

71<sup>st</sup> **ANNUAL REPORT**  
2012-2013





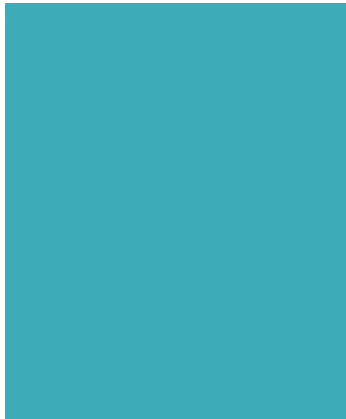
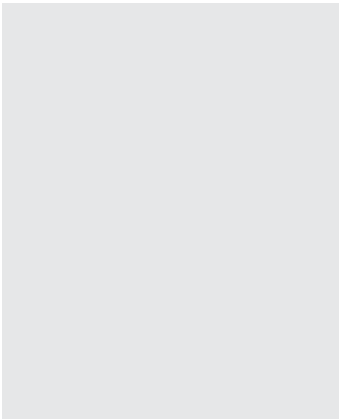
ITPO Security Expo



Shareholders' Visit



M2M Conclave



Managed M2M and ISSS Services In Progress

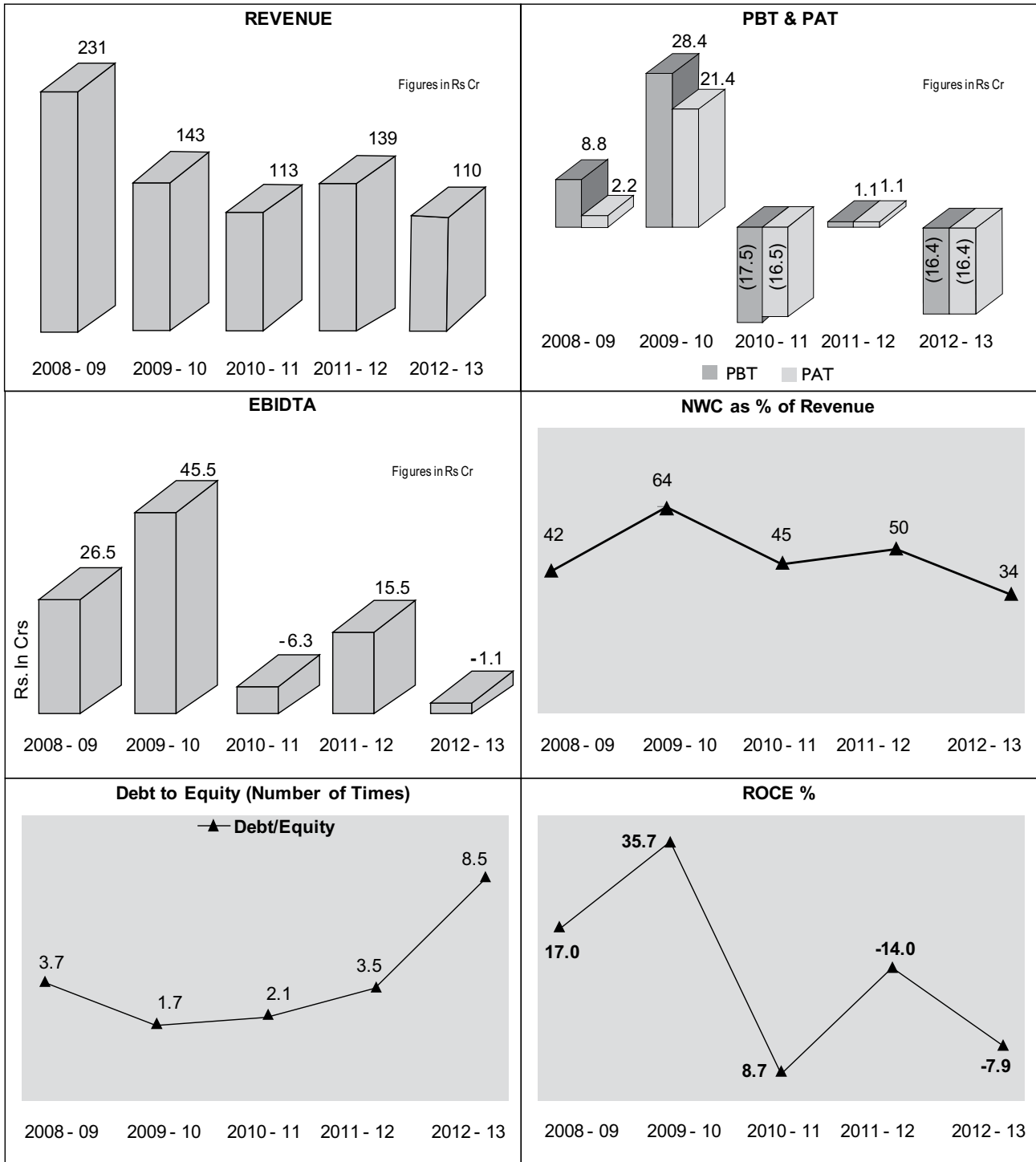


## **CORPORATE INFORMATION**

**(As on 21<sup>st</sup> November, 2013)**

<b>Chairman Emeritus</b>	R. N. Tata
<b>Board of Directors</b>	<p>Mr. R. R. Bhinge, Chairman</p> <p>Mr. S. Ramakrishnan</p> <p>Mr. P. K. Ghose</p> <p>Mr. V. K. Deshpande</p> <p>Mr. Sanjay Dube</p> <p>Mr. R. Savoor</p> <p>Mr. K. Raghuraman</p> <p>Mr. K. Ramachandran</p> <p>Mr. P. J. Nath, Executive Director &amp; CEO</p>
<b>Company Secretary</b>	Mr. Girish V. Kirkinde
<b>Share Registrars</b>	<p>TSR Darashaw Private Limited</p> <p>6-10, Haji Moosa Patrawala Industrial Estate,</p> <p>20, Dr. E.Moses Road, Mahalaxmi, Mumbai – 400 011.</p> <p>Tel : 022 66568484, Fax : 022 66568494</p> <p>Email: <a href="mailto:csg-unit@tsrdarashaw.com">csg-unit@tsrdarashaw.com</a></p> <p>Website: <a href="http://www.tsrdarashaw.com">www.tsrdarashaw.com</a></p>
<b>Statutory Auditors</b>	Deloitte Haskins & Sells LLP
<b>Solicitors</b>	Mulla & Mulla & Craigie Blunt & Caroe
<b>Bankers</b>	<p>Bank of India</p> <p>Union Bank of India</p> <p>Axis Bank Ltd.</p> <p>The Zoroastrian Co-Op. Bank Ltd.</p>
<b>Registered Office</b>	<p>EL-6, TTC Industrial Area,</p> <p>MIDC Electronic Zone, Mahape,</p> <p>Navi Mumbai – 400 710</p> <p>Email: <a href="mailto:services@nelco.in">services@nelco.in</a></p> <p>Investor relations : <a href="mailto:girish.kirkinde@nelco.in">girish.kirkinde@nelco.in</a></p> <p>Website: <a href="http://www.nelco.in">www.nelco.in</a></p>
<b>Corporate Identity No (CIN)</b>	L3220MH1940PLC003164

**5 Years Financial Highlights**



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



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This Annual Report can be viewed  
under the 'Investor Relations'  
section on the Company's  
website [www.nelco.in](http://www.nelco.in)

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.

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### Annual General Meeting

Date	: Wednesday, 22 <sup>nd</sup> January, 2014
Time	: 3.00 p.m.
Venue	: Ebony, Hotel Regenza By Tunga, Ground Floor, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703

## NOTICE

The SEVENTY FIRST ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Wednesday, the 22<sup>nd</sup> January 2014 at 3.00 p.m. at Ebony, Hotel Regenza By Tunga, Ground Floor, 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, 2013 and the Audited Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. R. R. Bhinge who retires by rotation and is eligible for re-appointment.
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 Auditors and fix their remuneration.
6. **Appointment of Mr. Sanjay Dube as Director**

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

“RESOLVED THAT Mr. Sanjay Dube, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 6<sup>th</sup> June 2013 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 and Article 125 of the Articles of Association of the Company but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

7. **Appointment of Mr. R. Savoor as Director**

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

“RESOLVED THAT Mr. R. Savoor, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 20<sup>th</sup> September 2013 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 and Article 125 of the Articles of Association of the Company but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 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. K. Raghuraman as Director**

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

“RESOLVED THAT Mr. K. Raghuraman, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 20<sup>th</sup> September 2013 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 and Article 125 of the Articles of Association of the Company but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 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. K. Ramachandran as Director**

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

“RESOLVED THAT Mr. K. Ramachandran, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 1<sup>st</sup> October 2013 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 and Article 125 of the Articles of Association of the Company but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

### Notes:

- (a) The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the business as set out in Item Nos. 6 to 9 above and the relevant details of the Directors seeking appointment/ re-appointment under item nos. 2 to 4 and 6 to 9 above as required under 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 Wednesday, 8th January, 2014 to Friday, 10th January 2014 (both days inclusive).
- (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) 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 2005-06 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, 2009-10 and 2011-12 are requested to make their claims to the Company accordingly without any delay.

- (h) 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.
- (i) 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 desirous of receiving Notice/Annual Report in electronic form may please register their consent on [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com)

By Order of the Board of Directors

21<sup>st</sup> November 2013.

**Girish V. Kirkinde**  
Company Secretary

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

## EXPLANATORY STATEMENT

As required by Section 102 of the Companies Act, 2013 (“Act”), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 6 to 9 of the accompanying Notice dated 21<sup>st</sup> November 2013.

### Item No. 6

#### Appointment of Mr. Sanjay Dube as Director

The Board of Directors appointed Mr. Sanjay Dube as an Additional Director of the Company with effect from 6<sup>th</sup> June 2013, in terms of Section 161(1) of the Act, and Article 125 of the Company’s Articles of Association. Pursuant to Section 161(1) of the Act, Mr. Sanjay Dube 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 Companies Act, 1956 has been received from a Member signifying his intention to propose Mr. Dube’s appointment as a Director.

Mr. Dube, aged 51 years, is MBA from Georgetown University, Washington, DC, CA. Presently he is in The Tata Power Company Limited, managing treasury and investor relations as Chief – Corporate Finance & Treasury. He has total 24 years of experience in the field of financial services and Investor relations.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. Sanjay Dube and therefore recommend for approval, the resolution contained in item no. 6 of the Notice convening the Annual General Meeting. Except Mr. Sanjay Dube and his relatives, no other Key Managerial Personnel of the Company (“KMP”), as defined in Section 2(51) of the Act, or their relatives are concerned or interested in the Resolution set out at item no. 6 of the accompanying Notice.

### Item No. 7

#### Appointment of Mr. R. Savor as Director

The Board of Directors appointed Mr. R. Savor as an Additional Director of the Company with effect from 20<sup>th</sup> September 2013, in terms of Section 161(1) of the Act, and Article 125 of the Company’s Articles of Association. Pursuant to Section 161(1) of the Act, Mr. R. Savor 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 Companies Act, 1956 has been received from a Member signifying his intention to propose Mr. Savor’s appointment as a Director.

Mr. Savor aged 69 years, holds B.Sc. degree from Ruia College Mumbai with Chemistry as the principal subject. He completed 3 years course in Chemical Technology from the University Department of Chemical Technology (UDCT) at Mumbai. He has also completed a four week Senior Executive Programme at the London Business School. He spent 34 years with Castrol India Ltd., 12 of these, as Chief Executive and Managing Director. Under his leadership Castrol India grew to become the number 2 lubricant company in India and the second largest Castrol Company worldwide. Mr. Savor has gone through the gamut of all corporate functions like, Sales, Marketing, R & D, Production, Projects, Supply Chain & HR, either as in charge of the function or as CEO.

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

### Item No.8

#### Appointment of Mr. K. Raghuraman as Director

The Board of Directors appointed Mr. K.Raghuraman as an Additional Director of the Company with effect from 20<sup>th</sup> September 2013, in terms of Section 161(1) of the Act, and Article 125 of the Company’s Articles of Association. Pursuant to Section 161(1) of the Act, Mr. K. Raghuraman 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 Companies Act, 1956 has been received from a Member signifying his intention to propose Mr. Raghuraman’s appointment as a Director.

Mr. Raghuraman, aged 65 years, is B.Com from Loyola College, Chennai and Chartered Accountant from Institute of Chartered Accountants of India. He has over 40 years of experience in Banking, Finance, Treasury, Projects Appraisals, Policy Initiatives, etc. He retired in September 2008 from the services of Punjab National Bank as its Executive Director. He has participated in various international conferences/ seminars abroad in the area of Banking. He has served for many years in various capacities at different positions inclusive of Information Technology-Risk Management Initiative for BASEL-II, Treasury and Forex Operations and General Administration. He is also an advisor to BSE Ltd.



Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. K.Raghuraman and therefore recommend for approval, the resolution contained in item no. 8 of the Notice convening the Annual General Meeting. Except Mr. K. Raghuraman and his relatives, no other KMP or their relatives are concerned or interested in the Resolution set out at item no. 8 of the accompanying Notice.

#### **Item No.9**

##### **Appointment of Mr. K. Ramachandran as Director**

The Board of Directors appointed Mr. K. Ramachandran as an Additional Director of the Company with effect from 1<sup>st</sup> October 2013, in terms of Section 161(1) of the Act, and Article 125 of the Company's Articles of Association. Pursuant to Section 161(1) of the Act, Mr. K. Ramachandran's 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 Companies Act, 1956 has been received from a Member signifying his intention to propose Mr. Ramachandran's appointment as a Director.

Mr. K. Ramachandran aged 64 years is an Engineer from BITS Pilani, with a Post-graduate degree in Business Management from the Indian Institute of Management, Calcutta. Mr. Ramachandran started his career with the Tata Administrative Service (TAS). His career has been mainly with two Companies viz. Philips Electronics and Voltas Ltd., a Tata Group Company. His 17 years with Voltas Ltd. were in technology intensive businesses in the power electrical industry. At Philips India, he was Sr. Vice President, Human Resources and Executive Director, before being appointed the first Indian Vice Chairman & Managing Director for Philips Electronics' Indian operations. He was given additional responsibility for the Indian Subcontinent in 2006. As CEO for the Indian Subcontinent, and a member of the Global Philips Apex Leadership Group, he played a major role in renewing the Group's focus on Emerging Markets and in laying the foundation for building sustainable new business models relevant for emerging markets. He has experience in a wide range of assignments in manufacturing, marketing, sales, project management, human resource functions and also in full P&L responsibility for businesses. He is currently engaged with the Aditya Birla Group as Advisor to the Chairman for the Group's Higher Education Projects .

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. K. Ramachandran and therefore recommend for approval, the resolution contained in item no. 9 of the Notice convening the Annual General Meeting. Except Mr. K. Ramachandran and his relatives, no other KMP or their relatives are concerned or interested in the Resolution set out at item no. 9 of the accompanying Notice.

By Order of the Board of Directors

21<sup>st</sup> November 2013.

**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)

Name of the Director	Mr. R.R. Bhinge	Mr. V. K. Deshpande	Mr. P. K. Ghose	Mr. Sanjay Dube	Mr. R. Savor	Mr. K.Raghuraman	Mr.K. Ramachandran
Date of Birth	29th May 1952	21st July 1957	3rd September 1950	26 <sup>th</sup> April 1962	24 <sup>th</sup> April 1944	26 <sup>th</sup> September 1948	22 <sup>nd</sup> June 1949
Date of Appointment	29th August 2003	30th July 2004	28th July 2005	6 <sup>th</sup> June 2013	20 <sup>th</sup> September 2013	20 <sup>th</sup> September 2013	1 <sup>st</sup> October 2013
Expertise in Specific Functional Area	He has over 29 years of professional experience. He was with Nelco for 14 years and during that tenure he had multi-functional operating experience in finance, marketing, operations and profit centre management. He was an author of the 1990 Strategic Plan for Tata Industries Ltd. and was responsible for its implementation. He participated in various Joint Venture planning and negotiations. He involved in all consultancy assignments undertaken in various industries by Tata Strategic Management Group (TSMG) since 1991. At present, he is Chief Executive of TSMG.	He has over 33 years experience in various fields including execution of turnkey projects, plant operations, total plant solutions etc. He was associated with Tata Honeywell Ltd. for over 15 years in various leadership roles. At present he is a Managing Director of Tata Projects Ltd.	He has experience in the field of Corporate Finance and Accounts. Presently he is Executive Director and CFO of Tata Chemicals Ltd.	He has total 24 years of experience in the field of Financial services and Investor relations.	With over 30 years of experience in under which he went through the gamut of all functions like sales, marketing, R&D, Production etc. He was also on the Governing Board of IIM, Bangalore.	He has over 40 years of experience in Banking, Finance, Treasury, Projects Appraisals and Policy Initiatives.	Has over 30 years experience in manufacturing, marketing, sales, project management and human resource functions
Qualifications	B.Tech. Hons.(Electrical) from IIT, Mumbai. Post Graduation in Business Administration from IIM, Ahmedabad.	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	MBA from Georgetown University, Washington, DC, CA	B.Sc. with Chemistry as the Principal subject, course in Chemical Technology from UDCT at Mumbai in oils	Bachelor of Commerce (B.Com) from Loyola College, Chennai, Chartered Accountant from Institute of Chartered Accountants of India	An Engineer from BITS Pilani, Post-graduate degree in Business Management from IIM, Calcutta

