

**NELCO LIMITED**

A **TATA** Enterprise



# 67<sup>th</sup> Annual Report 2008-2009

# NELCO PRODUCTS / INSTALLATIONS

## Adsafe Project



## Industrial Security, Surveillance and Automation



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# 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

K. A. Mahashur – *Executive Director*

Z. J. Engineer – *Executive Director*

## Company Secretary

Girish V. Kirkinde (w.e.f. 23/9/2009)

## Bankers

Bank of India  
Allahabad Bank  
Union Bank of India  
Calyon Bank

## Solicitors

Mulla & Mulla and Craigie, Blunt & Caroe.

## Auditors

Deloitte Haskins & Sells, 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, 1st 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](http://www.tsrdarashaw.com)

## SALES OFFICES

### Mumbai

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

### Bangalore

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

### Chennai

Flat No.1-D, 1st Floor,  
New No. 75 & 77 (Old No. 41 & 41A)  
K. G. Marina Bay, Santhome High Road,  
Santhome, 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.

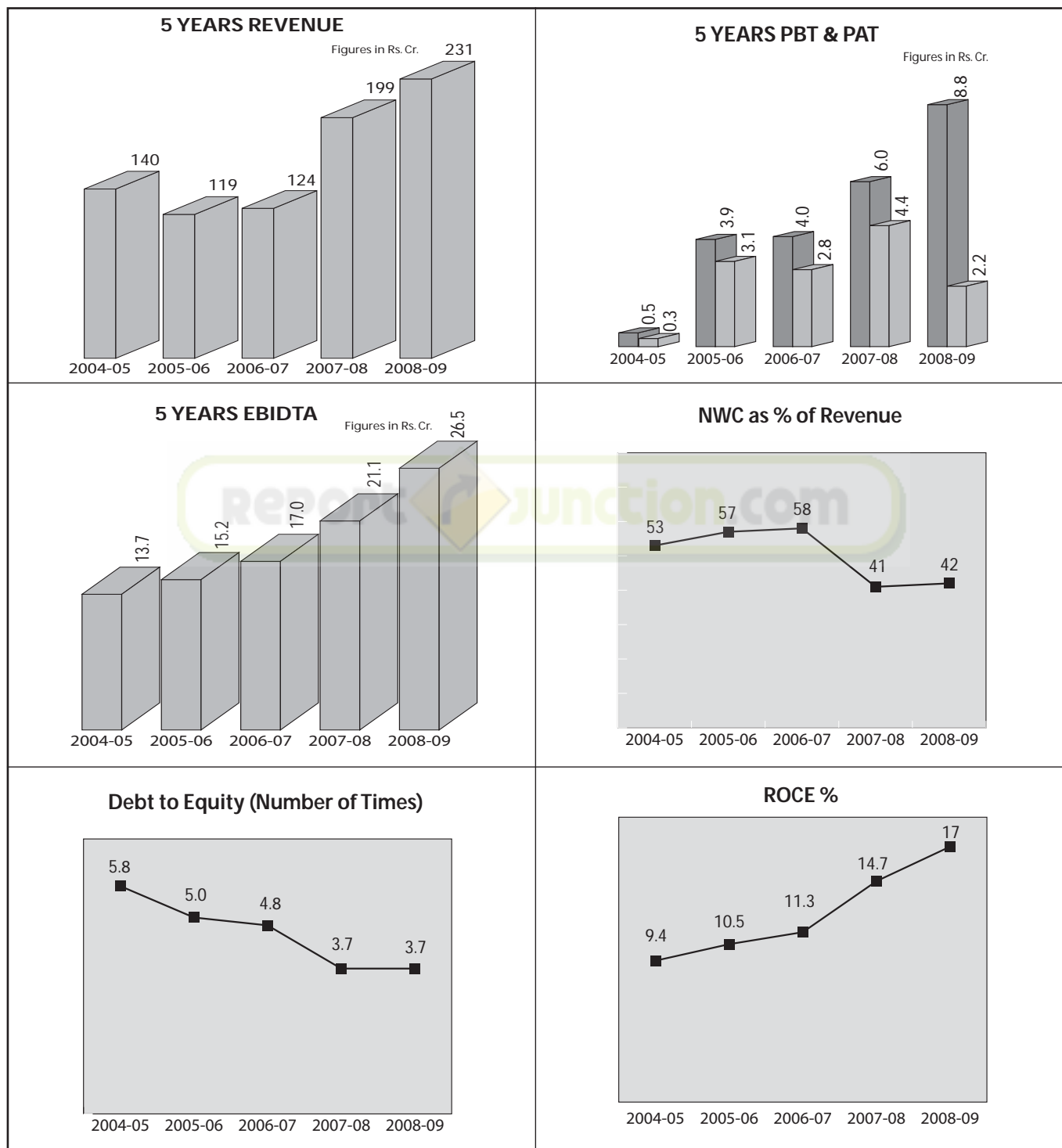
### Kolkata

Trust House, 1<sup>st</sup> 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



