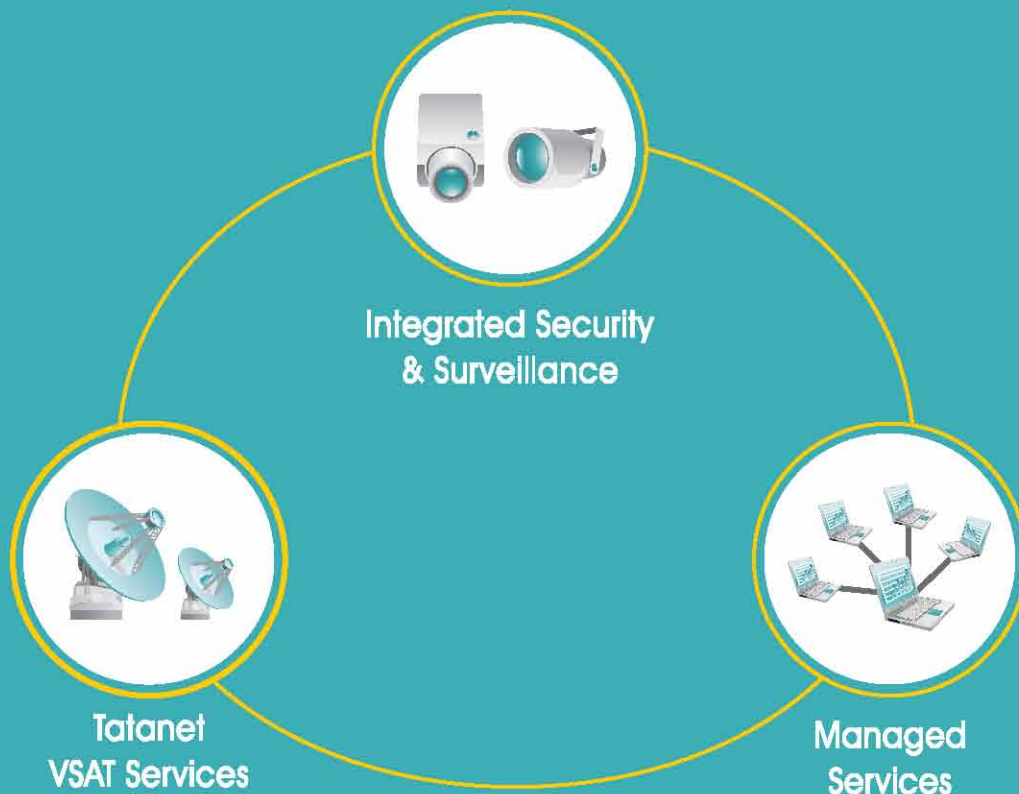


# 70<sup>th</sup> Annual Report 2011 - 2012

OUR SOLUTIONS HELP ENTERPRISES  
**UNLOCK POTENTIAL**





Tata Center Archive- Security and Surveillance Project at Pune



Director General of Lighthouse and Lightship- Automation equipment installation at Wilson Island, Andaman and Nicobar Islands



Inauguration of Southern Railway's Integrated Security and Surveillance Project executed by Nelco

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## NELCO LIMITED

### Chairman Emeritus

R. N. Tata

### Board of Directors (As on 22<sup>nd</sup> November, 2012)

P. R. Menon – Chairman

R. R. Bhinge

V. K. Deshpande

P. K. Ghose

S. Ramakrishnan

S. K. Gupta (upto 8<sup>th</sup> September, 2012)

B. Gopal

B. Rajagopal (from 28<sup>th</sup> March 2012)

P. J. Nath – Executive Director & Chief Executive Officer

### Company Secretary

Girish V. Kirkinde

---

### Bankers

Bank of India

Union Bank of India

Axis Bank Ltd.

### Solicitors

Mulla & Mulla and Craigie, Blunt & Caroe.

### Auditors

Deloitte Haskins & Sells, Mumbai.

### Registered office, works & facilities

EL-6, TTC Industrial Area,  
MIDC Electronics Zone, Mahape,  
Navi Mumbai – 400 710

(022) 67918728 / 67399100

Email: [services@nelco.in](mailto:services@nelco.in)

Website: [www.nelco.in](http://www.nelco.in)

Investor relations : [girish.kirkinde@nelco.in](mailto:girish.kirkinde@nelco.in)

### Share Registrars

TSR Darashaw Limited

6-10, 1st floor,

Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road, Mahalaxmi,

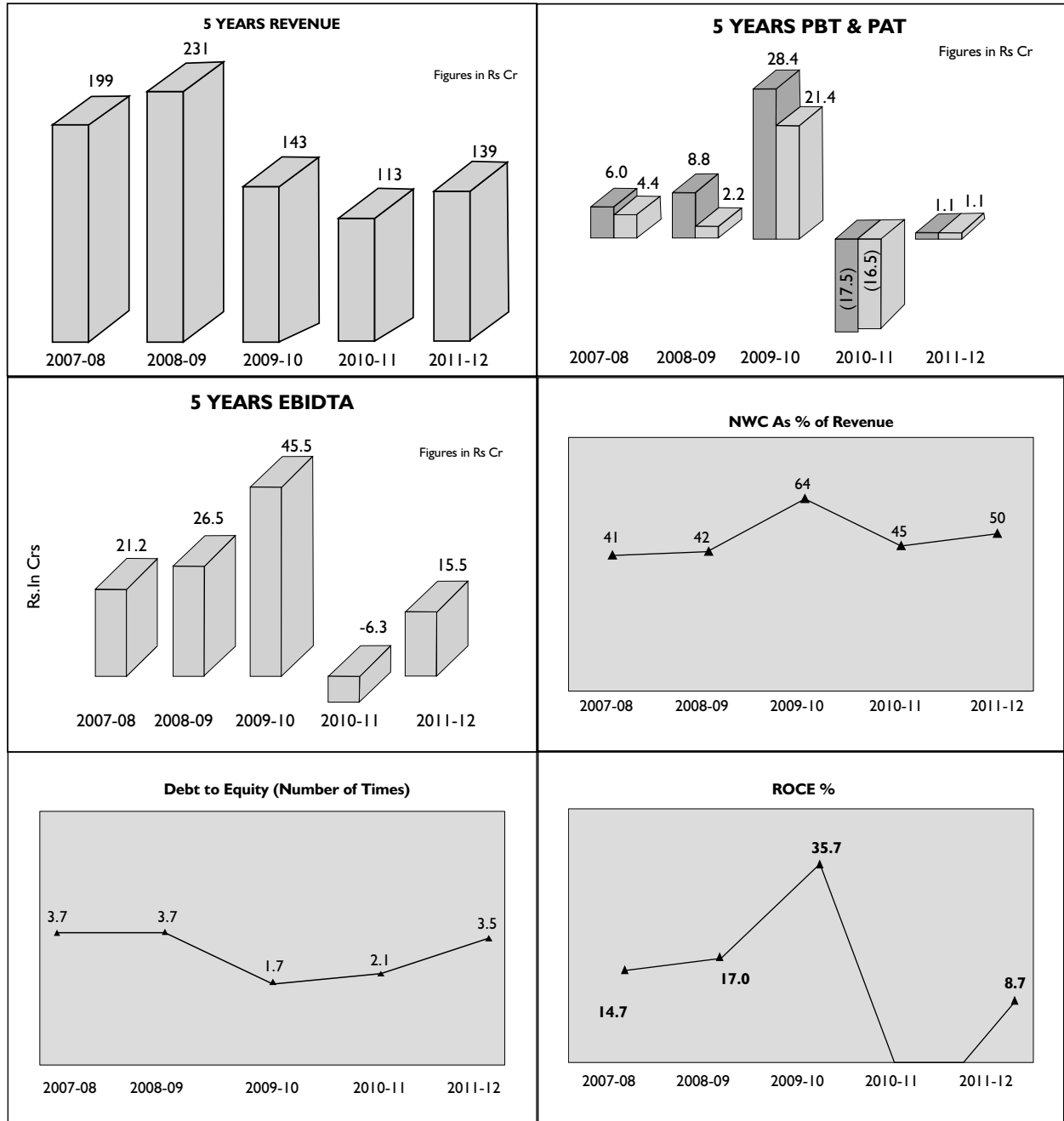
Mumbai - 400 011.

Tel.: 022-66568484 Fax: 022-66568494

Email: [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com)

Website: [www.tsrdarashaw.com](http://www.tsrdarashaw.com)

## Financial Highlights



Note : for the purpose of comparison, the figures are calculated on annualized basis wherever necessary.

## Go Green Today

As a responsible corporate citizen, the Company welcomes and supports the ‘Green Initiative’ taken by the Ministry of Corporate Affairs, enabling the Company to effect electronic delivery of documents. The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of annual reports and other documents of your Company sent to Members.

Members are requested to support this Green Initiative by giving their consent and a) updating their email addresses with their respective Depository Participants, in case of electronic shareholding; or b) registering their email addresses with the Company’s Registrar and Transfer Agents, in case of physical shareholding. Join this cause and make the world a cleaner, greener and healthier place to live in.

### 70th Annual General Meeting

Date : Tuesday, 22<sup>nd</sup> January, 2013

Time : 3.00 p.m.

Venue : Ebony, Hotel Regenza By Tunga,  
Plot No.37, Sector 30-A,  
Vashi,  
Navi Mumbai – 400 703

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.

Shareholders are requested to kindly bring their copies to the meeting.

Visit us at : [www.nelco.in](http://www.nelco.in)

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## NOTICE

The SEVENTIETH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Tuesday, the 22<sup>nd</sup> January 2013 at 3.00 p.m. at Ebony, Hotel Regenza By Tunga, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703 to transact the following business:-

1. To receive, consider and adopt the Audited Statement of Profit & Loss for the year ended 30th September, 2012 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. V. K. Deshpande who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. P. K. Ghose who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. S. Ramakrishnan who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and fix their remuneration.

**7. Appointment of Mr. B. Rajagopal as Director**

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

“RESOLVED THAT Mr. B. Rajagopal, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 28<sup>th</sup> March 2012 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“the Act”) but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

**8. Appointment of Mr. P. J. Nath as Director**

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

“RESOLVED THAT Mr. P. J. Nath, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 13<sup>th</sup> June 2012 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“the Act”) but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

**9. Appointment of Mr. P. J. Nath as Executive Director & Chief Executive Officer**

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

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), as amended or re-enacted from time to time, read with Schedule XIII to the Act, the Company hereby approves the appointment and terms of remuneration of Mr. P. J. Nath as the Executive Director & Chief Executive Officer of the Company for the period from 13<sup>th</sup> June 2012 to 12<sup>th</sup> June, 2015 upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this meeting, including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr. Nath.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.”

**Notes:**

- (a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 (“the Act”) in respect of the business as set out in Item Nos. 7 to 9 above and the relevant details of the Directors seeking appointment/ re-appointment under item nos. 3 to 5, 7 and 8 above as required by Clause 49 of the Listing Agreements entered into 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 commencement of 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, 8<sup>th</sup> January, 2013 to Thursday, 10<sup>th</sup> January 2013 (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 and from 24<sup>th</sup> January, 2013 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 7<sup>th</sup> January, 2013;
  - 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 7<sup>th</sup> January, 2013.

- (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 years upto 2004-05 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 2008-09 and 2009-10 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.
- (j) It is recommended that the Members should convert their physical holdings into demat holdings. Holding shares in demat form helps Members to get immediate transfer of shares. No stamp duty is payable on transfer of shares held in demat form and risks associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided. The Members should consolidate their shareholding held in multiple folios. This facilitates one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.
- (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 1<sup>st</sup> 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/update/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.
- (m) Members who are holding physical shares in identical order of names in more than one account are requested to intimate to the Share Transfer Agent the ledger folio of such accounts and send the share certificates to enable the Company to consolidate all the holdings into one account. The share certificate will be returned to the members after making necessary endorsements in the due course.
- (n) Members desirous of receiving Notice/ Annual Report in electronic form may furnish their consent and email id to the Company / Registrar and Share Transfer Agent.

By Order of the Board of Directors

**Girish V. Kirkinde**  
Company Secretary

22<sup>nd</sup> November 2012.

**Registered office:**

MIDC Plot EL 6, TTC Industrial Area,  
Electronics Zone, Mahape, Navi Mumbai – 400 710.

## 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 Nos. 7 to 9 of the accompanying Notice dated 22<sup>nd</sup> November 2012.

### Item No. 7

#### Appointment of Mr. B.Rajagopal as Director

The Board of Directors appointed Mr B. Rajagopal as an Additional Director of the Company with effect from 28<sup>th</sup> March 2012, in terms of Section 260 of the Companies Act, 1956 ("Act") and Article 125 of the Company's Articles of Association. Pursuant to Section 260 of the Act, Mr B.Rajagopal holds office only upto the date of the forthcoming Annual General Meeting but is eligible for appointment as a Director. A notice under Section 257 of the Act has been received from a Member signifying his intention to propose Mr B.Rajagopal's appointment as a Director.

Mr B.Rajagopal, aged 57 years, is B.Tech (Chem.Engg) from I.I.T. Delhi and MBA – IIM, Calcutta (1979). Presently he is a Managing Director with SI Group India Limited. He has over 30 years experience with various organizations in India and abroad and has successful track record of general management through delivering accelerated and profitable growth strategies and P&L goals in Chemicals and Manufactured Consumer Goods Sectors. He has International business and functional leadership experience combining a global mindset and proven capability of operating in a multi-country and multi-rational environment. He has also fostered a number of JV relationships.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. B. Rajagopal and therefore recommend for approval, the resolution contained in item no. 7 of the Notice convening the Annual General Meeting. Mr. B. Rajagopal is concerned or interested in the Resolution set out at item no. 7 of the accompanying Notice.

### Item Nos. 8 & 9

#### Appointment of Mr. P. J. Nath as Executive Director & Chief Executive Officer

Mr. P. J. Nath was appointed as an Additional Director of the Company with effect from 13<sup>th</sup> June, 2012 by the Board of Directors under Section 260 of the Act and Article 125 of Company's Articles of Association. In terms of Section 260 of the Act, Mr. Nath holds office only upto the date of the forthcoming Annual General Meeting but is eligible for appointment as a Director. A notice under Section 257 of the Act has been received from a Member signifying his intention to propose Mr Nath's appointment as a Director. The Board considers it desirable that the Company should continue to avail itself of services of Mr. Nath as Director and accordingly commends the Resolution at Item No. 8 of the accompanying Notice for acceptance by the Members of the Company.

The Board had also appointed Mr. Nath as the Executive Director and Chief Executive Officer for the period from 13<sup>th</sup> June, 2012 to 12<sup>th</sup> June, 2015, subject to the approval of the Members.

Mr. Nath, aged 50 years, joined the Company as Chief Executive Officer from 23<sup>rd</sup> February, 2011. Mr.Nath is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 25 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a NASDAQ Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as an Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

The Board of Directors had appointed Mr. Nath as Manager of the Company designated as Chief Executive Officer for a period of 3 years with effect from 23<sup>rd</sup>February, 2011, subject to the approval of the Members. Subsequently, the Members had approved the appointment and terms of remuneration of Mr. Nath at the Annual General Meeting held on 24<sup>th</sup>January, 2012. The approval of the Central Government was also obtained for payment of remuneration to Mr. P. J. Nath as Chief Executive Officer as approved by the Members. This agreement between the Company and Mr. Nath has been terminated by mutual agreement with effect from 13<sup>th</sup> June, 2012.

The principal terms and conditions of Mr. Nath's appointment as Executive Director and Chief Executive Officer (hereinafter referred to as "Mr. Nath" or "ED & CEO") are as follows:-

#### (1) Tenure of Agreement:

For a period of 3 years commencing from 13<sup>th</sup> June, 2012 to 12<sup>th</sup> June, 2015.

#### (2) Nature of Duties:

- (a) The ED & CEO shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and / or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the boards of such associated companies and / or subsidiaries or any other executive body or any committee of such a company.
- (b) The ED & CEO shall not exceed the powers so delegated by the Board pursuant to clause 2(a) above.



- (c) The ED & CEO undertakes to employ the best of his skill and ability to make his utmost endeavors to promote the interests and welfare of the Company and to conform to and comply with the directions and regulations of the Company and all such orders and directions as may be given to him from time to time by the Board.
- (3) (a) **Remuneration:**
- i) Basic salary upto a maximum of Rs.5,00,000/-per month. The annual increment will be effective from 1st October of each year or such other date as may be decided by the Board, based on merit and taking into account the Company's performance;
  - ii) benefits, perquisites and allowances, as may be determined by the Board;
  - iii) Performance Linked Payment from time to time based on certain performance criteria, Company's performance and such other factors as may be determined by the Board;
- (b) **Minimum Remuneration :** Where in any financial year during the currency of the tenure of the ED & CEO , the Company has no profits or its profits are inadequate, the Company will pay to the ED & CEO remuneration by way of Salary, Benefits, Perquisites and Allowances and Performance Linked Payment, as specified above.
- (4) All Personnel Policies of the Company and the related Rules, which are applicable to other employees of the Company, shall also be applicable to the ED & CEO, unless specifically provided otherwise.

The draft Agreement between the Company and the ED & CEO also contains the following terms and conditions:

1. The ED & CEO shall not become interested or otherwise concerned, directly or through his spouse and / or children, in any selling agency of the Company.
2. The terms and conditions of the appointment of the ED & CEO may be altered and varied from time to time by the Board as it may, in its discretion deem fit, irrespective of the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard in such manner as may be agreed to between the Board and the ED & CEO subject to such approvals as may be required.
3. This appointment may be terminated by giving six months' notice on either side or the Company paying six months' remuneration in lieu of such notice.
4. The employment of the ED & CEO may be terminated by the Company without notice or payment in lieu of notice:
  - (a) if the ED & CEO is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associated company to which he is required by the Agreement to render services; or
  - (b) in the event of any serious or repeated or continuing breach (after prior warning) or non-observance by the ED & CEO of any of the stipulations contained in the Agreement to be executed between the Company and the ED & CEO ; or
  - (c) in the event the Board expresses its loss of confidence in the ED & CEO.
5. In the event the ED & CEO is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate his contract on such terms as the Board may consider appropriate in the circumstances.
6. Upon the termination by whatever means of the ED & CEO's employment:
  - (a) The ED & CEO shall immediately tender his resignation from offices held by him in any subsidiaries and associated companies and other entities without claim for compensation for loss of office and in the event of his failure to do so the Company is hereby irrevocably authorized to appoint some person in his name and on his behalf to sign and deliver such resignation or resignations to the Company and to each of the subsidiaries and associated companies of which the ED & CEO is at the material time a Director or other officer;
  - (b) The ED & CEO shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries and associated companies.
7. The ED & CEO 's appointment is by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 283(1) (l) of the Act.
8. If and when the Agreement expires or is terminated for any reason whatsoever, Mr. Nath will cease to be the ED & CEO and also cease to be a Director. If at any time, Mr. Nath ceases to be a Director of the Company for any reason whatsoever, he shall cease to be the ED & CEO and the Agreement shall forthwith terminate. If at any time, Mr. Nath ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director and ED & CEO of the Company.
9. Mr. Nath will also enjoy all benefits of continuity with regard to Gratuity and other benefits for the purposes of which the date of joining shall be the date on which he joined as Chief Executive Officer of the Company.
10. The terms and conditions of appointment of Mr. Nath also include clauses pertaining to adherence with the Tata Code of Conduct, intellectual property, non-competition, no conflict of interest with the Company and maintenance of confidentiality.

In compliance with the provision of Section 198,269,309 and other applicable provisions of the Act read with Schedule XIII to the Act, the terms of remuneration specified above are now being placed before the Members for their approval.

## Seventieth Annual Report 2011-12

Mr. Nath is not related to any Director of the Company. Mr. Nath is concerned or interested in Resolutions set out at Item Nos. 8 and 9 of the accompanying Notice.

The Board commends the Resolution for appointment of Mr. Nath as Executive Director and Chief Executive Officer of the Company in terms of Item No. 9 of the accompanying Notice for acceptance by the Members of the Company.

