

NELCO LIMITED

A **TATA** Enterprise



61st Annual Report
2002-03



Facilities at Mahape, Navi Mumbai

NELCO LIMITED

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Chairman Emeritus : R. N. Tata

Board of Directors : M. N. Bhagwat (Chairman)
Virendra Singh
B. B. Dubash
F. A. Vandrevalla
Ravi Gopinath (Appointed Addnl. Director w.e.f. 23.9.2002)
K. A. Mahashur (Executive Director)
Z. J. Engineer (Executive Director)

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. Raiji & Co., 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.: 56568484 Fax: 56568494
Website: www.tata.com/tsrl

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NOTICE

THE SIXTY FIRST ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Tuesday, the 19th August 2003 at 4.00 p.m. at Bombay House Auditorium, 24, Homi Mody Street, Mumbai – 400 001 to transact the following business: -

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2003 and the Audited Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Mr. M.N. Bhagwat, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Virendra Singh, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Dr. Ravi Gopinath, who was appointed an Additional Director of the Company by the Board of Directors with effect from 23rd September 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.
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 of the re-appointment of Mr. K.A. Mahashur, Whole-time Director of the Company for a period 5 years from September 1, 2003 upon the terms and conditions including the terms of remuneration set out in the draft agreement submitted to this meeting and for identification signed by the Chairman thereof, which agreement is specifically sanctioned with liberty to the Board of Directors to enhance, alter and vary the terms and conditions of the said reappointment and/or agreement in such manner as may be agreed to between the Board of Directors and Mr. K. A. Mahashur."
7. 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 properties 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 No.238E and Survey No.8C and Plot No.EL-6, TTC Industrial Area, MIDC, Electronic Zone, Village Mahape, Navi Mumbai in the state of Maharashtra, in favour of UTI Bank Limited to secure the due repayment, discharge by the Company of the term loan of Rs.10 crores together with interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses and all other monies, payable under the 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 authorized 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."

8. 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. 5, 6 & 7 set out above and the relevant details in respect of item nos.3, 4, 5 and 6 above pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges are annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 22nd July 2003 to Tuesday, 19th August 2003 (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 or after 25th August 2003 to those members whose names are on the Company's Register of Members on the 19th August 2003 and in respect of shares held in electronic form, the dividend will be payable to the beneficial owners of such shares as at the close of the business hours on 21st July 2003 as per the 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.

By Order of the Board of Directors,

S. B. Mule
Company Secretary

Mumbai, 26th May 2003.

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

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 nos.5, 6 & 7 of the accompanying Notice dated 26th May 2003.

Item No.5

The Board of Directors appointed Dr. Ravi Gopinath as an Additional Director of the Company with effect from 23rd September 2002 Pursuant to Section 260 of the Companies Act, 1956. Dr. Ravi Gopinath holds office upto the date of the forthcoming Annual General Meeting and is eligible for appointment.. Notice under Section 257 of the Act has been received from a Member signifying his intention to propose the appointment of Dr. Ravi Gopinath as a Director of the Company.

Dr. Ravi Gopinath is a Graduate in Chemical Engineering from The Indian Institute of Technology, Mumbai and holds a Ph.D. in Process Control from Rensselaer Polytechnic Institute in the USA.

Dr Ravi Gopinath joined Tata Consultancy Services (TCS) in 1994 at its Corporate R&D Centre in Pune. He took over the manufacturing practice at TCS in 2000 and his current responsibilities include the creation and growth of TCS consulting business in the discrete manufacturing and process industry sectors worldwide, creation of business and technology assets and defining strategy to ensure competitive advantage. He is also responsible for the positioning and growth of TCS sector specific products and services in various global markets.

Dr. Gopinath is a member of many reputed professional bodies. In view of Dr. Ravi Gopinath's academic and professional qualifications and technical/domain expertise in Advanced Process Control and Control Systems & Software, it is in the interest of the Company to avail of his experience and guidance.

The Board commends the Resolution for acceptance by the Members.

None of the Directors of the Company except Dr. Gopinath may be deemed to be concerned or interested in the Resolution at item no.5.

Item No.6

Mr.K. A. Mahashur (the appointee) was reappointed as Whole-Time Director of the Company for a period of five years with effect from 1st September 1998 on the terms and conditions as approved by the Shareholders at the Annual General Meeting of the Company held on 17th August 1999. The terms of appointment of Mr. Mahashur were revised by the Board of Directors at its meeting held on 30th July 2002 and the revised terms were approved by the shareholders at the Annual General Meeting held on 16th September 2002.

