

NELCO LIMITED

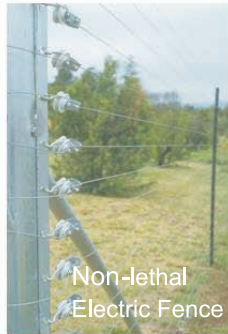
A TATA Enterprise

**67th Annual Report
2008-2009**

NELCO PRODUCTS / INSTALLATIONS

Adsafe Project

Perimeter Security Systems



Non-lethal
Electric Fence



Electronic wire mesh fence



Buried Intrusion
Detection System

Explosive
Detectors



Fire Alarm
Systems



X-Ray based Vehicle Scanner



Security Surveillance with Centralised
Networked monitoring



Industrial Security, Surveillance and Automation



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

SALES OFFICES

Mumbai

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

Bangalore

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

Chennai

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.

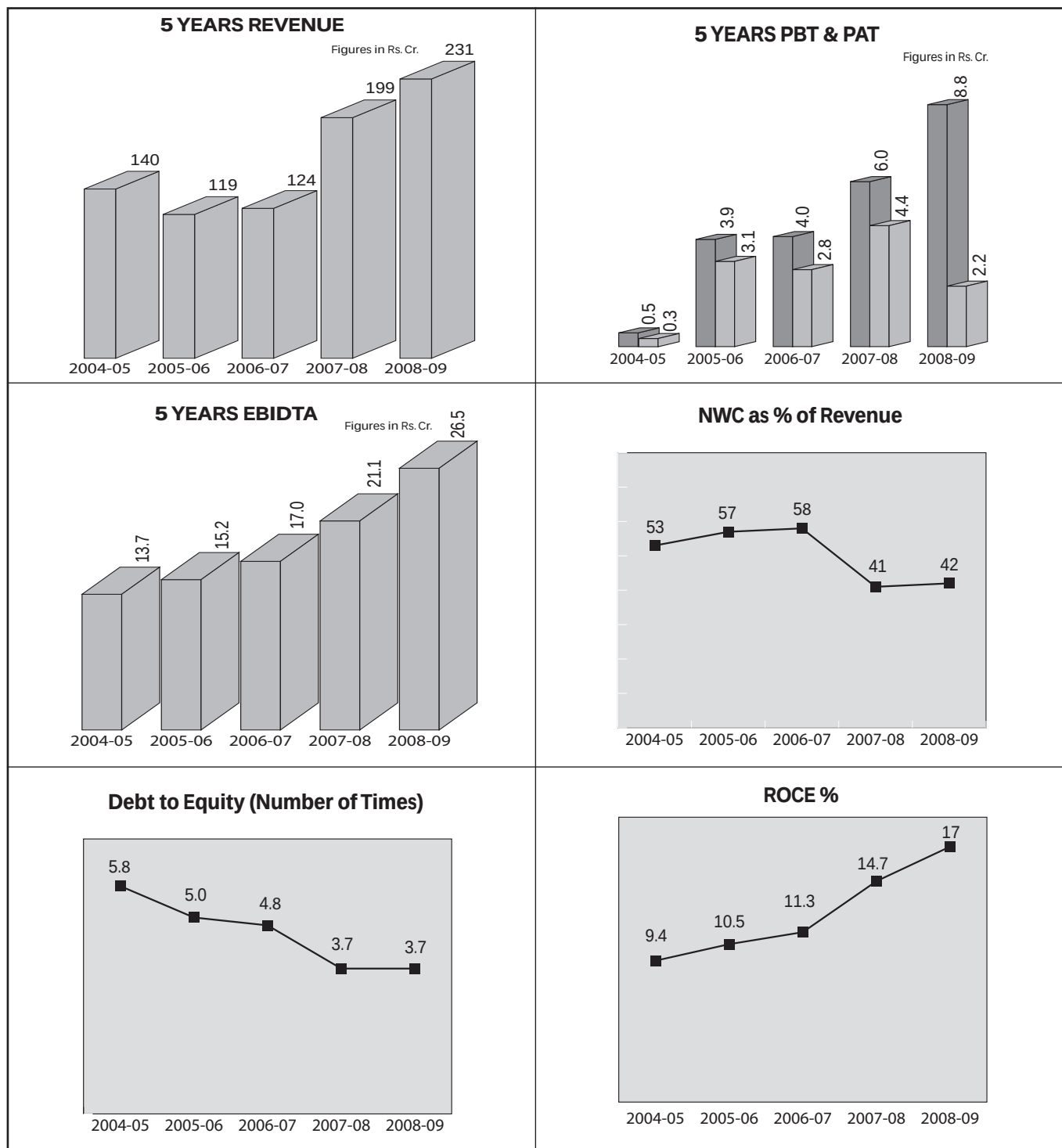
Kolkata

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



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

NOTICE

The SIXTY SEVENTH ANNUAL GENERAL MEETING OF NELCO LIMITED will be held on Wednesday the 27th 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 1st 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 1st 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, 5th January 2010 to Wednesday, 27th 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 1st 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 4th 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 4th 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 31st 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" 2nd 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 31st 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, 27th November 2009.

Registered office:

Francysters Cybernetics Centre,
Eucharistic Congress Building No. III, 3rd 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 27th 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 1st June 2005 to 31st May 2010 on the terms and conditions as approved by the Members at the 63rd Annual General Meeting of the Company held on 22nd 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 27th 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 1st June 2010 to 29th 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 1st June 2010 to 29th 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 30th 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 30th 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 30th 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, 27th November 2009.

Registered Office:

Francysters Cybernetics Centre,
3rd 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 rd September 1946	29 th May 1952	21 st July 1957	30 th July 1945
Date of Appointment	17 th November 2006	29 th August 2003	30 th July 2004	1 st 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	Audit Committee Tata Johnson Controls Automotive Ltd. Tata Autocomp Systems Ltd. Infiniti Retail Ltd.	Audit Committee TAL Manufacturing Solutions Ltd.	Audit Committee Nelito Systems Ltd.
No. of shares held	Nil	Nil	Nil	Nil

DIRECTORS' REPORT

To the Members

The Directors present their Sixty Seventh Annual Report together with the Audited Statement of Accounts for the period ended 30th September 2009.

1. FINANCIAL RESULTS

The summarised financial results are indicated below:-

	For the 18 Months Period Ended 30.09.2009 (Rs.)	(Rupees in '000) For the 12 Months Period ended 31.03.2008 (Rs)
Net Sales / Income from Operations	3,404,475	1,973,474
Operating Expenditure	3,168,805	1,764,913
Operating Profit	235,670	208,561
Add : Other Income	57,979	15,541
Less : Interest	182,528	108,226
Profit Before Tax and Depreciation and Exceptional Items	111,121	115,876
Less : Depreciation	83,345	43,638
Profit Before Tax and Exceptional Items	27,776	72,238
Exceptional Items		
Less: Deferred Revenue Expenditure (Voluntary Retirement Scheme)	31,722	12,561
Add : Profit on sale of Long term Investments (Associate)	135,375	
Profit Before Tax	131,429	59,677
Less : Provision for Tax (including provision for Deferred Tax and Fringe Benefit Tax)	98,630	15,352
Net Profit After Tax	32,799	44,325
Balance Brought Forward	16,434	(27,891)
Balance available for appropriation	49,233	16,434
Appropriated as under :		
Proposed Dividend	13,690	NIL
Tax on Dividend	2,327	NIL
Balance to be Carried Forward	33,216	16,434

With the approval of the Registrar of Companies, Maharashtra, Mumbai, the financial year 2008-09 has been extended for a period of 6 months. Accordingly, the financial year 2008-09 has been for a period of 18 months ending on 30th September, 2009.

2. DIVIDEND

The Directors of your Company are pleased to recommend for the approval of the shareholders a dividend of 6% (Rs.0.60 per share) (FY08 dividend Nil).

3. MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

This Report includes MD&A as appropriate so that duplication and overlap between the Directors' Report and a separate MD&A are avoided and the entire material is provided as a composite and comprehensive document.

4. BUSINESS SEGMENTS

The current business operation is structured along the following business segments:

4.1 Automation and Control : Industrial Systems Division (ISD)

ISD is further sub-structured along the following lines of business (LoB).

a. Strategic Electronics (SE)

Systems and solutions for defence and paramilitary organisations for security and surveillance, such as intrusion detection, integrated security systems, global positioning systems (GPS), automatic weather monitoring systems, scanners etc.

b. Energy Network Management System (ENMS)

Energy management, distribution management, automatic data logging and Supervisory Control and Data Acquisition (SCADA) systems for applications in power, oil and gas industry, railways etc.

c. Traction Electronics (Traction)

Power electronics equipment for the Indian Railways for their freight and passenger electric and diesel locomotives.

d. Drives Systems (Drives)

Integrated AC and DC drives systems for metal, mining, power, paper and process industries for energy optimization, control and automation.

e. Building Management Systems (BMS)

Integrated building management systems including Heating, Ventilation and Air Conditioning (HVAC) controls, fire alarms, access controls and CCTV for comfort, energy saving and security of buildings.

4.2 Tatanet Network Systems (Tatanet)

Tatanet provides solutions for management of network connectivity services and internet services over VSATs for corporates, banking and financial institutions and Small and Medium Enterprises (SMEs) for them to run ERP and other on-line office automation applications. It also provides solutions to manage bandwidth-on-demand services across industry verticals, interactive distance learning connectivity, IP multicast and digital streaming to some niche segments. In addition, the division participates in turnkey satellite communication systems supply and integration projects invited by customers primarily in Government and Public Sector.

5. FINANCIAL OVERVIEW

During the period under review, the total income was Rs.34,624.54 Lakhs (18 Months) as against Rs.19,890.15 Lakhs in the previous year (12 months). The profit before tax was Rs.1,314.29 lakhs (18 months) as against Rs. 596.77 Lakhs in the previous year (12 months). The net profit after tax was Rs.327.99 Lakhs (18 months) as against Rs.443.25 Lakhs in the previous year (12 months).

During the period under review, the Company has sold 5,70,000 equity shares of Rs.10/- each held in Nelito Systems Ltd. (Associate Company) to Af-Taab Investments Ltd. at a price of Rs.280/- per share, aggregating to Rs.1,596.00 Lakhs.

6. A) AUTOMATION AND CONTROL DIVISION (ISD)

Financial Highlights

During the period under review, ISD achieved a revenue of Rs.17,827 Lakhs (Previous year of 12 months - Rs.11,242 Lakhs) with an operating profit of Rs.1,244 Lakhs (Previous year of 12 months Rs. 1,464 Lakhs)

Operations :

The Strategic Electronics LoB secured an important order for electronics security and fire alarm systems for the Ordnance Depots from the Ministry of Defence (MoD). A significant part of this order was executed during the period under review. The LoB continues to focus on acquiring orders for surveillance systems and solutions for defence and homeland security, including specialized applications such as automatic weather monitoring and data acquisition using radio links etc. X-ray and Gamma-Ray container scanners, baggage scanners etc. also form a product line being offered by the LoB. Post the terrorist attacks on Mumbai in November 2008 (26/11), the awareness of the requirement of security and surveillance in various sectors and for strategic installations is growing and with the experience and expertise gained over the years, the LoB is positioning itself to address this in various fields.

The ENMS SCADA LoB completed the successful handing over of the Jaipur Vidyut Vitran Nigam Limited (JVVNL) Project for city Distribution Management System (DMS). The DMS involves a major state-of-the-art SCADA and communication system to strengthen the monitoring and control of the complex electrical power distribution management network. In order to broaden its market reach, the LoB has developed SCADA applications for lighthouse management in shipping industry, hydro power plants and rural load management, orders for some of which have been executed during the period under review. The LoB has achieved empanelment from Restructured Accelerated Power Development and Reforms Programme (R-APDRP) as IT implementation agency and as SCADA implementation agency, which shall enable the LoB to address the growing power utilities markets, particularly for Distribution Management System (DMS) given its established reference base.

The Traction LoB received major orders for supply of power converters and auxiliary converters for 3-phase locomotives of the Indian Railways (Chittaranjan Locomotive Works) based on successful and timely execution of the earlier orders. During the period under review, the LoB executed a large part of its backlog orders and has geared up to execute the new large orders. The operational performance of these converters has been found superior to that of converters supplied by other local suppliers to the Railways. The LoB has added to its offerings control electronics and IGBT based traction and auxiliary converters to expand the served market and offer state-of-the-art technology to the Railways. During the period, significant localization of control electronics was successfully achieved, leading to improvements in gross margins.

The Drives LoB continues to face intense price competition and pressure from Multinational Corporations. During the period under review, it faced major challenges due to several large industrial projects involving

capital investments for Medium Voltage and medium range drives being put on hold by the customers in the cement, sugar and water industries – the verticals being addressed by the LoB. This has impacted its performance adversely.

During the period under review, BMS LoB has secured orders for process viewing systems for critical processes in the Industry Sector. These orders are under execution and will help the LoB to strengthen itself in this specialized segment. This LoB also came close to securing an infrastructure related BMS order from Delhi Metro Railway Corporation. (Delhi Metro).

Outlook :

Capital investment in the industries served by ISD has yet not picked up momentum experienced previously. However, as the manufacturing and other sectors show the signs of revival and growth, the Company expects a revival in the momentum for such capital investments and projects soon.

