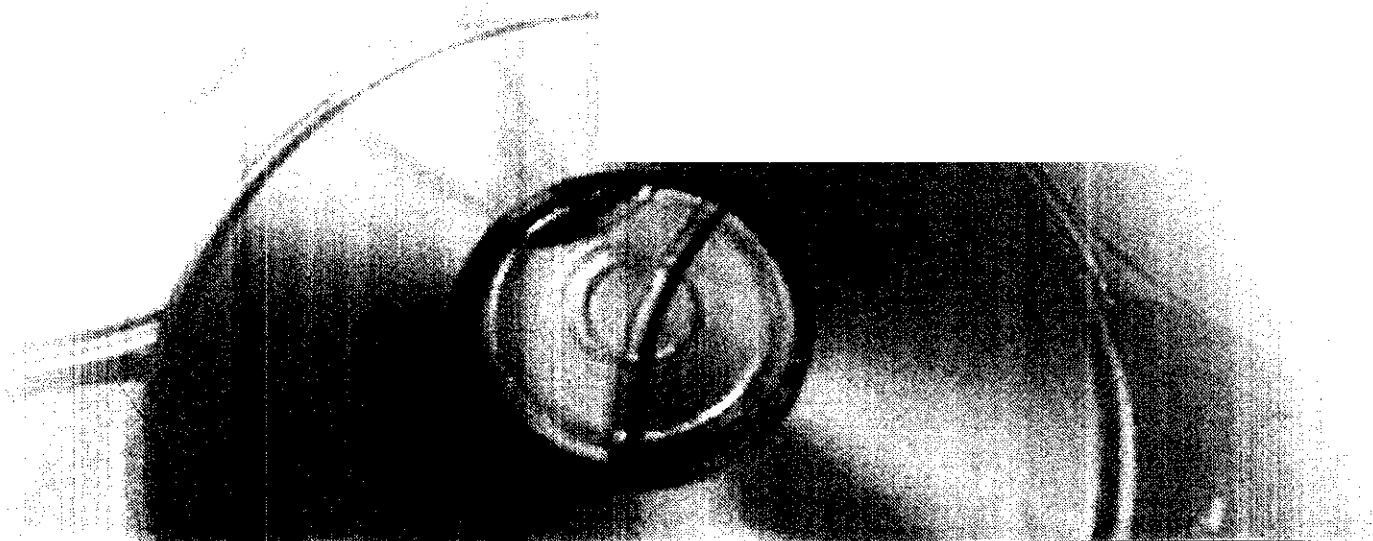


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NELCO

L I M I T E D



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NELCO LIMITED

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Chairman Emeritus :	R. N. Tata
Board of Directors :	K. M. Gherda (Chairman)
	Virendra Singh
	J. K. Setna
	B. B. Dubash
	C. R. Vevaina
	D. J. Fernandes (Executive Director)
	K. A. Mahashur (Executive Director)
	Z. J. Engineer (Executive Director)
	(w.e.f. 1-6-2000)
Company Secretary :	S. B. Mule
Bankers :	Bank of India, Mumbai
	Allahabad Bank, Mumbai
	Union Bank of India, Mumbai
	Credit Agricole Indosuez, Mumbai
	ABN Amro Bank N.V., Mumbai
Solicitors :	Mulla & Mulla and Craigie, Blunt & Caroe
Auditors :	N. M. Rajji and Company, Mumbai
Registered and Head Office :	Mahakali Caves Road, Chakala, Andheri (East), Mumbai 400 093
Share Registrars :	Tata Share Registry Limited, Army & Navy Building, 148, Mahatma Gandhi Road, Mumbai 400 001. Tel.: 2873831 Fax: 2844160 Website: www.tata.com/tsrl

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Notice

THE FIFTY-EIGHTH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Friday, 11th August 2000 at 4.00 p.m. at Bombay House Auditorium, 24, Homi Mody Street, Mumbai - 400 001 to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit & Loss Account for the year ended 31st March 2000 and the Audited Balance Sheet as at that date.
2. To appoint a Director in place of Mr. J.K. Setna, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. C.R. Vevaina who was appointed a Director of the Company by the Board of Directors with effect from 30th July 1999 to fill the casual vacancy caused due to the resignation of Mr. Zubin Dubash and who holds office under Section 262 of the Companies Act, 1956 up to the date of the Annual General Meeting but who is eligible for reappointment, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director under the provisions of Section 257 of the Act.
4. To appoint a Director in place of Mr. Z. J. Engineer, who was appointed an Additional Director of the Company by the Board of Directors with effect from 1st June 2000 pursuant to Article 125 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956, holds office up to the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director under Section 257 of the Act.
5. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution: -

"RESOLVED THAT in accordance with the provisions of Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the appointment and terms of remuneration of Mr. Z. J. Engineer, Whole-time Director of the Company for a period of five years with effect from 1st June 2000 upon the terms and conditions set out in the draft Agreement submitted to this Meeting and for identification signed by the Chairman, which Agreement is specifically sanctioned with liberty to the Board of Directors to enhance, alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board of Directors and Mr. Z. J. Engineer".