**Additional information relevant to the appointment of Mr. P.J.Nath as the Executive Director and Chief Executive Officer as per Notification dated January 16, 2002 issued by the Department of Company Affairs is as follows:-**

### I. General Information:

1. Nature of Industry: Electronics and Telecommunications (ISP) activities.
2. Date of /expected date of commencement of commercial production:  
The Company was incorporated on August 31, 1940 and started commercial production immediately.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institution appearing in the prospectus: Not applicable.
4. Financial performance based on given indicators: for the year ended 30<sup>th</sup> September 2012:

(Rs. '000)

Particulars	2011-12 Rs.	2010-11 Rs.
Turnover and other income	14,17,560	1,134,653
Profit before exceptional items and taxation	(15,886)	(203,752)
Net Profit before tax	10,903	(175,419)
Net Profit after tax	10,903	(165,364)

5. Export performance and net Foreign Exchange collaboration:  
The Company's earnings in foreign exchange were Rs. 35,000('000)
6. Foreign investments or collaborators, if any: Not Applicable.

### II. Information about the Appointee:

#### 1. Background details:

Mr. Nath, aged 50 years joined the Company as Chief Executive Officer from 23<sup>rd</sup> February, 2011. Mr. Nath is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 25 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a NASDAQ Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as an Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

#### 2. Job Profile and his suitability:

The Executive Director & Chief Executive Officer shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the boards of such associated companies and/or subsidiaries or any other executive body or any committee of such a company. The Executive Director & Chief Executive Officer shall employ the best of his skill and ability to make his utmost endeavors to promote the interests and welfare of the Company.

The expertise and experience of Mr. Nath would be very useful to the growth of business and profitability of the Company and his appointment as Executive Director & Chief Executive Officer would be in the best interest of the Company.

#### 3. Remuneration proposed:

- a) Remuneration
  - i) Basic salary of upto a maximum of Rs. 5,00,000/- per month, with annual increments effective 1<sup>st</sup> October every year or such date as may be decided by the Board, based on merit and taking into account the Company's performance;
  - ii) The benefits, perquisites and allowances as may be determined by the Board.
  - iii) Performance Linked Payment based on certain performance criteria to be prescribed by the Board.

b) Minimum Remuneration:

Where in any financial year during the currency of the tenure of the Executive Director & Chief Executive Officer, the Company has no profits or its profits are inadequate, the Company will pay to the Executive Director & Chief Executive Officer remuneration by way of Salary, Benefits, Perquisites and Allowances and Performance Linked Payment as specified above.

4. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

Consideration the size of the company, the profile of the Executive Director & Chief Executive Officer, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed/paid is commensurate with the remuneration packages paid to similar senior level appointees in other companies.

5. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any: Besides the remuneration proposed, the Executive Director & Chief Executive Officer does not have any other pecuniary relationship with the company and its Managerial personnel.

**III. Other information**

1. Reasons for inadequate profits:

The marginal profit after tax of Rs. 10,903 ('000) for the year 2011-12 as against loss of Rs. 165,364 ('000) for the year 2010-11 was on account of unsatisfactory performance of security and surveillance business and provisioning of doubtful debts of Rs. 38,100 ('000).

The Company is continuously evaluating its businesses and will focus on building its position in Strategic Electronics, Network Systems and pursue further synergistic opportunities in related areas. The Company has now good order position in both businesses of security and surveillance and Tatanet VSAT and with no legacy expenses like VRS, the Company is expected to earn improved profits in the current year 2012-13. The medium and long term prospects of the Company are quite promising.

2. Steps taken by the Company to improve performance:

- (a) Focus on core competence areas.
- (b) Improving customer focus and marketing.
- (c) Increasing productivity and process improvements
- (d) Enlarging subscription base into related customer segments and deeper geographies.
- (e) Efforts to reduce debts through improved NWC.
- (f) Addressing the adjacent markets through alliances and expansion of products and services.

3. Expected increase in productivity and profits in measurable terms:

The Company expects to grow in terms of revenue and profitability through various measures stated above.

By Order of the Board of Directors

22<sup>nd</sup> November 2012.

**Girish V. Kirkinde**  
Company Secretary

**Registered office:**

MIDC Plot EL 6, TTC Industrial Area,  
Electronics Zone, Mahape, Navi Mumbai – 400 710.

**Details of Directors seeking re-appointment/appointment at the Annual General Meeting**  
(In pursuance of Clause 49 of the Listing Agreement)

<b>Name of the Director</b>	<b>Mr. V. K. Deshpande</b>	<b>Mr. P. K. Ghose</b>	<b>Mr. S. Ramakrishnan</b>	<b>Mr. B. Rajagopal</b>	<b>Mr. P. J. Nath</b>
Date of Birth	21 <sup>st</sup> July 1957	3 <sup>rd</sup> September 1950	19 <sup>th</sup> February 1949	21 <sup>st</sup> September 1955	1 <sup>st</sup> February 1962
Date of Appointment	30 <sup>th</sup> July 2004	28 <sup>th</sup> July 2005	31 <sup>st</sup> October 2005	28 <sup>th</sup> March 2012	13 <sup>th</sup> June 2012
Expertise in Specific Functional Area	Mr. Deshpande has over 32 years experience in various fields including execution of turnkey projects, plant operations, total plant solutions etc. He was associated with Tata Honeywell Limited for over 15 years in various leadership roles. At present he is a Managing Director of Tata Projects Ltd.	Work experience in the field of Corporate Finance and Accounts. Presently he is Executive Director and CFO of Tata Chemicals Ltd.	He joined the Tata Administrative Services in 1972. He has been associated with Tata Group for over 40 years and he has handled a multitude of national as well as international projects. Presently he is Executive Director and CFO of The Tata Power Co. Ltd.	Mr. Rajagopal has over 30 years experience in India and abroad through delivering accelerated and profitable growth strategies and P&L goals in Chemicals and Manufactured Consumer Goods Sectors. Presently he is Managing Director of SI Group India Ltd.	He has over 25 years of experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a Nasdaq Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as an Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.
Qualifications	Chemical Engineer, IIT Kharagpur	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	B.Tech (Mech.) IIT, Madras and a Management Degree from IIM, Ahmedabad	B.Tech (Chem. Engg) I.I.T. Delhi and MBA – IIM, Calcutta .	Graduate from BITS Pilani in Master of Management Studies (MMS)

<b>Name of the Director</b>	<b>Mr. V. K. Deshpande</b>	<b>Mr. P. K. Ghose</b>	<b>Mr. S. Ramakrishnan</b>	<b>Mr. B. Rajagopal</b>	<b>Mr. P. J. Nath</b>
Directorship held in other companies (excluding alternate Directorships and Directorships in Private companies, foreign Foreign Companies and Section 25 Companies)	- Kennametal India Ltd. - Tata Projects Ltd - Artson Engineering Ltd. - Voltas Ltd.	- Tata Services Ltd. - Tata Chemicals Ltd. - Tata Power Renewable Energy Ltd.	- The Tata Power Co.Ltd. - Tata Power Trading Co. Ltd. - Aftaab Investment Co. Ltd. - Coastal Gujarat Power Ltd. - Tata Power Delhi Distribution Ltd. - Tata Power Solar System Ltd. - Tata Projects Ltd. - Khopoli Investments Ltd. - Tata Power Renewable Energy Ltd. - Maithon Power Ltd. - Industrial Power Utility Ltd.	- SI Group India Ltd	- Tatanet Services Ltd. - Nelito Systems Ltd.
Committee positions held in other companies	<u>Audit Committee</u> - Kennametal India Ltd.	<u>Audit Committee</u> - Tata Services Ltd. - Tata Power Renewable Energy Ltd.	<u>Audit Committee</u> - Tata Power Trading Co. Ltd. - Tata Power Delhi Distribution Ltd. - Coastal Gujarat Power Ltd. - Tata Power Solar System Ltd. - Tata Projects Ltd.  <u>Shareholders'/ Investors' Grievance Redressal Committee</u> The Tata Power Co. Ltd.	<u>Audit Committee</u> - SI Group India Ltd.  <u>Shareholders'/ Investors' Grievance Redressal Committee</u> - SI Group India Ltd.	-
No. of shares held	Nil	Nil	Nil	Nil	Nil

## DIRECTORS' REPORT

### To the Members

The Directors present their Seventieth Annual Report together with the Audited Statement of Accounts for the year ended 30<sup>th</sup> September, 2012.

#### 1. Financial Results

The summarized financial results are indicated below:-

(Rupees in '000)

	For the 12 Months Period Ended 30.09.2012	For the 12 Months Period Ended 30.09.2011 (Regrouped)
Net Sales / Income from Operations	1,391,113	1,113,279
Operating Expenditure	1,289,534	12,10,778
Operating Profit / (Loss)	101,579	(97,498)
Add : Other Income	26,447	21,374
Less : Interest	88,111	79,974
Profit / (Loss) Before Tax & Depreciation and Exceptional items	39,915	(156,099)
Less : Depreciation	55,801	47,653
Profit / (Loss) Before Tax and Exceptional items	(15,886)	(203,752)
Exceptional Items		
Less: Deferred Revenue Expenditure (Voluntary Retirement Scheme)	-	-
Add:- Profit on sale of Business	26,789	28,333
Profit / (Loss) Before Tax	10,903	(175,419)
Less : Provision for Tax (including provision for Deferred Tax and Fringe Benefit Tax)	-	(10,055)
Net Profit / (Loss) After Tax	10,903	(165,364)
Balance Brought Forward	3,659	169,023
Balance available for appropriation	14,562	3,659
Appropriated as under :		
Proposed Dividend	11,409	-
Tax on Dividend	1,851	-
Transfer to General Reserve	-	-
Balance to be Carried Forward	1,302	3,659

#### 2. Dividend

For the year 2011-12, the Board of Directors of your Company has recommended for the approval of the Shareholders a dividend of 5% (Re.0.50) per share of Rs. 10/- each (Previous Year Nil).

#### 3. Financial Highlights

During the period under review, the total income was Rs.1,391,113 ('000) as against Rs.1,113,279 ('000) in the previous year. The Company reported profit before tax of Rs.10,903 ('000) as against Loss of Rs. 175,419 ('000) for the previous year. The profit after tax was Rs. 10,903 ('000) as against Loss of Rs. 165,364 ('000) in the previous year.

#### 4. Subsidiary Company

Tatanet Services Ltd. (TNSL) is a Wholly Owned Subsidiary of the Company. It holds the requisite licenses for providing the Shared Hub VSAT services. For the financial year ended 31<sup>st</sup> March, 2012, TNSL has posted revenue from operations of Rs. 380,259 ('000) as against Rs. 321,524 ('000) in the previous year and Profit after Tax of Rs. 5,773 ('000) as against Rs. 5,199 ('000) in the previous year.

Vide General Circular No.: 2/2011 dated 8th February, 2011, the Ministry of Corporate Affairs, Govt. of India has granted a general exemption to companies from attaching the Balance Sheet, Profit and Loss Account and other documents referred to in Section 212 (1) of the Companies Act, 1956 in respect of its subsidiary companies, subject to fulfillment of the conditions mentioned therein.

Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of Tatanet Services Ltd. ("TNSL"), the subsidiary company is contained in the report. The Annual Accounts of TNSL are open for inspection by any Member / Investor and the Company will make available these documents / details upon request by any Member of the Company or to any Investor of TNSL who may be interested in obtaining the same. Further, the Annual Accounts of TNSL will be kept open for inspection by any investor at the Company's Registered Office and that of the TNSL and would be posted on the website of the Company.

## 5. **New Brand Identity**

Your Company has undergone a major transformation along with creation of a fresh and innovative new brand identity. With its resurgence, the Company is metamorphosing into a dynamic and versatile enterprise with redefined business goals aiming to widen its customer base. The redefinition of Company's brand identity is not just an external logo change but also of the transformation that the Company is going through. The Company now offers comprehensive solutions around VSAT services, Integrated Security & Surveillance, Managed Services, Satcom Projects and Meteorological Solutions, catering to segments like manufacturing, banking, railways, steel, cement, automobile, Oil & Gas and Defense. The Company's new visual identity, 'Open CIRCLE', represents the Company's new brand positioning of helping its clients - unlock potential. This new identity has been translated into several elements in the form of advertisements and marketing collateral.

## 6. **Human Resource Management**

The year 2011-12 was the year of unification of Company's business units with the objective of aligning the organizations resources and people for better efficiency and utilization. Human Resource Management has oriented accordingly to the business need.

The challenges were to:

- (i) Evolve a unified organization structure.
- (ii) Align the Leadership team competencies and build a succession plan.
- (iii) Improve processes, practices and cultural integration of the teams.
- (iv) Improve employee engagement and performance management at all levels.
- (v) Talent acquisition under the unified structure.

In the unified structure two focus areas emerged – strengthening the Sales organization competencies and building a leadership team which addressed the future requirements of the organization w.r.t. innovation, turnaround attitude and handling higher responsibilities and accountabilities.

The Sales organization strengthening has undergone various phases – induction of fresh talent, review mechanisms, synergizing on the products and customers being addressed, appropriate product trainings, periodic performance / non-performance feedback, role enrichment or transition.

The issue of building the leadership team competencies was addressed at two levels. One was through induction of new talent or through internally reorganizing and other through enriching an existing role with higher responsibility. The latter was through a structured leadership development program in consultation with an external facilitator focused around organization transformation. The program which was started in May 2012 was participated by about 45 employees at various levels.

An HR roadmap was evolved with the help of Tata Group HR team. In the short-term HR initiatives were to focus on Employee Engagement and Performance Management, in mid-term on Strategic HR partnering with business teams and Change Management and in long-term on Leadership development, Succession planning and Workforce development.

The succession plan for the CEO was integrated as a part of the unified organization structure. The organization structure is being revamped to facilitate building leadership competencies in the areas of Sales and Marketing, Delivery & Operations and Innovation & new Business creation. A work level study has also been initiated with the expertise available with the Tata Group HR, which will also facilitate in the new organization.

Employee voice continued to be captured through Open House - the forum through which employees are directly encouraged to interact with the Leadership team to voice their concerns, to seek information or to provide feedback. The quarterly theme based events are held regularly to improve employee engagements.

Performance appraisal process has been further streamlined and appropriate training was provided to the Appraisees' and Appraisers. During the course of the year, the performance tracking for critical roles was carried out and wherever possible course corrections were made or appropriate actions initiated.

The challenge of attracting and retaining right talent, continued competence building and identifying alternative career paths within the organization are being addressed through multi-channel sourcing, increased focus on employee development and engagement through initiatives like posting internal job opportunities, job rotations, build and publish role based competency maps.

The Company maintained cordial industrial relations during the period under review. The total manpower in Nelco including those on contract as on 30<sup>th</sup> September, 2012 was 330.

### **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 authorized 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. ISSS has been certified for revised ISO 9001:2008. The Quality Management System based on ISO 9001-2008 has been validated and approved by STQC, New Delhi through the various audit processes.

### **9. Fixed Deposits**

The Company has neither accepted nor renewed any fixed deposits during the period under review. However, there were deposits amounting to Rs. 1,24,000/- as on 30<sup>th</sup> September, 2012 which remain outstanding as some of the deposit holders have not claimed the repayment.

In accordance with the provisions of Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, unclaimed deposits with interest aggregating to Rs. 1,98,201/- were transferred during the financial year 2011-12 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 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.

### **11. Disclosure of Particulars**

Particulars required pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 are given in the prescribed format as "Annexure A" to the Directors' Report.

Particulars of Employees: In accordance with Section 217(2A) of the Companies Act, 1956 ("the Act") read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out 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 of the Company excluding the aforesaid information. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of your Company.

### **12. Directors**

Mr. S. K. Gupta resigned with effect from 9<sup>th</sup> September, 2012 pursuant to the Tata Group Guidelines for retirement of Directors. The Board has placed on record its appreciation of the valuable guidance and contribution made to the Company by Mr. Gupta.

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

Mr. B. Rajagopal was appointed by the Board as an additional Director with effect from 28<sup>th</sup> March, 2012. He holds office upto the forthcoming Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose the appointment of Mr B. Rajagopal as a Director.

Mr. P. J. Nath was appointed by the Board as an Additional Director with effect from 13<sup>th</sup> June, 2012. He holds office upto the forthcoming Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose the appointment of Mr Nath as a Director. The Board also appointed Mr. Nath as Executive Director and designated as Executive Director and Chief Executive Officer effective the same date. His appointment and the remuneration payable to him require the approval of Members at the ensuing Annual General Meeting.



### 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 reappointment.

In accordance with the requirement of the Central Government and pursuant to Section 233B of the Companies Act, 1956, the Company has carried out an audit of cost accounts relating to its "Telecommunication (ISP) activities" for the financial year 2011-12. Since the requirement of cost audit has also been made mandatory for Electronics Products, the Company has subject to the approval of the Central Government, appointed M/s. P.D.Dani & Co. to audit the cost accounts for the Financial year 2012-13, relating to Telecommunication (ISP) activities and Electronics Products.

### 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, 22<sup>nd</sup> November, 2012.

## 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 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	Nil

### 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.

<b>Foreign Exchange earnings and outgo</b>	Rs. in ‘000
Total foreign exchange earned	35,000
Total foreign exchange used	455,266

## MANAGEMENT DISCUSSION AND ANALYSIS

The organization was restructured towards the end of financial year 2010-11 to better align itself closely with the market and provide a fillip to the growth of the business, which was stated in the Directors' Report of the previous year. There has been positive impact of these changes in the performance of the business.

The Company has strengthened and continued its focus on VSAT services, Managed Services, Integrated Security & Surveillance Solutions, Meteorology and Satcom Solutions businesses. The VSAT services are sold under the Tatanet brand name.

The Company has obtained ISO 20000 and 27001 certifications.

### Industry structure and development

The **VSAT services** are offered under the license of DOT, Govt. of India. The services continue to be provided by 6 operators in the country and no new service provider has emerged during the year. The growth of the VSAT industry is primarily due to its ability to be deployed ubiquitously anywhere in the country, coupled with these services being highly reliable due to satellite communication and connectivity. The Satellite transponder provider space is exclusively controlled by Antrix Corporation Ltd. (a Govt. of India Company under Dept. of Space), a part of ISRO. However a number of new satellites are getting launched, which will give a further boost to the VSAT industry.

The **Integrated Security and Surveillance Solutions (ISSS)** market has undergone considerable changes over the last few years. A technology revolution from conventional analog security systems to TCP/IP based networked security systems has changed the nature of the business. Further, there is a significant increase in general customer awareness of the high-tech electronic security products like, Access Control systems, CCTV Surveillance, Explosive Detection and Disposal, and Sensor Based Electronic Fence Solutions.

There are a large number of companies selling various security & surveillance equipment as stand-alone products. However, there is an increasing trend in the industry towards end-to-end System Integrators playing the important role of integrating the various components and provisioning an end-to-end solution. Newer players are entering this industry due to its growth prospects.

The scope of **Managed Services** is very wide and the industry is sizeable and has both the large IT players, as well as niche players focusing on specific areas like Data Center Services, Cloud Applications, RIM Services, etc. The Company is strategically positioning itself as a focused player in the area of non-IT Managed Services, which encompasses Remote Managed Surveillance solutions, Critical facilities Management This is a niche segment and the market is evolving. A number of players from Telecom Services industry as well as Original Equipment Manufacturers are expanding their presence in this segment, so as to expand their service offering mix of their business revenues.

The **Meteorology** market is moving towards Standardization of Weather equipment to be at par with International agencies. The Aviation Meteorology segment is addressed by multinational players like Vaisala and Telvant, apart from Nelco. The Company plays the role of a System Integrator for end-to-end solution and has appropriate tie-ups with international technology providers. This segment is driven by high precision and stringent quality requirements. The agriculture meteorology segment is currently addressed by a large number of local players with low cost solutions.

**Satcom Solutions** caters to the needs of the captive users of VSATs, like defense, Stock Exchanges and Oil companies. These captive users contract the satellite transponder space directly from ISRO. All the technologies are imported and the role that the provider plays is that of a specialized system integrator. In the recent past DOT, Govt. of India has raised the spectrum usage charges for captive VSAT users many fold, which is likely to have an adverse impact on the industry, as some of the users would prefer to move to shared hub VSAT services or migrate to fiber based connectivity where possible. There are very few segments like Defense, Oil & Gas, and Broking industry that use captive VSATs. There are a few players in this market, including BEL, which being a PSU has an advantage in the sensitive Defense segment.

