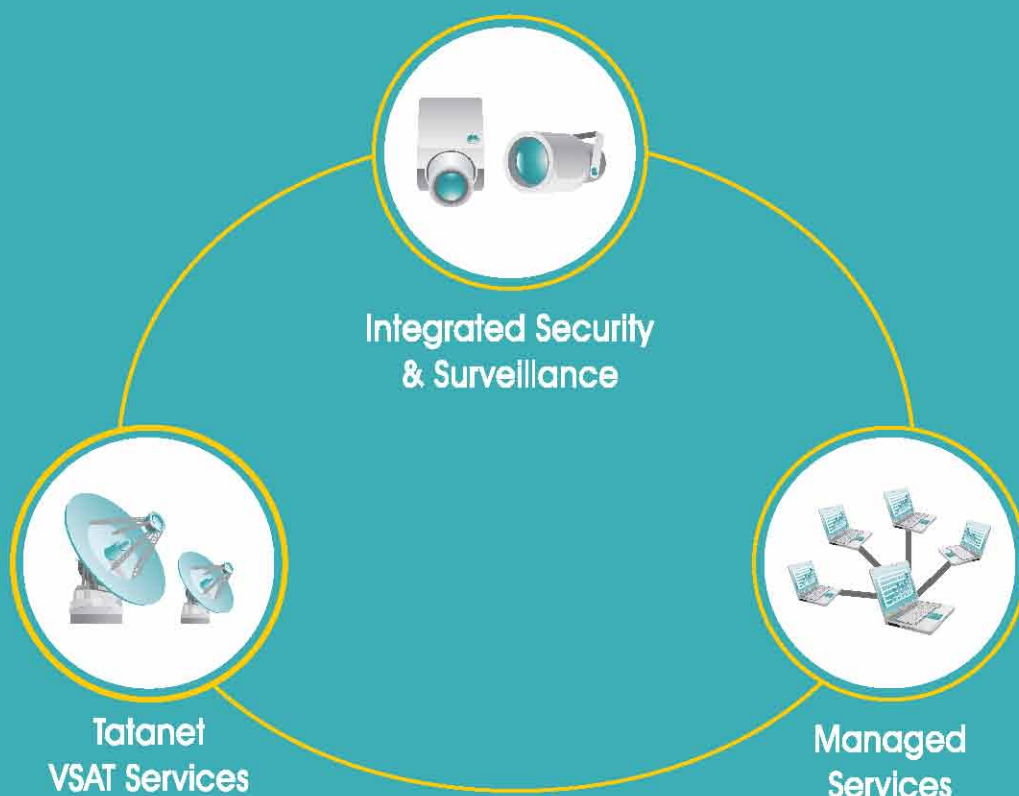


70th Annual Report 2011 - 2012

OUR SOLUTIONS HELP ENTERPRISES
UNLOCK POTENTIAL





Tata Center Archive- Security and Surveillance Project at Pune



Director General of Lighthouse and Lightship- Automation equipment installation at Wilson Island, Andaman and Nicobar Islands



Inauguration of Southern Railway's Integrated Security and Surveillance Project executed by Nelco

NELCO LIMITED

Chairman Emeritus

R. N. Tata

Board of Directors (As on 22nd November, 2012)

P. R. Menon – Chairman

R. R. Bhinge

V. K. Deshpande

P. K. Ghose

S. Ramakrishnan

S. K. Gupta (upto 8th September, 2012)

B. Gopal

B. Rajagopal (from 28th March 2012)

P. J. Nath – Executive Director & Chief Executive Officer

Company Secretary

Girish V. Kirkinde

Bankers

Bank of India

Union Bank of India

Axis Bank Ltd.

