

# NELCO LIMITED

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60<sup>th</sup> Annual Report  
2001-02

## NELCO LIMITED

### 60th Annual Report 2001-2002

<b>Chairman Emeritus :</b>	R. N. Tata
<b>Board of Directors :</b>	M. N. Bhagwat ( <i>Chairman</i> ) Virendra Singh B. B. Dubash A. J. Engineer F. A. Vandrevalla ( <i>Appointed Addnl. Director w.e.f. 28.5.2002</i> ) K. A. Mahashur ( <i>Executive Director</i> ) Z. J. Engineer ( <i>Executive Director</i> )
<b>Company Secretary :</b>	S. B. Mule
<b>Bankers :</b>	Bank of India, Mumbai. Allahabad Bank, Mumbai. Union Bank of India, Mumbai. Credit Agricole Indosuez, Mumbai. ABN Amro Bank N.V., Mumbai.
<b>Solicitors :</b>	Mulla & Mulla and Craigie, Blunt & Caroe.
<b>Auditors :</b>	N. M. Rajji & Co., Mumbai.
<b>Registered and Head Office :</b>	Mahakali Caves Road, Chakala, Andheri (East), Mumbai - 400 093
<b>Share Registrars :</b>	Tata Share Registry Limited Army & Navy Building, 148, Mahatma Gandhi Road, Mumbai - 400 001. Tel.: 2873831 Fax: 2844160 Website: www.tata.com/tsrl

# NELCO LIMITED

## Notice

THE SIXTIETH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Wednesday, 18th September 2002 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 2002 and the Audited Balance Sheet as at that date.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Mr. B. B. Dubash, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr.F.A.Vandrevale, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th May 2002 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 a Special Resolution:-  
 "RESOLVED that in accordance with the provisions of Sections 269,309,310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves, in partial modification of Resolution No.5 passed at the 57th Annual General Meeting of the Company held on 17th August 1999, the revised terms of remuneration and conditions of the appointment of Mr.K.A.Mahashur, Whole-time Director of the Company, with effect from 1st April 2002, as set out below and in the draft Supplementary Agreement submitted to this meeting and initialed by the Chairman for the purpose of identification, which Supplementary Agreement is hereby specifically sanctioned with liberty to the Board of Directors or a Committee thereof, to alter and vary the terms and conditions of the said appointment and/or Supplementary Agreement in such manner as may be agreed to between the Directors and Mr.K.A.Mahashur".
6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:-  
 "RESOLVED that in accordance with the provisions of Sections 269,309,310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves, in partial modification of Resolution No.5 passed at the 58th Annual General Meeting of the Company held on 11th August 2000, the revised terms of remuneration and conditions of the appointment of Mr.Z.J.Engineer, Whole-time Director of the Company, with effect from 1st April 2002 as set out below and in the draft Supplementary Agreement submitted to this meeting and initialed by the Chairman for the purpose of identification, which Supplementary Agreement is hereby specifically sanctioned with liberty to the Board of Directors or a Committee thereof, to alter and vary the terms and conditions of the said appointment and/or Supplementary Agreement in such manner as may be agreed to between the Directors and Mr. Z. J. Engineer".
7. To appoint Auditors and fix their remuneration.

### NOTES

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT 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 no.4, 5 & 6 set out above and the relevant details in respect of item nos. 3 & 4 above, pursuant to Clause 49 of the Listing Agreement are annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 20th August 2002 to Monday, 16th September 2002 (both days inclusive).
- (d) If the dividend on shares as recommended by the Directors is passed at the meeting, payment of such dividend will be made on and after 11th October 2002 to those Members whose names are on the Company's Register of Members on the 16th September 2002. In respect of Shares held in electronic form, the dividend will be payable to the beneficial owners of Shares as on 19th August 2002 as per details furnished by the Depositories for this purpose.
- (e) No Hand Bags/Parcels of any kind will be allowed inside the Auditorium. The same will have to be deposited outside the Auditorium on the counter provided, at the visitor's own risks.
- (f) 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.