### Opportunities and Threats

#### Opportunities:

The Banking and Finance industry has been the major growth driver for the VSAT industry in FY12 and the trend is likely to continue for this year too. The ATM infrastructure in the country is being revamped to grow from the existing 100,000 ATMs to around 250,000+ ATMs in the next 3 years. The VSAT services industry is likely to get major fillip due to this, as VSATs is the preferred mode of connectivity for ATMs in India thus far. The hugely growing rural connectivity requirements provide good opportunity for the VSAT industry in projects like RRBs, CSCs, APDRPs and Panchayat connectivity. Digital cinema and Signage are also industry applications which have growth potential for usage of -VSAT.

There are large opportunities for Integrated Security & Surveillance Solutions in the Govt. & Defense as well as Enterprise segments. There are a number of large Govt. & Defense requirements like the multiple City Surveillance projects, ISSS at Railway Stations across the country and large Border Management requirements, which offer good opportunity to the Company. There are large infrastructure projects coming up like SEZs, IT Parks, high end residential complexes, Retail Outlets, Airports, Metro etc., which have potential for large scale security & surveillance solutions. The large number of ATMs being deployed across the remotest corners of the country also offers an opportunity for security & surveillance solutions, as banks are increasingly shifting to unmanned ATM sites.

The increasing need for remote video surveillance, management of critical infrastructure and growing M2M communication industry is providing huge opportunities for Managed Services. Some of the segments for Managed Solutions & Services of non-IT assets and have growth potential include ATMs in the banking industry, Telecom Towers and Retail outlets.

A growth of opportunities in the Meteorological space is envisaged with a large network of automated weather stations being planned under 12<sup>th</sup> Five year plan by Indian Meteorology Dept. (IMD) and Govt. agencies. So far the demand for Early Warning Systems did not takeoff as expected, due to lack of awareness and benchmark projects. However a few states have now started taking initiatives in this direction and this offers a good opportunity for growth of the sector in next 3 – 4 years.

There are emerging opportunities for the Satcom Solutions business due to the adoption of advanced technologies like Communication on The Move (CoTM), Manpack / Rugged Terminals and these latest techniques optimise performance and are being used in the Defense sector.

Apart from individual products and services, the Company also sees an opportunity in combination offering of its various products and services. There are many segments where there is a compelling need for offering a combination solution involving VSATs, Security & Surveillance and Managed Services, which the Company is well positioned to address.

### Threats:

The main threat for the VSAT industry comes from the rapidly growing telecom infrastructure in the country. The availability of 3G and 4G services could pose a challenge for the VSAT industry for some of the specific segments. The government has formed a special purpose vehicle – Bharat Broadband Network Ltd. (BBNL) to roll out broadband network to connect 2.5 lakh panchayats across the country. Such a network may pose a threat to the VSAT industry due to its wide reach across the country.

The threat in the Managed Services business comes from the fact that some of the other eco-system players in the M2M space may become strong competition once this segment scales up.

The major threat to the Company for its Integrated Security & Surveillance Solutions business comes from the potential entry into this segment by the big IT players, who have existing -presence and relationships with large Enterprise customers. In large Govt & Defense projects, delays and associated overruns could hurt the growth of the business .

The Satcom project business gets impacted by changes in Govt. policies in terms of likely steep increase in captive licensing fees structure. The provision available with the Govt. & Defense organizations to award the contracts on nomination basis to PSUs also poses a challenge for the Company.

### **Segment wise performance**

#### VSAT Services:

During the period under review, the revenue for the VSAT business was Rs. 7314('000) as against Rs 5155('000) in the previous year. The total VSAT installed base is in excess of 25,000. The current market share is 15% on an overall installed base basis.

During the year the Company made significant inroads into the Banking and Finance sector by bagging large number of orders for ATM connectivity through the Brown Label ATM Service Providers. The Company has been able to do business with almost all the major Brown Label ATM services providers like Tata Communication Banking Infrastructure Ltd., Prizm Payment Systems, FIS, AGS, Mphasis, FSS and Accura. The Company also got the prestigious order for 2000+ VSATs for NABARD through Wipro.

The Company consolidated its position in the Oil & Gas segment through alliance with international oil rig solution providers.

#### Integrated Security & Surveillance Solutions and Meteorology:

During the period under review, the revenue for the ISSS & Meteorology businesses was Rs. 5358 ('000) as against Rs 2398 ('000) in the previous year.

During the year the Company strengthened its position in the Indian Railways by bagging two more contracts from Jaipur-North West Railway, and Mumbai-Central Railway. With these the Company has in its fold 4 zonal railways contracts for integrated security & surveillance solutions. The Company also made a strategic entry in the Oil & Gas segment through a prestigious contract for end-to-end security & surveillance infrastructure solution for IOCL's Paradip refinery.

#### Managed Services:

During the period under review, the revenue for the Managed Services business was Rs 291('000) as against Rs 288 ('000) in the previous year.

The Company evolved its Managed Services game plan during the year. It has created the infrastructure and the complete service stack for offering Managed Video Surveillance service as well as Critical facilities Management services and has been engaged in a number of important projects.

#### Satcom Solutions:

During the period under review, the revenue for the Satcom projects business was Rs 918('000) as against Rs 1461('000) in the previous year. The Company successfully completed a large and prestigious project of satellite communication for the Indian Airforce.

#### **Outlook**

The VSAT business for the Company is on a strong footing due to a good presence in the Banking & Finance segment for their ATM infrastructure. The momentum would also be provided by the opportunities in the e-Govt. projects, where a number of them are likely to be implemented during the coming years. The Company is poised for doubling its current installed base of VSATs in the next 2 years.

The VSAT industry is also likely to see a significant growth when the "Ka band" is allowed for commercial operations, which could significantly reduce the cost of VSAT communication and make it competitive and comparable with terrestrial and wireless telecom infrastructure.

The Company expects that its Integrated Security & Surveillance Solutions business will get additional fillip for growth from the Enterprise Industry segment, which is being actively pursued. It is already well positioned in segments like Banking & Finance, Manufacturing and Oil & Gas where there is significant potential .

Intelligence agencies of the country have recognized that privately owned critical infrastructure could be soft targets for terrorist attacks, and have been issuing advisories and conducting audits for security preparedness of such installations. This will also lead to increased requirement for integrated security & surveillance solutions over the next few years. The Company expects to leverage its solid experience to generate traction in this sector.

The outlook for the Managed Services looks positive. There are segments like Bank branches, ATMs, Telecom Towers, SEZs etc. which have a need for such services and the Company has been engaged in shaping this market. It expects to see traction during the future years in this space.

There are also large opportunities in the Govt. & Defense sector, where the Company is actively engaged. The modernization program for security & surveillance for railway stations of the Indian Railways' will continue in the coming years, and the Company expects to bag more contracts leveraging its experience in the sector..

For Meteorology business, the Aviation and Agriculture sector continues to be the focus areas. A few states are likely to set up Early Warning Systems as a part of Disaster Management & Mitigation Systems.

For Satcom project business, the Defense and Oil & Gas (Off-Shore Communications) sectors continue to be the focus areas. These segments are likely to continue investments in their Satcom infrastructure, given their need for reliable and almost zero downtime of their communication medium. Both these sectors are engaged in mission critical applications and cannot compromise any communication failure. The gestation period for such projects however is high and may not see significant revenue in the coming year.

#### **Risks and Concerns**

The risks for the VSAT business arise mainly from the Govt. processes and policies. There is still only one supplier for the Satellite transponder space – ISRO. As such there is complete dependence on only one organization for availability and pricing, which poses risks for the entire industry.

The Integrated Security & Surveillance Solutions business in India is considerably dependent on the threat perception of the private sector. Additionally the macro-economic scenario also impacts the business with security budgets being drastically cut during downturns. In case of the Govt. and Defense sectors the long decision making cycle, reduction in budgets and execution delays due to non-readiness at customer sites poses risk of project overruns.

The weakening & fluctuations of the Indian Rupee against US\$ pose challenges, since a significant value of equipments are imported.

#### **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 conditions, Government policies and other incidental / related factors.

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Corporate Governance

The Company subscribes fully to the principles and spirit of sound Corporate Governance and embodies the principles of fairness, transparency, accountability and responsibility into the value systems driving the Company. The Company is committed to attain high standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvements of internal controls and sound investor relations. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders' value over a sustained period of time. The Company has implemented the mandatory requirement of Corporate Governance as set out under Clause 49 of the Listing Agreement with the Stock Exchanges.

### 2. Board of Directors

#### Composition

As on 22<sup>nd</sup> November, 2012 the Board of Directors has 8 members, out of whom 1 is Executive Director and 7 are Non-Executive Directors who bring in a wide range of skills and experience to the Board. 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 (*) in other public limited companies as on 30/09/2012		Number of Committee positions held in other public limited companies (**) as on 30/09/2012	
				Director	Chairman	Member	Member
Mr. P. R. Menon	Non Executive Chairman (Non-Independent)	6	Yes	8	-	4	
Mr. R. R. Bhinge	Non Executive Director (Independent)	6	No	5	1	1	
Mr. V. K. Deshpande	Non Executive Director (Non-Independent)	5	Yes	4	-	1	
Mr. P. K. Ghose	Non Executive Director (Independent)	5	Yes	3	1	1	
Mr. S. Ramakrishnan	Non Executive Director (Non-Independent)	4	No	11	2	4	
Mr. S. K. Gupta (Resigned w.e.f. 8 <sup>th</sup> September 2012)	Non Executive Director (Non-Independent)	4	Yes	2	-	1	
Mr. K. A. Mahashur (Retired w.e.f. 12 <sup>th</sup> June 2012)	Executive Director	5	Yes	3	-	-	
Mr. B. Gopal (Appointment w.e.f. 14 <sup>th</sup> November 2011)	Non Executive Director (Independent)	5	Yes	1	-	-	

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	Number of Directorships (*) in other public limited companies as on 30/09/2012	Number of Committee positions held in other public limited companies (**) as on 30/09/2012	
					Director	Chairman
Mr. B.Rajagopal (Appointed w.e.f. 28 <sup>th</sup> March 2012)	Non Executive Director (Independent)	2	-	1	-	2
Mr. P.J. Nath (Appointed w.e.f. 13 <sup>th</sup> June 2012)	Executive Director	1	Yes (***)	2	-	1
Lt. Gen. Davinder Kumar (Retd). (Resigned w.e.f. 3 <sup>rd</sup> October,2011)	Non Executive Director (Independent)	-	-	3	-	-
Mr. B.B.Dubash (Resigned w.e.f. 28 <sup>th</sup> October 2011)	Non Executive Director (Independent)	-	-	4	-	-

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

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

\*\*\* Mr. P.J. Nath attended the last AGM as Chief Executive Officer.

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

Six 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:

7<sup>th</sup> October 2011, 28<sup>th</sup> November 2011, 24<sup>th</sup> January 2012, 10<sup>th</sup> May 2012, 11<sup>th</sup> June 2012 and 9<sup>th</sup> August 2012.

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.nelco.in](http://www.nelco.in). All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. The Executive Director and 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	7
Mr. V. K. Deshpande	Non-Executive, Non-Independent	6
Mr. R. R. Bhinge	Non-Executive, Independent	7
Mr. B. Gopal (Appointed w.e.f. 10 <sup>th</sup> May 2012)	Non-Executive, Independent	2
Lt. Gen. Davinder Kumar (Retd). (Ceased w.e.f. 3 <sup>rd</sup> October 2011)	Non-Executive, Independent	-

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

28<sup>th</sup> November 2011, 20<sup>th</sup> December 2011, 24<sup>th</sup> January 2012, 13<sup>th</sup> March 2012, 10<sup>th</sup> May 2012, 11<sup>th</sup> June 2012 and 9<sup>th</sup> August 2012

### 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. Nomination, HR and Remuneration Committee

During the year the Nominations Committee was merged with the HR & Remuneration Committee and accordingly the Committee was renamed as "Nominations, HR & Remuneration Committee with effect from 10<sup>th</sup> May, 2012.

#### Objectives of the Committee

The terms of reference of the Committee inter alia include recommending the composition of the Board and identify Independent Directors to be inducted to the Board from time to time. It shall also discharge the Board's responsibilities to the shareholders, the investment community and other stakeholders with respect to:

- recommending to the board the remuneration to each director;
- setting the performance standards, budgets and targets for the Executive team of the Company;
- setting the compensation and performance bonuses of the Company's executive officers;
- overseeing the Company's Human Resources and People strategy; and
- performing such other duties and responsibilities as may be consistent with the provisions of the charter.

#### Composition

- The Committee shall comprise of minimum three to four non-Executive Directors including the Chairman of the Board and at least two Independent Directors.
- The Chairman of the Committee shall be an Independent Director, from amongst the members of the Committee.
- The Chairman of the Company shall be a permanent member of the Committee during his tenure of Chairmanship on the Board. For all other members, 2 terms of three years each.



Table 3: Composition of the Nomination, HR & 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. R. R. Bhinge, Chairman	Non-Executive Independent	7
Mr. V. K. Deshpande	Non-Executive Non-Independent	5
Mr. S. Ramakrishnan	Non-Executive Non-Independent	5
Mr. P. K. Ghose	Non-Executive Independent	7
Mr. S. K. Gupta (Ceased w.e.f. 8 <sup>th</sup> September 2012)	Non-Executive Non-Independent	1
Mr. P. R. Menon	Non-Executive Non-Independent	3

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

The Nominations, HR & Remuneration Committee met seven times during the year under review on the following dates:

Remuneration Committee Meeting	Nominations Committee Meeting	Nominations, HR & Remuneration Committee Meeting
4-Nov-2011	4-Nov-2011	11-Jun-2012
28-Nov-2011	-	9-Aug-2012
20-Dec-2011	-	-
8-Feb-2012	-	-

#### Remuneration Policy:

- Executive Director**

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and Performance Linked Incentive (variable component) to the Executive Director. The salary is paid within the range approved by the shareholders and the approval of the Central Government, if any. Annual increments effective 1<sup>st</sup> October 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 Director and Chief Executive Officer for the financial year ended 30<sup>th</sup> September 2012 are as under:

Table 4:

Rs. in millions

Terms of Agreement	Mr. K. A. Mahashur, Executive Director	Mr. P. J. Nath Executive Director & Chief Executive Officer
Period of appointment	1 <sup>st</sup> September 2008 to 12 <sup>th</sup> June 2012	13 <sup>th</sup> June 2012 to 12 <sup>th</sup> June 2015
Salary and allowance	Rs. 3.50	Rs. 8.01
Perquisites	Rs. 0.32	Rs. 0.58
Performance Linked Incentive	Rs. 1.83	Rs. 3.30
Contribution to Provident Fund & Superannuation Fund, Leave encashment, gratuity and other benefits	Rs. 0.40	Rs. 0.36
Retirement benefits	Rs. 8.00	-
Notice Period	By either party giving six months notice or the Company paying six months salary in lieu thereof.	By either party giving six months notice or the Company paying six months salary in lieu thereof
Severance Fees	There is no separate provision for payment of severance fees.	There is no separate provision for payment of severance fees.
Stock Option	Nil	Nil

**Non Executive Directors**

The Company pays sitting fees of Rs. 10,000/- and with effect from 10<sup>th</sup> May 2012 Rs.12,500/- (only for Board Meetings) per meeting to the Non-Executive Directors for attending meetings of the Board. The sitting for meetings of the Committee attended by them per meeting is Rs.10,000/-. 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. R.R. Bhinge	2,17,500
Mr. V. K. Deshpande	1,55,000
Mr. P. K. Ghose	1,87,500
Mr. S. Ramakrishnan	NIL
Mr.S.K.Gupta	52,500
Mr. B.Gopal	67,500
Mr. B.Rajagopal	25,000
Mr.B.B.Dubash	-
Lt.Gen.Davinder Kumar (Retd)	-
Total	7,05,000

**5. Shareholders'/Investors' Grievance Redressal Committee**

Table 5: Composition of the Shareholders'/Investors' Grievance Redressal 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	2
Mr. K. A. Mahashur (Retired w.e.f. 12 <sup>th</sup> June 2012)	Executive	1
Mr.PJ. Nath (Appointed w.e.f. 13 <sup>th</sup> June 2012)	Executive	1

The Shareholders'/Investors' Grievance Redressal Committee met twice during the year under review on 26<sup>th</sup> March 2012 and 28<sup>th</sup> September 2012

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

The status of total number of complaints received during the year under review was as follows:-

Sr.No.	Description	Total		
		Received	Replied	Pending
1.	Letters received from Statutory Bodies			
	Securities & Exchange Board of India	-	-	-
	Stock Exchanges	-	-	-
	Depositories (NSDL/CDSL)	-	-	-
	Ministry of Corporate Affairs	-	-	-
2.	Non-Receipt of Annual Reports			
	Letters received from Shareholders for non-receipt of Annual Report.	1	1	0
	Total	1	1	0

During the year all Investors' complaints (identified and reported under Clause 41 of the Listing Agreement) were resolved. There were no unresolved complaints as on 30<sup>th</sup> September, 2012.

No transfers of shares in physical mode was pending as on 30<sup>th</sup> September 2012 . One request for demat of shares lodged on 28<sup>th</sup> September 2012 was pending on 30<sup>th</sup> September 2012. The same 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 has one "material non-listed Indian subsidiary" during the year under review viz. Tatanet Services Ltd. An Independent Director on the Board of the Company has been appointed on the Board of the material non-listed subsidiary w.e.f. 14<sup>th</sup> September, 2011. For more effective governance, the minutes of Board Meetings of Subsidiary Company are placed before the Board of Directors of the Company for 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 <sup>th</sup> September 2011 (12 months)	Tuesday, 24 <sup>th</sup> January 2012	4.00 pm	Millennium I, Hotel Ramada, 156, Millennium Business Park, MIDC Sector 2, Mahape, Navi Mumbai – 400 710	1 (One) Appointment of Mr. P. J. Nath as Chief Executive Officer
30 <sup>th</sup> September 2010 (12 months)	Wednesday, 19 <sup>th</sup> January 2011	4.00 pm.	Cultural Hall, Chavan Centre, 4 <sup>th</sup> floor, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	1 (One) Amendment of the Articles of Association of the Company.
30 <sup>th</sup> September, 2009 (18 months)	Wednesday, 27 <sup>th</sup> January, 2010	4.00 pm	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 <sup>st</sup> June, 2010 to 29 <sup>th</sup> July, 2010

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

## 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) 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.

## Seventieth Annual Report 2011-12

- (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 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.

### 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.nelco.in](http://www.nelco.in)
- ii) 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 Tuesday, 22<sup>nd</sup> January, 2013 at 3.00 p.m. at Ebony, Hotel Regenza by Tunga, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703.

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 22<sup>nd</sup> January 2013.

- ii) Financial Year : 1<sup>st</sup> October, 2011 to 30<sup>th</sup> September, 2012
- iii) Book closure date : From : Tuesday, 8<sup>th</sup> January, 2013 to Thursday, 10<sup>th</sup> January 2013 (both days inclusive).  
Dividend Payment date : On and from 24<sup>th</sup> January, 2013

- 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 fees to both the above mentioned Stock Exchanges for the financial year 2011-12.