Name of the Director	Mr. R.R. Bhinge	Mr. V. K. Deshpande	Mr. P. K. Ghose	Mr. Sanjay Dube	Mr. R. Savor	Mr. K.Raghuraman	Mr.K. Ramachandran
Directorship held in other Companies (excluding alternate Directorships and Directorships in Private Companies, Foreign Companies and Section 25 Companies)	<ul style="list-style-type: none"> <li>- Infiniti Retail Ltd.</li> <li>- Tata Autocomp Systems Ltd.</li> <li>- Tatanet Services Ltd.</li> <li>- Tata Industries Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Kennametal India Ltd.</li> <li>- Tata Projects Ltd</li> <li>- Artson Engineering Ltd.</li> <li>- Voltas Ltd.</li> <li>- Tata Projects Infrastructure Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Tata Services Ltd.</li> <li>- Tata Chemicals Ltd.</li> <li>- Tata Power Renewable Energy Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Af-Taab Investment Company Ltd.</li> <li>- Hemisphere Properties India Ltd.</li> <li>- Industrial Energy Ltd.</li> <li>- Natural Plant Products India Ltd.</li> <li>- Panatone Finvest Ltd.</li> <li>- Tata Ceramics Ltd.</li> <li>- Tata Power Green Energy Ltd.</li> <li>- Chemical Terminal Trombay Ltd.</li> <li>- Industrial Power Utility Ltd.</li> <li>- Tata Power Jamshepur Distribution Ltd.</li> <li>- Tata Power Renewable Energy Ltd.</li> <li>- Tata Power Solar Systems Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Thomas Cook India Ltd.</li> <li>- Tata Autocomp Systems Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Andhra Bank</li> <li>- Canbank Factors Ltd.</li> <li>- Centbank Financial Services Ltd.</li> <li>- Oriental Carbon &amp; Chemicals Ltd</li> <li>- Nagarjuna Agrichem Ltd.</li> <li>- Rama Phosphates Ltd.</li> <li>- Birla Ericsson Optical Ltd.</li> <li>- Suvidha Parklift Ltd.</li> <li>- Ladderup Finance Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Thomas Cook India Ltd.</li> <li>- Infotech Enterprises Ltd.</li> </ul>
Committee positions held in other Companies	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>Infiniti Retail Ltd.</li> </ul>	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>Kennametal India Ltd.</li> </ul>	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>- Tata Services Ltd.</li> <li>- Tata Power Renewable Energy Ltd.</li> </ul>	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>- Af-Taab Investment Company Ltd.</li> <li>- Hemisphere Properties India Ltd.</li> <li>- Industrial Energy Ltd.</li> <li>- Panatone Finvest Ltd.</li> <li>- Tata Ceramics Ltd.</li> <li>- Chemical Terminal Trombay Ltd.</li> <li>- Tata Power Renewable Energy Ltd.</li> </ul>	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>- Thomas Cook India Ltd.</li> <li>- Tata Autocomp Systems Ltd.</li> </ul> <p><u>Shareholders' / Investors' Grievance Redressal Committee</u></p> <ul style="list-style-type: none"> <li>- Tata Autocomp Systems Ltd.</li> </ul>	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>- Nagarjuna Agrichem Ltd.</li> <li>- Rama Phosphates Ltd.</li> <li>- Birla Ericsson Optical Ltd.</li> <li>- Canbank Factors Ltd.</li> <li>- Centbank Financial Services Ltd.</li> <li>- Ladderup Finance Ltd.</li> <li>- Andhra Bank</li> </ul> <p><u>Investors' Grievance and Redressal Committee</u></p> <ul style="list-style-type: none"> <li>- Andhra Bank</li> </ul>	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>- Thomas Cook India Ltd.</li> <li>- Alnfotech Enterprises Ltd.</li> </ul>
No. of shares held	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## DIRECTORS' REPORT

### To the Members

The Directors present their Seventy first Annual Report together with the Audited Statement of Accounts for the year ended 30<sup>th</sup> September, 2013.

### 1. Financial Results

The summarized financial results (Standalone) are indicated below:-

(Rupees in Lakhs)

	For the year ended 30.09.2013 Rs.	For the year ended 30.09.2012 Rs.
		<b>(Regrouped)</b>
Net Sales / Income from Operations	10,971.86	13,911.13
Operating Expenditure	11,215.70	12,895.34
Operating Profit /(Loss)	(243.84)	1015.79
Add : Other Income	131.33	264.47
Less : Interest	954.91	881.11
Profit / (Loss) Before Tax & Depreciation and Exceptional items	(1,067.42)	399.15
Less : Depreciation	569.37	558.01
Profit / (Loss) Before Tax and Exceptional items	(1,636.79)	(158.86)
Exceptional Items		
Add:- Profit on sale of Business	-	267.89
Profit / (Loss) Before Tax	(1,636.79)	109.03
Less : Provision for Tax (including provision for Deferred Tax and Fringe Benefit Tax)	-	-
Net Profit / (Loss) After Tax	(1,636.79)	109.03
Balance Brought Forward	13.02	36.59
Balance available for appropriation	(1,623.77)	145.62
Appropriated as under :		
Proposed Dividend	-	114.09
Tax on Dividend	-	18.51
Transfer to General Reserve	-	-
Balance to be Carried Forward	(1,623.77)	13.02

### 2. Financial Highlights

During the period under review, the total income was Rs.10,971.86 lakhs as against Rs. 1,3911.13 lakhs in the previous year. The Company reported loss after tax of Rs. 1,636.79 lakhs as against profit of Rs. 109.03 lakhs in the previous year.

The segment wise performance (Standalone) for the year was as follows :

Automation & Control earned total revenue of Rs 3,356 lakhs (Rs 5,381 lakhs in previous year) and incurred a segment loss of Rs 1,164 lakhs (loss of Rs 304 lakhs in previous year).

Network Systems earned a total revenue of Rs 7,599 lakhs (Rs.8,510 lakhs in previous year) and reported a segment profit of Rs 1,520 lakhs (profit of Rs 2,152 lakhs in previous year)

Interest and other un-allocable expenses amounted to Rs.887 lakhs & Rs 1,106 lakhs respectively (Rs 797 lakhs & Rs 942 lakhs respectively in previous year)

### 3. 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, 2013, TNSL has posted revenue from operations of Rs.4039.00 lakhs as against Rs. 3802.59 lakhs in the previous year and loss after Tax of Rs.116.29 lakhs as against profit of Rs. 57.73 lakhs in the previous year.

Vide General Circular No.: 2/2011 dated 8<sup>th</sup> February, 2011, the Ministry of Corporate Affairs, Govt. of India has granted a general exemption to companies from attaching the Balance Sheet, the Statement of Profit and Loss 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 TNSL 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.

### 4. Human Resource Management

In order to make the Organization robust, progressive and dynamic, the Company undertakes Organizational Development, Employee Engagement, Recognition and Talent Management. This is done through various interventions which include Individual development plans for 'star' performers, streamlining of Performance Management System, driving the spirit of Ethics and Safety, Open House and Skip Level meetings. The Company also nurtures talent, builds competencies and fosters a culture of continuous Learning and Development through specialized technical and functional training modules through domain experts, Leadership and Strategic programmes with exclusive focus on performance optimization, behavioural training to facilitate people development. The Company maintained cordial industrial relations during the period under review.

### 5. 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.

### 6. Quality Systems

The Company's Quality System has been approved & certified by Directorate General of Quality Assurance (DGQA), establishment under Ministry Of Defense, Govt. of India through their regular Audit Verification System. The Company's in-House Development Department has been recognized & certified by DSIR, establishment under Ministry of Science & Technology, Govt. of India.

### 7. Public Fixed Deposits

The Company has neither accepted nor renewed any public fixed deposits during the period under review. However, there were deposits amounting to Rs. 0.48 lakhs as on 30<sup>th</sup> September, 2013 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. 1.07 lakhs were transferred during the financial year 2012-13 to the Investor Education and Protection Fund.

### 8. 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.

## 9. 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.

## 10. Directors

Mr. P.R.Menon stepped down as a Chairman and Director of the Company with effect from 5<sup>th</sup> June, 2013. Mr. R.R.Bhinge was appointed as Chairman of the Company effective from 6<sup>th</sup> June, 2013. Mr. B.Gopal and Mr. B.Rajagopal stepped down from the Directorship of the Company with effect from 1<sup>st</sup> August 2013 and 2<sup>nd</sup> September 2013 respectively. The Board places on record its appreciation of the valuable guidance and contribution made to the Company by Mr. Menon, Mr. B.Gopal and Mr. B.Rajagopal.

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

The Board appointed additional Directors as under:

Director	Date of Appointment
Mr. Sanjay Dube	6 <sup>th</sup> June 2013
Mr. Ramesh Savor	20 <sup>th</sup> September 2013
Mr. K. Raghuraman	20 <sup>th</sup> September 2013
Mr. K.Ramachandran	1 <sup>st</sup> October 2013

They hold office upto the forthcoming Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 have been received from Members signifying their intention to propose the appointment of aforesaid Directors.

## 11. Auditors

At the Annual General Meeting held on 22<sup>nd</sup> January, 2013, the Company appointed Deloitte Haskins & Sells, Chartered Accountants, Mumbai, as the Statutory Auditors for the financial year 2012-13. The Company has received a letter dated 21<sup>st</sup> November, 2013 from Deloitte Haskins & Sells LLP informing that the Firm, Deloitte Haskins & Sells has been converted into a Limited Liability Partnership (LLP) under the provisions of the Limited Liability Partnership Act, 2008 with effect from 20<sup>th</sup> November 2013. Accordingly, Deloitte Haskins & Sells LLP, the Statutory Auditors of the Company for financial year 2012-13 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 ended 30<sup>th</sup> September, 2012. The Cost Audit Report and the Compliance Report of your Company for the said year, by M/s. P. D. Dani & Co, Cost Accountants, were filed with Ministry of Corporate Affairs. Since the requirement of cost audit has also been made mandatory for Electronics Products, the Company has reappointed M/s. P. D. Dani & Co. as Cost Auditors to audit the cost accounts for the financial year ended 30<sup>th</sup> September, 2013 in respect of “Telecommunication (ISP) activities” and “Electronics Products”.

## 12. 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.

## 13. 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.

#### 14. Acknowledgements

Your Directors place on record their appreciation for the support and co-operation received from Shareholders, Customers, Business Associates, Vendors, 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

**R.R. Bhinge**  
Chairman

Mumbai, 21<sup>st</sup> November, 2013.

## 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 and Managed M2M Services.

#### **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) Setting up of a new and more advanced VSAT hub to optimize bandwidth utilization.
- (c) Adaption of advanced M2M Technologies.

#### **Expenditure on R&D**

**Rs. in Lakhs**

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 & services as well as creating new products, services and solutions adapted to suit the customers’ requirements for specific industry segments.

#### **Foreign exchange earnings and outgo**

**Rs. in Lakhs**

Total foreign exchange earned	201.45
Total foreign exchange used	2361.27

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company offers solutions and services mainly in the areas of VSAT communications, Managed Services and Integrated Security & Surveillance Solutions. The Company offers a range of innovative and customized solutions for both Government and Enterprise customers. Nelco has been focusing on continuous performance improvement through ISO9001, TL9000, ISO 20000 and ISO27001.

### Industry structure and development

The Company has two reportable segments viz. (1) Network Systems consisting of VSAT services (including SATCOM) and Managed Services and (2) Automation & Control consisting of Integrated Security and Surveillance Solutions (ISSS)

#### Network Systems

The **VSAT services** are satellite communication services, essentially for data communication, offered under the license of DOT, Govt. of India. The industry is 23+ years old in India and is growing at around 8% p.a. There are 5 main operators in the country and no new service provider has emerged in the last couple of years. The Regulatory frame-work continues to be the same. The growth of the VSAT industry is primarily due to its ability to offer highly reliable data communication services anywhere in the country. The satellite transponder provider space is exclusively controlled by Antrix Corporation Ltd. ("Antrix") (a Govt. of India Company under Dept. of Space), a part of ISRO, which provides the transponder space in satellites belonging to ISRO as well as foreign satellite operators. While there are several new satellites being launched, the industry necessarily needs to buy the transponder space through Antrix. The VSAT services in India are consumed mainly by the Enterprise segment.

The scope of **Managed Services** is very wide and the industry is sizeable. The scope of the managed services has evolved from being traditionally for IT services to now also include non-IT services. The evolution of M2M Technologies has led to significant growth of these services across the globe. In India also M2M Services are getting off the ground and constitute an early stage high growth market. The M2M eco-system is evolving in the country and there is an important position for a Managed M2M Service Provider, which is evolving. The Company is strategically positioning itself as a focused Managed M2M Service Provider, which encompasses remote management solutions and services for Safety, Security & Surveillance and Energy Management. 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.

#### Automation & Control

The **Integrated Security and Surveillance Solutions (ISSS)** market in India is highly fragmented and very competitive. There are largely three types of players in this market – OEMs selling various security & surveillance equipment as stand-alone products, comprehensive System Integrators integrating multiple brand agnostic components as an end-to-end solution and a number of small niche-segmental players. There is an 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, leading to growing demand for such equipments. However, the market for end-to-end system integration projects encompassing multiple types of equipments is limited and the demand is lumpy in nature.

### Opportunities and Threats

#### Opportunities

##### Network Systems

The Banking and Finance sector continued to be the major growth driver for the VSAT industry in FY13, as increasingly more ATMs and bank branches were getting opened in remote locations in India, where VSAT is the most preferred mode of data communication. While the number of ATMs deployed in FY13 was lower than the original expectation of the industry, the fundamentals of the sector remains strong. Further, with the new initiative of RBI allowing non-banking entities to set up, own and operate ATMs (White Label ATMs, also called as WLA), and the much talked about New Banking License to allow major corporate houses to start banking services in India, the VSAT industry will get a further boost. The trend of opening ATMs and bank branches in remote locations is likely to further gain momentum this year and the following years. India currently has approximately 130,000 ATMs, out of which 30,000 ATMs were added during FY13.

The e-Governance sector is another growth driver for the VSAT industry due to the hugely growing rural connectivity requirements in projects like RRBs, CSCs, APDRPs and Panchayat connectivity. The predominantly rural connectivity requirements also offer opportunities in terms of innovative VSAT solutions, especially around power management. Oil Retail is another segment which is in the process of transitioning from terrestrial and wireless data communication technologies to more reliable VSAT communication services. The industry is expecting a major boost from this sector in the coming years. The remote connectivity for the oil rigs and oil wells also continue to be strong sectors for the VSAT service.



The increasing need for remote management of critical infrastructure spread across the country is providing huge opportunities for Managed M2M Services. The M2M market in India is largely driven by safety, security, surveillance and energy management. Some of the segments that have growth potential for the Company under Managed M2M Services include bank branches and ATMs, large corporate buildings, telecom towers and retail outlets. Benefits like improved safety & security, equipment operational efficiency, and productivity gains are driving adoption for M2M applications across these segments. The demand for these services in India is likely to grow aggressively in the coming years. Being remote management services, there are also opportunities for catering to the requirements of markets beyond India.

#### Automation & Control

There are opportunities for ISSS in the Govt. & Defense sectors, as well as the Enterprise segment. There are a number of large Govt. & Defense requirements like the City Surveillance projects, ISSS at Railway Stations across the country and large Border Management requirements, which offer good long-term opportunity to the Company. Even the Enterprise Infrastructure like SEZs, IT Parks, high end Residential Complexes, Retail Outlets, Airports, Metro etc., have potential for large scale security & surveillance solutions.

The Company also sees an opportunity in combined offerings of its various products and services to offer holistic integrated solutions to its customers. There are many segments where there is a compelling need for offering a combination solution especially involving VSATs and Managed M2M Services, which the Company is well positioned to address.

#### **Threats**

##### Network Systems

The main threat for the VSAT industry continues to come from the rapidly growing telecom infrastructure in the country. The increasing fiber footprint in the country is likely to pose challenges for the VSAT industry in the coming years. The availability of 3G and 4G services could also pose a challenge for the VSAT industry for some of the specific segments, when these services become stable and capable of providing consistent high quality data communication services. The other major threat for the VSAT industry comes from the increasing prices of satellite transponder space, for which the industry is dependent only on one source - Antrix.

The threat in the Managed Services business comes from continuous innovation of technologies and potential entry of large players in this segment once the business scales up. Moreover, this being a new concept in India, the time taken for these services to get initial acceptance across all segments in the Enterprise space may be high, which could pose a short term challenge of slower traction.

##### Automation & Control

The major threat to the Company for its ISSS business comes from the heavy dependence on Government establishments which have long decision making and procurement cycles. Due to the slowdown in the economy there has been curtailment of capital expenditure budgets for many organizations – Govt. as well as Private sectors, which has further affected this business. Potential entry into this segment by the big IT & non-IT System Integrators, who have existing presence and relationships with large Enterprise customers also pose a challenge to the Company for this sector.

#### **Segment wise performance**

##### Network Systems

During the period under review, the revenue for the VSAT business was Rs. 6647 lakhs as against Rs 7314 lakhs in the previous year. The total VSAT installed base is in excess of 30,000. The current market share is 18% on an overall installed base basis. The Company installed 9,454 VSATs during the year against 9,014 in the previous year. However, the revenue is less due to drop in sales prices of VSAT hardware in the market. Correspondingly, the company has also been able to reduce its procurement prices for the VSAT hardware to some extent.

The Company made significant inroads into the e-Governance sector by bagging large orders for more than 5000 VSATs to be deployed over a period of time. The Company did sustained business with all the major Brown Label ATM services providers like Tata Communication Payment Services Ltd., Prizm Payment Systems, FIS, AGS, Mphasis, and FSS etc. The Company further consolidated its position in the Oil & Gas segment through alliances with international oil rig solution providers.

During the period under review, the revenue for the Managed Services business was Rs 667 lakhs as against Rs 291 lakhs in the previous year. The Company made significant inroads by implementing a unique and large contract from a major private sector bank for remotely managing the safety & security surveillance infrastructure of their branches spread in various parts of India.

##### Automation & Control

During the period under review, the revenue for the ISSS was Rs. 3357 lakhs as against Rs 5358 lakhs in the previous year. During the year the Company's thrust was on completing existing large contracts, especially from Indian Railways as well as realigning market priorities to focus in sectors which are more profitable.

## Outlook

### Network Systems

The VSAT business for the Company has become stronger with its significant presence in the Banking & Finance segment for ATM and branch connectivity infrastructure. Further momentum has been provided by large orders for e-Governance projects, where a large number of VSATs are likely to be implemented in FY14. Growth for this year is also expected from Oil Retail segment, where the decision making has advanced significantly.

The Company through its Wholly Owned Subsidiary Tatanet Services Limited is also likely to get additional satellite transponder space from Antrix during the year and is planning to set up a new VSAT hub, which will give a significant boost to its business for the coming years. VSAT industry is also likely to see a significant growth when the “Ka band” is allowed for commercial operations. While there has been no indication by Department of Telecom regarding the likely time-frame for the same, the company is getting ready to take advantage of the same, as and when this is available.