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

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## NOTICE

The SIXTY SEVENTH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Wednesday the 27<sup>th</sup> January 2010 at 4.00 p.m. at Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground floor, Opp. INOX Cinema, 226, Nariman Point, Mumbai – 400 021 to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended 30th September 2009 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 Lt. Gen. Davinder Kumar (Retd) who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. R. R. Bhinge who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. V. K. Deshpande who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

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. Z. J. Engineer as the Executive Director of the Company for the period from 1<sup>st</sup> June 2010 to 29th July 2010 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 (“the Board”) 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 or the Remuneration Committee and Mr. Z. J. Engineer.

A. Remuneration:

- (a) Salary in the scale of Rs. 75,000/- per month to Rs. 200,000/- per month with effect from 1<sup>st</sup> June 2010 with authority to the Board/ Remuneration Committee of the Board to fix the salary within this scale and the benefits;
- (b) perquisites, allowances as may be determined by the Board/ Remuneration Committee of the Board from time to time; and
- (c) incentive remuneration, if any, and / or commission based on certain performance criteria to be prescribed by the Board.

B. Minimum Remuneration:

In the event of loss or inadequacy of profits during the tenure of the Executive Director, the Company will pay the remuneration by way of salary, perquisites, allowances and incentive remuneration as specified above.

“RESOLVED FURTHER that the Board/ Remuneration Committee of the Board 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) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in respect of business under Item No.7 set out above and the relative details in respect of Item Nos.3,4, 5 and 7 pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE 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.

- (c) Corporate Members intending to nominate their authorized representatives to attend the Annual General Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- (d) In case of joint holders attending the Meeting, the joint holder who is higher in the order of names will only be entitled to vote.
- (e) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 5<sup>th</sup> January 2010 to Wednesday, 27<sup>th</sup> January 2010 (both days inclusive). If the dividend as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made on or after 1<sup>st</sup> February, 2010 as under :
  - i) To all Beneficial Owners in respect of shares held in dematerialized form as per the data as may be made available by National Securities Depository Limited and Central Depository Services (India) Limited as of the close of business hours on 4<sup>th</sup> January, 2010;
  - ii) To all Members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on 4<sup>th</sup> January, 2010.
- (f) Members holding shares in dematerialised mode are requested to intimate all changes with respect to their bank details, ECS mandates, nomination, power of attorney, change of address, change in name etc., to their Depository Participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to the members.
- (g) Members holding shares in physical form are requested to intimate all changes with respect to their bank details, change of address, change in name etc. to the Registrars & Share Transfer Agents of the Company.
- (h) Pursuant to Section 205 of the Companies Act, 1956, unclaimed/unpaid dividend for the financial year ended 31<sup>st</sup> March, 1995 has been transferred to the General Revenue Account of the Central Government. Shareholders who have not yet encashed their dividend warrants in respect of the said year are requested to submit their claims in the prescribed Form No. II to the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to:

Office of the Registrar of Companies, Maharashtra,  
Central Government Office building, "A" Wing" 2<sup>nd</sup> floor,  
Next to Reserve Bank of India, CBD Belapur – 400 614

Consequent upon the amendment of Section 205A of the Act and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend declared for the financial year ended 31<sup>st</sup> March, 2002 which remained unclaimed/unpaid for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company has been transferred to the Investors Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

Members who have not yet encashed their dividend warrant(s) for the financial year 2002-03 are requested to make their claims to the Company accordingly without any delay.

- (i) Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the meeting.
- (j) As a measure of economy copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.

By Order of the Board of Directors

Girish V. Kirinde  
Company Secretary

Mumbai, 27<sup>th</sup> November 2009.

**Registered office:**

Francysters Cybernetics Centre,  
Eucharistic Congress Building No. III, 3<sup>rd</sup> floor,  
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 under Item No. 7 of the accompanying Notice dated 27<sup>th</sup> November 2009.

