NU TEK

NU TEK INDIA LIMITED

ANNUAL REPORT

2011-2012

Contents

BOARD OF DIRECTORS

Mr. Inder Sharma, Chairman cum Managing Director
Mr. Vineet Sirpaul, Whole Time Director
Mrs. Sumati Sharma, Director
Mr. Sachin Mehra, Director
Mr. Sanjay Jain, Director
Mr. Mahesh Khera, Director
Mr. Amar Sarin, Director

GENERAL COUNSEL & COMPANY SECRETARY

Mr. Sanjay Kumar Singh

AUDITORS

M/s Suman Jeet Agarwal & Co.
Chartered Accountants
516, Arunachal Building,
19, Barakhamba Road, Connaught Place,
New Delhi- 110001
Telephone: 011-43549486, Fax: 011-43549487
Email: sumanjeet68@yahoo.co.in

REGISTRAR AND TRANSFER AGENTS

AARTHI Consultants Private Limited
1-2-285, Domalguda
Hyderabad-500029
Tel:+9140 4012 8274
E-mail: info@aarthiconsultant.com
Website: www.aarthiconsultant.com

REGISTERED OFFICE

605 Siddarth Building,
96, Nehru Place
New Delhi-110019
Tel: +9111 3269 4477

CORPORATE OFFICE

B-27, Infocity, Sector-34
Gurgaon- 122001 (Haryana)
Tel: +91124 305 4600

BANKERS

State Bank of India
Commercial Branch,
Palm Court,
Gurgaon-122002

Website: www.nutek.in

DIRECTOR'S REPORT

Dear Shareholders.

We are happy to present on behalf of the Board of Directors, the Nineteenth Annual Report on the business and operation of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2012.

Financial Highlights

Particulars	For the year ended 31st March, 2012 Standalone	For the year ended 31st March, 2011 Standalone	For the year ended 31st March, 2012 Consolidated	For the year ended 31st March, 2011 Consolidated
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Income from Operation	82.26	256.83	143.55	283.05
Other Income	6.73	2.74	6.75	2.99
Total Income	**88.99**	**259.57**	**150.3**	**286.05**
Total Expenses	83.15	237.43	142.55	255.94
Profit before Tax and Depreciation	**5.84**	**22.14**	**7.75**	**30.10**
Less, Depreciation	1.39	1.79	1.41	1.81
Profit before Tax	4.45	20.35	6.34	28.29
Profit after Tax	**3.14**	**13.89**	**4.97**	**21.01**
Profit after Tax available for appropriation	2.19	12.19	4.03	19.31
Balance to the credit of Profit and loss account	**2.19**	**12.19**	**4.03**	**19.31**

FY2012 was a very challenging year for the company, wherein the income from operations decreased by 68% to reach Rs 82.3 crores. The key reason for the lower sales was 75.7% fall in revenue from Full Turnkey (FTK) business stream. Project related expense for the year was Rs 59.1 crores compared to Rs 208.8 crores, a fall of 71.7% from the previous year. As a result, PBIT (profit from operations before other income and finance cost) was reported at Rs 2.5 crores as against Rs 22.4 crores for the previous year. Other income for the year was Rs 6.7 crores, compared to Rs 2.7 crores in the previous year

Transfer to Reserves

The Company has carried balance of Rs.2.19 Crores to the Reserve & Surplus Account of the Balance Sheet as on 31st March 2012.

Dividends

The Board has decided not to recommend any dividend for the year ended 31st March, 2012. The outstanding balance in the unpaid dividend account 2009 as on date is Rs.98,250.

Investments

Your company has invested Rs.34.57 Crores to its wholly owned subsidiary Nu Tek (HK) Private Limited out of the proceeds of GDRs during the year. The total investment as on date in 100% subsidiaries including interest free loan amounts to Rs. 390.48 Crores and investment in equity shares & mutual funds are Rs. 11.47 Crores.

Subsidiary Companies

The statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 in respect of subsidiaries is attached. The Consolidated Accounts of your Company and its subsidiaries viz., Nu Tek (HK) Private Limited, Nutek Europe sro and Ketun Energy Private Limited formerly known as Nu Tek Energy Private Limited are presented as part of this Report in accordance with Accounting Standard 21.