Mumbai, 5th August 2002.  
**Registered Office:**  
 Mahakali Caves Road,  
 Chakala, Andheri (East),  
 Mumbai - 400 093.

By Order of the Board of Directors,  
 S. B. Mule  
 Company Secretary

## Explanatory Statement

As required by Section 173 of the Companies Act, 1956, (hereinafter referred to as "the Act") the following explanatory statement sets out all material facts relating to the business mentioned in item no.4, 5 & 6 of the accompanying Notice dated 5th August 2002.

### Item No.4

The Board of Directors appointed Mr.F.A.Vandrevala as an Additional Director of the Company with effect from 28th May 2002 pursuant to Section 260 of the Companies Act, 1956. Mr. Vandrevala holds Office up-to 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. F.A.Vandrevala as Director of the Company.

Mr.F.A.Vandrevala graduated with a Bachelor of Technology Degree in Electrical Engineering (Hons.) from the Indian Institute of Technology, Kharagpur and subsequently obtained a Postgraduate Diploma in Business Management from XLRI, Jamshedpur.

Mr.F.A.Vandrevala, prior to joining the Tata Power Company Limited, has 29 years experience at Tata Steel. During his career with Tata Steel, he held several responsible positions in the Company and he left Tata Steel as its Deputy Managing Director (New and Allied Businesses). Mr. F.A.Vandrevala attended specialised training programmes abroad like visit to Malcolm Baldrige award winning companies in the USA, Strategic Marketing Management at Harvard Business School, General Management Programme at INSEAD, etc.

Mr.F.A.Vandrevala has held various important positions in CII and also member of many reputed Professional Bodies. In view of Mr.Vandrevala's Academic and Professional Qualifications and wide industrial and Management experience, it is in the interest of the Company to continue to avail of the experience and guidance of Mr.F.A. Vandrevala.

The Board commends the resolution for acceptance by the Members.

### Item Nos. 5 & 6

At the Annual General Meetings of the Company held on 17th August 1999 and 11th August 2000, the members have approved of the re-appointment of Mr. K. A. Mahashur and the appointment of Mr. Z. J. Engineer, as Whole-time Directors of the Company for the tenure of 5 years effective 1st September 1998 and 1st June 2000 respectively, on the terms of remuneration as specified in the explanatory statement annexed to the notice of the respective meetings which inter-alia, include the payment of salary in the scale of Rs.30,000/- -- Rs. 80, 000/- per month.

The Department of Company Affairs has vide notification dated January 16, 2002, amended Schedule XIII of the Act, revising the limits for payment of managerial remuneration by Companies in case of loss or inadequacy of profits in any financial year which, inter alia, requires the Members' approval for payment of managerial remuneration to Managing and Whole-time Directors for a period not exceeding 3 years. Pursuant to the said notification, the remuneration committee at its meeting held on July 30, 2002 revised the terms of payment of remuneration payable to the Whole-time Directors with effect from 1st April 2002 by inter alia revising their salary scale to Rs. 30,000/- -- Rs. 1,00,000/- per month for remainder of the tenure of their respective contracts with authority to the Board/Remuneration Committee to fix salaries within the said scale from time to time.

The revised terms of remuneration of Mr. K. A. Mahashur and Mr. Z. J. Engineer (The Whole-time Directors) as per the draft Supplementary Agreements between the Company and the Whole-time Directors are as follows:-

#### I. Remuneration :

- a) Salary : in the Scale of Rs. 30,000/- -Rs.1,00,000/- per month with authority to the Board, which expression shall include a Committee thereof, to fix their salary within the above scale from time to time. The annual increment will be merit based and take into account the Company's performance.
- b) Personal Performance Allowance: to be paid at the discretion of the Board annually based on performance criteria.
- (c) Perquisites and Allowances: -
  - (i) 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 Director 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 by the Board of Directors and the Whole-time Director such perquisites and allowances will be subject to a maximum of 125% of his annual salary.
  - (ii) 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 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 for the purpose of calculating the said ceiling.
  - (iii) 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 en-cashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

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

The other terms and conditions relating to the appointments of the Whole-time Directors as per their respective agreements with the Company remain unchanged.