In view of the increased internal security concerns, particularly as a result of 26/11, the awareness for the need for surveillance and detection systems for key establishments such as airports, railways, defence etc. has been growing. However, this is a slow process and taking time in the realization of orders. The Strategic Electronics LoB is well poised to utilise these growth opportunities. The requirements of X-Ray and Gamma-Ray scanners are also expected to grow enabling participation in this new segment of the security and surveillance market. Further, special emphasis on coastal area security and railway stations' security will provide future growth potential for this LoB. The Defence and paramilitary capital spendings continue to be higher, leading to further scope for this LoB's activities.

With continued emphasis on reduction in power losses, automatic billing etc., the need for energy and power distribution network management systems – SCADA is steadily growing.

With the growth of the Indian economy, the Indian Railways continues to witness a greater demand for movement of people and goods which in turn will lead to increased demand for 3-phase electric and diesel electric locomotives. The Traction LoB, which has well established itself in supplying critical equipments to Railways as an established OEM, continues to provide thrust to this activity.

Having been inspired by the success of Delhi Metro, other States in India, are pushing for their own city metro rail projects which will provide good business opportunities for the BMS LoB in the field of providing automation solutions to the Metros. With renewed interest in the real estate sector, this LoB may benefit in the near future. The industrial CCTV activity (for process viewing, monitoring and control) of this LoB has started witnessing a lot more action and the trend is expected to continue providing good prospects.

ISD continues to make progress towards implementation of initiatives for growth and operational excellence. The initiatives include enhancement of product portfolio through alliances, enlarging the served and adjacent markets, widen its applications in the addressed markets, strengthening of controls and improvements in business processes. These actions are expected to result in larger addressed market, efficient working capital management, cost reduction and customer satisfaction. ISD also continues to address some relatively large size projects in the defence sector and is pursuing these for their early successful culmination.

Risks, Threats and Concerns :

ISD primarily serves the requirement for capital goods. The served industry is cyclic in nature which impacts growth and profitability and regularity of cash flows. Growth initiatives to pursue adjacent markets face entry barriers from existing players and require a long gestation period to deliver results. Project orders from the MoD and other Government Sectors, are prone to long gestation periods and impact of policy changes.

As per new guidelines from Power Ministry, the SCADA LoB needs to get empanelled for R-APDRP projects. This empanelment has also attracted many IT players. Hence, while new opportunities are being seen, emergence of new players would be a threat.

The DRIVES LoB continues to face competition from MNCs, who not only have resources but also offer broader product range not offered by us. The present GTO based products shall be phased out by Indian Railways in the near future. Traction electronics LoB is discussing with prospective ToT partners for IGBT technology, which may take some time to be tested and field proven. The present GTO based technology continues to use End of Life (EUL) components requiring Company to invest in inventories and constantly manage the risks due to these.

Rising inflation due to increase in energy and raw material costs is being witnessed now in a more pronounced way. These factors impact input costs of both products and services. Unpredictable trend in the foreign exchange rate variation -particularly the US \$-is likely to pose some risk in the long and protracted projects orders with significant foreign exchange content.

Though the Company's effort to reduce debt through improved NWC management has met with some success, the continuing rise in interest costs has been and shall continue to have an adverse impact on profitability.

ISD continues its actions and initiatives to mitigate these risks and threats through broadening addressed markets, improving customer focus and working capital management, productivity, cost control etc.

7. TATANET DIVISION

Financial Highlights

During the period under review, Tatanet achieved revenue of Rs.16,236 Lakhs (previous year of 12 months Rs.5,196 Lakhs) with an operating profit of Rs.1,453 Lakhs (previous year of 12 months Rs.751.20 Lakhs). The revenue of the division has grown by 108% on an annualized basis (compared to the estimated industry growth of 22%).

Operations

In a milestone achievement, Tatanet division's total VSAT installed base crossed the 10,000 mark. Of the total installed base of 11,177, 8564 VSATs are operating on Ku- band, while the remaining 2,613 VSATs are on the Ex-C band.

During the period under review, Tatanet bagged two orders from Oil and Natural Gas Corporation Ltd. (ONGC) to augment its voice and data communication requirement and has commenced the execution of the order. The division is also in the process of implementing one of the largest satellite communication based networks for the MoD.

In response to the increasing demand in the market for outsourced IT services management, Tatanet launched its Managed Services (MS) portfolio during the period, thus making it a holistic solutions provider, offering network and security management, professional services and system integration expertise. The MS business, currently in its nascent stage, is poised to see favourable growth.

Outlook

The total VSAT base in India is set to grow by 22% in 2009-10 to around 1,23,900 from 1,01,780, adding about 22,100 VSATs in 2009-10. Reflecting the macro economic environment, the current industry trends and outlook, Tatanet will continue to focus on growth opportunities in the manufacturing, Banking, Finance, Securities and Insurance (BFSI), energy and telecom sectors, and enhance efforts towards building business in education and infrastructure along with E-governance segments, where the high volume common service centre market is poised to remain strong.

The MS market is growing at a CAGR of 24%. With over a decade of experience in managing application performance over WAN, Tatanet is set to build and develop its MS business by working closely with alliance partners, leveraging channel strength for reach, increasing marketing efforts and widening the bouquet of offerings to suit the networking needs of large, medium and small enterprises.

Risks, Threats and Concerns

The increasing penetration of networking services based on competing technologies poses a threat to Tatanet's VSAT offerings, which it continues to address by launching new innovative product and technology offerings. The availability of bandwidth also may continue to pose a challenge; however, measures have been taken to optimize the existing bandwidth.

There is dependence on a few enterprise customers for which initiatives have been taken to defend and grow contracted business, as well as target different geographies and markets to enhance customer base.

Being a new entrant in MS comes with its own challenges, especially as large corporates including other Tata Group companies are also working in the space. However, leveraging the Company's existing relationship with other Tata companies, Tatanet can in fact complement its offerings with them. Besides this, to meet with the stringent qualification criteria to participate in MS tenders, Tatanet has already taken up the ISO 20000 and 27001 certifications, which are nearing completion.

8. HUMAN RESOURCE MANAGEMENT

There is consistent focus on development of Human Resources (HR). HR plans have been defined with appropriate measurement indicators keeping in mind both long term goals and short term requirements. Employees' voices are captured through 'Open Houses', the forum through which employees are encouraged to voice their concerns, suggest innovative ideas and also seek answers from the top management on issues of common interest. The Company constantly reviews facilities and benefits to enhance overall employee well being. Employee Satisfaction/ Engagement Surveys are carried out through external agency to formally assess the voice of employees. Action plans have been prepared and are being implemented to increase employee engagement. During the period, the score of Tatanet in the survey has improved over the last two surveys.

The pressure on attracting and retaining talent continues. The Company has initiated measures like employee referral scheme, engaging more consultants and providing growth opportunities to existing employees. Recruitment cycle time has been reduced and the attrition rate has been kept at a manageable level. The Performance Management System (PMS) recognises individual and segment contribution through performance linked pay, thereby motivating employee ownership. PMS has been strengthened to include assessment on Tata Leadership Practices, training need assessment, identification of high potential employees and development plan for employees. RACE (Reward and Recognition for Achievement and Contribution towards Excellence), the

comprehensive reward and recognition scheme has been put in place for motivation of employees for excellence in performance. Competency Mapping has been initiated in Tatanet and will be taken up shortly in ISD. 360 degree assessment for senior positions has been implemented in Tatanet. In Tatanet, 'UNWIND', a monthly informal gathering on the last Friday of each month, has been successfully serving as a forum to foster teamwork in an informal manner. The age profile of the employees in the mature business of the Company is also a matter of concern.

The Company maintained cordial industrial relations during the period under review. The total manpower employed during the period was 412.

9. INTERNAL CONTROLS AND SYSTEMS

The Company has an adequate system of internal controls to ensure that all assets are safeguarded and accounted for and business transactions are authorised and recorded. An external established audit firm carries out internal audit. This audit is based on an Annual Audit Plan and includes regular reviews by the Audit Committee of Directors to ensure adequacy of controls and adherence to laid down procedures and systems. The Board of Directors also carries out Company Wide Risk Assessment and Management on a systematic and regular basis.

10. QUALITY SYSTEMS AND TATA BUSINESS EXCELLENCE MODEL (TBEM)

The Company is focused on continuous improvement through internationally recognized Quality Management Systems viz. TL 9000 and ISO 9001 for Tatanet and ISD respectively. Tatanet has decided to go for ISO 20000 (Information Technology Management System) and ISO 27001 (Information Security Management System) certifications by November 2009. During the period, Tatanet has participated as a Strategic Business Unit in TBEM external assessment by Tata Quality Management Services (TQMS). Tatanet implemented Balanced Score Card (BSC), Strategy Deployment Matrix (SDM), Quality Function Deployment (QFD), Process Management and improvement etc. The TBEM external assessment of Tatanet has been completed and the assessment report is awaited. It is expected that the TBEM score would lie in the band 451-550 which indicates good performance. ISD is gearing up for revised ISO 9000:2008 certification from the current ISO 9000:2000 certification by Standardization Testing and Quality Certification (STQC) audit in the month of November 2009.

11. FIXED DEPOSITS

The Company has neither accepted nor renewed any fixed deposits during the period under review. However, there are outstanding unclaimed deposits amounting to Rs.1,71,000/- as on 30th September 2009 which remain outstanding as some of the deposit holders have not claimed the repayment despite follow up by the Company.

In accordance with the provisions of Investor Education Protection Fund (Awareness and Protection of Investors) Rules, 2001, unclaimed deposits with interest amounting to Rs.93,423.90 were transferred during the financial year 2008-09 to the Investor Education and Protection Fund.

12. SAFETY, HEALTH AND ENVIRONMENT

The Company accords high priority to health, safety, and environment. The operations of the Company are not of a hazardous nature. However, the Company takes all precautions to maintain a healthy and safe environment in and around its facilities.

The employees working at project sites are given requisite training for ensuring safety during work. Basic fire safety and awareness training programme is conducted regularly for the Company employees. There has been no incidence of any accidents reported in the past several years. The Company also has a disaster management system to take care of exigencies.

13. COMMUNITY DEVELOPMENT

In keeping with the Tata Group's business philosophy of helping the communities in which it operates, the Company conducts classroom training for the under-privileged children in Zilla Parishad school at Virar, Thane District and vocational training program (Introduction to Wireman) for the students of Ankur Vidyamandir, Pune and for the students from Nagaland of Abhyudaya Pratisthan, Dombivli.

Other community development initiatives include product promotion in the Company premises for Helen Keller Institute, an institute for visually and hearing impaired children, donations to institutes like Helen Keller Institute, Vastalya Trust etc. for the under-privileged and participation in cleanliness drive at Sanjay Gandhi National Park organized by Tata Consultancy Services on the occasion of Earth Day celebrations. The volunteers of the Company also visited Shanti Dham Ashram (Old Age Home) at Taloja and interacted with the inmates.

14. SUBSIDIARY COMPANY

The financial statement and reports of the subsidiary company, Tatanet Services Limited (TNSL) for the financial year 2008-09 are attached. The revenue of TNSL for the year ended 31st March 2009 was Rs.2,523.68 Lakhs.

15. CAUTIONARY STATEMENT

Statements relating to Management Discussion and Analysis, describing the Company's objectives, estimates

and expectations may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results may differ from those either expressed or implied.

16. DISCLOSURE OF PARTICULARS

Particulars required pursuant to Section 217 (i) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 are given in the prescribed format as Annexure A to the Directors' Report.

Particulars of Employees: Information in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure B to the Directors' Report.

17. DIRECTORS

The Central Government vide its letter no. SRN.NO. A49424013-CL-VII dated 3rd June, 2009, as amended, has given an approval for the payment of remuneration to Mr. K. A. Mahashur, Executive Director as approved by the Shareholders at the 66th Annual General Meeting of the Company held on 8th August 2008 for the period from 1st September 2008 to 12th June 2012.

The existing term of Mr. Z. J. Engineer as Executive Director of the Company will be expiring on 31st May 2010. The Board of Directors at its Meeting held on 27th November 2009 re-appointed Mr. Z. J. Engineer as Executive Director of the Company for the period from 1st June 2010 to 29th July 2010 subject to approval of the members and the Central Government, if required and all other approvals / consents / sanctions / permissions as may be necessary.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Lt. Gen. Davinder Kumar (Retd.), Mr. R. R. Bhinge and Mr. V. K. Deshpande retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

18. AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

19. REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report, the Corporate Governance Report and Auditors' Certificate on compliance of the conditions of Corporate Governance forms part of this Annual Report.

20. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;
- (iii) they have taken proper and sufficient care to the best of their knowledge and information, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) they have prepared the annual accounts on a going concern basis.

21. ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support and co-operation received from customers, vendors, investors, business associates, bankers, regulatory and governmental authorities. The Directors acknowledge the continued support and guidance from the Tata Group. The Directors appreciate the contribution made by employees at all levels.

On behalf of the Board of Directors

P. R. Menon
Chairman

Mumbai, 27th November 2009.

Annexure “A” to the Directors’ Report

DISCLOSURE OF PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS’ REPORT.

Conservation of energy

Although energy is not a major element of the cost for the Company, constant endeavours have been made to conserve energy and consequently minimize power costs.

Technology absorption

The major thrust of technology absorption has been in the areas of :

- (1) Strategic Electronics
- (2) Energy Network Management System
- (3) Traction Electronics
- (4) Drives System

Future plan of action

- (a) To upgrade technology particularly in the area of energy management systems to meet the requirement of power industry and in strategic and surveillance electronics to meet the requirement of defence forces, paramilitary groups and homeland security requirements.
- (b) Development of state-of-the-art IGBT based traction and auxiliary converters for offering to the Indian Railways for 3-phase locomotives.
- (c) Solutions and value added services for Close User Group (CUG) networks based on VSATs.

