

1st September, 2017

BSE Limited Corporate Relationship Dept. 1 st Floor, New Trading Ring Rotunda Building, P. J. Towers, Fort, <u>Mumbai – 400 001.</u> BSE:504112	National Stock Exchange of India Limited 5 th Floor, Exchange Plaza, Plot No.C-1, Block “G” Bandra Kurla Complex Bandra (East) <u>Mumbai – 400 051</u> NSE:Nelco EQ
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Sub: Disclosure under Regulation 30 of SEBI (LODR) Regulations, 2015 read with SEBI Circular No.CIR/CFD/CMD/4/2015 dated 9th September 2015

In compliance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No.CIR/CFD/CMD/4/2015 dated 9th September 2015, this is to inform that :

Based on the recommendations of the Audit Committee of the Board and pursuant to the provisions of section 230 to 232 read with sections 13, 14 and 61 and other applicable provisions of the Companies Act, 2013 ('Act') and the Rules made there under and subject to the requisite approvals, sanctions and confirmation from the shareholders and the creditors of the Company, Securities and Exchange Board of India ("SEBI"), BSE Limited ("BSE"), the National Stock Exchange of India Limited ("NSE"), National Company Law Tribunal ("NCLT") or such other regulatory authority(ies) as may be applicable, the Board of Directors of Nelco Ltd. has approved at its meeting held on 1st September, 2017:

- (i) the transfer by way of slump sale on a going concern basis for a lump sum consideration to its wholly owned subsidiary, Nelco Network Products Ltd. (NNPL) of the following:
 - (a) Integrated Security and Surveillance solutions ("ISSS") business; and
 - (b) Very Small Aperture Terminals ("VSAT") hardware business and allied services consisting of network management, project management, infrastructure services, turnkey solutions for satellite communication systems, and co-location services to all customers other than to its wholly owned subsidiary Tatanet Services Ltd. ("TNSL"); and
- (ii) the amalgamation of TNSL with Nelco Ltd.



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A TATA Enterprise

The Scheme will take effect from the Appointed Date viz., 1st April, 2017.

Currently, TNSL provides VSAT communication service under the commercial VSAT service provider license issued by Department of Telecommunication ("DOT"). Nelco Ltd. inter alia sells and maintains VSAT equipment and operates the TNSL network based on a contract with TNSL. The rationale for the Scheme of Arrangement & Amalgamation is mentioned below:-

- a) TNSL's revenue comes from sale of VSAT communication services, majority of which is recurring in nature. On the other hand, the revenue earned by Nelco Ltd. is partially from recurring services of hardware maintenance but mainly from one time sale of hardware including VSAT equipment.
- b) The organizational and operational structure would be simplified on completion of the Arrangement and Amalgamation with the VSAT communication service business vesting in Nelco, the flagship listed parent entity and the related hardware business vesting in NNPL. This would result in the recurring revenue from VSAT communication service being in Nelco and the revenue from sale of hardware including VSAT equipment being in NNPL.
- c) The enhanced net worth of Nelco Ltd. after the Arrangement and Amalgamation will improve its ability to bid for larger projects and pursue bigger opportunities.

Details pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015 read with the aforesaid SEBI Circular dated 9th September 2015 are given in Annexure-A attached.

The Board meeting commenced at 3.30 pm and concluded at 6.15 pm on 1st September, 2017.

For Nelco Ltd.



Girish V.

Company Secretary & Head - Legal

Encl: As above.

ANNEXURE – A

Disclosure of information pursuant to regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 read with SEBI Circular No.CIR/CFD/CMD/4/2015 dated 9th September 2015.

a) Name of the entity(ies) forming part of the amalgamation/merger, details in brief such as, size, turnover etc.

The Composite Scheme of Arrangement and Amalgamation (“Scheme”) comprises:

- (i) transfer by Nelco Ltd. by way of slump sale on a going concern basis for a lump sum consideration to its wholly owned subsidiary, Nelco Network Products Ltd. (“NNPL”) of the following:
 - (a) Integrated Security and Surveillance solutions (“ISSS”) business (“Transferred Undertaking 1”); and
 - (b) Very Small Aperture Terminals (“VSAT”) hardware business and allied services consisting of network management, project management, infrastructure services, turnkey solutions for satellite communication systems, and co-location services to all customers other than its wholly owned subsidiary Tatanet Services Ltd. (“TNSL”) (“Transferred Undertaking 2”); and
- (ii) the amalgamation of TNSL with Nelco Ltd.

The Appointed date for the Scheme is 1st April 2017. The details of the assets and turnover of Nelco Ltd. and TNSL are as under:-

Particulars	(Rs.in lakhs)	
	Nelco Ltd. (Amalgamated Company)	TNSL (Amalgamating Company)
Net worth as on 31 st March, 2017	1,492	809
Turnover for the financial year 2016-17	9,818	8,030

b) Whether the transaction would fall within related party transactions? If yes, whether the same is done at “arm’s length”.

