22nd November, 2010

GIRISH V. KIRKINDE
Company Secretary

For and on behalf of the Board

K.A. MAHASHUR
Executive Director

R.B. UPADHYAY
CFO & Senior Vice President (Finance)

Mumbai, 22nd November, 2010

NELCO LIMITED (CONSOLIDATED)

Cash Flow Statement for the twelve month period ended 30th September, 2010

	for the Twelve month period ended 30.09.2010	(Rupees ' 000) for the eighteen month period ended 30.09.2009
A. NET PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAXATION	(231,805)	25,934
ADJUSTMENTS FOR		
Depreciation	71,476	114,175
Investment and Interest Income	(10,057)	(21,567)
Dividend Income	(15)	(15)
Interest Expense	127,717	182,961
Loss on Sale of Fixed Assets	1,127	2,313
	<u>190,248</u>	<u>277,867</u>
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	(41,557)	303,801
Changes in		
Trade and Other Receivables	282,340	(461,811)
Inventories	(95,124)	(3,858)
Trade and other Payables	(494,454)	316,436
	<u>(307,238)</u>	<u>(149,233)</u>
NET CASH (USED IN)/ GENERATED FROM OPERATIONS	(348,795)	154,568
Direct taxes paid (net of refund received)	(20,492)	(35,165)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	<u>(369,287)</u>	<u>119,403</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(97,277)	(166,605)
Sale of fixed assets	1,913	1,214
Interest received	10,057	21,567
Dividend received	1,140	7,155
Exceptional Items		
Sale proceeds on sale of long term Investments	-	4,414
Sale proceeds received on disinvestment of interest in Associate (Note 2)	-	159,600
NET CASH FLOW (USED) IN /FROM INVESTING ACTIVITIES	<u>(84,167)</u>	<u>27,345</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,881,500	2,404,501
Repayment of borrowings	(3,115,642)	(2,338,278)
	<u>(234,142)</u>	<u>66,223</u>
Dividend Paid	(13,690)	-
Tax on Dividend Paid	(2,327)	-
Interest paid	(127,045)	(180,630)
Exceptional Items		
Proceeds from Sale of business to Crompton Greaves Limited (Refer Note 4 of Schedule 7)	729,000	-
NET CASH GENERATED FROM/ (USED) IN FINANCING ACTIVITIES	<u>351,796</u>	<u>(114,407)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	<u>(101,658)</u>	<u>32,341</u>
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD (Refer Schedule I)	171,056	138,715
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer Schedule I)	69,398	171,056
	<u>(101,658)</u>	<u>32,341</u>

Notes :

(Rupees ' 000)

1) Cash and cash equivalents include	As at 30.09.2010	As at 30.09.2009
i) Cash and Cheques on Hand	447	4,301
ii) Balance with Scheduled Banks		
In current accounts	61,127	91,802
Deposit under Escrow Agreement with Bank	0	25,862
On Margin Money account against Letters of credit and bank guarantees	7,824	33,833
	<u>69,398</u>	<u>155,798</u>

The above includes amounts not available for use by the company as follows:

- a) Margin Money against letters of credit and bank guarantees Rs. 7,824 ('000) (Previous Year Rs. 33,833 ('000))
 - b) Deposit under Escrow Account agreement with bank Rs. Nil ('000)(Previous Year Rs. 25,862 ('000)) which are not available for use by the Company.
- 2) Sale proceeds from sale of Long term investment includes Rs. Nil (Previous year: Rs. 159,600 ('000) on sale of investments in Nelito Systems Limited, an associate.
 - 3) During the previous year, the parent Company had extended its financial year to eighteen months to end on September 30, 2009. The current financial year is for 12 months ended September 30, 2010 and accordingly the current year figures are not comparable with those of previous year.
 - 4) The Cash flow from Continuing and Discontinuing operations are:

	Continuing Operation		Discontinuing Operation		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(436,209)	36,706	66,922	82,697	(369,287)	119,403
NET CASH FLOW (USED) IN /FROM INVESTING ACTIVITIES	(79,891)	36,637	(4,276)	(9,292)	(84,167)	27,345
NET CASH FROM (USED) IN FINANCING ACTIVITIES	351,796	(114,407)	—	—	351,796	(114,407)

- 5) Previous period's figures have been regrouped wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

R.A.Banga
Partner

GIRISH V. KIRKINDE
Company Secretary

For and on behalf of the Board

K.A. MAHASHUR
Executive Director

R.B. UPADHYAY
CFO & Senior Vice President (Finance)

Mumbai, 22nd November, 2010

Mumbai, 22nd November, 2010

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2010

		(Rupees ' 000)	
		As at 30.09.2010	As at 30.09.2009
SCHEDULE A			
SHARE CAPITAL			
AUTHORISED :			
25,000,000	Equity Shares of Rs. 10/- each	250,000	250,000
2,500,000	Redeemable Preference Shares of Rs.100/- each	250,000	250,000
		500,000	500,000
ISSUED :			
22,496,370	Equity Shares of Rs.10/- each fully paid-up for payment in cash (including 939 Equity Shares pending allotment)	224,964	224,964
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to shareholders of the erstwhile General Radio & Appliances Ltd. in terms of the Scheme of Amalgamation	3,167	3,167
22,818,400	TOTAL	228,185	228,185
SUBSCRIBED AND PAID-UP :			
22,495,431	Equity Shares of Rs.10/- each fully paid-up for payment in cash	224,954	224,954
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to Shareholders of the erstwhile General Radio & Appliances Ltd in terms of the Scheme of Amalgamation	3,167	3,167
22,817,461	TOTAL	228,175	228,175
Note : Of the above			

- a) 11,099,630 (Previous Year Rs. 11,099,630) Equity Shares are held by The Tata Power Company Limited, the Holding Company
- b) 328,460 (Previous Year Rs. 328,960) Equity Shares are held by the Aftaab Investments Company Limited - Subsidiary of Tata Power Company Limited, the Holding Company

NELCO LIMITED (CONSOLIDATED)
Schedules forming part of the Balance Sheet as at 30th September, 2010

	(Rupees ' 000)	
	As at 30.09.2010	As at 30.09.2009
SCHEDULE B		
RESERVES AND SURPLUS		
General Reserve		
Opening Balance	-	-
Add: Transfer from Profit and loss account	25,000	-
	<u>25,000</u>	<u>-</u>
Profit and Loss Account	230,485	84,839
TOTAL	<u>255,485</u>	<u>84,839</u>
SCHEDULE C		
SECURED LOANS		
1. Cash Credit with Banks	-	129,926
2. Term Loan from Axis Bank Ltd	-	35,000
3. Term Loans from The Zoroastrian Co-op.Bank Ltd	30,479	43,422
TOTAL	<u>30,479</u>	<u>208,348</u>

In respect of the above term loans, Rs. 14,193,959/-
(Previous Year Rs. 47,929,451) is due and repayable within a year.

NOTES :

- a) Cash Credit with Banks are secured by hypothecation of all tangible moveable assets, including stocks of raw materials, finished goods, goods-in-process, book-debts, monies receivable and a second charge on the fixed assets of the company.
- b) Term Loan from Axis Bank Limited was secured by pari-passu first charge on the present and future fixed assets (moveable and immoveable) of the company and first pari-passu charge on the receivables of the company arising from installation of first 2000 new VSAT's.
- c) Term Loans from The Zoroastrian Co-operative Bank Limited are secured by pari-passu first charge both on the present and future fixed assets, (all tangible moveable machinery and plant) of the company.