- 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

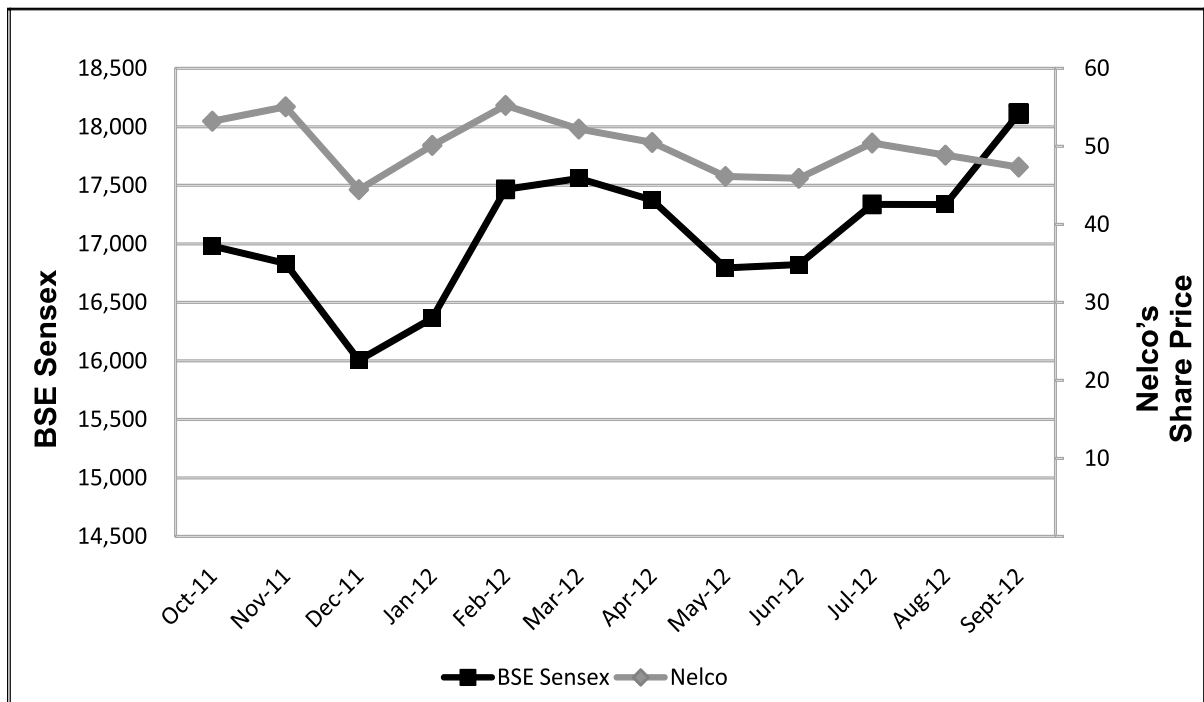
- vi) **Market Information**

- a) Market Price Data : High, Low during each month and trading volumes of the Company's Equity Shares during the period 1<sup>st</sup> October 2011 to 30<sup>th</sup> September 2012 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 2011	56.00	50.45	2,23,462	58.00	50.30	4,29,224
November 2011	64.35	45.80	9,12,725	64.40	45.60	15,07,105
December 2011	51.90	37.00	3,50,759	53.30	37.25	6,48,303
January 2012	59.00	41.25	15,87,797	58.80	41.50	27,43,870
February 2012	60.20	50.30	2,45,410	60.40	49.10	2,74,139
March 2012	56.70	47.75	4,51,657	57.00	47.10	5,77,381
April 2012	54.40	46.60	2,12,802	53.60	46.70	3,77,007

Stock Exchange	BSE			NSE		
	High	Low	Number of Shares Traded	High	Low	Number of Shares Traded
May 2012	54.00	38.30	5,57,161	54.50	38.70	9,99,686
June 2012	50.55	41.25	3,63,303	50.40	41.30	5,25,138
July 2012	57.95	42.90	10,77,003	62.15	46.15	18,67,351
August 2012	52.65	45.10	2,81,697	54.80	45.05	6,41,845
September 2012	49.70	45.00	1,89,843	54.85	45.00	10,05,739

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



vii) Registrars and Share Transfer Agents

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

Tel. :022- 6656 8484,  
Fax :022- 6656 8494  
E-mail: [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com)  
website : [www.tsrdarashaw.com](http://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	
1	503, Barton Centre, 5 <sup>th</sup> Floor 84, Mahatma Gandhi Road, Bengaluru – 560 001 Tel : 080 25320321, Fax : 080-25580019 e-mail <a href="mailto:tsrdlbang@tsrdarashaw.com">tsrdlbang@tsrdarashaw.com</a>
2	Bungalow No.1, "E" Road Northern Town, Bistupur, Jamshedpur – 831 001 Tel: 0657 – 2426616, Fax: 0657 – 2426937 Email : <a href="mailto:tsrdljsr@tsrdarashaw.com">tsrdljsr@tsrdarashaw.com</a>
3	Tata Centre, 1 <sup>st</sup> Floor, 43, Jawaharlal Nehru Road Kolkata – 700 071 Tel : 033 – 22883087, Fax : 033 – 22883062 e-mail : <a href="mailto:tsrdlcal@tsrdarashaw.com">tsrdlcal@tsrdarashaw.com</a>
4	Plot No.2/42, Sant Vihar Ansari Road, Daryaganj, New Delhi – 110 002 Tel : 011 – 23271805, Fax : 011 – 23271802 e-mail : <a href="mailto:tsrdldel@tsrdarashaw.com">tsrdldel@tsrdarashaw.com</a>

5	<u>Agent of TSRDL</u> Shah Consultancy Services Ltd. 3, Sumatinath Complex, Pritam Nagar, Akhada Road, Ellisbridge, Ahmedabad – 380 006 Telefax : 079 – 2657 6038, Email: shahconsultancy8154@gmail.com	
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**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 30<sup>th</sup> September, 2012**

No. of shares held (Range)	Shareholding	% of total Shareholding	No. of Shareholders	% of total Shareholders
1 to 5000	33,67,846	14.77	24991	88.80
5001 to 10000	13,62,883	5.97	1654	5.88
10001 to 20000	12,07,734	5.29	788	2.80
20001 to 30000	6,45,609	2.83	249	0.88
30001 to 40000	4,55,907	2.00	128	0.45
40001 to 50000	4,88,546	2.14	103	0.37
50001 to 100000	10,59,719	4.64	146	0.52
100001 and above	1,42,30,156	62.36	84	0.30
<b>Total</b>	<b>22,818,400</b>	<b>100.00</b>	<b>28143</b>	<b>100.00</b>

**x) Shareholding pattern as on 30<sup>th</sup> September, 2012**

Sr.No.	Category	No. of shares	Percentage
1	TATA Companies	1,14,32,590	50.10
2	Financial Institutions/ Banks	20,390	0.09
3	Mutual Funds	10,850	0.05
4	State Government / Government Companies	82,160	0.36
5	Bodies Corporate / Trusts	15,07,266	6.61
6	Individuals	87,35,213	38.28
7	Foreign Institutional Investors	10,29,931	4.51
<b>Total</b>		<b>2,28,18,400</b>	<b>100.00</b>

**xi) Top 10 Shareholders of the Company as on 30<sup>th</sup> September 2012**

List of Top 10 Shareholders (All Inclusive) as on 30th September, 2012				
Serial No.	Name of Shareholder	Account number	Total holdings	Percentage to capital
1	THE TATA POWER COMPANY LIMITED	IN30152430005534	1,10,99,630	48.64
2	SCHLUMBERGER LIMITED	NES0000110	8,66,460	3.80
3	AF-TAAB INVESTMENT COMPANY LIMITED	IN30395610023209	3,18,460	1.40
4	HITESH RAMJI JAVERI	IN30036020087818	2,00,000	0.88
5	FORTUNE CREDIT CAPITAL LTD.	1204450000057361	81,000	0.35
6	SUNIL KUMAR GUPTA	IN30154915093405	70,000	0.31
7	CHIRANJILAL RAJKUMAR EXPORTS PVT LTD	IN30321210005610	70,000	0.31
8	USHA KHAITAN	IN30321210005687	69,000	0.30
9	REITA GERTRUDE GOMES	IN30036010571804	62,000	0.27
10	HARSHA HITESH JAVERI	IN30036020087795	53,000	0.23
<b>TOTAL</b>			<b>12889550</b>	<b>56.49</b>

**xii) Dematerialisation of shares as on 30<sup>th</sup> September, 2012 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 2011-12 were paid to NSDL and CDSL. 2,13,42,689 Equity Shares of the Company representing 93.53% of the share capital were dematerialised as on 30<sup>th</sup> September 2012.

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

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

**xiv) Works, facilities and address for correspondence**

Plot No.EL-6, Electronics Zone, MIDC, Mahape Village,  
Navi Mumbai- 400 710  
Telephone No.022-67399100  
Fax No.022-27686797  
Website : [www.nelco.in](http://www.nelco.in)

**xv) Compliance with Non-mandatory Requirements**

- The Company does not reimburse expenses incurred by the Non Executive Chairman for maintenance of a separate Chairman's office.
- The Board has set up Nominations, HR & Remuneration Committee. Please see the details in para on Nominations, HR & Remuneration Committee.
- The Company posts the quarterly and half yearly results on its website at [www.nelco.in](http://www.nelco.in)
- 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's Board of Directors comprise of professional with expertise in their respective fields and industry. They endeavor to keep themselves updated with changes in the economy, legislation and technologies.
- The Board of Directors of the Company, at present, comprises of seven Non-Executive Directors. The Directors appointed are from the diverse fields which are relevant to the Company's business and they have long-standing experience and are expert in their respective fields. They have gained considerable experience in managing large corporate and have been in public life for decades. The enormously rich and diverse background of the Directors is of considerable value to the Company.
- Non-Executive Directors add substantial value through discussions at the Board and Committee Meetings. Besides contributing at the Board and Committee meetings, the Non-Executives Directors also have detailed deliberations with the Management Team and value through such deliberation.
- 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 years upto 2004-05 which remained unclaimed/unpaid for a period of seven years from the date of transfer to the unpaid dividend account have 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 30<sup>th</sup> September 2012.

For NELCO Limited

Mumbai,  
22nd November 2012

**P.J.Nath**  
Executive Director & Chief Executive Officer

## CERTIFICATE

To,

**The Members of NELCO Limited**

We have examined the compliance of conditions of Corporate Governance by Nelco Limited, for the year ended 30<sup>th</sup> September 2012 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

Membership No. 37915

Mumbai, 22<sup>nd</sup> November, 2012



## AUDITORS' REPORT

### Auditors' Report to the Members of Nelco Limited

1. We have audited the attached Balance Sheet of Nelco Limited as at 30<sup>th</sup> September, 2012, and also the Statement of Profit and Loss and 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, Statement of Profit and Loss and Cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, Statement of Profit and Loss 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 30<sup>th</sup> September, 2012;
    - (b) in the case of the statement profit and loss 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 30<sup>th</sup> September, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30<sup>th</sup> September, 2012 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

Membership No. 37915

Mumbai, 22<sup>nd</sup> November, 2012

## **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 (xii), (xiii), (xiv), (xviii), (xix) and (xx) 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 cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (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 30<sup>th</sup> September, 2012 for a period of more than six months from the date they became payable.

- (b) As at 30<sup>th</sup> September, 2012 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 '000)
Sales – Tax Laws	Sales-Tax	1989-90 and 1990-91	Appellate Authority - High Court Level	1,743
		1985-86 to 1990-91, 1992-93, 1996-97, 2003-04	Appellate Authority - Commissioner Level	3,151
Customs Duty Laws	Customs Duty	1991 to 1993	Appellate Authority - Assessing Officer Level	2,426
Excise Duty Laws	Excise Duty	1983-84 to 1985-86	Appellate Authority - Commissioner Level	5,643
		2006-07	Appellate Authority - Assistant Director Level	107
Service Tax Laws	Service Tax	2003-04, 2005-06, 2006-07	Appellate Authority – up to Commissioner Level	27,152

- (xi) The company does not have accumulated losses as at 30<sup>th</sup> September, 2012. The Company has not incurred cash losses during the financial year, however, it had incurred cash losses 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) According to the information and explanations given to us, the company has not given any guarantees for loan taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prejudicial to the interest of the company.
- (xiv) 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.
- (xv) Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis aggregating to Rs. 149,796 ('000) have been used for purchase of fixed assets/ long term loans and advances.
- (xvi) 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 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)

Mumbai, 22nd November, 2012

Membership No: 37915

**Balance Sheet as at 30th September, 2012**

(Rupees '000)

Particulars	Note No.	As at 30th September, 2012	As at 30th September, 2011
<b>A EQUITY AND LIABILITIES</b>			
<b>I Shareholders' funds</b>			
(a) Share capital	2	228,175	228,175
(b) Reserves and surplus	3	26,302	28,659
		254,477	256,834
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	4	12,090	23,270
(b) Deferred tax liability (Net)	33	-	-
(c) Other long-term liabilities	5	32,066	52,626
(d) Long-term provisions	6	57,833	80,133
		101,989	156,029
<b>3 Current liabilities</b>			
(a) Short-term borrowings	7	855,895	494,398
(b) Trade payables	8	362,740	574,638
(c) Other current liabilities	9	73,693	90,554
(d) Short-term provisions	10	59,141	70,151
		1,351,469	1,229,741
<b>TOTAL</b>		<b>1,707,935</b>	<b>1,642,604</b>
<b>B ASSETS</b>			
<b>I Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	11	226,477	246,301
(ii) Intangible assets	11	12,621	15,214
(iii) Capital work-in-progress		836	1,472
		239,934	262,987
(b) Non-current investments	12	19,825	19,825
(c) Long-term loans and advances	13	270,943	219,870
		530,702	502,682
<b>2 Current assets</b>			
(a) Inventories	14	209,663	189,627
(b) Trade receivables	15	727,400	654,197
(c) Cash and cash equivalents	16	29,091	49,988
(d) Short-term loans and advances	17	99,323	145,674
(e) Other current assets	18	111,756	100,436
		1,177,233	1,139,922
<b>TOTAL</b>		<b>1,707,935</b>	<b>1,642,604</b>
<b>See accompanying notes forming part of the financial statements</b>			

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells  
Chartered AccountantsPrasad Menon  
ChairmanP. J. Nath  
Executive Director & CEOR. A. Banga  
PartnerR.B. Upadhyay  
CFO & Sr. Vice President (Finance)Girish V. Kirkinde  
Company Secretary

Mumbai, 22nd November, 2012

Mumbai, 22nd November, 2012

## Statement of Profit and Loss for the year ended 30th September, 2012

(Rupees '000)

Particulars	Note No.	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<b>1</b> Revenue from operations (gross)	19	1,423,008	1,135,911
Less: Excise duty		31,895	22,632
Revenue from operations (net)		1,391,113	1,113,279
<b>2</b> Other income	20	26,447	21,374
<b>3 Total revenue (1 + 2)</b>		<b>1,417,560</b>	<b>1,134,653</b>
<b>4 Expenses</b>			
Cost of materials consumed	37A	191,755	189,720
Purchases of stock-in-trade	37D	555,938	454,227
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(5,033)	(57,742)
Employee benefits expense	22	218,332	227,218
Finance costs	23	88,111	79,974
Depreciation and amortisation expense	11	55,801	47,653
Other expenses	24	328,542	397,355
<b>Total expenses</b>		<b>1,433,446</b>	<b>1,338,405</b>
<b>5 Loss before exceptional items and tax (3 - 4)</b>		(15,886)	(203,752)
<b>6 Exceptional items</b>			
Profit related to sale of business (net) (Refer note 25(iii))		26,789	28,333
<b>7 Profit / (Loss) from Continuing Operation before tax (5+6)</b>		<b>10,903</b>	<b>(175,419)</b>
<b>8 Less: Tax expense</b>			
Current tax		-	(12,500)
In respect of earlier years		-	2,445
Deferred tax		-	-
		-	(10,055)
<b>9 Profit / (Loss) for the year (7-8)</b>		<b>10,903</b>	<b>(165,364)</b>
<b>10 Earnings per share (Face value of Rs 10/- per share) Rs. :</b>			
Basic and Diluted (refer note 32)		0.48	(7.25)
<b>See accompanying notes forming part of the financial statements</b>			

In terms of our report attached

For and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R. A. Banga**  
Partner

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012

Mumbai, 22nd November, 2012

## Cash Flow Statement for the twelve month period ended 30th September, 2012

(Rupees '000)

	For the year ended 30th September, 2012		For the year ended 30th September, 2011	
<b>A. LOSS BEFORE EXCEPTIONAL ITEMS AND TAXATION</b>		(15,886)		(203,752)
ADJUSTMENTS FOR				
Depreciation	55,801		47,653	
Interest Income	(939)		(6,094)	
Dividend Income on long term investment	(465)		(465)	
Interest Expense	79,762		64,815	
Loss/(Profit) on Sale of Fixed Assets	639		(97)	
		<u>134,798</u>		<u>105,812</u>
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>		<b>118,912</b>		<b>(97,940)</b>
<b>Changes in working capital:</b>				
<b>Adjustments for (increase) / decrease in operating assets:</b>				
Inventories	(20,036)		(55,191)	
Trade receivables	(73,203)		341,641	
Short-term loans and advances	46,351		33,230	
Long-term loans and advances	(10,758)		(3,263)	
Other current assets	(11,320)		(50,974)	
<b>Adjustments for increase / (decrease) in operating liabilities:</b>				
Trade payables	(211,897)		228,915	
Other current liabilities	(17,702)		(67,375)	
Other long-term liabilities	(20,560)		15,465	
Short-term provisions	(24,270)		20,775	
Long-term provisions	(22,300)		32,951	
		<u>(365,695)</u>		<u>496,174</u>
<b>CASH GENERATED (USED IN) / FROM OPERATIONS</b>		<u>(246,783)</u>		<u>398,224</u>
Direct taxes (paid)/ refund (net)		(40,315)		8,247
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b><u>(287,098)</u></b>		<b><u>406,471</u></b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets		(34,080)		(100,760)
Sale of fixed assets		693		325
Interest received		939		6,094
Dividend received		465		465
Bank balance not considered as Cash and Cash Equivalents		(355)		2,824
<b>NET CASH FLOW (USED) IN INVESTING ACTIVITIES</b>		<b>(32,338)</b>		<b>(91,052)</b>

## Cash Flow Statement for the twelve month period ended 30th September, 2012 (contd.)

(Rupees '000)

	For the year ended 30th September, 2012		For the year ended 30th September, 2011	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repayment of Long-term borrowings	(14,612)		(18,352)	
Proceeds from Short-term borrowings	405,555		250,000	
Repayment of Short-term borrowings	(250,000)		(350,000)	
Increase/(Decrease) in cash credit balances (Net)	31,443		1,898	
Matured deposit paid	(20)		(10)	
Proceeds from Inter-corporate deposits	1,422,000		1,040,000	
Repayment of Inter-corporate deposits	(1,247,500)		(1,120,000)	
		346,866		(196,464)
Dividend paid		(32)		(44,905)
Tax on Dividend paid		-		(7,580)
Interest paid		(75,439)		(65,585)
<b>Exceptional Item</b>				
Proceeds relating to sale of business (Refer note 25 (iii))		26,789		-
<b>NET CASH FROM (USED) IN FINANCING ACTIVITIES</b>		<b>298,184</b>		<b>(314,524)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(21,252)</b>		<b>895</b>
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD		44,988		44,093
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer note I below)		23,736		44,988
		(21,252)		895

Notes :

1) Cash and cash equivalents include: (Rupees '000)

	As at 30.9.2012	As at 30.9.2011
i) Cash in hand	390	264
ii) Cheques on Hand	13,355	31,181
iii) Balance with Scheduled Banks		
In current accounts	9,991	13,543
Total cash and cash equivalents as per AS 3	<b>23,736</b>	<b>44,988</b>

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

In terms of our report attached

For and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R. A. Banga**  
Partner

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012

Mumbai, 22nd November, 2012

## Notes forming part of the Financial Statements

### Note I

#### A Background

The Company was formed in the year 1940 as National Radio & Engineering Co Ltd. The Company became “NELCO Limited” in 1999.

In 1969, the Company was pre-dominantly the manufacturer of audio-visual appliances like Television, calculator, Servo Voltage Stabilizers and such other office equipment. In late 90's the Company entered in Automation business (SCADA, Traction & Drives), which was divested in 2010. In 1995 the Company first installed VSAT captive hub and in 2003 the Company enter into public domain.

Nelco is today focused in offering solutions in the areas of Integrated Security & Surveillance, VSAT connectivity, Managed Services, Satcom Projects and Meteorological Solutions.

The Company offers a range of innovative and customized solutions for businesses and government institutions under one roof.

#### B 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. 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 on the basis of terms of contract, which is generally on the dispatch of goods.

