



NELCO LIMITED
ATATA Enterprise

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To,

The Members,

Notice of Postal Ballot pursuant to Section 110 of the Companies Act, 2013 and Companies (Management & Administration) Rules, 2014

NOTICE is hereby given pursuant to Section 110 of the Companies Act, 2013 (the "Act") read with the Companies (Management & Administration) Rules, 2014 ("the Rules") that, three special resolutions given below are proposed to be passed by Postal Ballot for approving sale and transfer of Company's Defense business consisting mainly of the Unattended Ground Sensors ("UGS") and Managed Services ("MS") business as a going concern on slump sale basis.

The Company is, therefore, seeking your consent for the said proposals by Special Resolutions in compliance with the provisions of Sections 180(1)(a), 188 and other applicable provisions, if any, of the Act. Explanatory Statement pursuant to Section 102 and other applicable provisions of the Act pertaining to the said resolutions setting out the material facts and reasons thereof is annexed to the Notice. Said Resolutions and Explanatory Statement thereto along with the Postal Ballot Form are being sent herewith for your consideration.

The Company has appointed Mr.Mitesh Dhabliwala of M/s. Parikh & Associates, Practising Company Secretaries as the Scrutinizer for conducting the postal ballot process in a fair and transparent manner.

In compliance with the Listing Agreement and the provisions of section 110 of the Act read with the Rules, the Company is pleased to provide Electronic Voting ("e-voting") facility as an alternate for its Members, to enable them to cast their votes electronically instead of despatching the physical Postal Ballot Form by post. The Company has engaged the services of National Securities Depository Limited (NSDL) to provide e-voting facility to its Members. It may be noted that e-voting is optional. In case a Member has voted through e-voting facility, he is not required to send the physical Postal Ballot Form. In case a Member votes through e-voting facility as well as sends his vote through physical vote, the vote cast through valid physical ballot form shall be considered and the voting through e-voting shall not be considered by the Scrutinizer.

The e-voting facility is available at the link <https://www.evoting.nsdl.com>. Please refer the instructions for e-voting given at the back of the postal ballot form for the process and manner in which e-voting is to be carried.

Members opting to vote through physical mode; i.e. sending the Postal Ballot Form duly signed by post, are requested to carefully read the instructions printed at the back of the Postal Ballot Form and return the Form duly completed in the attached self-addressed postage pre-paid envelope so as to reach the Scrutinizer on or before the close of working hours on Friday, 19th June, 2015. Postal Ballot Form received after this date will be strictly treated as if the reply from the shareholder has not been received.

The Scrutinizer will submit his Report to the Executive Director & CEO after completion of the scrutiny of the Postal Ballots received in electronic and physical mode. The Company will announce the Results of the Postal Ballot on Thursday, 25th June, 2015. In the event the proposed Resolutions are approved by requisite majority of Members, the date of declaration of the result shall be deemed to be the date of passing of the said Resolutions.

The Results will be displayed at the Registered Office, besides being communicated to the Stock Exchanges on which the Company's Equity Shares are listed. The Results will also be placed on the Company's website www.nelco.in and will be published in the Newspapers for the information of the Member(s).

1) Transfer of the Company's Unattended Ground Sensors (UGSs) business to The Tata Power Co. Ltd. as a going concern on a slump sale basis.

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) (the "Act") read with Companies (Management and Administration) Rules, 2014 and the provisions of the Memorandum and Articles of Association of the Company and subject to other applicable statutory provisions, rules, regulations, guidelines and also subject to necessary approvals, consents, permissions and sanctions from the authorities concerned and such terms and conditions as may be imposed by them, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (the "Board", which expression shall include any committee thereof) to sale and transfer the Company's Defense business consisting mainly of the Unattended Ground Sensors (UGSs) to The Tata Power Co. Ltd. ("The Parent Company") as a going concern on a slump sale basis with effect from 1st October 2014 for a consideration of Rs 8.31 crores (Rupees Eight Crores Thirty-One Lakhs Only) on such terms and conditions as may be agreed to by the Board and the Parent Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do and perform or cause to be done or proposed all such acts, deeds, matters and things, as may be required or deemed necessary or incidental thereto and to settle and finalize all issues that may arise in this regard, without further referring to the members of the Company, including without limitation, negotiating, finalizing and executing necessary agreements, memoranda, deeds of assignment/ novation/ conveyance and such other documents as may be deemed necessary or expedient in its own discretion and in the best interest of the Company."

"RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolution are hereby approved, ratified and confirmed in all respect."

2) Transaction with The Tata Power Co. Ltd., being a Related Party for transfer of the Company's Unattended Ground Sensors (UGSs) business as a going concern on a slump sale basis.

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) (the "Act") read with the Rule 15 of the Companies (Meetings of Board and Its Powers) Rules, 2014 made thereunder consent of the members be and is hereby accorded to the Board of Directors of the Company (the "Board", which expression shall include any committee thereof) to enter into an agreement with The Tata Power Co. Ltd. ("The Parent Company") for effecting the sale and transfer of the Company's Defense business consisting mainly of the Unattended Ground Sensors (UGSs) as a going concern on a slump sale basis with effect from 1st October 2014 for a consideration of Rs 8.31 crores (Rupees Eight Crores Thirty-One Lakhs Only).

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do and perform or cause to be done or proposed all such acts, deeds, matters and things, as may be required or deemed necessary or incidental thereto and to settle and finalize all issues that may arise in this regard, without further referring to the Members of the Company, including without limitation, negotiating, finalizing and executing necessary agreements, memoranda, deeds of assignment/ novation/ conveyance and such other documents as may be deemed necessary or expedient in its own discretion and in the best interest of the Company.

"RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolution are hereby approved, ratified and confirmed in all respect."

3) Transfer of the Company's Managed Services business ("E-Surveillance business") to Securens Systems Pvt. Ltd. as a going concern on a slump sale basis

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) (the "Act") read with Companies (Management and Administration) Rules, 2014 and the provisions of the Memorandum and Articles of Association of the Company and subject to other applicable statutory provisions, rules, regulations, guidelines and also subject to necessary approvals, consents, permissions and sanctions from the authorities concerned and such terms and conditions as may be imposed by them, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (the "Board", which expression shall include any committee thereof) to sale and transfer Company's Managed Services ("E-Surveillance business") to Securens Systems Private Ltd. ("SSPL") as a going concern on a slump sale basis with effect from 1st April, 2015 for a consideration of Rs 2.10 crores (Rupees Two Crores Ten Lakhs Only) on such terms and conditions as may be agreed to by the Board and SSPL."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do and perform or cause to be done or proposed all such acts, deeds, matters and things, as may be required or deemed necessary or incidental thereto and to settle and finalize all issues that may arise in this regard, without further referring to the members of the Company, including without limitation, negotiating, finalizing and executing necessary agreements, memoranda, deeds of novation/assignment/conveyance and such other documents as may be deemed necessary or expedient in its own discretion and in the best interest of the Company.

"RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolution are hereby approved, ratified and confirmed in all respect."

By Order of Board of Directors

Girish Kirinde
Company Secretary

Date: 28th April, 2015.

Notes:

1. The Notice and Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 setting out material facts is annexed hereto. This alongwith the Postal Ballot Form is being sent to members:
 - (a) whose names appeared as Beneficial Owners as at the end of business hours on 8th May, 2015 in the list of Beneficial Owners furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in dematerialized form; and
 - (b) whose names appeared as Members in the Register of Members of the Company on 8th May, 2015 in respect of shares held in physical form.
2. As per Section 110 of the Act, read with Rule 22 of the Companies (Management and Administration) Rules, 2014, Notice of Postal Ballot may be served on the Members, inter-alia, through electronic means. Members who have registered their e-mail IDs with depositories or with the Company, are being sent this Notice of Postal Ballot by e-mail and the members who have not registered their e-mail IDs will receive Notice of Postal Ballot alongwith Postal Ballot Form through post/courier. Members who have received Postal Ballot Notice by e-mail and who wish to vote through physical Form may download the Form attached in the email or from the link www.evoting.nsdl.com or from the 'Investor Relations' section on the Company's website www.nelco.in and send the duly completed and signed form to the Scrutinizer on or before 19th June, 2015.