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

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Directors of the Company for the creation of a legal mortgage on its immovable property situate in the Village limits of Mulgaon and Chakala within the limits of the Municipal Corporation of Greater Mumbai, Taluka Andheri and Sub-district and registration at Taluka Andheri, Mumbai bearing survey nos.238E and Survey No.8C in the State of Maharashtra in favour of ICICI Limited, Bank of India, Allahabad Bank, Union Bank of India, ABN Amro Bank, Credit Agricole Indosuez, The Zoroastrian Co-operative Bank Limited and Tata Finance Limited being the Trustees for the Debentureholders (hereinafter referred to as "the Lenders") to secure the due repayment, discharge and redemption by the Company to :-

1. ICICI Limited (ICICI) Rupee Term Loan	-	Rs. 500.00 lacs.
2. Bank of India of its fund/non-fund based working capital facilities.	-	Rs. 6210.00 lacs.
3. Allahabad Bank of its fund/non-fund based working capital facilities.	-	Rs. 5418.00 lacs.
4. Union Bank of India of its fund/non-fund based working capital facilities.	-	Rs. 1392.50 lacs.
5. ABN Amro Bank of its fund/non-fund based working capital facilities.	-	Rs. 376.25 lacs.
6. Credit Agricole Indosuez of its fund/non-fund based working capital facilities.	-	Rs. 1126.30 lacs.
7. Tata Finance Limited being Trustees for the Debentures Holders	-	Rs. 500.00 lacs.
8. The Zoroastrian Co-operative Bank Limited.	-	Rs. 180.00 lacs.

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together with interest additional interest, further interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other monies, payable under the Loan Agreement/Letters of Sanction/Memorandum of terms and conditions as amended from time to time.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the lenders the agreements, deeds, documents for creating the mortgage and/or charge as aforesaid and to accept or make any alterations/variations to the terms and conditions and to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to this Resolution".

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

"RESOLVED THAT in supersession of Resolution No.2 passed at the Extraordinary General Meeting of the Company held on 26th March 1993 and pursuant to the provisions of Section 293(l)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company borrowing from time to time any sum or sums of moneys for the purpose of the business of the Company which, together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose; provided that the aggregate amount of moneys so borrowed by the Board and outstanding at any time shall not exceed Rs. 250 crores "

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

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions if any of the Companies Act, 1956, and subject to such approvals as may be necessary, the Company hereby sanctions the provision of securities by the Board of Directors of the Company in connection with a loan or loans made by any other person to or to any other person by, any body corporate, notwithstanding that the securities provided together with the Company's existing loans, investments, guarantees and securities will exceed the limits prescribed in the said Section and that the Board is hereby authorised to provide securities not exceeding at any time, the sum of Rs 65 crores ".

9. To appoint Auditors and fix their remuneration.

NOTES

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (b) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in respect of the business under item nos.3 to 8 set out above is annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 11th July 2000 to Friday, 4th August 2000 (both days inclusive).
- (d) 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.

By Order of the Board of Directors,

S. B. Mule
Company Secretary

Mumbai - 12th June 2000
Registered Office
Mahakali Caves Road,
Chakala,
Andheri (East),
Mumbai - 400 093

Explanatory Statement

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned in Item nos.3 to 8 of the accompanying Notice dated 12th June, 2000.

Item No. 3

Mr. C.R. Vevaina was appointed a Director of the Company, liable to retire by rotation with effect from 30th July 1999 to fill the casual vacancy caused by the resignation of Mr. Zubin Dubash. Under Section 262 of the Companies Act, 1956, Mr. C.R. Vevaina holds office until the date upto which Mr. Zubin Dubash, in whose place he was appointed would have held office, namely, till the date of the forthcoming 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. Vevaina as a Director of the Company. Mr. Vevaina is a Chartered Accountant and is a Vice President of Tata Electric Companies. It is in the interest of the Company to continue to avail of the expertise and guidance of Mr. C. R. Vevaina.