Pursuant to Sections 198, 269, 309, 310, 311 and other applicable Provisions read with Schedule XIII of the Act, the terms of remuneration of the Whole-time Directors are now being placed before the Members for their approval.

The draft supplementary Agreements between the Company and the whole time Directors are available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. & 1.00 p.m. on any working day of the Company.

Mr. K. A. Mahashur and Mr. Z. J. Engineer are concerned or interested in Item Nos.5 & 6 of the Notice respectively.

This may be treated as an abstract of the Draft Supplementary Agreements between the Company and the whole time directors, pursuant to Section 302 of the Act.

The Board Commends Resolutions at item No. 5 & 6 for acceptance by the members.

Additional information relevant to the said appointments of Whole-time Directors as per Notification dated January 16, 2002 issued by the Department of Company Affairs is as follows:

### General Information:

- Nature of Industry: Electronics Industry.
- Date or expected date of commencement of commercial production: The Company was incorporated on August 31, 1940 and started commercial production immediately.
- In case of new companies, expected date of commencement of activities as per project approved by financial institution appearing in the prospectus: Not Applicable.
- Financial performance based on given indicators - as per published audited financial results for the 9 months period ended March 31, 2002.
- Export performance and Foreign Exchange earned for the financial year ended 31st March 2002: The Company's earnings in Foreign Exchange were Rs.372.81 lakhs for the financial year ended 31st March 2002.
- Foreign investments or collaborations, if any: Security and Surveillance Technology Transfer from Eagle Telonics, USA.

### Information about the Executive Directors:

- Background details:

Mr. K. A. Mahashur aged 55, holds Master of Technology Degree from IIT, Mumbai. Mr. K. A. Mahashur has wide and varied experience in the Design, Technology, Project Execution and Marketing in the Electronics Industry. Prior to joining the Company, he was with the Tata Power Company Limited, R&D Division as Senior Development Associates (Total Experience 33 years).

Mr. Z. J. Engineer aged 57, is an Associate Member of the Industrial Engineering (AMIE), and he is with the Company for more than 20 years. Mr. Z. J. Engineer has wide and varied knowledge of the Electronics Industry. Prior to joining the Company, he was with the Tata Power Company Limited, R&D Division as Development Assistant (Total Experience 35 years).

- Past Remuneration drawn:

Director	Total (Rs. in Thousands)
During the 9 months period ended 31st March 2002	
Mr. K. A. Mahashur	Rs. 1181
Mr. Z. J. Engineer	Rs. 1047

- Job Profile and suitability:

Mr. K. A. Mahashur is the Executive Director, Industrial Systems Group (ISG) since November 1990, responsible for the Manufacturing, Marketing, Sales and Profitability of the ISG.

Mr. Z. J. Engineer is the Executive Director, VSAT Division since June 1, 2000, responsible for Marketing, Sales and Profitability of the Tatanet Division.

The Executive Directors are responsible for operations and affairs of the Company pertaining to their respective areas. Taking into consideration their qualifications and expertise in relevant fields, the Executive Directors are best suited for the responsibilities currently assigned to them by the Board of Directors.

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## iv) Remuneration proposed:

Salary*	In the scale of Rs. 30,000/- -- Rs. 1,00,000/- per month
Personal Performance Allowance	to be paid at the discretion of the Board or Remuneration Committee, annually based on performance criteria.
Perquisites & Allowances **	Upto 125% of salary
Minimum Remuneration in case of inadequacy of profits during any financial year.	Salary, Perquisites & allowances and Personal Performance Allowance as mentioned above

\* Salary : Mr. K. A. Mahashur — Rs. 65,000/- per month with effect from 1st April 2002.

Mr. Z. J. Engineer — Rs. 58,000/- per month with effect from 1st April 2002.

\*\* Excludes Company's contribution to Provident, Super Annuation, Gratuity Fund and Leave Encashment.