The existing term of Mr.Mahashur expires on 31st August 2003. The tenure of Mr. Mahashur being beneficial to the Company, the Board of Directors have, subject to the approval of the Shareholders of the Company, reappointed Mr. K. A. Mahashur as Whole-Time Director of the Company with effect from 1st September 2003 on the following main terms and conditions.

1. Period of Agreement : From :1st September 2003
To : 31st August 2008
2. Designation : Whole-Time Director
3. Remuneration :
 - a. Salary : in the scale of Rs.30,000/- - Rs.1,00,000/- 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.
 - d. Minimum Remuneration: - Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of the Whole-time Director, the profits of the Company are nil or are inadequate, the Company will pay the Whole-time Director remuneration for a period not exceeding 3 years by way of salary, personal performance allowance, perquisites and allowances as specified above.

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4. 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 the Agreement shall cease and determine upon the contravention of this undertaking.
5. The Whole-Time Director shall not be entitled to supplement his earnings with any buying or selling commissions.
6. 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 Act.
7. 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.
8. If at any time the Whole-Time Director ceases to be a Whole-time Director for any cause whatsoever, he shall also cease to be a Director of the Company.
9. 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 Act or any amendments made hereafter in this regard.
10. 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.

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 Director are now being placed before the Members for their approval.

The draft Agreement between the Company and Mr. K. A. Mahashur 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.K.A.Mahashur is concerned or interested in Resolution at item no. 6 of the Notice.

This may be also treated as an abstract of the draft of the Agreement and terms of appointment of Mr. K. A. Mahashur pursuant to Section 302 of the Act.

The Board commends the Resolution for acceptance by the Members.

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

General Information :

1. Nature of Industry : Electronics Industry.
2. Date or expected date of commencement of commercial production:
The Company was incorporated on August 31, 1940 and started commercial production immediately.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institution appearing in the prospectus :Not Applicable.
4. Financial performance based on given indicators - as per published audited financial results for the year ended 31st March 2003.
5. Export performance and Foreign Exchange earned for the financial year ended 31st March 2003: The company's earnings in Foreign Exchange were Rs.5.64 lakhs for the financial year ended 31st March 2003.
6. Foreign investments or collaboration, if any : security and Surveillance Technology Transfer from Eagle Telonics, USA.

Information about the Whole-time Director :

1. Background details :-
Mr. K. A. Mahashur aged 56, 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 34 years).
2. Past Remuneration drawn :
During the Financial year ended on 31st March 2003 – Rs.20.44 lakhs
3. 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. He is also responsible for operations and affairs of the Company pertaining to Finance, Personnel and General Management. Taking into consideration his qualifications and expertise in relevant fields, the Whole-time Director is best suited for the responsibilities currently assigned to him by the Board of Directors.
4. Remuneration proposed:

Salary	: in the scale of Rs. 30,000/- — Rs. 1,00,000/-
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 for a period not exceeding 3 years.

* Excludes Company's contribution to Provident, Superannuation, Gratuity Fund and Leave Encashment.

5. 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 Director, the responsibilities shouldered by him 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.
6. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any : Besides the remuneration proposed, the Whole-time Director does not have any other pecuniary relationship with the company and its managerial personnel.

Other Information

1. 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 depressed 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.
2. Steps taken by the Company to improve performance :-
 - a) In the past 2 years the company has implemented Early Separation Schemes for its Officers and Voluntary Retirement Scheme to the Staff & Workmen, so as to right size the organization which's resulted in reduction of nearly 260 in the workforce of the Company. Further, rationalization of the workforce is also being looked into for any early implementation. Substantial savings on this account will be seen in the coming years.
 - b) The Company has undertaken several steps to reduce the cost of its borrowings.
 - c) 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.
 - d) 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 license
3. Expected increase in productivity and profits in measurable terms:

The sales and Other Income for the year ended 31st March 2003 amounted to Rs.201.53 crores with Profit After Tax of Rs.3.03 crores.

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

Item No.7

The Company has from time to time borrowed funds from 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.

At the 58th Annual General Meeting of the Company held on 11th August 2000 a Resolution was passed under Section 293 (1)(a) of the Act for creation of legal mortgage on the Company's Immoveable Property situated at Village Mulgoan and Chakala in the Taluka, Andheri, Mumbai bearing survey Nos. 238E and 8C, to secure the amounts sanctioned by the banks and the trustees to the Debentureholders. The Company has also created an equitable mortgage upon its immovable property situated at plot no EL-6, TTC Ind. Area, MIDC, Electronic Zone, Village Mahape, Navi Mumbai in favour of the said banks and trustees to debentureholders.

