

NELCO LIMITED

A TATA Enterprise

69th Annual Report
2010 - 11

Nelco Solutions Implemented for Key Projects



A VSAT network installation in process for INCOIS (Indian National Centre for Ocean Information Services). Apart from the hub, Nelco is also setting up VSATs at remote locations that experience high seismic activity to enable connectivity for INCOIS' Tsunami warning system.



Integrated Security & Surveillance Solution provided by Nelco as part of a major Railway Security Project

Nelco implemented Automatic Weather Monitoring Systems (AWS) in more than 60 airfields of the Indian Airforce, including this one in the mountainous terrain of Leh





NELCO LIMITED

Chairman Emeritus

R. N. Tata

Board of Directors

P. R. Menon – Chairman

R. R. Bhinge

V. K. Deshpande

P. K. Ghose

S. Ramakrishnan

S. K. Gupta

B. Gopal (w.e.f. 14th November, 2011)

K. A. Mahashur – Executive Director

Chief Executive Officer

P. J. Nath

Company Secretary

Girish V. Kirkinde

Bankers

Bank of India

Allahabad Bank

Union Bank of India

Calyon Bank

Axis Bank Ltd.

Solicitors

Mulla & Mulla & Craigie, Blunt & Caroe

Auditors

Deloitte Haskins & Sells, Mumbai.

Registered Office, works & facilities

EL-6, TTC Industrial Area,

MIDC Electronics Zone, Mahape,

Navi Mumbai – 400 710

Share Registrars

TSR Darashaw Limited

6-10, 1st floor,

Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road, Mahalaxmi,

Mumbai - 400 011.

Tel.: 022-66568484 Fax: 022-66568494

Website: www.tsrdarashaw.com

Sales Offices

Bangalore

3rd Floor, No.15-17-19,

Sri Lakshmi Complex, St. Mark's Road

Bangalore - 560 001

Chennai

Flat No.1-D, 1st floor,

New No.75 & 77 (Old No.41 & 41A)

K.G. Marina Bay, Santhome High Road,

Santhome, Chennai – 600 004

Delhi

702,703, Vikram Tower,

16, Rajindra Place,

New Delhi 110 008.

Jamshedpur

Kashi Kunj Road No.2,

Contractors Area,

Bistipur, Jamshedpur 831 001.

Kolkata

Trust House, 1st floor

32-A, Chittaranjan Avenue,

Kolkata 700 012.

Secunderabad

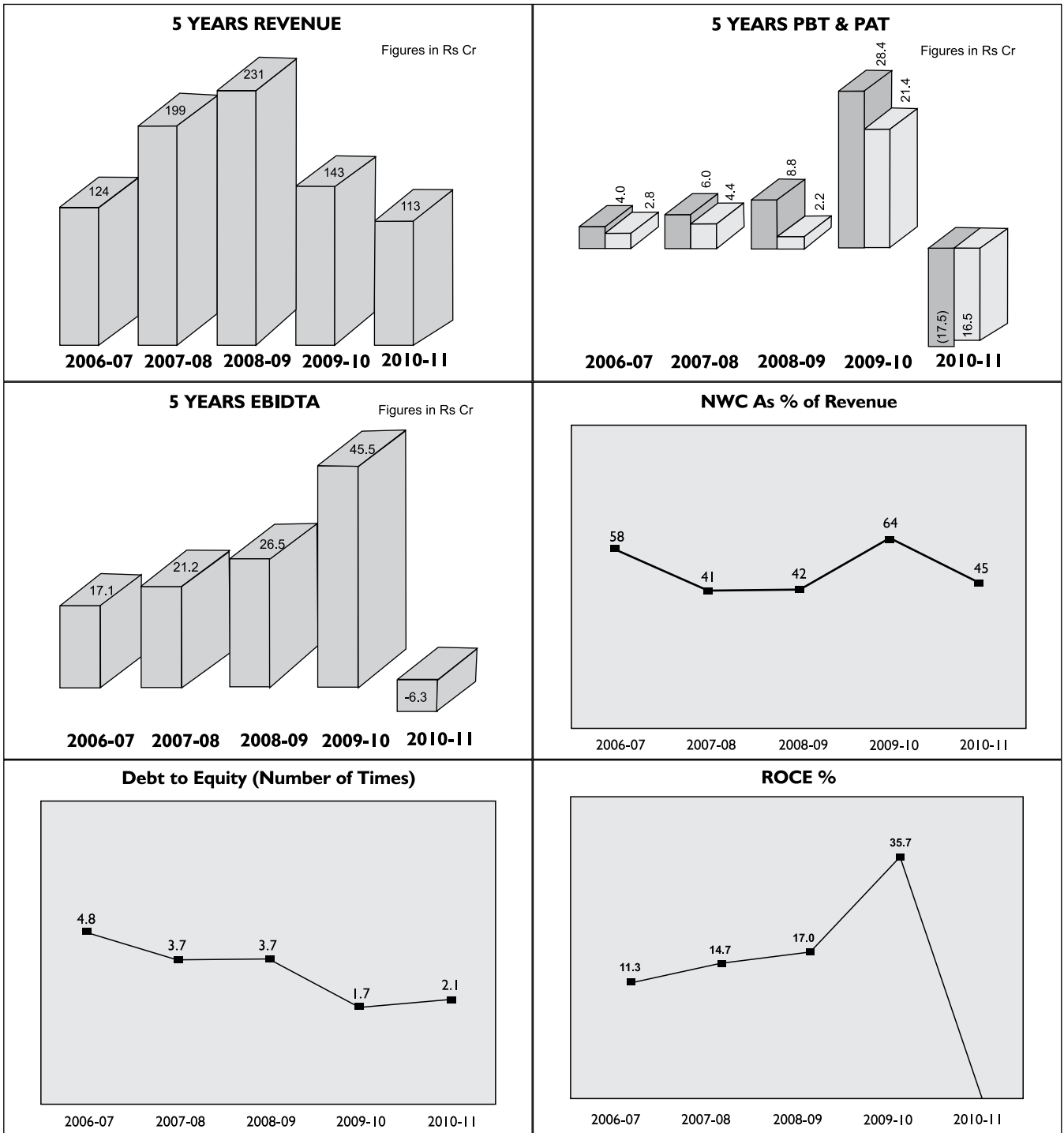
Plot No.65, Paigah Colony,

Behind Anand Theatre,

Off Sardar Patel Road,

Secunderabad 500 003.

Financial Highlights



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

Go Green Today

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

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

Annual General Meeting

Date : Tuesday, 24th January, 2012

Time : 4.00 p.m.

Venue : Millennium I, Hotel Ramada,
156, Millennium Business Park,
MIDC Sector 2, Mahape,
Navi Mumbai – 400 710

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

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

Visit us at : www.nelcoin.com
www.nelcosecurity.co.in

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NOTICE

The SIXTY NINETH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Tuesday the 24th January 2012 at 4.00 p.m. at Millennium I, Hotel Ramada, 156, Millennium Business Park, MIDC Sector 2, Mahape, Navi Mumbai – 400 710 to transact the following business:-

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th September 2011 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. P. R. Menon who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. R. R. Bhinge who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. K. Gupta who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.
6. **Appointment of Mr. B. Gopal as Director**

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

“RESOLVED THAT Mr. B. Gopal, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 14th November, 2011 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“the Act”) but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

7. **Appointment of Mr. P. J. Nath as Chief Executive Officer.**

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

“RESOLVED that pursuant to the provisions of Sections 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), as amended or re-enacted from time to time, read with Schedule XIII to the Act and subject to the approval of the Central Government and all other approvals/ consents/sanctions/permissions as may be necessary, the consent of the Company be and is hereby accorded for the appointment and terms of remuneration of Mr. P. J. Nath as the Manager of the Company, designated as Chief Executive Officer of the Company for the period of three years commencing from 23rd February, 2011 to 22nd February, 2014 on the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this meeting, including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr. Nath.

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

Notes:

- (a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under Item No. 6 and 7 set out above and the relevant details of the Directors seeking re-appointment/appointment under item nos. 2 to 4 and 6 above as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the 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 Friday, 13th January, 2012 to Wednesday, 18th January 2012 (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 2002-03 which remained unclaimed /unpaid for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company has been transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 2008-09 and 2009-10 are requested to make their claims to the Company accordingly without any delay.

(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 may please note that, Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish the copy of PAN card to the Company/Share Transfer Agents for registration of such transfer of shares.

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

By Order of the Board of Directors

28th November 2011.

Girish V. Kirkinde
Company Secretary

Registered office:

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

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956 ('The Act'), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 6 and 7 of the accompanying Notice dated 28th November 2011.

Item No. 6 Appointment of Mr. B.Gopal as Director

Mr B. Gopal was appointed as an Additional Director of the Company with effect from 14th November, 2011 by the Board of Directors in terms of Section 260 of the Companies Act, 1956 ("Act") and Article 125 of the Company's Articles of Association. Pursuant to Section 260 of the Act, Mr B.Gopal holds office only upto the date of the forthcoming Annual General Meeting but is eligible for appointment as a Director. A notice under Section 257 of the Act has been received from a Member signifying his intention to propose Mr. B.Gopal's appointment as a Director.

Mr. B.Gopal, aged 58 years, is B.Tech (Electronics) from I.I.T. Madras. Presently he is a Vice President with Tata Consultancy Services Ltd. and heads System Integration and Outsourcing. He has over 30 years experience in the field of IT and Software which includes marketing and management of TCS's software & consulting business in Singapore, Malaysia & Indonesia, evaluation and acquisition of all H/W, S/W and communications infrastructure, managing and evaluating emerging technologies.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. B.Gopal and therefore recommend for approval, the resolution contained in item no. 6 of the Notice convening the Annual General Meeting. None of the Directors except Mr. B.Gopal is concerned or interested in item no. 6 of the Notice.

Item No. 8 Appointment of Mr. P. J. Nath as Chief Executive Officer

The Board of Directors of Company, at its meeting held on 28th November, 2011, appointed Mr. P. J. Nath as the Manager of the Company, designated as Chief Executive Officer.

Mr. P. J. Nath aged 49 years is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 25 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a Nasdaq Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as an Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

The principal terms and conditions of Mr. Nath's appointment as Chief Executive Officer (hereinafter referred to as 'Mr. Nath or the 'Chief Executive Officer) are as follows:

(1) Tenure of Agreement:

For a period of 3 years commencing from 23rd February, 2011 to 22nd February, 2014.

(2) Nature of duties:

- (a) The Chief Executive Officer shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the Boards of such associated companies and/or subsidiaries or any other executive body or any committee of such a company.
- (b) The Chief Executive Officer shall not exceed the powers so delegated by the Board pursuant to Clause 2(a) above.
- (c) The Chief Executive Officer undertakes to employ the best of his skill and ability to make his utmost endeavors to promote the interests and welfare of the Company and to conform to and comply with the directions and regulations of the Company and all such orders and directions as may be given to him from time to time by the Board.

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



- (b) Minimum Remuneration: Where in any financial year during the currency of the tenure of the Chief Executive Officer, the Company has no profits or its profits are inadequate, the Company will pay to the Chief Executive Officer remuneration by way of Salary, Benefits, Perquisites and Allowances and Performance Linked Payment as specified above.
- (4) All personnel policies of the Company and the related Rules, which are applicable to other employees of the Company, shall also be applicable to the Chief Executive Officer, unless specifically provided otherwise.

The draft Agreement between the Company and the Chief Executive Officer also contains the following terms and conditions:

1. The Chief Executive Officer shall not become interested or otherwise concerned, directly or through his spouse and/or children, in any selling agency of the Company.
2. The terms and conditions of the appointment of the Chief Executive Officer may be altered and varied from time to time by the Board as it may, in its discretion deem fit, irrespective of the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard in such manner as may be agreed to between the Board and the Chief Executive Officer, subject to such approvals as may be required.
3. This appointment may be terminated by giving three months' notice on either side or the Company paying three months' remuneration in lieu of such notice.
4. The employment of the Chief Executive Officer may be terminated by the Company without notice or payment in lieu of notice:
 - (a) if the Chief Executive Officer is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associated company to which he is required by the Agreement to render services; or
 - (b) in the event of any serious or repeated or continuing breach (after prior warning) or non-observance by the Chief Executive Officer of any of the stipulations contained in the Agreement to be executed between the Company and the Chief Executive Officer; or
 - (c) in the event the Board expresses its loss of confidence in the Chief Executive Officer.
5. In the event the Chief Executive Officer is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate his contract on such terms as the Board may consider appropriate in the circumstances.
6. Upon the termination by whatever means of the Chief Executive Officer's employment:
 - (a) the Chief Executive Officer shall immediately tender his resignation from offices held by him in any subsidiaries and associated companies and other entities without claim for compensation for loss of office and in the event of his failure to do so the Company is hereby irrevocably authorised to appoint some person in his name and on his behalf to sign and deliver such resignation or resignations to the Company and to each of the subsidiaries and associated companies of which the Chief Executive Officer is at the material time a Director or other officer;
 - (b) the Chief Executive Officer shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries or associated companies.
7. The Chief Executive Officer's appointment is by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 385(1) of the Act.
8. If and when the Agreement expires or is terminated for any reason whatsoever, Mr. Nath will cease to be the Manager of the Company. If at any time, Mr. Nath ceases to be Chief Executive Officer of the Company for any reason whatsoever, the Agreement shall forthwith terminate. If at any time, Mr. Nath ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be the Manager of the Company.
9. The terms and conditions of appointment of the Chief Executive Officer also include clauses pertaining to adherence with the Tata Code of Conduct, intellectual property, non-competition, no conflict of interest with the Company and maintenance of confidentiality.

In compliance with the provisions of Sections 198, 269, 387 and other applicable provisions of the Act read with Schedule XIII to the Act, the terms of remuneration specified above are now being placed before the Members for approval.

Mr. Nath is not related to any Director of the Company. None of the Directors is concerned or interested in the Resolution at Item No. 7 of the accompanying Notice.

The Board commends the Resolution at Item No.7 of the accompanying Notice for acceptance by the Members.

Additional information relevant to the said appointment of the Chief Executive Officer as per Notification dated January 16 2002 issued by the Department of Company Affairs is as follows:-

I. General Information:

1. **Nature of Industry:** Electronics and Telecommunications (ISP) activities.
2. **Date of /expected date of commencement of commercial production:**
The Company was incorporated on August 31, 1940 and started commercial production immediately.
3. **In case of new companies, expected date of commencement of activities as per project approved by financial institution appearing in the prospectus:** Not applicable.
4. **Financial performance based on given indicators for the year ended 30th September 2011**

(Rs. '000)

Particulars	2010-11 Rs.	2009-10 Rs.
Turnover and other income	1,134,653	1,428,232
Profit/(Loss) before exceptional items and taxation	(203,752)	(235,380)
Net Profit /(Loss) before tax	(175,419)	284,292
Net Profit /(Loss) after tax	(165,364)	214,022

5. Export performance and net Foreign Exchange collaboration:

The Company's earnings in foreign exchange were Rs.35,060('000)

6. Foreign investments or collaborators, if any: Not Applicable.

II Information about the Appointee:

1. Background details

Mr. P. J. Nath aged 49 years is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 25 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a Nasdaq Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as an Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

2. Job Profile and his suitability :

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

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

3. Remuneration proposed:

a) Remuneration

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

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

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

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

5. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any:

Besides the remuneration proposed, the Chief Executive Officer does not have any other pecuniary relationship with the company and its managerial personnel.

III. Other information:

1. Reasons for loss or inadequate profits:

The loss/inadequacy of profits for the year 2010-11 was on account of unsatisfactory performance of security and surveillance business and write off of expenses/Liquidated Damages (LD) and VRS expenses of divested businesses.

The Company is continuously evaluating its businesses and will focus on building its position in Strategic Electronics, Network Systems and pursue further synergistic opportunities in related areas. The Company has now good order position in both businesses of security and surveillance and Tatanet VSAT and with no legacy expenses like VRS, the Company is expected to make profit in the current year 2011-12. The medium and long term prospects of the Company are quite promising.

2. Steps taken by the Company to improve performance :

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

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

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

By Order of the Board of Directors

28th November 2011.

Girish V. Kirkinde
Company Secretary

Registered office:

EL-6, TTC Industrial Area,
MIDC 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. P.R. Menon	Mr. S.K. Gupta	Mr. B. Gopal
Date of Birth	29 th May 1952	23 rd January 1946	9 th September 1942	25 th July 1953
Date of Appointment	29 th August 2003	20 th July 2007	23 rd October 2007	14 th November 2011
Expertise in Specific Functional Area	Mr. Bhinge has over 27 years of professional experience. He was with Nelco for 14 years and during his tenure with the Company 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 Limited 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.	Mr. Menon has over 40 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry. He was the Managing Director of The Tata Power Co. Ltd. and Tata Chemicals Ltd. He has championed sustainability as a key strategic initiative in the organisation. He is on the Board of several major Tata Group companies, as well as on The Sanmar Group Corporate Board in Chennai. He is on the Steering Committee of Combat Climate Change, a group of 66 global companies committed to policy change and implementation of climate change initiatives. He is the first Chairperson of the Association of Power Producers, an association of Private Power Generating companies, the Chairperson of the Group Safety Committee and a member of other key Tata Group Committees, viz. Climate Change, Business Excellence, etc.	Mr. S.K. Gupta has a wide and varied experience in the Telecom Industry. He was Chairman & Managing Director of VSNL.	Mr. B. Gopal is a Vice President with Tata Consultancy Services Ltd. and heads System Integration & Outsourcing. He has over 30 years experience in the field of IT and Software which includes marketing and management of TCS's software & consulting business in Singapore, Malaysia & Indonesia, evaluation and acquisition of all H/W, S/W and communications infrastructure, managing and evaluating emerging technologies.
Qualifications	B.Tech. Hons.(Electrical) from IIT, Mumbai. Post Graduation in Business Administration from IIM, Ahmedabad.	Chemical Engineer, IIT, Kharagpur	B.Sc. B.E.(Electrical)	B.Tech. (Electronics) from IIT, Madras
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"> - Tata Johnson Controls Automotive Ltd. - Tata Autocomp Systems Ltd. - Infiniti Retail Ltd. - Tatanet Services Ltd. 	<ul style="list-style-type: none"> - Tata Chemicals Ltd. - Tata projects Ltd. - Tata Industries Ltd. - Tata Ceramics Ltd. - Tata Consulting Engineers Ltd. - Tata BP Solar India Ltd. - Axis Bank Ltd. - SKF India Ltd. 	<ul style="list-style-type: none"> - VIOM Networks Ltd. (previously known as WTTIL) - VIOM Infra Networks (Maharashtra) Ltd. (previously known as 21st Century Infra Tele Ltd.) 	Nil
Committee positions held in other Companies	<u>Audit Committee</u> - Tata Johnson Controls Automotive Ltd. - Infiniti Retail Ltd.	<u>Audit Committee</u> Tata Industries Ltd	<u>Audit Committee</u> - VIOM Infra Networks (Maharashtra) Ltd.	Nil
No. of shares held	Nil	Nil	Nil	Nil

DIRECTORS' REPORT

To The Members

The Directors present their Sixty Ninth Annual Report together with the Audited Statement of Accounts for the year ended 30th September, 2011.