- v) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person: Taking into consideration the size of the Company, the profile of the Whole-time Directors, the responsibilities shouldered by them and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level appointees in other companies.
- vi) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Besides the remuneration proposed, the Whole-time Directors do not have any other pecuniary relationship with the Company and its managerial personnel.

## Other information:

- i) Reasons for loss or inadequate profits: The overall slow down and continuing sluggishness in the economy has adversely affected the industry and the demand remained stagnant. The economic environment has been particularly depressing for those industries which are served by the market. The direct impact of these market conditions has resulted in reduction of new orders in some of the major lines of business of the Company. This resulted in reduced sales and in operating loss of the Company for the 15 months period ended 30th June 2001. This loss was offset by the one time sale of the Company's property.

- ii) Steps taken by the Company to improve performance :

- In the past 2 years the Company has implemented Early Separation Schemes for Officers and Voluntary Retirement Scheme to the Staff & Workmen, so as to right size the organisation which has resulted in reduction of nearly 260 in the workforce of the Company. Further, rationalisation of the workforce is also being looked into for an early implementation. Substantial savings on this account will be seen in the coming years.
- The Company has undertaken several steps to reduce the cost of its borrowings.
- The Company will provide a greater thrust in the new areas of Strategic Electronics and is also exploring opportunities in providing maintenance services, upgrade/retrofit services in the field of security and surveillance electronics.
- The Industrial Division is making effort on several fronts to address the stagnant Industrial Markets with new markets and applications. The Tatanet Division is in the process of implementing its plan for addressing and expanded market with further growth in the VSAT and Satellite Communications areas with the public CUG network licence.

- iii) Expected increase in productivity and profits in measurable terms:

The Sale and other Income for the 9 months period ended March 2002 amounted to Rs. 91.33 Crores with profit after tax of Rs. 1.34 Crores. This performance is a substantial turnaround in the operations of the Company as compared to the previous 15 months period, which included an income from a one time sale of a Company's property.

The Company expects to sustain its improvements in productivity and profits through various majors stated above.

By Order of the Board of Directors,

S. B. Mule  
Company Secretary

Mumbai, 5th August 2002.

**Registered Office:**  
Mahakali Caves Road,  
Chakala, Andheri (East),  
Mumbai – 400 093.

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## Details of the Directors seeking Appointment/ Re-appointment in the forthcoming Annual General Meeting.

(In Pursuance of Clause 49 (VI) (A) of the Listing Agreement)

Name of Director	Mr. B.B.Dubash	Mr.F.A.Vandrevala
Date of Birth	29th October 1936	17th October 1950
Date of Appointment	6th December 1985	28th May 2002
Expertise in Specific functional Areas	Mr.Dubash has varied experience in Shipping, stevedoring and General Management.	Mr.Vandrevala has had a career spanning 29 years at Tata Steel Where he held several responsible Positions from being a Superintendent at the Company's Bar Forging Mill, Tyre Mill and Rolling Mill Progressing to being General Manager (Prodn.) Vice President (Raw Materials) and finally to being Executive Director (marketing & Sales) on the Company's Board. He left Tata Steel at its Dy. Managing Director (New & Allied Businesses). He has demonstrated outstanding leadership skills through hands-on practice in diverse business areas.
Qualifications	B.Com	Bachelor of Technology Degree in Electrical Engineering (Hons.) From IIT – Kharagpur, Post Graduate Diploma in Business Management From XLRI, Jamshedpur.
Directorships held in Other Companies (excluding Private Limited and Foreign Companies)	<ul style="list-style-type: none"> <li>— Tata Advanced Materials Limited.</li> <li>— Ocean Globe Container Services (India) Limited.</li> <li>— Darabshaw B. Curtsejee Sons Shipping Co.Ltd.,</li> <li>— Nhava Seva International Terminals Limited.</li> </ul>	<ul style="list-style-type: none"> <li>— Steward &amp; Llyods of India Ltd.,</li> <li>— The Tata Power Co.Ltd.,</li> <li>— Tata Ryerson Limited</li> <li>— Tata SSL Limited</li> <li>— Haldia Petrochemicals Ltd</li> <li>— Tata Teleservices Limited</li> </ul>
Chairman/Member of the Committee of the Board of the Company on which he is a Director	Nil	Tata SSL Limited – (Chairman Audit Committee). Haldia Petrochemicals Ltd- (Member - Audit Committee) Tata Ryerson Ltd – (Member Audit Committee)



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## Directors' Report

### To the Members

The Directors present their Sixtieth Annual Report together with the Audited Statement of Accounts for the Nine months period ended 31st March 2002.