1.6.2 Sales from services are recognised as the services are performed

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 Accounting for Contracts

Contract revenue are accounted on “Percentage of Completion” basis measured by the proportion that the cost incurred upto the reporting date bear to the estimated total cost of the contract.



## Notes forming part of the Financial Statements

### 1.8 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.

### 1.9 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

(a) Company's contributions paid/payable during the year towards Provident Fund and Superannuation Fund are recognised in the Statement of Profit and Loss.

(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.

#### (ii) Defined Benefit Plan

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 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.

### 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.

## Notes forming part of the Financial Statements

### Note 2 Share capital

Particulars	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares	Rs in '000	Number of shares	Rs in '000
Authorised				
Equity Shares of Rs. 10/- each with voting rights	25,000,000	250,000	25,000,000	250,000
Redeemable Preference Shares of Rs. 100/- each	2,500,000	250,000	2,500,000	250,000
		<b>500,000</b>		<b>500,000</b>
Issued:				
Equity shares of Rs 10/- each with voting rights (including 939 equity shares pending allotment)	22,818,400	228,185	22,818,400	228,185
		<b>228,185</b>		<b>228,185</b>
Subscribed and fully paid up				
Equity shares of Rs 10/- each with voting rights	22,817,461	228,175	22,817,461	228,175
<b>Total</b>	<b>22,817,461</b>	<b>228,175</b>	<b>22,817,461</b>	<b>228,175</b>

Refer Notes (i) to (v) below

#### Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares	Rs in '000	Number of shares	Rs in '000
Equity shares - Subscribed				
Opening and Closing balance	22,817,461	228,175	22,817,461	228,175

(ii) Details of shares held by the holding company

Particulars	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares	Rs in '000	Number of shares	Rs in '000
Equity shares				
The Tata Power Company Limited (48.65%)(Holding Company)	11,099,630	110,996	11,099,630	110,996
Aftaab Investments Company Limited (1.44%) (Subsidiary of Holding Company)	328,410	3,284	328,410	3,284

(iii) The company has issued only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend proposed by Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

## Notes forming part of the Financial Statements

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights The Tata Power Company Limited	11,099,630	48.65%	11,099,630	48.65%

(v) Issued and subscribed equity shares include the following

Class of shares	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares held	Rs in '000	Number of shares held	Rs in '000
Otherwise than in cash pursuant to contracts dated 23rd October, 1940	5,370	54	5,370	54
Issued to Shareholders of the erstwhile General Radio & Appliances Limited in terms of the Scheme of Amalgamation	316,660	3,167	316,660	3,167

### Note 3 Reserves and surplus

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>General reserve</b>		
Opening balance and closing balance	25,000	25,000
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	3,659	169,023
Add: Profit / (Loss) for the year	10,903	(165,364)
	14,562	3,659
Less :Proposed Dividend	11,409	-
Corporate Dividend Tax	1,851	-
Transfer to General Reserve	-	-
	13,260	-
Closing balance	1,302	3,659
<b>Total</b>	<b>26,302</b>	<b>28,659</b>

**Notes forming part of the Financial Statements****Note 4 Long-term borrowings**

(Rupees '000)

Particulars	As at 30 September, 2012			As at 30 September, 2011		
	LongTerm	Current Maturities (Refer Note 9)	Total	LongTerm	Current Maturities (Refer Note 9)	Total
Term loans from Bank - Secured	598	7,157	7,755	7,755	9,939	17,694
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	11,492	4,023	15,515	15,515	4,673	20,188
<b>Total</b>	<b>12,090</b>	<b>11,180</b>	<b>23,270</b>	<b>23,270</b>	<b>14,612</b>	<b>37,882</b>

**i) Details of Security provided in respect of secured long term borrowings**

Particulars	As at 30th September, 2012	As at 30th September, 2011	Details of security
Term Loan from Banks	7,755	17,694	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.

**ii) Terms of repayment as at 30th September, 2012**

Particulars	Amount	Start date	Maturity Date	Repayment of Instalments	Remarks
Term loans from Bank	7,755	8-Oct-08	6-Oct-13	597.92	Monthly instalments starting from November'2008
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	15,515	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of availment of respective loan.

**iii) Terms of repayment as at 30th September, 2011**

(Rupees '000)

Particulars	Amount	Start date	Maturity Date	Repayment of Instalments	Number of Instalment
Term Loans from Bank The Zoroastrian Co-operative Bank Limited	13,522	8-Oct-08	6-Oct-13	597.92	Monthly instalments starting from November'2008
The Zoroastrian Co-operative Bank Limited	4,172	1-Apr-08	1-Feb-12	various	Monthly instalments starting from May'2008
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	20,188	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of availment of respective loan.

## Notes forming part of the Financial Statements

### Note 5 Other long-term liabilities

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Trade payables:	9,652	20,753
<b>Other payables</b>		
Income received in advance	3,688	7,371
Liability for voluntary retirement scheme	18,726	24,502
<b>Total</b>	<b>32,066</b>	<b>52,626</b>

### Note 6 Long-term provisions

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Provision for employee benefits:</b>		
Compensated absences	11,741	12,353
Gratuity (Refer note 31)	17,057	17,802
	28,798	30,155
<b>Provision - Others:</b>		
Warranty (Refer note 35)	3,014	22,929
Estimated losses on onerous contracts (Refer note 35)	26,021	27,049
<b>Total</b>	<b>57,833</b>	<b>80,133</b>

### Note 7 Short-term borrowings

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Term loans</b>		
From banks- Unsecured	300,000	250,000
From other parties - Unsecured	50,000	-
	<b>350,000</b>	<b>250,000</b>
Cash credit from Banks - Secured (Refer note (i) below)	33,340	1,898
Buyer's line of credit - Secured (Refer note (i) below)	55,555	-
<b>Other loans and advances</b>		
<b>Inter corporate deposit - Unsecured</b>		
- from Holding Company	114,500	-
- from others	302,500	242,500
<b>Total</b>	<b>855,895</b>	<b>494,398</b>

Note: (i) Cash credit with banks and Buyer's line of credit 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 fixed assets of the Company.

**Note 8 Trade payables**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Trade payables:</b>		
Other than acceptances (Refer note 30)	362,740	574,638
<b>Total</b>	<b>362,740</b>	<b>574,638</b>

**Note 9 Other current liabilities**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Current maturities of long-term debt (Refer note 4)	11,180	14,612
Interest accrued but not due on borrowings	7,575	3,252
Overdrawn Balances as per Books	158	17,122
Income received in advance	7,476	6,518
Unpaid dividends*	952	984
Unpaid matured deposits*	124	144
Due to customers for contracts in progress	3,921	-
<b>Other payables</b>		
Statutory remittances (Contributions to PF and ESIC, Withholding Taxes)	4,186	3,446
Trade / security deposits received	2,405	2,405
Advances from customers	29,940	36,024
Liability for voluntary retirement scheme	5,776	6,047
<b>Total</b>	<b>73,693</b>	<b>90,554</b>

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

**Note 10 Short-term provisions**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Provision for employee benefits</b>		
Compensated absences	1,699	2,891
Gratuity (Refer note 31)	1,540	3,897
	<b>3,239</b>	<b>6,788</b>
<b>Provision - Other</b>		
Proposed dividend	11,409	-
Dividend Tax	1,851	-
Warranty (Refer note 35)	38,880	39,970
Estimated losses on onerous contracts (Refer note 35)	3,762	23,393
<b>Total</b>	<b>59,141</b>	<b>70,151</b>

**Notes forming part of the Financial Statements**

(Rupees '000)

Description	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK		
	AS AT 1.10.2011	ADDITIONS	DEDUCTION	TRANSFER ON SALE OF BUSINESS	AS AT 30.9.2012	AS AT 1.10.2011	FOR THE YEAR	DEDUCTION	TRANSFER ON SALE OF BUSINESS	AS AT 30.9.2012	AS AT 30.9.2011
<b>Tangible Assets</b>											
Land :Leasehold	3,590	-	-	-	3,590	869	38	-	-	2,683	2,721
Building	33,590	-	-	-	33,590	16,330	1,113	-	-	16,147	17,260
Plant and machinery	73,629	15,400	-	-	89,029	33,725	4,544	-	-	50,760	39,904
Electrical Installation	21,039	76	190	-	20,925	6,498	998	39	-	13,468	14,541
<b>Office equipments</b>											
Own	228,919	3,904	4,019	-	228,804	170,663	10,611	2,887	-	50,417	58,256
Lease	183,733	11,122	60	-	194,795	73,001	31,142	60	-	90,712	110,732
Vehicles	7,130	-	1,137	-	5,993	4,243	548	1,088	-	2,290	2,887
<b>Total Tangible Assets</b>	<b>551,630</b>	<b>30,502</b>	<b>5,406</b>	<b>-</b>	<b>576,726</b>	<b>305,329</b>	<b>48,994</b>	<b>4,074</b>	<b>-</b>	<b>226,477</b>	<b>246,301</b>
Previous year	462,030	99,094	6,839	2,655	551,630	271,868	41,532	6,612	1,459	246,301	
<b>Intangible Assets</b>											
Testing Software	31,296	4,214	-	-	35,510	16,082	6,807	-	-	12,621	15,214
Technical Know-how	108,311	-	-	-	108,311	108,311	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>139,607</b>	<b>4,214</b>	<b>-</b>	<b>-</b>	<b>143,821</b>	<b>124,393</b>	<b>6,807</b>	<b>-</b>	<b>-</b>	<b>12,621</b>	<b>15,214</b>
Previous year	136,862	2,745	-	-	139,607	118,272	6,121	-	-	15,214	
<b>Grand Total</b>	<b>691,237</b>	<b>34,716</b>	<b>5,406</b>	<b>-</b>	<b>720,547</b>	<b>429,722</b>	<b>55,801</b>	<b>4,074</b>	<b>-</b>	<b>239,098</b>	<b>261,515</b>
Previous year	598,892	101,839	6,839	2,655	691,237	390,140	47,653	6,612	1,459	261,515	

**Notes forming part of the Financial Statements****Note 12 Non-current investments (At cost, less provision other than temporary , if any)**

(Rupees '000)

Particulars	Number of Shares	Face value per unit (Rs.)	As at	As at
			30th September, 2012	30th September, 2011
			Total	Total
<b>Unquoted - Equity Shares</b>				
<b>Trade</b>				
In subsidiary				
Tatanet Services Limited	6,000	100	600	600
In Associate Companies				
Nelito Systems Limited	450,000	10	19,125	19,125
In Other Companies				
Technopolis Knowledge Park Limited	1,810,000	10	18,100	18,100
<b>Other investments</b>				
Ordinary Shares of Zoroastrian Co-operative Bank Limited.	4,000	25	100	100
<b>Total</b>			<b>37,925</b>	<b>37,925</b>
Less: Provision for diminution in value of investments in respect of Technopolis Knowledge Park Limited.			18,100	18,100
<b>Total</b>			<b>19,825</b>	<b>19,825</b>
<b>Note:</b>				
Aggregate amount of unquoted investments			37,925	37,925

**Note 13 Long-term loans and advances (Unsecured, considered good)**

(Rupees '000)

Particulars	As at	As at
	30th September, 2012	30th September, 2011
Security deposits	16,253	7,283
<b>Loans and advances to related parties</b>		
Advance to Subsidiary (Tatanet Services Limited)	191,432	189,588
Advance income tax (net of provision for tax Rs. 1,80,930 ('000) (previous year : Rs 1,83,737 ('000)))	54,573	14,258
Balances with government authorities	5,191	5,247
Other recoverables	3,494	3,494
<b>Total</b>	<b>270,943</b>	<b>219,870</b>

**Note 14 Inventories**

(Rupees '000)

Particulars	As at	As at
	30th September, 2012	30th September, 2011
Contracts in Progress	40,691	64,869
Contracts in Progress - Goods-in-transit	-	19,871
Raw materials	37,121	26,205
Raw material - Goods-in-transit	4,087	-
Work-in-progress	21,094	21,590
Stock - in - trade	106,670	57,092
<b>Total</b>	<b>209,663</b>	<b>189,627</b>



## Notes forming part of the Financial Statements

### Note 15 Trade receivables (Unsecured and considered good, unless otherwise stated)

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Outstanding for a period exceeding six months from the date they were due for payment		
Considered good	82,685	108,973
Doubtful	40,419	39,694
	<u>123,104</u>	<u>148,667</u>
Less: Provision for doubtful trade receivables	40,419	39,694
	<u>82,685</u>	<u>108,973</u>
Other Trade receivables (refer note (i) below)		
Considered good	644,715	545,224
Doubtful	11,600	-
	<u>656,315</u>	<u>545,224</u>
Less: Provision for doubtful trade receivables	11,600	-
	<u>644,715</u>	<u>545,224</u>
<b>Total</b>	<b><u>727,400</u></b>	<b><u>654,197</u></b>

- i) Other Trade receivables include Rs.370,390 ('000) (Previous year: Rs 313,395 ('000)), which in accordance with the terms of contracts, were not due for payment as at the year end.

### Note 16 Cash and cash equivalents

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Cash on hand	390	264
Cheques on hand	13,355	31,181
<b>Balances with banks</b>		
In current accounts	9,991	13,543
In Margin Money account against Letter of credit and bank guarantees	5,355	5,000
<b>Total</b>	<b><u>29,091</u></b>	<b><u>49,988</u></b>
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statement	<b><u>23,736</u></b>	<b><u>44,988</u></b>

### Note 17 Short-term loans and advances - (Unsecured and considered good, unless otherwise stated)

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Security deposits</b>		
Considered good	12,935	10,532
Doubtful	7,333	6,968
	<u>20,268</u>	<u>17,500</u>
Less: Provision for doubtful deposits	7,333	6,968
	<u>12,935</u>	<u>10,532</u>
Crompton Greaves Limited	-	48,252
Loans and advances to employees	5,066	1,882
Prepaid expenses	10,496	5,304
<b>Balances with government authorities</b>		
Service Tax credit receivables	6,147	22,848
Value Added Tax/Work Contract Tax	10,638	10,252
Advance to suppliers	51,544	43,752
Other recoverables	2,497	2,852
<b>Total</b>	<b><u>99,323</u></b>	<b><u>145,674</u></b>

**Notes forming part of the Financial Statements****Note 18 Other current assets**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Unbilled revenue	108,029	100,436
<b>Unamortised expenses</b>		
Premium on Forward Contract	3,727	-
<b>Total</b>	<b>111,756</b>	<b>100,436</b>

**Note 19 Revenue from operations**

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
Sale of products	973,637	698,631
Sale of Services	447,371	436,780
	1,421,008	1,135,411
<b>Other Operating revenue</b>		
Scrap sales	433	500
Commission income	1,567	-
	2,000	500
	1,423,008	1,135,911
Less: Excise duty	31,895	22,632
<b>Total</b>	<b>1,391,113</b>	<b>1,113,279</b>

**Note 20 Other income**

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<b>Interest income comprises:</b>		
Interest on Bank deposits	939	753
Interest on Income tax refund	-	3,870
Other Interest	-	1,471
	939	6,094
<b>Dividend income from long term investments</b>		
Associate	450	450
Others	15	15
<b>Other non-operating income comprises:</b>		
Insurance claims recovered	19	783
Liabilities/Provisions no longer required written back	20,734	12,763
Bad Debts Recovered	2,265	-
Profit on sale of Fixed assets(net)	-	97
Miscellaneous income	2,025	1,172
<b>Total</b>	<b>26,447</b>	<b>21,374</b>

## Notes forming part of the Financial Statements

### Note 21. Changes in inventories of Stock-in-trade, work-in-progress and contracts in progress

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<u>Inventories at the beginning of the year:</u>		
Stock - in - trade	57,092	53,099
Work-in-progress	21,590	35,507
Car Park	-	21,697
Contracts in progress	84,740	-
	<b>163,422</b>	<b>110,303</b>
<u>Less: Stock transfer on sale of business</u>		
Semi finished products	-	4,623
	-	4,623
<u>Less : Inventories at the end of the year:</u>		
Stock - in - trade	106,670	57,092
Work-in-progress	21,094	21,590
Contracts in progress	40,691	84,740
	<b>168,455</b>	<b>163,422</b>
<b>Net (increase) / decrease</b>	<b>(5,033)</b>	<b>(57,742)</b>

### Note 22 Employee benefits expense

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
Salaries and wages	184,783	197,067
Contributions to provident and superannuation fund, etc.	9,555	9,968
Gratuity	4,362	4,315
Staff welfare expenses	21,228	20,895
	219,928	232,245
Less: Expenses shared by Crompton Greaves Limited	1,596	5,027
<b>Total</b>	<b>218,332</b>	<b>227,218</b>

### Note 23 Finance costs

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<b>Interest expense on:</b>		
Borrowings	77,834	64,674
Trade payables	1,928	141
Bank charges	8,349	15,159
<b>Total</b>	<b>88,111</b>	<b>79,974</b>

**Notes forming part of the Financial Statements****Note 24 Other expenses**

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
Consumption of loose tools	3,576	3,426
Subcontracting expenses	50,975	61,527
Power and fuel	17,577	15,572
Rent including lease rentals	6,494	7,204
Repairs and maintenance - Buildings	148	71
Repairs and maintenance - Machinery	-	2
Repairs and maintenance - Others	10,500	14,598
Insurance	3,427	4,531
Rates and taxes	1,116	3,632
Travelling and conveyance	31,872	37,041
Freight and forwarding	27,063	19,252
Legal and professional	9,736	16,248
Consultancy charges	19,520	15,404
Installation expenses	34,161	34,786
Foreign exchange loss (net)	12,976	14,476
Payments to auditors (Refer Note (i) below)	4,863	3,982
Bad debts/advances written off	25,789	9,622
Less: Provision for doubtful debts/advances made in earlier years	(25,789)	(9,622)
	-	-
Provision for doubtful debts and advances	38,480	21,332
Loss on fixed assets sold (net)	639	-
Provision for foreseeable losses	1,480	50,442
Provision for warranty (net of provision for warranty of earlier years written back Rs. 30,358 (000's) (Previous year: Rs.Nil))	(15,555)	13,952
Miscellaneous expenses	71,663	66,674
	330,711	404,152
Less: Expenses shared by Crompton Greaves Limited	2,169	6,797
<b>Total</b>	<b>328,542</b>	<b>397,355</b>

**Note:**

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
(i) Payments to the auditors comprises (net of service tax where applicable)		
As auditors - statutory audit	2,100	1,500
For taxation matters*	675	665
For other services	2,050	1,800
Reimbursement of expenses	38	17
<b>Total</b>	<b>4,863</b>	<b>3,982</b>

\*represents payment of Rs. 675 (Rupees '000) (Previous year Rs. 665 (Rupees '000)) for taxation matters to an affiliated firm in view of the networking arrangement which is registered with the Institute of Chartered Accountant of India.

## Notes forming part of the Financial Statements

25. (i) In an earlier year the Company had transferred the Traction electronics, Supervisory Control and Data Acquisition (SCADA) and Industrial drives businesses (together referred to as "Businesses") to Crompton Greaves Limited (CGL).
- (ii) However, at the request of CGL, the company continued with certain operations of the 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 previous year were included under the respective heads in the financial statements, as under:

(Rupees '000)

Particulars	2011-12	2010-11
Sales	-	183,381
Income from service rendered	-	9,880
Raw material consumed	-	123,325
Purchase of traded goods	-	58,390
Sub-contracting expenses	-	9,880

### Exceptional item:-

- (iii) The Company entered into a final settlement agreement with CGL considering all claims and differences that CGL had on account of all the associated risks and liabilities of the transferred Businesses under the Original Agreement and the effect of these were given effect to in the financial statements for the year ended September 30, 2011. Further during the year, the Company has received Rs. 26,789 (Rs 000's) on account of recovery of liquidated damages in respect of these Businesses.
- (iv) Consequent to the reasons stated in note 25 (i), (ii) and (iii) above, figures for current year are not comparable with the previous year.
- 26 In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Statement of Profit and Loss for the period included under Income from Services Rendered under Income from Operations aggregate to Rs. 34,301 ('000) (Previous Year: Rs. 30,885 ('000)).