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2010

(Rupees ' 000)

SCHEDULE D

UNSECURED LOANS

	As at 30.09.2010	As at 30.09.2009
1. Deferred Sales Tax Liability (Under the SICOM Incentive Scheme) (repayable within one year Rs. 5,261, 375/- (Previous Year Rs. 6,274,282))	25,755	32,029
2. Short Term Loan		
- From Banks	350,000	450,000
- Inter Corporate Deposit (Others)	322,500	172,500
3. Other Loan from Banks	-	100,000
TOTAL	698,255	754,529

SCHEDULE E

FIXED ASSETS

	GROSS BLOCK AT COST					DEPRECIATION					NET BLOCK	
	As at 01.10.2009	Additions/ Adjust- ments	Deductions/ Adjust- ments	Transfer on Sale of Business (Note 2)	As at 30.09.2010	Upto 01.10.2009	For The Period	Deductions/ Adjust- ments	Transfer On Sale Of Business (Note 2)	Upto 30.09.2010	As at 30.09.2010	As at 30.09.2009
Tangible Assets												
1. Goodwill on Consolidation	40	-	-	-	40	-	-	-	-	-	40	40
2. Land : Leasehold	3,590	-	-	-	3,590	793	38	-	-	831	2,759	2,797
3. Buildings	33,855	-	265	-	33,590	14,368	1,114	265	-	15,217	18,373	19,487
4. Plant and Machinery	330,029	35,299	1,739	31,086	332,503	127,855	31,453	944	9,165	149,199	183,304	202,174
5. Electric Installation	13,978	7,028	-	249	20,757	4,994	724	-	203	5,515	15,242	8,984
6. Office Equipments, Furniture and Fixtures	313,724	37,583	11,603	5,165	334,539	189,906	31,877	9,358	3,245	209,180	125,359	123,818
7. Vehicles	6,030	-	-	-	6,030	3,124	572	-	-	3,696	2,334	2,906
Intangible Assets												
8. Software Expenditure	25,428	3,123	-	-	28,551	4,546	5,415	-	-	9,961	18,590	20,882
9. Technical Knowhow Fees	123,311	-	-	15,000	108,311	123,311	-	-	15,000	108,311	-	-
10. Licence Fees - VSAT	3,000	-	-	-	3,000	1,125	150	-	-	1,275	1,725	1,875
11. Licence Fees - ISP	2,000	-	-	-	2,000	195	133	-	-	328	1,672	1,805
Total	854,985	83,033	13,607	51,500	872,911	470,217	71,476	10,567	27,613	503,513	369,398	384,768
Capital work-in-progress											18,488	4,244
Total	854,985	83,033	13,607	51,500	872,911	470,217	71,476	10,567	27,613	503,513	387,886	-
Previous Year	679,950	192,003	16,968	-	854,985	366,618	114,175	10,576	-	470,217	-	389,012

Notes :

- Office Equipments include assets given on operating lease having original cost of Rs. 90,564 ('000) (Previous Year Rs 94,527 ('000)) accumulated depreciation of Rs. 47,736 ('000) (Previous Year Rs. 38,845 ('000)) and depreciation charge for the period amounting to Rs. 15,815 ('000) (Previous Year Rs. 19,685 ('000)).
- Consequent to transfer of Traction Electronics, SCADA and Industrial Drives business, assets in respect of these business are transferred to Crompton Greaves Limited (Refer note 4 of Schedule 7)

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2010

(Rupees ' 000)

	As at 30.09.2010	As at 30.09.2009
SCHEDULE F		
INVESTMENTS		
LONG TERM Unquoted (fully paid up unless otherwise stated)		
A. NON TRADE		
Others		
4,000 Ordinary Shares of Zoroastrian Cooperative Bank Ltd. of Rs. 25/- each.	100	100
	<u>100</u>	<u>100</u>
B. TRADE		
Others		
1,810,000 Equity Shares of Technopolis Knowledge Park Ltd. of Rs.10/- each.	18,100	18,100
Less : Provision for Diminution	18,100	18,100
	-	-
IN ASSOCIATES		
450,000 Equity shares of Nelito Systems Ltd. of Rs. 10/- each (Note 1(d))	73,220	65,966
	<u>73,220</u>	<u>65,966</u>
TOTAL	<u>73,320</u>	<u>66,066</u>
Notes:		
(1) Aggregate of unquoted investments		
Cost	91,320	84,166
SCHEDULE G		
INVENTORIES		
1. Raw Materials	29,538	110,448
2. Semi-finished products	35,507	81,953
3. Finished Goods and Spares	53,099	90,435
4. Stock-in-trade (Car Park)	21,697	21,697
TOTAL	<u>139,841</u>	<u>304,533</u>

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2010

	(Rupees ' 000)	
	As at 30.09.2010	As at 30.09.2009
SCHEDULE H		
SUNDRY DEBTORS (Unsecured) (Note 7)		
1. Debts outstanding for a period exceeding six months		
Considered Good	753,912	537,577
Considered Doubtful	28,814	27,135
Less : Provision for Doubtful Debts (Net of Rs. 11239 ('000) transferred to Crompton Greaves Limited on sale of business)	28,814	27,135
	<u>753,912</u>	<u>537,577</u>
2. Other debts		
Considered Good	363,494	974,782
Considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	<u>363,494</u>	<u>974,782</u>
TOTAL	<u>1,117,406</u>	<u>1,512,359</u>
SCHEDULE I		
CASH AND BANK BALANCES		
1. Cash and Cheques on Hand	447	4,301
2. Balance with Scheduled Banks		
In current accounts	61,127	107,060
Deposit under Escrow Agreement with Bank	-	25,862
On Margin Money account against Letters of credit and bank guarantees	7,824	33,833
TOTAL	<u>69,398</u>	<u>171,056</u>
SCHEDULE J		
LOANS AND ADVANCES (Unsecured - Considered good)		
1. Crompton Greaves Limited (Refer Note 4)	29,490	-
2. Advances recoverable in cash or in kind or for value to be received	75,409	71,678
Considered Doubtful	6,968	718
Less : Provision for Doubtful Advances	6,968	718
	<u>75,409</u>	<u>71,678</u>
3. Loans and Advances to employees	1,351	1,321
4. Advance payment of Tax (Net of Provision)	33,921	90,495
5. Balances with Excise, Customs etc.	5,541	5,190
6. Service tax receivable	40,733	23,781
TOTAL	<u>186,445</u>	<u>192,465</u>

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2010

(Rupees ' 000)

	As at 30.09.2010	As at 30.09.2009
SCHEDULE K		
CURRENT LIABILITIES		
1. Acceptances	-	31,228
2. Sundry Creditors (other than micro and small enterprises)	310,285	901,494
3. Liabilities for expenses	177,002	131,958
4. Advances from customers	42,297	44,482
5. Other Liabilities	33,724	65,630
6. Liability for Voluntary Retirement Scheme	37,383	46,369
7. Interest accrued but not due on unsecured loans	4,021	3,349
8. Unpaid Dividend *	254	258
9. Unpaid Matured Deposits*	154	171
TOTAL	605,120	1,224,939
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
SCHEDULE L		
PROVISIONS		
1. Provision for Gratuity	27,046	36,921
2. Provision for Compensated absences	18,014	26,424
3. Proposed Dividend	45,635	13,690
4. Tax on Proposed Dividend	7,580	2,327
5. Provision for Warranty (Note 13)	52,195	54,880
TOTAL	150,470	134,242
SCHEDULE M		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
DEFERRED REVENUE EXPENDITURE		
Voluntary Retirement Scheme		
As per last Balance Sheet	10,575	42,297
Less : Written off during the year	10,575	31,722
	-	10,575
TOTAL	-	10,575

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the twelve months period ended 30th September, 2010

	For the twelve months Period ended 30.09.2010	(Rupees '000) For the eighteen month period ended 30.09.2009
SCHEDULE 1		
INCOME FROM OPERATIONS		
1. Sales : Traded and Manufactured Goods	985,294	2,917,346
Less : Excise Duty	35,119	137,155
	950,175	2,780,191
2. Income from Services Rendered	630,017	846,776
TOTAL	1,580,192	3,626,967
SCHEDULE 2		
OTHER INCOME		
1. Interest Received (Gross)		
(a) On Long term Investments - Non Trade	-	49
(b) On Deposits with Banks (Tax deducted at Source Rs. 12,120 (Previous Year Rs. 129,970))	518	948
(c) On Others *	9,539	20,570
* Includes Interest on Income Tax Refund Rs. 91,98,427 (Previous Year Rs. 20,145,807)	10,057	21,567
2. Dividend on Long term Investments - Trade	15	15
3. Insurance Claims Recovered	1,591	383
4. Scrap Sales	1,067	623
5. Bad Debts Recovered	-	2,622
6. Liabilities / Provisions no longer required written back	5,345	21,010
7. Octroi Refund	6,486	-
8. Management Service Fees From Crompton Greaves Limited	1,095	-
9. Miscellaneous Income	7,140	4,724
TOTAL	32,796	50,944