The audited accounts of overseas subsidiaries are also kept for inspection by any investor at the Company's Corporate Office and copies will be made available on request to the investors of the holding and subsidiary companies at any point of time. However, they are also available on the Company's website www.nutek.in

Quality

Your Company is an ISO 9001:2008 and OHSAS 18001: 2007certified Company. Our target for quality is to maintain and to improve the quality of products and service, in order to meet consistently customer requirements and internal needs and to the customers preferred partner. Our management is committed to the safety of the company's operations and in particular to the health and safety of employees, customers and the public in general. During the year the Company has also got EMS 14001:2004 certification for environment up gradation.

SEBI Regulation & Listing Fees

The shares of the company are listing at Bombay Stock Exchange (BSE) and National Stock Exchange of India (NSE) and the GDRs are listed at Luxembourg Stock Exchange. The annual listing fees for the year under review have been paid to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

Corporate Governance

Your company believes Corporate Governance is at the core of stakeholders satisfaction. A report on Corporate Governance is attached elsewhere in this Annual Report along with the Certificate of CS. Ranjeet Pandey, Practicing Company Secretary on the compliance thereof. With a view to strengthening the Corporate Governance framework, the Ministry of Corporate Affairs has also issued Voluntary Guidelines on Corporate Governance and Corporate Social Responsibility in Year 2009. The said guidelines broadly set conditions for appointment of directors, responsibilities of the Board, remuneration to the directors, Risk Management, Audit, Auditors, Secretarial Audit and other matters. Your company has by and large complied with the requirements and is in process to comply other requirements.

Public Deposits

Your Company has not accepted any deposits from the public during the year under review.

Personnel

Information required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is attached to this Report.

Reappointment of Director

The Board of Directors comprises of 7 directors. Two are executive and five are non-executive rotational directors. one out of non-executive directors Mrs. Sumati Sharma is retiring by rotation and has expressed her willingness to be reappointed as director. She has declared that she is not disqualified to be appointed as director of the company. The Board recommends her reappointment as director liable to retire by rotation. During the year Mr. Sandeep Bedi has resigned from the Directorship of the Company. Mr. Sachin Mehra is also one of the retiring Director eligible for reappointment. Since his contribution in Board Proceedings has not been very significant, the Board does not recommend hid reappointment. The Board also have not received any request or declaration about his eligibility for reappointment.

Reappointment of Auditors

The Auditors of the Company M/s SumanJeet Agarwal & Co., Chartered Accountants are retiring at the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment. The Board recommends re-appointment of M/s SumanJeet Agarwal & Co., Chartered Accountants as Auditors of the Company.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

The information under Rule 2 of the Companies (Discloser of Particulars in the report of the Directors) Rules, 1988 relating to the conservation of the energy and technology is not given as the company is not engaged in the manufacturing activities. Though the Company does not have energy intensive operations, it continues to adopt energy conservation measures. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipments with the latest technologies, which would help in conservation of energy. As the cost of energy consumed by the Company forms a very small portion of the total costs, the financial impact of these measures is not material. The Foreign exchange earnings is Rs. 3,50,88,193/- and the foreign exchange expenditure is Rs. 99,23,92 during the year.

NON PAYMENT OF STATUTORY DUES

The Auditors has reported under CARO that Rs. 1.21 crore towards payment of service tax is unpaid as on the date of their reporting. The Board is taking steps for payment and hopefull that it will be paid at earliest.

Management's Discussion & Analysis Report

The Management's Discussion & Analysis on the performance, industry trends and other material changes with respect to the Company and its subsidiaries, wherever applicable are attached herewith.

Director's Responsibility Statement

The Directors Confirmas required under Section 217(2AA) of the Companies Act, 1956

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to any material departure;
- That they have selected such accounting policies and applied them consistently and judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the affairs of the company at the end of the financial year and profit and loss of the company for that period;
- That they have taken proper and sufficient care for the maintenance of the adequate accounting records, in accordance with the provision of the Companies Acts, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- That they prepare the annual accounts on going concern basis.

Acknowledgements and Appreciation

Your Directors take this opportunity to thanks the customers, suppliers, bankers, business partners/associates, financial institutions and Central and State Governments for their consistent support and encouragement to the company. We also appreciate all employees of the company for their hard work and commitment. Their dedication and competence has ensured that the company continues to grow and achieve its objectives.

