NELCO LIMITED

A TATA Enterprise

66th Annual Report 2007-2008

NELCO PRODUCTS / INSTALLATIONS

Drives for Manufacturing Industries

SCADA solutions for Utilities

Building Management Solutions for Realty & IT

NELCO LIMITED

Chairman Emeritus

R. N. Tata

Board of Directors

P. R. Menon – *Chairman*
B. B. Dubash
R. R. Bhinge
V. K. Deshpande
P. K. Ghose
S. Ramakrishnan
Lt. Gen. Davinder Kumar (Retd)
S. K. Gupta (w.e.f. 23/10/2007)
K. A. Mahashur – *Executive Director*
Z. J. Engineer – *Executive Director*

Company Secretary

R. V. Joshi

Bankers

Bank of India
Allahabad Bank
Union Bank of India
Calyon Bank

Solicitors

Mulla & Mulla and Craigie, Blunt & Caroe.

Auditors

N. M. Raiji & Co., Mumbai.

REGISTERED OFFICE

Francysters Cybernetics Centre, 3rd Floor,
Eucharistic Congress Building No. III,
5, Convent Street, Colaba, Mumbai – 400 001.

Works & Facilities

Plot EL-6, Electronic Zone, TTC Industrial Area,
MIDC, Mahape, Navi Mumbai 400 710.

Share Registrars

TSR Darashaw Limited
6-10, Ist floor,
Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road,
Mahalaxmi,
Mumbai - 400 011.
Tel.: 022-66568484 Fax: 022-66568494
Website: www.tsrdarashaw.com

SALES OFFICES

Mumbai
3rd Floor, Eucharistic Congress Building III,
5,Convent Street, Colaba, Mumbai – 400 001.

Bangalore
3rd Floor, No.15-17-19,
Sri Lakshmi Complex,
St. Mark's Road,
Bangalore 560 001.

Chennai
1st Floor, No.2, Real Towers,
51 & 52, Royapettah High Road,
Mylapore, Chennai 600 004.

Delhi
702,703, Vikram Tower,
16, Rajindra Place,
New Delhi 110 008.

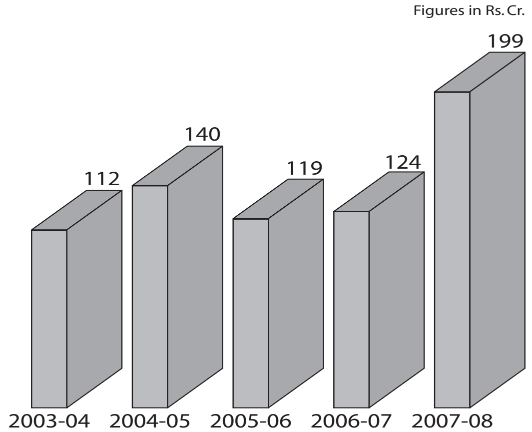
Jamshedpur
Kashi Kunj Road No.2,
Contractors Area,
Bistipur, Jamshedpur 831 001.

Kolkata
Trust House, 1st floor,
32-A, Chittaranjan Avenue,
Kolkata 700 012.

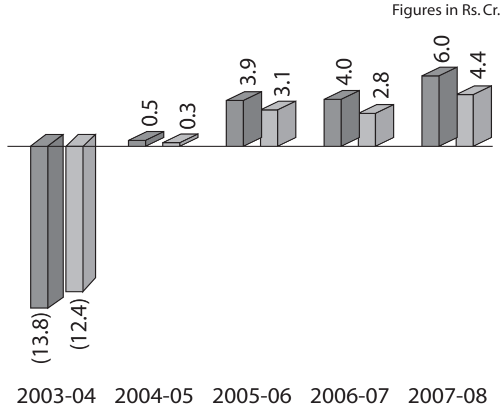
Secunderabad
Plot No.65, Paigah Colony,
Behind Anand Theatre,
Off Sardar Patel Road,
Secunderabad 500 003.