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the twelve months period ended 30th September, 2010

	For the twelve months Period ended 30.09.2010	(Rupees '000) For the eighteen month period ended 30.09.2009
SCHEDULE 3		
RAW MATERIALS, FINISHED AND SEMI-FINISHED PRODUCTS:		
1. Decrease /(Increase) to Stock of Finished goods and Semi-finished products :		
Opening Stock		
(i) Finished goods produced and purchase for sale	90,435	67,133
(ii) Semi-finished products	81,953	42,973
(iii) Car Park / Property under development	21,697	25,500
Less : Capitalised during the year	-	2,795
	194,085	132,811
Less : Stock transfer on sale of business (Note 4)		
(i) Finished goods produced and purchase for sale	2,273	-
(ii) Semi-finished products	74,832	-
(iii) Car Park / Property under development	-	-
	77,105	-
Less : Closing Stock		
(i) Finished goods produced and purchase for sale	53,099	90,435
(ii) Semi-finished products	35,507	81,953
(iii) Car Park	21,697	21,697
	110,303	194,085
	6,677	(61,274)
2. Raw Materials Consumed		
Opening Stock	110,448	165,069
Add : Purchases made during the Year	426,910	1,046,987
	537,358	1,212,056
Less : Stock transfer on sale of business (Note 4)	157,172	
	380,186	
Less : Closing Stock	29,538	110,448
	350,648	1,101,608
3. Purchases of Finished Goods and Spares	347,759	1,156,497
	705,084	2,196,831
SCHEDULE 4		
Personnel		
Salaries, Wages, Bonus, etc.	233,396	307,901
Contribution to Provident fund	9,167	13,466
Contribution to Superannuation and other funds	6,538	10,242
Gratuity	5,442	8,708
Welfare expenses	22,629	36,815
	277,172	377,132
Less : Expenses shared by Crompton Greaves Limited	6,710	-
	270,462	377,132

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the twelve months period ended 30th September, 2010

	For the twelve months Period ended 30.09.2010	(Rupees '000) For the eighteen month period ended 30.09.2009
SCHEDULE 5		
OPERATING AND OTHER EXPENSES :		
Stores and loose tools consumed	2,676	1,697
Power and fuel	16,512	22,474
Freight Outward	23,654	32,477
Repairs to machinery	2,634	3,842
Repairs to building	-	191
Repairs and Maintenance-others	17,569	20,799
Rent	7,419	10,664
Insurance	5,334	8,197
Travelling and Conveyance	51,754	82,013
Lease Rentals	10,421	6,048
Rates and Taxes	1,116	4,384
Bank charges	19,452	29,509
Royalty	170	132
Loss on Sale of Fixed Assets (Net)	1,127	2,313
Sub Contracting Expenses	78,396	93,572
Warranty Expenses	22,261	38,278
Installation Expenses	86,250	32,354
Professional and Legal Charges	80,277	40,381
(Gain) / Loss on Foreign Currency Fluctuations (Net)	(23,403)	20,398
Sales Commission	4,138	4,269
Cash Discount	-	68
Directors' Sitting fees	500	528
Licence Fees to DOT	28,387	40,908
Transponder Charges	105,188	125,309
Other Expenses	99,486	133,408
	641,318	754,213
Less : Expenses shared by Crompton Greaves Limited	3,930	-
	637,388	754,213
Bad Debts/Advances Written off	11,940	7,298
Less : Provision for Doubtful debts/ Advances made in earlier years	11,940	7,298
	-	-
Provision for Doubtful Debts / Recoverables	32,666	26,665
	670,054	780,878
SCHEDULE 6		
INTEREST		
Term Loans	56,869	110,212
Others	70,848	72,749
TOTAL	127,717	182,961

NELCO LIMITED (CONSOLIDATED)

SCHEDULE 7

1. Principles of Consolidation:

a. The consolidated financial statements

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS – 21) – “Consolidated Financial Statements” and Accounting Standard 23 (AS – 23) – “Accounting for Investments in Associates in Consolidated Financial Statements”.

The audited financial statements of the subsidiary and associate companies used in consolidation are drawn up to the same reporting date as that of the Parent Company i.e. year ended 30th September, 2010.

- (i) The financial statements of the company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- (ii) The consolidated financial statements include the share of profit / (loss) of an associate company, which is accounted under the “Equity method” as per which the share of profit/(loss) of the associate company has been added/deducted to the cost of investment. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.
- (iii) The excess of cost to the company of its investments in its subsidiary over its equity of the subsidiary at the date on which the investments in the subsidiary is made, is recognised as ‘Goodwill’, being an asset in the consolidated financial statements and is tested for impairment.

b. The subsidiary company (which along with Nelco Limited, the Parent, constituted the Group) considered in the preparation of these consolidated financial statements is :

Name	Country of Incorporation	% of voting power held as at 30 th September, 2010	% of voting power held as at 30 th September, 2009.
Tatanet Services Ltd.	India	100%	100%

c. Investments in Associates

The Group’s Associates are:

Name	Country of Incorporation	% of ownership interest held as at 30 th September, 2010	% of ownership interest held as at 30 th September, 2009.
Nelito Systems Ltd.	India	21.82	21.82

d. The breakup of Investment in Associates is as under:

		Nelito Systems Limited	
		As at 30 September, 2010	As at 30 September, 2009
(i)	Number of Equity Shares (Nos.)	450,000	450,000
(ii)	Percentage holding	21.82%	21.82%
(iii)	Cost of Investments (Equity Shares) (Rs. '000)	19,125	19,125
(iv)	Including Goodwill/ (Capital Reserve) (Rs. '000)	(5,401)	(5,401)
(v)	Share in accumulated profits net of dividends received upto September 30, 2009 / March 31, 2008 (Rs. '000)	46,841	21,981
(vi)	Share of profit / (losses) for the period (Rs. '000)	8,379	28,010
	Less: Dividend received during the period (Rs. '000)	(1,125)	(3,150)
	Share of profit / (losses) net of dividend received during the period (Rs. '000)	7,254	24,860
(vii)	Carrying Cost	73,220	65,966

2. Significant Accounting Policies

2.1 System of Accounting

The financial statements are prepared under the historical cost convention, on an accrual basis, in accordance with the generally accepted accounting principles and applicable accounting standards as notified under the Companies (Accounting Standards) Rule, 2006, issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and relevant provisions of the Companies Act, 1956 ('the Act') to the extent applicable.

2.2 Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost less depreciation. Cost comprises of cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition of its intended use.
- b) Depreciation for the year has been provided on the straight line method on all fixed assets at the rates specified as per Schedule-XIV of the Companies Act, 1956 except for Very Small Aperture Terminals (VSAT) used as back up, which are depreciated at 25% on straight line basis.
- c) Leasehold land is amortised over the period of the lease.

2.3 Intangible Assets

- a) Intangible assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.
- b) Software Expenditure and Technical Know-how
Software Expenditure and Technical Know-how incurred are amortised over a period of five years from the date of acquisition.
- c) License Fees is amortised over the License period.

2.4 Inventory Valuation

- a) Inventories comprise all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition.
- b) Raw materials are valued at the lower of cost or net realisable value. Cost is determined on the basis of the moving weighted average method.

-
- c) Finished goods produced and purchased for sale, semi finished products and spares are carried at cost or net realisable value, whichever is lower.
 - d) Car Park/ Property under development in pursuance of additional right of construction are valued at cost or net realisable value, whichever is lower.

2.5 Investments

Investments, being long term, are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

2.6 Revenue Recognition

2.6.1 Sale of product is recognized when risk and rewards of ownership of the product are passed on to the customers, which is generally on the dispatch of goods.

2.6.2 Sales from services are recognised when services rendered.

2.6.3 Income on Investment

- i) Interest income is accounted on accrual basis
- ii) Dividend income is accounted when right to receive payment is established.

2.7 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year is recognised as income or expense, as case may be.

Any premium or discount arising at the inception of a forward exchange contract is recognised as income or expense over the life of contract.

2.8 Voluntary Retirement Expenses

Voluntary Retirement scheme is amortised equally up to March 31, 2010.