I. Financial Results

The summarized financial results are indicated below:-

(Rupees in '000)

	For the 12 Months Period Ended 30.09.2011 (Rs. 000)	For the 12 Months Period Ended 30.09.2010 (Rs. 000)
Net Sales / Income from Operations	1,112,779	1,394,554
Operating Expenditure	1,225,937	1,492,660
Operating Profit /(Loss)	(113,158)	(98,106)
Add : Other Income	21,874	33,678
Less : Interest	64,815	127,256
Profit / (Loss) Before Tax, Depreciation and Exceptional items	(156,099)	(191,684)
Less : Depreciation	47,653	43,696
Profit / (Loss) Before Tax and Exceptional items	(203,752)	(235,380)
Exceptional Items		
Less: Deferred Revenue Expenditure (Voluntary Retirement Scheme)	-	(10,575)
Add: – Profit on sale of Business	28,333	530,247
Profit / (Loss) Before Tax	(175,419)	284,292
Less : Provision for Tax (including provision for Deferred Tax and Fringe Benefit Tax)	(10,055)	70,270
Net Profit / (Loss) After Tax	(165,364)	214,022
Balance Brought Forward	169,023	33,216
Balance available for appropriation	3,659	247,238
Appropriated as under :		
Proposed Dividend	-	45,635
Tax on Dividend	-	7,580
Transfer to General Reserve	-	25,000
Balance to be Carried Forward	3,659	169,023

2. Dividend

Due to losses incurred, the Directors regret their inability to recommend dividend for the year 2010-11.

3. Financial Highlights

During the period under review, the total income was Rs. 1,112,779 ('000) as against Rs. 1,394,554 ('000) in the previous year. The Company reported Loss before tax of Rs. 175,419 ('000) as against profit of Rs. 2,84,292 ('000) for the previous year. The Loss after tax was Rs. 165,364 ('000) as against profit of Rs. 214,022 ('000) in the previous year.

4. Shifting of Registered Office

With the approval of the Shareholders sought by special resolution passed through Postal Ballot, the Registered Office of the Company was shifted to EL-6, TTC Industrial Area, MIDC Electronics Zone, Mahape, Navi Mumbai – 400 710 with effect from 10th March, 2011.

5. 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 31st March, 2011, TNSL has posted total Income of Rs. 321,524 ('000) and PAT of Rs. 5,199 ('000)

Vide General Circular No.: 2/2011 dated 8th February, 2011, the Ministry of Corporate Affairs, Govt. of India has granted a general exemption to companies from attaching the Balance Sheet, Profit and Loss Account and other documents referred to in Section 212 (1) of the Companies Act, 1956 in respect of its subsidiary companies, subject to fulfillment of the conditions mentioned therein. Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of Tatanet Services Ltd. ("TNSL"), the subsidiary company is contained in the report. The Annual Accounts of TNSL are open for inspection by any Member / Investor and the Company will make available these documents / details upon request by any Member of the Company or to any investor of TNSL who may be interested in obtaining the same. Further, the Annual Accounts of TNSL will be kept open for inspection by any Investor at the Company's Registered Office and that of the TNSL and would be posted on the website of the Company.

6. Human Resource Management

The year 2010-11 was the year of consolidation and preparation of a solid foundation for growth in Nelco. Human Resource Management has oriented accordingly to the business need.


Consolidation of Business, Restructuring and Rightsizing

After divestment of three lines of businesses viz; – Industrial Drives, Traction & SCADA to Crompton Greaves Ltd. (CGL) in July, 2010, 90 officers engaged in the said businesses joined CGL in two batches – in July & November, 2010. 18 workmen engaged in the said lines of businesses did not join CGL as their final posting would have been outside Mumbai. They continued to be on Nelco's roll & worked for CGL operating from Company's premises, with cost reimbursed by CGL. They finally separated from Nelco in April, 2011 by way of voluntary retirement without any grievances.

After the divestment, the challenges were to:

- (i) Review the organization structure.
- (ii) Optimize the head counts in Strategic Electronics as well as support functions.
- (iii) Assess the roles of various existing employees for roles in the revised organization structure.
- (iv) Achieve the desired objective without any adverse publicity and with minimal discomfort to the separating employees
- (v) To keep the morale of the remaining employees high in the face of the upheavals that the Company was going through.

With the help of Tata Strategic Management Group (TSMG), the new organization structure and the optimum manpower requirement was finalized. Competency assessment for all employees in SE & Corporate vis-à-vis roles in the revised organization structure was made independently by TSMG and an independent agency. Separation plan was made for excess officers who did not have the right fitment in the new Organization Structure. Some of them joined The Tata Power Co. Ltd. and its Group Companies against vacant positions depending on their competency and suitability, some others got alternate employment elsewhere & left and a few (6 officers) were separated in December, 2010 on Voluntary Retirement through a Scheme in the lines of the Model V.R. Scheme under Income Tax Rules. Only 2 excess employees were separated on payment of notice pay as they were not entitled for VR scheme.



During the process, the normal HR activities continued in Tatanet to insulate the division from the upheavals in the other division. There were continuous communications with the remaining employees of both the divisions of Nelco to keep their morale high. The whole process was managed without any adverse publicity for the Company and without any adverse impact on the remaining employees.

Business Realignment Initiative

With the new CEO in place, with the objective of alignment of the organization to the focused market segment for business growth, projecting unified NELCO to the market place and aligning human resources based on core competency for effective utilization and better efficiency, the following business realignment initiatives are taken :

- (i) Rearranging the market facing team into Corporate & Government business verticals in the revised Organization Structure;
- (ii) Building Managed Services Portfolio for IT services and Security & Surveillance business utilizing the same platform;
- (iii) Unified Projects Team for SI Projects;
- (iv) Unified Customer Relations Team;
- (v) Unified Support Functions;

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

Since the Company is in the high tech and high visibility areas of telecommunication and Integrated Security and Surveillance solutions space, maintaining the talent pool and competence building for the core areas of strength and the challenge of attracting and retaining talent continues. The Performance Management System (PMS) includes assessment on Tata Leadership Practices, training need assessment, identification of high potential employees and development plan for employees. The PMS recognizes individual and segment wise contribution through performance linked pay, thereby motivating employees' ownership and responsibility. Performance Linked Pay as a percentage of CTC has been standardized across the Company depending on the level and grade. The leave rules for Officers have been standardized. Recruitment cycle and the attrition rates have been kept at a manageable level. RACE (Reward and Recognition for Achievement and Contribution towards Excellence), a comprehensive reward and recognition scheme, has been contributing for motivation of employees for excellence in performance. 'UNWIND', a monthly informal gathering on the last Friday of each month, has been successfully serving as a forum to foster teamwork in an informal manner. Employee engagement activities continue.

The Company maintained cordial industrial relations during the period under review. The total manpower in Nelco including those on contract as on 30th September, 2011 was 295.

7. Internal Controls and Systems

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

8. Quality Systems and TATA Business Excellence Model (TBEM)

The Company has focused on continuous improvement through internationally recognized Quality Management Systems viz. TL 9000 and ISO 9001 for Tatanet and ISD respectively. Tatanet has already got certified in ISO 20000 (Information Technology Management System) and ISO 27001 (Information Security Management System). This certification for Tatanet has been a key step towards success in its Managed Services revenue stream. SE has been gearing up for revised ISO 9000:2008 certification from the current ISO 9000:2000 certification by Standardization, Testing and Quality Certification (STQC) audit.

9. Fixed Deposits

The Company has neither accepted nor renewed any fixed deposits during the period under review. However, there were deposits amounting to Rs. 1,44,000/- as on 30th September, 2011 which remain outstanding as some of the deposit holders have not claimed the repayment.

In accordance with the provisions of Investor Education Protection Fund (Awareness and Protection of Investors) Rules, 2001, unclaimed deposits with interest aggregating to Rs. 28,169/- were transferred during the financial year 2010 – 11 to the Investor Education and Protection Fund.

10. Safety, Health and Environment

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

There has been no incidence of any accidents reported in the past several years. The Company also has a Disaster Management System to take care of exigencies.

11. Disclosure of Particulars

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

12. Directors

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

After the close of financial year 2010-11, Lt.Gen. Davinder Kumar (Retd.) and Mr. B.B.Dubash, resigned with effect from 3rd October, 2011 and 28th October, 2011 respectively pursuant to the Groups' Guidelines for retirement of Directors. The Board has placed on record its appreciation of the valuable guidance and contribution made to the Company by Lt. Gen.Davinder Kumar (Retd.) and Mr. B.B. Dubash.

Mr. B.Gopal was appointed by the Board as an additional Director with effect from 14th November, 2011. He holds office upto the forth coming Annual General Meeting. A Notice under Section 257 of the Act has been received from a Member signifying his intention to propose the appointment of Mr B.Gopal as a Director.

13. Auditors

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

14. Auditors' Report

The Notes forming part of the Accounts referred to in Auditors' Report of the Company are self-explanatory and therefore do not call for any further explanation under Section 217 (3) of the Act.



15. 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.

16. 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.

17. Acknowledgements

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

On Behalf of the Board of Directors

P. R. Menon
Chairman

Mumbai, 28th November, 2011.

Annexure “A” to the Directors’ Report

Disclosure of particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors’ Report.

Conservation of energy

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

Technology absorption

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

Future plan of action

(a) To upgrade technology particularly in the area of Strategic and Surveillance Electronics to meet the requirement of Defence Forces and Homeland Security requirements.

(b) Solutions and value added services for Close User Group (CUG) and networks based on VSATs.

Expenditure on R&D**Rs. in ‘000**

Revenue and recurring

Nil

Technology absorption, adaptation and innovation

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

Foreign exchange earnings and outgo**Rs. in ‘000**

Total foreign exchange earned

35,060

Total foreign exchange used

260,145

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Electronics (SE) Division

The Strategic Electronics business of the Company (SE) has been active in providing integrated security & surveillance solutions in the defense sector, Government bodies (e.g. Indian Railways) and other Industries. It also provides solutions in the field of meteorology and has prestigious contracts from important organizations like Indian Air Force (AIF) & Indian Meteorology Department (IMD).

During the period under review, the Company bagged prestigious contracts from two Zonal Railways to provide integrated security & surveillance solutions for 17 railway stations and has also been shortlisted in few more Zonal Railways where it stands a good chance for bagging similar orders. The Company continues to fulfill the needs of the defense sector in providing innovative solutions.

The Company is successfully working with the EPC contractors for addressing the requirements of industries in Oil & Gas, Petrochemicals, Power and Steel sectors. During the year the Company bagged orders from EPC contractors such as Danieli Automation, Invensys Process Systems and BHEL.

To be successful in this business, the Company has positioned itself as a System Integrator. It has built strong relationships with a large number of OEMs and has built the necessary competencies for integrating the different technologies to create the end to end solutions.

The Company expects the integrated security & surveillance solutions business to grow significantly in the coming years based on the market trend. In order to have a better penetration in the market, the Company has increased its sales force and started focusing in the major market segments of Defense & Borders, Mass Transportation, Oil & Gas, Airports, Seaports, Government departments, Manufacturing and Commercial, Realty & Hospitality.

In the area of Meteorology the Company believes that the market will grow many folds in the coming years due to the growing focus on weather management, disaster management, crop advisory services, etc. The Company also feels that it will be able to leverage its early mover advantage in this business and expects to make Meteorology a major line of business in the coming years.

Financial Highlights

During the period under review, Automation and Control System achieved revenue of Rs. 422,503 ('000) as against Rs.595,291 ('000) in the previous year with an operating loss of Rs. 167,418 ('000) as against operating loss of Rs. 155,914 ('000) in the previous year.

Industry structure and development

The demand for security and surveillance solutions is growing many folds in the country due to need for providing robust security for human lives and physical assets in strategic installations. The growing incidences of terrorist attacks have further increased the threat perception, which in turn has enhanced the need for such technology solutions. The Govt. has also given directives for protecting specific strategic installations in various sectors, which again requires the need for sophisticated security & surveillance solutions. A number of large public sector undertakings in sectors like Oil & Gas, Petrochemicals, etc. have also started building sophisticated security & surveillance systems for protecting their critical installations. The security & surveillance solutions are being embraced by almost all segments at various levels depending on their specific need.

The security & surveillance solutions broadly include Access Control, Surveillance, Screening, Command & Control, Perimeter Security and Intrusion Detection. There are many different technologies available for each of these components offered by many OEMs. With the growing realization that the individual components have limited use unless the end to end system works as a whole and the fact that there are different manufacturers for various components, the users are increasingly preferring System Integrators to provide the integrated security & surveillance solutions.

The global warming and rapid change in weather pattern, the increasing emphasis of the Govt. on better preparedness for natural disaster, weather becoming a major input for the crop insurance segment, Ministry of Earth Sciences efforts to improve the weather forecasting are some of the major factors influencing the rapid growth of the Meteorology business.

Opportunities and Threats

The requirements of the security & surveillance solutions are changing continuously with the increased and complex nature of threats. With the awareness building up, more number of organizations has started adopting such technologies, including the mid sized organizations. This has opened up an opportunity for the Company to play a consultative role for the customers and also to increase its portfolio to offer Managed Services in this space.

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There are also some threats to the business, which are given below:

- Considering the attractiveness of the industry some of the large System Integrators may also diversify into this business and leverage their overall presence in the account;
- Similarly some of the current Technology Partners may themselves become competitors in some of the projects and take advantage of their own technology;
- There are a large number of Small Scale Industries who are focused in some specific markets/accounts and who may sell at very low prices.

Outlook

The overall market for integrated security & surveillance solutions is growing very fast. There are a large number of projects in the Govt. sector at various stages. The Indian Railways which had a budget sanction for implementing security & surveillance solutions for phase-I stations in all the 16 zonal rails, has taken decision for only 3 zonal railways so far. As such there is good scope for 13 more zonal railways to take decisions in the coming 1-2 years and with the initial success in 2 zonal railways, the Company is well poised to get a fair share of this business.

There are other large security & surveillance projects in sectors like Oil & Gas, Airforce, Ministry of Defense, Naval Bases and Power Plants where the Company is already in active discussion.

There are also large opportunities in Build Own and Operate model like the City surveillance projects coming up, which would yield results in the coming years. The Company is gearing up for addressing such requirements.

In the Meteorology business the Company sees most of its immediate opportunities in Airports and Meteorology departments. It is already engaged in a large number of opportunities around setting up Air Weather Stations (AWS), Hydrometeorology projects, Tsunami warning projects, etc., which are at various stages. There are other niche areas like disaster management, water resource management and crop advisory solutions, where the Company is working and hopes to take early mover advantage. Some of the State Governments have already floated tenders for Disaster Management Solutions and the Company has participated in these.

Overall the opportunities are large and provide good scope for growth for the Company in the years to come.

Risks and Concerns

Considering that a large part of the business comes from Govt. & Defense sector, the long decision making cycle time impacts the business. The weakening of Rupee against the US\$ as well as the fluctuations also pose huge challenges as large part of the equipments are imported. Some of the project implementations get delayed due to the non-readiness of the customer site, especially in new establishments, resulting in project overrun and cash flow uncertainty.

Tatanet Network Systems (Tatanet) Division

Tatanet is a leading VSAT service provider in the country catering to a large segment of the market. It has a major presence in the BFSI, Education, Telecom and Oil & Gas sectors due to its innovative solutions. It offers various solutions on the VSAT network which enables internet access, bandwidth on demand, IP multicasting and digital streaming. The Company has the satellite earth station at Mahape, Navi Mumbai and the same is augmented continuously to keep it current with the latest technology.

The Company has built core competency of designing optimal solutions using the satellite communication infrastructure, which helps it in creating innovative solutions for the end customers.

Over the years, it has used its knowledge of satellite communication technologies and its project management skills to diversify in Satellite Communication projects (Satcom projects), which are turnkey projects involving setting up the complete infrastructure including the earth station and subsequent maintenance of the same. Such projects are normally executed for Government departments, Defense establishments and large Public Sector Undertakings in the Oil & Gas segment.

The Division also started offering Managed Services around Managed Data Center Hosting services, Managed Network services, Remote Infrastructure Monitoring services, Application Performance Monitoring to add on to its basic services offering of VSAT communication. It could leverage the knowledge acquired in running a large infrastructure including remote management of thousands of VSATs over the years and its customer relations.

Tatanet division is process & quality oriented and has already obtained ISO 20000 and 27001 certifications.

Tatanet is a very well established brand in the Enterprise market and is considered as an important part of the overall IT & Telecom eco-system in the country, known for its high quality of services.

Financial Highlights

During the period under review, Tatanet achieved revenue of Rs. 690,276 ('000) as against Rs.799,263 ('000) in the previous year with an operating profit of Rs. 116,154 ('000) as against Rs.132,897 ('000) in the previous year.

Industry structure and development

The major driver for VSAT growth in India has been the need for offering reliable connectivity solutions across the country and especially in the remote & rural areas. The major segments which have a need for such connectivity include banking, insurance companies & financial services companies, education, health care industry, oil & gas companies and eGovt. projects like CSC. The VSATs have been able to provide services even to some Telecom companies in the remote locations where it is difficult to have a reliable infrastructure of its own at a reasonable cost.

The VSAT provides near 100% implementation feasibility anywhere in the country, with much higher uptime as compared to terrestrial networks. Looking at the current telecommunication infrastructure in the country and its road map, the VSATs will continue to play a significant role for providing reliable communication services for the Enterprise, Govt. and Defense customers for years to come. The VSAT technology will co-exist with other Wide Area Networking technologies like MPLS VPN over terrestrial networks.

Apart from the ability to cater to the need for reliable connectivity in the remotest corner in the country both on land and sea, the VSAT technology also has some unique advantages, which helps in catering to needs for any multicast application such as synchronous distance learning, digital signage/cinema, etc. Any thin route application is commercially better suited to run over VSAT, and which makes VSATs the preferred connectivity medium for applications such as ATM, broking segment and kiosks. The above will ensure a steady growth for the VSAT industry in India for the years to come.