The outlook for the Managed Services looks positive. The Company has positioned itself as a niche “Managed M2M Service Provider”, which is a high growth early stage market in India. The Company has been engaged in shaping this market. There are segments like Bank branches, ATMs, large buildings, Telecom Towers, etc. where the need for such services is being established. The Company expects an exponential growth in the next few years in this space. It is focusing on building value added layers on its foundation service stack to create differentiators in the market. The Company has a good opportunity to establish itself as a key player by being focused on creating innovative services and catering to specific high growth segments.

### Automation & Control

The Company expects that its ISSS business will see further growth as it is already well positioned in segments like Railways, Oil PSUs and Defense, where there are significant investment plans. However, the long decision making cycles could pose short-term challenges for this business. Security preparedness and threat perception of privately owned critical infrastructure will also lead to increased requirement for ISSS over the next few years. The Company expects to leverage its solid experience to generate traction in this sector in the long term. Considering the current challenges in this business, the Company has become selective in responding to tenders and projects.

There are also large opportunities in the Defense sector, where the Company is actively engaged. The modernization program for border surveillance will continue in the coming years and the Company expects to bag more contracts leveraging its experience in the sector.

## Risks and Concerns

### Network Systems

The risks for the VSAT business arise mainly from alternate technology threats and from Government processes and policies. Satellite transponder space is still available only through Antrix, which leads to delays and lack of control on the prices of satellite bandwidth.

The Managed M2M business is in its infancy in India. Being a new concept, there are no reference cases that exist in the market to demonstrate tangible and intangible benefits realized through such solutions. This poses risks in terms of initial low adoption rates and hence need for more pilot projects.

### Automation & Control

The ISSS business in India is considerably dependent on the threat perception. However, the macro-economic scenario also impacts the business with security budgets being drastically cut during economic downturns. In the Government and Defense sectors, which are the large buyers of these services, there are significant delays in decision making, reduction in budgets and execution delays due to non-readiness at customer sites. These pose risks of delays in award of orders and of project over runs.

The weakening and fluctuations of the Indian Rupee against US\$ pose challenges, since most electronics 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 21<sup>st</sup> November, 2013 the Board of Directors has 9 members, out of whom 1 is Executive Director and 8 are Non-Executive Directors who bring in a wide range of skills and experience to the Board. 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.

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 30/09/2013	Number of Committee positions held in other public limited companies (**) as on 30/09/2013	
				Director	Chairman	Member
Mr. P. R. Menon (Ceased w.e.f. 5 <sup>th</sup> June 2013)	Non Executive Chairman (Non-Independent)	3	Yes	7	-	4
Mr. R. R. Bhinge (Appointed as Chairman w.e.f. 6 <sup>th</sup> June 2013)	Non Executive Chairman (Independent)	4	Yes	4	1	-
Mr. V. K. Deshpande	Non Executive Director (Non-Independent)	3	Yes	5	-	1
Mr. P. K. Ghose	Non Executive Director (Independent)	4	No	3	1	1
Mr.S. Ramakrishnan	Non Executive Director (Non-Independent)	2	Yes	11	3	4
Mr. B. Gopal (Ceased w.e.f. 1 <sup>st</sup> August 2013)	Non Executive Director (Independent)	3	Yes	1	-	-
Mr. B. Rajagopal (Ceased w.e.f. 2 <sup>nd</sup> September 2013)	Non Executive Director (Independent)	4	Yes	1	-	1
Mr. Sanjay Dube (Appointed w.e.f. 6 <sup>th</sup> June 2013)	Non Executive Director (Non-Independent)	1	No	12	-	7
Mr. R. Savor (Appointed w.e.f. 20 <sup>th</sup> September 2013)	Non Executive Director (Independent)	Nil	No	2	1	2
Mr. K. Raghuraman (Appointed w.e.f. 20 <sup>th</sup> September 2013)	Non Executive Director (Independent)	Nil	No	9	4	4
Mr. K. Ramchandran (Appointed w.e.f. 1 <sup>st</sup> October 2013)	Non Executive Director (Independent)	Nil	No	2	-	2
Mr. P.J. Nath	Executive Director & Chief Executive Officer	4	Yes	2	-	-

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

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

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

Four 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: 22<sup>nd</sup> November 2012, 1<sup>st</sup> February 2013, 3<sup>rd</sup> May 2013 and 30<sup>th</sup> July 2013.

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**

Composition of the Audit Committee as on 21<sup>st</sup> November 2013 and details of meetings attended by the Directors during the year under review:

<b>Name of the Director</b>	<b>Category of Directorship</b>	<b>No. of Meeting (s) attended</b>
Mr. P. K. Ghose, Chairman	Non-Executive, Independent	8
Mr. R. R. Bhinge (Ceased w.e.f. 21 <sup>st</sup> November, 2013)	Non-Executive, Independent	8
Mr. V. K. Deshpande	Non-Executive, Non-Independent	7
Mr. B. Gopal (Ceased w.e.f. 1 <sup>st</sup> August 2013)	Non-Executive, Independent	6
Mr. R. Savoor (Appointed w.e.f. 20 <sup>th</sup> September 2013)	Non-Executive, Independent	Nil
Mr. K. Raghuraman (Appointed w.e.f. 25 <sup>th</sup> October 2013)	Non-Executive, Independent	Nil

The Audit Committee met eight times during the year under review on the following dates: 4<sup>th</sup> October 2012, 22<sup>nd</sup> November 2012, 1<sup>st</sup> February 2013, 8<sup>th</sup> March 2013, 3<sup>rd</sup> May 2013, 5<sup>th</sup> July 2013, 30<sup>th</sup> July 2013 and 17<sup>th</sup> September 2013.

Mr. P. K. Ghose, Chairman of Audit Committee could not make it to attend the last Annual General Meeting (AGM) and in his absence Mr. V. K. Deshpande the member of Audit Committee was present at the AGM to answer queries, if any of the Shareholders.

#### Terms of Reference

The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement with the Stock Exchanges. The Company also complies with the provisions of Section 292A of the Companies Act, 1956 (the Act) pertaining to Audit Committee and its functioning. The Authority & Powers of Audit Committee include the following:-

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To secure assistance and attendance of outsiders with relevant knowledge/expertise in accounting, legal or other matters, as it deems necessary.

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. Nominations, HR and Remuneration Committee**

#### 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.

Composition of the Nominations, HR & Remuneration Committee as on 21<sup>st</sup> November 2013 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 upto 20 <sup>th</sup> November, 2013. Continuing as a Member)	Non-Executive Independent	4
Mr. V. K. Deshpande	Non-Executive Non-Independent	4
Mr. S. Ramakrishnan	Non-Executive Non-Independent	3
Mr. P. K. Ghose (Appointed as Chairman w.e.f. 21 <sup>st</sup> November, 2013)	Non-Executive Independent	4
Mr.P. R.Menon (Ceased w.e.f. 5 <sup>th</sup> June 2013)	Non-Executive Non-Independent	2
Mr. K.Ramachandran (Appointed w.e.f. 25 <sup>th</sup> October, 2013)	Non-Executive Independent	-

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

The Nominations, HR & Remuneration Committee met four times during the year under review on the following dates: 4<sup>th</sup> October 2012, 18<sup>th</sup> February 2013, 22<sup>nd</sup> August 2013 and 17<sup>th</sup> September 2013.

### 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 1st 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 30th September 2013 are as under:

Rs. in lakhs

Terms of Agreement	Mr. P. J. Nath Executive Director & Chief Executive Officer
Period of appointment	13 <sup>th</sup> June 2012 to 12 <sup>th</sup> June 2015
Salary and allowance	Rs.80.80
Perquisites	Rs.10.78
Performance Linked Incentive	Rs.32.00
Contribution to Provident Fund & Superannuation Fund, Leave encashment, gratuity and other benefits	Rs.3.95
Retirement benefits	-
Notice Period	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.
Stock Option	Nil

### Non Executive Directors

The Company pays sitting fees Rs. 12,500/- per meeting to the Non-Executive Directors for attending meetings of the Board. The sitting fees 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:

Name of the Director	Amount (Rs.)
Mr. P.R.Menon	Nil
Mr. R.R. Bhinge	2,10,000
Mr. V. K. Deshpande	1,87,500
Mr. P. K. Ghose	1,70,000
Mr. S. Ramakrishnan	Nil
Mr. B.Gopal	1,27,500
Mr. B.Rajagopal	80,000
Mr. Sanjay Dube	12,500
Mr. R. Savoor	Nil
Mr. K.Raghuraman	Nil
Mr. K.Ramachandran	Nil

### 5. Shareholders'/Investors' Relations and Grievance Redressal Committee

Composition of the Shareholders'/Investors' Relations and Grievance Redressal Committee as on 21<sup>st</sup> November 2013 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 (Ceased w.e.f. 21 <sup>st</sup> November, 2013)	Chairman, Non-Executive Independent	2
Mr.P. J. Nath	Executive Director & CEO	2
Mr. R. Savoor (Appointed w.e.f. 25 <sup>th</sup> October 2013)	Non-Executive, Independent Appointed as Chairman w.e.f. 21 <sup>st</sup> November, 2013	Nil
Mr. K. Raghuraman (Appointed w.e.f. 25 <sup>th</sup> October 2013)	Non-Executive, Independent	Nil

The Shareholders'/Investors' Relations and Grievance Redressal Committee met twice during the year under review on 8<sup>th</sup> March 2013 and 30<sup>th</sup> September 2013.

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

In accordance with Clause 49(IV)(G)(iv) of the Listing Agreement with the Stock Exchanges, the Board has authorized Mr.P.J.Nath, Executive Director & CEO, Mr. R.B.Upadhyay, CFO & Sr. Vice President-Finance and Mr. Girish V.Kirkinde, Company Secretary and Compliance Officer to severally approve share transfers/transmissions, in addition to the powers with the members of the Committee. Share Transfer formalities are regularly attended to at least once a fortnight.

The responsibilities of the Committee shall include the following:

- Review statutory compliance regarding share & debenture holders;
- Track & monitor the redressal of all shareholder & investor complaints;
- Compliances in respect of dividend payments and transfer of unclaimed amounts to the Investor Education & Protection Fund;
- Oversight & review of all matters related to the transfer of securities of the Company;
- Approve issue of duplicate certificates of the Company;
- Review & approve any other routine & specific matters delegated by the Board.

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			
	SEBI Complaint Redress System(SCORES)	1	1	0
	Stock Exchanges	-	-	-
	Depositories (NSDL/CDSL)	-	-	-
	Ministry of Corporate Affairs	-	-	-
2.	Non-receipt of Dividend			
	Letters received from Shareholders for non-receipt of dividend.	2	2	0
	Total	3	3	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 30th September, 2013.

No transfers of shares in physical mode was pending as on 30th September 2013. No request for demat of shares was pending on 30th September 2013.

## 6. Executive Committee of Board (ECOB)

Composition of the Executive Committee of Board as on 21<sup>st</sup> November 2013 is as follow:

Name of the Director	Category of Directorship
Mr. P.R.Menon, Chairman (Ceased w.e.f. 5 <sup>th</sup> June 2013)	Non-Executive Non-Independent
Mr. R.R.Bhinge, (Appointed as Chairman w.e.f. 6 <sup>th</sup> June 2013)	Non-Executive Independent
Mr. V. K. Deshpande	Non-Executive Non-Independent
Mr. B.Gopal (Ceased w.e.f. 1 <sup>st</sup> August 2013)	Non-Executive Independent
Mr. B.Rajagopal (Ceased w.e.f. 2 <sup>nd</sup> September 2013)	Non-Executive Independent
Mr. P. J. Nath (Appointed w.e.f. 30 <sup>th</sup> July 2013)	Executive Director & CEO
Mr. Sanjay Dube (Appointed w.e.f. 25 <sup>th</sup> October 2013)	Non-Executive Non-Independent
Mr. K. Ramachandran (Appointed w.e.f. 25 <sup>th</sup> October 2013)	Non-Executive Independent

This Committee covers a detailed review of the following items before being presented to the full Board:

- Business and strategy review;
- Long term financial projections and cash flows;
- Capital and revenue budgets and capital expenditure programmes;
- Acquisitions, divestments and business restructuring proposals;
- Senior Management succession planning;
- Any other item as may be decided by the Board.

The Committee met thrice during the year under review on 22<sup>nd</sup> January, 2013, 29<sup>th</sup> July, 2013 and 30<sup>th</sup> September, 2013.

## 7. 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. 14th 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.

## 8. 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.

## 9. 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
30th September 2012	Tuesday 22 <sup>nd</sup> January 2013	3.00 pm	Ebony, Hotel Regenza By Tunga, Plot. No. 37, Sector 30-A, Vashi Navi Mumbai- 400 703	1 (One) Appointment of Mr. P.J. Nath as Executive Director & Chief Executive Officer
30th September 2011	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	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.

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

## 10. 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.
- (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.
- (vii) All mandatory requirements as per Clause 49 of the Listing Agreement have been complied with by the Company.

## 11. 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.
- iii) NSE Electronic Application Processing System (NEAPS) and BSE Online Portal: The Company also submits to NSE, all disclosures and communications through NSE's NEAPS portal. Similar filings are made to BSE on their newly launched Online Portal – BSE Corporate Compliance & Listing Centre with effect from 12<sup>th</sup> July 2013.
- iv) Extensive Business Reporting Language (XBRL): XBRL is a language for electronic communication of business and financial data. It offers major benefits to all those who have to create, transmit, use or analyse such information which aids better analysis and decision making. Ministry of Corporate Affairs (MCA) vide its Circular No.8/2012 dated 10<sup>th</sup> May, 2012 [as amended on 29<sup>th</sup> June, 2012], has already mandated all cost auditors and the concerned companies to file their Cost Audit Reports and Compliance Reports for the year 2011-12 onwards [including the overdue reports relating to any previous year(s)] only in the XBRL mode. The Company has filed its Cost Audit Report and Compliance Report on MCA through XBRL.
- v) SEBI Complaints Redress System (SCORES): A centralised web-based complaints redressal system which serves as a centralized database of all complaints received, enables uploading of Action Taken Reports (ATRs) by the concerned companies and online viewing by the investors of actions taken on the complaint and its current status.



## 12. General Shareholder Information

- i) Annual General Meeting (AGM) is scheduled to be held on Wednesday, 22nd January, 2014 at 3.00 p.m. at Ebony, Hotel Regenza by Tunga, Ground Floor, 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 reappointment at the forthcoming AGM are given in the Annexure to the Notice of the AGM to be held on 22<sup>nd</sup> January 2014.

- ii) Financial Year : 1<sup>st</sup> October, 2012 to 30<sup>th</sup> September, 2013.
- iii) Book closure date : From : Wednesday, 8<sup>th</sup> January, 2014 to Friday, 10<sup>th</sup> January 2014 (both days inclusive).
- iv) **Listing on Stock Exchanges:** The Company's Shares are listed on the following two Stock Exchanges in India.
- (a) Bombay Stock Exchange Ltd. (BSE), (Regional Stock Exchange), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.
- (b) The National Stock Exchange of India Ltd., (NSE), Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Company has paid annual listing fees to both the above mentioned Stock Exchanges for the financial year 2012-13.

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

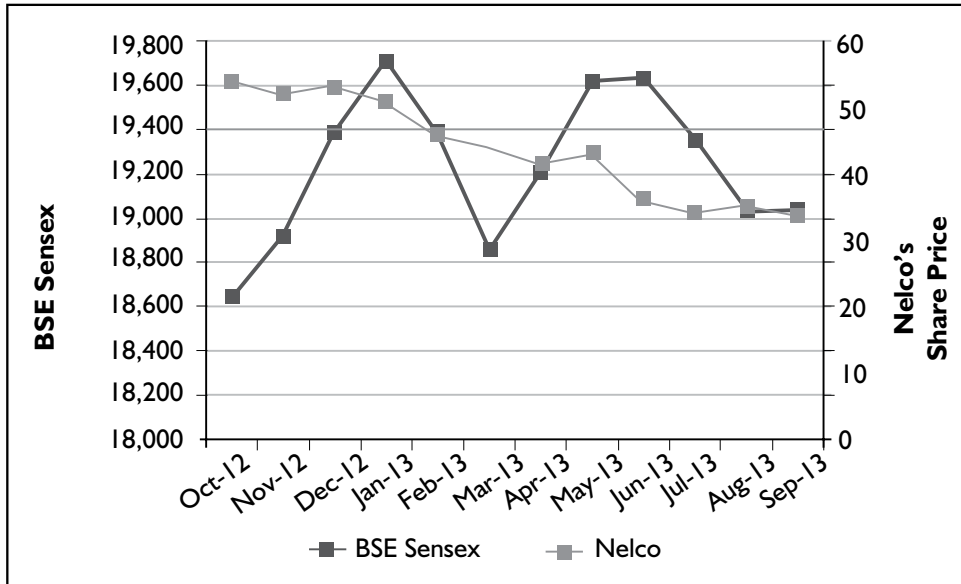
The CIN allotted to the Company by the Ministry of Corporate Affairs, Government of India is L32200MH1940PLC003164

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 2012 to 30<sup>th</sup> September 2013 at the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) are given below: -

Stock Exchange	BSE			NSE			
	Month	High	Low	Number of Shares Traded	High	Low	Number of Shares Traded
	October 2012	58.15	49.05	15,47,444	58.80	49.10	24,03,605
	November 2012	55.35	49.00	8,73,929	55.30	49.05	14,81,758
	December 2012	56.55	50.10	6,63,841	56.80	50.10	10,07,030
	January 2013	55.75	46.80	7,18,686	55.80	47.10	14,49,277
	February 2013	52.65	39.85	2,59,708	52.75	39.30	5,40,649
	March 2013	50.50	37.55	7,52,306	50.25	37.75	15,90,899
	April 2013	43.75	39.00	1,61,926	43.95	38.25	5,36,898
	May 2013	47.40	38.55	9,05,311	47.50	38.50	20,61,022
	June 2013	39.80	31.25	1,73,516	40.75	31.05	3,12,173
	July 2013	41.45	27.50	5,63,036	41.65	27.35	11,80,348
	August 2013	41.50	27.55	6,74,986	41.85	27.05	18,51,714
	September 2013	36.90	31.50	2,49,311	37.50	32.40	5,47,710