Expenditure on R&D

Rs. in Lakhs

Revenue and recurring

0.90

Technology absorption, adaptation and innovation

Constant endeavours are being made towards technology absorption, adaptation and innovation. The focus has been on improving the quality of the products and developing new product designs adapted to suit the local requirements. Further localisation for traction electronics in view of increasing scale of that business, has been accorded priority.

Foreign exchange earnings and outgo

Rs.in Lakhs

Total foreign exchange earned

560.82

Total foreign exchange used

16,662.52

Annexure “B” to the Directors’ Report

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS’ REPORT FOR THE PERIOD ENDED 30TH SEPTEMBER, 2009.

Employee Name	Age	Exp	Date of Joining	Qualification	Designation	Gross Income Rs.	Net Income Rs.	Previous Employment/ Experience
ALI SHAIKH UMAR*	35	13	12/08/04	MBA	HEAD - ENTERPRISE SALES	847,178	712,142	BHARTI BROADBAND NETWORKS LTD
BANERJEE UDAY	47	24	16/01/95	B.COM., C.A	G.M. - COMMERCIAL	3,918,789	2,817,102	SHALIMAR WORKS LTD
BIDARKAR S.K.*	60	38	27/07/94	M.E. (ELEC)	DY. DIV. MGR. - PROJECTS	761,757	742,782	PHILIPS INDIA LTD
CHARAVARTY AROOP*	52	29	26/04/79	B.SC.	SALES HEAD - EAST & WEST	1,311,505	1,225,289	NIL
CHAWLA G.H.*	60	36	25/05/96	M.E.	VICE PRESIDENT - SE DIV	4,960,747	3,620,170	REAL VALUE LTD
D'SOUZA JULIAN*	60	41	20/05/80	MECH D'MAN	MANAGER - DEVELOPMENT	721,965	704,951	BUSH INDIA LTD
ENGINEER Z.J.	64	42	14/01/74	AOTS	EXECUTIVE DIRECTOR	6,881,622	4,231,056	TATA ELECTRIC CO.LTD - R&D DEVP. ASST
KHANNA G.M.*	60	34	01/06/05	B.E. (ELEC)	C.O.O. - ISG	2,665,566	1,926,179	TATA HONEYWELL LTD SR, V.P - INDUSTRIAL GROUP
MAHASHUR K.A.	62	40	18/10/68	M.TECH.	EXECUTIVE DIRECTOR	6,438,394	4,022,849	TATA ELECTRIC CO. LTD. SR.DEV.ASSOCIATE
MANDAL KAUSHIK	41	17	22/04/03	B.E.	C.O.O	6,878,743	4,694,233	HCL CONNET SYS.SR.LTD REGIONAL MGR - MUMBAI
RAMGOPAL V.*	60	35	21/06/82	B.E. (E & T)	DY. DIV. MGR. - MARKETING	2,036,655	1,678,334	HYDERABAD ELECTRONICS INST LTD
SANJAY P.V.N*	44	24	18/06/09	B.E. (MECH)	BUSINESS HEAD - TRACTION	807,648	671,228	BATLIBOI LTD
SAXENA U.M*	44	20	3/11/00	MBA.	SR. MGR. - CORP. QLTY. SYSTEM	746,599	703,870	COMSAT MAX LTD
SETHY J.K.*	49	23	01/10/90	M.TECH.	SR. MGR. - SOFTWARE DEVELOPMENT	848,964	782,166	RAMCO INDUSTRIES LTD.
SRIDHRA C.S*	60	36	13/06/74	B.E. (ELEC)	GM - DRIVES & AUTOMATION	2,954,268	2,301,204	TATA ELECTRIC CO. LTD
TANDON A.K*	60	39	15/10/70	B.TECH. (ELEC)	G.M. - TRACTION BUSUNESS	3,342,717	2,581,795	TATA ELECTRIC CO.LTD
TARI SANJAY	44	20	01/07/98	B.TECH. PGDBM	VICE PRESIDENT	4,689,626	3,091,289	JOSTS ENGG. CO. LTD
TRIPATHY M.M*	52	30	29/12/08	MBA, LL.B., M.SC.	VICE PRESIDENT HR & ADMIN	1,823,526	1,338,111	GLOBAL WILDPPOWER LTD
UPADHYAY R.B	55	31	11/03/05	FCA, FCS	CFO & SR.V.P FINANCE	6,025,422	3,900,754	DATAMATICS LTD CFO & COMPANY SECRETARY
WAIKAR A.K*	54	32	01/07/04	B.E.	HEAD - SALES & MARKETING	758,657	617,255	CABLE CORPORATION OF INDIA LTD
YOUNUS P.S*	59	37	15/11/02	B.TECH.	VICE PRESIDENT - ISG	4,940,052	3,617,518	YOKOGAWA BLUE STAR LTD

1. The remuneration of the employee listed above includes Company's contribution to Provident and Superannuation Funds, leave travel assistance etc., in accordance with the Company's rules and gratuity and other benefits/compensation to those who ceased to be in service during the period.
2. Net remuneration is after tax and is exclusive of Company's contribution to Provident and Superannuation Funds.
3. The nature of employment is contractual.
4. * Indicates employed for part of the year.

On behalf of the Board of Directors

P. R. Menon
Chairman

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance philosophy is driven by the interest of stakeholders and business needs of the Company. The Company's philosophy on Corporate Governance is built on a rich legacy of fair, transparent and effective governance, including strong emphasis on human values, individual dignity and adherence to honest, ethical and professional conduct. This enables all stakeholders to be partners in the Company's growth and prosperity. The Company is committed to integrity, accountability, transparency and compliance with laws in all dealings with Government, Customers, Suppliers, Employees and other Stakeholders. The Tata Code of Conduct and the Tata Code of Conduct for Prevention of Insider Trading ensure the sustenance of ethical and moral standards which govern the conduct of the Company, Board of Directors and the Employees.

In addition to these, the Company has also adhered to the requirements of Corporate Governance under Clause 49 of the Listing Agreements.

2. BOARD OF DIRECTORS

- (i) The Board of Directors presently comprises of two (2) Executive Directors and eight (8) Non Executive Directors. The number of Independent Directors is half of the total number of Directors. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all the Companies in which he is a Director.
- (ii) During the financial year 2008-09, seven (7) Meetings of the Board were held on 15th May 2008, 22nd July 2008, 22nd October 2008, 22nd January 2009, 24th February 2009, 29th April 2009 and 23rd July 2009.
- (iii) The Composition of Directors and their attendance at the Board Meetings during the financial year 2008-09 and at the last Annual General Meeting as also number of other directorships/membership of Committees as on 30th September 2009 is as follows:

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	Number of Directorships(*) in other public limited companies		Number of Committee positions held in other public limited companies(**)	
				Chairman	Director	Chairman	Member
Mr.P.R.Menon (*)	Non Executive Chairman (Non-Independent))	7	Yes	2	7	-	-
Mr. B. B. Dubash	Non Executive Director (Independent)	2	Yes	-	7	-	-
Mr. R. R. Bhinge	Non Executive Director (Independent)	6	Yes	-	3	-	3
Mr. V. K. Deshpande	Non Executive Director (Independent)	5	Yes	-	1	-	1
Mr. P. K. Ghose	Non Executive Director (Independent)	6	Yes	-	1	-	1
Mr. S. Ramakrishnan	Non Executive Director (Non-Independent)	4	Yes	2	6	3	6
Lt. Gen. Davinder Kumar (Retd)	Non Executive Director (Independent)	5	Yes	-	1	-	-
Mr. S. K. Gupta	Non Executive Director (Non-Independent)	6	Yes	-	-	-	-
Mr.K.A. Mahashur	Executive Director	7	Yes	-	3	-	-
Mr. Z. J. Engineer	Executive Director	7	Yes	-	2	1	-

* Directorships in Private Limited Companies, Foreign Companies, Associations and Alternate Directorships are excluded.

** For the purpose of Clause 49 of the Listing Agreement the prescribed limits on the number of membership and chairmanship of public limited companies apply only to Audit Committee and Shareholders' Grievance Committee.

The Non-Executive Directors are professionals, with expertise and experience in Corporate Management, Finance and other allied fields. The Company did not have any pecuniary relationship or transactions with Non-Executive Directors during the financial year 2008-09. None of the Non-Executive Directors holds any shares in the Company. The information as required under Annexure IA to Clause 49 of the Listing Agreement is being made available to the Board.

COMMITTEES OF DIRECTORS

3. AUDIT COMMITTEE

- (i) The Company has complied with the requirements of Clause 49II(A) for composition of the Audit Committee. The Audit Committee comprises of the following Directors:-

Name of the Director	Designation	No.of Meeting(s) Attended
Mr. P. K. Ghose	Chairman	7
Mr. V. K. Deshpande	Member	5
Lt.Gen Davinder Kumar (Retd)	Member	4

Mr. R. V. Joshi Company Secretary was Secretary to the Committee upto 31st July 2008 and consequently ceased to be Secretary of the Committee from the said date due to his resignation and Mr. Girish V. Kirkinde, Company Secretary is now the Secretary to the Committee w.e.f. 23rd September 2009.

- (ii) During the financial year 2008-09, (7) Audit Committee Meetings were held on 13th May 2008, 22nd July 2008, 22nd October 2008, 22nd January 2009, 29th April 2009, 22nd July 2009 and 18th September 2009.

- (iii) Terms of Reference

The terms of reference of the Audit Committee, broadly are as under :-

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment of the statutory auditor, fixation of audit fees and for other services.
3. Reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval.
4. Reviewing the adequacy of internal control systems and internal audit function, including the working of the internal audit department, staffing and seniority of the official heading the function, reporting coverage and frequency of internal audit.
5. Discussing with internal auditors any significant findings and follow up there on.
6. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
7. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
8. To look into the reasons, if any, for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.
9. In addition to the above, all other matters listed in Clause 49 (II)(D) of the Listing Agreement.

4. REMUNERATION COMMITTEE

- (i) The Company has set up a Remuneration Committee pursuant to Clause 49 of the Listing Agreement. The Remuneration Committee comprises of the following Directors:-

Name of the Director	Designation	No. of Meeting(s) attended
Mr. V. K. Deshpande	Chairman	1
Mr. R. R. Bhinge	Member	1
Mr. S. Ramakrishnan	Member	-
Mr. P. K. Ghose	Member	1

Mr. R. V. Joshi Company Secretary was Secretary to the Committee upto 31st July 2008 and consequently ceased to be Secretary of the Committee from the said date due to his resignation and Mr. Girish V. Kirkinde, Company Secretary is now the Secretary to the Committee w.e.f.23rd September 2009.

- (ii) During the financial year 2008-09, one (1) Meeting of the Committee was held on 13th May 2008 to approve the revision of remuneration and performance linked payment to Mr. K. A. Mahashur and Mr. Z. J. Engineer w.e.f. 1st April 2008.

(iii) REMUNERATION POLICY:

(a) Executive Directors

The Company is part of the Tata Group and the remuneration payable to the Executive Director(s) is within the framework of the guidelines laid down by the Tata Group on the remuneration payable to the Managing/Executive/ Whole time Directors of the Company.

The Remuneration Committee is authorised to decide the remuneration of the Executive Directors, subject to the approval of the shareholders and the Central Government, if required. The remuneration structure of the Executive Directors comprises of Salary, Personal Performance Allowances, Perquisites, and other Allowances.

The details of remuneration and perquisites paid and/or value calculated as per the Income Tax Act, 1961 to the Executive Directors for the financial year ended 30th September 2009 are as under:

(Rs. in '000)

Terms of Agreement	Mr. K. A. Mahashur	Mr. Z. J. Engineer
Period of appointment	From 1 st September 2008 to 12 th June 2012	From 1 st June 2005 to 31 st May 2010
Salary & Other Allowances	5625.75	6046.35
Perquisites	326.99	343.90
Contribution to Provident Fund & Superannuation Fund	554.04	544.32
Notice Period	By either party giving six months notice or the Company paying six months salary in lieu thereof.	
Severance Fees	There is no separate provision for payment of severance fees.	
Stock Option	Nil	

The Remuneration Committee has authorised its Chairman to prepare a scheme based on a defined set of matrix and clear goals for the Performance Link Payment (PLP) to the Executive Directors.

(b) Non Executive Directors

The Non-Executive Directors were paid sitting fees of Rs.3,000/- to each Director per meeting of the Board and Committee attended by them. With effect from 15th May 2008, the sitting fees was revised to Rs.10,000/- to each Director per meeting of the Board and Committee attended by them. The Statement of sitting fees paid to them during the financial year 2008-09 is given below:

Name of the Director	Amount (Rs. in '000)
Mr. P.R.Menon	Nil
Mr. B. B. Dubash	20
Mr. R.R. Bhinge	106
Mr. V. K. Deshpande	106
Mr. P. K. Ghose	126
Mr. S. Ramakrishnan	Nil
Lt. Gen. Davinder Kumar	100
Mr.S.K.Gupta	70
Total	528

SUBSIDIARY COMPANIES

Clause 40 defines a “material non-listed Indian subsidiary” as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company did not have any “material non-listed Indian subsidiary” during the year under review. The subsidiary of the Company functions independently, with an adequately empowered Board of Directors and sufficient resources. However, for more effective governance, the minutes of Board Meetings of Subsidiary of the Company are placed before the Board of Directors of the Company for their review.

CODE OF CONDUCT

The Company has adopted the Tata Code of Conduct for all the employees of the Company including the Executive Directors and has also adopted a Code of Conduct for Non-Executive Directors.