There are two satellite frequency bands available for the VSAT industry – Extended C (Ex-C) and Ku band. For critical interactive applications like stock broking and commodity trading, etc. the Ex-C band is preferred as it is immune to impact due to rain. The Ku band has the advantage that the initial investment for setting up the network is low and is therefore preferred for applications like ATMs and e-Governance projects. The Company continues to invest in both the technologies and is therefore able to cater to a wide market.

Opportunities and Threats

Following are the key opportunities for the VSAT business:

- Increasing need of the Enterprises to have reliable connectivity in remote locations;
- To become an end to end service provider for setting up the wide area network for the customers by creating hybrid solutions of VSATs and other communication solutions;
- The VSAT technology can be combined with other solutions like Meteorology and Security & Surveillance to create end to end solutions like disaster management. The Company is poised to take advantage of this by combining solutions from its various business units.

Following are the threats in the VSAT business:

- Availability of alternate technologies like 3G and 4G may pose a threat for the VSAT business;
- The Telecom companies can become a threat if they are able to roll out reliable fiber infrastructure in the remote parts of the country;
- Pricing pressures in the market poses an additional challenge in maintaining revenue and profit growth;
- In the Satellite Communication turnkey projects business, large System Integrators may enter the field by leveraging their presence in some selected accounts.

Segment wise performance

Tatanet division's total reported VSAT installed base is in excess of 18,000. The current market share is 12% on an overall installed base basis and 25% on an incremental installation basis, as per the published data of TRAI. It is aggressively acquiring business to increase its market share.

During the period under review, it made inroads with its VSAT services into a number of new accounts, e.g. AGS, Wipro, UCO Bank, Mewar Grameen Bank and Kalki Communications. It also bagged a number of repeat orders and thereby increased its base in a number of existing accounts like Prizm Payment systems, Tata Communications and Euronet. Staying with its focus on Education segment, it bagged orders from customers like IODL Eduventures, Erudite, Vision Kota, etc.

In the Managed Services space it bagged orders from customers like IJIT, NF Railway, Triveni Earth Movers, Tata Steel, Rig Net, etc.

Tatanet is in the final stages of completing the implementation of one of the largest satellite communication based networks for the Ministry of Defense.

Outlook

The VSAT market in India is expected to grow in the range of 18% – 20% during 2011-12 as per the internal estimates. The installed base of VSATs in the country was 145,689 as on June 30th, 2011 according to the TRAI data. This throws up ample opportunities for the Company

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to significantly increase its base in the coming years and thereby gain additional market share. The Company will continue to focus on BFSI, Energy, Telecom service providers and Education which have been its strength area. Apart from these the Company is also looking into the large mid-market segment which is growing at a fast pace now.

Other focus area and growth segment for VSAT will be the internet application and some of the upcoming projects such as internet over VSAT from Universal Service Obligation Funding (USOF), which will offer a growth potential in thousands of villages in the country.

The market is opening up other avenues for growth in the adjacent space for VSAT service providers, as the customers prefer to bring more services under one umbrella contract. The Company extended its state-of-the-art Network Operating Center (NOC), which was used for monitoring & managing the VSAT networks, to monitoring the customer's other devices on its network. There is also a trend evolving in the market for integrating the monitoring of security & surveillance devices on the VSAT network for a number of segments. The Company is well poised in providing these solutions due to its extensive play in the integrated security & surveillance solutions domain.

The Company is also revamping its Managed Services portfolio to include both IT & Security & Surveillance solutions to create a unique position for itself in the market.

Risks and Concerns

Considering that there is only one supplier for satellite bandwidth, non-availability of the same at the right time may pose a challenge for the growth of the business. To mitigate this risk there is continuous optimization of bandwidth utilization and advance planning.

The weakening of Rupee against the US\$ as well as the fluctuations also pose challenges as the VSAT equipments for end users are imported.

The slowdown in the economy may impact the business to an extent as the end customers are mainly Enterprises, who themselves may get impacted. To safeguard against this the Company is addressing wide range of market segments to protect against any specific sector getting badly impacted.

Restructuring of the Organization

During the later part of the year there has been an exercise of organization restructuring. While this has no bearings on the financial results of the Company in the period under review, this would form the basis of growth for the organization in the coming financial year.

The two independent divisions, namely Strategic Electronics and Tatanet have been merged to create one organization. This would bring better efficiency in the organization as well as cost reduction by removing duplication. The organization has been restructured to create five business lines, each of which has high growth potential in the immediate and long term. Each of these businesses is distinct but has a relevance to each other and organization as a whole. These are:

1. VSAT services – sold under the brand name of Tatanet
2. Managed Services
3. Integrated Security & Surveillance Solutions
4. Meteorology
5. Satellite Communication (Satcom) projects

The above businesses are relevant for the Corporate as well as Govt. & Defense sectors. However there are different preferences of these market segments for individual business lines. Moreover the sales process is significantly different for these sectors.

Keeping the above in mind, the Sales Organization has been restructured into two broad groups – one group will sell to the Corporate market and the other will sell to the Govt. & Defense market.

While each of the above mentioned solutions & services may be sold independently, there is also scope for creating bigger solutions by combining some of them as per the requirement of the customers and thereby taking a higher position in the account. The back-end operations and the technology functions have been created keeping this in mind and there is a focus in building on the core competence to be successful in these businesses.

The new organization structure is market focused and the Company believes that this would help in growing the business significantly in the coming years.

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 28th November, 2011 the Board of Directors has 8 members, out of whom 1 is Executive Director and 7 are Non-Executive Directors who bring in a wide range of skills and experience to the Board. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

Table I : 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 30/09/2011	Number of Committee positions held in other public limited companies (**) as on 30/09/2011	
				Director	Chairman	Member
Mr. P. R. Menon	Non Executive Chairman (Non-Independent))	5	Yes	8	-	1
Mr. B. B. Dubash (Resigned w.e.f. 28 th October, 2011)	Non Executive Director (Independent)	2	No	4	-	-
Mr. R. R. Bhinge	Non Executive Director (Independent)	4	Yes	4	1	1
Mr. V. K. Deshpande(#)	Non Executive Director (Non-Independent)	1	No	2	-	-
Mr. P. K. Ghose	Non Executive Director (Independent)	5	Yes	3	1	2
Mr. S. Ramakrishnan	Non Executive Director (Non-Independent)	1	Yes	8	2	4
Lt. Gen. Davinder Kumar (Retd). (Resigned w.e.f. 3 rd October, 2011)	Non Executive Director (Independent)	3	No	3	-	-
Mr. S. K. Gupta	Non Executive Director (Non-Independent)	5	Yes	2	-	1
Mr. K. A. Mahashur	Executive Director	5	Yes	3	-	-
Mr. B. Gopal (Appointed with effect from 14 th November, 2011)	Non Executive Director (Independent)	-	-	-	-	-

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

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

(#) The status of Mr. V.K.Deshpande ceased as an Independent Director w.e.f. 1st July, 2011.

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

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

22nd October 2010, 22nd November 2010, 10th February 2011, 4th May 2011 and 10th August 2011.

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

Code of Conduct

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

Committees of the Board

3. Audit Committee

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

Name of the Director	Category of Directorship	No. of Meeting(s) attended
Mr. P. K. Ghose, Chairman	Non-Executive, Independent	7
Mr. V. K. Deshpande*	Non-Executive, Non-Independent	6
Lt.Gen Davinder Kumar (Retd) (Ceased w.e.f. 3 rd October, 2011)	Non-Executive, Independent	5
Mr. R.R.Bhinge (Appointed w.e.f. 19 th September, 2011)	Non-Executive, Independent	-

* Mr. V. K. Deshpande ceased to be Independent Director w.e.f. 1st July, 2011.

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

6th October 2010, 22nd November 2010, 10th February 2011, 3rd May 2011, 6th July 2011, 10th August 2011 and 26th September 2011

Terms of Reference

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

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

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

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

4. Remuneration Committee

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

Name of the Director	Category of Directorship	No. of Meeting(s) attended
Mr. V. K. Deshpande, * (Chairman upto 18 th September, 2011)	Non-Executive Non-Independent	1
Mr. R. R. Bhinge (Appointed as Chairman w.e.f. 19 th September, 2011)	Non-Executive Independent	1
Mr. S. Ramakrishnan	Non-Executive Non-Independent	-
Mr. P. K. Ghose	Non-Executive Independent	-

*Mr. V. K. Deshpande ceased to be Independent Director w.e.f. 1st July, 2011.

The Remuneration Committee met once during the year under review on 29th October 2010.

The terms of reference of the Committee include recommending to the Board of Directors, the remuneration package for Executive Director. Mr. Girish V. Kirkinde, Company Secretary is the Secretary to the Committee.

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 April each year, as recommended by the Remuneration Committee, are placed before the Board for approval. The ceiling on perquisites and allowances as a percentage of salary is fixed by the Board. Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee and approved by the Board. The amount of Performance Linked Incentive is based on defined set of matrix and clear goals.

The details of remuneration and perquisites paid and/or value calculated as per the Income Tax Act, 1961 to the Executive Director and Chief Executive Officer for the financial year ended 30th September 2011 are as under:

Table 4:

Rs. in millions

Terms of Agreement	Mr. K. A. Mahashur, Executive Director	Mr. P.J.Nath Chief Executive Officer
Period of appointment	1 st September 2008 to 12 th June 2012	23 rd February, 2011 to 22 nd February, 2014
Salary and allowance	3.90	4.63
Perquisites	0.39	0.33
Performance Linked Incentive	1.25	2.10
Contribution to Provident Fund & Superannuation Funds	0.48	0.20
Retirement benefits	--	-
Notice Period	By either party giving six months notice or the Company paying six months salary in lieu thereof.	By either party giving three months notice or the Company paying three months salary in lieu thereof
Severance Fees	There is no separate provision for payment of severance fees.	There is no separate provision for payment of severance fees.
Stock Option	Nil	Nil

Non Executive Directors

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

Table 5:

Name of the Director	Amount (Rs.)
Mr. P. R. Menon	Nil
Mr. B. B. Dubash	20,000
Mr. R. R. Bhinge	90,000
Mr. V. K. Deshpande	80,000
Mr. P. K. Ghose	1,20,000
Mr. S. Ramakrishnan	Nil
Lt. Gen. Davinder Kumar (Retd.)	80,000
Mr. S. K. Gupta	70,000
Total	4,60,000

5. Shareholders'/Investors' Grievance Committee

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

Name of the Director	Category of Directorship	No. of Meeting(s) attended
Mr. R.R.Bhinge, Chairman	Non-Executive Independent	2
Mr. K. A. Mahashur	Executive-Non-Independent	2

The Shareholders'/Investors' Grievance Committee met twice during the year under review on 23rd June 2011 and 22nd September 2011.

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

During the year all Investors' complaints (identified and reported under Clause 41 of the Listing Agreement) were resolved. There were no unresolved complaints as on 30th September, 2011.

No transfer of shares in physical mode was pending as on 30th September, 2011. One request for demat of shares lodged on 28th September, 2011 was pending on 30th September, 2011. The same has been subsequently processed and completed.

Terms of Reference

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

6. Subsidiary Company

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

Under this definition, the Company has one "material non-listed Indian subsidiary" during the year under review viz. Tatanet Services Ltd. An independent Director on the Board of the Company has been appointed on the Board of the material non-listed subsidiary w.e.f. 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.

7. Prevention of Insider Trading

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

8. General Body Meetings

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

Financial Year Ended	Day and date	Time	Venue	No. of Special Resolution(s)/ purpose
30 th September 2010 (12 months)	Wednesday, 19 th January 2011	4.00 p.m.	Cultural Hall, Chavan Centre, 4 th floor, Gen. Jagannath Bhosale Marg, Mumbai – 400 021	1 (One) Amendment of the Articles of Association of the Company.
30 th September, 2009 (18 months)	Wednesday, 27 th January, 2010	4.00 p.m.	Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Opp. Inox Cinema, 226, Nariman Point, Mumbai – 400 021	1 (One) For reappointment of Mr. Z. J. Engineer as Executive Director and payment of remuneration for the period from 1 st June, 2010 to 29 th July, 2010
31 st March, 2008 (12 months)	Friday, 8 th August, 2008	4.00 p.m.	Bombay House Auditorium 24, Homi Mody Street Mumbai – 400 001	1 (One) For reappointment of Mr. K. A. Mahashur as Executive Director and payment of remuneration for the period from 1 st September, 2008 to 12 th June, 2012.

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

Postal Ballot –

- a) The Company successfully completed the process of obtaining the approval of its Members on the Special Resolution pursuant to Section 146 of the Companies Act, 1956 for shifting the Registered Office of the Company from Mumbai to Navi Mumbai, i.e. from Francysters Cybernetics Center, Eucharistic Congress Building no. III, 5, Convent Street, Colaba, Mumbai – 400 001 to MIDC, Plot no. EL 6, TTC Industrial Area, Electronics Zone, Navi Mumbai – 400 710.

The Company appointed Mr. P. N. Parikh, Practicing Company Secretary as Scrutinizer who carried out the Postal Ballot process in a fair and transparent manner. The results were announced on 14th January, 2011.

Voting Pattern and Procedure for Postal Ballot

- The Board of Directors of the Company at its meeting held on 22nd November 2010, appointed Mr. P.N.Parikh, Practicing Company Secretary as the Scrutinizer for conducting the postal ballot voting process.
- The Company completed on 11th December, 2010, the dispatch of postal ballot forms along with postage prepaid business reply envelopes to its Members whose name(s) appeared on the Register of Members/list of beneficiaries as on 3rd December 2010. Particulars of the postal ballot forms received from the Members were entered in a register separately maintained for the purpose.
- The postal ballot forms were kept by the Scrutinizer under his safe custody in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.
- All postal ballot forms received/receivable up to the close of working hours on 10th January, 2011, the last date and time fixed by the Company for receipt of the forms, were considered for his scrutiny.
- Envelopes containing postal ballot forms received after close of business hours on 10th January 2011, were not considered for his scrutiny.
- Mr. K.A.Mahashur, Executive Director, announced the following result of the Postal Ballot as per the scrutinizer's Report.

Particulars	No. of Ballot Forms	No. of shares	% of total votes cast
Total Received	690	1,16,11,448	-
Less: Invalid	90	32,668	-
Valid	600	1,15,78,780	100%
- Assent	580	1,15,77,183	99.99%
- Dissent	20	1,597	0.01%

Accordingly, the Special Resolution set out in the Notice dated 22nd November, 2010 was duly passed by the requisite majority of the shareholders.

- b) No court convened meetings were held during the last three years.

9. Disclosures

- (i) There were no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their subsidiaries or relatives, etc. during the year that may have potential conflict with the interests of the Company at large.
- (ii) 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.

10. Means of Communication

- i) Quarterly and half yearly Results are published in the Free Press Journal (English) and Navashakti (Marathi) newspapers and displayed on the Company's website www.nelcoin.com.
- (ii) Hard copies of the said disclosures and communications are also filed with the Stock Exchanges.

11. General Shareholder Information

- i) **Annual General Meeting (AGM) is scheduled to be held on** Tuesday, 24th January, 2012 at 4.00 p.m. at Millenium I, Hotel Ramada, Millenium Business Park, MIDC Sector 2, Mahape, Navi Mumbai – 400 710.

As required under Clause 49(IV)(G)(i) of the Listing Agreement with the Stock Exchanges, particulars of Directors seeking re-appointment at the forthcoming AGM are given in the Annexure to the Notice of the AGM to be held on 24th January 2012.

- ii) **Financial Year** : 1st October, 2010 to 30th September, 2011
- iii) **Book closure date** : From : Friday, 13th January, 2012
to : Wednesday, 18th January, 2012 (both days inclusive)

- iv) **Listing on Stock Exchanges** : The Company's Shares are listed on the following two Stock Exchanges in India.
 - (a) Bombay Stock Exchange Ltd. (BSE), (Regional Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.
 - (b) The National Stock Exchange of India Ltd., (NSE), Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Company has paid annual listing fee to both the above mentioned Stock Exchanges for the financial year 2010-11.

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

Bombay Stock Exchange Ltd. (Physical Segment) - 4112

Bombay Stock Exchange Ltd. (Demat Segment) - 504112

The National Stock Exchange of India Ltd. - NELCO EQ

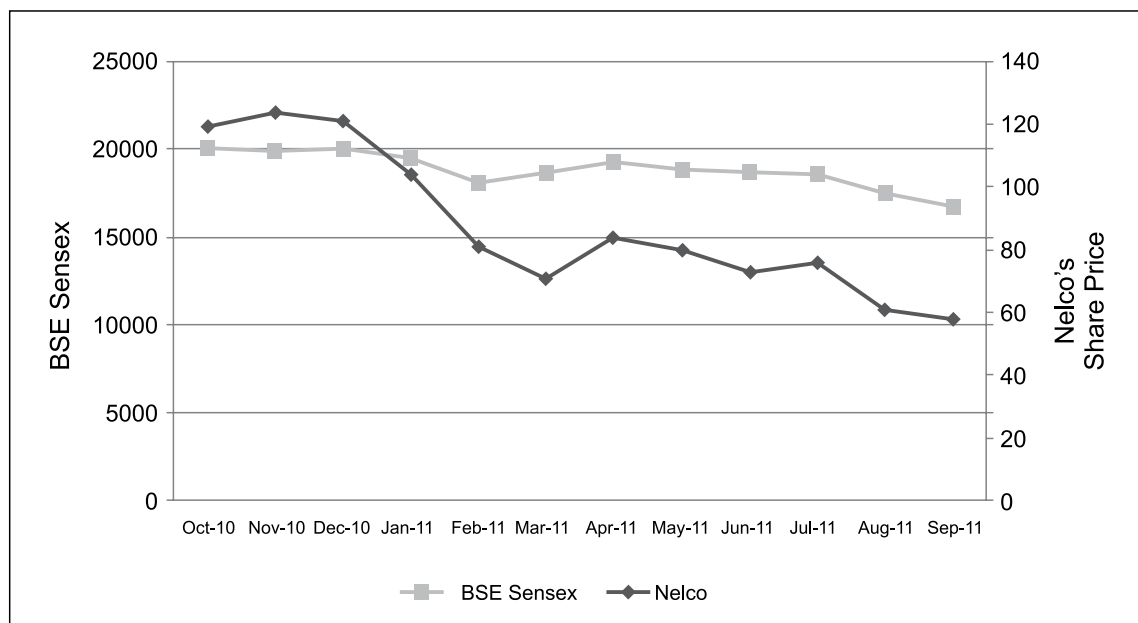
The CIN allotted to the Company by the Ministry of Corporate Affairs, Government of India is L32200MH1940PLC003164

vi) Market Information

- a) Market Price Data : High, Low during each month and trading volumes of the Company's Equity Shares during the period 1st October 2010 to 30th September 2011 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
October 2010	128.40	110.00	2424820	128.40	110.20	3894234
November 2010	137.85	110.00	6866002	137.80	112.00	9966108
December 2010	145.10	96.00	7732871	144.75	95.10	11141677
January 2011	120.70	88.05	1260587	120.40	88.25	1942829
February 2011	93.40	68.10	1245265	93.90	66.40	1863903
March 2011	74.70	67.25	841795	74.80	67.10	1277171
April 2011	96.35	70.85	3322040	96.35	70.50	6274961
May 2011	88.65	70.55	1174460	88.90	68.20	2036973
June 2011	79.25	67.00	461909	79.00	66.40	827350
July 2011	81.85	70.10	947359	82.00	69.50	1914622
August 2011	72.00	50.35	397018	72.00	50.00	716822
September 2011	62.60	53.40	626759	64.00	51.00	1017366

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



vii) Registrars and Share Transfer Agents

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

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

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

Branches of TSRDL	
1	503, Barton Centre, 5 th Floor 84, Mahatma Gandhi Road Bengaluru – 560 001 Tel : 080 25320321, Fax : 080-25580019 e-mail : tsrdlbg@tsrdarashaw.com
2	Bungalow No.1, “E” Road Northern Town, Bistupur Jamshedpur – 831 001 Tel: 0657 – 2426616, Fax: 0657 – 2426937 e-mail : tsrdljsr@tsrdarashaw.com
3	Tata Centre, 1 st Floor, 43, Jawaharlal Nehru Road Kolkata – 700 071 Tel : 033 – 22883087, Fax : 033 – 22883062 e-mail : tsdlcal@tsrdarashaw.com
4	Plot No.2/42, Sant Vihar Ansari Road, Daryaganj, New Delhi – 110 002 Tel : 011 – 23271805, Fax : 011 – 23271802 e-mail : tsrdldel@tsrdarashaw.com
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 : shahconsultancy8154@gmail.com

viii) Share Transfer System

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

ix) Distribution of shares as on 30th September, 2011.