## 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

Tel.:022- 6656 8484  
Fax :022- 6656 8494  
E-mail: [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com) Mumbai – 400 011  
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, e-mail: <a href="mailto:shahconsultancy8154@gmail.com">shahconsultancy8154@gmail.com</a>

## 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, 2013**

No. of shares held (Range)	Shareholding	% of total Shareholding	No. of Shareholders	% of total Shareholders
1 to 5000	32,61,222	14.29	23,832	88.35
5001 to 10000	13,56,704	5.95	1,641	6.08
10001 to 20000	11,98,360	5.25	788	2.92
20001 to 30000	6,79,284	2.98	263	0.97
30001 to 40000	4,66,242	2.04	130	0.48
40001 to 50000	4,63,334	2.03	98	0.36
50001 to 100000	9,77,821	4.29	139	0.52
100001 and above	1,44,15,433	63.17	87	0.32
<b>Total</b>	<b>2,28,18,400</b>	<b>100.00</b>	<b>26,978</b>	<b>100.00</b>

x) **Shareholding pattern as on 30<sup>th</sup> September, 2013**

Sr.No.	Category	No. of shares	Percentage
1	TATA Companies	1,14,32,590	50.10
2	Financial Institutions/ Banks	24,290	0.11
3	Mutual Funds	10,850	0.05
4	State Government / Government Companies	82,160	0.36
5	Bodies Corporate / Trusts	12,76,348	5.59
6	Individuals	89,48,064	39.22
7	Foreign Institutional Investors	10,44,098	4.57
	<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 2013**

<b>List of Top 10 Shareholders (All Inclusive) as on 30th September, 2013</b>				
Serial No.	Name of Shareholder	Account number	Total holdings	Percentage to capital
1	The Tata Power Company Ltd	IN30152430005534	1,10,99,630	48.64
2	Schlumberger Ltd	NES0000110	8,66,460	3.80
3	Af-Taab Investment Company Ltd	IN30395610023209 NE-A0010381	3,28,410	1.44
4	Hitesh Ramji Javeri	IN30036020087818	3,00,000	1.31
5	4A Financials Securities Ltd	IN30009511678805	73,542	0.32
6	Chiranjilal Rajkumar Exports Pvt Ltd	IN30321210005610	72,000	0.32
7	Usha Khaitan	IN30321210005687	69,000	0.30
8	Reita Gertrude Gomes	IN30036010571804	62,000	0.27
9	Harsha Hitesh Javeri	IN30036020087795	60,000	0.26
10	Tanvi J Mehta	1203000000624997	53,568	0.23
	<b>TOTAL</b>		<b>1,29,84,610</b>	<b>56.89</b>

xii) **Dematerialisation of shares as on 30th September, 2013 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 2012-13 were paid to NSDL and CDSL. 2,13,50,874 Equity Shares of the Company representing 93.57% of the share capital were dematerialized as on 30<sup>th</sup> September 2013.

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, 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 eight 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-Executive Directors also have detailed deliberations with the management team and value through such deliberation;
- The Company has adopted 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 Section 205A and 205C of the Companies Act, 1956, the dividend for the financial years upto 2005-06 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 2013.

For NELCO Limited

**P. J. Nath**

Executive Director & CEO

Mumbai, 21<sup>st</sup> November 2013

**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 2013 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 except for the following:

The Chairman of the Audit Committee was not present at the Annual General Meeting as required under sub-clause II (A) (iv) of Clause 49 of the 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 LLP

Chartered Accountants

ICAI Firm Registration No 117366W/W-100018

**R.A. Banga**

Partner

Membership No. 37915

Mumbai, 21<sup>st</sup> November, 2013

## INDEPENDENT AUDITORS' REPORT

### To The Members Of Nelco Limited

#### Report on the Financial Statements

We have audited the accompanying financial statements of **NELCO LIMITED** ("the Company"), which comprise the Balance Sheet as at 30<sup>th</sup> September, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) 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.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books..
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 30<sup>th</sup> September, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 30<sup>th</sup> September, 2013 from being appointed as a director in terms of Section 274(1) (g) of the Act.

For Deloitte Haskins & Sells LLP  
Chartered Accountants  
ICAI Firm Registration No I17366W/W-100018

**R.A. Banga**  
Partner

Membership No. 37915

Mumbai, 21<sup>st</sup> November, 2013

## Annexure to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (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.
- (ii) (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.
- (iii) 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 paragraphs 4 (iii) (b), (c), (d), (f) and (g) of the Order are not applicable.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) 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.
- (ix) (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, ESIC, 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 undisputed statutory dues as mentioned above as at 30th September, 2013 for a period of more than six months from the date they became payable.

- (b) As at 30<sup>th</sup> September, 2013 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 relates to which the matter pertains	Forum where the dispute is pending	Amount (Rs. in Lakhs)
Sales – Tax Laws	Sales-Tax	1989-90 and 1990-91	Appellate Authority - High Court Level	17.43
		1985-86 to 1990-91, 1992-93, 1996-97,2003-04	Appellate Authority - Commissioner Level	31.51
Customs Duty Laws	Customs Duty	1991 to 1993	Appellate Authority - Assessing Officer Level	24.26
Excise Duty Laws	Excise Duty	1983-84 to1985-86	Appellate Authority - Commissioner Level	56.43
		2006-07	Appellate Authority - Assistant Director Level	1.07
Service Tax Laws	Service Tax	2003-04, 2005-06, 2006-07	Appellate Authority – up to Commissioner Level	217.69

- (x) The accumulated losses of the Company at the end of the financial year are more than fifty per cent of its net worth and the Company has incurred cash losses in the current financial but has not incurred cash losses in the immediately preceding financial year
- (xi) 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.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute as specified under Clause (xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) According to the information and explanations given to us, the company has given guarantees for loans taken by subsidiary company from banks or financial institutions, the terms and conditions, whereof, are prima facie not prejudicial to the interest of the company.
- (xvi) 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.
- (xvii) 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. 3,876.23 lakhs have been used for operating losses, purchase of fixed assets and long term loans and advances.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotments of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, as the company has not issued any debentures during the year, paragraph (xix) of the Order is not applicable to the Company.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) 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 LLP  
Chartered Accountants  
ICAI Firm Registration No I17366W/W-100018

**R.A. Banga**  
Partner

Membership No. 37915

Mumbai, 21<sup>st</sup> November, 2013

**Balance Sheet as at 30th September, 2013**

(Rs. in Lakhs)

Particulars	Note No.	As at 30th September, 2013	As at 30th September, 2012
<b>A EQUITY AND LIABILITIES</b>			
<b>I Shareholders' funds</b>			
(a) Share capital	2	2,281.75	2,281.75
(b) Reserves and surplus	3	(1,373.77)	263.02
		907.98	2,544.77
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	4	71.29	120.90
(b) Deferred tax liability (Net)	33	-	-
(c) Other long-term liabilities	5	143.06	320.66
(d) Long-term provisions	6	517.28	578.33
		731.63	1,019.89
<b>3 Current liabilities</b>			
(a) Short-term borrowings	7	7,628.40	8,558.95
(b) Trade payables	8	4,138.26	3,627.40
(c) Other current liabilities	9	752.97	736.93
(d) Short-term provisions	10	470.55	591.41
		12,990.18	13,514.69
<b>TOTAL</b>		<b>14,629.79</b>	<b>17,079.35</b>
<b>B ASSETS</b>			
<b>I Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	11	2,162.22	2,264.77
(ii) Intangible assets	11	88.01	126.21
(iii) Capital work-in-progress		56.70	8.36
		2,306.93	2,399.34
(b) Non-current investments	12	198.90	198.25
(c) Long-term loans and advances	13	3,064.57	2,709.43
		5,570.40	5,307.02
<b>2 Current assets</b>			
(a) Inventories	14	1,963.48	2,096.63
(b) Trade receivables	15	4,923.69	7,274.00
(c) Cash and bank balances	16	158.96	290.91
(d) Short-term loans and advances	17	513.16	993.23
(e) Other current assets	18	1,500.10	1,117.56
		9,059.39	11,772.33
<b>TOTAL</b>		<b>14,629.79</b>	<b>17,079.35</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 LLP**  
Chartered Accountants**R. R. Bhinge**  
Chairman**P. J. Nath**  
Executive Director & CEO**R. A. Banga**  
Partner**R. B. Upadhyay**  
CFO & Senior Vice President (Finance)**Girish V. Kirkinde**  
Company SecretaryMumbai, 21<sup>st</sup> November, 2013Mumbai, 21<sup>st</sup> November, 2013



## Statement of Profit and Loss for the year ended 30th September, 2013

(Rs. in Lakhs)

Particulars	Note No.	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>1</b> Revenue from operations (gross)	19	11,032.10	14,230.08
Less: Excise duty		60.24	318.95
Revenue from operations (net)		10,971.86	13,911.13
<b>2</b> Other income	20	131.33	264.47
<b>3 Total revenue (1 + 2)</b>		<b>11,103.19</b>	<b>14,175.60</b>
<b>4 Expenses</b>			
Cost of materials consumed	37 A	813.19	1,917.55
Purchases of stock-in-trade	37 D	4,561.41	5,559.38
Changes in inventories of Stock-in-trade, work-in-progress and contracts in progress	21	50.33	(50.33)
Employee benefits expense	22	2,418.23	2,183.32
Finance costs	23	954.91	881.11
Depreciation and amortisation expense	11	569.37	558.01
Other expenses	24	3,372.54	3,285.42
<b>Total expenses</b>		<b>12,739.98</b>	<b>14,334.46</b>
<b>5 Loss before exceptional items and tax (3 - 4)</b>		<b>(1,636.79)</b>	<b>(158.86)</b>
<b>6 Exceptional items</b>			
Profit related to sale of business (net) (Refer note 25)		-	267.89
<b>7 (Loss) /Profit before tax (5+6)</b>		<b>(1,636.79)</b>	<b>109.03</b>
<b>8 Less: Tax expense</b>			
Current tax		-	-
Deferred tax		-	-
<b>9 (Loss) /Profit for the year (7-8)</b>		<b>(1,636.79)</b>	<b>109.03</b>
<b>10 Earnings per share (Face value of Rs 10/- per share) Rs. :</b>			
Basic and Diluted (refer note 32)		(7.17)	0.48
<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 LLP**  
Chartered Accountants

**R. R. Bhinge**  
Chairman

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

**R. A. Banga**  
Partner

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013

Mumbai, 21<sup>st</sup> November, 2013

## Cash Flow Statement for the year ended 30th September, 2013

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013		For the year ended 30th September, 2012	
<b>A. LOSS BEFORE EXCEPTIONAL ITEMS AND TAXATION</b>		<b>(1,636.79)</b>		<b>(158.86)</b>
ADJUSTMENTS FOR				
Depreciation	569.37		558.01	
Interest Income	(113.78)		(9.39)	
Dividend Income on long term investment	(4.65)		(4.65)	
Interest Expense	887.45		797.62	
Loss/(Profit) on Sale of Fixed Assets	28.88		6.39	
		<u>1,367.27</u>		<u>1,347.98</u>
<b>OPERATING (LOSS)/ PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>(269.52)</b>		<b>1,189.12</b>
<b>Changes in working capital:</b>				
<b>Adjustments for (increase) / decrease in operating assets:</b>				
Inventories	133.15		(200.36)	
Trade receivables	2,350.31		(732.03)	
Short-term loans and advances	480.07		463.51	
Long-term loans and advances	(106.87)		(107.58)	
Loan repaid by subsidiary	100.00		-	
Other current assets	(382.54)		(113.20)	
<b>Adjustments for increase / (decrease) in operating liabilities:</b>				
Trade payables	510.84		(2,118.97)	
Other current liabilities	46.96		(177.02)	
Other long-term liabilities	(177.60)		(205.60)	
Short-term provisions	11.74		(242.70)	
Long-term provisions	(61.05)		(223.00)	
		<u>2,905.01</u>		<u>(3,656.95)</u>
<b>CASH GENERATED / (USED IN) FROM OPERATIONS</b>		<b>2,635.49</b>		<b>(2,467.83)</b>
Direct taxes (paid)/ refund (net)		<u>(348.26)</u>		<u>(403.15)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>2,287.23</b>		<b>(2,870.98)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets		(519.89)		(340.80)
Sale of fixed assets		14.05		6.93
Interest received		113.78		9.39
Dividend received		4.65		4.65
Bank balance not considered as Cash and Cash Equivalents		33.15		(3.03)
<b>NET CASH FLOW (USED) IN INVESTING ACTIVITIES</b>		<b>(354.26)</b>		<b>(322.86)</b>

## Cash Flow Statement for the year ended 30th September, 2013 (contd.)

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013		For the year ended 30th September, 2012	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repayment of Long-term borrowings	(106.85)		(146.12)	
Proceeds from Short-term borrowings	1,721.51		4,055.55	
Repayment of Short-term borrowings	(4,055.55)		(2,500.00)	
Increase/(Decrease) in cash credit balances (Net)	(296.51)		314.43	
Matured deposit paid	(0.76)		(0.20)	
Proceeds from Inter-corporate deposits	5,870.00		14,220.00	
Repayment of Inter-corporate deposits	<u>(4,170.00)</u>		<u>(12,475.00)</u>	
		(1,038.16)		3,468.66
Dividend paid		(111.67)		(0.32)
Tax on Dividend paid		(18.51)		-
Interest paid		(863.43)		(754.39)
<b>Exceptional Item</b>				
Proceeds relating to sale of business (Refer note 25)		-		267.89
<b>NET CASH FROM / (USED) IN FINANCING ACTIVITIES</b>		<u><b>(2,031.77)</b></u>		<u><b>2,981.84</b></u>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(98.80)</b>		<b>(212.00)</b>
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR		226.60		438.60
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (Refer note 1 below)		<u>127.80</u>		<u>226.60</u>
		(98.80)		(212.00)

Notes :

1) Cash and cash equivalents include:

(Rs. in Lakhs)

Particulars	As at 30.9.2013	As at 30.9.2012
i) Cash in hand	2.51	3.90
ii) Cheques on Hand	-	133.55
iii) Balance with Scheduled Banks		
In current accounts	125.29	89.15
Total cash and cash equivalents as per AS 3	<u><b>127.80</b></u>	<u><b>226.60</b></u>

2) Previous year'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 LLP**  
Chartered Accountants

**R. R. Bhinge**  
Chairman

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

**R. A. Banga**  
Partner

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013

Mumbai, 21<sup>st</sup> November, 2013

## Notes forming part of the Financial Statements

### Note I

#### A Background

The Company was formed in the year 1940 as National Ekco Radio & Engineering Co Ltd (JV between E K Cole & Fazalbhoy). The Company became "Nelco Limited" in 1969.

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 through its subsidiary, Tatanet Services Limited (TNSL) first installed VSAT captive hub for Tata Group companies' connectivity and in 2003 it entered into the public domain in VSAT services.

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

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 Act, 1956, ('the Act')(which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) 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 products 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.

## Notes forming part of the Financial Statements

### 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 the 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, 2013		As at 30th September, 2012	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Authorised				
Equity Shares of Rs. 10/- each with voting rights	25,000,000	2,500.00	25,000,000	2,500.00
Redeemable Preference Shares of Rs. 100/- each	2,500,000	2,500.00	2,500,000	2,500.00
		<b>5,000.00</b>		<b>5,000.00</b>
Issued:				
Equity shares of Rs 10/- each with voting rights (including 939 equity shares pending allotment)	22,818,400	2,281.85	22,818,400	2,281.85
		<b>2,281.85</b>		<b>2,281.85</b>
Subscribed and fully paid up				
Equity shares of Rs 10/- each with voting rights	22,817,461	2,281.75	22,817,461	2,281.75
<b>Total</b>	<b>22,817,461</b>	<b>2,281.75</b>	<b>22,817,461</b>	<b>2,281.75</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, 2013		As at 30th September, 2012	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Equity shares - Subscribed				
Opening and Closing balance	22,817,461	2,281.75	22,817,461	2,281.75

- (ii) Details of shares held by the holding company

Particulars	As at 30th September, 2013		As at 30th September, 2012	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Equity shares				
The Tata Power Company Limited (48.65%) (Holding Company)	11,099,630	1,109.96	11,099,630	1,109.96
Aftaab Investment Company Limited (1.44%) (Subsidiary of Holding Company)	328,410	32.84	328,410	32.84

- (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, 2013		As at 30th September, 2012	
	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, 2013		As at 30th September, 2012	
	Number of shares held	Rs. in Lakhs	Number of shares held	Rs. in Lakhs
Otherwise than in cash pursuant to contracts dated 23rd October, 1940	5,370	0.54	5,370	0.54
Issued to Shareholders of the erstwhile General Radio & Appliances Limited in terms of the Scheme of Amalgamation	316,660	31.67	316,660	31.67

### Note 3 Reserves and surplus

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>General reserve</b>		
Opening balance and closing balance	250.00	250.00
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	13.02	36.59
Add: (Loss) / Profit for the year	(1,636.79)	109.03
	<b>(1,623.77)</b>	<b>145.62</b>
Less :Proposed Dividend	-	114.09
Corporate Dividend Tax	-	18.51
	-	132.60
Closing balance	<b>(1,623.77)</b>	<b>13.02</b>
<b>Total</b>	<b>(1,373.77)</b>	<b>263.02</b>

## Notes forming part of the financial statements

### Note 4 Long-term borrowings

(Rs. in Lakhs)

Particulars	As at 30th September, 2013			As at 30th September, 2012		
	LongTerm	Current Maturities (Refer Note 9)	Total	LongTerm	Current Maturities (Refer Note 9)	Total
Term loans from Bank - Secured	-	10.93	10.93	5.98	71.57	77.55
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	71.29	43.63	114.92	114.92	40.23	155.15
<b>Total</b>	<b>71.29</b>	<b>54.56</b>	<b>125.85</b>	<b>120.90</b>	<b>111.80</b>	<b>232.70</b>

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012	Details of security
Term Loan from Banks	10.93	77.55	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, 2013

(Rs. in Lakhs)

Particulars	Amount	Start date	Maturity Date	Repayment of Installments	Remarks
Term loans from Bank	10.93	8-Oct-08	6-Oct-13	10.93	Monthly instalments starting from November'2008
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	114.92	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of avilment of respective loan.

