

NELCO LIMITED

A **TATA** Enterprise

69th Annual Report
2010 - 11

Nelco Solutions Implemented for Key Projects

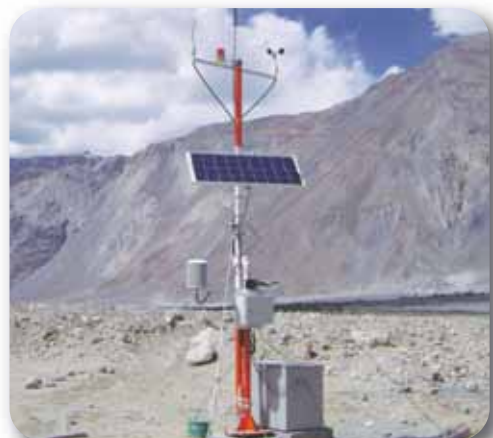


A VSAT network installation in process for INCOIS (Indian National Centre for Ocean Information Services). Apart from the hub, Nelco is also setting up VSATs at remote locations that experience high seismic activity to enable connectivity for INCOIS' Tsunami warning system.



Integrated Security & Surveillance Solution provided by Nelco as part of a major Railway Security Project

Nelco implemented Automatic Weather Monitoring Systems (AWS) in more than 60 airfields of the Indian Airforce, including this one in the mountainous terrain of Leh



NELCO LIMITED

Chairman Emeritus

R. N. Tata

Board of Directors

P. R. Menon – Chairman

R. R. Bhinge

V. K. Deshpande

P. K. Ghose

S. Ramakrishnan

S. K. Gupta

B. Gopal (w.e.f. 14th November, 2011)

K. A. Mahashur – Executive Director

Chief Executive Officer

P. J. Nath

Company Secretary

Girish V. Kirkinde

Bankers

Bank of India

Allahabad Bank

Union Bank of India

Calyon Bank

Axis Bank Ltd.

Solicitors

Mulla & Mulla & Craigie, Blunt & Caroe

Auditors

Deloitte Haskins & Sells, Mumbai.

Registered Office, works & facilities

EL-6, TTC Industrial Area,

MIDC Electronics Zone, 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

Sales Offices

Bangalore

3rd 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, 1st floor

32-A, Chittaranjan Avenue,

Kolkata 700 012.

Secunderabad

Plot No.65, Paigah Colony,

Behind Anand Theatre,

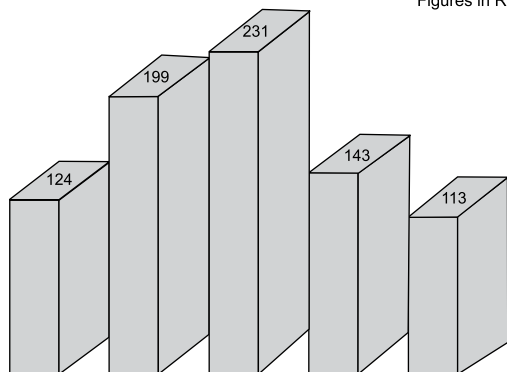
Off Sardar Patel Road,

Secunderabad 500 003.