No. of shares held (Range)	Shareholding	% of total Shareholding	No. of Shareholders	% of total Shareholders
1 to 5000	35,25,043	15.45	26,487	89.38
5001 to 10000	13,86,649	6.08	1,670	5.63
10001 to 20000	11,54,069	5.06	752	2.54
20001 to 30000	7,14,534	3.13	274	0.92
30001 to 40000	4,18,754	1.83	118	0.40
40001 to 50000	5,27,105	2.31	111	0.37
50001 to 100000	9,93,673	4.35	135	0.46
100001 and above	1,40,98,573	61.79	88	0.30
Total	22,818,400	100.00	29635	100.00

x) **Shareholding pattern as on 30th September, 2011**

Sr.No.	Category	No. of shares	Percentage (%)
1	TATA Companies	1,14,32,590	50.10
2	Financial Institutions/ Banks	1,27,920	0.56
3	Mutual Funds	10,850	0.05
4	State Government / Government Companies	82,160	0.36
5	Bodies Corporate / Trusts	15,41,337	6.75
6	Individuals	86,08,462	37.73
7	Foreign Institutional Investors	10,15,081	4.45
	Total	2,28,18,400	100.00

xi) **Dematerialisation of shares as on 30th September, 2011 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 2010-11 were paid to NSDL and CDSL.

2,13,31,386 Equity Shares of the Company representing 93.48% of the share capital were dematerialised as on 30th September 2011.

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

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

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

EL-6, TTC Industrial Area,
MIDC Electronics Zone, Mahape,
Navi Mumbai – 400 710.
Telephone No.022-67399100
Fax No.022-27686797
Website : www.nelcoin.com

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

- The Company has adopted the guidelines for the composition of the Board of Directors, which provide for the tenure and retirement age for the Non-Executive Directors.
- The Company has set up a Remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Executive Directors, determine and recommend to the Board, compensation payable to Executive Directors.

The Company posts the quarterly and half yearly results on its website at www.nelcoin.com

During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure the regime of unqualified financial statements.

The Company has adopted a Whistle Blower Policy. Please refer to the para under the head "Disclosures".

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

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the dividend for the financial years upto 2002-03 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, we affirm that the Board Members and the Senior Management Personnel have confirmed compliance with the Codes of Conduct, as applicable to them for the year ended 30th September 2011.

For NELCO Limited

K. A. Mahashur
Executive Director

P.J. Nath
Chief Executive Officer

Mumbai,
28th November 2011

CERTIFICATE

To,

The Members of NELCO Limited

We have examined the compliance of conditions of Corporate Governance by Nelco Limited, for the year ended 30th September 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

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

R.A. Banga
Partner
Membership No. 37915

Mumbai, 28th November, 2011

AUDITORS' REPORT

To the members of Nelco Limited

1. We have audited the attached balance sheet of Nelco Limited as at 30th September, 2011, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our report, we invite attention to note 10 to Schedule 7 regarding managerial remuneration paid/payable in excess of the limits prescribed under Schedule XIII of Rs.7,387('000), which is subject to the approval of the Central Government and the shareholders of the Company.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 30th September, 2011;
 - (b) in the case of the profit and loss account of the loss for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.
6. On the basis of written representations received from the directors, as on 30th September, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

R.A.Banga
(Partner)

Membership No. 37915

Place: Mumbai
Date: 28th November, 2011

**Annexure to the Auditors' Report to the Members of Nelco Limited
(Referred to in paragraph (3) thereof)**

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

and explanations given to us, there are no arrears of outstanding statutory dues as mentioned above as at 30th September, 2011 for a period of more than six months from the date they became payable.

- (b) As at 30th September, 2011 according to the records of the company and the information and explanations given to us, the following are the particulars of dues on account of income-tax, sales-tax, custom duty, excise duty and service tax matters that have not been deposited on account of any dispute.

Name of the statute	Nature of the dues	Financial Year to which the matter pertains	Forum where the dispute is pending	Amount (Rs. in 000s)
Sales – Tax Laws	Sales-Tax	1989-90 and 1990-91	Appellate Authority - High Court Level	1,743
		1985-86 to 1990-91, 1992 -93, 1996-97, 2003-04.	Appellate Authority - Commissioner Level	3,151
Customs Duty Laws	Customs Duty	1991 to 1993	Appellate Authority - Assessing Officer Level	3,004
Excise Duty Laws	Excise Duty	1983-84 to 1985-86	Appellate Authority - Commissioner Level	5,643
		2006-07	Appellate Authority - Assistant Director Level	107
Service Tax Laws	Service Tax	2003-04, 2005-06, 2006-07	Appellate Authority – up to Commissioner Level	27,152

- (xi) The company does not have accumulated losses as at 30th September, 2011 and has incurred cash losses during the financial year ended on that date. The Company had not incurred cash losses in the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
- (xiii) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) According to the information and explanations given to us, the company has not given any guarantees for loan taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prejudicial to the interest of the company.
- (xv) In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
- (xvi) Based on the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, funds raised on a short term basis have not been used for long term investments.
- (xvii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year.
- (xviii) The company has not issued any debentures during the year.
- (xix) The company has not raised any money by public issue during the year.
- (xx) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of significant fraud on or by the company, noticed or reported during the year nor have we been informed of such case by the management

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

R.A.Banga
(Partner)

Membership No. 37915

Place: Mumbai
Date: 28th November, 2011

Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	Schedule	As at 30.09.2011	As at 30.09.2010
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	228,175	228,175
(b) Reserves and Surplus	B	28,659	194,023
		256,834	422,198
2. LOAN FUNDS			
(a) Secured Loans	C	19,592	30,479
(b) Unsecured Loans	D	512,688	698,255
		532,280	728,734
TOTAL		789,114	1,150,932
APPLICATION OF FUNDS			
1. FIXED ASSETS	E		
(a) Gross Block		691,237	598,892
(b) Less: Depreciation		429,722	390,140
(c) Net Block		261,515	208,752
(d) Capital work-in-progress		1,471	2,550
		262,986	211,302
2. INVESTMENTS	F	19,825	19,825
3. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	G	189,627	139,841
(b) Sundry Debtors	H	754,634	1,108,620
(c) Cash and Bank Balances	I	49,988	51,917
(d) Loans and Advances	J	354,630	335,081
		1,348,879	1,635,459
Less :			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	K	692,292	565,184
(b) Provisions	L	150,284	150,470
		842,576	715,654
4. NET CURRENT ASSETS		506,303	919,805
5. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	M	-	-
TOTAL		789,114	1,150,932
NOTES FORMING PART OF THE ACCOUNTS	7		

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

R. A. Banga
Partner

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

Mumbai, 28th November, 2011

Profit and Loss Account for the year ended 30th September, 2011

(Rupees ' 000)

	Schedule	for the year ended 30.09.2011	for the year ended 30.09.2010
INCOME			
1. Income from Operations	1	1,112,779	1,394,554
2. Other Income	2	21,874	33,678
3. Total Income		<u>1,134,653</u>	<u>1,428,232</u>
EXPENDITURE			
4. Raw Materials, Finished and Semi-Finished Products	3	586,205	705,084
5. Personnel	4	227,218	270,462
6. Operating and Other Expenses	5	412,514	517,114
7. Interest	6	64,815	127,256
8. Depreciation		47,653	43,696
9. Total Expenditure		<u>1,338,405</u>	<u>1,663,612</u>
10. (Loss) before exceptional items and taxation		<u>(203,752)</u>	<u>(235,380)</u>
11. Exceptional Items			
a. Deferred Revenue Expenditure (Voluntary Retirement Scheme)		-	(10,575)
b. Profit on sale of Business (Note 2)		28,333	530,247
12. (Loss)/Profit before taxation		<u>(175,419)</u>	<u>284,292</u>
13. (Loss)/Profit from continuing operations before tax (Note 2)		(175,419)	270,185
Provision for tax			
1. Current Tax			
a. For the period		(12,500)	68,926
b. In respect of earlier years		2,445	1,010
2. Deferred Tax		(10,055)	69,936
		<u>-</u>	<u>(3,260)</u>
		<u>(10,055)</u>	<u>66,676</u>
14. (Loss) / Profit from continuing operations after tax		<u>(165,364)</u>	<u>203,509</u>
15. Profit from discontinuing operations before tax (Note 2)		-	14,107
Provision for tax - Current Tax		-	3,594
16. Profit from discontinuing operations after tax		-	10,513
17. PROFIT AFTER TAXATION (14+16)		<u>(165,364)</u>	<u>214,022</u>
18. Balance Brought Forward		169,023	33,216
19. AMOUNT AVAILABLE FOR APPROPRIATION		<u>3,659</u>	<u>247,238</u>
20. Proposed Dividend		-	45,635
21. Tax on Proposed Dividend		-	7,580
22. Transfer to General Reserve		-	25,000
		-	78,215
23. BALANCE CARRIED TO BALANCE SHEET		<u>3,659</u>	<u>169,023</u>
Earnings per share Rs. (Basic & Diluted) - Face Value Rs.10 per share (Note 14)		<u>(7.25)</u>	<u>9.38</u>
NOTES FORMING PART OF THE ACCOUNTS	7		

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

R. A. Banga
Partner

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

Mumbai, 28th November, 2011

Cash Flow Statement for the twelve month period ended 30th September, 2011

	For the year ended 30.09.2011	For the year ended 30.09.2010
A. NET PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS AND TAXATION	(203,752)	(235,380)
ADJUSTMENTS FOR		
Depreciation	47,653	43,696
Investment and Interest Income	(6,094)	(10,057)
Dividend Income	(465)	(1,140)
Interest Expense	64,815	127,256
(Profit)/Loss on Sale of Fixed Assets	(97)	1,127
	<u>105,812</u>	<u>160,882</u>
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	(97,940)	(74,498)
Changes in		
Decrease in Trade and Other Receivables	320,634	262,942
Increase in Inventories	(55,191)	(95,124)
Increase / (Decrease) in Trade and other Payables	230,721	491,048
	<u>496,164</u>	<u>(323,230)</u>
CASH GENERATED (USED IN) / FROM OPERATIONS	398,224	(397,728)
Direct taxes Refund /(paid)	8,247	(11,611)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	406,471	(409,339)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(100,760)	(59,908)
Sale of fixed assets	325	1,913
Interest received	6,094	10,057
Dividend received	465	1,140
	<u>465</u>	<u>1,140</u>
NET CASH FLOW (USED IN) /FROM INVESTING ACTIVITIES	(93,876)	(46,798)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,291,898	2,881,500
Repayment of borrowings	(1,488,352)	(3,115,643)
	<u>(196,454)</u>	<u>(234,143)</u>
Dividend paid	(44,905)	(13,690)
Tax on Dividend paid	(7,580)	(2,327)
Interest paid	(65,585)	(126,584)
Exceptional Item		
Proceeds from Sale of business to Crompton Greaves Limited (Refer Note 2 of schedule 7)	-	729,000
	<u>(314,524)</u>	<u>352,256</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(1,929)	(103,881)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,929)	(103,881)
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD (Refer Schedule I)	51,917	155,798
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer Schedule I)	49,988	51,917
	<u>(1,929)</u>	<u>(103,881)</u>

Cash Flow Statement for the twelve month period ended 30th September, 2011 (contd.)

Notes :

- 1) Cash and cash equivalents include

	As at 30.09.2011	As at 30.09.2010
i) Cash in hand	264	447
ii) Cheques on Hand	31,181	-
iii) Balance with Scheduled Banks		
In current accounts	13,543	43,646
On Margin Money account against Letters of credit and bank guarantees	5,000	7,824
	<u>49,988</u>	<u>51,917</u>

- 2) The Cash flow from Continuing and Discontinuing operations are:

	Continuing Operation		Discontinuing Operation		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	406,471	(476,261)	-	66,922	406,471	(409,339)
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES	(93,876)	(42,522)	-	(4,276)	(93,876)	(46,798)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(314,524)	352,256	-		(314,524)	352,256

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

In terms of our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

R. A. Banga
Partner

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

Mumbai, 28th November, 2011

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010	
SCHEDULE A			
SHARE CAPITAL			
AUTHORISED :			
25,000,000	Equity Shares of Rs. 10/- each	250,000	250,000
2,500,000	Redeemable Preference Shares of Rs.100/- each	250,000	250,000
		<u>500,000</u>	<u>500,000</u>
ISSUED :			
22,496,370	Equity Shares of Rs.10/- each fully paid-up for payment in cash (including 939 Equity Shares pending allotment)	224,964	224,964
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to shareholders of the erstwhile General Radio & Appliances Ltd. in terms of the Scheme of Amalgamation	3,167	3,167
22,818,400	TOTAL	228,185	228,185
SUBSCRIBED AND PAID-UP :			
22,495,431	Equity Shares of Rs.10/- each fully paid-up for payment in cash	224,954	224,954
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to Shareholders of the erstwhile General Radio & Appliances Ltd in terms of the Scheme of Amalgamation	3,167	3,167
22,817,461	TOTAL	228,175	228,175

Note :

Of the above

- a) 11,099,630 (Previous Year 11,099,630) Equity Shares are held by The Tata Power Company Limited, the Holding Company.
- b) 328,410 (Previous Year 328,460) Equity Shares are held by the Aftaab Investments Company Limited - Subsidiary of The Tata Power Company Limited, the Holding Company.

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE B		
RESERVES AND SURPLUS		
General Reserve		
Opening Balance	25,000	-
Add: Transfer from Profit and loss account	-	25,000
	25,000	25,000
Profit and Loss Account	3,659	169,023
TOTAL	28,659	194,023
 SCHEDULE C		
SECURED LOANS		
1. Cash Credit with Banks	1,898	-
2. Term Loans from The Zoroastrian Co-op. Bank Ltd	17,694	30,479
TOTAL	19,592	30,479
<p>In respect of the above term loans, Rs. 9,938,821/- (Previous Year Rs. 14,193,959) is due and repayable within a year.</p>		
NOTES :		
<p>a) Cash Credit with Banks are secured by hypothecation of all tangible moveable assets, including stocks of raw materials, finished goods, goods-in-process, book-debts, monies receivable and a second charge on the fixed assets of the company.</p>		
<p>b) 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.</p>		
 SCHEDULE D		
UNSECURED LOANS		
1. Deferred Sales Tax Liability (Under the SICOM Incentive Scheme) (repayable within one year Rs 4,673,260 (Previous Year Rs. 5,567,033))	20,188	25,755
2. Short Term Loans		
- From Banks	250,000	350,000
- Inter Corporate Deposit (Others)	242,500	322,500
TOTAL	512,688	698,255

Schedules forming part of the Balance Sheet as at 30th September, 2011

SCHEDULE E

(Rupees ' 000)

FIXED ASSETS	GROSS BLOCK AT COST					DEPRECIATION				NET BLOCK		
	AS AT 01.10.2010	ADDITIONS/ ADJUSTMENTS	DEDUCTIONS/ ADJUSTMENTS	TRANSFER ON SALE OF BUSINESS (NOTE 3)	AS AT 30.09.2011	UPTO 01.10.2010	FOR THE YEAR	DEDUCTIONS/ ADJUSTMENTS	TRANSFER ON SALE OF BUSINESS (NOTE 3)	UPTO 30.09.2011	AS AT 30.09.2011	AS AT 30.09.2010
Tangible Assets												
1. Land : Leasehold	3,590	-	-	-	3,590	831	38	-	-	869	2,721	2,759
2. Buildings	33,590	-	-	-	33,590	15,217	1,113	-	-	16,330	17,260	18,373
3. Plant and Machinery	63,524	17,243	6,839	299	73,629	37,429	2,962	6,612	54	33,725	39,904	26,095
4. Electric Installation	20,757	282	-	-	21,039	5,515	983	-	-	6,498	14,541	15,242
5. Office Equipments, Furniture and Fixtures (Note 1)	334,539	80,469	-	2,356	412,652	209,180	35,889	-	1,405	243,664	168,988	125,359
6. Vehicles	6,030	1,100	-	-	7,130	3,696	547	-	-	4,243	2,887	2,334
Intangible Assets												
7. Software Expenditure	28,551	2,745	-	-	31,296	9,961	6,121	-	-	16,082	15,214	18,590
8. Technical Knowhow Fees	108,311	-	-	-	108,311	108,311	-	-	-	108,311	-	-
Total	598,892	101,839	6,839	2,655	691,237	390,140	47,653	6,612	1,459	429,722	261,515	208,752
Capital work-in- progress											1,471	2,550
Total	598,892	101,839	6,839	2,655	691,237	390,140	47,653	6,612	1,459	429,722	262,986	-
Previous Year	603,006	60,993	13,607	51,500	598,892	384,624	43,696	10,567	27,613	390,140		211,302

Notes :

- Office Equipments include assets given on operating lease having original cost of Rs. 160,450 ('000) (Previous Year Rs 90,564 ('000)) accumulated depreciation of Rs. 66,576('000) (Previous Year Rs. 47,736 ('000)) and depreciation charge for the period amounting to Rs. 18,840 ('000) (Previous Year Rs. 15,815 ('000)).
- Consequent to transfer of Power SCADA businesses, assets in respect of these businesses are transferred to Compton Greaves Limited (Refer note 2 of Schedule 7).