#### iii) Terms of repayment as at 30th September, 2012

(Rs. in Lakhs)

Particulars	Amount	Start date	Maturity Date	Repayment of Installments	Number of Instalment
The Zoroastrian Co-operative Bank Limited	77.55	8-Oct-08	6-Oct-13	5.98	Monthly instalments starting from November'2008
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	155.15	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of avilment of respective loan.



## Notes forming part of the financial statements

### Note 5 Other long-term liabilities

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Trade payables:	2.15	96.52
<b>Other payables</b>		
Income received in advance	1.43	36.88
Liability for voluntary retirement scheme	139.48	187.26
<b>Total</b>	<b>143.06</b>	<b>320.66</b>

### Note 6 Long-term provisions

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Provision for employee benefits:</b>		
Compensated absences	98.36	117.41
Gratuity (Refer note 31)	167.99	170.57
	266.35	287.98
<b>Provision - Others:</b>		
Warranty (Refer note 35)	30.61	30.14
Estimated losses on onerous contracts (Refer note 35)	220.32	260.21
<b>Total</b>	<b>517.28</b>	<b>578.33</b>

### Note 7 Short-term borrowings

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Term loans</b>		
From Banks - Secured (Refer note (ii) below)	221.51	-
From Banks - Unsecured	-	3,000.00
From other parties -Unsecured	-	500.00
	221.51	3,500.00
<b>Loans repayable on demand</b>		
From Banks - Unsecured	1,500.00	-
Cash credit from Banks - Secured (Refer note (i) below)	36.89	333.40
Buyer's line of credit - Secured (Refer note (i) below)	-	555.55
<b>Other loans and advances</b>		
<b>Inter corporate deposits - Unsecured</b>		
- from Holding Company	1,270.00	1,145.00
- from others	4,600.00	3,025.00
<b>Total</b>	<b>7,628.40</b>	<b>8,558.95</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.

(ii) 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.

## Notes forming part of the financial statements

### Note 8 Trade payables

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Trade payables:</b>		
Other than acceptances (Refer note 30)	4,138.26	3,627.40
<b>Total</b>	<b>4,138.26</b>	<b>3,627.40</b>

### Note 9 Other current liabilities

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Current maturities of long-term debt (Refer note 4)	54.56	111.80
Interest accrued but not due on borrowings	99.78	75.75
Overdrawn Balances as per Books	1.16	1.58
Income received in advance	57.16	74.76
Unpaid dividends*	11.94	9.52
Unpaid matured deposits*	0.48	1.24
Due to customers for contracts in progress	30.37	39.21
<b>Other payables</b>		
Statutory remittances (Contributions to PF and ESIC, Withholding Taxes)	30.65	41.86
Trade / security deposits received	24.05	24.05
Advances from customers	395.11	299.40
Liability for voluntary retirement scheme	47.71	57.76
<b>Total</b>	<b>752.97</b>	<b>736.93</b>

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

### Note 10 Short-term provisions

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Provision for employee benefits</b>		
Compensated absences	30.27	16.99
Gratuity (Refer note 31)	34.87	15.40
	<b>65.14</b>	<b>32.39</b>
<b>Provision - Other</b>		
Proposed dividend	-	114.09
Dividend Tax	-	18.51
Warranty (Refer note 35)	343.21	388.80
Estimated losses on onerous contracts (Refer note 35)	62.20	37.62
<b>Total</b>	<b>470.55</b>	<b>591.41</b>

## Notes forming part of the financial statements

(Rs. in Lakhs)

Description	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
	AS AT 1.10.2012	ADDITIONS	DEDUCTION	AS AT 1.10.2012	FOR THE YEAR	DEDUCTION	AS AT 30.9.2013	AS AT 30.9.2012
<b>Tangible Assets</b>								
Land/Leasehold	35.90	-	-	9.07	0.38	-	26.45	26.83
Building	35.90	-	-	8.69	0.38	-	26.83	27.21
	335.90	-	-	174.43	11.13	-	185.56	161.47
	335.90	-	-	163.30	11.13	-	174.43	172.60
Plant and machinery	890.29	277.95	23.49	382.69	72.33	4.24	693.97	507.60
	736.29	154.00	-	337.25	45.44	-	507.60	399.04
Electrical Installation	209.25	-	-	74.57	9.94	-	124.74	134.68
	210.39	0.76	1.90	64.98	9.98	0.39	134.68	145.41
<b>Office equipments</b>								
Own	2,288.04	45.42	116.00	1,783.87	100.49	100.44	433.54	504.17
	2,289.19	39.04	40.19	1,706.63	106.11	28.87	504.17	582.56
Lease	1,947.95	124.58	-	1,040.83	309.47	-	722.23	907.12
	1,837.33	111.22	0.60	730.01	311.42	0.60	907.12	1,107.32
Vehicles	59.93	-	33.00	37.03	3.82	24.87	10.95	22.90
	71.30	-	11.37	42.43	5.48	10.88	22.90	28.87
<b>Total Tangible Assets</b>	<b>5,767.26</b>	<b>447.95</b>	<b>172.49</b>	<b>3,502.49</b>	<b>507.56</b>	<b>129.55</b>	<b>2,162.22</b>	<b>2,264.77</b>
Previous year	5,516.30	305.02	54.06	3,053.29	489.94	40.74	2,264.77	
<b>Intangible Assets</b>								
Testing Software	355.10	23.61	-	228.89	61.81	-	88.01	126.21
	312.96	42.14	-	160.82	68.07	-	126.21	152.14
Technical Know-how	1,083.11	-	-	1,083.11	-	-	1,083.11	-
	1,083.11	-	-	1,083.11	-	-	1,083.11	-
<b>Total Intangible Assets</b>	<b>1,438.21</b>	<b>23.61</b>	<b>-</b>	<b>1,312.00</b>	<b>61.81</b>	<b>-</b>	<b>88.01</b>	<b>126.21</b>
Previous year	1,396.07	42.14	-	1,243.93	68.07	-	126.21	
<b>Grand Total</b>	<b>7,205.47</b>	<b>471.56</b>	<b>172.49</b>	<b>4,814.49</b>	<b>569.37</b>	<b>129.55</b>	<b>2,250.23</b>	<b>2,390.98</b>
Previous year	6,912.37	347.16	54.06	4,297.22	558.01	40.74	2,390.98	

Figures in Italics pertains to previous year.

## Notes forming part of the financial statements

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

(Rs. in Lakhs)

Particulars	Number of Shares	Face value per unit (Rs.)	As at 30th September, 2013	As at 30th September, 2012
<b>Unquoted - Equity Shares</b>				
<b>Trade</b>				
In subsidiary				
Tatanet Services Limited	6,000	100	6.00	6.00
	<i>6,000</i>			
In Associate Companies				
Nelito Systems Limited (Purchased 500 shares during the year )	450,500	10	191.90	191.25
	<i>450,000</i>			
In Other Companies				
Technopolis Knowledge Park Limited	1,810,000	10	181.00	181.00
	<i>1,810,000</i>			
<b>Other investments</b>				
Ordinary Shares of Zoroastrian Co-operative Bank Limited.	4,000	25	1.00	1.00
	<i>4,000</i>			
<b>Total</b>			<b>379.90</b>	<b>379.25</b>
Less: Provision for diminution in value of investments in respect of Technopolis Knowledge Park Limited.			181.00	181.00
<b>Total</b>			<b>198.90</b>	<b>198.25</b>
<b>Note:</b>				
Aggregate amount of unquoted investments			379.90	379.25

Figures in Italics pertains to previous year.

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Security deposits	278.88	162.53
<b>Loans and advances to related parties</b>		
Advance to Subsidiary (Tatanet Services Limited)	1,814.32	1,914.32
Advance income tax (net of provision for tax Rs. 1,809.30 Lakhs (previous year : Rs 1,809.30 Lakhs))	893.99	545.73
Balances with government authorities	42.44	51.91
Other recoverables	34.94	34.94
<b>Total</b>	<b>3,064.57</b>	<b>2,709.43</b>

### Note 14 Inventories

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Contracts in Progress	74.06	406.91
Raw materials	329.26	371.21
Raw materials - Goods-in-transit	-	40.87
Work-in-progress	427.08	210.94
Stock - in - trade	1,133.08	1,066.70
<b>Total</b>	<b>1,963.48</b>	<b>2,096.63</b>

## Notes forming part of the financial statements

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Outstanding for a period exceeding six months from the date they were due for payment		
Considered good	519.65	826.85
Doubtful	385.96	404.19
	905.61	1,231.04
Less: Provision for doubtful trade receivables	385.96	404.19
	519.65	826.85
Other Trade receivables (refer note (i) below)		
Considered good	4,404.04	6,447.15
Doubtful	-	116.00
	4,404.04	6,563.15
Less: Provision for doubtful trade receivables	-	116.00
	4,404.04	6,447.15
<b>Total</b>	<b>4,923.69</b>	<b>7,274.00</b>

(i) Other Trade receivables include Rs. 530.91 lakhs (Previous year: Rs.2,098.64 lakhs), which in accordance with the terms of contracts, were not due for payment as at the year end.

### Note 16 Cash and bank balances

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
A. Cash and cash equivalents		
(a) Cash on hand	2.51	3.90
(b) Cheques on hand	-	133.55
(c) Balances with banks in current accounts	125.29	89.15
<b>Total - Cash and cash equivalents (A)</b>	<b>127.80</b>	<b>226.60</b>
B. Other bank balances		
In earmarked accounts		
- Unpaid dividend accounts	11.94	9.52
- Unpaid matured deposits	0.48	1.24
- Balances held as margin money against letter of credit and bank guarantees	18.74	53.55
<b>Total - Other bank balances (B)</b>	<b>31.16</b>	<b>64.31</b>
<b>Total Cash and Bank balance (A+B)</b>	<b>158.96</b>	<b>290.91</b>
Of the above balance that meet definition of cash flow and cash equivalents as per AS-3 Cash Flow Statement	<b>127.80</b>	<b>226.60</b>

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Security deposits</b>		
Considered good	139.56	129.35
Doubtful	85.89	73.33
	225.45	202.68
Less: Provision for doubtful deposits	85.89	73.33
	139.56	129.35
Loans and advances to employees	18.63	50.66
Prepaid expenses	67.88	104.96
<b>Balances with government authorities</b>		
Service Tax credit receivables	5.49	61.47
Value Added Tax/Work Contract Tax	134.07	106.38
Advance to suppliers	114.20	515.44
Other recoverables	33.33	24.97
<b>Total</b>	<b>513.16</b>	<b>993.23</b>

## Notes forming part of the financial statements

### Note 18 Other current assets

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Unbilled revenue	1,483.33	1,080.29
<b>Unamortised expenses</b>		
Premium on Forward Contract	16.77	37.27
<b>Total</b>	<b>1,500.10</b>	<b>1,117.56</b>

### Note 19 Revenue from operations

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
Sale of products	6,769.37	9,736.37
Sale of Services	4,245.73	4,473.71
<b>Total A</b>	<b>11,015.10</b>	<b>14,210.08</b>
<b>Other Operating revenue</b>		
Scrap sales	0.85	4.33
Commission income	16.15	15.67
<b>Total B</b>	<b>17.00</b>	<b>20.00</b>
<b>Total A+B</b>	<b>11,032.10</b>	<b>14,230.08</b>
Less: Excise duty	60.24	318.95
<b>Total</b>	<b>10,971.86</b>	<b>13,911.13</b>

### Note 20 Other income

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>Interest income comprises:</b>		
Interest on Bank deposits	5.80	9.39
Interest on advance to subsidiary	107.98	-
	<b>113.78</b>	<b>9.39</b>
<b>Dividend income from long term investments</b>		
Associate	4.50	4.50
Others	0.15	0.15
<b>Other non-operating income comprises:</b>		
Insurance claims recovered	0.39	0.19
Liabilities/Provisions no longer required written back	9.82	207.34
Bad Debts Recovered	-	22.65
Miscellaneous income	2.69	20.25
<b>Total</b>	<b>131.33</b>	<b>264.47</b>

## Notes forming part of the financial statements

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

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b><u>Inventories at the beginning of the year:</u></b>		
Stock - in - trade	1,066.70	570.92
Work-in-progress	210.94	215.90
Contracts in progress	406.91	847.40
	<b>1,684.55</b>	<b>1,634.22</b>
<b><u>Less : Inventories at the end of the year:</u></b>		
Stock - in - trade	1,133.08	1,066.70
Work-in-progress	427.08	210.94
Contracts in progress	74.06	406.91
	<b>1,634.22</b>	<b>1,684.55</b>
<b>Net (increase) / decrease</b>	<b>50.33</b>	<b>(50.33)</b>

### Note 22 Employee benefits expense

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
Salaries and wages	2,058.42	1,847.83
Contributions to provident and superannuation fund, etc.	104.30	95.55
Gratuity	34.00	43.62
Staff welfare expenses	221.51	212.28
	2,418.23	2,199.28
Less: Expenses shared by Crompton Greaves Limited	-	15.96
<b>Total</b>	<b>2,418.23</b>	<b>2,183.32</b>

### Note 23 Finance costs

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b><u>Interest expense on:</u></b>		
Borrowings	875.13	778.34
Trade payables	12.32	19.28
Bank charges	67.46	83.49
<b>Total</b>	<b>954.91</b>	<b>881.11</b>

## Notes forming part of the financial statements

### Note 24 Other expenses

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
Consumption of loose tools	49.31	35.76
Subcontracting expenses	648.73	509.75
Power and fuel	144.86	175.77
Rent including lease rentals	69.59	64.94
Repairs and maintenance - Buildings	0.03	1.48
Repairs and maintenance - Others	150.75	105.00
Insurance	27.54	34.27
Rates and taxes	11.98	11.16
Travelling and conveyance	328.91	318.72
Freight and forwarding	240.14	270.63
Legal and professional charges	81.28	97.36
Consultancy charges	303.30	195.20
Installation expenses	353.93	341.61
Foreign exchange (gain) /loss (net)	(1.00)	129.76
Payments to auditors (Refer Note (i) below)	38.86	48.63
Bad debts/advances written off	266.80	257.89
Less: Provision for doubtful debts/advances made in earlier years written back	(266.80)	(257.89)
Provision for doubtful debts and advances	145.13	384.80
Loss on fixed assets sold (net)	28.88	6.39
Provision for foreseeable losses	5.60	14.80
Provision for warranty (net of provision for warranty of earlier years written back Rs.46.74 lakhs ) (Previous year: Rs. 303.58 lakhs)	3.26	(155.55)
Miscellaneous expenses	741.46	716.63
	3,372.54	3,307.11
Less: Expenses shared by Crompton Greaves Limited	-	21.69
<b>Total</b>	<b>3,372.54</b>	<b>3,285.42</b>

### Note:

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
Payments to the auditors comprises (net of service tax where applicable)		
As auditors - statutory audit	12.00	21.00
For taxation matters*	3.35	6.75
For other services	23.51	20.50
Reimbursement of expenses	-	0.38
<b>Total</b>	<b>38.86</b>	<b>48.63</b>

\*represents payment of Rs. 3.35 lakhs (Previous year Rs. 6.75 lakhs ) 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** 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).

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 effects of these were given to in the financial statement for the year ended September 30, 2011. Further, during the previous year, the Company had received Rs.267.89 lakhs on account of recovery of the liquidated damages in respect of these businesses.

- 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. 319.14 lakhs (Previous Year: Rs. 343.01 Lakhs).

### 27 Capital Commitments

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	87.74	39.78

### 28 Contingent Liabilities

(Rs. in Lakhs)

Particulars	2012-13	2011-12
a) Guarantees issued by the company on behalf of its subsidiary (amount of loan outstanding against this guarantee is Rs. 335.70 lakhs (Previous year: Rs. 116.00 lakhs))	2,000.00	2,000.00
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	362.46	416.29
ii) Other matters (excluding claims where amounts are not ascertainable)	29.28	29.28
Future cash outflows in respect of the above matters are determinable only on receipt of judgments/decisions pending at various forums / authorities		

### 29 Managerial Remuneration

(Rs. in Lakhs)

Particulars	2012-13	2011-12
i) Salary and allowances	112.80	166.51
ii) Contribution to provident and superannuation funds	3.95	7.65
iii) Other perquisites	10.78	9.05
iv) Directors sitting fees (Non-Whole time Directors)	7.87	7.05
<b>Sub Total</b>	<b>*135.40</b>	<b>*190.26</b>
v) Gratuity and Leave Encashment paid on retirement	-	80.01
<b>Grand Total</b>	<b>135.40</b>	<b>270.27</b>

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

## Notes forming part of the financial statements

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

(Rs. in Lakhs)

Sr. No.	Particulars	2012-13	2011-12
(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 note 22 of the Statement of Profit and Loss under the heading "Contribution to Provident and superannuation funds, etc." are as under:

(Rs. in Lakhs)

	Particulars	2012-13	2011-12
a)	Contribution to Employees' Superannuation Fund	26.09	28.27
b)	Employees' State Insurance Scheme	0.51	1.15
c)	Contribution to Provident Fund	77.70	66.13

#### 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)

(Rs. in Lakhs)

Particulars		2012-13	2011-12
<b>1</b>	<b>Expenses recognised in Statement of Profit and Loss for the year ended</b>		
	Current Service cost	18.59	19.00
	Interest cost	17.20	18.45
	Expected return on plan assets	-	-
	Net Actuarial (Gain)/Loss	(1.79)	6.17
	<b>Total Expense</b>	<b>34.00</b>	<b>43.62</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 year	(202.86)	(185.97)
	Fair value of plan assets as at the end of the year	-	-
	<b>Net Asset/(Liability) as at</b>	<b>(202.86)</b>	<b>(185.97)</b>
<b>3</b>	<b>Changes in present value of obligations during the year</b>		
	Present value of obligations as at beginning of year	185.97	216.99
	Interest cost	17.20	18.45
	Current Service cost	18.59	19.00
	Benefits Paid	(17.11)	(74.64)
	Actuarial (Gain)/Loss	(1.79)	6.17
	<b>Present value of Defined Benefit obligations as at end of year</b>	<b>202.86</b>	<b>185.97</b>

Particulars		2012-13	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	12.42	2.92	4.14	(11.92)	5.24
	<b>Experience Adjustments (Total)</b>	<b>12.42</b>	<b>2.92</b>	<b>4.14</b>	<b>(11.92)</b>	<b>5.24</b>
<b>5</b>	<b>Assumptions</b>					
	Discount Rate	9.25%	8.25%	8.50%	8.25%	
	Salary Escalation	6.00%	6.00%	6.00%	6.00%	
	Attrition Rate	2.00%	2.00%	2.00%	2.00%	
	Mortality Rate	Indian Assured Lives Mortality (2006-08) Ultimate	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. 15.61 lakhs (Previous Year: Rs. 45.22 lakhs) has been included in the Statement of Profit and Loss.