Financial Highlights

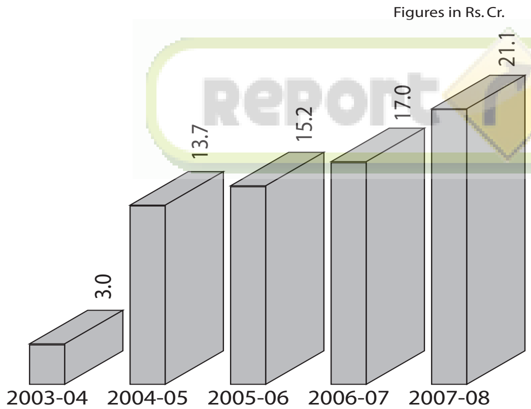
5 YEARS REVENUE



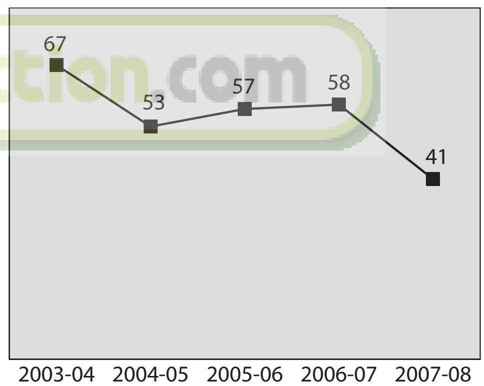
5 YEARS PBT & PAT



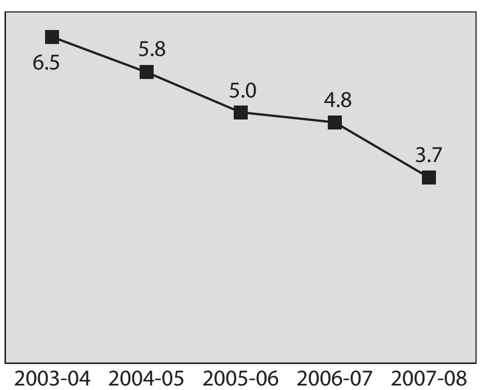
5 YEARS EBIDTA



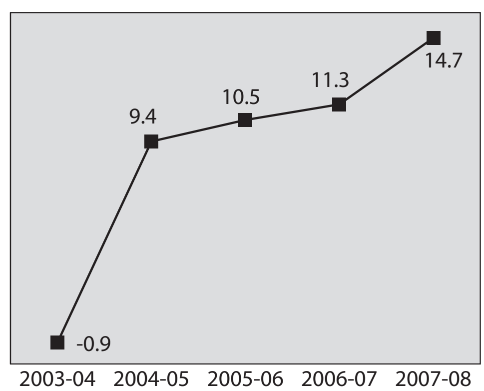
NWC as % of Revenue



Debt to Equity (Number of Times)



ROCE %



For the purpose of comparison, the figures are calculated on annualised basis wherever necessary.

NOTICE

The SIXTY SIXTH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Friday the 8th August 2008 at 4.00 p.m. at Bombay House Auditorium, 24, Homi Mody Street, Mumbai – 400 001 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2008 and the Audited Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. B.B. Dubhash who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. P. K. Ghose who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. Ramakrishnan who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To appoint a Director in place of Mr. S. K.Gupta who was appointed as an Additional Director of the Company by the Board of Directors with effect from 23rd October 2007 and holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956; but being eligible offers himself for appointment.
7. 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 198, 269,309, 311 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") or any re-enactments thereof, read with Schedule XIII to the Act and subject to the requisite approval of the Central Government and all other approvals/consents/sanctions/ permissions as may be necessary, the consent of the Company be and is hereby accorded to the re-appointment of Mr. K. A. Mahashur as the Whole-Time Director of the Company for a period from 1st September 2008 to 12th June 2012 upon the terms and conditions including the terms of remuneration as set out below and in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors or the Remuneration Committee of the Board to alter and vary the terms and conditions of the said re-appointment in such manner as may be agreed to between the Board and Mr.K.A.Mahashur.

A. **REMUNERATION**:

Salary:

Salary in the scale of Rs. 75,000/- to Rs. 200,000/- per month with effect from 1st September 2008 with authority to the Board/Committee of the Board thereof to fix the salary within this scale from time to time; annual increment effective from 1st April every year, which will be merit-based and shall take into account the Company's performance; benefits, perquisites and allowances as may be determined by the Board/Committee of the Board thereof from time to time and incentive remuneration, if any, and / or commission based on certain performance criteria to be prescribed by the Board.

B. **MINIMUM REMUNERATION**:

Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of 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, perquisites and allowances, and incentive remuneration as specified above."