## 27 Capital Commitment

(Rupees. '000)

Particulars	2011-12	2010-11
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	3,978	2,329

## 28 Contingent Liabilities

(Rupees. '000)

	2011-12	2010-11
a) Guarantees issued by the company on behalf of its subsidiary (amount of loan outstanding against this guarantee is Rs. 11,600 (000's) (Previous year: Rs. Nil)	120,000	140,000
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	41,629	41,629
ii) Other matters (excluding claims where amounts are not ascertainable)	2,928	4,506
Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending at various forums / authorities		

## Notes forming part of the Financial Statements

### 29 Managerial Remuneration

(Rupees '000)

		2011-12	2010-11
i)	Salary and allowance	16,651	11,883
ii)	Contribution to provident and superannuation funds	765	682
iii)	Other perquisites	905	713
iv)	Directors sitting fees (Non-Whole time Directors)	705	500
	<b>Sub Total</b>	<b>*19,026</b>	<b>*13,778</b>
v)	Gratuity and Leave Encashment paid on retirement	8,001	-
	<b>Grand Total</b>	<b>27,027</b>	<b>13,778</b>

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

The Managerial Remuneration paid/payable during the year 2011-12 includes remuneration paid to Mr. P.J.Nath as Executive Director and Chief Executive Officer with effect from 13<sup>th</sup> June, 2012 for which the Company is in the process of obtaining necessary approval from the Shareholders of the Company.

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

(Rupees '000)

Sr. No.	Particulars	2011-12	2010-11
(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.

### 31 Employee Benefits

#### I. Defined Contribution Plan

Company's contribution paid/payable during the year to provident fund, superannuation fund and ESIC contribution are recognized as an expense and included in the note 22 of the Statement of Profit and Loss under the heading "Contribution to Provident and superannuation funds, etc." are as under:

(Rupees. '000)

		2011-12	2010-11
a)	Contribution to Employees' Superannuation Fund	2,827	3,265
b)	Employees' State Insurance Scheme	115	271
c)	Contribution to Provident Fund	6,613	6,432

#### Provident Fund:

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trust formed by the Company. The Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.

The Rules of the Company's provident fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared by Central Government under para 60 of the Employees' Provident Fund Scheme, 1952 then the shortfall shall be made good by the Company. Having regard to the assets of the fund and the return on the investments, the Company does not expect any shortfall in the foreseeable future.

## Notes forming part of the Financial Statements

### II. Gratuity (Unfunded)

(Rupees '000)

Particulars		2011-12	2010-11
<b>1</b>	<b>Expenses recognised in Statement of Profit and Loss for the year ended</b>		
	Current Service cost	1,900	2,020
	Interest cost	1,845	2,231
	Expected return on plan assets	-	-
	Net Actuarial (Gain)/Loss	617	64
	<b>Total Expense</b>	<b>4,362</b>	<b>4,315</b>
<b>2</b>	<b>Net Asset/(Liability) recognised in the Balance Sheet as at</b>		
	Present value of Defined Benefit obligations as at the end of the year	(18,597)	(21,699)
	Fair value of plan assets as at the end of the year	-	-
	<b>Net Asset/(Liability)</b>	<b>(18,597)</b>	<b>(21,699)</b>
<b>3</b>	<b>Changes in present value of obligations during the year</b>		
	Present value of obligations as at beginning of the year	21,699	27,046
	Interest cost	1,845	2,231
	Current Service cost	1,900	2,020
	Benefits Paid	(7,464)	(9,662)
	Actuarial (Gain)/Loss	617	64
	<b>Present value of Defined Benefit obligations as at end of the year</b>	<b>18,597</b>	<b>21,699</b>

Particulars		2011-12	2010-11	2009-10	2008-09
<b>4</b>	<b>Experience Adjustments</b>				
	Experience (Gain)/Loss on adjustments on plan assets	-	-	-	-
	Experience (Gain)/Loss on adjustments on plan liabilities	292	414	(1,192)	524
	<b>Experience Adjustments (Total)</b>	<b>292</b>	<b>414</b>	<b>(1,192)</b>	<b>524</b>
<b>5</b>	<b>Assumptions</b>				
	Discount Rate	8.25%	8.50%	8.25%	
	Salary Escalation	6.00%	6.00%	6.00%	
	Attrition Rate	2.00%	2.00%	2.00%	
	Mortality Rate	LIC (94-96) Ultimate	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.4,522 ('000) (Previous Year: Rs. 5,326 ('000)) has been made in the Statement of Profit and Loss.

### 32 Earnings Per Share (EPS)

Particulars		2011-12	2010-11
a)	Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b)	Net Profit /(loss) after Tax available for Equity Shareholders (Rupees '000)	10,903	(165,364)
c)	Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	0.48	(7.25)
d)	Diluted Earnings Per Share (Rs.)	0.48	(7.25)

**Notes forming part of the Financial Statements****33 The components of Deferred Tax Assets /(Liabilities) are as under:**

(Rupees '000)

	2011-12	2010-11
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	10,542	12,561
b) On Provision for Doubtful debts	19,256	15,381
c) On Voluntary Retirement costs	3,438	3,694
d) Provision for future losses	*9,662	*11,981
e) Unabsorbed tax depreciation	*4,318	-
<b>Total:</b>	<b>47,216</b>	<b>43,617</b>
Less: Deferred Tax Liability		
a) On Fiscal allowances of Fixed asset	47,216	43,617
<b>Total:</b>	<b>47,216</b>	<b>43,617</b>
Net Deferred Tax Assets / (Liabilities)	-	-

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

**34 Information relating to Contracts required as per Accounting Standard-7 notified by the Companies (Accounting Standards) Rules, 2006 are as follows:**

(Rupees '000)

Particulars	2011-12	2010-11
Contract revenue recognised as revenue during the year	427,934	74,268
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	528,559	152,437
Advance payments received	-	-
Gross amount due from customers for contract work	149,662	152,437
Gross amount due to customers for contract work	3,921	-

For the method used to determine the contract revenue recognised and the stage of completion on contract in progress, refer note 1.7

**35 Disclosures as required by Accounting Standard-29 – “Provisions, Contingent Liabilities and Contingent Assets” notified by the Companies (Accounting Standards) Rules, 2006 as at year end are as follows:**

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.

Provision for future losses pertains to certain onerous contracts where the unavoidable costs of meeting the obligations as per the contracts exceed the economic benefits expected to be received from it.

(Rupees '000)

Particulars	Warranties	Future foreseeable losses on contracts
Opening Balance	62,899	50,442
	(52,195)	(-)
Provision during the year	14,803	3,428
	(13,952)	(50,442)
Utilisation during the year	5,450	22,139
	(2,552)	(-)
Transfer on sale of business	-	-
	(696)	(-)
Reversal during the Year	30,358	1,948
	(-)	(-)
Closing Balance	41,894	29,783
	(62,899)	(50,442)

Note: previous year figures are in brackets



## Notes forming part of the Financial Statements

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

Particulars	Foreign Currency	2011-12	2010-11
		Amount in Foreign Currency ('000)	Amount in Foreign Currency ('000)
Receivable	USD	369	166
Payable	USD	195	3,901
	EUR	9	18
	GBP	-	6
	NOK	447	6

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end are :

Particulars	Foreign Currency	2011-12	2010-11
		Amount in Foreign Currency ('000)	Amount in Foreign Currency ('000)
Payable	USD	2,850	-
	GBP	44	-

### 37A. Particulars of Raw Materials consumed:

(Rupees '000)

PARTICULARS	2011-12	2010-11
Battery	2,806	-
Cables And Wires	20,956	18,987
Camera, Monitors And Lens	107,493	9,101
Cabinets And Panels	6,654	-
Electronic Modules	35,260	126,292
Integrated Circuits	2,518	1,129
Others	16,068	34,211
<b>TOTAL VALUE</b>	<b>191,755</b>	<b>189,720</b>

#### Notes:

- a. 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.

### 37B. Value of Imported / Indigenous Raw Materials Consumed

Particulars	2011-12		2010-11	
	%	Value	%	Value
Imported	58	111,322	16	30,529
Indigenous	42	80,433	84	159,191
	100	191,755	100	189,720

**Notes forming part of the Financial Statements****37C. Details of Revenue from Operations**

(Rupees '000)

Sr.No	Class of Goods	2011-12	2010-11
<b>i)</b>	<b>Manufactured goods</b>		
1	Variable Speed Drives	-	2,580
2	Auxiliary Converters	-	127,507
3	Converters Assemblies & Equipments	-	7,593
4	UGS / GPS - Assemblies & Equipments	45,703	97,454
5	Automatic Weather Station (AWS)	-	6,058
6	Fencing Equipments & Networking	-	(5,612)
7	CCTV Systems	238,039	39,286
	<b>(A)</b>	<b>283,742</b>	<b>274,866</b>
<b>ii)</b>	<b>Sale of Stock - in - trade</b>		
1	Components of power convertors	-	58,390
2	Network Related Systems	92,225	72,302
3	Baggage Scanner	102,124	-
4	Camera	27,717	-
5	Vapour Tracer	24,761	-
6	Network Related Systems Integration	431,230	293,073
7	Others	11,838	-
	<b>(B)</b>	<b>689,895</b>	<b>423,765</b>
	<b>Sale of products (A)+(B)= (C)</b>	<b>973,637</b>	<b>698,631</b>
<b>iii)</b>	<b>Income from services rendered</b>		
	<b>(D)</b>	<b>447,371</b>	<b>436,780</b>
	<b>Revenue from Operations Total (C)+(D)</b>	<b>1,421,008</b>	<b>1,135,411</b>

**37D. Details of Purchase of Stock-in-trade goods**

(Rupees '000)

Sr.No	Class of Goods	2011-12	2010-11
1	Components of power convertors	-	58,390
2	Network Related Systems	74,467	95,416
3	Baggage Scanner	36,425	64,224
4	Camera	32,213	-
5	Vapour Tracer	24,654	-
6	Network Related Systems Integration	379,715	235,731
7	Others	8,464	466
	<b>TOTAL</b>	<b>555,938</b>	<b>454,227</b>

**37E. Expenditure in Foreign Currency**

(Rupees '000)

		2011-12	2010-11
i)	Foreign Travel	1,795	1,231
ii)	Bank Charges	147	59
iii)	Sub-contracting Expenses	6,103	5,657
iv)	Others	4	722

**37F. Earnings in Foreign Currency**

(Rupees '000)

		2011-12	2010-11
i)	Engineering / Software Services	16,936	4,891
ii)	Exports of goods calculated on FOB basis	18,064	30,169

## Notes forming part of the Financial Statements

### 37G. Value of Imports calculated on CIF basis

(Rupees '000)

		2011-12	2010-11
i)	Raw Materials and Component	111,569	27,713
ii)	Finished Goods	310,212	208,554
iii)	Capital Goods	12,460	-

### 37H. Remittance in foreign currency on account of dividends to non-resident shareholders :

Year	No of Shareholder	No. of Equity shares of Rs. 10/- each	Amount Remitted (Rupees '000)	Dividend
2011-12	One(1)	8,66,460	-	-
2010-11	One(1)	8,66,460	1,732	For the year ended September 30, 2010 Dividend @20%.

### 38 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. Associate – Nelito Systems Limited
- IV. Key Management Personnel
  - a. Mr. K. A. Mahashur - Executive Director - up to June 11, 2012
  - b. Mr. P.J. Nath - Manager  
- Executive Director w.e.f June 13, 2012

The related party transactions are as under:

(Rupees '000)

Sr. no	Particulars	The Tata Power Co.Ltd.	Tatanet Services Ltd.	Nelito Systems Ltd.	Key Management Personnel
		(HOLDING CO.)	(SUBSIDIARY)	(ASSOCIATE)	
<b>1)</b>	<b>Sales :</b>				
a)	Goods	4,519 (2,571)	- (-)	- (-)	- (-)
b)	Services	130 (3,708)	184,500 (148,500)	100 (240)	- (-)
<b>2)</b>	<b>Finance :</b>				
a)	Inter Corporate Loans taken	114,500 (-)	- (-)	- (-)	- (-)
b)	Interest Paid/Payable	458 (-)	- (-)	- (-)	- (-)
c)	Security Deposits given during the period	- (-)	7,297 (802)	- (-)	- (-)
d)	Security Deposits refunded during the period	- (-)	5,453 (6,195)	- (-)	- (-)
e)	Dividend received	- (-)	- (-)	450 (450)	- (-)

**Notes forming part of the Financial Statements**

Sr. no	Particulars	The Tata Power Co.Ltd.	Tatanet Services Ltd.	Nelito Systems Ltd.	Key Management Personnel
		(HOLDING CO.)	(SUBSIDIARY)	(ASSOCIATE)	
<b>3)</b>	<b>Guarantees and collaterals given</b>	-	(20,000)	-	
		(-)	(30,000)	(-)	(-)
<b>4)</b>	<b>Other Transactions :</b>				
a)	Reimbursements received from parties	-	2,662	-	-
		(312)	(1,584)	(-)	(-)
<b>5)</b>	<b>Balance Outstanding as on 30.09.2012</b>				
a)	Debtors (Net)	4,878	44,645	-	-
		(673)	(38,613)	(128)	(-)
b)	Inter Corporate Loans	114,500	-	-	-
		(-)	(-)	(-)	(-)
c)	Interest Accrued, but not due	458	-	-	-
		(-)	(-)	(-)	(-)
d)	Deposits given	-	191,432	-	-
		(-)	(189,588)	(-)	(-)
e)	Guarantees and collaterals	-	120,000	-	-
		(-)	(140,000)	(-)	(-)
f)	Other Recoverable	-	-	52	-
		(-)	(-)	(45)	(-)
<b>6)</b>	<b>Remuneration to Key Managerial personnel</b>	-	-	-	26,322
		(-)	(-)	(-)	(13,278)

Note : Figures in brackets pertain to the previous year

- 39 The tax year for the company being the year ending 31<sup>st</sup> March, the provision for taxation for the period is the aggregate of the provision made for the six months ended 31<sup>st</sup> March, 2012 and the provision based on the figures for the remaining six months up to 30<sup>th</sup> September, 2012, the ultimate tax liability of which will be determined on the basis of the figures for the period 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012.
- 40 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signatures to Notes forming part of financial statements "1 to 40"

**For and on behalf of the Board of Directors**

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012

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

Name of Subsidiary		Tatanet Services Limited
1.	Financial Year of the subsidiary ended on	31st March, 2012
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 so far as they concern member of the company :	
	a) dealt with in the accounts of the company for the period ended 30th September, 2012	Nil
	b) not dealt with in the accounts of the company for the period ended 30th September, 2012	Rs.57,73,000 /-
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 , 2012	Nil
	b) not dealt with in the accounts of the company for the period ended 30th September , 2012	Rs. 1,90,81,000/-

**For and on behalf of the Board**

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012

## **Consolidated Financial Statements**

## AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS OF NELCO LIMITED

1. We have audited the attached Consolidated Balance Sheet of Nelco Limited ("the Company") and its subsidiaries ("the Group") as at 30th September, 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. The Consolidated Financial Statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial 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 the subsidiary, whose financial statements reflect the Group's share of total assets of Rs. 306,207 ('000) as at 30<sup>th</sup> September, 2012, Group's share of total revenues of Rs. 400,556 ('000) and Group's share of total net cash inflows of Rs. 1,227 ('000) for the year ended on that date and associate whose financial statements reflect the Group's share of profit (net) upto September 30, 2012 of Rs. 59,447 ('000) and of Group's share of profit (net) Rs. 3,327 ('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" and Accounting Standard 23, "Accounting for Investment in Associates in Consolidated Financial Statements" 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 30<sup>th</sup> September, 2012;
  - (ii) in the case of the Consolidated Statement of Profit and Loss, 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, 2012

**CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2012**

(Rupees ' 000)

Particulars		Note No.	As at 30th September, 2012	As at 30th September, 2011
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>I</b>	<b>Shareholders' funds</b>			
	(a) Share capital	2	228,175	228,175
	(b) Reserves and surplus	3	97,164	100,140
			<u>325,339</u>	<u>328,315</u>
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Long-term borrowings	4	21,370	23,270
	(b) Deferred tax liability (Net)	31	851	4,155
	(c) Other long-term liabilities	5	33,560	53,574
	(d) Long-term provisions	6	57,833	80,133
			<u>113,614</u>	<u>161,132</u>
<b>3</b>	<b>Current liabilities</b>			
	(a) Short-term borrowings	7	855,895	494,398
	(b) Trade payables	8	381,471	580,794
	(c) Other current liabilities	9	98,762	115,407
	(d) Short-term provisions	10	59,141	70,151
			<u>1,395,269</u>	<u>1,260,750</u>
	<b>TOTAL</b>		<u><b>1,834,222</b></u>	<u><b>1,750,197</b></u>
<b>B</b>	<b>ASSETS</b>			
<b>I</b>	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	11	371,746	397,875
	(ii) Intangible assets	11	15,492	18,368
	(iii) Capital work-in-progress		1,983	5,449
			<u>389,221</u>	<u>421,692</u>
	(b) Non-current investments	12	78,271	75,344
	(c) Long-term loans and advances	13	106,786	53,076
			<u>574,278</u>	<u>550,112</u>
<b>2</b>	<b>Current assets</b>			
	(a) Inventories	14	209,663	189,627
	(b) Trade receivables	15	759,972	664,530
	(c) Cash and cash equivalents	16	51,381	71,052
	(d) Short-term loans and advances	17	127,172	174,440
	(e) Other current assets	18	111,756	100,436
			<u>1,259,944</u>	<u>1,200,085</u>
	<b>TOTAL</b>		<u><b>1,834,222</b></u>	<u><b>1,750,197</b></u>
	<b>See accompanying notes forming part of the financial statements</b>			

In terms of our report attached

For and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R. A. Banga**  
Partner

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012

Mumbai, 22nd November, 2012



## Consolidated Statement of Profit and Loss for the year ended 30th September, 2012

(Rupees ' 000)

Particulars		Note No.	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<b>1</b>	Revenue from operations (gross)	19	1,639,064	1,340,223
	Less: Excise duty		31,895	22,632
	Revenue from operations (net)		1,607,169	1,317,591
<b>2</b>	Other income	20	27,129	23,330
<b>3</b>	<b>Total revenue (1+2)</b>		<b>1,634,298</b>	<b>1,340,921</b>
<b>4</b>	<b>Expenses</b>			
	Cost of materials consumed		191,755	189,720
	Purchases of stock-in-trade		555,938	454,227
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(5,033)	(57,742)
	Employee benefits expense	22	218,332	227,218
	Finance costs	23	90,068	81,790
	Depreciation and amortisation expense	11	88,366	77,756
	Other expenses	24	513,098	560,478
	<b>Total expenses</b>		<b>1,652,524</b>	<b>1,533,447</b>
<b>5</b>	<b>Loss before exceptional items and tax (3 - 4)</b>		(18,226)	(192,526)
<b>6</b>	<b>Exceptional items</b>			
	Profit relating to sale of business (net) (Refer note 25(iii))		26,789	28,333
<b>7</b>	<b>Profit / (Loss) before tax (5+6)</b>		8,563	(164,193)
<b>8</b>	Less: Tax expense			
	Current tax		4,911	(6,662)
	In respect of earlier years		-	2,445
	Deferred tax		(3,305)	(2,157)
			1,606	(6,374)
<b>9</b>	<b>Profit / (Loss) after tax before share of profit in associate (7-8)</b>		6,957	(157,819)
	<b>Add: Share in profit of associate</b>		3,327	2,474
	<b>Profit / (Loss) for the year</b>		10,284	(155,345)
<b>10</b>	<b>Earnings per share (Face value of Rs 10/- per share) Rs. :</b>			
	Basic and Diluted		0.45	(6.81)
	<b>See accompanying notes forming part of the financial statements</b>			

In terms of our report attached

For and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R. A. Banga**  
Partner

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012

Mumbai, 22nd November, 2012

## Consolidated Cash Flow Statement for the year ended 30th September 2012

(Rupees '000)