2.9 Warranty Expenses

In respect of warranties given by the company on sale of certain products, the estimated costs of these warranties are accrued at the time of sale. The estimates for accounting of warranties are reviewed and revisions are made as required.

2.10 Retirement Benefits

(i) Defined Contribution Plan

Company's contributions paid/payable during the year towards Superannuation Scheme of the employees in accordance with the scheme of Life Insurance Corporation (LIC) are recognised in the Profit and Loss Account.

(ii) Defined Benefit Plan

- a) Company's liability towards gratuity and long term compensated absences are determined by independent actuaries, using projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the statement of Profit and loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where currency and terms of Government Bonds are consistent with the currency and estimated terms of the benefit obligation.
- b) Company's Contribution towards Provident Fund is based on a percentage of salary which is made to a trust administered by the company. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the company.

2.11 Lease Rentals

The company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, etc.), plant, machinery and equipments taken on lease. The leasing arrangements, which are not non-cancellable, range between eleven months and five years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.

2.12 Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, subject to consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

- During the previous year, the Parent Company had extended its financial year to eighteen months to end on September 30, 2009. The Current financial year is for 12 months ended September 30, 2010.
- On April 29, 2010, the Board of Directors approved the transfer of Traction Electronics, SCADA and Industrial Drives businesses (sub-divisions of Automation and Control segment) (together referred to as "Businesses") to Crompton Greaves Limited (CGL). The transfer is consistent with the Parent Company's long-term strategy to focus on building its position in Strategic Electronics and Network Systems (Tatanet) and to pursue further synergistic opportunities in related areas.

On July 28, 2010 (being the Closing date), the Parent Company transferred these Businesses as a "going concern" to CGL on a slump sale basis for a total consideration of Rs. 8100 lakhs. Additional Rs. 1,100 Lakhs has not been received as the financial parameters to be met achieved by September 30, 2010 were not achieved by the Parent Company.

The following statement shows the revenue and expenses and assets and liabilities of continuing and discontinuing operations:

Particulars	Continuing Operations		Discontinuing Operations		Total	
	2010	2009	2010	2009	2010	2009
Net Sales from Operations	1,204,208	2,249,511	375,984	1,377,456	1,580,192	3,626,967
Other Income	17,806	44,743	14,990	6,201	32,796	50,944
Total Income	1,222,014	2,294,254	390,974	1,383,657	1,612,988	3,677,911
Total Expenditure	1,467,926	2,410,757	376,867	1,241,220	1,844,793	3,651,977
Profit before exceptional items	(245,912)	(116,503)	14,107	142,437	(231,805)	25,934
Exceptional Items						
Deferred Revenue Expenditure	(10,575)	(31,722)	-	-	(10,575)	(31,722)
Profit of Transfer of Business	530,247	-	-	-	530,247	
Profit on sale of Investment	-	76,039	-	-	-	76,039
Profit/(Loss) before tax	273,760	(72,186)	14,107	142,437	287,867	70,251
Provision for taxation.	68,791	82,424	3,594	18,298	72,385	100,722
Profit/(loss) After Taxation	204,969	(154,610)	10,513	124,139	215,482	(30,471)
Assets	2,004,939	2,141,267	-	535,873	2,004,939	2,677,140
Liabilities	1,521,279	2,104,961	-	259,165	1,521,279	2,364,126

- However, at the request of Crompton Greaves Limited, the company has continued with certain operations of the transferred businesses, pending assignment of certain contracts by customers to CGL. Consequently Sales, Income from Service rendered, Raw material consumed and sub-contracting expenses in respect of these contracts during the period July 28, 2010 to September 30, 2010 have been included under the respective head in these financial statements as under:

Particulars	Rupees ('000)
Sales	39,513
Income from Service rendered	7,164
Raw Material Consumed	39,128
Sub-contracting expenses	7,164

6. Consequent to the reasons stated in note 3, 4 and 5 above, figures for current year are not comparable with previous period.

7. Capital Commitment

Particulars	(Rupees. '000)	
	2009-10 Twelve months	2008-09 Eighteen months
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	34,852	13,285

8. Contingent Liabilities

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
a) Claims against the parent company not acknowledged as debt comprises of:		
i) Excise duty, sales tax and service tax claims disputed by the parent tcompany relating to issues of applicability and classification	251,542	229,434
ii) Arbitration Proceeding's initiated for non- payment of royalty and interest thereon under the technical knowhow agreement	-	47,404
iii) Other matters (excluding claims where amounts are not ascertainable)	4,506	10,756
b) Taxation Matters		
Demand against the parent company not acknowledged as debt and not provided for, relating to issues of deductibility and taxability in respect of which parent company is in appeal and exclusive of the effects of similar matters in respect of assessments remaining to be completed.	-	36,656

9. EMPLOYEE BENEFITS

I. Defined Contribution Plan

Company's contribution paid/payable during the year to Superannuation fund and ESIC contribution are recognised as an expense and included in the Schedule 4 of the Profit and Loss Account under the heading "Contribution to Superannuation and other Funds" are as under:

	(Rupees. '000)	
	2009-10 Twelve months	2008-09 Eighteen months
a) Contribution to Employees' Superannuation Fund	6,260	10,039
b) Employees' State Insurance Scheme	278	203

II. Defined Benefit Plan

a) Provident Fund

The parent company makes monthly contributions to Provident Fund managed by a trust administered by the parent company for qualifying employees. Under the schemes, the parent company is required to contribute a specified percentage of the payroll costs to fund the benefits. During the year, the parent company has contributed Rs. 9,167 ('000) (Previous Year: Rs. 13,466 ('000)) to the Provident Fund Trust.

In keeping with the Guidance on implementation of Accounting Standard (AS) 15 (Revised) on Employees Benefits notified by the Companies (Accounting Standards) Rules, 2006, employer established provident fund trust are treated as Defined Benefit Plans, since the company is obligated to meet interest shortfall, if any, with respect to covered employees. According to the Management, the Actuary has opined that actuarial valuation cannot be applied to reliably measure provident fund liabilities in the absence of guidance from the Actuarial Society of India. Accordingly, the parent company is currently not in position to provide other related disclosures as required by the aforesaid AS-15 read with the Accounting Standards Board Guidance. Having regard to the assets of the fund and the return on investments, the entity does not expect any deficiency in the foreseeable future. Accordingly, no provision is required towards the guarantee given for notified interest rates.

b) Gratuity (Unfunded)

Particulars	(Rupees. '000)	
	Twelve months ended 30 th September, 2010	Eighteen months ended 30 th September, 2009
1 Expenses recognised in statement of Profit and Loss Account for the period ended		
Current Service cost	2,642	3,839
Interest cost	2,954	4,345
Expected return on plan assets	—	—
Net Actuarial (Gain)/Loss	(154)	524
Total Expense	5,442	8,708
2 Net Asset/(Liability) recognised in the Balance Sheet as at		
Present value of Defined Benefit obligations as at the end of year	27,046	36,921
Fair value of plan assets as at the end of the year	—	—
Net Asset/(Liability) as at	(27,046)	(36,921)
3 Changes in present value of obligations during the period		
Present value of obligations as at beginning of year	36,921	36,522
Interest cost	2,954	4,345
Current Service cost	2,642	3,839
Benefits Paid	(7,156)	(8,309)
Paid to CGL on sale of Businesses (Refer note 4)	(8,161)	—
Actuarial (Gain)/Loss	(154)	524
Present value of Defined Benefit obligations as at end of year	27,046	36,921
4 Experience Adjustments		
Experience (Gain)/Loss on adjustments on plan assets	—	—
Experience (Gain)/Loss on adjustments on plan liabilities	(1,192)	524
Experience Adjustments (Total)	(1,192)	524
5 Assumptions		
Discount Rate	8.25%	8.00%
Salary Escalation	6.00%	6.00%
Attrition Rate	2.00%	2.00%
Mortality Rate	LIC (94-96) Ultimate	LIC (94-96) Ultimate

Note: The above disclosure is made to the extent of information given by the actuaries.

III. Long Term Employee Benefit – Compensated Absences

Provision for Compensated Absences has been made on the basis of actuarial valuation report as at the Balance Sheet date. The charge for the year of Rs. 4,713 ('000) (Previous Year: Rs. 7,857 ('000)) has been made in the Profit and Loss Account.