The Code of Conduct for the employees including the Executive Directors as well as for Non-Executive Directors is posted on the Company's website.

Further, all the Board members and senior management personnel have affirmed compliance with the respective Code of Conduct. A declaration to this effect signed by the Executive Directors (CEO) forms part of this report.

PREVENTION OF INSIDER TRADING

The Company has adopted the Code of Conduct for Prevention of Insider Trading under SEBI (Prohibition of Insider Trading) Regulations. Mr. R. B. Upadhyay, CFO & Sr. Vice President –(Finance) is the Compliance Officer for the implementation of and overseeing compliance with the Regulations and the Code across the Company.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE REDRESSAL COMMITTEE

- (i) The Shareholders'/Investors' Grievance Redressal Committee comprises of the following Directors :

Name of the Director	Designation	No. of Meeting(s) attended
Mr. R.R.Bhinge	Chairman	4
Mr. K. A. Mahashur	Member	4
Mr. Z. J. Engineer	Member	4

Mr. R. V. Joshi Company Secretary was Secretary to the Committee upto 31st July 2008 and consequently ceased to be Secretary of the Committee from the said date due to his resignation and Mr. Girish V. Kirkinde, Company Secretary is now the Secretary to the Committee and Compliance Officer w.e.f.23rd September 2009.

- (ii) During the financial year 2008-09 four (4) Shareholders'/Investors' Grievance Redressal Committee meetings were held on 13th May 2008, 22nd October 2008, 29th April 2008 and 23rd July 2009. During the year 9 Investors' complaints (identified and reported under Clause 41 of the Listing Agreement) were received and resolved. There were no unresolved complaints as on 30th September, 2009.
- (iii) As on 30th September 2009, 1(one) demat request was pending which has been subsequently processed and completed in time.
- (iv) Terms of Reference

To look into redressal of investors' complaints and requests such as transfer of shares, non-receipt of dividend, annual reports, etc.

The Members of the Committee are severally empowered to approve the Share transfer/transmissions and requests for issue of duplicate share certificates, split/consolidation of share certificates, etc. Share Transfer formalities are regularly attended to at least once in a fortnight.

6. GENERAL BODY MEETINGS

The details of the last three Annual General Meetings (AGM) held are given below: -

Financial Year Ended	Day	Date	Time	Venue	No. of Special Resolutions
31 ST March 2008	Friday	8.08.2008	4.00 p.m.	Bombay House Auditorium 24, Homi Mody Street Mumbai – 400 001	1
31 ST March 2007 (Six months)	Friday	31.08.2007	4.00 p.m.	Bombay House Auditorium 24, Homi Mody Street Mumbai – 400 001	-
30 th September 2006	Friday	22.12.2006	4.00 p.m.	Bombay House Auditorium 24, Homi Mody Street Mumbai – 400 001.	1

All the Special Resolutions moved at the previous AGMs were passed with requisite majority.

7. DISCLOSURES

- (i) There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. during the year that may have potential conflict with the interests of the Company at large.
- (ii) During the year under review, there were no transactions entered into by the senior management personnel with the Company and the declarations to this effect have been received by the Board.
- (iii) There were no instances of non-compliance during the last three years by the Company on any matter related to capital markets. There were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.
- (iv) The Board of Directors of the Company has adopted a Whistle Blower Policy for establishing a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The said policy has been posted on the Company's intranet site. The Company affirms that no employee has been denied access to the Audit Committee.
- (v) The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and there are no audit qualifications in this regard.
- (vi) In terms of Clause 49(V) of the Listing Agreement, the Executive Directors (CEO) and CFO & Sr. Vice President-Finance have given a certification to the Board of Directors in the prescribed format for the year under review which has been reviewed by the Audit Committee and taken on record by the Board.
- (vii) Transactions with the related parties are disclosed in Note 18 of Schedule 7 to the notes forming part of the Accounts in the Annual Report.

8. MEANS OF COMMUNICATION

- i) Directors' Report include the Management Discussions and Analysis Report of the Company.
- (ii) Quarterly and half yearly Results are published in the Free Press Journal (English) and Navashakti (Marathi) and displayed on the Company's website www.nelcoin.com.
- (iii) The Company also regularly posts information relating to its financial results and shareholding pattern on Electronic Data Interpretation Filing and Retrieval System (EDIFAR) at www.sebiedifar.nic.in.

9. GENERAL SHAREHOLDERS INFORMATION

i) **Annual General Meeting (AGM):** Wednesday, 27th January 2010 at 4.00 p.m.

As required under Clause 49(IV)(G)(i) of the Listing Agreement with the Stock Exchanges, particulars of Directors seeking re-appointment at the forthcoming AGM are given in the Annexure to the Notice of the AGM.

Venue : Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground floor,
Opp. INOX Cinema, 226, Nariman Point, Mumbai – 400 021

ii) **Financial Year** : April to March

The financial year 2008-09 has been extended till 30th September, 2009 with the approval of Registrar of Companies, Maharashtra, Mumbai. Accordingly, the financial year 2008-09 shall be from 1st April, 2008 to 30th September, 2009.

iii) (a) **Book closure date** : 5th January 2010 to 27th January 2010 (both days inclusive)

(b) **Dividend payment date** : 1st February, 2010

iv) **Listing on Stock Exchanges** :

The Company's Shares are listed on the following two Stock Exchanges in India.

(a) Bombay Stock Exchange Ltd., 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.

(b) The National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Company has paid annual listing fee to both the above mentioned Stock Exchanges for the financial year 2009-10.

v) **Stock Code and Corporate Identification Number (CIN)**

Bombay Stock Exchange Ltd. (Physical Segment) - 4112

Bombay Stock Exchange Ltd. (Demat Segment) - 504112

The National Stock Exchange of India Ltd. - NELCO EQ

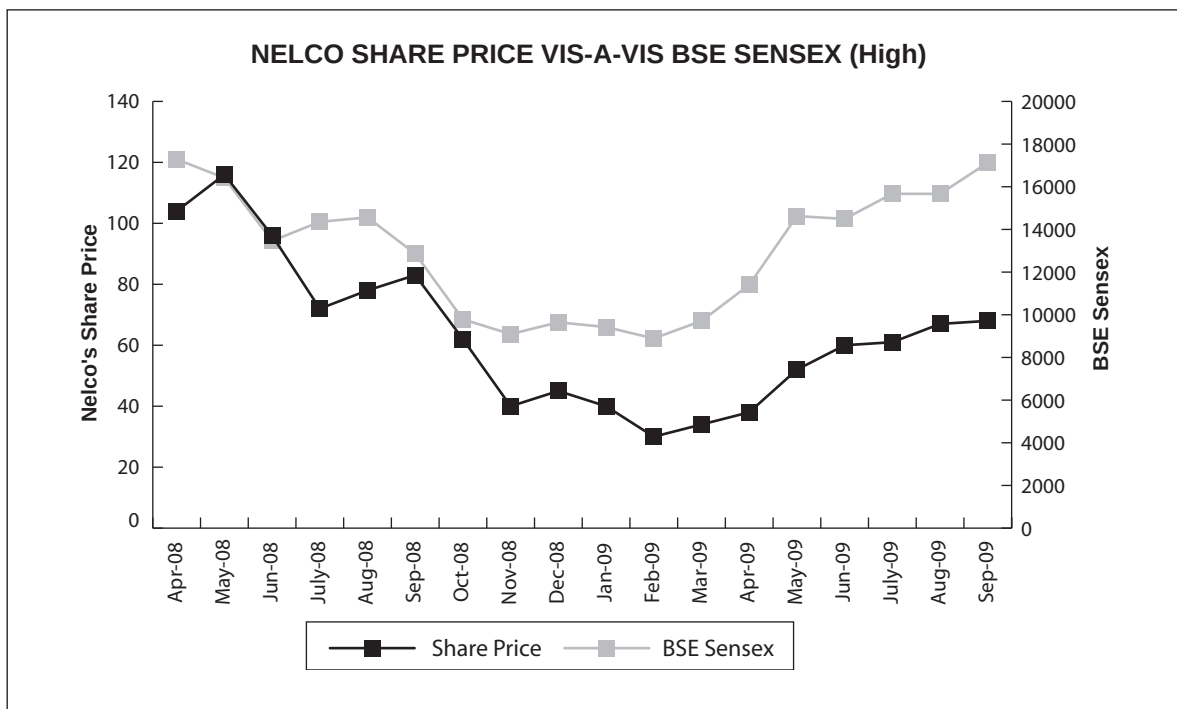
The CIN allotted to the Company by the Ministry of Corporate Affairs, Government of India is L32200MH1940PLC003164

vi) **Market Information**

Market Price Data : High, Low during each month and trading volumes of the Company's Equity Shares during the period 1st April 2008 to 30th September 2009 at the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) are given below: -

Stock Exchange Month	BSE			NSE		
	High	Low	Number of Shares Traded	High	Low	Number of Shares Traded
April 2008	103.75	76.15	951221	104.25	76.00	1046436
May 2008	115.60	82.60	2230444	115.40	82.25	14325
June 2008	95.50	66.35	357727	95.00	66.00	276781
July 2008	71.80	55.60	666621	69.50	55.20	405195
August 2008	78.00	65.00	440917	76.55	65.25	58424
September 2008	83.05	51.00	1003029	82.95	51.25	707040
October 2008	61.80	31.20	498197	61.60	30.00	390795
November 2008	39.80	26.55	398394	39.45	31.00	250706
December 2008	44.50	33.95	558945	44.45	33.15	102063
January 2009	39.70	26.30	230317	39.75	26.45	190927
February 2009	30.00	23.55	242394	30.00	24.40	133695
March 2009	34.05	21.00	963761	34.15	21.15	776905
April 2009	38.15	30.20	417333	37.85	30.00	223475
May 2009	52.00	33.90	923148	51.90	33.70	644191
June 2009	59.90	43.85	768828	59.85	44.10	547405
July 2009	60.60	35.60	1428914	60.30	36.25	1320736
August 2009	67.10	46.90	1446890	67.65	47.15	1674295
September 2009	68.45	60.00	939969	69.40	60.15	1014414

vii) Performance of the Company's Share Price in comparison to BSE Sensex



viii) Registrars & Transfer Agents

TSR Darashaw Limited (TSRDL)
6-10 Haji Moosa Patrawala Industrial Estate
20, Dr. E Moses Road, Mahalaxmi
Mumbai – 400 011

Tel. :022- 6656 8484,
Fax :022- 6656 8494
E-mail : csg-unit@tsrdarashaw.com
website : www.tsrdarashaw.com

For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches/agency of TSR Darashaw Limited.

Branches of TSRDL			
Bangalore	Kolkata	Jamshedpur	New Delhi
503, Barton Centre, 5 th Floor 84, Mahatma Gandhi Road Bangalore - 560 001 Tel : 080- 25320321, Fax : 080-25580019 e-mail : tsrdlbg@tsrdarashaw.com	Tata Centre, 1 st Floor, 43, Jawaharlal Nehru Road Kolkata – 700 071 Tel : 033 – 22883087, Fax : 033 – 22883062 e-mail : tsrdlcal@tsrdarashaw.com	Bungalow No.1, "E" Road Northern Town, Bistupur Jamshedpur – 831 001 Tel: 0657 – 2426616, Fax: 0657 – 2426937 Email : tsrdljsr@tsrdarashaw.com	Plot No.2/42, Sant Vihar Ansari Road, Daryaganj New Delhi – 110 002 Tel : 011 – 23271805, Fax : 011 – 23271802 e-mail : tsrdldel@tsrdarashaw.com
Agent of TSRDL	Shah Consultancy Services Limited, 1, Sumatinath Complex, 2 nd Dhal, Pritam Nagar, Ellisbridge Ahmedabad – 380 006 Telefax : 079 – 2657 6038, Email : shahconsultancy@hotmail.com		

ix) Share Transfer System

Shares of the Company are compulsorily traded in demat mode. Shares in physical mode which are lodged for transfer with TSR Darashaw Limited at the above-mentioned addresses are processed within 15-20 days from the date of receipt, if the documents are complete in all respects. The share certificates after the transfer are returned to the investors within the prescribed time.

X) (a) Distribution of Shareholding as on 30th September 2009

No. of shares held (Range)	Shareholding	% of total shareholding	No. of Shareholders	% of total shareholders
1 to 5000	2,886,084	12.65	19985	87.25
5001 to 10000	1,246,340	5.46	1487	6.49
10001 to 20000	1,144,668	5.02	729	3.18
20001 to 30000	620,962	2.72	238	1.04
30001 to 40000	394,874	1.73	111	0.49
40001 to 50000	495,486	2.17	104	0.46
50001 to 100000	1,083,281	4.75	145	0.63
100001 and above	14,946,705	65.50	106	0.46
Total	22,818,400	100.00	22905	100.00

x) (b) Shareholding Pattern as on 30th September 2009

Sr. No.	Category	No. of Shares	Percentage
1	TATA Companies	11433140	50.10
2	Financial Institutions/ Banks	23840	0.10
3	Mutual Funds	11850	0.05
4	State Government / Government Companies	82160	0.36
5	Bodies Corporate / Trusts	1852162	8.12
6	Individuals	8523789	37.36
7	Foreign Institutional Investors	891459	3.91
	Total	22818400	100.00

xi) Dematerialisation of Shares as on 30th September 2009 & Liquidity

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

2,12,70,679 Equity Shares of the Company representing 93.22% of the share capital were dematerialised as on 30th September 2009.