	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<b>A. NET LOSS BEFORE EXCEPTIONAL ITEMS AND TAXATION</b>	(18,226)	(192,526)
ADJUSTMENTS FOR		
Depreciation	88,366	77,756
Interest Income	(2,071)	(8,500)
Dividend Income on long term investment	(15)	(15)
Interest Expense	79,991	64,839
Loss/(Profit) on Sale of Fixed Assets	639	(97)
	166,910	133,983
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	148,684	(58,543)
<b>Changes in working capital:</b>		
<b>Adjustments for (increase) / decrease in operating assets:</b>		
Inventories	(20,036)	(55,191)
Trade receivables	(95,442)	299,786
Short-term loans and advances	47,268	58,548
Long-term loans and advances	(9,578)	2,296
Other current assets	(11,320)	(50,974)
<b>Adjustments for increase / (decrease) in operating liabilities:</b>		
Trade payables	(199,325)	143,358
Other current liabilities	(13,849)	9,233
Other long-term liabilities	(20,014)	16,414
Short-term provisions	(24,270)	20,775
Long-term provisions	(22,300)	32,951
	(368,866)	477,196
<b>CASH GENERATED / (USED IN) FROM OPERATIONS</b>	(220,182)	418,653
Direct taxes (paid)/ refund (net)	(49,044)	1,254
<b>NET CASH FROM OPERATING ACTIVITIES</b>	(269,226)	419,907
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(63,179)	(112,986)
Purchase of Investment	(50)	-
Sale of fixed assets	693	325
Interest received	2,071	8,500
Dividend received	15	15
Dividend received from Associate	450	450
Bank balance not considered as Cash and Cash Equivalents	(355)	2,824
<b>NET CASH FLOW (USED) IN INVESTING ACTIVITIES</b>	(60,355)	(100,872)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-term borrowings	11,600	-
Repayment of Long-term borrowings	(14,612)	(18,352)
Proceeds from Short-term borrowings	405,555	250,000
Repayment of Short-term borrowings	(250,000)	(350,000)
Increase/(Decrease) in cash credit balances (Net)	31,443	1,898
Matured deposit paid	(20)	(10)
Proceeds from Inter-corporate deposits	1,422,000	1,040,000
Repayment of Inter-corporate deposits	(1,247,500)	(1,120,000)
	358,466	(196,464)

## Consolidated Cash Flow Statement for the year ended 30th September 2012 (contd.)

(Rupees '000)

	For the year ended 30th September, 2012	For the year ended 30th September, 2011
Dividend paid	(32)	(44,905)
Tax on Dividend paid	-	(7,580)
Interest paid	(75,668)	(65,607)
<b>Exceptional Item</b>		
Proceeds relating to sale of business (Refer Note 25(iii))	26,789	-
<b>NET CASH FROM (USED) IN FINANCING ACTIVITIES</b>	<b>309,555</b>	<b>(314,556)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,026)</b>	<b>4,478</b>
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD	66,052	61,574
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer note I below)	46,026	66,052
	<b>(20,026)</b>	<b>4,478</b>

Notes :

1) Cash and cash equivalents include:

(Rupees ' 000)

	As at 30.9.2012	As at 30.9.2011
i) Cash in hand	390	264
ii) Cheques on Hand	13,355	31,181
iii) Balance with Scheduled Banks		
In current accounts	32,281	34,607
Total cash and cash equivalents as per AS 3	<b>46,026</b>	<b>66,052</b>

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

In terms of our report attached

For and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R. A. Banga**  
Partner

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012

Mumbai, 22nd November, 2012

## Notes forming part of the Consolidated Financial Statements

### Note I

#### A Background

The Company was formed in the year 1940 as National Radio & Engineering Co Ltd. The Company became “NELCO Limited” in 1999.

In 1969, the Company was pre-dominantly the manufacturer of audio-visual appliances like Television, calculator, Servo Voltage Stabilizers and such other office equipment. In late 90's the Company entered in Automation business (SCADA, Traction & Drives), which was divested in 2010. In 1995 the Company first installed VSAT captive hub and in 2003 the Company entered into public domain.

Nelco is today focused in offering solutions in the areas of Integrated Security & Surveillance, VSAT connectivity, Managed Services, Satcom Projects and Meteorological Solutions.

The Company offers a range of innovative and customized solutions for businesses and government institutions under one roof.

#### B 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 30<sup>th</sup> September, 2012.

- (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/from 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, constitute the Group) considered in the preparation of these consolidated financial statements is :

Name	Country of Incorporation	% of voting power held as at 30th September, 2012.	% of voting power held as at 30th September, 2011.
Tatanet Services Limited	India	100%	100%

##### c. Investments in Associate

The Group's Associate are:

Name	Country of Incorporation	% of ownership Interest held as at 30th September, 2012.	% of ownership Interest held as at 30th September, 2011.
Nelito Systems Limited	India	21.82	21.82

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

		Nelito Systems Limited	
		As at 30th September, 2012	As at 30th September, 2011
(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, 2012 / September 30, 2011 (Rs. '000)	56,119	54,095
(vi)	Share of profit / (losses) for the period (Rs. '000)	3,327	2,474
	Less: Dividend received during the period (Rs. '000)	(450)	(450)
	Share of profit / (losses) net of dividend received during the period (Rs. '000)	2,877	2,024
(vii)	Carrying Cost (Rs. '000)	78,121	75,244

### C Significant Accounting Policies

#### I.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.

#### I.2 Fixed Assets and Depreciation

- 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.
- 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.
- Leasehold land is amortised over the period of the lease.

#### I.3 Intangible Assets

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

#### I.4 Inventory Valuation

- Inventories comprise all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition.
- 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.
- Finished goods produced and purchased for sale, semi finished products and spares are carried at cost or net realisable value, whichever is lower.
- Car Park/ Property under development in pursuance of additional right of construction are valued at cost or net realisable value, whichever is lower.

#### I.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.

## Notes forming part of the Consolidated Financial Statements

### 1.6 Revenue Recognition

1.6.1 Sale of product is recognized when risk and rewards of ownership of the product are passed on to the customers on the basis of terms of contract, 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 Accounting for Contracts

Contract revenue are accounted on "Percentage of Completion" basis measured by the proportion that the cost incurred upto the reporting date bear to the estimated total cost of the contract.

### 1.8 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.

### 1.9 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 Provident Fund and Superannuation Scheme of the employees are recognised in the Statement of Profit and Loss.

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.

#### (ii) Defined Benefit Plan

Company's liability towards gratuity and long term compensated absences is 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 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.

### 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.

## Notes forming part of the Consolidated Financial Statements

### Note 2 Share capital

Particulars	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares	Rs in '000	Number of shares	Rs in '000
Authorised:				
Equity Shares of Rs. 10/- each with voting rights	25,000,000	250,000	25,000,000	250,000
Redeemable Preference Shares of Rs. 100/- each	2,500,000	250,000	2,500,000	250,000
		<b>500,000</b>		<b>500,000</b>
Issued:				
Equity shares of Rs 10/- each with voting rights (including 939 equity shares pending allotment)	22,818,400	228,185	22,818,400	228,185
		<b>228,185</b>		<b>228,185</b>
Subscribed and fully paid up:				
Equity shares of Rs 10/- each with voting rights	<b>22,817,461</b>	<b>228,175</b>	22,817,461	228,175
<b>Total</b>	<b>22,817,461</b>	<b>228,175</b>	<b>22,817,461</b>	<b>228,175</b>

Refer Notes (i) to (v) below

#### Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares	Rs in '000	Number of shares	Rs in '000
Equity shares -Subscribed				
Opening and Closing balance	22,817,461	228,175	22,817,461	228,175

(ii) Details of shares held by the holding company

Particulars	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares	Rs in '000	Number of shares	Rs in '000
Equity shares				
The Tata Power Company Limited (48.65%)(Holding Company)	11,099,630	110,996	11,099,630	110,996
Aftaab Investments Company Limited (1.44%) (Subsidiary of Holding Company)	328,410	3,284	328,410	3,284

(iii) The company has issued only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend proposed by Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

**Notes forming part of the Consolidated Financial Statements**

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights				
The Tata Power Company Limited	11,099,630	48.65%	11,099,630	48.65%

(v) Issued and subscribed equity shares include the following

Class of shares	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares held	Rs in '000	Number of shares held	Rs in '000
Otherwise than in cash pursuant to contracts dated 23rd October, 1940	5,370	54	5,370	54
Issued to Shareholders of the erstwhile General Radio & Appliances Limited in terms of the Scheme of Amalgamation	316,660	3,167	316,660	3,167

**Note 3 Reserves and surplus**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>General reserve</b>		
Opening balance and closing balance	25,000	25,000
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	75,140	230,485
Add: Profit / (Loss) for the year	10,284	(155,345)
	85,424	75,140
Less :Proposed Dividend	11,409	-
Corporate Dividend Tax	1,851	-
Transfer to General Reserve	-	-
	13,260	-
Closing balance	<b>72,164</b>	<b>75,140</b>
<b>Total</b>	<b>97,164</b>	<b>100,140</b>



## Notes forming part of the Consolidated Financial Statements

### Note 4 Long-term borrowings

(Rupees '000)

Particulars	As at 30th September, 2012			As at 30th September, 2011		
	LongTerm	Current Maturities (Refer Note 9)	Total	LongTerm	Current Maturities (Refer Note 9)	Total
Term loans from Bank - Secured	9,878	9,477	19,355	7,755	9,939	17,694
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	11,492	4,023	15,515	15,515	4,673	20,188
<b>Total</b>	<b>21,370</b>	<b>13,500</b>	<b>34,870</b>	<b>23,270</b>	<b>14,612</b>	<b>37,882</b>

#### i) Details of Security provided in respect of secured long term borrowings

Particulars	As at 30th September, 2012	As at 30th September, 2011	Details of security
Term loan from Bank	11,600	-	Secured by hypothecation by way of first charge on the Equipments purchased / to be purchased out of the Bank's Term loan.
Term loan from Bank	7,755	17,694	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.

#### ii) Terms of repayment as at September 30, 2012

(Rupees '000)

Particulars	Amount	Start date	Maturity Date	Repayment of Instalments	Remarks
Term loan from Bank	7,755	8-Oct-08	6-Oct-13	597.92	Monthly instalments starting from November'2008
Term loan from Bank	11,600	27-Aug-12	30-Sep-17	193.33	Monthly instalments starting from October 2012
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	15,515	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of availment of respective loan.

#### Terms of repayment as at September 30, 2011

(Rupees '000)

Particulars	Amount	Start date	Maturity Date	Repayment of Instalments	Number of Instalment
Term Loans from Bank					
The Zoroastrian Co-operative Bank Limited	13,522	8-Oct-08	6-Oct-13	597.92	Monthly instalments starting from November'2008
The Zoroastrian Co-operative Bank Limited	4,172	1-Apr-08	1-Feb-12	various	Monthly instalments starting from May'2008
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	20,188	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of availment of respective loan.

**Notes forming part of the Consolidated Financial Statements****Note 5 Other long-term liabilities**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Trade payables:	11,146	21,701
<b>Other payables</b>		
Income received in advance	3,688	7,371
Liability for voluntary retirement scheme	18,726	24,502
<b>Total</b>	<b>33,560</b>	<b>53,574</b>

**Note 6 Long-term provisions**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Provision for employee benefits:</b>		
Compensated absences	11,741	12,353
Gratuity (Refer note 29)	17,057	17,802
	28,798	30,155
<b>Provision - Others:</b>		
Warranty (Refer note 33)	3,014	22,929
Estimated losses on onerous contracts (Refer note 33)	26,021	27,049
<b>Total</b>	<b>57,833</b>	<b>80,133</b>

**Note 7 Short-term borrowings**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Term loans</b>		
From banks- Unsecured	300,000	250,000
From other parties - Unsecured	50,000	-
	350,000	250,000
Cash credit from Banks - Secured (Refer note (i) below)	33,340	1,898
Buyer's line of credit - Secured (Refer note (i) below)	55,555	-
<b>Other loans and advances</b>		
<b>Inter corporate deposit - Unsecured</b>		
- from Holding Company	114,500	-
- from others	302,500	242,500
<b>Total</b>	<b>855,895</b>	<b>494,398</b>

Note: (i) 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 fixed assets of the Company.

## Notes forming part of the Consolidated Financial Statements

### Note 8 Trade payables

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Trade payables:</b>		
Other than acceptances	381,471	580,794
<b>Total</b>	<b>381,471</b>	<b>580,794</b>

### Note 9 Other current liabilities

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Current maturities of long-term debt (refer note 4)	13,500	14,612
Interest accrued but not due on borrowings	7,575	3,252
Overdrawn Balances as per Books	158	17,122
Income received in advance	17,534	6,788
Unpaid dividends*	952	984
Unpaid matured deposits*	124	144
Due to customers for contracts in progress	3,921	-
<b>Other payables</b>		
Statutory remittances (Contributions to PF and ESIC, Withholding Taxes)	6,361	5,924
Trade / security deposits received	2,405	2,405
Payables in respect of Fixed assets	1,893	7,846
Liability towards Department of Telecommunications	7,048	5,635
Liability towards Standing Advisory Committee On Radio Frequency Allocation (SACFA)	1,491	-
Advances from customers	30,024	44,648
Liability for voluntary retirement scheme	5,776	6,047
<b>Total</b>	<b>98,762</b>	<b>115,407</b>

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

### Note 10 Short-term provisions

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Provision for employee benefits</b>		
Compensated absences	1,699	2,891
Gratuity (Refer note 29)	1,540	3,897
	3,239	6,788
<b>Provision - Other</b>		
Proposed dividend	11,409	-
Dividend Tax	1,851	-
Warranty (Refer note 33)	38,880	39,970
Estimated losses on onerous contracts (Refer note 33)	3,762	23,393
<b>Total</b>	<b>59,141</b>	<b>70,151</b>

## Notes forming part of the Consolidated Financial Statements

Note 11 Fixed Assets

(Rupees '000)

Description	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK		
	AS AT 1.10.2011	ADDITIONS	DEDUCTION	TRANSFER ON SALE OF BUSINESS	AS AT 30.9.2012	AS AT 1.10.2011	FOR THE YEAR	DEDUCTION	TRANSFER ON SALE OF BUSINESS	AS AT 30.9.2012	AS AT 30.9.2011
<b>Tangible Assets</b>											
Land :Leasehold	3,590	-	-	-	3,590	869	38	-	-	2,683	2,721
Building	33,590	-	-	-	33,590	16,330	1,113	-	-	16,147	17,260
Plant and machinery	366,793	41,377	-	-	408,170	175,315	36,826	-	-	196,029	191,478
Electrical Installation	21,039	76	190	-	20,925	6,498	998	39	-	13,468	14,541
<b>Office equipments</b>											
Own	228,919	3,904	4,019	-	228,804	170,663	10,611	2,887	-	50,417	58,256
Lease	183,733	11,122	60	-	194,795	73,001	31,142	60	-	90,712	110,732
Vehicles	7,130	-	1,137	-	5,993	4,243	548	1,088	-	2,290	2,887
<b>Total Tangible Assets</b>	<b>844,794</b>	<b>56,479</b>	<b>5,406</b>	<b>-</b>	<b>895,867</b>	<b>446,919</b>	<b>81,276</b>	<b>4,074</b>	<b>-</b>	<b>371,746</b>	<b>397,875</b>
Previous year	731,009	123,279	6,839	2,655	844,794	383,638	71,352	6,612	1,459	446,919	397,875
<b>Intangible Assets</b>											
Goodwill on consolidation	40	-	-	-	40	-	-	-	-	40	40
Testing Software	31,296	4,214	-	-	35,510	16,082	6,807	-	-	12,621	15,214
Technical Know-how	108,311	-	-	-	108,311	108,311	-	-	-	108,311	-
Licence Fees - VSAT	3,000	-	-	-	3,000	1,425	150	-	-	1,575	1,575
Licence Fees -ISP	2,000	-	-	-	2,000	461	133	-	-	1,406	1,539
<b>Total Intangible Assets</b>	<b>144,647</b>	<b>4,214</b>	<b>-</b>	<b>-</b>	<b>148,861</b>	<b>126,279</b>	<b>7,090</b>	<b>-</b>	<b>-</b>	<b>133,369</b>	<b>18,368</b>
Previous year	141,902	2,745	-	-	144,647	119,875	6,404	-	-	126,279	18,368
<b>Grand Total</b>	<b>989,441</b>	<b>60,693</b>	<b>5,406</b>	<b>-</b>	<b>1,044,728</b>	<b>573,198</b>	<b>88,366</b>	<b>4,074</b>	<b>-</b>	<b>387,238</b>	<b>416,243</b>
Previous year	872,911	126,024	6,839	2,655	989,441	503,513	77,756	6,612	1,459	573,198	416,243

## Notes forming part of the Consolidated Financial Statements

### Note 12 Non-current investments (At cost, less provision other than temporary , if any)

(Rupees '000)

Particulars	Numbers of Shares	Face value per unit (Rs.)	As at	As at
			30th September, 2012	30th September, 2011
			Total	Total
<b>Unquoted - Equity Shares</b>				
<b>Trade</b>				
In Associate Companies				
Nelito Systems Limited	450,000	10	78,121	75,244
In Other Companies				
Technopolis Knowledge Park Limited	1,810,000	10	18,100	18,100
<b>Other investments</b>				
Ordinary Shares of Zoroastrian Co-operative Bank Limited.	6,000	25	150	100
<b>Total</b>			<b>96,371</b>	<b>93,444</b>
Less: Provision for diminution in value of investments in respect of Technopolis Knowledge Park Limited.			18,100	18,100
<b>Total</b>			<b>78,271</b>	<b>75,344</b>
<b>Note:</b>				
Aggregate amount of unquoted investments			96,371	93,444

### Note 13 Long-term loans and advances (Unsecured, considered good)

(Rupees '000)

Particulars	As at	As at
	30th September, 2012	30th September, 2011
Security deposits	16,372	7,451
Advance income tax (net of provision for tax Rs. 195,684 ('000) (previous year : Rs.192,582 ('000)))	81,016	36,883
Prepaid Expenses	713	-
Balances with government authorities	5,191	5,247
Other recoverables	3,494	3,495
<b>Total</b>	<b>106,786</b>	<b>53,076</b>

### Note 14 Inventories

(Rupees '000)

Particulars	As at	As at
	30th September, 2012	30th September, 2011
Contracts in Progress	40,691	64,869
Contracts in Progress - Goods-in-transit	-	19,871
Raw materials	37,121	26,205
Raw material - Goods-in-transit	4,087	-
Work-in-progress	21,094	21,590
Stock-in-trade	106,670	57,092
<b>Total</b>	<b>209,663</b>	<b>189,627</b>

**Notes forming part of the Consolidated Financial Statements****Note 15 Trade receivables (Unsecured and considered good, unless otherwise stated)**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Outstanding for a period exceeding six months from the date they were due for payment		
Considered good	86,136	117,249
Doubtful	43,308	41,026
	129,444	158,275
Less: Provision for doubtful trade receivables	43,308	41,026
	86,136	117,249
Other Trade receivables (refer note (i) below)		
Considered good	673,836	547,281
Doubtful	11,600	608
	685,436	547,889
Less: Provision for doubtful trade receivables	11,600	608
	673,836	547,281
<b>Total</b>	<b>759,972</b>	<b>664,530</b>

- i) Other Trade receivables include Rs.370,390 ('000) (Previous year: Rs 313,395 ('000)), which in accordance with the terms of contracts, were not due for payment as at the year end.