10. (a) The aggregate lease rentals in respect of operating leases for the period charged as Lease Rentals in the Profit and Loss Account aggregate to Rs. 10,421 ('000) (Previous Year: Rs. 6,048 ('000)).

The future minimum lease payments under non-cancellable operating leases are as under:

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
i) Not later than one year	1,375	2,063
ii) Later than one year and not later than five years	Nil	1,375
iii) Later than five years	Nil	Nil

- (b) In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Profit and Loss Account for the period included under Income from Services Rendered under Income from Operations aggregate to Rs.29,386 ('000) (Previous Year: Rs. 40,642 ('000)).

11. Earnings Per Share (EPS)

	2009-10 Twelve months	2008-09 Eighteen months
a) Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b) Net Profit after Tax available for Equity Shareholders (Rupees '000)	223,861	33,020
c) Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	9.81	1.45
d) Diluted Earning Per Share (Rs.)	9.81	1.45

12. The components of Deferred Tax Assets /(Liabilities) are as under:

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	15,290	22,105
b) On Provision for Doubtful debts	9,572	8,969
c) Disallowance U/S 40 a(ia)	4,726	-
d) Others	1,055	-
Total:	30,643	31,074
Less: Deferred Tax Liability		
a) On Fiscal allowances of Fixed asset	36,955	38,473
b) On Deferred Revenue Expenditure	-	3,595
Total:	36,955	42,068
Net Deferred Tax Assets / (Liabilities)	(6,312)	(10,994)

13. Provision for Warranty

Provision for Warranty relates to warranty provision made in respect of sale of certain products, the estimated cost of which is accrued at the time of sale. The products are generally covered under free warranty period ranging from one to three years.

The movement in above provision is as follows:

	(Rupees '000)	
	2009-10 Twelve months	2008-09 Eighteen months
Opening Balance	54,880	30,637
Add: Provisions made during the period	22,261	38,278
Less: Utilisation during the period	8,169	14,035
Less: Transferred on Sale of Business (Note 4)	16,777	-
Closing Balance	52,195	54,880

14. The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are:

Particulars	Foreign Currency	Amount in Foreign Currency ('000)	
		2009-10 Twelve months	2008-09 Eighteen months
Receivable	USD	559	644
Payable	USD	2,503	8,890
	EUR	44	555
	GBP	-	22
	JPY	2,230	7,606
	CHF	290	2,828
	NOK	-	766

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end Rs. Nil (Previous Year: Rs. Nil)

15. Related Party Disclosure:

- I. Holding company – The Tata Power Company Limited
- II. Related Parties where control exists
 - a. Subsidiary – Tatanet Services Limited
- III. Other parties with whom transactions have taken place during the year
 - a. Fellow Subsidiary – Af-taab Investment Company Limited
 - b. Associate – Nelito Systems Limited
- IV. Key Management Personnel
 - a. Executive Directors - Mr. K . A. Mahashur

Mr. Z. J. Engineer (Retired on July 29, 2010)

The related party transactions are as under:

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited	Af-taab Investment Company Limited	Nelito Systems Limited	Key Management Personnel
		(HOLDING COMPANY)	(FELLOW SUBSIDIARY)	(ASSOCIATE)	
1)	Purchase :				
	Goods	-	-	-	-
		(-)	(-)	(182)	(-)
2)	Sales :				
	a) Goods	8,512	-	-	-
		(877)	(-)	(-)	(-)
	b) Services provided	8,684	-	90	-
		(18,800)	(-)	(135)	(-)
3)	Investments :				
	Sale of long term Investment in Nelito Systems Ltd.	-	-	-	-
		(-)	(159,600)	(-)	(-)
4)	Deputation of Personnel :	3,072	-	-	-
		(982)	(-)	(-)	(-)
5)	Finance :				
	a) Inter Corporate Loans taken	100,000	-	-	-
		(450,000)	(-)	(-)	(-)
	b) Inter Corporate Loans Repayment	100,000	-	-	-
		(720,000)	(-)	(-)	(-)
	c) Interest Paid	1,352	-	-	-
		(17,204)	(-)	(-)	(-)
	d) Dividend received	-	-	1,125	-
		(-)	(-)	(7,140)	(-)
6)	Other Transactions:				
	Reimbursements received from parties	241	-	-	-
		(-)	(-)	(-)	(-)
7)	Outstandings:				
	a) Debtors (Net)	4,632	-	-	-
		(480)	(-)	(-)	(-)
	b) Other Recoverable	596	-	35	-
		(620)	(-)	(38)	(-)
8)	Managerial Remuneration	-	-	-	22,579
		(-)	(-)	(-)	(13,441)

Note : Figures in brackets pertain to the Previous year

16. Segment Reporting

Business Segment:

The group has considered business segment as the primary segment for disclosure. The segment have been identified taking in to account the organisational structure as well as the differing risks and returns of these segments.

Automation and control comprises of sales of security and surveillance products, traction controls, drives, scada, Energy network management and Building management systems.

Network systems comprises of sales of solution for management of network connectivity, networking services and turnkey communication systems supply and integration.

Property development comprises of sales of developed commercial property.

Secondary Segment:

The company caters mainly to the needs of the domestic market, the export turnover of Rs. 28,434 ('000) (Previous Year Rs. 39,760 ('000)) is not significant in the context of the total external revenue of Rs. 1,580,192 ('000) (Previous Year Rs. 3,626,967 ('000)).

Further, segment assets and capital expenditure incurred outside India are not significant in relation to the total assets and total capital expenditure incurred during the year, as such there are no reportable geographical segments.

SEGMENT REPORT FOR 12 MONTHS PERIOD ENDED 30th SEPTEMBER, 2010

Primary Segment Disclosure - Business Segment

Rs. in '000

	Automation & Control	Network Systems	Property Development	Elimination	Consolidated Total
A SEGMENT REVENUE					
External Revenue	630,410	984,901		-	1,615,311
	1,919,870	1,844,252	-	-	3,764,122
Less : Excise Duty	35,119				35,119
	137,155	-	-	-	137,155
Net External Revenue	595,291	984,901		-	1,580,192
	1,782,715	1,844,252			3,626,967
Intersegment Revenue	-	-			-
	-	1,949		(1,949)	-
TOTAL SEGMENT REVENUE	595,291	984,901			1,580,192
	1,782,715	1,846,201		(1,949)	3,626,967
B RESULTS					
Segment Results	(155,914)	138,058			(17,855)
	124,419	150,727	11,443		286,589
Unallocable Corporate Expenses(Net of Income)					(96,290)
					(99,261)
Less : Interest Expense unallocable to segments	-	-			127,717
					182,961
Add : Interest Income unallocable to segments	-	-			10,057
					21,567
Add: Exceptional Items (Net) unallocable to Segment					519,672
					44,317
Profit before Taxes					287,867
					70,251
Less : Provision for Tax					
a) Current tax including Fringe Benefit Tax					76,057
					48,150
b) Less : Short/(Excess) Tax Provision for earlier years	-	-			1,010
					10,751
c) MAT Credit availed					-
					12,000
d) Deferred Tax					(4,682)
					29,821
NET PROFIT/(LOSS) after Tax					215,482
					(30,471)

Primary Segment Disclosure - Business Segment

Rs. in '000

	Automation & Control	Network Systems	Property Development	Elimination	Consolidated Total
Add: Share of Profit in Associate					8,379
					<i>63,491</i>
Profit after tax an after share of associate, Minority Interest and Pre-acquisition Profit/(Loss)					223,861
					33,020
C SEGMENT ASSETS	746,332	1,051,197	21,696		1,819,225
	<i>1,120,386</i>	<i>1,211,991</i>	<i>21,696</i>		<i>2,354,073</i>
Add: Unallocable Corporate Assets					185,714
					<i>323,067</i>
Total Assets					2,004,939
					2,677,140
D SEGMENT LIABILITIES	366,832	290,618			657,450
	<i>635,990</i>	<i>613,843</i>	<i>360</i>		<i>1,250,193</i>
Add: Unallocable Corporate Liabilities					863,829
					<i>1,113,933</i>
Total Liabilities					1,521,279
					2,364,126
E CAPITAL EXPENDITURE	7,707	89,570			97,277
	<i>24,000</i>	<i>142,605</i>			166,605
F DEPRECIATION	10,843	60,633			71,476
	<i>38,903</i>	<i>75,272</i>			114,175
G NON CASH EXPENSES					
Provision for doubtful debts/advances	26,424	6,242			32,666
	<i>17,393</i>	<i>9,272</i>			26,665

Note:

Figures shown in Italics pertain to previous year.