Item Nos. 4 and 5

Mr. Z. J. Engineer was appointed an Additional Director of the Company with effect from 1st June 2000 by the Board of Directors. Pursuant to Section 260 of the Companies Act, 1956, Mr. Engineer holds office upto the date of the forthcoming Annual General Meeting. Notice under Section 257 of the Act has been received from a Member signifying his intention to propose the appointment of Mr. Engineer as a Director of the Company. Mr. Engineer is Technically Qualified and been with the company for more than 20 years. In view of Mr. Engineer's experience and knowledge of the electronics industry and his association with the Company, it is desirable that the Company should continue to avail of his experience and guidance.

The Board has appointed Mr. Z. J. Engineer a Whole-time Director of the Company and designated him Executive Director of the Company for a period of five years from 1st June 2000 on the following main terms and conditions:-

1. REMUNERATION :

(a) Salary :-

A salary of Rs. 55,000/- per month in the scale of Rs.30,000 — Rs.80,000 with effect from 1st June 2000 with authority to the Board to fix the salary within this scale from time to time. The annual increments will be merit based and take into account the Company's performance.

(b) Perquisites and Allowances :-

- (1) In addition to the salary the Whole-time Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses/allowances for utilities such as gas, electricity, water, furnishings, repairs, servants salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for himself and his family; club fees, etc., and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to between the Board of Directors and the Whole-time Director such perquisites and allowances will be subject to a maximum of 125% of his annual salaries.
- (2) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost. Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.

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- (3) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act; Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(c) Personal Performance Allowance: -

In addition to salary, perquisites and allowances the Company may pay such personal performance allowance as may be determined by the Board of Directors or Committee thereof.

(d) Minimum Remuneration: -

During the currency of the tenure of the Whole-time Director if in any financial year the Company has no profit or its profits are inadequate, the Company will pay the Whole-time Director the salary and perquisites as mentioned above and personal performance allowance as may be determined by the Board or Committee of Directors.

2. The Whole-time Director so long as he functions as such undertakes not to become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company in future without the prior approval of the Central Government and this Agreement shall cease and determine upon the contravention of this undertaking.
3. The Whole-time Director shall not be entitled to supplement his earnings with any buying or selling commissions.
4. The Whole-time Director is being appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Companies Act, 1956.
5. If at any time the Whole-time Director ceases to be a Director of the Company for any cause whatsoever, he shall also cease to be Whole-time Director in terms of the Agreement and the Agreement shall forthwith terminate.
6. If at any time the Whole-time Director ceases to be a Whole-time Directors for any cause whatsoever, he shall also cease to be a Director of the Company.
7. The terms and conditions of the said appointment and/or Agreement may be enhanced, altered or varied by the Board of Directors, as it may in its discretion deem fit within the maximum amounts payable to whole-time directors in accordance with Schedule XIII to the Companies Act, 1956 or any amendments made hereafter in this regard.
8. The Agreement may be terminated by either party by giving to the other party six months' notice or the Company paying six months' remuneration in lieu thereof.

The draft Agreement between the Company and Mr. Zal Jehangir Engineer is available for inspection by Members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

Mr. Z. J. Engineer is concerned or interested in Resolution at item No. 5 of the Notice.

This may also be treated as an abstract of the draft of the Agreement and terms of appointment of Mr. Z. J. Engineer pursuant to Section 302 of the Companies Act, 1956.

The Board commends the Resolution for acceptance by the Members.

Item No. 6

The Company has from time to time borrowed funds from ICICI Limited and Banks to meet its requirements of capital expenditure and working capital. The Company has also issued 15.75% Secured Redeemable Non-Convertible Debentures on Private Placement basis for replacement of loans with lower rates of interest. The lenders have requested the Company to create a legal mortgage on its immoveable property in the Village limits of Mulgaon and Chakala in the Taluka Andheri to secure the amounts sanctioned by them.

The terms and conditions of the sanction letters from the Banks and Debenture Trust Deed does not contain power to the lenders to take over the management of the Company in certain events. As the terms

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and conditions of the term loan from ICICI Limited confers the power to the lender to take over the management of the Company in certain events, approval, ratification and confirmation of the Company in general meeting is requested pursuant to the provisions of Section 293(l)(a) of the Act to the creation of the said mortgage/charge.

The Board commends the Resolution for acceptance by the Members.