**Note 16 Cash and cash equivalents**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Cash on hand	390	264
Cheques on hand	13,355	31,181
Balances with banks		
In current accounts	32,281	34,607
In Margin Money account against Letter of credit and bank guarantees	5,355	5,000
<b>Total</b>	<b>51,381</b>	<b>71,052</b>
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statement	<b>46,026</b>	<b>66,052</b>

**Note 17 Short-term loans and advances - (Unsecured and considered good, unless otherwise stated)**

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
<b>Security deposits</b>		
Considered good	14,154	11,497
Doubtful	7,333	6,968
	21,487	18,465
Less: Provision for doubtful deposits	7,333	6,968
	14,154	11,497
Crompton Greaves Limited	-	48,252
Loans and advances to employees	5,066	1,882
Prepaid expenses	27,844	19,277
<b>Balances with government authorities</b>		
Service Tax credit receivables	15,429	36,180
Value Added Tax/Work Contract Tax	10,638	10,252
Advance to suppliers	51,544	43,752
Other recoverables	2,497	3,348
<b>Total</b>	<b>127,172</b>	<b>174,440</b>

## Notes forming part of the Consolidated Financial Statements

### Note 18 Other current assets

(Rupees '000)

Particulars	As at 30th September, 2012	As at 30th September, 2011
Unbilled revenue	108,029	100,436
<b>Unamortised expenses</b>		
Premium on forward contracts	3,727	-
<b>Total</b>	<b>111,756</b>	<b>100,436</b>

### Note 19 Revenue from Operations

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
Sale of products	973,637	698,631
Sale of services	663,427	641,092
	1,637,064	1,339,723
<b>Other Operating revenue</b>		
Scrap sales	433	500
Commission income	1,567	-
	2,000	500
	1,639,064	1,340,223
Less: Excise duty	(31,895)	(22,632)
<b>Total</b>	<b>1,607,169</b>	<b>1,317,591</b>

### Note 20 Other income

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<b>Interest income comprises:</b>		
Interest on Bank deposit	939	753
Interest on Income tax refund	1,132	6,276
Other Interest	-	1,471
	2,071	8,500
Dividend income from long term investments	15	15
<b>Other non-operating income comprises:</b>		
Insurance claims recovered	19	783
Liabilities/Provisions no longer required written back	20,734	12,763
Bad Debts Recovered	2,265	-
Profit on sale of Fixed assets(net)	-	97
Miscellaneous income	2,025	1,172
<b>Total</b>	<b>27,129</b>	<b>23,330</b>

**Notes forming part of the Consolidated Financial Statements****Note 21 Changes in inventories of stock-in-trade, work-in-progress and contracts in progress**

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<u>Inventories at the beginning of the year:</u>		
Stock-in-trade	57,092	53,099
Work-in-progress	21,590	35,507
Car Park	-	21,697
Contracts in progress	84,740	-
	<b>163,422</b>	<b>110,303</b>
<u>Less: Stock transfer on sale of business</u>		
Semi finished products	-	4,623
		4,623
<u>Less : Inventories at the end of the year:</u>		
Stock-in-trade	106,670	57,092
Work-in-progress	21,094	21,590
Contracts in progress	40,691	84,740
	<b>168,455</b>	<b>163,422</b>
<b>Net (increase) / decrease</b>	(5,033)	(57,742)

**Note 22 Employee benefits expense**

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
Salaries and wages	184,783	197,067
Contributions to provident and superannuation funds, etc.	9,555	9,968
Gratuity	4,362	4,315
Staff welfare expenses	21,228	20,895
	219,928	232,245
Less: Expenses shared by Crompton Greaves Limited	1,596	5,027
<b>Total</b>	<b>218,332</b>	<b>227,218</b>

**Note 23 Finance costs**

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
<b>Interest expense on:</b>		
Borrowings	77,961	63,167
Trade payables	1,928	141
Others	102	1,531
Bank charges	10,077	16,951
<b>Total</b>	<b>90,068</b>	<b>81,790</b>



## Notes forming part of the Consolidated Financial Statements

### Note 24 Other expenses

(Rupees '000)

Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
Consumption of loose tools	3,576	3,426
Subcontracting expenses	50,975	61,527
Power and fuel	19,879	16,796
Rent including lease rentals	6,493	7,204
Repairs and maintenance - Buildings	148	71
Repairs and maintenance - Machinery	2,213	4,202
Repairs and maintenance - Others	10,500	14,598
Insurance	3,530	4,653
Rates and taxes	1,116	3,632
Travelling and conveyance	31,872	37,041
Freight and forwarding	27,063	19,252
Legal and professional	10,744	17,518
Consultancy charges	19,520	15,404
Installation expenses	34,161	34,786
Foreign exchange loss (net)	12,963	14,462
Bad debts/advances written off	25,789	9,622
Less: Provision for doubtful debts/advances made in earlier years	(25,789)	(9,622)
	-	-
Provision for doubtful debts and advances	39,428	23,272
Loss on fixed assets sold (net)	639	-
Provision for foreseeable losses	1,480	50,442
Provision for warranty (net of provision for warranty of earlier years written back Rs. 30,358 (000's) (Previous year: Rs.Nil))	(15,555)	13,952
License Fees to Department Of Telecommunication	41,029	35,057
Transponder Charges	134,125	117,770
Miscellaneous expenses	79,368	72,208
	515,267	567,275
Less: Expenses shared by Crompton Greaves Limited	2,169	6,797
<b>Total</b>	<b>513,098</b>	<b>560,478</b>

- 25 (i) In an earlier year the Company had transferred the Traction electronics, Supervisory Control and Data Acquisition (SCADA) and Industrial drives businesses (together referred to as "Businesses") to Crompton Greaves Limited (CGL).
- (ii) However, at the request of CGL, the company continued with certain operations of the 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 previous year were included under the respective heads in the financial statements as under:

**Notes forming part of the Consolidated Financial Statements**

(Rupees '000)

Particulars	2011-12	2010-11
Sales	-	183,381
Income from service rendered	-	9,880
Raw material consumed	-	123,325
Purchase of traded goods	-	58,390
Sub-contracting expenses	-	9,880

**Exceptional items:-**

(iii) The Company entered into a final settlement agreement with CGL considering all claims and differences that CGL had on account of all the associated risks and liabilities of the transferred Businesses under the Original Agreement and the effect of these were given to in the financial statements for the year ended September 30, 2011. Further during the year, the Company has received Rs. 26,789 ('000) on account of recovery of liquidated damages in respect of these businesses.

(iv) Consequent to the reasons stated in note 25 (i), (ii) and (iii) above, figures for current year are not comparable with the previous period.

**26** In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Statement of Profit and Loss for the period included under Income from Services Rendered under Income from Operations aggregate to Rs. 34,301 ('000) (Previous Year: Rs. 30,885 ('000)).

**27 Capital Commitment**

(Rupees '000)

Particulars	2011-12	2010-11
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	3,978	2,329

**28 Contingent Liabilities**

(Rupees '000)

Particulars	2011-12	2010-11
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	41,629	41,629
ii) Other matters (excluding claims where amounts are not ascertainable)	2,928	4,506
Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending at various forums / authorities		

**29 Employee Benefits****I. Defined Contribution Plan**

Company's contribution paid/payable during the year to provident fund, superannuation fund and ESIC contribution are recognised as an expense and included in Note 22 of the Statement of Profit and Loss under the heading "Contributions to provident and superannuation funds, etc.," are as under:

(Rupees '000)

		2011-12	2010-11
a)	Contribution to Employees' Superannuation Fund	2,827	3,265
b)	Employees' State Insurance Scheme	115	271
c)	Contribution to Provident Fund	6,613	6,432

**Provident Fund**

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident Fund is administered by the Trust formed by the Company. The Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.

## Notes forming part of the Consolidated Financial Statements

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of Trustees is unable to pay interest at the rate declared by Central Government under para 60 of the Employees' Provident Fund Scheme, 1952 then the shortfall shall be made good by the Company. Having regard to the assets of the fund and the return on the investments, the Company does not expect any shortfall in the foreseeable future.

### II. Gratuity (Unfunded)

(Rupees '000)

I	Particulars	2011-12	2010-11
	<b>Expenses recognised in Statement of Profit and Loss for the year ended</b>		
	Current Service cost	1,900	2,020
	Interest cost	1,845	2,231
	Expected return on plan assets	-	-
	Net Actuarial (Gain)/Loss	617	64
	Total Expense	4,362	4,315
<b>2</b>	<b>Net Asset/(Liability) recognised in the Balance Sheet as at</b>		
	Present value of Defined Benefit obligations as at the end of the year	(18,597)	(21,699)
	Fair value of plan assets as at the end of the year	-	-
	Net Asset/(Liability) as at	(18,597)	(21,699)
<b>3</b>	<b>Changes in present value of obligations during the year</b>		
	Present value of obligations as at beginning of the year	21,699	27,046
	Interest cost	1,845	2,231
	Current Service cost	1,900	2,020
	Benefits Paid	(7,464)	(9,662)
	Actuarial (Gain)/Loss	617	64
	Present value of Defined Benefit obligations as at end of the year	18,597	21,699

(Rupees '000)

		2011-12	2010-11	2009-10	2008-09
<b>4</b>	<b>Experience Adjustments</b>				
	Experience (Gain)/Loss on adjustments on plan assets	-	-	-	-
	Experience (Gain)/Loss on adjustments on plan liabilities	292	414	(1,192)	524
	<b>Experience Adjustments (Total)</b>	292	414	(1,192)	524
<b>5</b>	<b>Assumptions</b>				
	Discount Rate	8.25%	8.50%	8.25%	
	Salary Escalation	6.00%	6.00%	6.00%	
	Attrition Rate	2.00%	2.00%	2.00%	
	Mortality Rate	LIC (94-96) Ultimate	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. 4,522 ('000) (Previous Year: Rs. 5,326 ('000)) has been made in the Statement of Profit and Loss.

## Notes forming part of the Consolidated Financial Statements

### 30 Earnings Per Share (EPS)

		2011-12	2010-11
a)	Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b)	Net Profit/ (loss) after Tax available for Equity Shareholders (Rs. '000)	10,284	(155,345)
c)	Basic Earnings Per Share (Rs.) ( Face value of Rs. 10 per share)	0.45	(6.81)
d)	Diluted Earning Per Share (Rs.)	0.45	(6.81)

### 31 The components of Deferred Tax Assets /(Liabilities) are as under: (Rupees '000)

Particulars	2011-12	2010-11
On unpaid liabilities under section 43B of Income Tax Act	10,542	12,561
On provision for doubtful debts and advances	19,575	15,579
On Voluntary Retirement Costs	3,438	3,694
Provision for future losses	*9,662	*11,981
Unabsorbed tax depreciation	*4,318	-
<b>Total</b>	47,535	43,815
Less: Deferred tax liability		
On fiscal allowances of fixed assets	(48,386)	(47,970)
<b>Total</b>	(48,386)	(47,970)
<b>Net Deferred Tax (Liabilities)/Assets</b>	(851)	(4,155)

\*In respect of the Parent Company, considered to the extent that there are compensating timing differences, reversal of which will result in sufficient income against which this can be realized

### 32 Construction Contracts Disclosure

Information relating to Constructions Contracts as per Accounting Standard-7 notified by the Companies (Accounting Standards) Rules, 2006 in respect of contracts in progress as at the year end, is given below

(Rupees '000)

Particulars	2011-12	2010-11
Contract revenue recognised as revenue during the year	427,934	74,268
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	528,559	152,437
Advance payments received	-	-
Gross amount due from customers for contract work	149,662	152,437
Gross amount due to customers for contract work	3,921	-

For the method used to determine the contract revenue recognised and the stage of completion on contract in progress, refer note I C (1.7)

### 33 Disclosures as required by Accounting Standard-29 – “Provisions, Contingent Liabilities and Contingent Assets” notified by the Companies (Accounting Standards) Rules, 2006 as at year end are as follows:

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.

Provision for future losses pertains to certain onerous contracts where the unavoidable costs of meeting the obligations as per the contracts exceed the economic benefits expected to be received from it.

## Notes forming part of the Consolidated Financial Statements

(Rupees '000)

Particulars	Warranties	Future foreseeable losses on contracts
Opening Balance	62,899	50,442
	(52,195)	(-)
Provision during the year	14,803	3,428
	(13,952)	(50,442)
Utilisation During the year	5,450	22,139
	(2,552)	(-)
Transfer on sale of business	-	-
	(696)	(-)
Reversal during the Year	30,358	1,948
	(-)	(-)
Closing Balance	41,894	29,783
	(62,899)	(50,442)

Note: Previous year figures are in brackets

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

Particulars	Foreign Currency	2011-12	2010-11
		Amount in Foreign Currency ('000)	
Receivable	USD	394	166
Payable	USD	195	3,901
	EUR	9	18
	GBP	-	6
	NOK	447	6

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end are:

Particulars	Foreign Currency	2011-12	2010-11
		Amount in Foreign Currency ('000)	
Payable	USD	2,850	-
	GBP	44	-

### 35 Related Party Disclosure:

- I. Holding company – The Tata Power Company Limited
- II. Other parties with whom transactions have taken place during the year
  - a. Associate – Nelito Systems Limited
- III. Key Management Personnel
  - a. Mr. K. A. Mahashur - Executive Director - up to June 11, 2012
  - b. Mr. P.J. Nath - Manager
    - Executive Director w.e.f June 13, 2012

## Notes forming part of the Consolidated Financial Statements

The related party transactions are as under:

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited.	Nelito Systems Limited	Key Management Personnel
		(HOLDING CO.)	(ASSOCIATE)	
<b>1) Sales :</b>				
a)	Goods	4,519	-	-
		(2,571)	(-)	(-)
b)	Services	130	100	-
		(3,708)	(240)	(-)
<b>2) Finance :</b>				
a)	Inter Corporate Loans taken	114,500	-	-
		(-)	(-)	(-)
b)	Interest Paid/Payable	458	-	-
		(-)	(-)	(-)
c)	Dividend received	-	450	-
		(-)	(450)	(-)
<b>3) Other Transactions :</b>				
a)	Reimbursements received from parties	-	-	-
		(312)	(-)	(-)
<b>4) Balance outstanding as on 30.09.2012</b>				
a)	Debtors (Net)	4,878	-	-
		(673)	(128)	(-)
b)	Inter Corporate Loans	114,500	-	-
		(-)	(-)	(-)
c)	Interest Accrued, but not due	458	-	-
		(-)	(-)	(-)
d)	Other Recoverable	-	52	-
		(-)	(45)	(-)
<b>5) Remuneration to Key Managerial personnel</b>		-	-	26,322
		(-)	(-)	(13,278)

Note : Figures in brackets pertain to the Previous year

### 36 Segment Reporting

Business Segment:

The group has considered business segment as the primary segment for disclosure. The segment has 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.

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.44,365 ('000) (Previous Year Rs. 30,169 ('000)) is not significant in the context of the total external revenue of Rs.1,607,169 ('000) (Previous Year Rs. 1,317,591 ('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.

## Notes forming part of the Consolidated Financial Statements

### SEGMENT REPORT FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

#### Primary Segment Disclosure - Business Segment

(Rupees '000)

		Automation & Control	Network Systems	Property Development	Elimination	Total
<b>A</b>	<b>SEGMENT REVENUE</b>					
	External Revenue	569,985	1,067,079	-	-	1,637,064
		445,135	894,588			1,339,723
	Less : Excise Duty	31,895	-	-	-	31,895
		22,632				22,632
	Net External Revenue	538,090	1,067,079	-	-	1,605,169
		422,503	894,588	-	-	1,317,091
	Intersegment Revenue	-	-	-	-	-
		-	-	-	-	-
	<b>TOTAL SEGMENT REVENUE</b>	<b>538,090</b>	<b>1,067,079</b>	<b>-</b>	<b>-</b>	<b>1,605,169</b>
		<b>422,503</b>	<b>894,588</b>	<b>-</b>	<b>-</b>	<b>1,317,091</b>
<b>B</b>	<b>RESULTS</b>					
	Segment Results	(30,445)	213,503	-	-	183,058
		(167,418)	127,854	(21,697)		(61,261)
	Unallocable Corporate Expenses (Net of Income)	-	-	-	-	123,364
		-	-	-	-	(74,927)
	Less : Interest Expense unallocable to segments	-	-	-	-	79,991
		-	-	-	-	64,839
	Add : Interest Income unallocable to segments	-	-	-	-	2,071
		-	-	-	-	8,500
	Add: Exceptional Items (Net) unallocable to Segment	-	-	-	-	26,789
		-	-	-	-	28,333
	<b>Profit/(Loss) before Taxes</b>					<b>8,563</b>
						<b>(164,193)</b>
	<b>Less : Provision for Tax</b>					
<b>a)</b>	Current tax including Fringe Benefit Tax					4,911
						(6,662)
<b>b)</b>	Less : Short/(Excess) Tax Provision for earlier years	-	-	-	-	-
						2,445

(Rupees '000)

		Automation & Control	Network Systems	Property Development	Elimination	Total
c)	Deferred Tax					(3,305)
						(2,157)
	<b>NET PROFIT/(LOSS) after Tax and before share of associate</b>					<b>6,957</b>
	Add: Share of Profit in Associate					(157,819)
						3,327
						2,474
	<b>Profit/(Loss) after tax</b>					<b>10,284</b>
						(155,345)
<b>C</b>	<b>SEGMENT ASSETS</b>	727,908	850,715	-	-	1,578,623
		707,126	783,460	-	-	1,490,586
	Add: Unallocable Corporate Assets					255,600
						259,611
	<b>Total Assets</b>					<b>1,834,222</b>
						<b>1,750,197</b>
<b>D</b>	<b>SEGMENT LIABILITIES</b>	276,237	315,094	-	-	591,331
		443,308	362,141	-	-	805,449
	Add: Unallocable Corporate Liabilities					917,552
						616,433
	<b>Total Liabilities</b>					<b>1,508,883</b>
						<b>1,421,882</b>
<b>E</b>	<b>CAPITAL EXPENDITURE</b>	764	56,463	-	-	57,227
		1,210	111,774	-	-	112,984
<b>F</b>	<b>DEPRECIATION</b>	7,949	80,417	-	-	88,366
		8,255	69,501	-	-	77,756
<b>G</b>	<b>NON CASH EXPENSES</b>					
	Provision for doubtful debts/advances	19,918	19,510	-	-	39,428
		15,645	7,627	-	-	23,272

Figures shown in Italics pertains to previous year.

- 37 The tax year for the company being the year ending 31<sup>st</sup> March, the provision for taxation for the period is the aggregate of the provision made for the six months ended 31<sup>st</sup> March, 2012 and the provision based on the figures for the remaining six months up to 30<sup>th</sup> September, 2012, the ultimate tax liability of which will be determined on the basis of the figures for the period 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012.
- 38 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signatures to Notes forming part of financial statements "1 to 38"

**For and on behalf of the Board of Directors**

**Prasad Menon**  
Chairman

**P. J. Nath**  
Executive Director & CEO

**R.B. Upadhyay**  
CFO & Sr. Vice President (Finance)

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 22nd November, 2012





**NELCO LIMITED**

MIDC Plot EL-6, TTC Industrial Area, Electronics Zone, Mahape, Navi Mumbai - 400710

**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 70th ANNUAL GENERAL MEETING of the Company at Ebony, Hotel Regenza By Tunga, Plot No. 37, Sector 30-A, Vashi , Navi Mumbai – 400 703 at 3.00 p.m. on Tuesday, 22<sup>nd</sup> January 2013.

SIGNATURE OF THE ATENDING 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**

MIDC Plot EL-6, TTC Industrial Area, Electronics Zone, Mahape, Navi Mumbai - 400710

**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 70<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday, 22<sup>nd</sup> January 2013 and at any adjournment thereof.

Signed this ----- day of -----

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 which is not desired.

Note : The proxy must be returned so as to reach the Registered Office of the Company at MIDC Plot EL-6, TTC Industrial Area, Electronics Zone, Mahape, Navi Mumbai - 400710 not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.





Nelco's Branding and Participation at CIO 100 Symposium



Safety First-Mock fire drill conducted to raise awareness on fire and security procedures



Trees For Tomorrow- Encouraging people and communities to plant more trees



Independence Day Celebration



Rangoli Competition on Navratri celebration

ISO 9001 : 2008 | ISO 20000-1 : 2005 | ISO 27001 : 2005 | TL 9000

**Registered Office** - Nelco Limited, EL-6, Electronics Zone, MIDC, Mahape, Navi Mumbai 400 710, India.  
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**Regional Offices** - Kolkata: +91-33-2212-1904/06, Secunderabad: +91-40-2790-3419, Bengaluru: +91-80-4112-8428  
New Delhi: +91-11-2586-3876/77 - 6640-2165/68, Chennai: +91-44-6551-3933/34/35, Jamshedpur: +91-0657-222-7766