### 1. FINANCIAL RESULTS

The summarised financial results are indicated below :	(Rupees in Lakhs)	
	For the 9 months period ended 31.3.2002	For the 15 months period ended 30.6.2001
Sales and other Income .....	9132.86	10923.89
Profit for the year after Depreciation .....	163.19	648.40
Less : Deferred Revenue Expenditure .....	(103.49)	(294.48)
(Voluntary Retirement Scheme)		
Profit before tax .....	59.70	353.92
Provision for tax .....	25.54	235.00
Profit after tax .....	134.16	118.92
Add : Balance brought forward from last year .....	270.25	276.33
Balance available for appropriation .....	404.41	395.25
Less : a) Proposed Dividend .....	228.17	—
b) Transfer to Debenture Redemption Reserve .....	85.00	—
c) Transfer to General Reserve .....	—	125.00
Balance carried to Balance Sheet .....	91.24	270.25

### 2. DIVIDEND

The Directors recommend that dividend at 10% subject to tax, for the year ended 31st March 2002, be paid, if declared at the Annual General Meeting to be held on 18th September 2002.

included an amount of Rs. 30.43 crores from a one time Sale of a Company's property and is due to an execution of a major order from Ministry of Defence.

### 3. BUSINESS OVERVIEW

The year in retrospect was a difficult one for the Indian industry in general and particularly depressing for the industries served by the Company. The overall slow down and continuing sluggishness in the economy has adversely affected the Industry and demand remained stagnant. The direct impact of these market conditions has resulted in a reduction of new orders in some of the major lines of businesses of the Company.

The Sale and other income for the 9 months period ended March 2002 amounted to Rs. 91.33 Crores with Profit after Tax (PAT) of Rs. 1.34 Crores. The PAT has remained low due to insufficient orders in SCADA and Drives and Automation lines of businesses. On the other hand, this performance is a substantial turnaround in the operations of the Company as compared to the previous period, which

#### 3.1 INDUSTRIAL SYSTEMS DIVISION

Execution of more than half the contract of Rs. 83 crores for supply of 324 sets of Unattended Ground Sensors (UGS) to the Indian Army for deployment at strategic locations was completed successfully during the year. Orders worth Rs. 12.80 crores for supply of Global Positioning Receivers (GPS) to Army and Airforce, for execution in 2002-03, has also been received during the year.

The SCADA / EMS System for the Southern Region against an earlier order from Power Grid Corporation of India was commissioned during the year, enabling the country's Southern Power Grid to be monitored and controlled reliably.

New orders in SCADA have been severely affected due to the adverse market conditions stated above and aggravated further with increased competition.



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Consequently, Sales in SCADA line of business have been lower than in the previous year.

In the field of Drives and Automation, the sluggishness in the Steel sector in particular and Industry in general, had an adverse impact on the order booking for large drive systems. This group addressed the growing Energy Conservation AC Drive market and has achieved some encouraging break through in this area.

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, is being executed by the Company as an OEM supplier. These locally manufactured converters have been approved by CLW.

### 3.2 TATANET DIVISION

During the 9 months period under review, the Tatanet Division, which manages and operates the TATA VSAT Network has consolidated its position by addressing the growing demand towards implementation of ERP solutions of major Tata Companies. In addition, the initial steps were carried out to implement operation of the CUG commercial network being licensed to Tata Services Ltd. (TSL).

The Division registered a 10% growth in Sales during this 9 months period compared to the corresponding 9 months in the previous accounting period. During the period, the Division achieved improved performance in profits, over the last period, on a comparable basis, due to the increase in the leased Bandwidth usage.