Place : Delhi

Date : 30th May, 2012

BY THE ORDER OF THE BOARD

Chairman & Managing Director

Annexure I

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEE (S) AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

As per MCA General Circular No. 23/2011 with effect from 1st April 2011, the particulars of employee(s) who had drawn salary in excess of Rs. 60,00,000/ during the financial year commencing from 1st April 2011 to 31st March 2012 should be disclosed in Director's Report.

It is confirmed that during the year no one employee had received/paid salary in excess of Rs.60,00,000/- per annum or more than Rs.5,00,000/- per month.

Annexure II

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

1	Name of Subsidiary	**Nu Tek (HK) Private Limited**	**NuTek Europe sro.**	**Ketun Energy Private Limited**
2	Financial year ended	**31st March, 2012**	**31st March, 2012**	**31st March, 2012**
3	Holding Company's interest	**100%**	**100%**	**100%**
4	Shares held by the Holding Company in the Subsidiary	**10,000 Shares**	**–**	**10,000 Shares**
5	The net aggregate of profits or losses for the above financial year of the Subsidiary so far as it concerns the members of the Holding company			
	a. dealt with or provided for in the accounts of the Holding Company,	**Rs.1,65,12,028/-**	**Rs.18,67,015/-**	**(Rs. 38628/-)**
	b. not dealt with or provided for in the accounts of the Holding Company	**N.A.**	**N.A.**	**N.A.**
6	The net aggregate of profits or losses for the previous financial year of the Subsidiary so far as it concerns the members of the Holding company			
	a. dealt with or provided for in the accounts of the Holding Company	**Rs.7,741,9464/-**	**(Rs. 5,845,880/-)**	**(Rs. 407,881/-)**
	b. not dealt with or provided for in the accounts of the Holding Company	**N.A.**	**N.A.**	**N.A.**

Annexure-III

Management Discussion & Analysis

OUR ECONOMY

India is the fourth largest economy in the world after the European Union, United States of America and China in purchasing power parity terms, with an estimated Gross Domestic Product ("GDP") (purchasing power parity) of U.S.$ 4.46 trillion in 2011 (Source: CIA World Factbook 2011). India rebounded from the global financial crisis, largely because of cautious banking policies and a relatively low dependence on exports for growth. India recorded one of the largest global GDP gains in 2011, experiencing growth of 7.8% (Source: CIA World Factbook 2011).

As per Reserve Bank of India's Macro-economic overview, India's GDP growth in Q3 of FY2011-12 dropped to 6.1% owing to investment and external demand contraction and private consumption deceleration. Growth is likely to improve moderately in 2012-13, supported mainly by a pick-up in industry on the back of consumption demand and some improvement in investment. However, the depleted investment pipeline and depressed new investment may keep the pace of recovery low.

(Source: Macroeconomic and Monetary Developments: Third Quarter Review Fiscal 2012)

The Indian economy witnessed robust recovery in growth in the last quarter of fiscal 2010. The Industrial Outlook Survey of the RBI indicated further improvement in several parameters of the business environment for the three months ended September 30, 2010. The Professional Forecasters' Survey conducted by the RBI in June 2010 places the overall (median) GDP growth rate for fiscal 2011 at 8.4%, higher than 8.2% reported in the previous round of the survey.

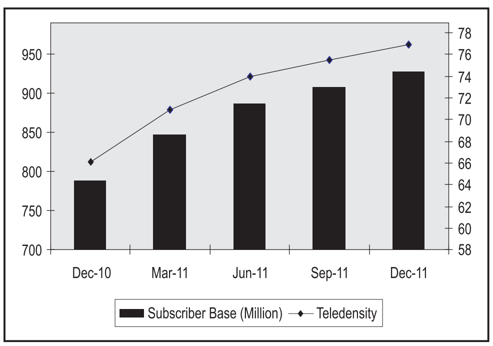
(Source: Macroeconomic and Monetary Developments: First Quarter Review Fiscal 2011)