Financial Highlights

5 YEARS REVENUE

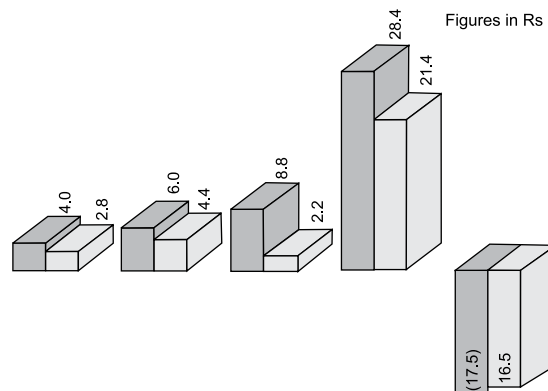
Figures in Rs Cr



2006-07 2007-08 2008-09 2009-10 2010-11

5 YEARS PBT & PAT

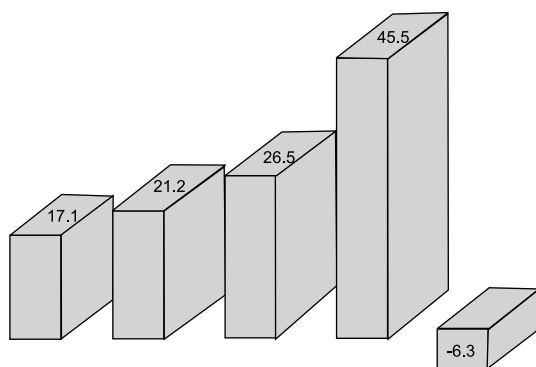
Figures in Rs Cr



2006-07 2007-08 2008-09 2009-10 2010-11

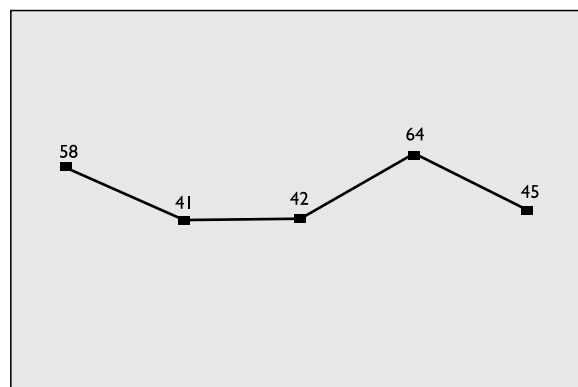
5 YEARS EBIDTA

Figures in Rs Cr



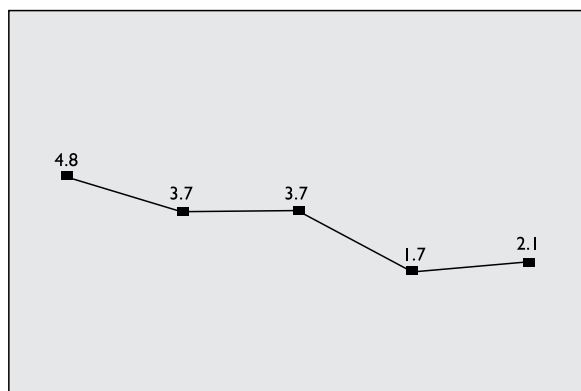
2006-07 2007-08 2008-09 2009-10 2010-11

NWC As % of Revenue



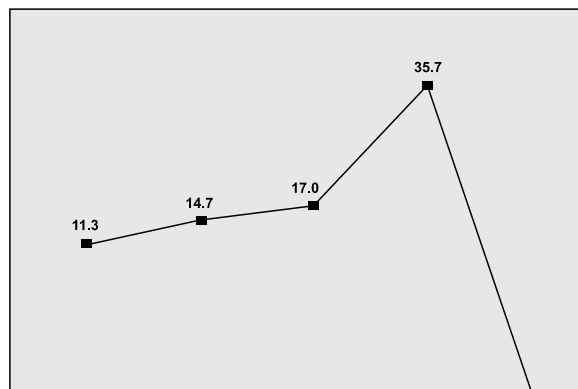
2006-07 2007-08 2008-09 2009-10 2010-11

Debt to Equity (Number of Times)



2006-07 2007-08 2008-09 2009-10 2010-11

ROCE %



2006-07 2007-08 2008-09 2009-10 2010-11

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

Go Green Today

As a responsible corporate citizen, the Company welcomes and supports the ‘Green Initiative’ taken by the Ministry of Corporate Affairs, enabling the Company to effect electronic delivery of documents. The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of annual reports and other documents of your Company sent to Members.

Members are requested to support this Green Initiative by updating their email addresses with their respective Depository Participants, in case of electronic shareholding; or registering their email addresses with the Company’s Registrar and Transfer Agents, in case of physical shareholding. Join this cause and make the world a cleaner, greener and healthier place to live in.

Annual General Meeting

Date : Tuesday, 24th January, 2012

Time : 4.00 p.m.

Venue : Millennium I, Hotel Ramada,
156, Millennium Business Park,
MIDC Sector 2, Mahape,
Navi Mumbai – 400 710

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.

Visit us at : www.nelcoin.com
www.nelcosecurity.co.in

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NOTICE

The SIXTY NINTH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Tuesday the 24th January 2012 at 4.00 p.m. at Millennium I, Hotel Ramada, 156, Millennium Business Park, MIDC Sector 2, Mahape, Navi Mumbai – 400 710 to transact the following business:-

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th September 2011 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. P. R. Menon who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. R. R. Bhinge who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. K. Gupta who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

6. Appointment of Mr. B. Gopal as Director

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

“RESOLVED THAT Mr. B. Gopal, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 14th November, 2011 and who holds office upto the date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“the Act”) but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

7. Appointment of Mr. P. J. Nath as Chief Executive Officer.

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

“RESOLVED that pursuant to the provisions of Sections 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), as amended or re-enacted from time to time, read with Schedule XIII to the Act and subject to the 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 for the appointment and terms of remuneration of Mr. P. J. Nath as the Manager of the Company, designated as Chief Executive Officer of the Company for the period of three years commencing from 23rd February, 2011 to 22nd February, 2014 on the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this meeting, including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr. Nath.