The Scheme is between related parties. As per MCA Circular No.30/2014 dated 17th July 2014 transactions arising out of compromises, arrangements and amalgamations dealt with under specific provisions of the Companies Act, 2013 would not attract the requirements of section 188 (Related Party Transactions) of the Companies Act, 2013 with respect to the transaction being at arm’s length.



c) Area of business of the entity(ies) in the Scheme

- i) Nelco Ltd. is inter alia, engaged in the business of providing solutions in the areas of:
 - (a) ISSS business; and
 - (b) VSAT hardware business and allied services consisting of:
 - 1. Network management, project management, infrastructure services, turnkey solutions for satellite communication systems, and co-location services to all customers; and
 - 2. Marketing services, network maintenance and management services for TNSL.
- ii) TNSL is inter alia, engaged in the business of providing VSAT communication services on a pan India basis pursuant to license from Department of Telecommunication ("DOT"). The VSAT communication services use satellite bandwidth as a medium for connectivity. TNSL offers these services to enterprise customers across the various industry verticals as well as to Government customers.
- iii) NNPL is yet to commence any business activity.

d) Rationale for Composite Scheme of Arrangement & Amalgamation

Currently, TNSL holds the license from DOT to provide the VSAT communication service using satellite communication. Nelco inter alia sells and maintains the VSAT equipment and operates the TNSL network based on a contract with TNSL. The rationale of the Scheme of Arrangement & Amalgamation is mentioned below:

- i) TNSL's revenue comes from sale of VSAT communication services, majority of which is recurring in nature. On the other hand, the revenue earned by Nelco Ltd. is partially from recurring services of hardware maintenance but mainly from one time sale of hardware including VSAT equipment.
- ii) The organizational and operational structure would be simplified on completion of the Arrangement and Amalgamation with the VSAT communication service business vesting in Nelco Ltd., the flagship listed parent entity and the related hardware business vesting in its wholly owned subsidiary, NNPL. This would result in the recurring revenue from VSAT communication service being in Nelco Ltd. and the sale of hardware including VSAT equipment revenue being in NNPL.
- iii) The enhanced net worth of Nelco Ltd. after the Arrangement and Amalgamation will improve its ability to bid for larger projects and pursue bigger opportunities.



e) In case of cash consideration – amount or otherwise share exchange ratio

- i) The entire paid up share capital of TNSL fully held by Nelco Ltd. and its nominees shall stand cancelled in its entirety. Nelco Ltd. will not be required to issue and allot any shares as Nelco Ltd. and its nominees are themselves the only shareholders of TNSL.
- ii) The lump sum cash consideration from NNPL to Nelco Ltd. for the transfer of Transferred Undertaking 1 & Transferred Undertaking 2 by way of a slump sale as a going concern pursuant to the Scheme is Rs.10.08 crores and Rs.15.83 crores respectively.

f) Details of change in Shareholding Pattern

There will be no change in the shareholding pattern of Nelco Ltd. and NNPL pursuant to the Scheme. The equity shareholding of Nelco Ltd. in TNSL will be cancelled after the Scheme is effective.

g) Brief details of division to be demerged/transferred

Transferred Undertaking 1 comprises the ISSS business.

Transferred Undertaking 2 comprises the VSAT hardware business and allied services consisting of network management, project management, infrastructure services, turnkey solutions for satellite communication systems, and co-location services to all customers other than to its wholly owned subsidiary TNSL.

h) Turnover of the demerged / transferred division

Particulars	Transferred Undertaking 1	Transferred Undertaking 2
Turnover for the financial year 2016-17	Rs.394 lakhs	Rs. 5,976 lakhs
Percentage to the total turnover in immediately preceding financial year 2016-17	4.40%	66.85%

i) Whether Listing would be sought for the transferee – No.

j) Amendments to memorandum and articles of association

- i) Main Object Clause:- Under the Scheme, main object clause of the Memorandum of Association of Nelco Ltd. shall be altered to include the objects as required for the purpose of carrying on the business activities of TNSL post merger. Accordingly the main object clause of the Memorandum of Association of Nelco Ltd. shall be altered and the following clause shall be inserted after Clause III (1-F) of the Memorandum of Association of Nelco Ltd.



“(1-G) To carry on in India and elsewhere, either on its own or in alliance with any other Person/Body/Bodies Corporate incorporated in India or abroad either under strategic alliance or Joint Venture or any other arrangement the business of establishing, setting, arranging, undertaking, consulting, advising, managing, planning, designing, operating, promoting, organizing, conducting, observing, controlling, customizing, providing, selling, letting on hire, taking and giving on lease, installing, maintaining, producing, modifying, to provide communication services including VSAT based satellite and broadband communication services including Maritime and Aeronautical Communication Services and such other domestic/ international telecommunications services as are in use elsewhere or to be developed in future, to plan, establish, develop, provide, operate and maintain telecommunications systems and networks within India or outside India as are found necessary for domestic and international telecommunications, digital satellite news gathering services, internet protocol television, digital signage, domestic and international data gateway networks, data transmission, telematics, video conferencing, streaming video, digital video broadcast, distance learning, digital transmission, telemedicine, high speed internet, virtual private network services, beaming to single / multi screen cinema, up linking of TV signals, teleport services, Internet services, systems and connectivity with telephone network using telephone, satellites and transponders, Voice-over-Internet Protocol (VOIP), Broadband internet wireless, data and hosting services, Cyber shops, cyber classrooms, internet kiosks, E-mail services and Data-storage, server & storage co-location, data analytics and data processing related activities, leased lines, Multi Protocol Label Switching (MPLS) services, cloud based services and other allied services.

- ii) Capital Clause in Memorandum and Articles of Association:- Under the Scheme the authorized share capital in Clause V of the Memorandum of Association and Article 5 of the Articles of Association of Nelco Ltd. shall stand altered from Rs. 50.00 Crores to Rs. 55.00 Crores pursuant to the merger of TNSL with Nelco Ltd.