"RESOLVED FURTHER that the Board/Committee of the Board thereof be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

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. Proxies in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.

(b) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in respect of business under Item Nos.6 and 7 set out above and the relevant details in respect of Item Nos. 2, 3, 4, 6 and 7 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, the 22nd July, 2008 to Friday, the 8th August 2008 (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.

(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 risk.

By Order of the Board of Directors

Mumbai, 15th May 2008.

R. V. Joshi
Company Secretary

Registered office:
Francysters Cybernetics Centre, 3rd Floor,
Eucharistic Congress Building No. III,
5, Convent Street, Colaba, Mumbai – 400 001.

EXPLANATORY STATEMENT

The following Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 (the 'Act'), sets out all material facts relating to the business mentioned in Item Nos. 6 and 7 of the accompanying Notice dated 15th May, 2008.

Item No.6

Mr. S.K. Gupta was appointed as an Additional Director of the Company by the Board of Directors, with effect from 23rd October, 2007 pursuant to Article 125 of the Articles of Association of the Company. Under Section 260 of the Act, Mr. S. K. Gupta holds office upto the date of this Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the appointment of Mr. S.K.Gupta as a Director of the Company. Mr. S. K. Gupta took his B.Sc. Degree from Lucknow University and completed his Electrical Engineering Degree from Roorkee University where he was a Gold Medallist and was immediately absorbed as a Lecturer in Electrical Engineering at Roorkee University itself. Thereafter he joined the Indian Telecom Service of Govt.of India and held various responsible positions in the Department of Telecommunications/MTNL.

The Board considers it desirable that the Company should continue to avail itself of the services of Mr. S. K. Gupta and commends the resolution for acceptance by the Shareholders.

None of the Directors of the Company except Mr. S. K. Gupta is interested in this Resolution.

Item No.7

Mr. K. A. Mahashur was appointed as Whole-Time Director of the Company for the period of five years with effect from 1st September 2003 i.e. upto 31st August 2008 on the terms and conditions as approved by the Shareholders at the Sixty First Annual General Meeting of the Company held on 19th August 2003. The Special Resolution by Postal Ballot for revision in remuneration payable to Mr. Mahashur was passed by requisite majority and subsequently an approval was obtained from the Central Government for payment of revised remuneration to Mr. Mahashur .

Mr. K. A. Mahashur aged 61 holds Master of Technology Degree from IIT, Mumbai. Mr. 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 Associate.
Mr. Mahashur has total experience of 39 years.

The Remuneration Committee at its meeting held on 13th May 2008 has recommended re-appointment of Mr. Mahashur on the terms and conditions including remuneration. The Board of Directors at its meeting held on 15th May 2008 has subject to the approval of the Shareholders of the Company and the Central Government re-appointed Mr. K. A. Mahashur as Whole-Time Director of the Company with effect from 1st September 2008 on the following main terms and conditions in addition to the terms of remuneration as given in the Resolution at Item No.7.

1. Tenure: From: 1st September 2008 to 12th June 2012
2. Mr. Mahashur shall, subject to the supervision and control of the Board of Directors, carry out such duties as may be entrusted to him.
3. Mr. Mahashur shall ensure adherence with the Tata Code of Conduct, and shall also ensure that ther is no conflict of interest with the Company, intellectual property and maintenance of confidentiality.
4. Mr. Mahashur shall not become interested or otherwise concerned, directly or through his spouse and/or children, in any selling agency of the Company.
5. This appointment may be terminated by either party by giving to the other party six months' notice of such termination or the Company paying six months' remuneration in lieu of such notice.
6. The employment of Mr. Mahashur may be terminated by the Company without notice or payment in lieu of notice:
   (a) If Mr. Mahashur is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associate company to which he is required to render services; or

(b) In the event of any serious or repeated or continuing breach (after prior warning) or non-observance by Mr. Mahashur of any of the stipulations contained in the Agreement to be executed between the Company and Mr. Mahashur; or

(c) In the event the Board expresses its loss of confidence in Mr. Mahashur.

7. In the event Mr. Mahashur is not in a position to discharge his official duties due to any physical or mental incapacity, the Board of Directors shall be entitled to terminate his contract on such terms as the Board of Directors may consider appropriate in the circumstances.