### 32 Earnings Per Share (EPS)

Particulars		2012-13	2011-12
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.in Lakhs)	(1,636.79)	109.03
c)	Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	(7.17)	0.48
d)	Diluted Earnings Per Share (Rs.)	(7.17)	0.48

## Notes forming part of the financial statements

### 33 The components of Deferred Tax Assets /(Liabilities) are as under:

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	109.05	105.42
b) On Provision for Doubtful debts	153.09	192.56
c) On Voluntary Retirement costs	22.92	34.38
d) Provision for future losses	*59.53	*96.62
e) Unabsorbed tax depreciation	-	*43.18
<b>Total:</b>	<b>344.59</b>	<b>472.16</b>
Less: Deferred Tax Liability		
a) On Fiscal allowances of fixed assets	344.59	472.16
<b>Total:</b>	<b>(344.59)</b>	<b>472.16</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:

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Contract revenue recognised as revenue during the year	2,364.99	4,279.34
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) upto year end	7,459.41	5,285.59
Retention money for contracts in progress	1,468.33	1,065.29
Advance payments received	-	-
Gross amount due from customers for contract work (assets)	1,482.99	1,276.10
Gross amount due to customers for contract work (liabilities)	30.37	39.21

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 the 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.

(Rs. in Lakhs)

Particulars	Warranties	Future foreseeable losses on contracts
Opening Balance	418.94	297.83
	(628.99)	(504.42)
Provision during the year	50.00	5.60
	(148.03)	(34.28)
Utilisation during the year	48.38	20.91
	(54.50)	(221.39)
Reversal during the Year	46.74	-
	(303.58)	(19.48)
Closing Balance	373.82	282.52
	(418.94)	(297.83)
<b>Current</b>	<b>343.21</b>	<b>62.20</b>
	<b>(388.80)</b>	<b>(37.62)</b>
<b>Non – Current</b>	<b>30.61</b>	<b>220.32</b>
	<b>(30.14)</b>	<b>(260.21)</b>

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	2012-13	2011-12
		Amount in Foreign Currency (In Lakhs)	
Receivable	USD	1.59	3.69
Payable	USD	2.43	1.95
	EUR	0.85	0.09
	GBP	0.08	-
	NOK	0.12	4.47

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

Particulars	Foreign Currency	2012-13	2011-12
		Amount in Foreign Currency (In Lakhs)	
Payable	USD	13.83	28.50
	GBP	-	0.44

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Battery	62.72	28.06
Cables And Wires	52.54	209.56
Camera, Monitors And Lens	206.27	1074.93
Cabinets And Panels	19.40	66.54
Electronic Modules	154.53	352.60
Integrated Circuits	95.30	25.18
Others	222.43	160.68
<b>TOTAL</b>	<b>813.19</b>	<b>1,917.55</b>

#### Note:

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	2012-13		2011-12	
	%	Value (Rs. in Lakhs)	%	Value (Rs. in Lakhs)
Imported	48	389.13	58	1113.22
Indigenous	52	424.06	42	804.33
	<b>100</b>	<b>813.19</b>	<b>100</b>	<b>1917.55</b>

## Notes forming part of the financial statements

### 37C. Details of Revenue from Operations

(Rs. in Lakhs)

Sl. No	Class of Goods	2012- 13	2011-12
<b>i) Manufactured goods</b>			
1	UGS / GPS - Assemblies & Equipments	199.73	457.03
2	Automatic Weather Station (AWS)	73.30	-
3	Fencing Equipments & Networking	79.83	-
4	CCTV Systems	392.88	2,380.39
	<b>(A)</b>	<b>745.74</b>	<b>2,837.42</b>
<b>ii) Sale of Stock - in - trade</b>			
1	Network Related Systems	746.76	922.25
2	Baggage Scanner	523.69	1,021.24
3	Camera	482.25	277.17
4	Under Vehicle Scanning System	616.02	-
5	Vapour Tracer	-	247.61
6	Network Related Systems Integration	3,630.88	4,312.30
7	Others	24.03	118.38
	<b>(B)</b>	<b>6,023.63</b>	<b>6,898.95</b>
	<b>Sale of products (A)+(B)= C</b>	<b>6,769.37</b>	<b>9,736.37</b>
<b>iii) Income from services rendered</b>			
	<b>(D)</b>	<b>4,245.73</b>	<b>4,473.71</b>
	<b>Revenue from operations Total (C)+(D)</b>	<b>11,015.10</b>	<b>14,210.08</b>

### 37D. Details of Purchases of Stock-in-trade

(Rs. in Lakhs)

Sl. No	Class of Goods	2012- 13	2011-12
1	Network Related Systems	609.01	744.67
2	Baggage Scanner	349.26	364.25
3	Camera	338.81	322.13
4	Under Vehicle Scanning System	608.02	-
5	Vapour Tracer	-	246.54
6	Network Related Systems Integration	2,643.23	3,797.15
7	Others	13.08	84.64
	<b>TOTAL</b>	<b>4,561.41</b>	<b>5,559.38</b>

### 37E. Expenditure in foreign currency

(Rs. in Lakhs)

	Particulars	2012-13	2011-12
i)	Foreign Travel	19.72	17.95
ii)	Bank Charges	0.36	1.47
iii)	Sub-contracting Expenses	92.28	61.03
iv)	Others	-	0.04

### 37F. Earnings in foreign currency

(Rs. in Lakhs)

	Particulars	2012-13	2011-12
i)	Engineering / Software Services	185.40	169.36
ii)	Exports of goods calculated on FOB basis	25.05	180.64

## Notes forming part of the financial statements

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
i) Raw Materials and Component	444.99	1115.69
ii) Finished Goods	1665.08	3102.12
iii) Capital Goods	135.51	124.60

### 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 (Rs. in Lakhs)	Dividend
2012-13	One(1)	8,66,460	4.33	For the year ended September, 2012 Dividend @ 5%
2011-12	One(1)	8,66,460	-	-

### 38 Related Party Disclosure:

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

The related party transactions are as under:

(Rs. in Lakhs)

Sr. no.	Particulars	The Tata Power Company Limited	Tatanet Services Limited	Nelito Systems Limited	Key Management Personnel
<b>1)</b>	<b>Sales :</b>				
a)	Goods	2.59	-	-	-
		(45.19)	(-)	(-)	(-)
b)	Services	3.71	1,751.00	0.90	-
		(1.30)	(1,845.00)	(1.00)	(-)
<b>2)</b>	<b>Finance :</b>				
a)	Inter Corporate Loans taken	900.00	-	-	-
		(1,145.00)	(-)	(-)	(-)
b)	Inter Corporate Loans Repayment	775.00	-	-	-
		(-)	(-)	(-)	(-)
c)	Interest Paid/Payable	177.37	-	-	-
		(4.58)	(-)	(-)	(-)
d)	Security Deposits given during the period	-	-	-	-
		(-)	(72.97)	(-)	(-)
e)	Security Deposits refunded during the period	-	100.00	-	-
		(-)	(54.53)	(-)	(-)

## Notes forming part of the financial statements

Sr. no.	Particulars	The Tata Power Company Limited	Tatanet Services Limited	Nelito Systems Limited	Key Management Personnel
f)	Dividend received	-	-	4.50	-
		(-)	(-)	(4.50)	(-)
g)	Dividend paid	55.50	-	-	-
		(-)	(-)	(-)	(-)
h)	Interest Received	-	107.98	-	-
		(-)	(-)	(-)	(-)
<b>3)</b>	<b>Other Transactions :</b>				
a)	Reimbursements received from parties	1.73	29.32	-	-
		(-)	(26.62)	(-)	(-)
<b>4)</b>	<b>Balance outstanding as on 30.09.2013</b>				
a)	Debtors (Net)	2.38	108.21	-	-
		(48.78)	(446.45)	(-)	(-)
b)	Inter Corporate Loans	1,270.00	-	-	-
		(1,145.00)	(-)	(-)	(-)
c)	Interest Accrued, but not due	16.96	-	-	-
		(4.58)	(-)	(-)	(-)
d)	Deposits given	-	1,814.32	-	-
		(-)	(1,914.32)	(-)	(-)
e)	Guarantees and collaterals	-	2,000.00	-	-
		(-)	(2,000.00)	(-)	(-)
f)	Other Recoverable	-	-	0.33	-
		(-)	(-)	(0.52)	(-)
<b>5)</b>	<b>Remuneration to Key Managerial personnel</b>	-	-	-	127.53
		(-)	(-)	(-)	(263.22)

Note : Figures in brackets pertain to the previous year

- 39** The Company has incurred loss for the year and the accumulated losses as at 30<sup>th</sup> September, 2013 has substantially eroded the Company's net worth. Notwithstanding this, these financial statements have been prepared on going concern basis in view of the financial support of the parent company and the business plan of the Company.
- 40** 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, 2013 and the provision based on the figures for the remaining six months up to 30<sup>th</sup> September, 2013, the ultimate tax liability of which will be determined on the basis of the figures for the period 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2014.
- 41** Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Signature to Notes forming part of financial statements "1 to 41"

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

**R. R. Bhinge**  
Chairman

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

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013



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

	<b>Name of Subsidiary</b>	<b>Tatanet Services Limited</b>
1.	Financial Year of the subsidiary ended on	31 <sup>st</sup> March, 2013
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 so far as they concern Members of the Company :	
	a) dealt with in the accounts of the Company for the period ended 30 <sup>th</sup> September, 2013	Nil
	b) not dealt with in the accounts of the Company for the period ended 30 <sup>th</sup> September, 2013	Rs. (1,16,29,000) /-
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 30 <sup>th</sup> September, 2013	Nil
	b) not dealt with in the accounts of the Company for the period ended 30 <sup>th</sup> September, 2013	Rs. 74,52,000/-

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

**R. R. Bhinge**  
Chairman

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

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013

# Consolidated Financial Statements

## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS OF NELCO LIMITED

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **NELCO LIMITED** (the "Company"), and its subsidiary (the Company and its subsidiary constitute "the Group"), which comprise the Consolidated Balance Sheet as at 30<sup>th</sup> September, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiary, and associate referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 30<sup>th</sup> September, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

#### Other Matter

We did not audit the financial statements of the subsidiary, whose financial statements reflect the Group's share of total assets (net) of Rs. 3,088.60 lakhs as at 30<sup>th</sup> September, 2013, total revenues of Rs. 4,252.80 Lakhs and net cash inflows amounting to Rs. 14.67 lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs. 34.92 Lakhs for the year ended 30<sup>th</sup> September, 2013, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and an associate, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
ICAI Firm Registration No 117366W/W-100018

**R.A. Banga**  
Partner

Membership No. 37915

Mumbai, 21<sup>st</sup> November, 2013

## Consolidated Balance Sheet as at 30th September, 2013

(Rs. in Lakhs)

Particulars	Note No.	As at 30th September, 2013	As at 30th September, 2012
<b>A EQUITY AND LIABILITIES</b>			
<b>I Shareholders' funds</b>			
(a) Share capital	2	2,281.75	2,281.75
(b) Reserves and surplus	3	(690.97)	971.64
		1,590.78	3,253.39
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	4	334.20	213.70
(b) Deferred tax liability (Net)	31	-	8.51
(c) Other long-term liabilities	5	143.06	335.60
(d) Long-term provisions	6	517.28	578.33
		994.54	1,136.14
<b>3 Current liabilities</b>			
(a) Short-term borrowings	7	7,628.40	8,558.95
(b) Trade payables	8	4,336.82	3,814.71
(c) Other current liabilities	9	1,366.87	987.62
(d) Short-term provisions	10	470.55	591.41
		13,802.64	13,952.69
<b>TOTAL</b>		<b>16,387.96</b>	<b>18,342.22</b>
<b>B ASSETS</b>			
<b>I Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	11	3,627.69	3,717.46
(ii) Intangible assets	11	113.89	154.92
(iii) Capital work-in-progress		73.19	19.83
		3,814.77	3,892.21
(b) Non-current investments	12	813.78	782.71
(c) Long-term loans and advances	13	1,801.47	1,067.86
		6,430.02	5,742.78
<b>2 Current assets</b>			
(a) Inventories	14	1,963.48	2,096.63
(b) Trade receivables	15	5,366.60	7,599.72
(c) Cash and Bank balances	16	396.54	513.81
(d) Short-term loans and advances	17	710.87	1,271.72
(e) Other current assets	18	1,520.45	1,117.56
		9,957.94	12,599.44
<b>TOTAL</b>		<b>16,387.96</b>	<b>18,342.22</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 LLP**  
Chartered Accountants

**R. R. Bhinge**  
Chairman

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

**R. A. Banga**  
Partner

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013Mumbai, 21<sup>st</sup> November, 2013

## Consolidated Statement of Profit and Loss for the Year Ended 30th September, 2013

(Rs. in Lakhs)

Particulars	Note No.	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>1</b> Revenue from operations (gross)	19	13,533.93	16,390.64
Less: Excise duty		60.24	318.95
Revenue from operations (net)		13,473.69	16,071.69
<b>2</b> Other income	20	33.83	271.29
<b>3 Total revenue (1+2)</b>		<b>13,507.52</b>	<b>16,342.98</b>
<b>4 Expenses</b>			
Cost of materials consumed		813.19	1,917.55
Purchases of stock-in-trade		4,561.41	5,559.38
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	50.33	(50.33)
Employee benefits expense	22	2,418.23	2,183.32
Finance costs	23	997.52	900.68
Depreciation and amortisation expense	11	891.71	883.66
Other expenses	24	5,499.35	5,130.98
<b>Total expenses</b>		<b>15,231.74</b>	<b>16,525.24</b>
<b>5 Loss before exceptional items and tax (3 - 4)</b>		<b>(1,724.22)</b>	<b>(182.26)</b>
<b>6 Exceptional items</b>			
Profit relating to sale of business (net) (Refer note 25)		-	267.89
<b>7 (Loss) / Profit before tax (5+6)</b>		<b>(1,724.22)</b>	<b>85.63</b>
<b>8 Less: Tax expense</b>			
Current tax		(18.18)	49.11
Deferred tax		(8.51)	(33.05)
		<b>(26.69)</b>	<b>16.06</b>
<b>9 (Loss) / Profit after tax before share of profit in associate (7-8)</b>		<b>(1,697.53)</b>	<b>69.57</b>
<b>Add: Share in profit of associate</b>		34.92	33.27
<b>(Loss) / Profit for the year</b>		<b>(1,662.61)</b>	<b>102.84</b>
<b>10 Earnings per share (Face value of Rs 10/- per share) Rs. :</b>			
Basic and Diluted	30	(7.29)	0.45
<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 LLP**  
Chartered Accountants

**R. R. Bhinge**  
Chairman

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

**R. A. Banga**  
Partner

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013

Mumbai, 21<sup>st</sup> November, 2013

## Consolidated Cash Flow Statement for the year ended 30th September, 2013

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>A. NET LOSS BEFORE EXCEPTIONAL ITEMS AND TAXATION</b>	<b>(1,724.22)</b>	<b>(182.26)</b>
ADJUSTMENTS FOR		
Depreciation	891.71	883.66
Interest Income	(5.80)	(20.71)
Dividend Income on long term investment	(0.19)	(0.15)
Interest Expense	909.38	799.91
Loss/(Profit) on Sale of Fixed Assets	28.88	6.39
	<u>1,823.98</u>	<u>1,669.10</u>
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>99.76</b>	<b>1,486.84</b>
<b>Changes in working capital:</b>		
<b>Adjustments for (increase) / decrease in operating assets:</b>		
Inventories	133.15	(200.36)
Trade receivables	2,233.12	(954.42)
Short-term loans and advances	560.85	472.68
Long-term loans and advances	(102.96)	(95.78)
Other current assets	(402.89)	(113.20)
<b>Adjustments for increase / (decrease) in operating liabilities:</b>		
Trade payables	522.11	(1,993.25)
Other current liabilities	361.64	(138.49)
Other long-term liabilities	(192.54)	(200.14)
Short-term provisions	11.74	(242.70)
Long-term provisions	(61.05)	(223.00)
	<u>3,063.17</u>	<u>(3,688.66)</u>
<b>CASH GENERATED / (USED IN) FROM OPERATIONS</b>	<b>3,162.93</b>	<b>(2,201.82)</b>
Direct taxes (paid)/ refund (net)	(612.47)	(490.44)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,550.46</b>	<b>(2,692.26)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(858.29)	(631.79)
Purchase of Investment	-	(0.50)
Sale of fixed assets	14.05	6.93
Interest received	5.80	20.71
Dividend received	0.19	0.15
Dividend received from Associate	4.50	4.50
Bank balance not considered as Cash and Cash Equivalents	33.15	(3.03)
<b>NET CASH FLOW (USED) IN INVESTING ACTIVITIES</b>	<b>(800.60)</b>	<b>(603.03)</b>

## Consolidated Cash Flow Statement the year ended 30th September, 2013 (contd.)

(Rs. In Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-term borrowings	247.97	116.00
Repayment of Long-term borrowings	(135.11)	(146.12)
Proceeds from Short-term borrowings	1,721.51	4,055.55
Repayment of Short-term borrowings	(4,055.55)	(2,500.00)
Increase/(Decrease) in cash credit balances (Net)	(296.51)	314.43
Matured deposit paid	(0.76)	(0.20)
Proceeds from Inter-corporate deposits	5,870.00	14,220.00
Repayment of Inter-corporate deposits	(4,170.00)	(12,475.00)
	(818.45)	3,584.66
Dividend paid	(111.67)	(0.32)
Tax on Dividend paid	(18.51)	-
Interest paid	(885.35)	(756.68)
<b>Exceptional Item</b>		
Proceeds relating to sale of business (Refer Note 25)	-	267.89
<b>NET CASH FROM (USED) IN FINANCING ACTIVITIES</b>	<b>(1,833.98)</b>	<b>3,095.55</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(84.12)</b>	<b>(199.74)</b>
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR	449.50	649.24
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (Refer note I below)	<b>365.38</b>	<b>449.50</b>
	<b>(84.12)</b>	<b>(199.74)</b>

### Notes

1) Cash and cash equivalents include:

(Rs. In Lakhs)

Particulars	As at 30.9.2013	As at 30.9.2012
i) Cash in hand	2.51	3.90
ii) Cheques on Hand	-	133.55
iii) Balance with Scheduled Banks In current accounts	362.87	312.05
<b>Total cash and cash equivalents as per AS 3</b>	<b>365.38</b>	<b>449.50</b>

2) Previous year 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 LLP**  
Chartered Accountants

**R. R. Bhinge**  
Chairman

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

**R. A. Banga**  
Partner

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013

Mumbai, 21<sup>st</sup> November, 2013

## Notes forming part of the Consolidated Financial Statements

### Note I

#### A Background

The Company was formed in the year 1940 as National Ekco Radio & Engineering Co Ltd (JV between E K Cole & Fazalbhoy). The Company became "Nelco Limited" in 1969.