Explanatory Statement pursuant to Section 102(1) of the Companies Act 2013

Item No. 1 and 2: The Board of Directors of Nelco Limited the "Company") at its meeting held on 28th January 2015 approved, subject to approval by the members and other requisite approvals, to transfer the Company's Defense business consisting mainly of the Unattended Ground Sensors (UGSs) to The Tata Power Co. Ltd. (TPC) ("The Parent Company") as a going concern on a slump sale basis with effect from 1st October 2014 for a consideration of Rs 8.31 crores (Rupees Eight Crores Thirty-One Lakhs Only).

The Automation and Control segment of the Company includes UGS business. Over the period, this business had gone through multiple changes. The Company had a License agreement with an USA based Technology Partner to supply the UGS System to Ministry of Defense (MoD). This license agreement expired in the year 2007. The Company supplied UGS systems to MoD during the year 2002-07 with an obligation to supply spares for this system for a period of 20 years from the date of last supply. The Company did not get any new order for supply of UGS system since 2007 except the orders for supply of spares. The Company however, could renew its license with the Technology Partner in January 2014 till 2029 for a limited purpose of manufacturing spares.

The Company continued to suffer loss in this business mainly due to uncertainty and lumpy orders for spares that too when received were of lower value, long gestation period to manufacture spares, high fixed costs to maintain a separate manufacturing facility (organization) and infrastructure that too as per the stringent quality and compliance requirements of MoD. Hence, as a part of the business strategy the Board of Directors decided to sell off this business, subject to various approvals under the applicable laws.

The Company approached various parties within and outside the Tata Group for buying this business at a competitive price. Except The Tata Power Co. Ltd., (TPC), the Parent Company, no other party showed interest. The Strategic Engineering Division (SED) of TPC deals with and supplies to MoD. As such, acquiring of UGS business of the Company is synergic to their strategy. This being an add on business to SED, they will not need to have a standalone separate organization, unlike the Company. Further, with larger operations, SED will be in a better position to predict demand and optimize the utilization of operational efficiencies and manage working capital better. The Company received an offer from TPC at a price which was based on valuation by an independent Valuer appointed by them. Further, the said valuation was also vetted by independent Valuer appointed by the Company. Being a related party transaction the Audit Committee considered various aspects and parameters based on which it was of the view that the proposed transaction meets the test of Related Party Transaction and recommended the same for the approval of the Board.

As per explanation to section 180(1)(a) of the Companies Act, 2013 ("Act"), the UGS business may be deemed to be an Undertaking of the Company and hence consent of the members would be required by way of a Special Resolution to transfer the said UGS business. In terms of the provisions of Section 110 of the Act read with Companies (Management and Administration) Rules, 2014 the approval of the members has to be obtained, mandatorily through a Postal Ballot process.

Members of the Company are further requested to note that as per Section 188(1) of the Act read with Rule 15(3)(a)(ii) of the Companies (Meetings of Board and Its Powers) Rules, 2014 made thereunder requires, any transaction entered into between related parties for selling or otherwise disposing of, or buying property of any kind, where the amount involved exceeds Rs 100,000,000 (Rupees One Hundred Crores) or 10% of the net worth, whichever is lower, to be approved by the members of the Company by way of a special resolution.

The Tata Power Co. Ltd. being the Parent Company of the Company is a related party of the Company as defined under section 2(76) of the Act. Since the sale value of the UGS business exceeds 10% of the net worth of the Company, the prior approval of the the members of the Company by way of a special resolution is necessary.

The third proviso to section 188(1) of Act states that section 188(1) of the Act shall not apply to any transaction entered into by the Company in its ordinary business, on an arm's length basis. Accordingly, even though the proposed transaction and the sale and transfer of the business undertaking comprising the Company's Defense business consisting mainly of the UGSs to the Parent Company is to be entered on an arm's length basis, (based on the valuation arrived at by an independent valuer appointed by the Company), since this transaction could be construed as being outside the ordinary course of business, the approval of the members of the Company under section 188 of the Act is being sought by way of a Special Resolution as set out at item no. 2 for the business transfer transaction.