8. Upon the termination of employment of Mr. Mahashur by whatever means:

   a. Mr. Mahashur shall immediately tender his resignation from office as a Director of the Company and from such other offices held by him in any subsidiaries and associated companies and other entities without claim for compensation for loss of office and in the event of his failure to do so the Company shall be irrevocably authorised to appoint some person in his name and on his behalf to sign and deliver such resignation or resignations to the Company and to each of the subsidiaries and associated companies of which he is at the material time Director or other officer.

   b. Mr. Mahashur shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries or associated companies.

9. Mr. Mahashur is appointed as Director by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 283(1)(I) of the Act.

10. If at any time, Mr. Mahashur ceases to be a Director of the Company for any reason whatsoever, he shall cease to be the Whole-time Director. If at any time, Mr. Mahashur ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be Director of the Company. If at any time, Mr. Mahashur ceases to be a Whole-time Director of the Company for any reason whatsoever, he shall cease to be a Director of the Company.

11. The terms and conditions of the said reappointment may be altered or varied by the Board of Directors or the Committee thereof, as it may in its discretion deem fit, irrespective of the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard, subject to such approvals as may be required.

Pursuant to Sections 198, 269, 309, 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 Shareholders for their approval.

Mr. K. A. Mahashur is concerned or interested in resolution at Item no.7 of the Notice. Mr. Mahashur is not related to any other Director of the Company.

The Board commends the Resolution for approval by the Members.

This may be treated as an abstract of the agreement to be entered into between the Company and Mr. K. A. Mahashur pursuant to Section 302 of the Act.

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 31st August, 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 :** for the year ended 31st March 2008

(Rs.in Lakhs)

Particulars	Year ended 31st March 2008
Turnover and other income	19890.15
Profit before tax and deferred revenue expenditure	722.38
Net profit / (loss) as per Profit & Loss A/c.	443.25

5. **Export performance and Foreign Exchange earned for the financial year ended 31st March 2008 :** The company's earnings in Foreign Exchange were Rs1522.90 lakhs for the financial year ended 31st March 2008.

6. **Foreign investments or collaboration, if any :** Not Applicable. However, we have transfer of Technology Agreement with Eagle Telonics, USA for Security and Surveillance Technology Systems.

Information about the Whole-Time Director:

1. **Background details** :-

   Mr. K. A. Mahashur aged 61 holds Master of Technology Degree from IIT, Mumbai. Mr. 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 Associate. Mr. Mahashur has total experience of 39 years.

2. **Past Remuneration drawn :-**

   During the Financial year ended 31st March 2008 – Rs 43.02 lakhs (excluding contribution to Provident, Gratuity and Superannuation Funds).

3. **Job Profile and suitability :-**

   Mr. K. A. Mahashur is the Executive Director, Industrial Systems Div. (ISD) since November 1990, responsible for the manufacturing, marketing, sales and profitability of the ISD. He is also responsible for operations and affairs of the Company pertaining to Finance 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:-**

   Remuneration :

   Salary in the scale of Rs. 75,000/- to Rs. 200,000/- per month. The annual increment effective from 1st April every year, which will be merit-based and shall take into account the Company's performance; benefits, perquisites and allowances as may be determined by the Board/Committee of the Board thereof from time to time and incentive remuneration, if any, and / or commission based on certain performance criteria to be prescribed by the Board/Committee of the Board thereof.

   Minimum Remuneration :

   Where in any financial year, during the currency of 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, perquisites and allowances, and incentive remuneration as specified above. :

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 commensurates 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 Company was engaged in the Consumer Electronics business major way and sensing a tough competition from the global majors in consumer electronics, had to take a decision in the early nineties to exit this field.

However, as a result of the same, the Company had to incur huge costs towards separation of large number of employees, writing off of the receivables (bad debts) and obsolete inventories as well as the unusable capital assets.

The Company changed its line of business radically by focusing on VSAT Networking (solution, services etc.), Defence Electronics (Hi-Tech solutions, products and offerings), Industrial and Professional Electronics (Computer Based SCADA Systems, Traction Electronics, High Power Drives Systems and Automation, Building Automation Management and Electronic Security System).

Under the leadership of the Executive (Whole-time) Director, Mr. K. A. Mahashur having rich experience and specialisation in his field, the Company has been able to build the strategic business unit namely, Industrial Systems Div. including Defence and Security/Surveillance Systems.