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE F		
INVESTMENTS		
LONG TERM Unquoted (fully paid up unless otherwise stated)		
A. NON TRADE		
Others		
4,000 Ordinary Shares of Zoroastrian Cooperative Bank Ltd. of Rs. 25/- each.	100	100
	100	100
B. TRADE		
Subsidiary		
6,000 Equity Shares of Tatanet Services Limited of Rs. 100/- each.	600	600
Others		
450,000 Equity Shares of Nelito Systems Ltd. of Rs. 10/- each.	19,125	19,125
1,810,000 Equity Shares of Technopolis Knowledge Park Ltd. of Rs. 10/- each.	18,100	18,100
Less : Provision for Diminution	18,100	18,100
	-	-
	19,725	19,725
TOTAL	19,825	19,825
Notes:		
(1) Aggregate of unquoted investments Cost	37,925	37,925
SCHEDULE G		
INVENTORIES AND CONTRACTS IN PROGRESS		
1. Contract in Progress	84,740	-
2. Raw Materials	26,205	29,538
3. Semi-finished products	21,590	35,507
4. Finished Goods and Spares	57,092	53,099
5. Stock-in-trade (Car Park)	-	21,697
TOTAL	189,627	139,841

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE H		
SUNDRY DEBTORS (Unsecured) (Note 6)		
1. Debts outstanding for a period exceeding six months		
Considered Good	440,002	731,815
Considered Doubtful	39,694	28,814
Less : Provision for Doubtful Debts (Net of Rs. 830('000) (Previous Year Rs. 11239 ('000)) transferred to Crompton Greaves Limited on sale of business)	39,694	28,814
	<u>440,002</u>	<u>731,815</u>
2. Other debts		
Considered Good	314,632	376,805
Considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	<u>314,632</u>	<u>376,805</u>
TOTAL	<u>754,634</u>	<u>1,108,620</u>
SCHEDULE I		
CASH AND BANK BALANCES		
1. Cash in hand	264	447
2. Cheques on Hand	31,181	-
3. Balance with Scheduled Banks		
In current accounts	13,543	43,646
On Margin Money account against Letters of credit and bank guarantees	5,000	7,824
TOTAL	<u>49,988</u>	<u>51,917</u>
SCHEDULE J		
LOANS AND ADVANCES		
(Unsecured - Considered good)		
1. Deposit with subsidiary (Tatanet Services Limited)	189,588	194,980
2. Crompton Greaves Limited (Refer Note 2)	48,252	29,490
3. Advances recoverable in cash or in kind or for value to be received	70,961	50,536
Considered Doubtful	6,968	6,968
Less : Provision for Doubtful Advances	6,968	6,968
	<u>70,961</u>	<u>50,536</u>
4. Loans and Advances to employees	1,882	1,351
5. Advance payment of Tax (Net of Provision)	14,258	12,450
6. Balances with Excise, Customs etc.	5,247	5,541
7. Service tax receivable	24,442	40,733
TOTAL	<u>354,630</u>	<u>335,081</u>

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE K		
CURRENT LIABILITIES		
1. Sundry Creditors (other than micro and small enterprises) (Note 11)	471,587	295,872
2. Liabilities for expenses	109,135	168,015
3. Advances from customers	38,429	42,297
4. Other Liabilities	21,090	17,188
5. Liability for Voluntary Retirement Scheme	30,549	37,383
6. Interest accrued but not due on unsecured loans	3,252	4,021
7. Unpaid Dividend *	984	254
8. Unpaid Matured Deposits*	144	154
9. Book Overdraft	17,122	-
TOTAL	692,292	565,184
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
SCHEDULE L		
PROVISIONS		
1. Provision for Gratuity	21,699	27,046
2. Provision for Compensated absences	15,244	18,014
3. Proposed Dividend	-	45,635
4. Tax on Proposed Dividend	-	7,580
5. Provision for Warranty (Note 17)	62,899	52,195
6. Provision for foreseeable losses (Note 17)	50,442	-
TOTAL	150,284	150,470
SCHEDULE M		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
DEFERRED REVENUE EXPENDITURE		
1. Voluntary Retirement Scheme		
As per last Balance Sheet	-	10,575
Less : Written off during the year	-	10,575
TOTAL	-	-

Schedules forming part of the Profit & Loss Account for the year ended 30th September, 2011

(Rupees '000)

	For the year ended 30.09.2011	For the year ended 30.09.2010
SCHEDULE 1		
INCOME FROM OPERATIONS		
1. Sales : Traded and Manufactured Goods	698,631	985,294
Less : Excise Duty	<u>22,632</u>	<u>35,119</u>
	675,999	950,175
2. Income from Services Rendered	436,780	444,379
TOTAL	<u><u>1,112,779</u></u>	<u><u>1,394,554</u></u>
SCHEDULE 2		
OTHER INCOME		
1. Interest Received (Gross)		
(a) On Long term Investments - Non Trade	-	-
(b) On Deposits with Banks	753	518
(Tax deducted at Source Rs. 99,766 (Previous Year Rs. 12,120))		
(c) On Others *	<u>5,341</u>	<u>9,539</u>
* Includes Interest on Income Tax Refund Rs. 3,869,930 (Previous Year Rs. 91,98,427)	6,094	10,057
2. Dividend on Long term Investments - Trade	465	1,140
3. Insurance Claims Recovered	783	1,591
4. Scrap Sales	500	1,067
5. Liabilities / Provisions no longer required written back	12,763	5,345
6. Octroi Refund	-	6,486
7. Management Service Fees From Crompton Greaves Limited	-	1,095
8. Profit on sale of Fixed assets(Net)	97	-
9. Miscellaneous Income	1,172	6,897
TOTAL	<u><u>21,874</u></u>	<u><u>33,678</u></u>

Schedules forming part of the Profit & Loss Account for the year ended 30th September, 2011

(Rupees '000)

	For the year ended 30.09.2011	For the year ended 30.09.2010
SCHEDULE 3		
RAW MATERIALS, FINISHED AND SEMI-FINISHED PRODUCTS :		
1. Decrease/(Increase) to Stock of Finished goods and Semi-finished products :		
Opening Stock		
(i) Finished goods and Spares	53,099	90,435
(ii) Semi-finished products	35,507	81,953
(iii) Car Park	21,697	21,697
	<u>110,303</u>	<u>194,085</u>
Less : Stock transfer on sale of Business (Note 2)		
(i) Finished goods and spares	4,623	2,273
(ii) Semi-finished products	-	74,832
	<u>4,623</u>	<u>77,105</u>
Less : Closing Stock		
(i) Finished goods and Spares	57,092	53,099
(ii) Semi-finished products	21,590	35,507
(iii) Car Park	-	21,697
(iv) Contract in Progress	84,740	-
	<u>163,422</u>	<u>110,303</u>
	(57,742)	6,677
2. Raw Materials Consumed		
Opening Stock	29,538	110,448
Add : Purchases made during the Year	187,169	426,910
	<u>216,707</u>	<u>537,358</u>
Less : Stock transfer on sale of business (Note 2)	782	157,172
	<u>215,925</u>	<u>380,186</u>
Less : Closing Stock	26,205	29,538
	<u>189,720</u>	<u>350,648</u>
3. Purchases of Finished Goods, Spares and Components	454,227	347,759
	<u>586,205</u>	<u>705,084</u>
SCHEDULE 4		
Personnel		
Salaries, Wages, Bonus, etc.	197,067	233,396
Contribution to Provident fund	6,432	9,167
Contribution to Superannuation and other funds	3,536	6,538
Gratuity	4,315	5,442
Welfare expenses	20,895	22,629
	<u>232,245</u>	<u>277,172</u>
Less : Expenses shared by Crompton Greaves Limited	5,027	6,710
	<u>227,218</u>	<u>270,462</u>

Schedules forming part of the Profit & Loss Account for the year ended 30th September, 2011

(Rupees '000)

	For the year ended 30.09.2011	For the year ended 30.09.2010
SCHEDULE 5		
Operating and Other Expenses :		
Stores and loose tools consumed	3,426	2,676
Power and fuel	15,572	15,288
Freight Outward	19,252	23,654
Repairs to machinery	2	9
Repairs to building	71	-
Repairs and Maintenance-others	14,598	15,351
Rent	7,204	17,840
Insurance	4,531	4,456
Travelling and Conveyance	37,041	51,754
Rates and Taxes	3,632	1,116
Bank charges	15,159	17,161
Loss on Sale of Fixed Assets (Net)	-	1,127
Sub Contracting Expenses	61,527	78,396
Warranty Expenses	13,952	22,261
Installation Expenses	34,786	86,250
Professional and Legal Charges	16,248	78,950
Consultancy Charges	15,403	20,946
Loss / (Gain)on Foreign Currency Fluctuations (Net)	14,476	(23,403)
Sales Commission	2,717	4,138
Directors' Sitting fees	500	500
Provision for foreseeable losses	50,442	-
Other Expenses (Note 5)	67,440	70,719
	<u>397,979</u>	<u>489,189</u>
Less : Expenses shared by Crompton Greaves Limited	6,797	3,930
	391,182	<u>485,259</u>
Bad Debts / Advances Written off	9,622	11,940
Less : Provision for Doubtful debts and Advances	9,622	11,940
	-	-
Provision for Doubtful Debts and Advances	21,332	31,855
	<u>412,514</u>	<u>517,114</u>
SCHEDULE 6		
INTEREST		
Term Loans	32,347	56,869
Others	32,468	70,387
TOTAL	<u>64,815</u>	<u>127,256</u>

NOTES: Forming Part of the Accounts

SCHEDULE 7

I. Significant Accounting Policies

1.1 System of Accounting

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

1.2 Fixed Assets and Depreciation

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

1.3 Intangible Assets

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

1.4 Inventory Valuation

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

1.5 Investments

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

1.6 Revenue Recognition

- 1.6.1 Sale of product is recognised when risk and rewards of ownership of the product are passed on to the customers on the basis of terms of contract.
- 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 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 Superannuation Scheme of the employees in accordance with the scheme of Life Insurance Corporation (LIC) are recognised in the Profit and Loss Account.

(ii) Defined Benefit Plan

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

1.11 Lease Rentals

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

1.12 Taxes on Income

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

2. In the previous year, the Board of Directors had approved the transfer of Traction Electronics, SCADA and Industrial Drives businesses (sub-divisions of Automation and Control segment) (together referred to as "Businesses") to Crompton Greaves Limited (CGL). The transfer is consistent with the Company's long-term strategy to focus on building its position in Strategic Electronics and Network Systems (Tatanet) and to pursue further synergistic opportunities in related areas.

On July 28, 2010 (being the Closing date), the Company transferred these Businesses as a "going concern" to CGL on a slump sale basis for a total consideration of Rs. 8,100 lakhs.

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

(Rupees '000)

Particulars	Continuing Operations		Discontinuing Operations		Total	
	2011	2010	2011	2010	2011	2010
Net Sales from Operations	1,112,779	1,018,570	-	375,984	1,112,779	1,394,554
Other Income	21,874	18,688	-	14,990	21,874	33,678
Total Income	1,134,653	1,037,258	-	390,974	1,134,653	1,428,232
Total Expenditure	1,338,405	1,286,745	-	376,867	1,338,405	1,663,612
Profit/(Loss) before exceptional items	(203,752)	(249,487)	-	14,107	(203,752)	(235,380)
Exceptional Items			-		-	
Deferred Revenue Expenditure	-	(10,575)	-	-	-	(10,575)
Profit of Transfer of Business	28,333	530,247	-	-	28,333	530,247
Profit on sale of Investment	-	-	-	-	-	-
Profit / (Loss) before tax	(175,419)	270,185	-	14,107	(175,419)	284,292
Provision for taxation.	(10,055)	66,676	-	3,594	(10,055)	70,270
Profit / (loss) After Taxation	(165,364)	203,509	-	10,513	(165,364)	214,022
Assets	1,631,690	1,866,587	-	-	1,631,690	1,866,587
Liabilities	1,374,856	1,444,388	-	-	1,374,856	1,444,388

Subsequently to the year end, the company has 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. The effects of this have been given to in these financial statements.

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

The above includes in respect of contracts as stated above.

(Rupees '000)

Particulars	2010-11	2009-10
Sales	183,381	39,513
Income from service rendered	9,880	7,164
Raw material consumed	123,325	39,128
Purchase of traded goods	58,390	-
Sub-contracting expenses	9,880	7,164

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

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

(Rupees '000)

	2010-11	2009-10
(i) Audit Fees(excluding service tax)	1500	#1,800
(ii) Taxation Services	665	275
(iii) Other Services (excluding service tax)	1,800	1,700
(iv) Reimbursement of Expenses (excluding service tax)	17	-

including in respect of previous year Rs.600 ('000).

6. Sundry Debtors includes Rs.414,059 ('000) (Previous Year: Rs. 383,677 ('000)), which in accordance with the terms of the contracts, were not due for payments as at the year end.
7. The tax year for the company being the year ending 31st March, the provision for taxation for the period is the aggregate of the provision made for the six months ended 31st March, 2011 and the provision based on the figures for the remaining six months up to 30th September, 2011, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2011 to 31st March, 2012.

8. Capital Commitment

(Rupees. '000)

Particulars	2010-11	2009-10
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	2,329	34,852

9. Contingent Liabilities

(Rupees. '000)

	2010-11	2009-10
a) Guarantees issued by the company on behalf of its subsidiary	140,000	110,000
b) Claims against the company not acknowledged as debt comprises of:		
i) Excise duty, sales tax and service tax claims disputed by the company relating to issues of applicability and classification	41,629	251,542
ii) Other matters (excluding claims where amounts are not ascertainable)	4,506	4,506

10. Managerial Remuneration

(Rupees '000)

	2010-11	2009-10
i) Salary and Allowance	11,883	14,286
ii) Contribution to Provident and Superannuation Funds	682	896
iii) Other Perquisites	713	721
iv) Directors sitting fees (Non-Whole time Directors)	500	500
Sub Total	13,778*	16,403*
v) Gratuity and leave encashment paid on retirement	-	6,676
Grand Total	13,778	23,079

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

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Managerial remuneration paid/payable during the year 2010-11 has exceeded the limit calculated under Schedule XIII to the Companies Act, 1956 by Rs.7,387 ('000). The Company is in the process of obtaining necessary approval from the shareholders of the Company and Central Government for waiver of the excess remuneration.

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

(Rupees. '000)

Sr. No.	Particulars	2010-11	2009-10
(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.

12. EMPLOYEE BENEFITS

I. Defined Contribution Plan

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

(Rupees. '000)

		2010-11	2009-10
a)	Contribution to Employees' Superannuation Fund	3,265	6,260
b)	Employees' State Insurance Scheme	271	278

II. Defined Benefit Plan

a) Provident Fund

The company makes monthly contributions to Provident Fund managed by a trust administered by the company for qualifying employees. Under the schemes, the company is required to contribute a specified percentage of the payroll costs to fund the benefits. During the year the company has contributed Rs. 6,432 ('000) (Previous Year: Rs. 9,167 ('000)) to the Provident Fund Trust.

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

b) Gratuity (Unfunded)

(Rupees. '000)

	Particulars	2010-11	2009-10
I	Expenses recognised in statement of Profit and Loss Account for the period ended		
	Current Service cost	2,020	2,642
	Interest cost	2,231	2,954
	Expected return on plan assets	--	--
	Net Actuarial (Gain)/Loss	64	(154)
	Total Expense	4,315	5,442

(Rupees. '000)

		2010-11	2009-10	2008-09
2	Net Asset/(Liability) recognised in the Balance Sheet as at			
	Present value of Defined Benefit obligations as at the end of year	21,699	27,046	
	Fair value of plan assets as at the end of the year	--	--	
	Net Asset/(Liability) as at	(21,699)	(27,046)	
3	Changes in present value of obligations during the period			
	Present value of obligations as at beginning of year	27,046	36,921	
	Interest cost	2,231	2,954	
	Current Service cost	2,020	2,642	
	Benefits Paid	(9,662)	(7,156)	
	Paid to CGL on sale of Businesses (Refer note 2)	-	(8,161)	
	Actuarial (Gain)/Loss	64	(154)	
	Present value of Defined Benefit obligations as at end of year	21,699	27,046	
4	Experience Adjustments			
	Experience (Gain)/Loss on adjustments on plan assets	--	--	--
	Experience (Gain)/Loss on adjustments on plan liabilities	414	(1,192)	524
	Experience Adjustments (Total)	414	(1,192)	524
5	Assumptions			
	Discount Rate	8.50%	8.25%	
	Salary Escalation	6.00%	6.00%	
	Attrition Rate	2.00%	2.00%	
	Mortality Rate	LIC (94-96) Ultimate	LIC (94-96) Ultimate	

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

III. Long Term Employee Benefit – Compensated Absences

Provision for Compensated Absences has been made on the basis of actuarial valuation report as at the Balance Sheet date. The charge for the year of Rs.5,326 ('000) (Previous Year: Rs. 4,713 ('000)) has been made in the Profit and Loss Account.

13. (a) The aggregate lease rentals in respect of operating leases for the period charged as Lease Rentals and included under Rent in Schedule 5 Rs. Nil ('000) (Previous Year: Rs.10,421 ('000)).

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

(Rupees '000)

		2010-11	2009-10
i)	Not later than one year	Nil	1,375
ii)	Later than one year and not later than five years	Nil	Nil
iii)	Later than five years	Nil	Nil

- (b) In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Profit and Loss Account for the period included under Income from Services Rendered under Income from Operations aggregate to Rs. 30,885 ('000) (Previous Year: Rs. 29,386 ('000)).