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 through its subsidiary, Tatanet Services Limited (TNSL) first installed VSAT captive hub for Tata Group companies' connectivity and in 2003 it entered into the public domain in VSAT services.

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

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 company considered in consolidation are drawn up to the same reporting date as that of the Company i.e. year ended 30<sup>th</sup> September, 2013.

- (i) The financial statements of the Company and its subsidiary 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, which is accounted under the "Equity method" as per which the share of profit/(loss) of the associate 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 (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, 2013.	% of voting power held as at 30th September, 2012.
Tatanet Services Limited	India	100	100

##### c. Investments in Associate

The Group's Associate is:

Name	Country of Incorporation	% of ownership Interest held as at 30th September, 2013.	% of ownership Interest held as at 30th September, 2012.
Nelito Systems Limited	India	21.84	21.82



## Notes forming part of the Consolidated Financial Statements

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

		Nelito Systems Limited	
		As at 30th September, 2013	As at 30th September, 2012
(i)	Number of Equity Shares (Nos.)	450,500	450,000
(ii)	Percentage holding	21.84%	21.82%
(iii)	Cost of Investments (Equity Shares) (Rs. in Lakhs)	191.90	191.25
(iv)	Including Goodwill/ (Capital Reserve) (Rs. in Lakhs)	(54.01)	(54.01)
(v)	Share in accumulated profits net of dividends received upto 30th September, 2013 / 30th September, 2012 (Rs.in Lakhs)	589.96	561.19
(vi)	Share of profit / (losses) for the year (Rs. in Lakhs)	34.92	33.27
	Less: Dividend received during the period (Rs.in Lakhs)	(4.50)	(4.50)
	Share of profit / (losses) net of dividend received during the period (Rs.in Lakhs)	30.42	28.77
(vii)	Carrying Cost (Rs.in Lakhs)	812.28	781.21

### C 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 Act, 1956, ('the Act')(which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and relevant provisions of the Companies Act, 1956 ('the Act') to the extent applicable.

#### 1.2 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.

#### 1.3 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.

#### 1.4 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.

## Notes forming part of the Consolidated Financial Statements

### 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 products 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 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.

### 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 the 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, 2013		As at 30th September, 2012	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Authorised				
Equity Shares of Rs. 10/- each with voting rights	25,000,000	2,500.00	25,000,000	2,500.00
Redeemable Preference Shares of Rs. 100/- each	2,500,000	2,500.00	2,500,000	2,500.00
		<b>5,000.00</b>		<b>5,000.00</b>
Issued:				
Equity shares of Rs 10/- each with voting rights (including 939 equity shares pending allotment)	22,818,400	2,281.85	22,818,400	2,281.85
		<b>2,281.85</b>		<b>2,281.85</b>
Subscribed and fully paid up				
Equity shares of Rs 10/- each with voting rights	22,817,461	2,281.75	22,817,461	2,281.75
<b>Total</b>	<b>22,817,461</b>	<b>2,281.75</b>	<b>22,817,461</b>	<b>2,281.75</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, 2013		As at 30th September, 2012	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Equity shares - Subscribed				
Opening and Closing balance	22,817,461	2,281.75	22,817,461	2,281.75

- (ii) Details of shares held by the holding company

Particulars	As at 30th September, 2013		As at 30th September, 2012	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Equity shares				
The Tata Power Company Limited (48.65%)(Holding Company)	11,099,630	1,109.96	11,099,630	1,109.96
Aftaab Investment Company Limited (1.44%) (Subsidiary of Holding Company)	328,410	32.84	328,410	32.84

- (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, 2013		As at 30th September, 2012	
	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, 2013		As at 30th September, 2012	
	Number of shares held	Rs. in Lakhs	Number of shares held	Rs. in Lakhs
Otherwise than in cash pursuant to contracts dated 23rd October, 1940 Issued to Shareholders of the erstwhile General Radio & Appliances Limited in terms of the Scheme of Amalgamation	5,370	0.54	5,370	0.54
	316,660	31.67	316,660	31.67

### Note 3 Reserves and surplus

(Rs. in Lakhs)

Particulars	As at 30th September 2013	As at 30th September, 2012
<b>General reserve</b>		
Opening balance and closing balance	250.00	250.00
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	721.64	751.40
Add: (Loss) / Profit for the year	(1,662.61)	102.84
	<b>(940.97)</b>	<b>854.24</b>
Less :Proposed Dividend	-	114.09
Corporate Dividend Tax	-	18.51
	-	132.60
Closing balance	(940.97)	721.64
<b>Total</b>	<b>(690.97)</b>	<b>971.64</b>

## Notes forming part of the Consolidated Financial Statements

### Note 4 Long-term borrowings

(Rs. in Lakhs)

Particulars	As at 30th September, 2013			As at 30th September, 2012		
	LongTerm	Current Maturities (Refer Note 9)	Total	LongTerm	Current Maturities (Refer Note 9)	Total
Term loans from Banks - Secured	262.91	83.73	346.64	98.78	94.77	193.55
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	71.29	43.63	114.92	114.92	40.23	155.15
<b>Total</b>	<b>334.20</b>	<b>127.36</b>	<b>461.56</b>	<b>213.70</b>	<b>135.00</b>	<b>348.70</b>

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012	Details of security
Term Loan from Banks	335.71	116.00	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 Banks	10.93	77.55	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, 2013

(Rs. in Lakhs)

Particulars	Amount	Start date	Maturity Date	Repayment of Installments	Remarks
Term loans from Bank	10.93	8-Oct-08	6-Oct-13	10.93	Monthly instalments starting from November 2008
Term loans from Bank	335.71	27-Aug-12	30-Sep-17	6.07	Monthly instalments starting from October 2012
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	114.92	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, 2012

(Rs. in Lakhs)

Particulars	Amount	Start date	Maturity Date	Repayment of Installments	Number of Instalment
Term Loans from Bank					
The Zoroastrian Co-operative Bank Limited	77.55	8-Oct-08	6-Oct-13	5.98	Monthly instalments starting from November 2008
The Zoroastrian Co-operative Bank Limited	116.00	27-Aug-12	30-Sep-17	1.93	Monthly instalments starting from October 2012
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	155.15	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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Trade payables:	2.15	111.46
<b>Other payables</b>		
Income received in advance	1.43	36.88
Liability for voluntary retirement scheme	139.48	187.26
<b>Total</b>	<b>143.06</b>	<b>335.60</b>

### Note 6 Long-term provisions

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Provision for employee benefits:</b>		
Compensated absences	98.36	117.41
Gratuity (Refer note 29)	167.99	170.57
	266.35	287.98
<b>Provision - Others:</b>		
Warranty (Refer note 33)	30.61	30.14
Estimated losses on onerous contracts (Refer note 33)	220.32	260.21
<b>Total</b>	<b>517.28</b>	<b>578.33</b>

### Note 7 Short-term borrowings

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Term loans</b>		
From banks- Secured (Refer note (ii) below)	221.51	-
From banks- Unsecured	-	3,000.00
From other parties - Unsecured	-	500.00
	221.51	3,500.00
<b>Loan repayable on Demand</b>		
From banks- Unsecured	1,500.00	-
Cash credit from Banks - Secured (Refer note (i) below)	36.89	333.40
Buyer's line of credit - Secured (Refer note (i) below)	-	555.55
<b>Other loans and advances</b>		
<b>Inter corporate deposit - Unsecured</b>		
- from Holding Company	1,270.00	1,145.00
- from others	4,600.00	3,025.00
<b>Total</b>	<b>7,628.40</b>	<b>8,558.95</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
- (ii) 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.

## Notes forming part of the Consolidated Financial Statements

### Note 8 Trade payables

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Trade payables:</b>		
Other than acceptances	4,336.82	3,814.71
<b>Total</b>	<b>4,336.82</b>	<b>3,814.71</b>

### Note 9 Other current liabilities

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Current maturities of long-term debt (Refer note 4)	127.36	135.00
Interest accrued but not due on borrowings	99.78	75.75
Overdrawn Balances as per Books	1.16	1.58
Income received in advance	445.96	175.34
Unpaid dividends*	11.94	9.52
Unpaid matured deposits*	0.48	1.24
Due to customers for contracts in progress	30.37	39.21
<b>Other payables</b>		
Statutory remittances (Contributions to PF, ESIC and Withholding Taxes)	52.35	63.61
Liability towards Department of Telecommunications	90.59	70.48
Liability towards Standing Advisory Committee on Radio Frequency Allocation (SACFA)	20.65	14.91
Payables in respect of Fixed assets	19.36	18.93
Trade / security deposits received	24.05	24.05
Advances from customers	395.11	300.24
Liability for voluntary retirement scheme	47.71	57.76
<b>Total</b>	<b>1,366.87</b>	<b>987.62</b>

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

### Note 10 Short-term provisions

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Provision for employee benefits</b>		
Compensated absences	30.27	16.99
Gratuity (Refer note 29)	34.87	15.40
	65.14	32.39
<b>Provision - Other</b>		
Proposed dividend	-	114.09
Dividend Tax	-	18.51
Warranty (Refer note 33)	343.21	388.80
Estimated losses on onerous contracts (Refer note 33)	62.20	37.62
<b>Total</b>	<b>470.55</b>	<b>591.41</b>

## Notes forming part of the Consolidated Financial Statements

Description	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK		
	AS AT 1.10.2012	ADDITIONS	DEDUCTION	AS AT 30.9.2013	AS AT 1.10.2012	FOR THE YEAR	DEDUCTION	AS AT 30.9.2013	AS AT 30.9.2012
Tangible Assets									
Land : Leasehold	35.90	-	-	35.90	9.07	0.38	-	9.45	26.83
Building	335.90	-	-	335.90	174.43	11.13	-	185.56	161.47
Plant and machinery	4,081.70	610.24	23.49	4,668.45	2,121.41	391.84	4.24	2,509.01	1,960.29
Electrical Installation	3,667.93	413.77	-	4,081.70	1,753.15	368.26	-	2,121.41	1,914.78
Office equipments	209.25	-	-	209.25	74.57	9.94	-	84.51	134.68
Own	210.39	0.76	1.90	209.25	64.98	9.98	0.39	74.57	145.41
Lease	2,288.04	45.42	116.00	2,217.46	1,783.87	100.49	100.44	1,783.92	504.17
Vehicles	2,289.19	39.04	40.19	2,288.04	1,706.63	106.11	28.87	1,783.87	582.56
Total Tangible Assets	1,947.95	124.58	-	2,072.53	1,040.83	309.47	-	1,350.30	907.12
Goodwill	1,837.33	111.22	0.60	1,947.95	730.01	311.42	0.60	1,040.83	1,107.32
Testing Software	59.93	-	33.00	26.93	37.03	3.82	24.87	15.98	22.90
Technical Know-how	71.30	-	11.37	59.93	42.43	5.48	10.88	37.03	28.87
Licence Fees - VSAT	8,958.67	780.24	172.49	9,566.42	5,241.21	827.07	129.55	5,938.73	3,717.46
Licence Fees - ISP	8,447.94	564.79	54.06	8,958.67	4,469.19	812.76	40.74	5,241.21	3,717.46
Intangible Assets	0.40	-	-	0.40	-	-	-	-	0.40
Goodwill on consolidation	0.40	-	-	0.40	-	-	-	-	0.40
Total Intangible Assets	355.10	23.61	-	378.71	228.89	61.81	-	290.70	126.21
Grand Total	312.96	42.14	-	355.10	160.82	68.07	-	228.89	152.14
Previous year	1,083.11	-	-	1,083.11	1,083.11	-	-	1,083.11	-
Goodwill consolidation	1,083.11	-	-	1,083.11	1,083.11	-	-	1,083.11	-
Testing Software	30.00	-	-	30.00	15.75	1.50	-	17.25	14.25
Technical Know-how	30.00	-	-	30.00	14.25	1.50	-	15.75	15.75
Licence Fees - VSAT	20.00	-	-	20.00	5.94	1.33	-	7.27	14.06
Licence Fees - ISP	20.00	-	-	20.00	4.61	1.33	-	5.94	15.39
Total Intangible Assets	1,488.61	23.61	-	1,512.22	1,333.69	64.64	-	1,398.33	154.92
Previous year	1,446.47	42.14	-	1,488.61	1,262.79	70.90	-	1,333.69	183.68
Grand Total	10,447.28	803.85	172.49	11,078.64	6,574.90	891.71	129.55	7,337.06	3,741.58
Previous year	9,894.41	606.93	54.06	10,447.28	5,731.98	883.66	40.74	6,574.90	3,872.38

Figures in italic pertains to the previous year.



## Notes forming part of the Consolidated Financial Statements

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

(Rs. in Lakhs)

Particulars	Number of Shares	Face value per unit (Rs.)	As at 30th September, 2013	As at 30th September, 2012
<b>Unquoted - Equity Shares</b>				-
<b>Trade</b>				
In Associate Companies				
Nelito Systems Limited (Purchased 500 shares during the year)	450,500 <i>450,000</i>	10	812.28	781.21
In Other Companies				
Technopolis Knowledge Park Limited	1,810,000 <i>1,810,000</i>	10	181.00	181.00
<b>Other investments</b>				
Ordinary Shares of Zoroastrian Co-operative Bank Limited.	6,000 <i>6,000</i>	25	1.50	1.50
<b>Total</b>			<b>994.78</b>	<b>963.71</b>
Less: Provision for diminution in value of investments in respect of Technopolis Knowledge Park Limited.			181.00	181.00
<b>Total</b>			<b>813.78</b>	<b>782.71</b>
<b>Note:</b> Aggregate amount of unquoted investments			994.78	963.71

Figures in italics pertains to the previous years

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Security deposits	278.87	163.72
Advance income tax (net of provision for tax Rs.1,938.66 lakhs (previous year : Rs 1,956.84 lakhs))	1,440.81	810.16
Balances with government authorities	42.44	51.91
Prepaid expenses	4.41	7.13
Other recoverables	34.94	34.94
<b>Total</b>	<b>1,801.47</b>	<b>1,067.86</b>

### Note 14 Inventories

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Contracts in Progress	74.06	406.91
Raw materials	329.26	371.21
Raw materials - Goods-in-transit	-	40.87
Work-in-progress	427.08	210.94
Stock - in - trade	1,133.08	1,066.70
<b>Total</b>	<b>1,963.48</b>	<b>2,096.63</b>

## Notes forming part of the Consolidated Financial Statements

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Outstanding for a period exceeding six months from the date they were due for payment		
Considered good	567.69	861.36
Doubtful	457.61	433.08
	1,025.30	1,294.44
Less: Provision for doubtful trade receivables	457.61	433.08
	567.69	861.36
Other Trade receivables (refer note (i) below)		
Considered good	4,798.91	6,738.36
Doubtful	-	116.00
	4,798.91	6,854.36
Less: Provision for doubtful trade receivables	-	116.00
	4,798.91	6,738.36
<b>Total</b>	<b>5,366.60</b>	<b>7,599.72</b>

- (i) Other Trade receivables include Rs. 530.91 lakhs (Previous year: Rs. 2,098.64 lakhs), which in accordance with the terms of contracts, were not due for payment as at the year end.