Solicitors

Mulla & Mulla and 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

(022) 67918728 / 67399100

Email: services@nelco.in

Website: www.nelco.in

Investor relations : girish.kirkinde@nelco.in

Share Registrars

TSR Darashaw Limited

6-10, 1st floor,

Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road, Mahalaxmi,

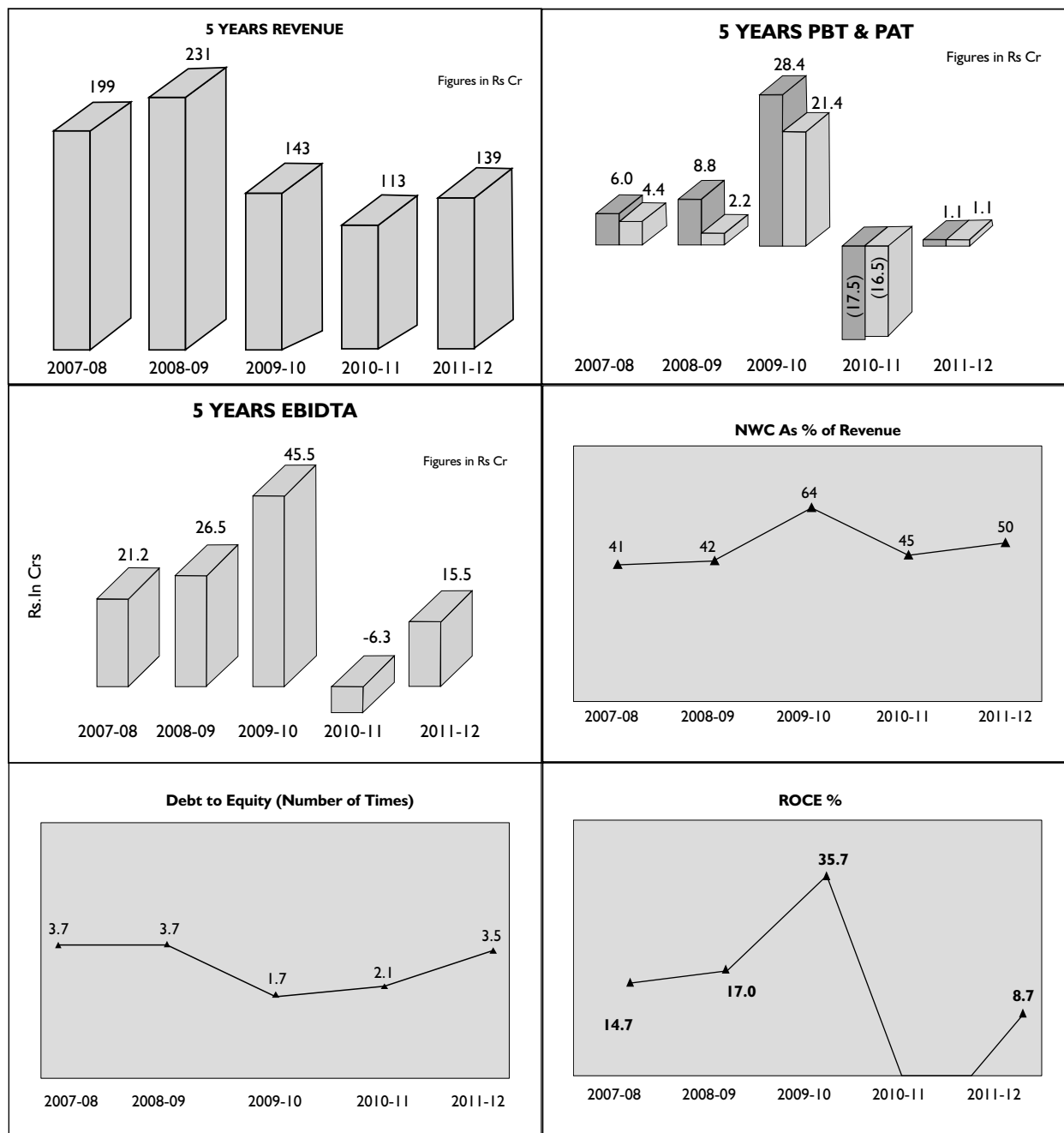
Mumbai - 400 011.

Tel.: 022-66568484 Fax: 022-66568494

Email: csg-unit@tsrdarashaw.com

Website: www.tsrdarashaw.com

Financial Highlights



Note : for the purpose of comparison, the figures are calculated on annualized 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 giving their consent and a) updating their email addresses with their respective Depository Participants, in case of electronic shareholding; or b) 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.

70th Annual General Meeting

Date : Tuesday, 22nd January, 2013

Time : 3.00 p.m.

Venue : Ebony, Hotel Regenza By Tunga,
Plot No.37, Sector 30-A,
Vashi,
Navi Mumbai – 400 703

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.nelco.in

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NOTICE

The SEVENTIETH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Tuesday, the 22nd January 2013 at 3.00 p.m. at Ebony, Hotel Regenza By Tunga, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703 to transact the following business:-

1. To receive, consider and adopt the Audited Statement of Profit & Loss for the year ended 30th September, 2012 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. V. K. Deshpande who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. P. K. Ghose who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. S. Ramakrishnan who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and fix their remuneration.