14. Earnings Per Share (EPS)

		2010-11	2009-10
a)	Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b)	Net Profit after Tax available for Equity Shareholders (Rupees '000)	(165,364)	214,022
c)	Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	(7.25)	9.38
d)	Diluted Earning Per Share (Rs.)	(7.25)	9.38

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

(Rupees '000)

	2010-11	2009-10
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	12,561	15,290
b) On Provision for Doubtful debts	15,183	9,572
c) Disallowance U/S 40 a(ia)	-	4,726
d) Provision for future losses	15,214*	-
e) Other	-	1,055*
Total:	42,958	30,643
Less: Deferred Tax Liability		
a) On Fiscal allowances of Fixed asset	39,264	30,643
b) On Voluntary Retirement cost	3,694	-
Total:	42,958	30,643
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.

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

(Rupees '000)

Particulars	2010-11	2009-10
Contract revenue recognised as revenue during the year	74,268	-
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	152,437	-
Advance payments received	-	-
Gross amount due from customers for contract work	152,437	-
Gross amount due to customers for contract work	-	-

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

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

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

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

(Rupees '000)

Particulars	Opening Balance	Provision during the year	Utilisation During the year	Transfer on sale of business	Closing Balance
Provision for Warranties	52,195 (54,880)	13,952 (22,261)	2,552 (8,169)	696 (16,777)	62,899 (52,195)
Provision for future foreseeable losses on contracts etc	- (-)	50,442 (-)	- (-)	- (-)	50,442 (-)

Note: previous year figures are in brackets

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

Particulars	Foreign Currency	2010-11	2009-10
		Amount in Foreign Currency ('000)	
Receivable	USD	166	559
Payable	USD	3,901	2,503
	EUR	18	44
	GBP	6	-
	JPY	-	2,230
	CHF	-	290
	NOK	6	-

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

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

A. Particulars of Raw Materials consumed:

Particulars	Units	2010-11		2009-10	
		Quantity	Rs in ('000)	Quantity	Rs in ('000)
Electronic Modules	Nos.	1,930	126,292	3,297	78,328
Camera, Monitor & Lens	Nos.	1,120	9,101	1,862	38,808
Cables and Wires	Nos.	193,002	18,987	293,107	27,903
Fabricated Items	Nos.	1,584	709	19,890	13,059
Coolers	Nos.	-	-	568	2,272
Resistors and Capacitors	Nos.	73,547	814	550,442	27,226
Insulation, Transformer	Nos.	2,250	1,129	19,777	9,082
Others		-	32,688	-	153,970
Total			189,720		350,648

Notes:

- The consumption in value has been ascertained on the basis of opening stock plus purchases less closing stock and includes adjustment in respect of write-off of obsolete raw materials and components.
- Rs.189,720('000)(Previous year: Rs.350,648('000)) includes Rs.123,325('000) (Previous year: Rs.39,128('000)) in respect of contracts as referred to in note 3 of schedule 7.

B. Value of Imported / Indigenous Raw Materials Consumed

Particulars	2010-11		2009-10	
	%	Value	%	Value
Imported	16	30,529	41	144,807
Indigenous	84	159,191	59	205,841
	100	189,720	100	350,648

C. Particulars in respect of Goods Manufactured

Sl. No	Class of Goods	Installed Capacity	Opening Stock		Production	Sales		Closing Stock	
		Nos	Nos.	Rs in ('000)	Nos.	Nos.	Rs in ('000)	Nos	Rs in ('000)
1	Variable Speed Drives	2,500 (2,500)	-	-	15 (57)	15 (57)	2,580 (39,760)	-	-
2	Power Converters	24 (24)	-	-	-	-	-	-	-
3	Auxiliary Converters	50 (50)	-	-	17 (1)	17 (1)	127,507 (7,500)	-	-
4	Control Electronics	60 (60)	-	-	-	-	-	-	-
5	Converters Assemblies & Equipments	-	-	-	8 (21)	8 (21)	7,593 (22,756)	-	-
6	Supervisory Control and Data Acquisition Systems - Assemblies & Equipment	700 (700)	-	-	-	-	-	-	-
7	UGS / GPS - Assemblies & Equipments	1,025 (1,025)	-	-	299 (383)	299 (383)	97,454 (19,581)	-	-
8	Automatic Weather Station (AWS)	-	-	-	2	2	6,058	-	-
9	Fencing Equipments & Networking	-	-	-	7 (6)	6 (6)	(5,612) (12,660)	1	6,601
10	CCTV Systems	-	-	-	27 (33)	27 (33)	39,286 (120,698)	-	-
	Total						274,866 (443,818)		6,601 -

Notes:

- The installed capacity has been certified by management, which the auditors have relied on without verification as this is a technical matter. Further Item no 8, 9, and 10 are made to order assemblies of various sizes and installed capacity is not ascertainable.
- As per the notification no: SO477(E) dated 25-07-1991 and the subsequent Press Notes issued by the Government of India, Ministry of Industry, Department of Industrial Development, the products manufactured by the company are out of the purview of the industrial licensing requirements. Accordingly, the particulars of the licensed capacity are not given.
- Figures in bracket are in respect of the previous year and are regrouped/ reclassified wherever necessary.
- Sales are inclusive of Excise Duty.
- The above includes 40 quantities produced and sold and 137,789 ('000) in respect of contracts as stated in note 3 of schedule 7.

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

Sl. No	Class of Goods	Opening Stock		Purchase		Sales		Closing Stock	
		Nos.	Rs in ('000)	Nos.	Rs in ('000)	Nos.	Rs in ('000)	Nos.	Rs in ('000)
1	Variable Speed Drives	-	-	-	-	-	-	-	-
		-	-	(128)	(304)	(128)	(1,466)	-	-
2	Supervisory Control and Data Acquisition Systems - Assemblies & Equipments	-	-	-	-	-	-	-	-
		-	-	(106)	(3,170)	(106)	(8,471)	-	-
3	Automatic Weather Station / Undergrounded sensors / E fence Spares	-	-	-	-	-	-	-	-
		-	-	(10,126)	(1,035)	(10,126)	(2,868)	-	-
4	CCTV / BMS System & Spares	1	199	-	-	-	-	1	199
		(1)	(7,857)	(7)	(702)	(7)	(11,837)	(1)	(199)
5	Components of Power Convertors	-	-	-	58,390	-	58,390	-	-
		-	-	-	(36,748)	-	(36,748)	-	-
6	Network Related Systems Integration	-	-	424	40,290	424	37,846	-	0
		-	-	-	-	-	-	-	-
7	Baggage Scanner	-	-	25	64,224	-	-	25	64,224
		-	-	-	-	-	-	-	-
8	Network Related Systems Integration	6,527	46,391	28,026	235,731	27,479	293,073	7,074	47,785
		(5,580)	(76,404)	(88,451)	(305,465)	(87,504)	(480,086)	(6,527)	(46,391)
9	Others	-	6,509	-	55,592	-	34,456	-	23,023
		-	(6,174)	-	(335)	-	-	-	(6,509)
10	Income from services rendered	-	-	-	-	-	436,780	-	-
		-	-	-	-	-	(444,379)	-	-
	TOTAL		53,099		454,227		860,545		135,231
			(90,435)		(347,759)		(985,855)		(53,099)

Notes:

- Closing stock is inclusive of Contracts in progress Rs. 84,740 ('000) (Previous year: Rs. Nil)
- Figures in bracket are in respect of the previous year and are regrouped/reclassified wherever necessary.

E. Expenditure in Foreign Currency

(Rupees '000)

		2010-11	2009-10
i)	Foreign Travel	1,231	1,717
ii)	Royalty	-	82
iii)	Bank Charges	59	18
iv)	Sub-contracting Expenses	5,657	9,076
v)	Others	722	35,481

F. Earnings in Foreign Exchange

(Rupees '000)

		2010-11	2009-10
i)	Engineering / Software Services	4,891	4,553
ii)	Exports of goods calculated on FOB basis	30,169	28,434

G. Value of Imports calculated on CIF basis

(Rupees '000)

		2010-11	2009-10
i)	Raw Materials and Component	27,713	191,901
ii)	Finished Goods	208,554	194,765
iii)	Capital Goods	-	3,421

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

	No of Shareholder	No. of Equity shares of Rs. 10/- each	Amount Remitted (Rupees '000)	Dividend in %
2010-11	One(I)	8,66,460	1,732	For the year ended September 30, 2010 Dividend @20%.
2009-10	One (I)	8,66,460	520	For eighteen months ended September 30, 2009 Dividend @6%.

20. Related Party Disclosure:

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

The related party transactions are as under:

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited	TATANET Services Limited	Nelito Systems Limited	Key Management Personnel
		(HOLDING COMPANY)	(SUBSIDIARY)	(ASSOCIATE)	
1)	Sales :				
	a) Goods	2,571 (8,512)	- (-)	- (-)	- (-)
	b) Services provided	3,708 (8,684)	148,500 (112,800)	240 (90)	- (-)
2)	Deputation of Personnel :	- (3,072)	- (-)	- (-)	- (-)

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited	TATANET Services Limited	Nelito Systems Limited	Key Management Personnel
		(HOLDING COMPANY)	(SUBSIDIARY)	(ASSOCIATE)	
3)	Finance :				
	a) Inter Corporate Loans taken	- (100,000)	- (-)	- (-)	- (-)
	b) Inter Corporate Loans Repayment	(100,000)	- (-)	- (-)	- (-)
	c) Interest Paid	- (1,352)	- (-)	- (-)	- (-)
	d) Dividend received	- (-)	- (-)	450 (1,125)	- (-)
	e) Security Deposit given during the year	- (-)	802 (67,309)	- (-)	- (-)
	f) Security Deposit refunded during the year	- (-)	6,195 (42,086)	- (-)	- (-)
4)	Guarantees and collaterals given	- (-)	30,000 (10,000)	- (-)	- (-)
5)	Other Transactions:				
	Reimbursements received from parties	312 (241)	1,584 (1,584)	- (-)	- (-)
6)	Outstandings:				
	a) Debtors (Net)	673 (4,632)	38,613 (62,694)	128 (-)	- (-)
	b) Deposits given	- (-)	189,588 (194,981)	- (-)	- (-)
	c) Guarantees and collaterals	- (-)	140,000 (110,000)	- (-)	- (-)
	d) Other Recoverable	- (596)	- (-)	45 (35)	- (-)
7)	Remuneration to Key Managerial personnel	- (-)	- (-)	- (-)	13,778 (22,579)

Note : Figures in brackets pertain to the Previous year.

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

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

For and on behalf of the Board

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

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

I Registration Details

Registration No.

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

State Code

1	1
---	---

Balance Sheet Date

3	0	0	9	2	0	1	1
Date		Month		Year			

II Capital raised during the year

(Amount in Rs.Thousands)

Public Issue

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

Bonus Issue

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

Rights Issue

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

Private Placement

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

III Position of Mobilisation and Deployment of Funds

(Amount in Rs.Thousands)

Total Liabilities

				7	8	9	1	1	4
--	--	--	--	---	---	---	---	---	---

Source of Funds :

Paid up Capital

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

Secured Loans

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

Deferred Tax

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

Total Assets

				7	8	9	1	1	4
--	--	--	--	---	---	---	---	---	---

Reserves & Surplus

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

Unsecured Loans

				5	1	2	6	8	8
--	--	--	--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

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

Net Current Assets

				5	0	6	3	0	3
--	--	--	--	---	---	---	---	---	---

Accumulated Losses

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

Investments

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

Miscellaneous Expenditure

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

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

Turnover/Total Income

				1	1	3	4	6	5	3
--	--	--	--	---	---	---	---	---	---	---

+ - Profit/Loss Before Tax

				-	1	7	5	4	1	9
--	--	--	--	---	---	---	---	---	---	---

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

Earnings per Share (Weighted Average)

								7	.	2	5
--	--	--	--	--	--	--	--	---	---	---	---

Total Expenditure

				1	3	1	0	0	7	2
--	--	--	--	---	---	---	---	---	---	---

+ - Profit/Loss After Tax

				-	1	6	5	3	6	4
--	--	--	--	---	---	---	---	---	---	---

Dividend Rate (%)

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

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

Not Applicable

Item Code Nos. (ITC Codes)

Product Description

				8	5	3	7	1	0								
S	O	L	I	D	S	T	A	T	E	V	A	R	I	A	B	L	E
S	P	E	E	D	D	R	I	V	E	S							

Item Code Nos. (ITC Codes)

Product Description

				8	5	1	7	3	0									
E	L	E	C	T	R	O	N	I	C	S	W	I	T	C	H	I	N	G
/	D	A	T	A	C	O	M	M	U	N	I	C	A	T	I	O	N	

Item Code Nos. (ITC Codes)

Product Description

				8	4	7	1	1	0									
H	I	G	H	S	P	E	E	D	D	A	T	A						
A	C	Q	U	I	S	I	T	I	O	N	S	Y	S	T	E	M		

Sixty-ninth Annual Report 2010-11

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

Name of Subsidiary		Tatanet Services Limited
1.	Financial Year of the subsidiary ended on	31st March, 2011
2.	Share of the subsidiary held by the Company on the above date	
	a) Number and face value	6000 Equity shares of Rs 100/- each
	b) Extent of holding	100%
3.	Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary so far as they concern member of the Company :	
	a) dealt with in the accounts of the Company for the period ended 30th September, 2011	Nil
	b) not dealt with in the accounts of the Company for the period ended 30th September, 2011	Rs.51,99,000 /-
4.	Net aggregate amount of profits / (losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company :	
	a) dealt with in the accounts of the Company for the period ended 30th September, 2011	Nil
	b) not dealt with in the accounts of the Company for the period ended 30th September, 2011	Rs. 1,40,33,000/-

For and on behalf of the Board

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF NELCO LIMITED

1. We have audited the attached Consolidated Balance Sheet of **Nelco Limited** ("the Company") and its subsidiaries ("the Group") as at 30th September, 2011 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. The Consolidated Financial Statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, whose financial statements reflect the Group's share of total assets of Rs. 280,253 ('000) as at 30th September, 2011, Group's share of total revenues of Rs. 352,812 ('000) and Group's share of total net cash inflows of Rs. 3,582 ('000) for the year ended on that date and associate whose financial statements reflect the Group's share of profit (net) upto September 30, 2011 of Rs. 56,570 ('000) and of Group's share of profit (net) Rs. 2,474 ('000) for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of this subsidiary and associate, is based solely on the reports of the other auditors.
4. Without qualifying our report, we invite attention to Note 15 of Schedule 7 regarding managerial remuneration paid/payable in excess of the limits prescribed under Schedule XIII of Rs.7,387('000), which is subject to the approval of the Central Government and the shareholders of the Company.
5. We report that, the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interests in Joint Ventures as notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the Consolidated Financial Statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 30th September, 2011;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

R.A.Banga
(Partner)

Membership No. 37915

Place: Mumbai
Date: 28th November, 2011

NELCO LIMITED (CONSOLIDATED)

BALANCE SHEET AS AT 30TH SEPTEMBER, 2011

(Rupees ' 000)

	Schedule	As at 30.09.2011	As at 30.09.2010
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	228,175	228,175
(b) Reserves and Surplus	B	100,140	255,485
		328,315	483,660
2. LOAN FUNDS			
(a) Secured Loans	C	19,592	30,479
(b) Unsecured Loans	D	512,688	698,255
		532,280	728,734
3. Deferred Tax Liability (Net)		4,155	6,312
TOTAL		864,750	1,218,706
APPLICATION OF FUNDS			
1. FIXED ASSETS	E		
(a) Gross Block		989,441	872,911
(b) Less: Depreciation		573,198	503,513
(c) Net Block		416,243	369,398
(d) Capital work-in-progress		5,449	18,488
		421,692	387,886
2. INVESTMENTS	F	75,344	73,320
3. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	G	189,627	139,841
(b) Sundry Debtors	H	764,967	1,117,406
(c) Cash and Bank Balances	I	71,052	69,398
(d) Loans and Advances	J	216,579	186,445
		1,242,225	1,513,090
Less :			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	K	724,227	605,120
(b) Provisions	L	150,284	150,470
		874,511	755,590
4. NET CURRENT ASSETS		367,714	757,500
5. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	M	-	-
TOTAL		864,750	1,218,706
NOTES FORMING PART OF THE ACCOUNTS	7		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

R. A. Banga
Partner

Mumbai, 28th November, 2011

For and on behalf of the Board

Prasad Menon
Chairman

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

K.A. Mahashur
Executive Director

Girish V. Kirkinde
Company Secretary

P. J. Nath
Chief Executive Officer

Mumbai, 28th November, 2011

NELCO LIMITED (CONSOLIDATED)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2011

(Rupees ' 000)

	Schedule	For the year ended 30.09.2011	For the year ended 30.09.2010
INCOME			
1. Income from Operations	1	1,317,091	1,580,192
2. Other Income	2	23,830	32,796
3. Total Income		<u>1,340,921</u>	<u>1,612,987</u>
EXPENDITURE			
4. Raw Materials, Finished and Semi-Finished Products	3	586,205	705,084
5. Personnel	4	227,218	270,462
6. Operating and Other Expenses	5	577,429	670,054
7. Interest	6	64,839	127,717
8. Depreciation		77,756	71,476
9. Total Expenditure		<u>1,533,447</u>	<u>1,844,793</u>
10. (Loss) before exceptional items and taxation		<u>(192,526)</u>	<u>(231,805)</u>
11. Exceptional Items			
a. Deferred Revenue Expenditure (Voluntary Retirement Scheme)		-	(10,575)
b. Profit on sale of Business (Note 3)		28,333	530,247
12. (Loss)/ Profit before Taxation		<u>(164,193)</u>	<u>287,867</u>
13. (Loss)/ Profit from continuing operations before tax (Note 3)	(164,193)		273,760
Provision for tax			
1. Current Tax			
a. For the period		(6,662)	72,463
b. In respect of earlier years		2,445	1,010
		(4,217)	73,473
2. Deferred Tax		(2,157)	(4,682)
		(6,374)	68,791
14. (Loss)/ Profit from continuing operations after tax		<u>(157,819)</u>	<u>204,969</u>
15. Profit from discontinuing operations before tax (Note 3)		-	14,107
Provision for current tax			
		-	3,594
16. Profit from discontinuing operations after tax		-	10,513
17. (LOSS)/ PROFIT AFTER TAXATION AND BEFORE SHARE OF ASSOCIATE (14+16)		<u>(157,819)</u>	<u>215,482</u>
18. Add : Share in Profit of Associate		2,474	8,379
		(155,345)	223,861
19. Balance Brought Forward		230,485	84,839
20. AMOUNT AVAILABLE FOR APPROPRIATION		<u>75,140</u>	<u>308,700</u>
21. Proposed Dividend		-	45,635
22. Tax on Proposed Dividend		-	7,580
23. Transfer to General Reserve		-	25,000
		-	78,215
24. Balance Carried to Balance Sheet		<u>75,140</u>	<u>230,485</u>
Earnings per share Rs. (Basic & Diluted) - Face Value Rs.10 per share (Note 10)		<u>(6.81)</u>	<u>9.81</u>
NOTES FORMING PART OF THE ACCOUNTS	7		

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

R. A. Banga
Partner

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

Mumbai, 28th November, 2011

NELCO LIMITED (CONSOLIDATED)

Cash Flow Statement for the year ended 30th September, 2011

(Rupees ' 000)

	For the year ended 30.09.2011	For the year ended 30.09.2010
A. NET PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS AND TAXATION	(192,526)	(231,805)
ADJUSTMENTS FOR		
Depreciation	77,756	71,476
Investment and Interest Income	(6,094)	(10,057)
Dividend Income	(15)	(15)
Interest Expense	64,839	127,717
(Profit)/Loss on Sale of Fixed Assets	(97)	1,127
	136,389	190,248
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	(56,137)	(41,557)
Changes in		
Decrease in Trade and Other Receivables	309,656	282,340
Increase in Inventories	(55,191)	(95,124)
Increase / (Decrease) in Trade and other Payables	222,721	477,186
CASH GENERATED (USED IN) / FROM OPERATIONS	421,049	(348,794)
Direct taxes Refund /(paid)	1,254	(20,492)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	422,303	(369,286)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(112,986)	(97,277)
Sale of fixed assets	325	1,913
Interest received	6,094	10,057
Dividend received	15	15
Dividend received from associates	450	1,125
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES	(106,102)	(84,167)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,291,898	2,881,500
Repayment of borrowings	(1,488,352)	(3,115,643)
	(196,454)	(234,143)
Dividend paid	(44,905)	(13,690)
Tax on Dividend paid	(7,580)	(2,327)
Interest paid	(65,608)	(127,045)
Exceptional Item		
Proceeds from Sale of business to Crompton Greaves Limited (Refer Note 3 of schedule 7)	-	729,000
NET CASH FROM (USED IN) / FINANCING ACTIVITIES	(314,547)	351,795
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	1,654	(101,658)
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD (Refer Schedule I)	69,398	171,056
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer Schedule I)	71,052	69,398
	1,654	(101,658)

Cash Flow Statement for the year ended 30th September, 2011 (contd.)