### Note 16 Cash and Bank balances

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
A. Cash and cash equivalents		
Cash on hand	2.51	3.90
Cheques on hand	-	133.55
Balances with banks		
In current accounts	362.87	312.05
<b>Total - Cash and cash equivalents (A)</b>	<b>365.38</b>	<b>449.50</b>
B. Other bank balances		
In earmarked accounts		
- Unpaid dividend accounts	11.94	9.52
- Unpaid matured deposits	0.48	1.24
- Balances held as margin money against letter of credit and bank guarantees	18.74	53.55
<b>Total - Other bank balances (B)</b>	<b>31.16</b>	<b>64.31</b>
<b>Total Cash and Bank balance (A+B)</b>	<b>396.54</b>	<b>513.81</b>
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statement	<b>365.38</b>	<b>449.50</b>

## Notes forming part of the Consolidated Financial Statements

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

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
<b>Security deposits</b>		
Considered good	158.73	141.54
Doubtful	85.89	73.33
	<u>244.62</u>	<u>214.87</u>
Less: Provision for doubtful deposits	85.89	73.33
	<u>158.73</u>	<u>141.54</u>
Loans and advances to employees	18.63	50.66
Prepaid expenses	101.59	278.44
<b>Balances with government authorities</b>		
Service Tax credit receivables	150.32	154.29
Value Added Tax/Work Contract Tax	134.07	106.38
Advance to suppliers	114.20	515.44
Other recoverables	33.33	24.97
<b>Total</b>	<u><u>710.87</u></u>	<u><u>1,271.72</u></u>

### Note 18 Other current assets

(Rs. in Lakhs)

Particulars	As at 30th September, 2013	As at 30th September, 2012
Unbilled revenue	1,503.68	1,080.29
<b>Unamortised expenses</b>		
Premium on Forward Contract	16.77	37.27
<b>Total</b>	<u><u>1,520.45</u></u>	<u><u>1,117.56</u></u>

### Note 19 Revenue from operations

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
Sale of products	6,769.37	9,736.37
Sale of Services	6,747.56	6,634.27
<b>Total (A)</b>	<u>13,516.93</u>	<u>16,370.64</u>
<b>Other Operating revenue</b>		
Scrap sales	0.85	4.33
Commission income	16.15	15.67
<b>Total (B)</b>	<u>17.00</u>	<u>20.00</u>
<b>Total (A)+(B)</b>	<u>13,533.93</u>	<u>16,390.64</u>
Less: Excise duty	60.24	318.95
<b>Total</b>	<u><u>13,473.69</u></u>	<u><u>16,071.69</u></u>

## Notes forming part of the Consolidated Financial Statements

### Note 20 Other income

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>Interest income comprises:</b>		
Interest on Bank deposits	5.80	9.39
Interest on Income tax refund	-	11.32
	5.80	20.71
<b>Dividend income from long term investments</b>	0.19	0.15
<b>Other non-operating income comprises:</b>		
Insurance claims recovered	0.39	0.19
Liabilities/Provisions no longer required written back	24.76	207.34
Bad Debts Recovered	-	22.65
Miscellaneous income	2.69	20.25
<b>Total</b>	<b>33.83</b>	<b>271.29</b>

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

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>Inventories at the beginning of the year:</b>		
Stock - in - trade	1,066.70	570.92
Work-in-progress	210.94	215.90
Contracts in progress	406.91	847.40
	1,684.55	1,634.22
<b>Less : Inventories at the end of the year:</b>		
Stock - in - trade	1,133.08	1,066.70
Work-in-progress	427.08	210.94
Contracts in progress	74.06	406.91
	1,634.22	1,684.55
<b>Net (increase) / decrease</b>	<b>50.33</b>	<b>(50.33)</b>

### Note 22 Employee benefits expense

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
Salaries and wages	2,058.42	1,847.83
Contributions to provident and superannuation fund, etc.	104.30	95.55
Gratuity	34.00	43.62
Staff welfare expenses	221.51	212.28
	2,418.23	2,199.28
Less: Expenses shared by Crompton Greaves Limited	-	15.96
<b>Total</b>	<b>2,418.23</b>	<b>2,183.32</b>

## Notes forming part of the Consolidated Financial Statements

### Note 23 Finance costs

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
<b>Interest expense on:</b>		
Borrowings	897.06	779.61
Trade payables	12.32	19.28
Others	-	1.02
Bank charges	88.14	100.77
<b>Total</b>	<b>997.52</b>	<b>900.68</b>

### Note 24 Other expenses

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2013	For the year ended 30th September, 2012
Consumption of loose tools	49.31	35.76
Subcontracting expenses	648.73	509.75
Power and fuel	170.21	198.79
Rent including lease rentals	69.59	64.93
Repairs and maintenance - Buildings	0.03	1.48
Repairs and maintenance - Machinery	34.88	22.13
Repairs and maintenance - Others	150.75	105.00
Insurance	28.63	35.30
Rates and taxes	11.98	11.16
Travelling and conveyance	328.91	318.72
Freight and forwarding	240.14	270.63
Legal and professional charges	96.94	107.44
Consultancy charges	303.30	195.20
Installation expenses	353.93	341.61
Foreign exchange (gain)/loss (net)	(4.18)	129.63
Bad debts/advances written off	276.35	257.89
Less: Provision for doubtful debts/advances made in earlier years written back	(276.35)	(257.89)
	-	-
Provision for doubtful debts and advances	197.44	394.28
Loss on fixed assets sold (net)	28.88	6.39
Provision for foreseeable losses	5.60	14.80
Provision for warranty (net of provision for warranty of earlier years written back Rs.46.74 lakhs ) (Previous year: Rs. 303.58 lakhs)	3.26	(155.55)
License fees to Department of Telecommunication	489.94	410.29
Transponder charges	1,428.55	1,292.12
Miscellaneous expenses	862.53	842.81
	5,499.35	5,152.67
Less: Expenses shared by Crompton Greaves Limited	-	21.69
<b>Total</b>	<b>5,499.35</b>	<b>5,130.98</b>

## Notes forming part of the Consolidated Financial Statements

- 25** 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).

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 effects of these were given to in the financial statement for the year ended September 30, 2011. Further, during the previous year, the Company had received Rs.267.89 lakhs on account of recovery of the liquidated damages in respect of these businesses.

- 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. 319.14 lakhs (Previous Year: Rs. 343.01 lakhs).

### 27 Capital Commitment

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	87.74	39.78

### 28 Contingent Liabilities

(Rs. in Lakhs)

Particulars	2012-13	2011-12
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	879.03	416.29
ii) Other matters (excluding claims where amounts are not ascertainable)	29.28	29.28
Future cash outflows in respect of the 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:

(Rs. in Lakhs)

	Particulars	2012-13	2011-12
a)	Contribution to Employees’ Superannuation Fund	26.09	28.27
b)	Employees’ State Insurance Scheme	0.51	1.15
c)	Contribution to Provident Fund	77.70	66.13

#### 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 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.

## Notes forming part of the Consolidated Financial Statements

### II. Gratuity (Unfunded)

(Rs. in Lakhs)

Particulars		2012-13	2011-12
<b>1</b>	<b>Expenses recognised in Statement of Profit and Loss for the year ended</b>		
	Current Service cost	18.59	19.00
	Interest cost	17.20	18.45
	Expected return on plan assets	-	-
	Net Actuarial (Gain)/Loss	(1.79)	6.17
	<b>Total Expense</b>	<b>34.00</b>	<b>43.62</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 year	(202.86)	(185.97)
	Fair value of plan assets as at the end of the year	-	-
	<b>Net Asset/(Liability) as at</b>	<b>(202.86)</b>	<b>(185.97)</b>
<b>3</b>	<b>Changes in present value of obligations during the year</b>		
	Present value of obligations as at beginning of year	185.97	216.99
	Interest cost	17.20	18.45
	Current Service cost	18.59	19.00
	Benefits Paid	(17.11)	(74.64)
	Actuarial (Gain)/Loss	(1.79)	6.17
	<b>Present value of Defined Benefit obligations as at end of year</b>	<b>202.86</b>	<b>185.97</b>

Particulars		2012-13	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	12.42	2.92	4.14	(11.92)	5.24
	<b>Experience Adjustments (Total)</b>	<b>12.42</b>	<b>2.92</b>	<b>4.14</b>	<b>(11.92)</b>	<b>5.24</b>
<b>5</b>	<b>Assumptions</b>					
	Discount Rate	9.25%	8.25%	8.50%	8.25%	
	Salary Escalation	6.00%	6.00%	6.00%	6.00%	
	Attrition Rate	2.00%	2.00%	2.00%	2.00%	
	Mortality Rate	Indian Assured Lives Mortality (2006-08) Ultimate	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. 15.61 lakhs (Previous Year: Rs. 45.22 lakhs) has been included in the Statement of Profit and Loss.

## Notes forming part of the Consolidated Financial Statements

### 30 Earnings Per Share (EPS)

Particulars	2012-13	2011-12
a) Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b) Net (Loss)/ Profit after Tax available for Equity Shareholders (Rs.in Lakhs)	(1662.61)	102.84
c) Basic Earnings Per Share (Rs.) ( Face value of Rs. 10 per share)	(7.29)	0.45
d) Diluted Earning Per Share (Rs.)	(7.29)	0.45

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
<b>Deferred Tax Assets</b>		
On unpaid liabilities under section 43B of Income Tax Act	109.05	105.42
On provision for doubtful debts and advances	153.09	195.75
On Voluntary Retirement Costs	22.92	34.38
Provision for future losses	*59.53	*96.62
Unabsorbed tax depreciation	*-	*43.18
<b>Total</b>	<b>344.59</b>	<b>475.35</b>
<b>Less: Deferred tax Liability</b>		
a) On Fiscal allowances of Fixed asset	(344.59)	(483.86)
<b>Total</b>	<b>(344.59)</b>	<b>(483.86)</b>
<b>Net Deferred Tax (Liabilities)/Assets</b>	<b>-</b>	<b>(8.51)</b>

\*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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Contract revenue recognised as revenue during the year	2,364.99	4,279.34
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) upto year end	7,459.41	5,285.59
Retention money for contracts in progress	1,468.33	1,065.29
Advance payments received	-	-
Gross amount due from customers for contract work (assets)	1,482.99	1,276.10
Gross amount due to customers for contract work (liabilities)	30.37	39.21

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)



## Notes forming part of the Consolidated Financial Statements

### 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.

(Rs. in Lakhs)

Particulars	Warranties	Future foreseeable losses on contracts
Opening Balance	418.94	297.83
	(628.99)	(504.42)
Provision during the year	50.00	5.60
	(148.03)	(34.28)
Utilisation During the year	48.38	20.91
	(54.50)	(221.39)
Reversal during the Year	46.74	-
	(303.58)	(19.48)
Closing Balance	373.82	282.52
	(418.94)	(297.83)
<b>Current</b>	343.21	62.20
	(388.80)	(37.62)
<b>Non – Current</b>	30.61	220.32
	(30.14)	(260.21)

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	2012-13	2011-12
		Amount in Foreign Currency (In Lakhs)	
Receivable	USD	1.59	3.94
Payable	USD	2.43	1.95
	EUR	0.85	0.09
	GBP	0.08	-
	NOK	0.12	4.47

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

Particulars	Foreign Currency	2012-13	2011-12
		Amount in Foreign Currency (In Lakhs)	
Payable	USD	13.83	28.50
	GBP	-	0.44

## Notes forming part of the Consolidated Financial Statements

### 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

The related party transactions are as under:

(Rs. in Lakhs)

Sr. no.	Particulars	The Tata Power Company Limited	Nelito Systems Limited	Key Management Personnel
<b>1) Sales :</b>				
a)	Goods	2.59	-	-
		(45.19)	(-)	(-)
b)	Services	3.71	0.90	-
		(1.30)	(1.00)	(-)
<b>2) Finance :</b>				
a)	Inter Corporate Loans taken	900.00	-	-
		(1,145.00)	(-)	(-)
b)	Inter Corporate Loans Repayment	775.00	-	-
		(-)	(-)	(-)
c)	Interest Paid/Payable	177.37	-	-
		(4.58)	(-)	(-)
d)	Dividend received	-	4.50	-
		(-)	(4.50)	(-)
e)	Dividend paid	55.50	-	-
		(-)	(-)	(-)
<b>3) Other Transactions :</b>				
a)	Reimbursements received from parties	1.73	-	-
		(-)	(-)	(-)
<b>4) Balance outstanding as on 30.09.2013</b>				
a)	Debtors (Net)	2.38	-	-
		(48.78)	(-)	(-)
b)	Inter Corporate Loans	1,270.00	-	-
		(1,145.00)	(-)	(-)
c)	Interest Accrued, but not due	16.96	-	-
		(4.58)	(-)	(-)
d)	Other Recoverable	-	0.33	-
		(-)	(0.52)	(-)
<b>5) Remuneration to Key Managerial personnel</b>		-	-	127.53
		(-)	(-)	(263.22)

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.

## Notes forming part of the Consolidated Financial Statements

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.210.44 lakhs (Previous Year Rs. 443.65 lakhs) is not significant in the context of the total external revenue of Rs. 13,456.69 lakhs (Previous Year Rs. 16,051.69 lakhs)

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

### SEGMENT REPORT FOR THE YEAR ENDED 30TH SEPTEMBER, 2013

#### Primary Segment Disclosure - Business Segment

(Rs. in Lakhs)

	Automation & Control	Network Systems	Elimination	Total
<b>A SEGMENT REVENUE</b>				
External Revenue	3,415.69	10,101.24	-	13,516.93
	5,699.85	10,670.79	-	16,370.64
Less : Excise Duty	60.24	-	-	60.24
	318.95	-	-	318.95
Net External Revenue	3,355.45	10,101.24	-	13,456.69
	5,380.90	10,670.79	-	16,051.69
Intersegment Revenue				
<b>TOTAL SEGMENT REVENUE</b>	<b>3,355.45</b>	<b>10,101.24</b>	-	<b>13,456.69</b>
	5,380.90	10,670.79	-	16,051.69
<b>B RESULTS</b>				
Segment Results	(1,164.29)	1,567.20	-	402.91
	(304.45)	2,135.03	-	1,830.58
Unallocable Corporate Expenses (Net of Income)	-	-	-	1,223.55
				1,233.64
Less : Interest Expense unallocable to segments	-	-	-	909.38
				799.91
Add : Interest Income unallocable to segments	-	-	-	5.80
				20.71
Add: Exceptional Items (Net) unallocable to Segment	-	-	-	-
				267.89
<b>(Loss) /Profit before Taxes</b>	-	-	-	<b>(1,724.22)</b>
				85.63
<b>Less : Provision for Tax</b>				
a) Current tax including Fringe Benefit Tax	-	-	-	(18.18)
				49.11
b) Less : Short/(Excess) Tax Provision for earlier years	-	-	-	-
				-
c) Deferred Tax	-	-	-	(8.51)
				(33.05)
<b>Net Profit /(Loss) after Tax and before share of associate</b>				<b>(1,697.53)</b>
				69.57
Add: Share of Profit in Associate				34.92
				33.27
<b>Profit /(Loss) after tax</b>				<b>(1,662.61)</b>
				102.84

## Notes forming part of the Consolidated Financial Statements

		Automation & Control	Network Systems	Elimination	Total
<b>C</b>	<b>SEGMENT ASSETS</b>	5,916.15	7,533.85	-	13,450.00
		<i>7,279.08</i>	<i>8,507.15</i>	-	<i>15,786.23</i>
	Add: Unallocable Corporate Assets				2,937.96
					<i>2,555.99</i>
	<b>Total Assets</b>				<b>16,387.96</b>
					<i>18,342.22</i>
<b>D</b>	<b>SEGMENT LIABILITIES</b>	1,817.40	3,741.47	-	5,558.87
		<i>2,762.37</i>	<i>3,150.94</i>	-	<i>5,913.31</i>
	Add: Unallocable Corporate Liabilities				9,238.31
					<i>9,175.52</i>
	<b>Total Liabilities</b>				<b>14,797.18</b>
					<i>15,088.83</i>
<b>E</b>	<b>CAPITAL EXPENDITURE</b>	17.64	839.57	-	<b>857.21</b>
		<i>7.64</i>	<i>564.63</i>	-	<i>572.27</i>
<b>F</b>	<b>DEPRECIATION</b>	70.30	821.41	-	<b>891.71</b>
		<i>79.49</i>	<i>804.17</i>	-	<i>883.66</i>
<b>G</b>	<b>NON CASH EXPENSES</b>				
	Provision for doubtful debts/advances	61.60	135.83	-	<b>197.44</b>
		<i>199.18</i>	<i>195.10</i>	-	<i>394.28</i>

Figures shown in Italics pertains to previous year.

- 37** The Company has incurred loss for the year and the accumulated losses as at 30<sup>th</sup> September, 2013 has substantially eroded the Company's net worth. Notwithstanding this, these financial statements have been prepared on going concern basis in view of the financial support of the holding company and the business plan of the Company.
- 38** The tax year for the Company being the year ending 31<sup>st</sup> March, the provision for taxation for the year is the aggregate of the provision made for the six months ended 31<sup>st</sup> March, 2013 and the provision based on the figures for the remaining six months up to 30<sup>th</sup> September, 2013, the ultimate tax liability of which will be determined on the basis of the figures for the year 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2014.
- 39** Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Signature to Notes forming part of financial statements "1" to "39"

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

**R. R. Bhinge**  
Chairman

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

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

**Girish V. Kirkinde**  
Company Secretary

Mumbai, 21<sup>st</sup> November, 2013



**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 71<sup>st</sup> ANNUAL GENERAL MEETING of the Company at Ebony, Hotel Regenza By Tunga, Ground floor, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400703 at 3.00 p.m. on Wednesday, 22<sup>nd</sup> January 2014.

SIGNATURE OF THE ATTENDING MEMBER/PROXY \_\_\_\_\_

\*Applicable for Members holding shares in electronic form.

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



**NELCO LIMITED**

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 71<sup>st</sup> Annual General Meeting of the Company to be held on Wednesday, 22<sup>nd</sup> January 2014 and at any adjournment thereof.

Signed this ..... day of .....

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

\*Applicable for members holding shares in electronic form.

Signature \_\_\_\_\_

Affix  
Rupee 1  
Revenue  
Stamp

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

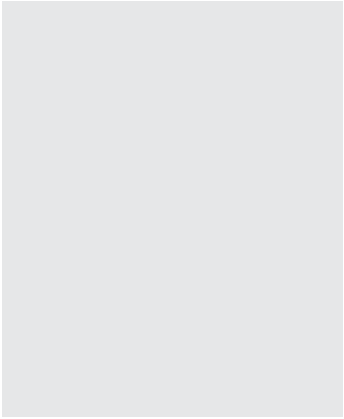
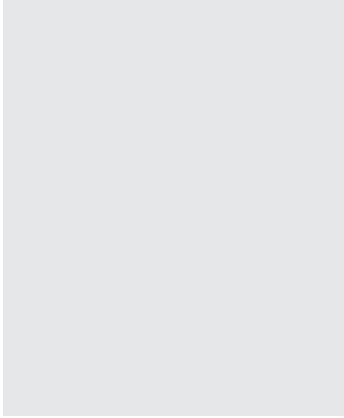
# Strike out whichever is not desired.

Note : The proxy must be returned so as to reach the Registered Office of the Company at 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 Innovation Awards



Founder's Day



Fire Drill



Women's Day Celebration



Road Safety Training



**ISO 20000-1 : 2011 | ISO 27001 : 2005 | TL 9000**

91-040- 2790 3419