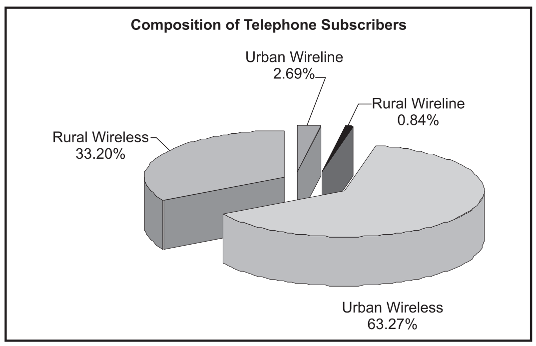
INDIAN TELECOM INDUSTRY

CURRENT SCENARIO

India continues to be a growing telecom market in the world. As at 31-Mar'2012, the telecom subscriber base reached 951.3 million, up from 846.2 million on 31-Mar'2011. The addition of subscriber in the FY2012 decreased considerably to 105 million, compared to addition of 225 million subscribers during 2010-11.

Growth of Subscriber base





(Source: TRAI)

The Telecom Subscriber base growth during the financial year 2011-12 is given below:

(subscribers in Million)	As on 31.03.2012	As on 31.03.2011	% change
Wireless	919.17	811.59	13.3 %
Wireline	32.17	34.73	(7.4%)
Total	951.34	846.22	12.4 %

Growth in Tele-density

The overall tele-density reached 78.66% at the end of March 2012, as against 70.89% in March 2011 and 52.74% in March 2010. Despite the impressive growth in the telecom sector, the rural tele-density in India is quite low as compared to urban tele-density. The following table depicts the penetration of telecom services in rural & urban areas in the country:

Tele-density as of	Rural (%)	Urban (%)	Overall (%)
Mar-05	1.74	26.20	9.08
Mar-06	1.86	37.99	12.70
Mar-07	5.78	47.24	18.22
Mar-08	9.34	63.67	25.64
Mar-09	14.93	89.44	36.98
Mar-10	24.27	119.77	52.74
Mar-11	33.79	157.32	70.89
Mar-12	39.22	169.55	78.66

Minutes of Usage (“MoU”)

GSM average MoU per subscriber per month has shown steady decline from a base of 496 minutes per month per subscriber for the quarter ended December 31, 2008 to 332 minutes per month per subscriber for the quarter ended December 31, 2011. Similarly, CDMA MoU has decreased from 371 minutes per month per subscriber to 226 minutes per month per subscriber over the same period.

Total MoU/subs./month (minutes)	**Dec-08**	**Dec-09**	**Dec-10**	**Dec-11**
GSM	496	411	360	332
CDMA	371	318	270	226

Note: Quarterly data

Source: TRAI

Average Revenue Per User (“ARPU”)

The ARPUs in the Indian wireless telecommunications sector had seen a declining trend over the last few years, however the same has, more or less, stabilized at the current levels. The blended GSM ARPU steadily declined from Rs 220 per month per subscriber for the quarter ended December 31, 2008 to Rs 105 per month per subscriber for the quarter ended December 31, 2010. However, the fall in ARPU for the next one year had been very nominal, and settled at Rs 105 per month per subscriber for the quarter ended December 31, 2011.

Likewise, CDMA ARPU declined from Rs 111 per subscriber per month to Rs 68 per subscriber per month from Dec’2008 to Dec’2010, whereas for the quarter ended Dec’2011, ARPU actually increased to Rs 73 per month per subscriber.

ARPU (Rs./subs./month)	**Dec-08**	**Dec-09**	**Dec-10**	**Dec-11**
GSM	220	144	105	96
CDMA	111	82	68	73

Source: TRAI

TELECOM INFRASTRUCTURE SERVICES

The Telecom infrastructure services are made up of three components:

1. **Passive infrastructure**

   Passive infrastructure includes of all the passive components of the network: steel tower/antenna mounting structures, BTS room/shelter, power supply, battery bank, invertors, DG set for power backup, air conditioner, fire extinguisher, security cabin, among others. These components are not dependent on the type of communication technology being used by the network riding atop the site, namely GSM, CDMA, 3G, WiMax, FM Radio, digital terrestrial transmission, etc. We estimate that roughly two-third of capex for a wireless network is spent on passive infrastructure.