Under the Depository Systems, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE045B01015.

xii) The Company has not issued any GDR's/ADR's/Warrants or any Convertible Instruments.

xiii) Works & Facilities

Plot No.EL-6, Electronics Zone, MIDC, Mahape Village,
Navi Mumbai- 400 710
Telephone No.022-67399100
Fax No.022-27686797

xiv) Address for Correspondence:

NELCO LIMITED
Francysters Cybernetics Centre,
Eucharistic Congress Building No. III, 3rd Floor,
5, Convent Street, Colaba, Mumbai – 400 001.
Telephone No.022-66384509 Fax No.022-66384510
Email ID: girish.kirkinde@nelcoin.com

Non-mandatory Requirements

The status of compliance with Non-Mandatory requirements is as under:

- The Company has adopted the guidelines for the composition of the Board of Directors, which provide for the tenure and retirement age for the Non-Executive Directors.
- The Company has set up a Remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Executive Directors, determine and recommend to the Board, compensation payable to Executive Directors.
- The Company posts the results on its website at www.nelcoin.com and this information is also available at www.sebiedifar.nic.in. A half yearly declaration of financial performance including summary of significant events in the last six-months has not been sent to each household of shareholders, as the quarterly results are published in newspapers and also posted on website of the Company as well as EDIFAR.
- During the financial year 2008-09, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure the regime of unqualified financial statements.

DECLARATION

As required under Clause 49 of the Listing Agreement, we, K. A. Mahashur and Z. J. Engineer, Executive Directors of Nelco Limited, hereby affirm that the Board Members and the Senior Management Personnel have confirmed compliance with the Codes of Conduct, as applicable to them for the year ended 30th September 2009.

K. A. Mahashur
Executive Director

Z. J. Engineer
Executive Director

Mumbai,
27th November 2009

CERTIFICATE

To,

The Members of NELCO Limited

We have examined the compliance of conditions of Corporate Governance by Nelco Limited, for the eighteen month period ended 30th September 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants

R.A. Banga
Partner

Mumbai, 27th November 2009

Membership No. 37915

AUDITORS' REPORT

TO THE MEMBERS OF NELCO LIMITED

1. We have audited the attached balance sheet of Nelco Limited as at 30th September, 2009, the profit and loss account and also the cash flow statement for the eighteen month period ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 30th September, 2009;
 - (b) in the case of the profit and loss account of the profit for the eighteen month period ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the eighteen month period ended on that date.
5. On the basis of written representations received from the directors, as on 30th September, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants

R.A.Banga
Partner

Membership No. 37915

Place: Mumbai

Date: 27th November, 2009.

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF NELCO LIMITED

(Referred to in paragraph (3) thereof)

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Physical verification of fixed assets was carried out during the year in accordance with the company's policy of verifying the fixed assets over a period of three years. In our opinion, the frequency of verification of fixed assets is at reasonable intervals. No material discrepancies between book records and the physical inventories of fixed assets were noticed.
- (c) During the year, in our opinion, a substantial part of fixed assets has not been disposed off by the company.
- (ii) (a) The inventory of the company has been physically verified by the management during the year and at the year end. In respect of stocks lying with third parties, a substantial portion was physically verified or has been confirmed by third parties during the year or at the year end. In our opinion the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material in relation to the operations of the company.
- (iii) According to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the company has not granted / taken any loans, secured or unsecured, to / from parties listed in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4 (iii) (b), (c), (d), (f) and (g) of the Companies (Auditors' Report) Order, 2003, are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items are of a special nature and their prices cannot be compared with alternative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination and the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weakness in the aforesaid internal control system.
- (v) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraph (v)(b) of the Order is not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public during the year and has complied with the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other court or any other Tribunal on the company.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of accounts and records maintained by the company relating to the manufacture of Electronic Products, pursuant to the rule made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any other products of the company.
- (ix) (a) According to the information and explanations given to us, and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and other material statutory dues as applicable, have generally been regularly deposited by the company during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as mentioned above as at 30th September, 2009 for a period of more than six months from the date they became payable.

- (b) As at 30th September, 2009 according to the records of the company and the information and explanations given to us, the following are the particulars of dues on account of income-tax, sales-tax, customs duty, excise duty and service tax matters that have not been deposited on account of any dispute.

Name of the statute	Nature of the dues	Financial Year to which the matter pertains	Forum where the dispute is pending	Amount (Rs. in lakhs)
Income-Tax Laws	Income-Tax	2002-03	Appellate Authority – up to Commissioner Level	8.51
Sales – Tax Laws	Sales-Tax	1989-90 and 1990-91	Appellate Authority - High Court Level	17.43
		1985-86 to 1988-89, 1992 -93, 1996-97, 2001-02 and 2003-04	Appellate Authority - Commissioner Level	32.29
Customs Duty Laws	Customs Duty	1991 to 1993	Appellate Authority - Assessing Officer Level	30.04
Excise Duty Laws	Excise Duty	1983-84 to 1993-94	Appellate Authority - Commissioner Level	2,064.05
		2006-07	Appellate Authority - Assistant Director Level	1.07
Service Tax Laws	Service Tax	2003-04, 2005-06, 2006-07	Appellate Authority – up to Commissioner Level	140.03

- (x) The company does not have accumulated losses as at 30th September, 2009 and has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute as specified under paragraph 4 (xiii) of the Order are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of paragraph 4(xiv) of the Order are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantees for loan taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prejudicial to the interest of the company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
- (xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, funds raised on a short term basis have not been used for long term investments.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of significant fraud on or by the company, noticed or reported during the year nor have we been informed of such case by the management.

For **Deloitte Haskins & Sells**
Chartered Accountants

R.A.Banga
Partner

Place: Mumbai
Date: 27th November, 2009.

Membership No. 37915

NELCO LIMITED

Sixty-seventh Annual Report 2008-09

BALANCE SHEET AS AT 30TH SEPTEMBER, 2009

(Rupees ' 000)

	Schedule	As at 30.09.2009	As at 31.03.2008
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	228,175	228,175
(b) Reserves and Surplus	B	33,216	16,434
		261,391	244,609
2. LOAN FUNDS			
(a) Secured Loans	C	208,348	295,789
(b) Unsecured Loans	D	754,529	600,865
		962,877	896,654
3. Deferred Tax Liability (Net)		3,260	-
TOTAL		1,227,528	1,141,263
APPLICATION OF FUNDS			
1. FIXED ASSETS	E		
(a) Gross Block		603,006	520,121
(b) Less: Depreciation		384,624	311,855
(c) Net Block		218,382	208,266
(d) Capital work-in-progress		3,635	7,900
		222,017	216,166
2. INVESTMENTS	F	19,825	48,464
3. DEFERRED TAX ASSETS - (Net)		-	25,295
4. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	G	304,533	300,675
(b) Sundry Debtors	H	1,512,110	1,054,795
(c) Cash and Bank Balances	I	155,798	129,947
(d) Loans and Advances	J	318,509	332,664
		2,290,950	1,818,081
Less :			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	K	1,181,597	917,920
(b) Provisions	L	134,242	91,120
		1,315,839	1,009,040
5. NET CURRENT ASSETS		975,111	809,041
6. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	M	10,575	42,297
TOTAL		1,227,528	1,141,263
NOTES FORMING PART OF THE ACCOUNTS	7		

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

R. A. BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 27th November, 2009

Mumbai, 27th November, 2009

PROFIT AND LOSS ACCOUNT FOR THE EIGHTEEN MONTHS PERIOD ENDED 30TH SEPTEMBER, 2009

		(Rupees ' 000)	
	Schedule	For the eighteen months period ended 30.09.2009	For the twelve months period ended 31.03.2008
INCOME			
1. Income from Operations	1	3,404,475	1,973,474
2. Other Income	2	57,979	15,541
3. Total Income		3,462,454	1,989,015
EXPENDITURE			
4. Raw Materials, Finished and Semi-Finished Products	3	2,196,711	911,990
5. Expenditure on Property Development		-	255,300
6. Personnel	4	377,132	240,371
7. Operating and Other Expenses	5	594,962	357,252
8. Interest	6	182,528	108,226
9. Depreciation		83,345	43,638
10. Total Expenditure		3,434,678	1,916,777
11. Profit before exceptional items and taxation		27,776	72,238
12. Exceptional items			
a. Deferred Revenue Expenditure (Voluntary Retirement Scheme) (Note 5)		(31,722)	(12,561)
b. Profit on sale of Long term Investments		135,375	-
13. PROFIT BEFORE TAXATION		131,429	59,677
14. Provision For Taxation			
1. Current Tax			
a. For the period		42,005	6,007
b. In respect of earlier years		10,595	415
c. MAT Credit (Availed) / reversed		12,000	(12,000)
		64,600	(5,578)
2. Deferred Tax		28,555	16,200
3. Fringe Benefit Tax		5,475	4,730
		98,630	15,352
15. PROFIT AFTER TAXATION		32,799	44,325
16. Balance Brought Forward		16,434	(27,891)
17. AMOUNT AVAILABLE FOR APPROPRIATION		49,233	16,434
18. Proposed Dividend		13,690	-
19. Tax on Proposed Dividend		2,327	-
20. Balance Carried to Balance Sheet		33,216	16,434
		33,216	16,434
Earnings per share Rs. (Basic & Diluted) - Face Value Rs.10 per share (Note 13)		1.44	1.94
NOTES FORMING PART OF THE ACCOUNTS	7		

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

R. A. BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 27th November, 2009

Mumbai, 27th November, 2009

Cash Flow Statement for the eighteen months period ended 30th September, 2009

		(Rupees ' 000)
	For the eighteen months period ended 30.09.2009	For the twelve months period ended 31.03.2008
A. NET PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION	27,776	72,238
ADJUSTMENTS FOR		
Depreciation	83,345	43,638
Investment and Interest Income	(21,567)	(567)
Dividend Income	(7,155)	(2,085)
Interest Expense	182,528	108,226
Loss on Sale of Fixed Assets	2,313	319
Deferred Revenue Expenditure written off	—	629
	239,464	150,160
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	267,240	222,398
Changes in		
Trade and Other Receivables	(491,344)	(260,902)
Inventories	(3,858)	(24,657)
Trade and other Payables	288,451	422,022
	(206,751)	136,463
CASH GENERATED FROM OPERATIONS	60,489	358,861
Direct taxes paid	(19,026)	(40,541)
NET CASH FROM OPERATING ACTIVITIES (a)	41,463	318,320
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(95,588)	(59,268)
Sale of fixed assets	1,214	288
Interest received	21,567	567
Dividend received	7,155	2,085
Exceptional Items		
Sale proceeds on sale of long term Investments	164,014	—
NET CASH FLOW FROM / (USED) IN INVESTING ACTIVITIES (b)	98,362	(56,328)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,404,501	1,181,590
Repayment of borrowings	(2,338,278)	(1,236,436)
	66,223	(54,846)
Interest paid	(180,197)	(107,765)
NET CASH (USED) IN FINANCING ACTIVITIES (c)	(113,974)	(162,611)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,851	99,381
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD (Refer Schedule I)	129,947	30,566
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer Schedule I)	155,798	129,947
	25,851	99,381

Cash Flow Statement for the eighteen month period ended 30th September, 2009 (contd.)

Notes :

(Rupees ' 000)

1) Cash and cash equivalents include	As at 30.09.2009	As at 31.03.2008
i) Cash and Cheques on Hand	4,301	82,361
ii) Balance with Scheduled Banks		
In current accounts	91,802	13,349
Deposit under Escrow Agreement with Bank	25,862	-
On Margin Money account against Letters of credit and bank guarantees	33,833	34,237
	155,798	129,947

The above includes amounts not available for use by the company as follows:

- Margin Money against letters of credit and bank guarantees Rs. 33,833 ('000) (Previous Year Rs. 34,237 ('000))
 - Deposit under Escrow Account agreement with bank Rs. 25,862 ('000)(Previous Year Rs. NIL) (made available to the company on 2nd October, 2009)
- Sale proceeds from sale of Long term investment includes Rs. 159,600 ('000) on sale of investments in Nelito Systems Limited, an associate.
 - The company has changed its financial accounting year from April - March to October - September. The current financial period is for eighteen months commencing on 1st April, 2008 and ending on 30th September, 2009. Consequently, the figures for the current period are not comparable with the previous year.
 - Previous year's figures have been regrouped wherever necessary.

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice
President (Finance)

R.A.BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 27th November, 2009

Mumbai, 27th November, 2009

Schedules forming part of the Balance Sheet as at 30th September, 2009

		(Rupees '000)	
		As at 30.09.2009	As at 31.03.2008
SCHEDULE A			
SHARE CAPITAL			
AUTHORISED :			
25,000,000	Equity Shares of Rs. 10/- each	250,000	250,000
2,500,000	Redeemable Preference Shares of Rs.100/- each	250,000	250,000
		<u>500,000</u>	<u>500,000</u>
ISSUED :			
22,496,370	Equity Shares of Rs.10/- each fully paid-up for payment in cash (including 939 Equity Shares pending allotment) ...	224,964	224,964
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to shareholders of the erstwhile General Radio & Appliances Ltd. in terms of the Scheme of Amalgamation	3,167	3,167
22,818,400	TOTAL	228,185	228,185
SUBSCRIBED AND PAID-UP :			
22,495,431	Equity Shares of Rs.10/- each fully paid-up for payment in cash	224,954	224,954
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to Shareholders of the erstwhile General Radio & Appliances Ltd in terms of the Scheme of Amalgamation	3,167	3,167
22,817,461	TOTAL	228,175	228,175

Note :Of the above

- 11,099,630 (Previous Year Rs. 11,100,780) Equity Shares are held by The Tata Power Company Limited, the Holding Company
- 328,960 (Previous Year Rs. 329,110) Equity Shares are held by the Aftaab Investments Company Limited - Subsidiary of The Tata Power Company Limited, the Holding Company

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees '000)

SCHEDULE B

RESERVES AND SURPLUS

	As at 30.09.2009	As at 31.03.2008
1. Profit and Loss Account	33,216	16,434
TOTAL	33,216	16,434

SCHEDULE C

SECURED LOANS

1. Cash Credit with Banks	129,926	175,198
2. Term Loan from Axis Bank Ltd	35,000	87,500
3. Term Loans from Zoroastrian Co-op.Bank Ltd	43,422	33,091
TOTAL	208,348	295,789

In respect of the above term loans, Rs. 47,929,451/- (Previous Year Rs. 44,050,169) is due and repayable within a year.