Notes :

(Rupees ' 000)

- 1) Cash and cash equivalents includes:

	As at 30.09.2011	As at 30.09.2010
i) Cash in Hand	264	447
ii) Cheques on Hand	31,181	-
iii) Balance with Scheduled Banks		
In current accounts	34,607	61,127
On Margin Money account against Letters of credit and bank guarantees	5,000	7,824
	71,052	69,398

- 2) The Cash flow from Continuing and Discontinuing operations are:

	Continuing Operation		Discontinuing Operation		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	422,303	(436,208)	-	66,922	422,303	(369,286)
NET CASH FLOW (USED IN) /FROM INVESTING ACTIVITIES	(106,102)	(79,891)	-	(4,276)	(106,102)	(84,167)
NET CASH FROM (USED IN) / FINANCING ACTIVITIES	(314,547)	351,795	-	-	(314,547)	351,795

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

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

R. A. Banga
Partner

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

Mumbai, 28th November, 2011

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE A		
SHARE CAPITAL		
AUTHORISED :		
25,000,000 Equity Shares of Rs. 10/- each	250,000	250,000
2,500,000 Redeemable Preference Shares of Rs. 100/- each	250,000	250,000
	500,000	500,000
ISSUED :		
22,496,370 Equity Shares of Rs.10/- each fully paid-up for payment in cash (including 939 Equity Shares pending allotment)	224,964	224,964
5,370 Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660 Equity Shares of Rs.10/- each issued to shareholders of the erstwhile General Radio & Appliances Ltd. in terms of the Scheme of Amalgamation	3,167	3,167
22,818,400 TOTAL	228,185	228,185
SUBSCRIBED AND PAID-UP :		
22,495,431 Equity Shares of Rs.10/- each fully paid-up for payment in cash	224,954	224,954
5,370 Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660 Equity Shares of Rs.10/- each issued to Shareholders of the erstwhile General Radio & Appliances Ltd in terms of the Scheme of Amalgamation	3,167	3,167
22,817,461 TOTAL	228,175	228,175

Note : Of the above

- a) 11,099,630 (Previous Year 11,099,630) Equity Shares are held by The Tata Power Company Limited , the Holding Company.
- b) 328,410 (Previous Year 328,960) Equity Shares are held by the Aftaab Investments Company Limited - Subsidiary of The Tata Power Company Limited, the Holding Company.

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE B		
RESERVES AND SURPLUS		
General Reserve		
Opening Balance	25,000	-
Add: Transfer from Profit and loss account	-	25,000
	25,000	25,000
Profit and Loss Account	75,140	230,485
TOTAL	100,140	255,485
SCHEDULE C		
SECURED LOANS		
1. Cash Credit with Banks	1,898	-
2 Term Loans from The Zoroastrian Co-op.Bank Ltd	17,694	30,479
TOTAL	19,592	30,479

In respect of the above term loans, Rs. 9,938,821/- (Previous Year Rs. 14,193,959) is due and repayable within a year.

NOTES :

- Cash Credit with Banks are secured by hypothecation of all tangible moveable assets, including stocks of raw materials, finished goods, goods-in-process, book-debts, monies receivable and a second charge on the fixed assets of the company.
- Term 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.

	As at 30.09.2011	As at 30.09.2010
SCHEDULE D		
UNSECURED LOANS		
Deferred Sales Tax Liability (Under the SICOM Incentive Scheme) (repayable within one year Rs 4,673,260 (Previous Year Rs. 5,567,033))	20,188	25,755
Short Term Loans		
- From Banks	250,000	350,000
- Inter Corporate Deposit (Others)	242,500	322,500
TOTAL	512,688	698,255

NELCO LIMITED (CONSOLIDATED) Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

SCHEDULE E

FIXED ASSETS	GROSS BLOCK AT COST						DEPRECIATION				NET BLOCK	
	AS AT 01.10.2010	ADDITIONS/ ADJUST MENTS	DEDUCTIONS/ ADJUST MENTS	TRANSFER ON SALE OF BUSINESS (NOTE 4)	AS AT 30.09.2011	UPTO 01.10.2010	FOR THE YEAR	DEDUCTIONS/ ADJUSTMENTS	TRANSFER ON SALE OF BUSINESS (NOTE 4)	UPTO 30.09.2011	AS AT 30.09.2011	AS AT 30.09.2010
Tangible Assets												
1. Goodwill on Consolidation	40	-	-	-	40	-	-	-	-	-	40	40
2. Land : Leasehold	3,590	-	-	-	3,590	831	38	-	-	869	2,721	2,759
3. Buildings	33,590	-	-	-	33,590	15,217	1,113	-	-	16,330	17,260	18,373
4. Plant and Machinery	332,503	41,428	6,839	299	366,793	149,199	32,782	6,612	54	175,315	191,478	183,304
5. Electric Installation	20,757	282	-	-	21,039	5,515	983	-	-	6,498	14,541	15,242
6. Office Equipments, Furniture and Fixtures	334,539	80,469	-	2,356	412,652	209,180	35,889	-	1,405	243,664	168,988	125,359
7. Vehicles	6,030	1,100	-	-	7,130	3,696	547	-	-	4,243	2,887	2,334
Intangible Assets												
8. Software Expenditure	28,551	2,745	-	-	31,296	9,961	6,121	-	-	16,082	15,214	18,590
9. Technical Knowhow Fees	108,311	-	-	-	108,311	108,311	-	-	-	108,311	-	-
10. Licence Fees - VSAT	3,000	-	-	-	3,000	1,275	150	-	-	1,425	1,575	1,725
11. Licence Fees - ISP	2,000	-	-	-	2,000	328	133	-	-	461	1,539	1,672
Total	872,911	126,024	6,839	2,655	989,441	503,513	77,756	6,612	1,459	573,198	416,243	369,398
Capital work-in-progress												
Total	872,911	126,024	6,839	2,655	989,441	503,513	77,756	6,612	1,459	573,198	421,692	-
Previous Year	854,985	83,033	13,607	51,500	872,911	470,217	71,476	10,567	27,613	503,513	387,886	387,886

Notes :

- Office Equipments include assets given on operating lease having original cost of Rs. 1,60,450 (000) (Previous Year Rs 90,564 (000)) accumulated depreciation of Rs. 66,576(000) (Previous Year Rs. 47,736 (000)) and depreciation charge for the period amounting to Rs. 18,840 (000) (Previous Year Rs. 15,815 (000)).
- Consequent to transfer of Power SCADA businesses, assets in respect of these businesses are transferred to Crompton Greaves Limited (Refer note 3 of Schedule 7).

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE F		
INVESTMENTS		
LONG TERM Unquoted (fully paid up unless otherwise stated)		
A. NON TRADE		
Others		
4,000 Ordinary Shares of Zoroastrian Cooperative Bank Ltd. of Rs. 25/- each.	100	100
	<u>100</u>	<u>100</u>
B. TRADE		
Others		
1,810,000 Equity Shares of Technopolis Knowledge Park Ltd. of Rs. 10/- each.	18,100	18,100
Less : Provision for Diminution	<u>18,100</u>	<u>18,100</u>
	-	-
IN ASSOCIATES		
450,000 Equity shares of Nelito Systems Ltd. of Rs. 10/- each (Note 1(d))	75,244	73,220
	<u>75,244</u>	<u>73,220</u>
TOTAL	<u>75,344</u>	<u>73,320</u>
Note: 1) Aggregate of unquoted investment cost	93,344	91,320
SCHEDULE G		
INVENTORIES AND CONTRACTS IN PROGRESS		
1. Contracts in Progress	84,740	-
2. Raw Materials	26,205	29,538
3. Semi-finished products	21,590	35,507
4. Finished Goods and Spares	57,092	53,099
5. Stock-in-trade (Car Park)	-	21,697
TOTAL	<u>1,89,627</u>	<u>1,39,841</u>
SCHEDULE H		
SUNDRY DEBTORS (Unsecured)		
1. Debts outstanding for a period exceeding six months		
Considered Good	4,50,583	7,53,912
Considered Doubtful	41,634	28,814
Less : Provision for Doubtful Debts(Net of Rs. 830 ('000) (Previous year Net of Rs. 11239 ('000) transferred to Crompton Greaves Limited on sale of business)	<u>41,634</u>	<u>28,814</u>
	4,50,583	7,53,912
2. Other debts		
Considered Good	3,14,384	3,63,494
Considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	<u>3,14,384</u>	<u>3,63,494</u>
TOTAL	<u>7,64,967</u>	<u>11,17,406</u>

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2011

(Rupees ' 000)

	As at 30.09.2011	As at 30.09.2010
SCHEDULE I		
CASH AND BANK BALANCES		
1. Cash in hand	264	447
2. Cheques on Hand	31,181	-
3. Balance with Scheduled Banks		
In current accounts	34,607	61,127
On Margin Money account against Letters of credit and bank guarantees	5,000	7,824
TOTAL	71,052	69,398
SCHEDULE J		
LOANS AND ADVANCES		
(Unsecured - Considered good)		
1. Crompton Greaves Limited (Refer Note 3)	48,252	29,490
2. Advances recoverable in cash or in kind or for value to be received	86,541	75,409
Considered Doubtful	6,968	6,968
Less : Provision for Doubtful Advances	6,968	6,968
	86,541	75,409
3. Loans and Advances to employees	1,882	1,351
4. Advance payment of Tax (Net of Provision)	36,883	33,921
5. Balances with Excise, Customs etc.	5,247	5,541
6. Service tax receivable	37,774	40,733
TOTAL	2,16,579	1,86,445
SCHEDULE K		
CURRENT LIABILITIES		
1. Sundry Creditors (other than micro and small enterprises)	4,80,262	3,10,285
2. Liabilities for expenses	1,20,075	1,77,002
3. Advances from customers	47,323	42,297
4. Other Liabilities	24,516	33,724
5. Liability for Voluntary Retirement Scheme	30,549	37,383
6. Interest accrued but not due on unsecured loans	3,252	4,021
7. Unpaid Dividend *	984	254
8. Unpaid Matured Deposits*	144	154
9. Book Overdraft	17,122	-
TOTAL	7,24,227	6,05,120

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

NELCO LIMITED (CONSOLIDATED)**Schedules forming part of the Balance Sheet as at 30th September, 2011****(Rupees ' 000)**

	As at 30.09.2011	As at 30.09.2010
SCHEDULE L		
PROVISIONS		
1. Provision for Gratuity	21,699	27,046
2. Provision for Compensated absences	15,244	18,014
3. Proposed Dividend	-	45,635
4. Tax on Proposed Dividend	-	7,580
5. Provision for Warranty (Note 13)	62,899	52,195
6. Provision for foreseeable losses (Note 13)	50,442	-
TOTAL	1,50,284	1,50,470
SCHEDULE M		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Voluntary Retirement Scheme		
As per last Balance Sheet	-	10,575
Less : Written off during the year	-	10,575
TOTAL	-	-

Schedules forming part of the Profit & Loss Account for the year ended 30th September, 2011

(Rupees '000)

	For the year ended 30.09.2011	For the year ended 30.09.2010
SCHEDULE 1		
INCOME FROM OPERATIONS		
1. Sales : Traded and Manufactured Goods	6,98,631	9,85,294
Less : Excise Duty	<u>22,632</u>	<u>35,119</u>
	6,75,999	9,50,175
2. Income from Services Rendered	<u>6,41,092</u>	<u>6,30,017</u>
TOTAL	<u>13,17,091</u>	<u>15,80,192</u>
SCHEDULE 2		
OTHER INCOME		
1. Interest Received (Gross)		
(a) On Deposits with Banks	753	518
(Tax deducted at Source Rs. 99,766 (Previous Year Rs. 12,120))		
(b) On Others *	<u>5,341</u>	<u>9,539</u>
* Includes Interest on Income Tax Refund Rs. 3,869,930 (Previous Year Rs. 91,98,427)		
	6,094	10,057
2. Dividend on Long term Investments - Trade	15	15
3. Insurance Claims Recovered	783	1,591
4. Scrap Sales	500	1,067
5. Liabilities / Provisions no longer required written back	12,763	5,345
6. Octroi Refund	-	6,486
7. Management Service Fees From Crompton Greaves Limited	-	1,095
8. Profit on sale of Fixed assets(Net)	97	-
9. Miscellaneous Income	<u>3,578</u>	<u>7,140</u>
TOTAL	<u>23,830</u>	<u>32,796</u>

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the year ended 30th September, 2011

(Rupees '000)

	For the year ended 30.09.2011	For the year ended 30.09.2010
SCHEDULE 3		
RAW MATERIALS, FINISHED AND SEMI-FINISHED PRODUCTS :		
1. Decrease /(Increase) to Stock of Finished goods and Semi-finished products :		
Opening Stock		
(i) Finished goods and spares	53,099	90,435
(ii) Semi-finished products	35,507	81,953
(iii) Car Park	<u>21,697</u>	<u>21,697</u>
	1,10,303	1,94,085
Less : Stock transfer on sale of Business (Note 3)		
(i) Finished goods and spares	4,623	2,273
(ii) Semi-finished products	<u>-</u>	<u>74,832</u>
	4,623	77,105
Less : Closing Stock		
(i) Finished goods and spares	57,092	53,099
(ii) Semi-finished products	21,590	35,507
(iii) Car Park	-	21,697
(iv) Contract in Progress	<u>84,740</u>	<u>-</u>
	1,63,422	1,10,303
	(57,742)	6,677
2. Raw Materials Consumed		
Opening Stock	29,538	1,10,448
Add : Purchases made during the Year	<u>1,87,169</u>	<u>4,26,910</u>
	2,16,707	5,37,358
Less : Stock transfer on sale of business (Note 3)	<u>782</u>	<u>1,57,172</u>
	2,15,925	3,80,186
Less : Closing Stock	<u>26,205</u>	<u>29,538</u>
	1,89,720	3,50,648
3. Purchases of Finished Goods ,spares and components	<u>4,54,227</u>	<u>3,47,759</u>
	<u>5,86,205</u>	<u>7,05,084</u>

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the year ended 30th September, 2011

(Rupees '000)

	For the year ended 30.09.2011	For the year ended 30.09.2010
SCHEDULE 4		
Personnel		
Salaries, Wages, Bonus, etc.	1,97,067	2,33,396
Contribution to Provident fund	6,432	9,167
Contribution to Superannuation and other funds	3,536	6,538
Gratuity	4,315	5,442
Welfare expenses	20,895	22,629
	<u>2,32,245</u>	<u>2,77,172</u>
Less : Expenses shared by Crompton Greaves Limited	5,027	6,710
	<u>2,27,218</u>	<u>2,70,462</u>
SCHEDULE 5		
Operating and Other Expenses :		
Stores and loose tools consumed	3,426	2,676
Power and fuel	16,796	16,512
Freight Outward	19,252	23,654
Repairs to machinery	3,406	2,634
Repairs to building	71	-
Repairs and Maintenance-others	15,394	17,569
Rent	7,204	17,840
Insurance	4,653	5,334
Travelling and Conveyance	37,041	51,754
Rates and Taxes	3,632	1,116
Bank charges	17,021	19,452
Loss on Sale of Fixed Assets (Net)	-	1,127
Sub Contracting Expenses	61,527	78,396
Warranty Expenses	13,952	22,261
Installation Expenses	34,786	86,250
Professional and Legal Charges	17,530	80,277
Consultancy charges	15,403	-
Loss / (Gain) on Foreign Currency Fluctuations (Net)	14,476	(23,403)
Sales Commission	2,717	4,138
Directors' Sitting fees	500	500
Licence Fees to DOT	35,057	28,387
Transponder Charges	1,17,770	1,05,188
Provision for foreseeable losses	50,442	-
Other Expenses	68,898	99,656
	<u>5,60,954</u>	<u>6,41,318</u>
Less : Expenses shared by Crompton Greaves Limited	6,797	3,930
	<u>5,54,157</u>	<u>6,37,388</u>
Bad Debts / Advances Written off	9,622	11,940
Less : Provision for Doubtful debts and Advances made in earlier years	9,622	11,940
	<u>-</u>	<u>-</u>
Provision for Doubtful Debts and Advances	23,272	32,666
	<u>5,77,429</u>	<u>6,70,054</u>
SCHEDULE 6		
INTEREST		
Term Loans	32,347	56,869
Others	32,492	70,848
TOTAL	<u>64,839</u>	<u>1,27,717</u>

NELCO LIMITED (CONSOLIDATED)

Notes Forming Part of the Accounts

SCHEDULE 7

I. Principles of Consolidation:

a. The consolidated financial statements

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

The audited financial statements of the subsidiary and associate companies used in consolidation are drawn up to the same reporting date as that of the Parent Company i.e. year ended 30th September, 2011.