The group has also been successful in tying up with Innomedia Pte. Ltd., Singapore, for providing the latest solutions for Video and Voice over IP (Internet Protocol).

### 4. PROPERTY DEVELOPMENT AT ANDHERI

The construction of the Technopolis Knowledge Park (TKP) at Andheri with the assistance of

Tata Housing Development Company, is completed (Both Phase -I & II)

The Company had expected higher level of Sales in TKP than what have been achieved till date. However, due to the depressed conditions in the property market, there has been lower demand and lower realization which have laid to less encouraging results. The situation is likely to continue to be same for some time to come.

### 5. VOLUNTARY RETIREMENT SCHEME

Over the last few years, the business and operations of the Industrial Systems Division have gone through a considerable change mainly due to the changes in the external environment i.e. the business has shrunk and the business mix has changed to substantially reduced in-house manufacturing. With a view to reduce surplus manpower, the Company offered and implemented a scheme for Voluntary Retirement for its Staff and Workers located at Andheri and Vashi factories in February 2002. A total of 196 employees opted for the scheme. This is an effort to right size the company to improve its efficiency and profitability.

### 6. OUTLOOK

The domestic industrial market continues to be depressing for the immediate foreseeable future with very few signs for a significant growth. This market scenario may impact the growth in certain lines of businesses of the Industrial Systems Division such as SCADA and Drives and Automation.

The 6000 HP traction converters (AC Drives), auxiliary converters and vehicle (Control) electronics for the 3 - phase locomotive for the Indian Railways have been approved by CLW. There is a requirement on a regular basis from CLW, which the Company expects to lead to steady flow of orders. The need for this equipment in the 10th 5 year plan is likely to be substantial.

Further orders for the UGS are expected, since the defence requirement is several times the ordered value, over the next 3 years. The Company is also looking at opportunities of providing maintenance services, upgrade/ retrofit services in the field of Security and Surveillance Electronics.

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The Industrial Systems Division is making efforts on several fronts to address the stagnant industrial market with new markets and applications. The Division has also identified opportunities for improvement in efficiency and productivity to enable it to reduce its cost of operation. In addition, it will provide a greater thrust in the new areas of Strategic Electronics including Security and Surveillance. Tata Strategic Management group has been commissioned to conduct a review of its business and help the Company to arrive at a Strategic Plan to enable it to ensure steady profitable growth in future.

The Tatanet division is carrying out the required steps to operate and maintain the Public CUG Network being licensed to TSL. Tatanet is in the process of finalising its plans for addressing an expanded market with further growth in the VSAT and Satellite Communication (Satcom) areas in view of their high growth potential and more liberal Government licensing policies. This activity holds a good promise for the future of the Division.

The Management intends to make every effort to work out appropriate transactions for its TKP property taking into account the depressed and sluggish property market, so as to gain the best possible advantage for the Company.

Overall, the Company is gearing up, with several initiatives in place, to achieve profitable growth in the years to come, in the face of many challenges in the market place. The immediate outlook for the current year, however, will remain to be somewhat difficult.

#### **7. FIXED DEPOSITS**

The Company had an aggregate amount of Rs. 888 Lakhs as deposits from Public, share holders and employees as on 31st March 2002. These include deposits amounting to Rs. 20.34 Lakhs from 168 depositors, which had matured but had neither been claimed nor renewed by depositors as on 31st March 2002. However, subsequently, Rs. 3.66 Lakhs were claimed by 15 depositors.

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

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.

Pursuant to the requirements of Section 217 (2A) of 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**

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**

Mr. F.A. Vandrevalla, Deputy Managing Director of the Tata Power Company Limited, was appointed as an Additional Director of the Company with effect from 28th May 2002.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. B.B. Dubash retires at the forthcoming Annual General Meeting and is eligible for reappointment.

#### **11. AUDITORS**

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

#### **12. REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS**

To comply with conditions of Corporate Governance pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Management discussion and Analysis, Corporate Governance Report, and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

#### **13. EMPLOYEE RELATIONS**

The relationship between the employees and the Management has remained Cordial and the