Item No. 7

Under Section 293(l)(d) of the Companies Act, 1956 the Board of Directors cannot except with the consent of the company in general meeting, borrow moneys (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

At the Extraordinary General Meeting of the Company held on 26th March 1993 the Members had authorised the Board of Directors to borrow moneys not exceeding Rs.175 crores. Having regard to the increase in the Company's business and operations, It may become necessary from time to time to raise additional finances from various sources and the Directors therefore consider that the borrowing limits should be increased from Rs.175 crores to Rs 250 Crores (apart from temporary loans obtained from the Company's bankers in the Ordinary course of business).

In the circumstances the sanction of the shareholders under Section 293(l)(d) of the Act, is being requested to enable the Directors to borrow moneys to the extent of Rs.250 crores in supersession of the earlier Resolution passed in March 1993 as set out in the Resolution.

The Board commends the Resolution for acceptance by the Members.

Item No. 8

Under Section 372A of the Companies Act, 1956, the Company can make a loan, invest, give any guarantee, or provide security in connection with a loan made by any other person to, or to any other person by, any body corporate upto 60% of its paid up share capital and free reserves or 100% of its free reserves, whichever is more. However, the aggregate of the loans or investments made or guarantees given or securities provided can only exceed the aforesaid limits with the prior approval of the shareholders by a Special Resolution passed at a General Meeting.

The Company has provided title deeds of its property at Andheri as collateral security to Housing Development Finance Corporation Limited (HDFC) for covering loan facilities aggregating to Rs.35.50 crores granted by it to Tata Housing Development Company Limited (THDC) which is assisting the Company in developing that property. To cover this and future securities as and when they are required to be given in respect of loans to be obtained by THDC, it is consider advisable and necessary to obtain the approval of the Members by a Special Resolution giving the necessary authority to the Board of Directors to provide securities upto an aggregate limit of Rs. 65 crores at any one time as set out in the Resolution.

Mr. J. K. Setna a Director of your Company is also Chairman of Tata Housing Development Company Limited and as such he may be deemed to be considered interested in the Resolution.

The Board commends the Resolution for acceptance by the Members.

By Order of the Board of Directors,

S. B. Mule
Company Secretary

Mumbai – 12th June 2000
Registered Office
Mahakali Caves Road,
Chakala,
Andheri (East),
Mumbai – 400 093

NELCO LIMITED**Directors' Report****To the Members**

The Directors present their Fifty-Eighth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2000

1. FINANCIAL RESULTS

The summarised financial results are indicated below :

	(Rupees in Lakhs)	
	For the year Ended 31.3.2000	For the year Ended 31.3.1999
Sales and other Income	11721.55	11674.81
Profit for the year after Depreciation	439.73	458.72
Less : Payments to Employees under Voluntary Retirement Schemes	— 269.55	— 271.97
Profit before tax	170.18	186.75
Provision for tax	55.00	68.79
Profit after tax	115.18	117.96
Add : (a) Balance brought forward from last year	239.81	258.32
(b) Transfer from Investment Allowance Reserve ..	2.59	32.28
(c) Transfer from Debenture Redemption	43.75	—
Reserve		
Balance available for appropriation	401.33	408.56
Less : (a) Transfer to Debenture Redemption Reserve	—	43.75
(b) Transfer to General Reserve	125.00	125.00
Balance carried to Balance Sheet	276.33	239.81

2. INDUSTRIAL SYSTEMS

- 2.1 The Group has concluded a major contract for supply of Unattended Ground Sensors (UGS) to the Indian Army, for deployment at strategic locations. The value of the contract which is in excess of Rs. 70 crores plus taxes and duties covers supply of 324 sets in the first phase to be executed over 21 months.

Further orders are expected since the defence requirement is several times this value over the next 3 years. The manufacturing of the products is to be undertaken at the Company's Mahape facilities based on the technology from Eagle/Telronics of USA.

- 2.2 The group continues to hold its prominence in the field of SCADA Systems. The supply of SCADA / EMS system for Southern Region against the order from Power Grid Corporation of India Ltd was completed during this year.
- 2.3 The requirement of 6000 HP traction converters (AC Drives), auxiliary converters and vehicle (control) electronics for the 3-

Phase state-of-the-art locomotive for the Chittaranjan Locomotive Works (CLW) of Indian Railways are being executed as an OEM supplier. The locally manufactured traction converters have been approved by CLW. These are required on a regular basis, which should lead to steady orders from them. Other traction requirements (Arno 3 phase / converters) are also being addressed for which initial orders have been secured from the Indian Railways.