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

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

Name	Country of Incorporation	% of voting power held as at 30 th September, 2011.	% of voting power held as at 30 th September, 2010.
Tatanet Services Ltd.	India	100%	100%

c. Investments in Associates

The Group’s Associates are:

Name	Country of Incorporation	% of ownership Interest held as at 30 th September, 2011.	% of ownership Interest held as at 30 th September, 2010.
Nelito Systems Ltd.	India	21.82	21.82

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

		Nelito Systems Limited	
		As at 30 September, 2011	As at 30 September, 2010
(i)	Number of Equity Shares (Nos.)	450,000	450,000
(ii)	Percentage holding	21.82%	21.82%
(iii)	Cost of Investments (Equity Shares) (Rs. '000)	19,125	19,125
(iv)	Including Goodwill/ (Capital Reserve) (Rs. '000)	(5,401)	(5,401)
(v)	Share in accumulated profits net of dividends received upto September 30, 2011 / September 30, 2010 (Rs. '000)	54,095	46,841
(vi)	Share of profit / (losses) for the period (Rs. '000)	2,474	8,379
	Less: Dividend received during the period (Rs. '000)	(450)	(1,125)
	Share of profit / (losses) net of dividend received during the period (Rs. '000)	2,024	7,254
(vii)	Carrying Cost	75,244	73,220

2. Significant Accounting Policies**2.1 System of Accounting**

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

2.2 Fixed Assets and Depreciation

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

2.3 Intangible Assets

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

2.4 Inventory Valuation

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

2.5 Investments

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

2.6 Revenue Recognition

- 2.6.1 Sale of product is recognized when risk and rewards of ownership of the product are passed on to the customers on the basis of terms of contract.
- 2.6.2 Sales from services are recognised when services rendered.
- 2.6.3 Income on Investment
 - i) Interest income is accounted on accrual basis
 - ii) Dividend income is accounted when right to receive payment is established.

2.7 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.

2.8 Foreign Currency Transactions

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

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

2.9 Warranty Expenses

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

2.10 Retirement Benefits

(i) Defined Contribution Plan

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

(ii) Defined Benefit Plan

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

2.11 Lease Rentals

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

2.12 Taxes on Income

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

3. On April 29, 2010, the Board of Directors approved the transfer of Traction Electronics, SCADA and Industrial Drives businesses (sub-divisions of Automation and Control segment) (together referred to as "Businesses") to Crompton Greaves Limited (CGL). The transfer is consistent with the Company's long-term strategy to focus on building its position in Strategic Electronics and Network Systems (Tatanet) and to pursue further synergistic opportunities in related areas.

On July 28, 2010 (being the Closing date), the Company transferred these Businesses as a "going concern" to CGL on a slump sale basis for a total consideration of Rs. 8100 lakhs.

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

(Rupees. '000)

Particulars	Continuing Operations		Discontinuing Operations		Total	
	2011	2010	2011	2010	2011	2010
Net Sales from Operations	1,317,091	1,204,208	-	375,984	1,317,091	1,580,192
Other Income	23,830	17,806	-	14,990	23,830	32,796
Total Income	1,340,921	1,222,014	-	390,974	1,340,921	1,612,988
Total Expenditure	1,533,447	1,467,926	-	376,867	1,533,447	1,844,793
Profit/(Loss) before exceptional items	(192,526)	(245,912)	-	14,107	(192,526)	(231,805)
Exceptional Items						
Deferred Revenue Expenditure	-	(10,575)	-	-	-	(10,575)
Profit of Transfer of Business	28,333	530,247	-	-	28,333	530,247
Profit on sale of Investment	-	-	-	-	-	-
Profit / (Loss) before tax	(164,193)	273,760	-	14,107	(164,193)	287,867
Provision for taxation.	6,374	68,791	-	3,594	6,374	72,385
Profit / (loss) After Taxation	(157,819)	204,969	-	10,513	(157,819)	215,482
Assets	1,739,260	1,974,295	-	-	1,739,260	1,974,295
Liabilities	1,410,946	1,490,636	-	-	1,410,946	1,490,636

Subsequent to the year end, the company has 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. The effect of this have been given to in these financial statements.

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

The above includes in respect of contracts as stated above. (Rupees. '000)

Particulars	2010-11	2009-10
Sales	183,381	39,513
Income from service rendered	9,880	7,164
Raw material consumed	123,325	39,128
Purchase of traded goods	58,390	-
Sub-contracting expenses	9,880	7,164

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

6. Capital Commitment

(Rupees. '000)

Particulars	2010-11	2009-10
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	2,329	34,852

7. Contingent Liabilities

(Rupees '000)

	2010-11	2009-10
Claims against the company not acknowledged as debt comprises of:		
i) Excise duty, sales tax and service tax claims disputed by the company relating to issues of applicability and classification	41,629	251,542
ii) Other matters (excluding claims where amounts are not ascertainable)	4,506	4,506

8. EMPLOYEE BENEFITS

I. Defined Contribution Plan

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

(Rupees. '000)

	2010-11	2009-10
a) Contribution to Employees' Superannuation Fund	3,265	6,260
b) Employees' State Insurance Scheme	271	278

II. Defined Benefit Plan

a) Provident Fund

The company makes monthly contributions to Provident Fund managed by a trust administered by the company for qualifying employees. Under the schemes, the company is required to contribute a specified percentage of the payroll costs to fund the benefits. During the year, the company has contributed Rs. 6,432 ('000) (Previous Year: Rs. 9,167 ('000)) to the Provident Fund Trust.

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

b) Gratuity (Unfunded)

(Rupees. '000)

	2010-11	2009-10
1 Expenses recognised in statement of Profit and Loss Account for the period ended		
Current Service cost	2,020	2,642
Interest cost	2,231	2,954
Expected return on plan assets	--	--
Net Actuarial (Gain)/Loss	64	(154)
Total Expense	4,315	5,442
2 Net Asset/(Liability) recognised in the Balance Sheet as at		
Present value of Defined Benefit obligations as at the end of year	21,699	27,046
Fair value of plan assets as at the end of the year	--	--
Net Asset/(Liability) as at	(21,699)	(27,046)

Particulars		2010-11	2009-10
3	Changes in present value of obligations during the period		
	Present value of obligations as at beginning of year	27,046	36,921
	Interest cost	2,231	2,954
	Current Service cost	2,020	2,642
	Benefits Paid	(9,662)	(7,156)
	Paid to CGL on sale of Businesses (Refer note 3)	-	(8,161)
	Actuarial (Gain)/Loss	64	(154)
	Present value of Defined Benefit obligations as at end of year	21,699	27,046
		2010-11	2009-10
4	Experience Adjustments		
	Experience (Gain)/Loss on adjustments on plan assets	-	-
	Experience (Gain)/Loss on adjustments on plan liabilities	414	(1,192)
	Experience Adjustments (Total)	414	(1,192)
5	Assumptions		
	Discount Rate	8.50%	8.25%
	Salary Escalation	6.00%	6.00%
	Attrition Rate	2.00%	2.00%
	Mortality Rate	LIC (94-96) Ultimate	LIC (94-96) Ultimate

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

III. Long Term Employee Benefit – Compensated Absences

Provision for Compensated Absences has been made on the basis of actuarial valuation report as at the Balance Sheet date. The charge for the year of Rs. 5,326 ('000) (Previous Year: Rs. 4,713 ('000)) has been made in the Profit and Loss Account.

9. (a) The aggregate lease rentals in respect of operating leases for the period charged as Lease Rentals and disclosed under rent in schedule 5 in the Profit and Loss Account aggregate to Rs. 5 ('000) (Previous Year: Rs. 10,421 ('000)).

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

(Rupees '000)

		2010-11	2009-10
i)	Not later than one year	Nil	1,375
ii)	Later than one year and not later than five years	Nil	Nil
iii)	Later than five years	Nil	Nil

- (b) In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Profit and Loss Account for the period included under Income from Services Rendered under Income from Operations aggregate to Rs. 30,885 ('000) (Previous Year: Rs. 29,386 ('000)).

10. Earnings Per Share (EPS)

		2010-11	2009-10
a)	Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b)	Net Profit / (Loss) after Tax available for Equity Shareholders (Rupees '000)	(155,345)	223,861
c)	Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	(6.81)	9.81
d)	Diluted Earning Per Share (Rs.)	(6.81)	9.81

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

(Rupees '000)

	2010-11	2009-10
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	12,561	15,290
b) On Provision for Doubtful debts	15,381	9,572
c) Disallowance U/S 40 a(ia)	-	4,726
d) Provision for future losses	15,214*	-
e) Others	-	1,055*
Total:	43,156	30,643
Less: Deferred Tax Liability		
a) On Fiscal allowances of Fixed asset	43,617	36,955
b) On Deferred Revenue Expenditure	3,694	-
Total:	47,311	36,955
Net Deferred Tax Assets / (Liabilities)	(4,155)	(6,312)

*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

12. Construction Contracts Disclosure:

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

(Rupees '000)

Particulars	2010-11	2009-10
Contract revenue recognised as revenue during the year	74,268	-
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	152,437	-
Advance payments received	-	-
Gross amount due from customers for contract work	152,437	-
Gross amount due to customers for contract work	-	-

For the method used to determine the contract revenue recognised and the stage of completion on contract in progress, refer note 2.7.

13. 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:

(Rupees '000)

Particulars	Opening Balance	Provision during the year	Utilisation During the year	Transfer on sale of business	Closing Balance
Provision for Warranties	52,195	13,952	2,552	696	62,899
	(54,880)	(22,261)	(8,169)	(16,777)	(52,195)
Provision for future foreseeable losses on contracts etc	-	50,442	-	-	50,442
	(-)	(-)	(-)	(-)	(-)

Note: previous year figures are in brackets

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

Particulars	Foreign Currency	2010-11	2009-10
		Amount in Foreign Currency ('000)	
Receivable	USD	166	559
Payable	USD	3,901	2,503
	EUR	18	44
	GBP	6	-
	JPY	-	2,230
	CHF	-	290
	NOK	6	-

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

15. Managerial Remuneration

(Rupees '000)

		2010-11	2009-10
i)	Salary and Allowance	11,883	14,286
ii)	Contribution to Provident and Superannuation Funds	682	896
iii)	Other Perquisites	713	721
iv)	Directors sitting fees (Non-Whole time Directors)	500	500
	Sub Total	13,778*	16,403*
v)	Gratuity and leave encashment paid on retirement	-	6,676
	Grand Total	13,778	23,079

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

Managerial remuneration paid/payable during the year 2010-11 has exceeded the limit calculated under Schedule XIII to the Companies Act, 1956 by Rs.7,387 ('000). The Company is in the process of obtaining necessary approval from the shareholders of the Company and Central Government for waiver of the excess remuneration.

16. 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. Executive Director - Mr. K . A. Mahashur
 - b. Chief Executive Officer - Mr. P. J. Nath

The related party transactions are as under:

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited	Nelito Systems Limited	Key Management Personnel
		(HOLDING COMPANY)	(ASSOCIATE)	
1)	Sales :			
a)	Goods	2,571	-	-
		(8,512)	(-)	(-)
b)	Services provided	3,708	240	-
		(8,684)	(90)	(-)
2)	Deputation of Personnel :	-	-	-
		(3,072)	(-)	(-)
3)	Finance :			
a)	Inter Corporate Loans taken	-	-	-
		(100,000)	(-)	(-)
b)	Inter Corporate Loans Repayment	-	-	-
		(100,000)	(-)	(-)
c)	Interest Paid	-	-	-
		(1,352)	(-)	(-)
d)	Dividend received	-	450	-
		(-)	(1,125)	(-)
4)	Other Transactions:			
	Reimbursements received from parties	312	-	-
		(241)	(-)	(-)
5)	Outstandings:			
a)	Debtors (Net)	673	128	-
		(4,632)	(-)	(-)
b)	Other Recoverable	-	45	-
		(596)	(35)	(-)
6)	Remuneration to Key Managerial personnel	-	-	13,278
		(-)	(-)	(22,579)

Note : Figures in brackets pertain to the Previous year

17. Segment Reporting

Business Segment:

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

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

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

Property development comprises of sales of developed commercial property.

Secondary Segment:

The company caters mainly to the needs of the domestic market, the export turnover of Rs.30,169 ('000) (Previous Year Rs. 28,434 ('000)) is not significant in the context of the total external revenue of Rs. 1,317,091 ('000) (Previous Year Rs.1,580,192 ('000)).

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

SEGMENT REPORT FOR THE YEAR ENDED 30th SEPTEMBER, 2011

Primary Segment Disclosure - Business Segment

(Rs. in '000)

	Automation & Control	Network Systems	Property Development	Elimination	Consolidated Total
A SEGMENT REVENUE					
External Revenue	445,135	894,588		-	1,339,723
	630,410	984,901		-	1,615,311
Less : Excise Duty	22,632				22,632
	35,119				35,119
Net External Revenue	422,503	894,588	-	-	1,317,091
	595,291	984,901	-	-	1,580,192
Intersegment Revenue	-	-	-	-	-
	-	-	-	-	-
TOTAL SEGMENT REVENUE	422,503	894,588	-	-	1,317,091
	595,291	984,901	-	-	1,580,192
B RESULTS					
Segment Results	(167,418)	127,854	(21,697)	-	(61,260)
	(155,914)	138,058	-	-	(17,855)
Unallocable Corporate Expenses (Net of Income)					(72,521)
					(96,290)
Less : Interest Expense unallocable to segments	-	-	-		64,839
					127,717
Add : Interest Income unallocable to segments	-	-	-		6,094
					10,057
Add: Exceptional Items (Net) unallocable to Segment					28,333
					519,672
Profit before Taxes					(164,193)
					287,867
Less : Provision for Tax					
a) Current tax including Fringe Benefit Tax					(6,662)
					76,057
b) Less : Short/(Excess) Tax Provision for earlier years	-	-	-		2,445
					1,010
c) Deferred Tax					(2,157)
					(4,682)

SEGMENT REPORT FOR THE YEAR ENDED 30th SEPTEMBER, 2011
Primary Segment Disclosure - Business Segment

(Rs. in '000)

	Automation & Control	Network Systems	Property Development	Elimination	Consolidated Total
NET PROFIT/(LOSS) after Tax before Share of Associate					(157,819)
					215,482
Add: Share of Profit in Associate					2,474
					8,379
Profit after tax					(155,345)
					223,861
C SEGMENT ASSETS	698,244	783,382	-		1,481,626
	<i>716,843</i>	<i>1,012,244</i>	<i>21,696</i>		<i>1,750,782</i>
Add: Unallocable Corporate Assets					257,635
					223,513
Total Assets					1,739,260
					1,974,295
D SEGMENT LIABILITIES	434,426	362,063	-		796,489
	<i>366,832</i>	<i>290,618</i>	<i>-</i>		<i>657,450</i>
Add: Unallocable Corporate Liabilities					614,457
					833,186
Total Liabilities					1,410,946
					1,490,636
E CAPITAL EXPENDITURE	1,211	111,774			112,984
	<i>7,707</i>	<i>89,570</i>			<i>97,277</i>
F DEPRECIATION	8,255	69,501			77,756
	<i>10,843</i>	<i>60,633</i>			<i>71,476</i>
G NON CASH EXPENSES					
Provision for doubtful debts/advances	15,645	7,627			23,272
	<i>26,424</i>	<i>6,242</i>			<i>32,666</i>

Figures shown in Italics pertains to previous year.

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

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

For and on behalf of the Board

Prasad Menon
Chairman

K.A. Mahashur
Executive Director

P. J. Nath
Chief Executive Officer

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

Girish V. Kirkinde
Company Secretary

Mumbai, 28th November, 2011

NELCO LIMITED

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

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 69th ANNUAL GENERAL MEETING of the Company at Millennium I, Hotel Ramada, 156, Millenium Business Park, MIDC Sector 2, Mahape, Navi Mumbai – 400 710 at 4.00 p.m. on Tuesday, 24th January 2012.

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

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

PROXY

I/We..... ofin the district of being a Member/Members of the above named company hereby appointof..... in the district ofor failing him ofin the district of as my/our Proxy to attend and vote for me/us and on my/our behalf at the 69th Annual General Meeting of the Company to be held on Tuesday, 24th January 2012 and at any adjournment thereof.

Signed this day of2012

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

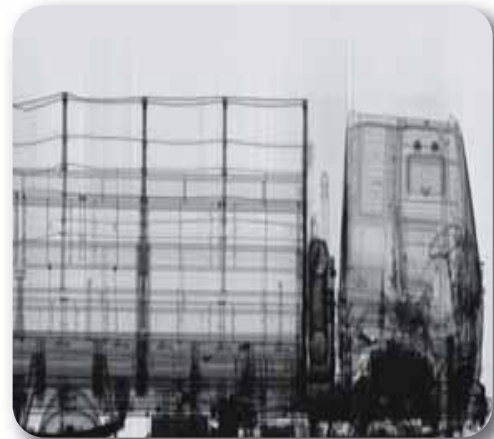
Strike out whichever is not desired.

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

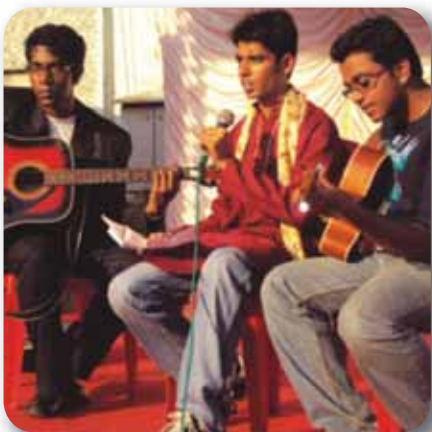
Innovative Initiatives for Customers and Employees



Nelco launches new cloud services over its expanded Datacenter set-up.



The first of its kind in India, Nelco installed a 6 MeV Vehicle Container Scanner for Indian Army as part of the DGOS Project. A Vehicle Scanner Output is also shown here.



Nelcoites unwinding at various recreational and interactive activities carried out through the year.

NELCO LIMITED

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