NOTES :

- Cash Credit with Banks are secured by hypothecation of all tangible moveable assets, including stocks of raw materials, finished goods, goods-in-process, book-debts, monies receivable and a second charge on the fixed assets of the company.
- Term Loan from Axis Bank Limited is secured by pari-passu first charge on the present and future fixed assets (moveable and immoveable) of the company and first pari-passu charge on the receivables of the company arising from installation of first 2000 new VSAT's.
- Term Loans from The Zoroastrian Co-operative Bank Limited are secured by pari-passu first charge both on the present and future fixed assets, (all tangible moveable machinery and plant) of the company.

SCHEDULE D

UNSECURED LOANS

1. Deferred Sales Tax Liability (Under the SICOM Incentive Scheme)	32,029	43,365
(repayable within one year Rs. 6,274, 282/- (Previous Year Rs. 5,699,965))		
2. Short Term Loan		
- From Banks	450,000	130,000
- Inter Corporate Deposit	172,500	327,500
3. Other Loan from Banks	100,000	100,000
TOTAL	754,529	600,865

Schedules forming part of the Balance Sheet as at 30th September, 2009

SCHEDULE E											(Rupees ' 000)
FIXED ASSETS		GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2008	ADDITIONS/ ADJUSTMENTS	DEDUCTIONS/ ADJUSTMENTS	AS AT 30.09.2009	UPTO 01.04.2008	FOR THE PERIOD	DEDUCTIONS/ ADJUSTMENTS	UPTO 30.09.2009	AS AT 30.09.2009	AS AT 31.03.2008	
Tangible Assets											
1. Land : Leasehold	3,590	-	-	3,590	-	793	-	793	2,797	3,590	
2. Buildings	33,855	-	-	33,855	12,698	1,670	-	14,368	19,487	21,157	
3. Plant and Machinery	67,374	16,727	1,011	83,090	38,946	5,383	747	43,582	39,508	28,428	
4. Electric Installation	12,337	1,641	-	13,978	4,071	923	-	4,994	8,984	8,266	
5. Office Equipments, Furniture and Fixtures	267,653	61,436	15,365	313,724	151,993	47,269	9,356	189,906	123,818	115,660	
6. Vehicles	6,622	-	592	6,030	2,683	914	473	3,124	2,906	3,939	
Intangible Assets											
7. Software Expenditure	5,379	20,049	-	25,428	428	4,118	-	4,546	20,882	4,951	
8. Technical Knowhow Fees	123,311	-	-	123,311	101,036	22,275	-	123,311	-	22,275	
Total	520,121	99,853	16,968	603,006	311,855	83,345	10,576	384,624	218,382	208,266	
Capital work-in-progress									3,635	7,900	
Total	520,121	99,853	16,968	603,006	311,855	83,345	10,576	384,624	222,017		
Previous Year	470,250	54,566	4,695	520,121	272,305	43,638	4,088	311,855		216,166	

NOTES :

- Office Equipments include assets given on operating lease having original cost of Rs. 94,527 ('000) (Previous Year Rs 80,672 ('000)) accumulated depreciation of Rs. 38,485 ('000) (Previous Year Rs. 31,784 ('000)) and depreciation charge for the period amounting to Rs. 19,685 ('000) (Previous Year Rs. 9,711 ('000)).
- Amortisation of Technical Knowhow Fees includes write off of unamortised balance of technical knowhow fees amounting to Rs. 17,500 ('000).

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees '000)

	As at 30.09.2009	As at 31.03.2008
SCHEDULE F		
INVESTMENTS		
LONG TERM (fully paid up unless otherwise stated)		
A. NON TRADE		
1. Government and Trust Securities		
<u>Unquoted</u>		
National Savings Certificates	-	2
(Sold during the year)		
<u>Quoted</u>		
44,123 US 64 Bonds of Rs.100/- each (6.75% Tax Free)		
(Sold during the year)	-	4,412
	-	4,414
2. Others		
<u>Unquoted</u>		
4,000 Ordinary Shares of Zoroastrian Cooperative		
Bank Ltd. of Rs. 25/- each.	100	100
	100	100
	100	4,514
B. TRADE INVESTMENT		
<u>Unquoted</u>		
<u>Subsidiary</u>		
6,000 Equity Shares of Tatanet Services Limited		
of Rs.100/- each.	600	600
<u>Others</u>		
450,000 (Previous Year 1,020,000) Equity Shares of		
Nelito Systems Ltd. of Rs.10/- each.	19,125	43,350
(570,000 Equity shares sold during the year)		
1,810,000 Equity Shares of Technopolis Knowledge		
Park Ltd. of Rs.10/- each.	18,100	18,100
Less : Provision for Diminution	18,100	18,100
	-	-
	19,725	43,950
TOTAL	19,825	48,464

Notes:

(1) Aggregate of quoted investments		
Cost	-	4,412
Market value	-	4,476
(2) Aggregate of unquoted investments		
Cost	37,925	62,152

SCHEDULE G INVENTORIES

1. Raw Materials	110,448	165,069
2. Semi-finished products	81,953	42,973
3. Finished Goods and Spares	90,435	67,133
4. Stock-in-trade (Car Park / Property under Development) ..	21,697	25,500
TOTAL	304,533	300,675

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees '000)

SCHEDULE H

SUNDRY DEBTORS (Unsecured) (Note 3)

	As at 30.09.2009	As at 31.03.2008
1. Debts outstanding for a period exceeding six months		
Considered Good	529,421	218,114
Considered Doubtful	26,388	7,298
Less : Provision for Doubtful Debts	26,388	7,298
	529,421	218,114
2. Other debts		
Considered Good	982,689	836,681
Considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	982,689	836,681
TOTAL	1,512,110	1,054,795

SCHEDULE I

CASH AND BANK BALANCES

1. Cash and Cheques on Hand	4,301	82,361
2. Balance with Scheduled Banks		
In current accounts	91,802	13,349
Deposit under Escrow Agreement with Bank	25,862	-
On Margin Money account against Letters of credit and bank guarantees	33,833	34,237
TOTAL	155,798	129,947

SCHEDULE J

LOANS AND ADVANCES

(Unsecured - Considered good)

1. Deposit with subsidiary (Tatanet Services Limited)	169,757	134,356
2. Advances recoverable in cash or in kind or for value to be received	52,092	52,277
Considered Doubtful	718	718
Less : Provision for Doubtful Advances	718	718
	52,092	52,277
3. Loans and Advances to employees	1,321	1,664
4. Advance payment of Tax (Net of Provision)	74,368	125,417
5. Balances with Excise, Customs etc.	5,190	8,959
6. Service tax receivable	15,781	9,991
TOTAL	318,509	332,664

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees '000)

SCHEDULE K

CURRENT LIABILITIES

	As at 30.09.2009	As at 31.03.2008
1. Acceptances	31,228	332
2. Sundry Creditors (other than micro and small enterprises) (Note 10)	880,980	672,717
3. Liabilities for expenses	121,477	107,482
4. Advances from customers	44,482	15,178
5. Other Liabilities	53,283	58,822
6. Liability for Voluntary Retirement Scheme	46,369	61,361
7. Interest accrued but not due on unsecured loans	3,349	1,018
8. Unpaid Dividend *	258	609
9. Unpaid Matured Deposits*	171	401
TOTAL	1,181,597	917,920

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

SCHEDULE L

PROVISIONS

1. Provision for Gratuity	36,921	36,522
2. Provision for Compensated absences	26,424	23,961
3. Proposed Dividend	13,690	-
4. Tax on Proposed Dividend	2,327	-
5. Provision for Warranty (Refer Note 15)	54,880	30,637
TOTAL	134,242	91,120

SCHEDULE M

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

DEFERRED REVENUE EXPENDITURE

1. Voluntary Retirement Scheme		
As per last Balance Sheet	42,297	54,858
Less : Written off during the year	31,722	12,561
	10,575	42,297
2. New Project Expenses		
As per last Balance Sheet	-	629
Less : Written off during the year	-	629
	-	-
TOTAL	10,575	42,297

Schedules forming part of the Profit & Loss Account for the eighteen months period ended 30th September, 2009

(Rupees '000)

SCHEDULE 1

INCOME FROM OPERATIONS

	For the eighteen month period ended 30.09.2009	For the twelve month period ended 31.03.2008
1. Sales : Traded and Manufactured Goods	2,917,346	1,718,485
Less : Excise Duty	137,155	131,470
	2,780,191	1,587,015
2. Income from Services Rendered	624,284	374,609
3. Others	-	11,850
TOTAL	3,404,475	1,973,474

SCHEDULE 2

OTHER INCOME

1. Interest Received (Gross)		
(a) On Long term Investments - Non Trade	49	297
(b) On Deposits with Banks	948	270
(Tax deducted at Source Rs. 129,970/- (Previous Year Rs.57,194))		
(c) On Others *	20,570	-
* Includes Interest on Income Tax Refund Rs. 20,145,807 (Previous Year Nil)	21,567	567
2. Dividend on Long term Investments - Trade	7,155	2,085
3. Insurance Claims Recovered	383	277
4. Scrap Sales	623	2,294
5. Bad Debts Recovered	2,622	482
6. Liabilities / Provisions no longer required written back	21,010	9,091
7. Miscellaneous Income	4,619	745
TOTAL	57,979	15,541

**Schedules forming part of the Profit & Loss Account
for the eighteen months period ended 30th September, 2009**

(Rupees '000)

SCHEDULE 3

RAW MATERIALS, FINISHED AND SEMI-FINISHED PRODUCTS :

	For the eighteen months period ended 30.09.2009	For the twelve months period ended 31.03.2008
1. Decrease /(Increase) to Stock of Finished goods and Semi finished products :		
Opening Stock		
(i) Finished goods produced and purchase for sale	67,133	88,311
(ii) Semi finished products	42,973	28,072
(iii) Car Park / Property under development	25,500	81,686
Less : Capitalised during the year	2,795	5,450
	132,811	192,619
Less : Closing Stock		
(i) Finished goods produced and purchase for sale	90,435	67,133
(ii) Semi finished products	81,953	42,973
(iii) Car Park / Property under development	21,697	25,500
	194,085	135,606
	(61,274)	57,013
2. Raw Materials Consumed		
Opening Stock	165,069	70,351
Add : Purchases made during the Year	1,046,987	657,461
	1,212,056	727,812
Less : Closing Stock	110,448	165,069
	1,101,608	562,743
3 Purchases of Finished Goods and Spares	1,156,377	292,234
TOTAL	2,196,711	911,990

SCHEDULE 4

PERSONNEL

Salaries, Wages, Bonus, etc.	307,901	191,953
Contribution to Provident fund	13,466	8,894
Contribution to Superannuation and other funds	10,242	7,495
Gratuity	8,708	9,432
Welfare expenses	36,815	22,597
TOTAL	377,132	240,371

Schedules forming part of the Profit & Loss Account for the eighteen months period ended 30th September, 2009

(Rupees '000)

SCHEDULE 5

OPERATING AND OTHER EXPENSES :

	For the eighteen months period ended 30.09.2009	For the twelve months period ended 31.03.2008
Stores and loose tools consumed	1,697	1,252
Power and fuel	20,638	12,381
Freight Outward	32,477	12,840
Repairs to machinery	986	465
Repairs to building	191	4,136
Repairs and Maintenance-others	19,909	14,262
Rent	10,664	8,817
Insurance	7,988	5,297
Travelling and Conveyance	82,013	53,114
Lease Rentals	6,048	6,870
Rates and Taxes	4,384	1,959
Bank charges	27,780	16,310
Royalty	132	10,500
Loss on Sale of Fixed Assets (Net)	2,313	319
Sub Contracting Expenses	93,572	25,553
Warranty Expenses	38,278	23,426
Installation Expenses	32,354	33,307
Professional and Legal Charges	39,064	27,149
Loss on Foreign Currency Fluctuations (Net)	21,705	12,146
Sales Commission	4,269	2,208
Cash Discount	68	68
Directors' Sitting fees	528	102
Other Expenses (Note 2)	121,516	76,126
	568,574	348,607
Bad Debts / Advances Written off	7,298	1,613
Less : Provision for Doubtful debts / Advances made in earlier years	7,298	1,613
	-	-
Provision for Doubtful Debts / Recoverables	26,388	8,016
Deferred Revenue Expenditure Written off		
New Project Expenses	-	629
TOTAL	594,962	357,252

SCHEDULE 6

INTEREST

Term Loans	110,212	36,520
Others	72,316	71,706
TOTAL	182,528	108,226

NOTES: Forming Part of the Accounts

SCHEDULE 7

1. Significant Accounting Policies

1.1 System of Accounting

The financial statements are prepared under the historical cost convention, on an accrual basis, in accordance with the generally accepted accounting principles and applicable accounting standards as notified under the Companies (Accounting Standards) Rule, 2006, issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and relevant provisions of the Companies Act, 1956 ('the Act') to the extent applicable.