- 2.4 In the field of Drives and Automation the sluggishness in the Steel sector had an adverse impact on the order booking for large drive systems projects. However, there has been growth in the energy conservation AC drive systems based on Hitachi products and technology.
- 2.5 The Real time software contracts are also being secured and executed for important applications including the container Port Automation, the new state-of-the-art locomotives, Factory Automation, SCADA etc. This activity is expected to grow rapidly.

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3. INFORMATION TECHNOLOGY :

- 3.1 During the year under review the VSAT division of the group repositioned its business strategy taking into account the availability of new technology such as DAMA and Frame Relays coupled with appropriate cost effective solutions to the Customers. It executed a major order from Tata Steel for installation of high-end DAMA VSAT Systems.

4. DEVELOPMENT OF LAND AT ANDHERI :

- 4.1 The construction of the first Phase (major part) Technopolis Knowledge Park (TKP) being developed at Andheri with the assistance of Tata Housing Development Company Limited (THDC) was completed during the year.
- 4.2 The Company had expected higher sales in Technopolis Knowledge Park at Andheri and expected to sell more in the year under review. But, unfortunately estate prices had fallen. The outlook is now improving.
- 4.3 During the year the Company itself made an investment of Rs. 181 Lakhs in the Technopolis Knowledge Park which was leased to third parties.

5. Y2K COMPLIANCE

- 5.1 The Company had prepared itself for the Y2K with four and a half Star (maximum possible five) rating by Tata Consultancy Services in the assessment for readiness. There were no problems encountered in the Y2K rollover in the Accounting Hardware and Software.

6. FUTURE PROSPECTS

- 6.1 With greater thrust in the new areas of Defence Electronics and CLW – Indian Railways and initial break – throughs already successfully achieved, the company is expected to have steady business for these standard products on a regular basis.
- 6.2 Completion of the restructuring plan including for VRS programme out of the proceeds from sale in Technopolis Knowledge Park is also expected to contribute to improved operational efficiency and profitability.

7. FIXED DEPOSITS

- 7.1 The Company had an aggregate amount of Rs. 661.28 Lakhs as deposits from public, share holders and employees as on 31st March, 2000. These include deposits amounting to Rs. 17.86

Lakhs from 161 depositors which had matured but had neither been claimed nor renewed by depositors as on 31st March, 2000. However, subsequently, Rs. 0.98 Lakhs were claimed by 11 depositors.

8. PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT, 1956 :

- 8.1 Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to the Report.
- 8.2 Pursuant to the requirements of Section 217 (2A) of the Companies Act, 1956 read with the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, a statement giving the required information relating to employees covered by the said Section is also annexed.

9. HEALTH AND SAFETY

- 9.1 No hazardous operations are involved in the manufacturing activities of the Company. Nevertheless, the required focus is provided to continuously monitor and improve the working environment including health and safety.

10. DIRECTORS

- 10.1 The Board subject to the approval of Members in the general meeting appointed Mr. Zal Jehangir Engineer – Vice President of the Company as Executive Director of the Company for a period of five years with effect from 1st June 2000.
- 10.2 During the year Mr. Zubin Dubash resigned from the Board of the Company with effect from 22nd June 1999. The Directors place on record their appreciation of the contribution of Mr. Zubin Dubash during his tenure as Director of the Company.
- 10.3 Mr. C.R. Vevaina a Director of The Andhra Valley Power Supply Co. Ltd. was appointed Director of the Company with effect from 30th July 1999 in the casual vacancy caused due to the resignation of Mr. Zubin Dubash.
- 10.4 ICICI Limited withdrew its Nominee Director Mrs. Madhabi Puri Buch from the Board of the Company with effect from 17th March 2000.

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The Directors place on record their appreciation of the contribution and co-operation of Mrs. Madhabi Puri Buch during her tenure as Director of the Company.

- 10.5 In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. J.K. Setna and Mr. C.R. Vevaina retires by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

11. AUDITORS

- 11.1 Members are requested to appoint Auditors for the current year and fix their remuneration. Messrs. N.M. Rajji & Company, the existing Auditors have confirmed their willingness to continue, if appointed.

12. EMPLOYEE RELATIONS :

- 12.1 The relationship between the employees and the Management has remained co-cordial and

the Directors wish to place on record their appreciation of the operation and Support received from employees at all levels.

13. ACKNOWLEDGEMENTS

- 13.1 The Directors also take this opportunity to acknowledge the support and assistance received from the Company's Bankers and Financial Institutions.

By order of the Board of Directors,

Mumbai, 12th June, 2000

K. M. GHERDA
Chairman