17. Previous year's figures have been regrouped wherever necessary.

SIGNATURE TO SCHEDULES "A" TO "M" AND "1" TO "7"

For and on behalf of the Board

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

R.B. UPADHYAY
CFO & Senior Vice President (Finance)

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 22nd November, 2010

**Audited Accounts of the Subsidiary
TATANET SERVICES LIMITED
For the Year Ended 31st March, 2010**

DIRECTORS' REPORT

To the Members

The Directors present their Twenty Third Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2010

1. FINANCIAL RESULTS:

During the year under review, the Company recorded a Turnover of **INR 289.97 million** (previous year INR 252.37 million) and a net profit after tax (P.A.T) of **INR 5.04 million** (previous year INR 2.22 million).

The summarized financial results are indicated below:

	(Rupees in 000')	
	For the year ended 31.03.2010	For the year ended 31.03.2009
Net Service Income from Operations	289,870	252,368
Operating Expenditure	257,555	228,935
Operating Profit	32,315	23,434
Add: Other Income	105	-
Less: Interest	513	359
Profit Before Tax and Depreciation and Exceptional Items	31,907	23,075
Less: Depreciation	24,825	19,689
Profit Before Tax and Exceptional Items	7,082	3,386
Exceptional Items	-	-
Profit Before Tax	7,082	3,386
Less : Provision for Tax(including Provision for Deferred Tax)	2,040	1,164
Net Profit After Tax	5,042	2,222
Balance Brought Forward	3,067	1,533
Balance Available for appropriation	8,108	3,755
Appropriations as under:		
Adjustment to General Reserve	-	688
Other appropriations	-	-
Balance to be carried Forward	8,108	3,067

In order to conserve resources, the board of directors regret their inability to recommend dividend for the year ended 31st March 2010

2 BUSINESS OVERVIEW:

The Company has successfully continued its operations in the highly competitive VSAT market. The trend of declining selling price of bandwidth was observed in the current fiscal too. The Company could still make up this decline with an increase in the volume of business through the additional bandwidth sold for **4148** VSAT's which got added to the network the financial year 2009-10.

There was an addition of **31** new customers in its network in the current financial year. The total number of customers in the network is now **285** after considering the churn out in the current fiscal.

The company has also commenced the Internet services under its ISP License in the current financial year from March 2010

3 CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The statement containing particulars pursuant to the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 as required under section 217 (l) (a) of the Companies Act, 1956 is not attached as it is not applicable to the Company.

The Company has no exports.

The foreign exchange earned during the period under review was **NIL**

Total outgo of foreign currency was **INR. 48.16 Million.**

4 SAFETY, HEALTH & ENVIRONMENT:

The operations of the Company are not of hazardous nature; however, the Company shall take all necessary precautions to maintain healthy and safe environment in and around its facilities.

5 DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. Zal J. Engineer & Mr. Uday Banerjee retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

6 AUDITORS:

M/s. M. H. DALAL & ASSOCIATES, Chartered Accountants retires at the ensuing Annual General Meeting and being eligible to offer themselves for re-appointment

7 DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating management, confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there were no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year viz. 31st March 2010 and of the profit of the Company for the year ended on that date;
- (iii) they have taken proper and sufficient care to the best of their knowledge and information, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

8 EMPLOYEE DETAILS:

During the year under review, the Company has not employed any employee whose particulars are required to be disclosed in this report pursuant to section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

9 ACKNOWLEDGEMENTS:

Your Directors place on record their appreciation for the support and assistance received from Customers, Investors, business, associates, bankers, vendors, regulatory & Governmental Authorities. The Board would also like to acknowledge the continued support and guidance from Tata Group

BY ORDER OF THE BOARD OF DIRECTORS

MUMBAI – 30th April 2010

Zal Engineer Uday Banerjee
Directors

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of TATANET SERVICES LIMITED as on **31st March, 2010** and also the attached Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of the books of account.
 - (iii) The Profit & Loss Account and the Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Profit & loss Account and the Balance Sheet and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
 - (v) On the basis of written representation received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2010, from being appointed as a director u/s. 274(1) (g) of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts subject to notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet of the State of Affairs of the Company as on 31st March, 2010 and
 - b) In case of Profit & Loss Account of the profit for the year ended on that date.
 - c) In case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

**FOR M. H. DALAL & ASSOCIATES
CHARTERED ACCOUNTANTS**

**D.M. DALAL
PARTNER**

Membership No.:109049

**Place : Mumbai
Date : 30th April, 2010**

ANNEXURE TO AUDITORS REPORT OF EVEN DATE TO THE MEMBERS OF

TATANET SERVICES LIMITED

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details & situation of Fixed Assets.
- (b) A major portion of fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of fixed assets by the management is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) None of the assets are disposed off during the year.
- (ii) Clauses (ii)(a), (b), (c) are not applicable, since the company has no stock.
- (iii) (a) During the year the company has not granted any loans to the parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The company has not taken loans from the parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (c) In our opinion, it is not prejudicial to the interest of the company.
- (iv) In our opinion & according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company & the nature of its business with regard to purchase of fixed assets. During the course of our audit we have not observed any continuing failure to correct major weaknesses in Internal Control.
- (v) No transactions have been entered during the period in the register maintained in pursuance of section 301 of the Companies Act, 1956 and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the internal audit functions carried out during the year have been commensurate with the size of the company and the nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to Telecommunication Services, pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) In respect of statutory dues:
 - (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues for outstanding as at 31.03.2010 for the period of more than 6 months from the date of becoming payable
 - (b) According to the records made available to us and the information and explanations given by the management, there are no dues of sales tax / income tax / custom duty / wealth tax / service tax / excise duty / cess, as at 31.03.2010 which have not been deposited with the authorities on account of any dispute.
- (x) In our opinion the Company has no accumulated losses at the end of the financial year and in the immediately preceding financial year. The Company has not incurred cash losses at the end of the financial year and in the immediately preceding financial year.

-
- (xi) In our opinion & according to the information and explanations given to us, the company has not obtained any loans from financial institution or bank.
- (xii) The company has not granted any loans on the basis of the security by the way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us and records made available to us, the company has not given any guarantee for the loans taken by banks or financial institutions.
- (xvi) In our opinion no term loans have been raised by the company during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) There was no issue of debentures by the company during the year.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**FOR M. H. DALAL & ASSOCIATES
CHARTERED ACCOUNTANTS**

**D.M. DALAL
PARTNER
Membership No.:109049**

**Place : Mumbai
Date : 30th April, 2010**

NELCO LIMITED

Twenty third Annual Report 2009-10

TATANET SERVICES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

		(Rupees in 000')	
	Schedule	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	600	600
2. RESERVES & SURPLUS			
(a) Profit & Loss Account		8,108	3,067
3. DEFERRED TAX LIABILITY		6,817	7,277
TOTAL		15,525	10,944
APPLICATION OF FUNDS			
1. FIXED ASSETS	B		
(a) Gross Block		273,644	209,129
(b) Less: Depreciation		99,278	74,453
(c) Net Block		174,366	134,677
(d) Capital work-in-progress		796	6,448
		175,162	141,125
2. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Sundry Debtors	C	63,193	63,160
(b) Cash and Bank Balances	D	23,995	6,585
(c) Loans and Advances	E	44,539	37,933
		131,727	107,678
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	F	291,364	237,859
		291,364	237,859
3. NET CURRENT ASSETS		(159,637)	(130,181)
TOTAL		15,525	10,944
NOTES FORMING PART OF THE ACCOUNTS	2		

As per our report attached

For and on behalf of the Board

For M.H.Dalal & Associates.
Chartered Accountants

Devang M. Dalal
Partner
Membership No: 109049

MUMBAI, 30th April, 2010

Zal Engineer
K A Mahashur
R B Upadhyay
Uday Banerjee

Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2010

(Rupees in 000')