1.2 Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost less depreciation. Cost comprises of cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition of its intended use.
- b) Depreciation for the year has been provided on the straight line method on all fixed assets at the rates specified as per Schedule-XIV of the Companies Act, 1956 except for Very Small Appeture Terminals (VSAT) used as back up, which are depreciated at 25% on straight line basis.
- c) Leasehold land is amortised over the period of the lease.

1.3 Intangible Assets

- a) Intangible assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.
- b) Software Expenditure and Technical Know-how
Software Expenditure and Technical Know-how incurred are amortised over a period of five years from the date of acquisition.

1.4 Inventory Valuation

- a) Inventories comprise all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition.
- b) Raw materials are valued at the lower of cost or net realisable value. Cost is determined on the basis of the yearly weighted average method.
- c) Finished goods produced and purchased for sale, semi finished products and spares are carried at cost or net realisable value, whichever is lower.
- d) Car Park/ Property under development in pursuance of additional right of construction are valued at cost or net realisable value, whichever is lower.

1.5 Investments

Investments, being long term, are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

1.6 Revenue Recognition

- 1.6.1 Sale of product is recognised when risk and rewards of ownership of the product are passed on to the customers, which is generally on the dispatch of goods.
- 1.6.2 Sales from services are recognised when services rendered.
- 1.6.3 Income on Investment
 - i) Interest income is accounted on accrual basis.
 - ii) Dividend income is accounted when right to receive payment is established.

1.7 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year is recognised as income or expense, as case may be.

Any premium or discount arising at the inception of a forward exchange contract is recognised as income or expense over the life of contract.

1.8 Voluntary Retirement Expenses

Voluntary Retirement scheme is amortised equally up to March 31, 2010.

1.9 Warranty Expenses

In respect of warranties given by the company on sale of certain products, the estimated costs of these warranties are accrued at the time of sale. The estimates for accounting of warranties are reviewed and revisions are made as required.

1.10 Retirement Benefits

(i) Defined Contribution Plan

Company's contributions paid/payable during the year towards Superannuation Scheme of the employees in accordance with the scheme of Life Insurance Corporation (LIC) are recognised in the Profit and Loss Account.

(ii) Defined Benefit Plan

- a) Company's liability towards gratuity and long term compensated absences are determined by independent actuaries, using projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the statement of Profit and loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using discounted rate that is determined by reference to the market yields at the balance sheet date on Government Bonds where currency and terms of Government Bonds are consistent with the currency and estimated terms of the benefit obligation.
- b) Company's Contribution towards Provident Fund is based on a percentage of salary which is made to a trust administered by the company. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the company.

1.11 Lease Rentals

The company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, etc.), plant, machinery and equipments taken on lease. The leasing arrangements, which are not non-cancellable, range between eleven months and five years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.

1.12 Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, subject to consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

2. Amounts paid/ payable to Auditors (net of service tax where applicable) :

(Rupees '000)

	2008-09 Eighteen months	2007-08 Twelve months
(i) Audit Fees(excluding service tax)	600	350
(ii) Taxation Services	*1,385	-
(iii) Other Services(excluding service tax)	1,000	610
(iv) Reimbursement of Expenses(excluding service tax)	75	82

* Represents payments of Rs. 1,385 ('000) (Previous Year : Rs. Nil) (excluding service tax) for taxation matters to an affiliated firm in view of the networking arrangement which is registered with Institute of Chartered Accountants of India.

3. Sundry Debtors includes Rs. 749,283 ('000) (Previous Year: Rs. 368,207 ('000)), which in accordance with the terms of the contracts, were not due for payments as at 30th September, 2009 (31st March, 2008).
4. The tax year for the company being the year ending 31st March, the provision for taxation for the period is the aggregate of the provision made for the twelve months ended 31st March, 2009 and the provision based on the figures for the remaining six months up to 30th September, 2009, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2009 to 31st March, 2010.
5. The company has revised its accounting policy in respect of Pension payments which are part of the voluntary retirement compensation with effect from 1st April, 2008. The compensation on this account is now amortised equally upto the financial year ending 31st March, 2010 in line with Accounting Standard 15 "Employee Benefits", which were hitherto being amortised as and when they accrued in terms of the respective Voluntary Retirement Schemes. Consequently deferred revenue expenditure (Voluntary Retirement Scheme) for the eighteen months period ended 30th September, 2009 is higher by Rs. 19,304 ('000) and the profit after tax for the eighteen months period ended is lower by Rs. 12,742 ('000).

6. The company has revised its accounting policy in respect of valuation of car park/ property under development disclosed under Inventories. These inventories which were hitherto being valued at market value on the basis of the Valuer's Report are now being valued in terms of the Accounting Standard 2 "Valuation of Inventories" at cost or net realisable value, whichever is lower. Consequently the carrying value of such inventories has been reduced and the increase in Finished Products and work-in-progress for the eighteen months period ended 30th September, 2009 is lower by Rs.3,803 ('000) and the profit after tax for the eighteen months period ended is lower by Rs. 3,803 ('000) respectively.

7. Capital Commitment

(Rupees '000)

Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)

2008-09 Eighteen months	2007-08 Twelve months
13,285	336

8. Contingent Liabilities

(Rupees '000)

- a) Guarantees issued by the company on behalf of its subsidiary
- b) Claims against the company not acknowledged as debt comprises of:
- Excise duty, sales tax and service tax claims disputed by the company relating to issues of applicability and classification
 - Arbitration proceeding initiated for non payment of royalty and interest thereon under the technical knowhow agreement
 - Other matters (excluding claims where amounts are not ascertainable)
- c) Taxation Matters
- Demand against the company not acknowledged as debt and not provided for, relating to issues of deductibility and taxability in respect of which company is in appeal and exclusive of the effects of similar matters in respect of assessments remaining to be completed.

2008-09 Eighteen months	2007-08 Twelve months
100,000	60,000
229,434	229,434
47,404	-
10,756	10,756
36,656	27,517

9. Managerial Remuneration

(Rupees '000)

- Salary and Allowance
- Contribution to Provident and Superannuation Funds
- Other Perquisites
- Directors sitting fees (Non-Whole time Directors)

2008-09 Eighteen months	2007-08 Twelve months
11,672	7,979
1,098	642
671	356
528	102
13,969*	9,079*

* above excludes charge for gratuity, provision for leave encashment as separate actuarial valuation figures are not available.

10. Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are as follows:

(Rupees '000)

Sr. No.	Particulars	2008-09 Eighteen months	2007-08 Twelve months
(a)	Principal Amount Outstanding	-	-
(b)	Interest Due on the above	-	-
(c)	Interest paid during the year beyond the appointed day	-	-
(d)	Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
(e)	Amount of interest accrued and remaining unpaid at the end of the year	-	-
(f)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

The above information regarding micro enterprises and small enterprises has been determined on the basis of information available with the company. This has been relied upon by the auditors.

11. EMPLOYEE BENEFITS**I. Defined Contribution Plan**

Company's contribution paid/payable during the year to Superannuation fund and ESIC contribution are recognised as an expense and included in the Schedule 4 of the Profit and Loss Account under the heading "Contribution to Superannuation and other Funds" are as under:

(Rupees '000)

	2008-09 Eighteen months	2007-08 Twelve months
a) Contribution to Employees' Superannuation Fund	10,039	7,290
b) Employees' State Insurance Scheme	203	205

II. Defined Benefit Plan**a) Provident Fund**

The company makes monthly contributions to Provident Fund managed by a trust administered by the company for qualifying employees. Under the schemes, the company is required to contribute a specified percentage of the payroll costs to fund the benefits. During the year the company has contributed Rs.13,466 ('000) (Previous Year: Rs. 8,894 ('000)) to the Provident Fund Trust.

In keeping with the Guidance on implementation of Accounting Standard (AS) 15 (Revised) on Employees Benefits notified by the Companies (Accounting Standards) Rules, 2006, employer established provident fund trust are treated as Defined Benefit Plans, since the company is obligated to meet interest shortfall, if any, with respect to covered employees. According to the Management, the Actuary has opined that actuarial valuation cannot be applied to reliably measure provident fund liabilities in the absence of guidance from the Actuarial Society of India. Accordingly, the company is currently not in position to provide other related disclosures as required by the aforesaid AS-15 read with the Accounting Standards Board Guidance. Having regard to the assets of the fund and the return on investments, the entity does not expect any deficiency in the foreseeable future. Accordingly, no provision is required towards the guarantee given for notified interest rates.

b) Gratuity (Unfunded)

Particulars	(Rupees '000)	
	Eighteen months ended 30th September, 2009	Twelve months ended 31st March, 2008
1 Expenses recognised in statement of Profit and Loss Account for the period ended		
Current Service cost	3,839	1,917
Interest cost	4,345	2,481
Expected return on plan assets	Nil	Nil
Net Actuarial (Gain)/Loss	524	5,034
Total Expense	8,708	9,432
2 Net Asset/(Liability) recognised in the Balance Sheet as at		
Present value of Defined Benefit obligations as at the end of year	36,921	36,522
Fair value of plan assets as at the end of the year	Nil	Nil
Net Asset/(Liability) as at	(36,921)	(36,522)
3 Changes in present value of obligations during the period		
Present value of obligations as at beginning of year	36,522	31,093
Interest cost	4,345	2,481
Current Service cost	3,839	1,917
Benefits Paid	(8,309)	(4,003)
Actuarial (Gain)/Loss	524	5,034
Present value of Defined Benefit obligations as at end of year	36,921	36,522
4 Assumptions		
Discount Rate	8%	8%
Salary Escalation	6%	6%
Attrition Rate	2%	2%
Mortality Rate	LIC (94-96) Ultimate	LIC (94-96) Ultimate

Note: The above disclosure is made to the extent of information given by the actuaries.

III. Long Term Employee Benefit – Compensated Absences

Provision for Compensated Absences has been made on the basis of actuarial valuation report as at the Balance Sheet date. The charge for the year of Rs.7,857 ('000) (Previous Year: Rs. 7,912 ('000)) has been made in the Profit and Loss Account.

- 12. (a)** The aggregate lease rentals in respect of operating leases for the period charged as Lease Rentals in the Profit and Loss Account aggregate to Rs.6,048 ('000) (Previous Year: Rs. 6,870 ('000)).

The future minimum lease payments under non-cancellable operating leases are as under:

	(Rupees '000)	
	2008-09 Eighteen months	2007-08 Twelve months
i) Not later than one year	2,063	4,894
ii) Later than one year and not later than five years	1,375	4,470
iii) Later than five years	Nil	Nil

- (b)** In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Profit and Loss Account for the period included under Income from Services Rendered under Income from Operations aggregate to Rs. 40,642 ('000) (Previous Year: Rs. 25,038 ('000)).

13. Earnings Per Share (EPS)

- a) Weighted Average Number of Shares at the beginning and end of the year (Nos.)
- b) Net Profit after Tax available for Equity Shareholders (Rupees '000)
- c) Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)
- d) Diluted Earning Per Share (Rs.)

2008-09 Eighteen months	2007-08 Twelve months
22,817,461	22,817,461
32,799	44,325
1.44	1.94
1.44	1.94

14. The components of Deferred Tax Assets /(Liabilities) are as under:

(Rupees '000)

Deferred Tax Assets

- a) On Unpaid Liabilities under Section 43B of the Income Tax Act
- b) On Carried Forward Tax Losses and Unabsorbed Depreciation
- c) On Provision for Doubtful debts

Total:**Less: Deferred Tax Liability**

- a) On Fiscal allowances of Fixed asset
- b) On Deferred Revenue Expenditure

Total:**Net Deferred Tax Assets / (Liabilities)**

2008-09 Eighteen months	2007-08 Twelve months
22,105	21,049
-	50,490
8,969	3,029
31,074	74,568
30,739	34,897
3,595	14,376
34,334	49,273
(3,260)	25,295

15. Provision for Warranty

Provision for Warranty relates to warranty provision made in respect of sale of certain products, the estimated cost of which is accrued at the time of sale. The products are generally covered under free warranty period ranging from one to three years.

The movement in above provision is as follows:

(Rupees '000)

- Opening Balance
- Provisions made during the period
- Utilisation during the period
- Closing Balance

2008-09 Eighteen months	2007-08 Twelve months
30,637	11,323
38,278	23,426
14,035	4,112
54,880	30,637

16. The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are:

(Rupees '000)

Particulars	Foreign Currency	2008-09 Eighteen months Amount in Foreign Currency ('000)	2007-08 Twelve months
Receivable	USD	644	3,247
Payable	USD	8,890	2,767
	EUR	555	547
	GBP	22	2
	JPY	7,606	-
	CHF	2,828	3,076
	NOK	766	-

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end Rs. Nil (Previous Year: Rs. Nil)

17. Additional information pursuant to the Provisions of Paragraphs 3(i)(a) and (ii), 4C and 4D, of Part II of Schedule VI to the Companies Act, 1956.