### Item No.7

Mr. Z. J. Engineer was appointed as Executive Director of the Company for a period of 5 years with effect from 1<sup>st</sup> June 2005 to 31<sup>st</sup> May 2010 on the terms and conditions as approved by the Members at the 63<sup>rd</sup> Annual General Meeting of the Company held on 22<sup>nd</sup> December 2005. The Special Resolution was passed by the Members by Postal Ballot in 2007 approving the revision in remuneration payable to Mr. Engineer. An approval was also obtained from the Central Government for payment of revised remuneration to Mr. Engineer.

Mr. Z. J. Engineer aged 64 years is a Member of AOTS (Association of Overseas Technical Scholars), Japan and has been associated with the Company for more than 25 years. Prior to joining the Company, he was with The Tata Power Company Limited, R&D Division as Development Assistant (Overall experience of more than 35 years).

On the recommendation of the Remuneration Committee, the Board of Directors at its Meeting held on 27<sup>th</sup> November 2009 has, subject to the approval of the Members of the Company and the Central Government, if required, re-appointed Mr. Z. J. Engineer as Executive Director of the Company for a period from 1<sup>st</sup> June 2010 to 29<sup>th</sup> July 2010 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 1<sup>st</sup> June 2010 to 29<sup>th</sup> July 2010
2. Mr. Engineer shall, subject to the supervision and control of the Board of Directors, carry out such duties as may be entrusted to him.
3. Mr. Engineer shall not become interested or otherwise concerned, directly or through his spouse and/or children in selling agency of the Company.
4. The appointment may be terminated by either party by giving to the other party one months' notice of such termination or the Company paying one months' remuneration in lieu thereof.
5. The employment of Mr. Engineer may be terminated by the Company without notice or payment in lieu of notice :-
  - (a) If Mr. Engineer 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 service; or
  - (b) In the event of any serious or repeated or continuing breach (after prior warning) or non-observance by Mr. Engineer of any of the stipulations contained in the Agreement to be executed between the Company and Mr. Engineer or
  - (c) In the event the Board expresses its loss of confidence in Mr. Engineer.
6. In the event of Mr. Engineer 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.
7. Upon the termination of employment of Mr. Engineer by whatever means:
  - a. Mr. Engineer shall immediately tender his resignation from 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 authorized 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. Engineer 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.
8. Mr. Engineer 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)(l) of the Act.
9. If at any time, Mr. Engineer ceases to be a Director of the Company for any reason whatsoever, he shall cease to be the Executive Director . If at any time, Mr. Engineer 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. Engineer ceases to be a Executive Director of the Company for any reason whatsoever, he shall cease to be a Director of the Company.

10. The terms and conditions of appointment of Mr. Engineer also include clauses pertaining to adherence with the Tata Code of Conduct, no conflict of interest with the Company, use and protection of intellectual property and maintenance of confidentiality.
11. The terms and conditions of the said reappointment may be altered or varied by the Board of Directors or the Remuneration 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 Executive Director are now being placed before the Members for their approval.  
Mr. Engineer is concerned or interested in resolution at Item no.7 of the Notice. Mr. Engineer 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 proposed to be entered into between the Company and Mr. Engineer pursuant to Section 302 of the Act.

**Additional information relevant to the said appointment of the Executive 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 of /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: for the 18 months' period ended 30<sup>th</sup> September 2009:**

(Rs. In lakhs)

Particulars	Rs.
Turnover and other income	34624.54
Profit before exceptional items and taxation	277.76
Net Profit as per Profit & Loss Account	327.99

5. **Export performance and Foreign Exchange earned for the 18 months' period ended 30<sup>th</sup> September 2009:**  
The Company's earnings in Foreign Exchange were Rs. 560.82 lakhs.
6. **Foreign investments or collaboration, if any:** Not Applicable.

**Information about the Executive Director:**

1. **Background details :-**

Mr. Z. J. Engineer aged 64 years is a Member of AOTS (Association of Overseas Technical Scholars) and been with the Company for more than 25 years. Prior to joining the Company, he was with the Tata Power Company Limited, R&D division as Development Assistant (Total Experience more than 35 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.

2. **Past Remuneration drawn :-**

During the period ended 30<sup>th</sup> September 2009, Rs. 63.90 lakhs (excluding contribution to Provident, Gratuity and Superannuation Funds)

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

Mr. Z. J. Engineer is the Executive Director, TATANET Division since June 1, 2000. He is responsible for marketing, sales, operations, profitability and management of the affairs of the TATANET Division. Considering his qualification, expertise and vast experience, the Executive Director is best suited for the responsibilities currently assigned to him by the Board of Directors.