	Schedule	For the year ended 31.03.2010	For the year ended 31.03.2009
INCOME			
1. Service Income		289,686	252,368
2. Sale of Goods - Managed Services		184	-
3. Other Income		105	-
4. Total Income		289,975	252,368
EXPENDITURE			
5. Operating and Other Expenses	1	257,435	228,935
6. Purchase of finished goods		120	-
7. Interest Expenses		513	359
8. Depreciation & Amortisation	B	24,825	19,689
9. Total Expenditure		282,893	248,982
10. PROFIT / (LOSS) BEFORE TAXATION		7,082	3,386
11. Provision For Taxation			
Current Tax		2,500	200
Short tax provision for earlier year		-	156
Deferred Tax		(460)	808
12. PROFIT / (LOSS) AFTER TAXATION		5,042	2,222
13. Balance Brought Forward		3,067	1,533
14. AMOUNT AVAILABLE FOR APPROPRIATION		8,108	3,755
APPROPRIATIONS			
15. Balance Carried to Balance Sheet		8,108	3,755
16. Adjustment to General Reserve		-	688
		8,108	3,067
Earnings Per Share Rs. (Basic & Diluted)			
- Not Annualised		840.28	370.39

NOTES FORMING PART OF THE ACCOUNTS 2

As per our report attached

For and on behalf of the Board

For M.H.Dalal & Associates.
Chartered Accountants

Devang M. Dalal
Partner
Membership No: 109049

MUMBAI, 30th April, 2010

Zal Engineer
K A Mahashur
R B Upadhyay
Uday Banerjee

} Directors

NELCO LIMITED

Twenty third Annual Report 2009-10

TATANET SERVICES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(Rupees in 000')

	As at 31.03.2010	As at 31.03.2009
SCHEDULE A		
SHARE CAPITAL		
AUTHORISED :		
18 Non-Cumulative Redeemable Preference Shares of Rs.100/- each	2	2
9982 Equity Shares of Rs. 100/- each	998	998
10,000	1,000	1,000
ISSUED , SUBSCRIBED & PAID UP:		
6000 Equity Shares of Rs. 100/- each fully paid	600	600
6,000 TOTAL	600	600

Note : Of the above **6,000** Equity Shares **100%** are held by the Holding Company - **Nelco Limited**

SCHEDULE B

FIXED ASSETS	GROSS BLOCK AT COST				DEPRECIATION & AMORTISATION				NET BLOCK	
	Gross block as at 01.4.2009	ADDITIONS/ ADJUSTMENTS	DEDUCTIONS	AS AT 31.03.2010	Accumulated Depreciation upto 01.04.2009	For the three months ended 31.03.10	For the year ended 31.03.2010	DEDUCTIONS	UPTO 31.03.2010	AS AT 31.03.2010
Tangible										
Plant and Machinery	204,129 (156,789)	64,514 (47,341)	-	268,644 (204,129)	73,275 (53,864)	6,834 (5,199)	24,542 (19,411)	-	97,817 (73,275)	170,827 (130,855)
Intangible										
Licence Fees - VSAT	3,000 (3,000)	-	-	3,000 (3,000)	1,050 (900)	38 (38)	150 (150)	-	1,200 (1,050)	1,800 (1,950)
Intangible										
Licence Fees - ISP	2,000 -	- (2,000)	-	2,000 (2,000)	128 -	33 (33)	133 (128)	-	261 (128)	1,739 (1,872)
TOTAL	209,129	64,514	-	273,644	74,453	6,905	24,825		99,278	174,366
Capital Work in Progress										796 (6,448)

SCHEDULE C

SUNDRY DEBTORS

(Unsecured - Considered Good)

1. Debts outstanding for a period exceeding six months		
- Considered Good	24,160	5,919
- Considered Doubtful	1,749	470
Less: Provision for Doubtful Debts	1,749	470
	<u>24,160</u>	<u>5,919</u>
2. Other debts	39,033	57,241
	<u>63,193</u>	<u>63,160</u>

SCHEDULE D

CASH AND BANK BALANCES

1 In current accounts with Scheduled Banks	23,995	6,585
TOTAL	<u>23,995</u>	<u>6,585</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(Rupees in 000')

	As at 31.03.2010	As at 31.03.2009
SCHEDULE E		
LOANS AND ADVANCES		
(Unsecured - Considered good)		
1 Advances recoverable in cash or kind or for value to be received	8,450	19,343
2 Other Recoverables	20,210	12,450
3 Advance payment of Tax (Net of Provision)	15,879	6,141
TOTAL	44,539	37,933
SCHEDULE F		
CURRENT LIABILITIES		
1. Sundry Creditors	76,315	65,791
2. Liabilities for expenses	3,308	4,280
3. Deposits from Holding Company - Nelco Limited	196,187	155,465
4. Other Liabilities	15,553	6,476
5. Deposits & Advances	-	5,848
TOTAL	291,364	237,859

SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rupees in 000')

	For the year ended 31.03.2010	For the year ended 31.03.2009
SCHEDULE 1		
OPERATING AND OTHER EXPENSES		
Licence Fees to D.O.T	27,598	27,354
Transponder Charges	99,246	76,598
Connectivity Charges	7,068	7,912
Network Management Fees	53,400	53,400
Marketing Sevices Fees	59,400	59,400
Power and fuel	1,228	1,220
Repairs and Maintenance - Plant	2,652	1,931
Repairs and Maintenance - Others	726	528
Insurance	123	149
Bank charges	1,833	831
Provision for Doubtful Debts	1,749	-
Professional and Legal Charges	1,341	758
Training Expenses	476	-
Audit Fees	70	50
Auditors Other Remuneration	47	35
Exchange Rate Fluctuations	(3)	(1,301)
Social Welfare Expenses	254	-
Other Expenses	226	70
TOTAL	257,435	228,935

NOTES: FORMING PART OF THE ACCOUNTS

SCHEDULE 2

1. Significant Accounting Policies

1.1 System of Accounting

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

1.2 Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost less depreciation. Cost comprises cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition of its intended use.
- b) Depreciation for the year has been provided on the straight line method on all fixed assets at the rates specified as per Schedule-XIV of the Companies Act, 1956 except for License Fees which is amortized over the License period and Foreign Exchange (loss)/gain which is amortized over a period of the balance life of the fixed assets as per amended AS-11 dated 31.03.2009

1.3 Revenue Recognition

1.3.1 Sales of services are recognized on rendering of services to customers.

1.4 Foreign Currency Transactions

Transactions in foreign currencies (other than those covered by forward contracts) are recorded at the exchange rate prevailing on transaction date. Assets and Liabilities denominated in foreign currency are restated at the year end rate. All exchange gains and losses from the period 1st April 2009 to 31st March 2010 are capitalized to fixed assets as per amendment to Accounting Standard 11 (AS-11) vide Companies (Accounting Standards) Amendment Rules 2009, notification of Ministry of Corporate Affairs no G.S.R. 226(E) dtd. 31.03.2009

1.5 Taxes on Income

- a) **Current Tax:** Provision for Income Tax is determined in accordance with the provisions of the Income Tax Act 1961.
- b) **Deferred Tax Provision:** Deferred Tax is recognized on timing differences being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s).