2. **Active infrastructure**

   Active infrastructure constitute the electronics that power the network and includes all the active components of a wireless network such as spectrum (radio frequency), radio antenna, BTS/cell site (base transceiver station) and microwave equipment. Each cellular operator will have to own a BTS at each tower site. A tower site can have 1/2/3/4 or more cell sites, depending on the occupancy level/tenancy ratio of that tower.

3. **Transmission Media**

   Transmission Media is the network that connects the BTS/cell site to a base station controller (BSC) that controls tens or scores of BTS in a particular area. A transmission network may work on:

   - Point-to-point microwave radio transmission
   - Point-to-multipoint microwave access technologies like LMDS, WiFi or WiMax;
   - Optical fiber links
   - Digital Subscriber Line (DSL)
   - Ethernet

OUR BUSINESS

We are a telecom infrastructure services company providing rollout solutions for wireless and fixed telecom networks. Our strength lies in the breadth of services we offer in the telecom infrastructure space. The business offerings include services in Turnkey Site Build, Active Equipment Implementations, Technical Support Services and Operations & Maintenance. We are also registered with Department of Telecommunication as Infrastructure Provider - Category I.

In Turnkey Site Build, we provide services right from the site identification and designing, to installation of towers and other ancillary passive equipments. This includes entire Project Planning and Management Services. In Active Equipment Implementations, we provide services like Installation, Commissioning and Integration of active telecom equipment for wireless, wire-line and optical technologies. In Technical Support Services, we provide services in high-end telecom engineering that includes Network planning, Transmission planning, Radio Network Optimization, Networks Benchmarking, and Network Auditing. We provide these services on activity/time basis. In Operations & Maintenance, we provide 24x7x365 maintenance services for passive telecom infrastructure (preventive and corrective maintenance on periodic contracts), and first-line maintenance of active infrastructure.

We are also involved in creation of In-building Networks for the Wireless and Data Applications. The CDMA network on the underground section of the Delhi Metro Rail Corridor is one such example.

The client list constitutes of all the prominent players in the telecom industry that includes Third Party Infrastructure Leasing Companies (like Indus Towers, Quippo, WTTIL), Telecom operators (like Airtel, Vodafone, Idea, Reliance Communications, Aircel), and Telecom Equipment Manufacturers (like Ericsson, Nokia Siemens Network, Huawei, ZTE, Motorola).

We have considerable expertise in rolling out projects in the most difficult of the terrains, both in India and Overseas. For our overseas clients, we provide services through Nu Tek India Ltd. and also through our subsidiary in Hong Kong, and cater to the growing needs of our clients in the Asia Pacific region and other Emerging Markets like Middle East and North Africa.

BUSINESS PERFORMANCE

Comparison of FY2012 with FY2011

FY2012 was a very challenging year for the company, wherein the income from operations decreased by 68% to reach Rs 82.3 crores. The key reason for the lower sales was 75.7% fall in revenue from Full Turnkey (FTK) business stream. Project related expense for the year was Rs 59.1 crores compared to Rs 208.8 crores, a fall of 71.7% from the previous year. Employee benefit expenses for the year was Rs 15.2 crores compared to 17.9 crores for the previous year, a decrease of 15.1%. As a result, PBIT (profit from operations before other income and finance cost) was reported at Rs 2.5 crores as against Rs 22.4 crores for the previous year. Other income for the year was Rs 6.7 crores, compared to Rs 2.7 crores in the previous year. Higher other income in FY2012 mainly owed to foreign exchange gains amounting to Rs 4.5 crores. Consequently, the net profit from ordinary activities after tax was lower at Rs 2.2 crores, compared to Rs 12.2 crores in FY2011.

During the year, the revenue contribution from different services witnessed a substantial change, wherein the revenue contribution from FTK services was 62.2% compared to 82.1% in the previous year. The contribution of Telecom Implementation (TI) services was 6.7% (9.7% previous year). The contribution of Technical Support Services (TSS) and Operations & Maintenance (O&M) services increased substantially at 17.9% and 13.3%, respectively, compared to 5.1% and 3.1% in FY2011. Even in absolute terms, TSS and O&M revenues were higher by 11.3% and 35.0%, respectively, compared to FY2011.

On a consolidated basis, income from operations during FY2012 stood at Rs 143.5 crores, compared to Rs 283.1 crores in