RESOLVED FURTHER that 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 pursuant to Section 173 of the Companies Act, 1956 in respect of business under Item No. 6 and 7 set out above and the relevant details of the Directors seeking re-appointment/appointment under item nos. 2 to 4 and 6 above as required by Clause 49 of the Listing Agreements entered into 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 Friday, 13th January, 2012 to Wednesday, 18th January 2012 (both days inclusive).
- (f) Members are requested to notify immediately any change in their addresses and/or bank mandate details to the Company’s Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.

- (g) 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 years upto 2002-03 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 Investor 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 ended 2008-09 and 2009-10 are requested to make their claims to the Company accordingly without any delay.

- (h) 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.
- (i) 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.
- (j) It is recommended that the Members should convert their physical holdings into demat holdings. Holding shares in demat form helps Members to get immediate transfer of shares. No stamp duty is payable on transfer of shares held in demat form and risks associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided. The Members should consolidate their shareholding held in multiple folios. This facilitates one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.
- (k) Members may please note that, Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish the copy of PAN card to the Company/Share Transfer Agents for registration of such transfer of shares.

Members may please note that, SEBI has also made it mandatory for submission of PAN in the following cases viz. (i) deletion of name of the deceased shareholder(s) (ii) transmission of shares to the legal heir(s) and (iii) transposition of shares.

By Order of the Board of Directors

28th November 2011.

Girish V. Kirkinde
Company Secretary

Registered office:

EL-6, TTC Industrial Area,
MIDC Electronics Zone, Mahape,
Navi Mumbai – 400 710

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956 ('The Act'), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 6 and 7 of the accompanying Notice dated 28th November 2011.

Item No. 6 Appointment of Mr. B.Gopal as Director

Mr B. Gopal was appointed as an Additional Director of the Company with effect from 14th November, 2011 by the Board of Directors in terms of Section 260 of the Companies Act, 1956 ("Act") and Article 125 of the Company's Articles of Association. Pursuant to Section 260 of the Act, Mr B.Gopal holds office only upto the date of the forthcoming Annual General Meeting but is eligible for appointment as a Director. A notice under Section 257 of the Act has been received from a Member signifying his intention to propose Mr. B.Gopal's appointment as a Director.

Mr. B.Gopal, aged 58 years, is B.Tech (Electronics) from I.I.T. Madras. Presently he is a Vice President with Tata Consultancy Services Ltd. and heads System Integration and Outsourcing. He has over 30 years experience in the field of IT and Software which includes marketing and management of TCS's software & consulting business in Singapore, Malaysia & Indonesia, evaluation and acquisition of all H/W, S/W and communications infrastructure, managing and evaluating emerging technologies.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. B.Gopal and therefore recommend for approval, the resolution contained in item no. 6 of the Notice convening the Annual General Meeting. None of the Directors except Mr. B.Gopal is concerned or interested in item no. 6 of the Notice.

Item No. 8 Appointment of Mr. P. J. Nath as Chief Executive Officer

The Board of Directors of Company, at its meeting held on 28th November, 2011, appointed Mr. P. J. Nath as the Manager of the Company, designated as Chief Executive Officer.

Mr. P. J. Nath aged 49 years is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 25 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a Nasdaq Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as an Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

The principal terms and conditions of Mr. Nath's appointment as Chief Executive Officer (hereinafter referred to as 'Mr. Nath or the 'Chief Executive Officer') are as follows:

(1) Tenure of Agreement:

For a period of 3 years commencing from 23rd February, 2011 to 22nd February, 2014.

(2) Nature of duties:

- (a) The Chief Executive Officer shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the Boards of such associated companies and/or subsidiaries or any other executive body or any committee of such a company.
- (b) The Chief Executive Officer shall not exceed the powers so delegated by the Board pursuant to Clause 2(a) above.
- (c) The Chief Executive Officer undertakes to employ the best of his skill and ability to make his utmost endeavors to promote the interests and welfare of the Company and to conform to and comply with the directions and regulations of the Company and all such orders and directions as may be given to him from time to time by the Board.

- (3) (a) Remuneration: i) Basic salary of upto a maximum of Rs. 5,00,000/- per month, with annual increments effective 1st October every year or such date as may be decided by the Board, based on merit and taking into account the Company's performance;
- ii) The Benefits, Perquisites and Allowances as may be determined by the Board.
- iii) Performance Linked Payment based on certain performance criteria to be prescribed by the Board.