1.6 Segment Reporting

The Company has two segments: 1 VSAT Commercial & 2. Internet Service Provision (ISP). Since the ISP Segment doesn't fall under the criteria of reportable segment as per Accounting Standard (AS-17) on 'Segment Reporting' issued by the Institute of Chartered Accountants of India, it has not been shown separately

2. Value of Imports calculated on CIF basis

	(In Rupees)	
	2009-10	2008-09
	12mths	12mths
i) Capital Goods	4,81,70,723	84, 30,941

3. Related Party Disclosure :

The disclosure pertaining to the related party transaction as required by the Accounting Standards 18 (AS-18) issued by the Institute of Chartered Accountants of India, as applicable are, indicated below.

a) List of related parties with whom transactions have taken place during the year

Holding Company - NELCO Limited

b) Transactions with Holding company:

i) Expenses & Purchases	11,28,00,000	11,57,80,000
ii) Advance / Sec.Deposits Received	4,07,21,723	4,07,01,901
iii) Balance outstanding as at 31.03.10		
Creditors (Net) & Other income	6,68,51,368	5,55,37,419
Deposit Payable	19,61,87,118	15,54,65,395

	2009-10	(In Rupees) 2008-09
c) Corporate Guarantees received		
- From parent company – Nelco	11,00,00,000	10,00,00,000
4. Earnings Per Share (EPS)		
	2009-10 12 mths	2008-09 12 mths
a) Weighted Average Number of Shares at the beginning and end of the period	6,000	6,000
b) Net Profit / (Loss) after Tax available for Equity Share holders(Rupees)	50,41,651	22,22,358
c) Basic and diluted earnings Per Share (Rupees) – Annualised	840.28	370.39
5. Audit Fees		(In Rupees)
	2009-10	2008-09
Payable to Auditor as Audit Fees –	70000	50000
Payable for Tax Audit	35000	35000
TOTAL	105000	85000
6. Major components of Deferred Tax Assets/ (Liabilities) are:	2009-10	(Rs in '000) 2008-09
Deferred Tax Assets		
(a) Provision for Doubtful Debts	541	—
Less: - Deferred Tax Liability		
(a) Difference between Book and Income Tax		
Depreciation	7358	7277
Net Deferred Tax Assets / (Liabilities)	(6817)	(7277)
7. Additions to Fixed Assets:		
Additions made to Fixed Assets during the F.Y. 2009-10 amounted to 6.45 crores (net) (This includes capitalization of exchange loss/ (gain) as per amendment to AS-11)		
8. Previous years figures have been regrouped wherever necessary.		
Signature to Schedules "A" to "F" and "1" to "2"		

As per our report attached

For and on behalf of the Board

For M.H.Dalal & Associates
Chartered Accountants

Devang M. Dalal
Partner

MUMBAI, 30th April, 2010

Zal Engineer
K. A. Mahashur
R. B. Upadhyay
Uday Banerjee

} Directors

Balance Sheet abstract and Company's General Business profile :
(in terms of amendment of Schedule VI Part IV)

I. Registration Details

Registration No. 4 4 3 5 1
 Balance Sheet Date 3 1 0 3 2 0 1 0
 Date Month Year

State Code 1 1

II. Capital raised during the year

Public Issue N I L
 Bonus Issue N I L

Rights Issue N I L
 Private Placement N I L

III. Position of Mobilisation and Deployment of Funds : (Rupees in 000')

Total Liabilities 1 5 5 2 5

Total Assets 1 5 5 2 5

Source of Funds :

Paid-up Capital 6 0 0

Reserves & Surplus 8 1 0 8

Secured Loans N I L

Unsecured Loans N I L

Deffered Tax Liability 6 8 1 7

Application of Funds :

Net Fixed Assets 1 7 4 3 6 6

Investments N I L

Net Current Assets (1 5 9 6 3 7)

Miscellaneous Expenditure N I L

IV. Performance of Company (Rupees in 000')

Turnover (Total Income) 2 8 9 9 7 5

Total Expenditure 2 8 2 8 9 3

+ - Profit/(Loss) Before Tax 7 0 8 2

+ - Profit/(Loss) After Tax 5 0 4 2

Earnings per Share in Rupees (Rs.) 8 4 0 . 2 8

Dividend Rate % N I L

V. Generic Names of Principal Products/Services of Company (As per Monetary terms)

Item Code Nos. (ITC Codes) N A
 Product Descriptions/Services V S A T N E T W O R K I N G S E R V I C E S

As per our report attached

For and on behalf of the Board

For M.H.Dalal & Associates
Chartered Accountants

Devang M. Dalal
Partner

Zal Engineer }
Uday Banerjee } Directors

MUMBAI, 30th April, 2010

NELCO LIMITED

Regd. Office: Francysters Cybernetics Center, 3rd Floor, Eucharistic Congress Building No. III, 5, Convent Street, Colaba, Mumbai – 400 001

ATTENDANCE SLIP

Folio No DP ID No.*/Client ID No.*

Name of the Member:.....

Name of the Proxy

Address

I hereby record my presence at the 68th ANNUAL GENERAL MEETING of the Company at Cultural Hall, Chavan Centre, 4th floor, General Jagannath Bhosale Marg, Mumbai – 400 021 at 4.00 p.m. on Wednesday, 19th January 2011.

SIGNATURE OF THE ATTENDING MEMBER/PROXY.....

*Applicable for Members holding shares in electronic form.

NOTE : Shareholders/proxyholders wishing to attend the meeting must bring the Attendance Slip duly completed to the meeting and hand it over at the entrance of the Meeting hall.

NELCO LIMITED

Regd. Office: Francysters Cybernetics Center, 3rd Floor, Eucharistic Congress Building No. III, 5, Convent Street, Colaba, Mumbai – 400 001

PROXY

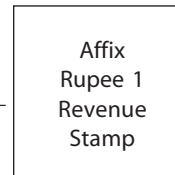
I/We of in the district of being a Member/Members of the above named company hereby appoint of in the district of or failing him of in the district of as my/our Proxy to attend and vote for me/us and on my/our behalf at the 68th Annual General Meeting of the Company to be held on Wednesday, 19th January 2011 and at any adjournment thereof.

Signed this day of 2011.

Folio No DP ID No.*/Client ID No.*

*Applicable for members holding shares in electronic form.

Signature _____



This form is to be used # in Favour of the Resolution. Unless otherwise instructed, the proxy will act as he thinks fit. # Against

Strike out whichever is not desired.

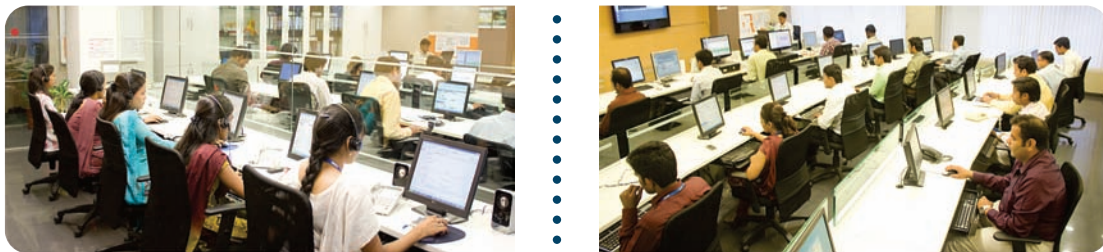
Note : The proxy must be returned so as to reach the Registered Office of the Company at Francysters Cybernetics Centre, 3rd floor, Eucharistic Congress Building No. III, 5, Convent Street, Colaba, Mumbai – 400 001 not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.

Tatanet Facilities & Installations

Tatanet's new Datacenter facility at Nelco H.O, Mahape



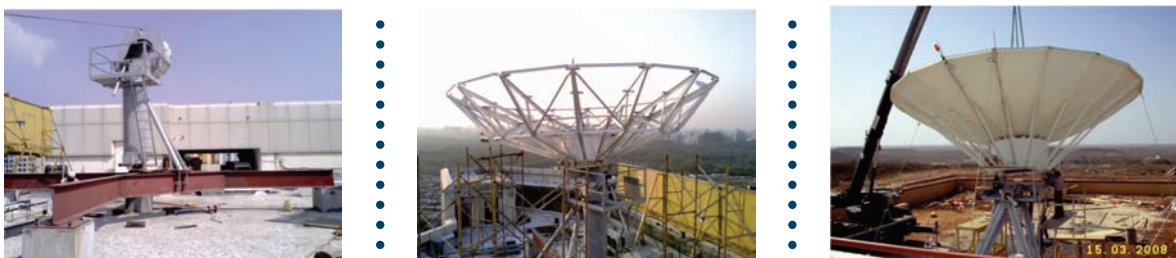
New Managed Services Help Desk and Network Operations Center



Video Conference facility & In-House Studio for our Managed Video Services & Distance Education Solutions



A Remote VSAT Hub installation in progress



NELCO LIMITED

Francysters Cybernetics Centre, Eucharistic Congress Building No.III, 3rd Floor, 5, Convent Street, Colaba, Mumbai – 400 001.