4. **Remuneration proposed :-**

(a) Salary in the scale of Rs.75,000/- per month to Rs. 2,00,000/- per month and the benefits; (b) perquisites, allowances as may be determined by the Board/ Remuneration Committee of the Board from time to time and (c) incentive remuneration, if any, and / or commission based on certain performance criteria to be prescribed by the Board.

#### **Minimum Remuneration :-**

Where in any financial year, during the currency of tenure of the Executive Director, the profits of the Company are nil or are inadequate, the Company will pay the Executive Director remuneration 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 Executive 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 Executive 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 in a 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 is continuously evaluating its businesses and has changed its line of business radically by focusing on VSAT Networking (Solutions, Services, Projects etc.), and home land security and Defence Electronics (Hi-Tech solutions, products and offerings).

Under the leadership of Mr. Z.J. Engineer, the Executive Director, having rich experience and specialization in his field, the Company has been able to build the strategic business unit namely, VSAT Networking (Solutions, Services, Projects etc.)

Barring the continued burden of the legacy of 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 network business are quite promising.

The Company has made a profit of Rs. 327.99 lakhs and Rs. 443.25 lakhs in the financial years 2008-09 (18 months) and 2007-08 (12 months) respectively.

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

- (a) Focus on core competence areas.
- (b) Improving customer focus and marketing.
- (c) Increasing productivity and process improvements
- (d) Enlarging subscription base into related customer segments and deeper geographies.
- (e) Efforts to reduce debts through improved NWC.
- (f) 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 during the year 2008-09. The Company has made a profit before tax of Rs. 1314.29 lakhs and a net profit after tax of Rs. 327.99 lakhs, in which the contribution of network division was Rs. 1449.84 lakhs

The Company expects to sustain the improvement in its productivity and profits through various measures stated above, more particularly in network division.

By Order of the Board of Directors

Girish V. Kirkinde  
Company Secretary

Mumbai, 27<sup>th</sup> November 2009.

**Registered Office:**

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

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

Name of the Director	Lt.Gen. Davinder Kumar (Retd.)	Mr. R. R. Bhinge	Mr. V. K. Deshpande	Mr. Z. J. Engineer
Date of Birth	23 <sup>rd</sup> September 1946	29 <sup>th</sup> May 1952	21 <sup>st</sup> July 1957	30 <sup>th</sup> July 1945
Date of Appointment	17 <sup>th</sup> November 2006	29 <sup>th</sup> August 2003	30 <sup>th</sup> July 2004	1 <sup>st</sup> August 2000
Expertise in Specific Functional Area	Lt. Gen. Davinder Kumar (Retd) served the Indian Army for almost 40 years and is the recipient of Param Vishisht Seva Medal, Vishisht Seva Medal and Bar. He is a specialist in Network Design Implementation and has conceived, designed and fielded a large variety of communication and computer networks for the Indian Army.	Mr. Bhinge has over 25 years professional experience. He was with Nelco for 14 years and during his tenure with the Company he had multi-functional operating experience in finance, marketing, operations and profit centre management. He was an Author of the 1990 Strategic Plan for Tata Industries Limited and was responsible for its implementation. He participated in various Joint Ventures planning and negotiations. He involved in all consultancy assignments undertaken in various Industries by Tata Strategic Management Group since 1991. At present, Mr. Bhinge is Chief Executive of Tata Strategic Management Group.	Mr. Deshpande has over 20 years experience in various fields including execution of turnkey projects, plant operations, total plant solutions etc. He was associated with Tata Honeywell Limited for over 15 years in various leadership roles. At present he is President & COO of Hindustan Construction Company Limited.	Experience and knowledge of the electronics industry
Qualifications	Masters degree in Arts. M. Phil in Defence Studies and Masters in Engineering	B. Tech Hons. (Electrical) from IIT, Mumbai. Post Graduation in Business Administration from IIM, Ahmedabad.	Chemical Engineer, IIT, Kharagpur	Member of AOTS (Association of Overseas Technical Scholars), Japan.
Directorship held in other companies (excluding Private & Foreign Companies)	Tata Advanced Systems Ltd.	Tata Johnson Controls Automotive Ltd. Tata Autocomp Systems Ltd. Infiniti Retail Ltd.	TAL Manufacturing Solutions Ltd.	Nelito Systems Ltd. Tatanet Services Ltd.
Committee positions held in other companies	Nil	<b>Audit Committee</b> Tata Johnson Controls Automotive Ltd. Tata Autocomp Systems Ltd. Infiniti Retail Ltd.	<b>Audit Committee</b> TAL Manufacturing Solutions Ltd.	<b>Audit Committee</b> Nelito Systems Ltd.
No. of shares held	Nil	Nil	Nil	Nil