During the year the Company has borrowed a sum of Rs. 10 Crores from UTI Bank Ltd. To secure this borrowing, UTI Bank Limited has requested the Company to create a legal mortgage on the aforesaid immoveable properties of the Company in its favour ranking pari-passu with the existing charge holders.

As the documents to be executed between the Company and UTI Bank Limited, may contain the power 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(1) (a) of the Act for creation of the said mortgage/charge.

The Board commends the Resolution for acceptance by the members.

By Order of the Board of Directors,

S. B. Mule
Company Secretary

Mumbai, 26th May 2003.

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. M. N. Bhagwat	Mr. Virendra Singh
Date of Birth	4th June 1932	23rd October 1937
Date of Appointment	31st January 2001	14th October 1959
Expertise in specific Functional Area	Over 40 years experience in Engineering & Electronics Industries and General Management	Varied experience in General Management.
Qualifications	B.E.(Mechanical & Electrical) and Gold Medalist. M.S. Mechanical Engineering from University of Illinois, USA Diploma in Business Management.	B.A. (Hon.)
Directorships held in other Companies (excluding Private Limited and Foreign Companies)	<ul style="list-style-type: none"> - Tal Mfg. Solution Ltd. - Walchand Capital Ltd. - Widia India Limited - Tata Honeywell Limited - Technopolis Knowledge Park Limited. 	- Virendra Garments Manufacturers Limited
Chairman/Member of the Committees of the Boards of other companies on which he is a Director	<ul style="list-style-type: none"> - Tal Mfg. Solution Ltd. Audit Committee - Walchand Capital Ltd. Audit Committee. - Widia India Ltd. Audit Committee 	Nil
Name of Director	Dr. Ravi Gopinath	Mr. K. A. Mahashur
Date of Birth	25th December 1965	16th June 1947
Date of Appointment	23rd September 2002	1st November 1990
Expertise in specific Functional Area	Technical/Domain expertise in advanced process control and control systems and software Industry.	Wide and varied experience in the Design, Technology, Project Execution and Marketing in the Electronics Industry.
Qualifications	Graduate in Chemical Engineering from IIT, Mumbai. Ph.D. in Process Control from Rensselaer Polytechnic Institute in the USA.	M. Tech.
Directorships held in other Companies (excluding Private Limited and Foreign Companies)	Nil	Nelito Systems Limited - Technopolis Knowledge Park Limited
Chairman/Member of the Committees of the Boards of other companies on which he is a Director	Nil	Nil

DIRECTORS' REPORT

To the Members

The Directors present their Sixty First Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2003.

1. FINANCIAL RESULTS

(Rupees in lakhs)

The Summarised financial results are Indicated below:

	For the Year ended 31.03.2003	For the 9 months ended 31.03.2002
Sales and other Income.	20153.24	9132.86
Profit for the year after Depreciation	749.97	163.19
Less: Deferred Revenue Expenditure (Voluntary Retirement Scheme)	(441.87)	(103.49)
Profit before tax.	308.10	59.70
Provision for tax for earlier year	5.19	25.54
Excess provision for tax for earlier years	—	100.00
Profit after tax	302.91	134.16
Add: Balance brought forward from last year	91.24	270.25
Transfer from Debenture Redemption Reserve	22.00	—
Balance available for appropriation	416.15	404.41
Less: a) Proposed Dividend	228.17	228.17
b) Tax on Proposed Dividend	29.23	—
c) Transfer to Debenture Redemption Reserve.	—	85.00
Balance carried to Balance Sheet	158.75	91.24

2. DIVIDEND

The Directors recommended that Dividend at 10% for the year ended 31st March 2003, be paid, if declared at the Annual General Meeting to be held on 19th August 2003.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS (MD&A)

This Report includes MD&A as appropriate so that duplication and overlap between Directors' Report and a separate MD&A is avoided and the entire material is provided as a composite and comprehensive document.

3.1. BUSINESS OVERVIEW

The Company is structured along three business segments:

1. Automation and Control: It is further sub structured along four Lines of Businesses.
 - a. Strategic Electronics, the market for which is mainly Defence.
 - b. Supervisory Control and Data Acquisition (SCADA), which cater to Power sector, Railways and Oil and Gas production.
 - c. Drives Automation and Traction Electronics, the markets for which are Industrial Automation in Steel and Cement Industries and the Railways.
 - d. Software and Engineering Services.
2. Tatanet Network Systems : As a VSAT Service Provider, it provides effective connectivity to address the intra-company and inter-company communication requirements.
3. Property Development : Developed part of the property at Andheri with the Assistance of Tata Housing Development Company Limited (THDC)

3.2 FINANCIAL OVERVIEW

For the year ended 31st March 2003 your company recorded total revenue of Rs.201.53 crores with a profit after tax of Rs.3.03 crores as against revenue of Rs.91.33 crores and profit after tax of Rs.1.34 crores for the previous 9 months' period ended 31st March, 2002.