Barring the continued burden of the legacy costs of Voluntary Retirement Scheme (VRS) and enormous interest burden in financing those legacy items, etc., the Company is profitable and the medium as well as long term prospects for the Company including those in the growing area of Defence Electronics are quite promising.

The Company has made a profit of Rs. 443.25 lakhs and Rs. 140.19 lakhs in the financial years 2007-08 and 2006-07 (6 months) respectively.

2. **Steps taken by the Company to improve performance :**

a. Improving customer focus and marketing.

b. Increasing productivity and process improvements.

c. Enlarging subscription base into related customer segments and deeper geographies.

d. Efforts to reduce debts through improved NWC management.

e. Addressing the adjacent markets through alliances and expansion of products and services.

3 **Expected increase in productivity and profits in measurable terms :**

The above steps taken by the Company resulted in an improvement in the financial performance of the Company during the year 2007-08. During 2007-08, the Company has made a Profit Before Tax of Rs. 596.77 lakhs and a Net Profit of Rs. 443.25 lakhs.

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

By Order of the Board of Directors

R.V. Joshi
Company Secretary

Mumbai, 15th May 2008.

Registered office:
Francysters Cybernetics Centre, 3rd Floor,
Eucharistic Congress Building No. III,
5, Convent Street, Colaba
Mumbai – 400 001

Details of Directors seeking appointment/re-appointment at the Annual General Meeting. (Pursuant to Clause 49(IV)(G) of the Listing Agreement)

Name of the Director	Mr.B.B. Dubash	Mr. P. K. Ghose	Mr.S.Ramakrishnan	Mr.S.K.Gupta	Mr.K.A. Mahashur
Date of Birth	29th October 1936	3rd September 1950	19th February 1949	9th September 1942	13th June 1947
Date of Appointment	6thDecember 1985	28th July 2005	31st October 2005	23rd October 2007	1st September 1990
Expertise in Specific Functional Area	Mr. Dubash has rich and varied experience in Shipping Stevedoring and General Management	Posseses expertise and experience in Finance.	Mr. Ramakrishnan joined the Tata Administrative Services in 1972. He has been associated with the Tata Group for over 30 years and he has handled a multitude of National as well as International Projects.	Wide and varied experience in the Telecom Industry.	Wide and varied experience in the design, technology, project execution and marketing in the electronic industry.
Qualifications	B. Com.	Honours Graduate in Commerce, a CWA and CS.Aluminae of the Advance General Management Programme of CEDEP, France.	Bachelor of Technology (Mechanical & Engineering) from IIT, Madras and a Post Graduate Diploma in Business Administration from IIM, Ahmedabad.	B.Sc. & B.E. -Electrical	M.Tech from IIT, Mumbai.
Directorship held in other companies (excluding Private Limited and Foreign Companies)	Tata Advanced Materials Limited. Cosco India Shipping Co.Ltd. Darabashaw B. Cursetjee's Sons Shipping Company Limited. Oriental Floratech India Limited. Trans Ocean Shipping Agency Limited. Trans Impex Limited. Darabashaw B. Cursetjee's Sons (Bombay) Limited.	Tata Services Ltd.	THDC Limited Tata Projects Limited. Automotive Stampings & Assemblies Ltd. Avaya Global Connect Limited. Tata Power Company Limited. Powerlinks Transmission Limited. Tata Power Trading Company Limited. Af-Taab Investment Company Limited. Maithon Power Ltd. North Delhi Power Ltd. Industrial Energy Ltd. Coastal Gujarat Power Limited, Industrial Power Utility Limited. Industrial Power Infrastructure Limited.	Tata Telesrvices Ltd. Wireless-TT Info Services Ltd.	Nelito Systems Ltd. Technopolis Knowledge Park Ltd. Tatanet Services Limited
Committee positions held in other companies	Nil	Nil	**Audit Committee**- THDC Ltd. Tata Projects Ltd. Avaya Global Connect Ltd. North Delhi Power Ltd. Automotive Stamping & Assemblies Ltd. Tata Power Trading Co. Ltd. Power Links Transmission Ltd. **Shareholders/Investors' Grievance Committee.**- Tata Power Co.Ltd Automotive Stampings and Assemblies Limited.	Nil	Nil
No. of shares held	Nil	Nil	Nil	Nil	1000 Equity Shares