- (b) Minimum Remuneration: Where in any financial year during the currency of the tenure of the Chief Executive Officer, the Company has no profits or its profits are inadequate, the Company will pay to the Chief Executive Officer remuneration by way of Salary, Benefits, Perquisites and Allowances and Performance Linked Payment as specified above.
- (4) All personnel policies of the Company and the related Rules, which are applicable to other employees of the Company, shall also be applicable to the Chief Executive Officer, unless specifically provided otherwise.

The draft Agreement between the Company and the Chief Executive Officer also contains the following terms and conditions:

1. The Chief Executive Officer shall not become interested or otherwise concerned, directly or through his spouse and/or children, in any selling agency of the Company.
2. The terms and conditions of the appointment of the Chief Executive Officer may be altered and varied from time to time by the Board 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 in such manner as may be agreed to between the Board and the Chief Executive Officer, subject to such approvals as may be required.
3. This appointment may be terminated by giving three months' notice on either side or the Company paying three months' remuneration in lieu of such notice.
4. The employment of the Chief Executive Officer may be terminated by the Company without notice or payment in lieu of notice:
 - (a) if the Chief Executive Officer is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associated company to which he is required by the Agreement to render services; or
 - (b) in the event of any serious or repeated or continuing breach (after prior warning) or non-observance by the Chief Executive Officer of any of the stipulations contained in the Agreement to be executed between the Company and the Chief Executive Officer; or
 - (c) in the event the Board expresses its loss of confidence in the Chief Executive Officer.
5. In the event the Chief Executive Officer is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate his contract on such terms as the Board may consider appropriate in the circumstances.
6. Upon the termination by whatever means of the Chief Executive Officer's employment:
 - (a) the Chief Executive Officer 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 is hereby 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 the Chief Executive Officer is at the material time a Director or other officer;
 - (b) the Chief Executive Officer 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.
7. The Chief Executive Officer's appointment is by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 385(1) of the Act.
8. If and when the Agreement expires or is terminated for any reason whatsoever, Mr. Nath will cease to be the Manager of the Company. If at any time, Mr. Nath ceases to be Chief Executive Officer of the Company for any reason whatsoever, the Agreement shall forthwith terminate. If at any time, Mr. Nath ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be the Manager of the Company.
9. The terms and conditions of appointment of the Chief Executive Officer also include clauses pertaining to adherence with the Tata Code of Conduct, intellectual property, non-competition, no conflict of interest with the Company and maintenance of confidentiality.

In compliance with the provisions of Sections 198, 269, 387 and other applicable provisions of the Act read with Schedule XIII to the Act, the terms of remuneration specified above are now being placed before the Members for approval.

Mr. Nath is not related to any Director of the Company. None of the Directors is concerned or interested in the Resolution at Item No. 7 of the accompanying Notice.

The Board commends the Resolution at Item No.7 of the accompanying Notice for acceptance by the Members.

Additional information relevant to the said appointment of the Chief Executive Officer as per Notification dated January 16 2002 issued by the Department of Company Affairs is as follows:-

I. General Information:

1. **Nature of Industry:** Electronics and Telecommunications (ISP) activities.
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 year ended 30th September 2011**

(Rs. '000))

Particulars	2010-11 Rs.	2009-10 Rs.
Turnover and other income	1,134,653	1,428,232
Profit/(Loss) before exceptional items and taxation	(203,752)	(235,380)
Net Profit /(Loss) before tax	(175,419)	284,292
Net Profit /(Loss) after tax	(165,364)	214,022

5. Export performance and net Foreign Exchange collaboration:

The Company's earnings in foreign exchange were Rs.35,060('000)

6. Foreign investments or collaborators, if any: Not Applicable.

II Information about the Appointee:

1. Background details

Mr. P. J. Nath aged 49 years is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 25 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a Nasdaq Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as an Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

2. Job Profile and his suitability :

The Chief Executive Officer shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the Boards of such associated companies and/or subsidiaries or any other executive body or any committee of such a company. The Chief Executive Officer shall employ the best of his skill and ability to make his utmost endeavors to promote the interests and welfare of the Company.

The expertise and experience of Mr. Nath would be very useful to the growth of business and profitability of the Company and his appointment as Manager, designated as Chief Executive Officer would be in the best interest of the Company.

3. Remuneration proposed:

a) Remuneration

- i) Basic salary of upto a maximum of Rs. 5,00,000/- per month, with annual increments effective 1st October every year or such date as may be decided by the Board, based on merit and taking into account the Company's performance;
- ii) The Benefits, Perquisites and Allowances as may be determined by the Board.
- iii) Performance Linked Payment based on certain performance criteria to be prescribed by the Board.