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Segment-wise Performance is described below :-

SEGMENTS	REVENUE		PROFIT BEFORE INTEREST AND UNALLOCATED EXPENDITURE	
	12 months ended 31/3/2003	9 months' ended 31/3/2002	12 months ended 31/3/2003	9 months' ended 31/3/2002
Automation and Control	85.90	73.02	10.58	10.64
Tatanet Network Systems	13.86	8.68	3.74	3.35
Property Development	92.32	7.84	9.30	3.50

(Rs.in crores)

3.3 AUTOMATION AND CONTROL DIVISION

Lack of demand for capital goods and infrastructure projects in the previous year had led to low order book position resulting in low order backlog. Increasing competition from multinationals has put intense pressure on margins. The financial performance of this division for the year ended 31st March 2003 has been affected due to delays in orders resulting in shrinkage in top line growth. As a result there was a negative growth of 11% in sales for this group on an annualized basis.

The Unattended Ground Sensors (UGS) supplied to the Army were satisfactorily installed and recommendations for further requirements have been put forward by the Army. Nelco today is probably, the only supplier of UGS with a potential market size of over Rs.500 crores. The Company, however, is yet to receive a formal order for additional supply of UGS from Ministry of Defence. It also suffered a set back in the procurement of order from PGCIL for SCADA/EMS system for the Western Region due to apparent under quoting by the competition.

The Automation and Control Division is making efforts on several fronts to address the stagnant Industrial market with new products and applications. Towards this purpose, it is exploring new avenues to improve its performance through new product lines and services in the Defence Sector. It had achieved Strategic Tie-ups with IAI, Israel and Thales, France for business relationships in Strategic/Defence electronics.

During this Financial Year 2003-04, the SCADA group will broaden its offerings to cover the Energy Network Management, expand the addressed markets and build capabilities in high potential segments like Oil and Gas pipelines through technological tie-ups with Serck Controls U.K, Foxbro SCADA Italy and Distribution Management Systems and other downstream areas, in the power sector through partnership with OSI, USA.. This product group is pursuing large SCADA and Energy Network Management tenders of NDPL (Rs.18 crores) and ONGC Project Promise (Rs.300 crores) for which it is one of the short listed vendors. These orders if secured will be for execution in Financial Year 2004-05.

In the field of Drives Automation and Traction Electronics, this product group will be restructured and excess manpower reduced. It will address only high potential areas including complex AC drives solutions, HT AC Drives, Process Control Solutions. The group will exit security related CCTV business with only selected presence in process industry. In Traction Electronics, it would aggressively pursue fresh tenders of Rs.77 crores being quoted by CLW, which will be decided during the first half of the financial year. CLW is also planning to replace the existing GTO based technology of the converters for 3 phase loco with IGBT based technology in 3 - 4 years time. A growth in this sector is being pursued through appropriate cost reductions and technology tie-ups etc. Based on our core competency, Power Electronics for Traction Equipments will become a focused area in the years to come.

Delays in the decisions and processing of some of the large size contracts wherein the Company is favourably placed, could lead to delays in booking of some of the key orders planned for execution and billing, during the year, leading to possible shortfall. Efforts to expedite these are in progress on continuous basis.

The Company is in dialogue with an Oil Company in USA for development of Artificial Intelligence Tools (AIT) to forecast and delineate viable locations for drilling purposes.

3.4. TATANET NETWORK SYSTEMS DIVISION

The Division registered a 20% growth in sales as compared to the annualized sales recorded in the previous accounting period. It has been successful in securing trial orders for three commercial customers. The unanticipated migration of INSAT 3B to INSAT 3C was also carried out successfully with minimum interruption of services to the customers.

The basic Strategy Plan for entering the commercial market was completed on schedule in association with Tata Strategic Management Group. Accordingly, the division identified a technology provider and formalized a tie-up with Viasat Inc., U.S.A. in June 2002.

The Division manages and operates the Tata VSAT Network. The project implementation phase for setting the KU Band Hub Station was completed successfully. However, there was a considerable delay of almost 10 months in the