7. Appointment of Mr. B. Rajagopal 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. Rajagopal, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 28th March 2012 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.”

8. Appointment of Mr. P. J. Nath as Director

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

“RESOLVED THAT Mr. P. J. Nath, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 13th June 2012 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.”

9. Appointment of Mr. P. J. Nath as Executive Director & Chief Executive Officer

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

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 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, the Company hereby approves the appointment and terms of remuneration of Mr. P. J. Nath as the Executive Director & Chief Executive Officer of the Company for the period from 13th June 2012 to 12th June, 2015 upon 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 (“the Act”) in respect of the business as set out in Item Nos. 7 to 9 above and the relevant details of the Directors seeking appointment/ re-appointment under item nos. 3 to 5, 7 and 8 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 commencement of 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, 8th January, 2013 to Thursday, 10th January 2013 (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 and from 24th January, 2013 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 7th January, 2013;
 - 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 7th January, 2013.

- (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) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.
- (h) 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 2004-05 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.
- (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.
- (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, as per the Securities and Exchange Board of India (SEBI) directive, remittance of dividend through Electronic Clearing Service (ECS) is replaced with National Electronic Clearing Service (NECS), with effect from 1st October, 2009. To avail of NECS facility, Members holding shares in demat mode are requested to update their new bank details, post implementation of Core Banking Solutions (CBS) in which they wish to receive dividend with their respective Depositories. The Company or Share Transfer Agents will not act on any direct request from members holding shares in demat mode for change/update/deletion of such bank details. Members holding shares in physical mode must give instructions regarding their new bank details in which they wish to receive dividend to the Company or Share Transfer Agents. In the absence of NECS facility, the bank account details, if available, will be printed on the dividend warrants.
- (l) 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.
- (m) Members who are holding physical shares in identical order of names in more than one account are requested to intimate to the Share Transfer Agent the ledger folio of such accounts and send the share certificates to enable the Company to consolidate all the holdings into one account. The share certificate will be returned to the members after making necessary endorsements in the due course.
- (n) Members desirous of receiving Notice/ Annual Report in electronic form may furnish their consent and email id to the Company / Registrar and Share Transfer Agent.

By Order of the Board of Directors

Girish V. Kirkinde
Company Secretary

22nd November 2012.

Registered office:

MIDC Plot EL 6, TTC Industrial Area,
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. 7 to 9 of the accompanying Notice dated 22nd November 2012.

Item No. 7

Appointment of Mr. B. Rajagopal as Director

The Board of Directors appointed Mr B. Rajagopal as an Additional Director of the Company with effect from 28th March 2012, 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. Rajagopal 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. Rajagopal's appointment as a Director.

Mr B. Rajagopal, aged 57 years, is B.Tech (Chem. Engg) from I.I.T. Delhi and MBA – IIM, Calcutta (1979). Presently he is a Managing Director with SI Group India Limited. He has over 30 years experience with various organizations in India and abroad and has successful track record of general management through delivering accelerated and profitable growth strategies and P&L goals in Chemicals and Manufactured Consumer Goods Sectors. He has International business and functional leadership experience combining a global mindset and proven capability of operating in a multi-country and multi-rational environment. He has also fostered a number of JV relationships.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. B. Rajagopal and therefore recommend for approval, the resolution contained in item no. 7 of the Notice convening the Annual General Meeting. Mr. B. Rajagopal is concerned or interested in the Resolution set out at item no. 7 of the accompanying Notice.

Item Nos. 8 & 9

Appointment of Mr. P. J. Nath as Executive Director & Chief Executive Officer

Mr. P. J. Nath was appointed as an Additional Director of the Company with effect from 13th June, 2012 by the Board of Directors under Section 260 of the Act and Article 125 of Company's Articles of Association. In terms of Section 260 of the Act, Mr. Nath 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 Nath's appointment as a Director. The Board considers it desirable that the Company should continue to avail itself of services of Mr. Nath as Director and accordingly commends the Resolution at Item No. 8 of the accompanying Notice for acceptance by the Members of the Company.

The Board had also appointed Mr. Nath as the Executive Director and Chief Executive Officer for the period from 13th June, 2012 to 12th June, 2015, subject to the approval of the Members.