The Tata Power Co. Ltd. and its Wholly Owned Subsidiary Aftaab Investments Co. Ltd. who are the Members of the Company and being Related Parties and interested parties shall not be entitled to vote on the resolution at item no. 1 and 2.

Except Mr. S.Ramakrishnan, Director of the Company and retired Executive Director & CFO of The Tata Power Co, Ltd., none of the other Directors and/or any Key Managerial Personnel of the Company and/or their relatives is concerned or interested in these Resolutions at item no 1 & 2.

Additional information required to be disclosed pursuant to Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014:-

- (a) Name of the Related Party : The Tata Power Co.Ltd. Parent Company which alongwith its Wholly Owned Subsidiary viz. Aftaab Investments Co. Ltd. holds 50.08% shareholding of Nelco Ltd.
- (b) Name of the Director or Key Managerial Personnel who is related, if any : Mr. S.Ramakrishnan, Director of the Company and retired Executive Director & CFO of The Tata Power Co. Ltd.
- (c) Nature of Relationship : Nelco Ltd. is a subsidiary of The Tata Power Co. Ltd.
- (d) Nature, Material Terms, Monetary Value and Particulars of the contract or arrangement :
The proposed transaction is for sale and transfer of Unattended Ground Sensors Business of the Company to The Tata Power Co. Ltd., Purchaser, a Parent Company, with effect from 1st October, 2014 as going concern on a slump sale basis for a lump sum consideration of Rs. 8.31 crores.
- (e) Any other information relevant or important for the members to take a decision on the proposed resolution:

All important information forms part of the Statement setting out Material Facts pursuant to Section 102(1) of the Companies Act, 2013 which have been mentioned in the foregoing paragraphs.

The Board is of the opinion that the aforesaid Resolutions at item no. 1 and 2 are in the best interest of the Company and its members and hence, recommends for your approval.

Item No. 3: The Board of Directors of Nelco Limited (the "Company"), at its meeting held on 18th March, 2015 approved, subject to approval by the Members and other requisite approvals, the offer received to transfer Company's Managed Services business("E-Surveillance business") to Securens Systems Pvt. Ltd. ("SSPL") as a "going concern" on a "slump sale" basis with effect from 1st April, 2015 at an Enterprise Value of Rs 210 lakhs (Rupees Two Hundred and Ten Lakhs Only).

Managed Services offered by the Company currently cater to the remote monitoring of Security & Surveillance and Energy Management for a variety of market segments. In India these services are still in its early stages. These services have so far been adopted only by the Banking sector, although this had the potential for other sectors as well. In the Banking sector also the services have been restricted mainly to the ATMs. While the scope in the Branches is much broader as compared to the ATMs, very few banks have deployed or are planning to deploy in their Branches so far. The other sectors have not yet shown any significant inclination for adopting these services and the Company believes that even if they do, it would take a few more years to become a main-stream market. Further, intense competition from start-up organizations is reducing the margins in the business. Overall the Company finds the market opportunity not in line with its growth objectives.

Considering the above, the Company decided to exit this business and focus on its core businesses. It found a suitable buyer for the business viz SSPL, which is one of the leading players in this business. Moreover, SSPL also provides the services to the major customers being served by the Company with these services. This would ensure that the needs of the customer of the Company would be adequately taken care of.

As per explanation to section 180(1)(a) of the Companies Act, 2013 ("Act"), the MS business may be deemed to be an Undertaking of the Company and hence consent of the members would be required by way of a Special Resolution to transfer the said business to SSPL. In terms of the provisions of Section 110 of the Act read with Companies (Management and Administration) Rules, 2014 the approval of the members has to be obtained, mandatorily through a Postal Ballot process. Accordingly, the special resolution as proposed at item no. 3 is to seek consent of the Members.

None of the Directors and/or any Key Managerial Personnel of the Company and/or their relatives is concerned or interested in this Resolution.

The Board is of the opinion that the Resolution at item no. 3 is in the best interest of the Company and its members and hence, recommends for your approval.

By Order of Board of Directors

Date: 28th April, 2015.

Girish Kirkinde
Company Secretary

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