Mr. Nath, aged 50 years, joined the Company as Chief Executive Officer from 23rd February, 2011. Mr. Nath 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 Board of Directors had appointed Mr. Nath as Manager of the Company designated as Chief Executive Officer for a period of 3 years with effect from 23rd February, 2011, subject to the approval of the Members. Subsequently, the Members had approved the appointment and terms of remuneration of Mr. Nath at the Annual General Meeting held on 24th January, 2012. The approval of the Central Government was also obtained for payment of remuneration to Mr. P. J. Nath as Chief Executive Officer as approved by the Members. This agreement between the Company and Mr. Nath has been terminated by mutual agreement with effect from 13th June, 2012.

The principal terms and conditions of Mr. Nath's appointment as Executive Director and Chief Executive Officer (hereinafter referred to as "Mr. Nath" or "ED & CEO") are as follows:-

(1) Tenure of Agreement:

For a period of 3 years commencing from 13th June, 2012 to 12th June, 2015.

(2) Nature of Duties:

- (a) The ED & CEO 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 ED & CEO shall not exceed the powers so delegated by the Board pursuant to clause 2(a) above.

- (c) The ED & CEO 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:**
- Basic salary upto a maximum of Rs.5,00,000/-per month. The annual increment will be effective from 1st October of each year or such other date as may be decided by the Board, based on merit and taking into account the Company's performance;
 - benefits, perquisites and allowances, as may be determined by the Board;
 - Performance Linked Payment from time to time based on certain performance criteria, Company's performance and such other factors as may be determined by the Board;
- (b) **Minimum Remuneration :** Where in any financial year during the currency of the tenure of the ED & CEO , the Company has no profits or its profits are inadequate, the Company will pay to the ED & CEO 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 ED & CEO, unless specifically provided otherwise.

The draft Agreement between the Company and the ED & CEO also contains the following terms and conditions:

- The ED & CEO shall not become interested or otherwise concerned, directly or through his spouse and / or children, in any selling agency of the Company.
- The terms and conditions of the appointment of the ED & CEO 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 ED & CEO subject to such approvals as may be required.
- This appointment may be terminated by giving six months' notice on either side or the Company paying six months' remuneration in lieu of such notice.
- The employment of the ED & CEO may be terminated by the Company without notice or payment in lieu of notice:
 - if the ED & CEO 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
 - in the event of any serious or repeated or continuing breach (after prior warning) or non-observance by the ED & CEO of any of the stipulations contained in the Agreement to be executed between the Company and the ED & CEO ; or
 - in the event the Board expresses its loss of confidence in the ED & CEO.
- In the event the ED & CEO 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.
- Upon the termination by whatever means of the ED & CEO's employment:
 - The ED & CEO 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 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 the ED & CEO is at the material time a Director or other officer;
 - The ED & CEO shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries and associated companies.
- The ED & CEO 's appointment is 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.
- If and when the Agreement expires or is terminated for any reason whatsoever, Mr. Nath will cease to be the ED & CEO and also cease to be a Director. If at any time, Mr. Nath ceases to be a Director of the Company for any reason whatsoever, he shall cease to be the ED & CEO and 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 a Director and ED & CEO of the Company.
- Mr. Nath will also enjoy all benefits of continuity with regard to Gratuity and other benefits for the purposes of which the date of joining shall be the date on which he joined as Chief Executive Officer of the Company.
- The terms and conditions of appointment of Mr. Nath 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 provision of Section 198,269,309 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 their approval.

Mr. Nath is not related to any Director of the Company. Mr. Nath is concerned or interested in Resolutions set out at Item Nos. 8 and 9 of the accompanying Notice.

The Board commends the Resolution for appointment of Mr. Nath as Executive Director and Chief Executive Officer of the Company in terms of Item No. 9 of the accompanying Notice for acceptance by the Members of the Company.

Additional information relevant to the appointment of Mr. P.J.Nath as the Executive Director and 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 2012:

(Rs. '000))

| Particulars | 2011-12 Rs. | 2010-11 Rs. |
|--|----------------|----------------|
| Turnover and other income | 14,17,560 | 1,134,653 |
| Profit before exceptional items and taxation | (15,886) | (203,752) |
| Net Profit before tax | 10,903 | (175,419) |
| Net Profit after tax | 10,903 | (165,364) |

5. Export performance and net Foreign Exchange collaboration:
The Company's earnings in foreign exchange were Rs. 35,000('000)
6. Foreign investments or collaborators, if any: Not Applicable.

II. Information about the Appointee:

1. Background details:

Mr. Nath, aged 50 years joined the Company as Chief Executive Officer from 23rd February, 2011. Mr. Nath 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 Executive Director & 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 Executive Director & 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 Executive Director & 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.