A. Particulars of Raw Materials consumed:

Particulars	Units	2008-09 Eighteen months		2007-08 Twelve months	
		Quantity	Rs in ('000)	Quantity	Rs in ('000)
Hitachi Drive Modules	Nos.	26	11,916	66	2,029
Electronic Modules	Nos.	15,740	452,943	3,091	176,714
Camera, Monitor& Lens	Nos.	4,932	65,291	2,274	14,934
Cables and Wires	Nos.	852,902	42,756	98,711	18,240
Fabricated Items	Nos.	306,258	108,363	5,707	23,391
Cabinets and Panels	Nos.	356	19,713	778	22,872
PLC systems	Nos.	10	936	69	15,209
Coolers	Nos.	7,456	42,977	4,258	20,597
Resistors and Capacitors	Nos.	121,386	80,155	6,688	50,509
Weather Sensor	Nos.	-	-	632	16,399
Data loggers and Modem	Nos.	4	8	740	24,579
Diode	Nos.	4,433	27,326	2,585	10,985
Insulation, Transformer	Nos.	134,562	47,695	14,622	19,466
Battery and U.P.S.	Nos.	13,810	5,854	9,553	7,267
PCB Assy	Nos.	2,556	9,625	4,289	14,592
Mast and Alu.Box	Nos.	-	-	382	14,535
D.G. Set	Nos.	-	-	62	17,266
Maruti Gypsy	Nos.	28	12,620	-	-
Value Detector	Nos.	1,417	11,916	-	-
Others		-	161,514	-	93,159
Total			1,101,608		562,743

Notes:

- a. The consumption in value has been ascertained on the basis of opening stock plus purchases less closing stock and includes adjustment in respect of write-off of obsolete raw materials and components.

B. Value of Imported / Indigenous Raw Materials Consumed

Particulars	2008-09 Eighteen months		2007-08 Twelve months	
	%	Value	%	Value
Imported	65	721,403	77	432,842
Indigenous	35	380,205	23	129,901
	100	1,101,608	100	562,743

C. Particulars in respect of goods manufactured:

Sl.No	Class of Goods	Installed Capacity	Opening Stock	Production	Sales	Closing Stock
		Nos.	Nos.	Nos.	Nos. Rs in ('000)	Nos.
1	Variable Speed Drives	2500 (2500)	-	136 (325)	136 (325)	52,923 (70,690)
2	Power Converters	24 (24)	-	18 (16)	18 (16)	449,558 (401,221)

Sl.No	Class of Goods	Installed Capacity	Opening Stock	Production	Sales	Closing Stock
		Nos.	Nos.	Nos.	Nos. Rs in ('000)	Nos.
3	Auxiliary Converters	50 (50)	- -	42 -	42 -	344,084 -
4	Control Electronics	60 -	- -	47 -	47 -	173,147 -
5	Converters Assemblies & Equipments		- -	196 (115)	196 (115)	148,191 (59,765)
6	Supervisory Control and Data Acquisition Systems - Assemblies & Equipment	700 (700)	- -	111 (140)	111 (140)	39,459 (47,829)
7	Undergrounded Sensors (UGS)	125 (125)	- -	- (57)	- (57)	- (169,700)
8	UGS / GPS - Assemblies & Equipments	1025 (1025)	- -	526 (223)	526 (223)	41,185 (29,829)
9	Shelters		- -	- (6)	- (6)	- (68,006)
10	Automatic Whether Station (AWS)		- -	84 (121)	84 (121)	3,986 (90,809)
11	Fencing Equipments & Networking		- -	138 -	138 -	252,014 -
12	CCTV Systems		- -	100 (76)	100 (76)	96,864 (33,191)
	Total			- -	- -	1,601,412 (971,040)

Notes:

- The installed capacity has been certified by the management, which the auditors have relied on without verification as this is a technical matter. Further Item no. 9,10 ,11 and 12 are made to order assemblies of various sizes and installed capacity is not ascertainable
- As per the notification no: SO477(E) dated 25-07-1991 and the subsequent Press Notes issued by the Government of India, Ministry of Industry, Department of Industrial Development, the products manufactured by the company are out of the purview of the industrial licensing requirements.
Accordingly, the particulars of the licensed capacity are not given.
- Figures in bracket are in respect of the previous year and are regrouped/reclassified wherever necessary.
- Sales are inclusive of Excise Duty.

D. Particulars in respect of goods traded and services rendered :

Sl.No	Class of Goods	Opening Stock		Purchase		Sales		Closing Stock	
		Nos.	Rs in ('000)	Nos.	Rs in ('000)	Nos.	Rs in ('000)	Nos	Rs in ('000)
1	Variable Speed Drives	-		4	12,688	4	15,641	-	-
		-		(5)	(48,801)	(5)	(62,749)	-	-
2	Supervisory Control and Data Acquisition Systems - Assemblies & Equipments	-		2,598	19,507	2,598	59,541	-	-
		-		(5,147)	(41,859)	(5,147)	(75,699)	-	-
3	Automatic Weather Station / Underground sensors / E fence Spares	-		10,311	6,093	10,311	11,494	-	-
		-		(7,043)	(11,865)	(7,043)	(36,242)	-	-
4	Integrated Perimeter Alarm System	-		13	73,186	13	104,183	-	-
		-		-	-	-	-	-	-
5	CCTV / BMS System & Spares	-		4	20,753	3	21,912	1	7,857
		-		(2)	(1,580)	(2)	(5,434)	-	-
6	Network Related Systems Integration	5,084	58,831	56,746	958,852	55,909	1,103,163	5,580	76,404
		(4,248)	(77,015)	(12,373)	(167,167)	(10,717)	(239,121)	(5,084)	(58,831)
7	Others - (Network Related Systems Integration)	-		-	65,298	-	-	-	-
		-		-	(20,963)	-	-	-	-
8	Others	-	8,302	-	-	-	-	-	6,174
		-	(11,296)	-	-	-	-	-	(8,302)
9	Income from services rendered						624,284		
							(374,609)		
	TOTAL		67,133		1,156,377		1,940,218		90,435
			(88,311)		(292,234)		(793,854)		(67,133)

Notes:

- The Opening and Closing Stocks and Sales of Goods shown under item 6 above consist of Purchase of Network Related System Integration and its related spare parts. The bifurcation of stock/sales into Network Related System Integration and its related spare parts is not practicable.
- Opening stock under item 6 above has been utilized for captive consumption.
- The Opening and Closing Stocks shown under item 8 above consist of Purchase of spare in earlier years for rendering Annual Maintenance Services to the customers. The bifurcation of spares sales into income from services rendered and spare sales is not practicable.
- Figures in bracket are in respect of the previous year and are regrouped/reclassified wherever necessary.

E. Quantitative Information in respect of Property under Development.

Particulars	(Rupees '000)			
	Opening Stock	Conversion / Purchase and Development Cost	Closing Stock	Sales / Adjustment
Quantity	-	-	-	-
Value	25,500	-	21,697*	-
Quantity	(-)	(-)	(-)	(-)
Value	(81,686)	(56,186)	(25,500)	(340,050)

Note:

Figures in bracket are in respect of the previous year and are regrouped/reclassified wherever necessary.

* Refer Note 6 to schedule 7

F. Expenditure in Foreign Currency

	(Rupees '000)	
	2008-09 Eighteen months	2007-08 Twelve months
i) Foreign Travel	4,743	4,758
ii) Royalty	132	10,500
iii) Bank Charges	856	440
iv) Sub-contracting Expenses	20,647	8,550
v) Others	3,261	7,271

G. Earnings in Foreign Exchange

	(Rupees '000)	
	2008-09 Eighteen months	2007-08 Twelve months
i) Engineering / Software Services	16,322	12,084
ii) Exports of goods calculated on FOB basis	39,760	140,204

H. Value of Imports calculated on CIF basis

	(Rupees '000)	
	2008-09 Eighteen months	2007-08 Twelve months
i) Raw Materials and Component	612,990	296,128
ii) Finished Goods	992,703	172,494
iii) Capital Goods	9,216	6,997

18. Related Party Disclosure:

- I. Holding company – The Tata Power Company Limited
- II. Related Parties where control exists
 - a. Subsidiary – Tatanet Services Limited
- III. Other parties with whom transactions have taken place during the year
 - a. Fellow Subsidiary – Af-taab Investment Company Limited
 - b. Associate – Nelito Systems Limited
- IV. Key Management Personnel
 - a. Executive Directors - Mr. K . A. Mahashur
Mr. Z. J. Engineer

The related party transactions are as under:

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited (HOLDING COMPANY)	TATANET Services Limited (SUBSIDIARY)	Af-taab Investment Company Limited (FELLOW SUBSIDIARY)	Nelito Systems Limited (ASSOCIATE)	Key Management Personnel
1)	Purchase : Goods	- (-)	- (-)	- (-)	182 (-)	- (-)
2)	Sales :					
a)	Goods	877 (4,606)	- (-)	- (-)	- (-)	- (-)
b)	Services provided	18,800 (11,810)	172,180 (95,400)	- (-)	135 (93)	- -
3)	Investments : Sale of long term Investment in Nelito Systems Ltd.	- (-)	- (-)	159,600 (-)	- (-)	- (-)
4)	Deputation of Personnel :	982 (-)	- (-)	- (-)	- (-)	- (-)
5)	Finance :					
a)	Inter Corporate Loans taken	450,000 (270,000)	- (-)	- (200,000)	- (-)	- (-)
b)	Inter Corporate Loans Repayment	720,000 (16,500)	- (-)	- (200,000)	- (-)	- (-)
c)	Interest Paid	17,204 (1,765)	- (-)	- (4,932)	- (-)	- (-)
d)	Dividend received	- (-)	- (-)	- (-)	7,140 (2,040)	- (-)
e)	Security Deposit given during the period	- (-)	44,630 (7,442)	- (-)	- (-)	- (-)
f)	Security Deposit refunded during the period	- (-)	9,228 (7,630)	- (-)	- (-)	- (-)
6)	Guarantees and collaterals given	- (-)	40,000 (60,000)	- (-)	- (-)	- (-)
7)	Other Transactions: Reimbursements received from parties	- (236)	2,376 (1,596)	- (-)	- (-)	- (-)
8)	Outstandings:					
a)	Debtors (Net)	480 (1,139)	57,131 (48,020)	- (-)	- (-)	- (-)
b)	Creditors (Net)	- (-)	- (-)	- (-)	- (18)	- (-)
c)	Inter Corporate Loans	- (270,000)	- (-)	- (-)	- (-)	- (-)

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited (HOLDING COMPANY)	TATANET Services Limited (SUBSIDIARY)	Af-taab Investment Company Limited (FELLOW SUBSIDIARY)	Nelito Systems Limited (ASSOCIATE)	Key Management Personnel
d)	Deposits given	- (-)	169,758 (134,356)	- (-)	- (-)	- (-)
e)	Guarantees and collaterals	- (-)	100,000 (60,000)	- (-)	- (-)	- (-)
f)	Other Recoverable	620 (-)	- (-)	- (-)	38 (25)	- (-)
9)	Managerial Remuneration	- (-)	- (-)	- (-)	- (-)	13,441 (8,977)

Note : Figures in brackets pertain to the Previous year

19. The company has changed its financial accounting year from April - March to October - September. The current financial period is for eighteen months commencing on 1st April, 2008 and ending on 30th September, 2009. Consequently, the figures for the current period are not comparable with the previous year.

20. Previous year's figures have been regrouped wherever necessary.

Signature to Schedules "A" to "M" and "1" to "7"

For and on behalf of the Board

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice
President (Finance)

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 27th November, 2009

Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 011-3164

State Code 11

Balance Sheet Date 30 09 2009
Date Month Year

II. Capital raised during the year

(Amount in Rs. Thousands)

Public Issue

NI L

Bonus Issue

NI L

Rights Issue

NI L

Private Placement

NI L

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities

1227528

Source of Funds :

Paid-up Capital

228175

Secured Loans

208348

Deferred Tax

3260

Application of Funds

Net Fixed Assets

222017

Net Current Assets

975111

Accumulated Losses

-

Total Assets

1227528

Reserves & Surplus

33216

Unsecured Loans

754529

Investments

19825

Misc. Expenditure

10575

IV. Performance of Company (Amount in Rs. Thousands)

Turnover/Total Income

3462454

+ - Profit /Loss Before Tax

+ 131429

(Tick appropriate box + for Profit, - for Loss)

Earnings per Share (Weighted Average)

1.44

Total Expenditure

3331025

+ - Profit /Loss After Tax

+ 327999

Dividend Rate %

6

V. Generic Names of Three Principal Products/Services of Company (As per Monetary terms)

Not applicable

Item Code No. (ITC Code)

853710

Product Description

SOLID STATE VARIABLE

SPEED DRIVES

Item Code No. (ITC Code)

851730

Product Description

ELECTRONIC SWITCHING /

DATA COMMUNICATION

Item Code No. (ITC Code)

847110

Product Description

HIGH SPEED DATA

ACQUISITION SYSTEM

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

Name of Subsidiary

Tatanet Services Limited

1. Financial Year of the subsidiary ended on 31st March, 2009
2. Share of the subsidiary held by the Company on the above date
 - a) Number and face value 6000 Equity shares of Rs 100/- each
 - b) Extent of holding 100%
3. Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary so far as they concern Members of the Company :
 - a) dealt with in the accounts of the Company for the period ended 30th September, 2009 Nil
 - b) not dealt with in the accounts of the Company for the period ended 30th September, 2009 Rs. 22,22,000/-
4. Net aggregate amount of profits / (losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern Members of the Company :
 - a) dealt with in the accounts of the Company for the period ended 30th September, 2009 Nil
 - b) not dealt with in the accounts of the Company for the period ended 30th September, 2009 Rs. 37,92,000/-

For and on behalf of the Board

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 27th November, 2009

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF NELCO LIMITED

1. We have audited the attached consolidated balance sheet of NELCO Limited and its subsidiary (the Group) as at 30th September, 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the eighteen months period ended on that date, annexed thereto. These consolidated financial statements are the responsibility of NELCO Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of Rs. 283,346 (000s), as at 30th September, 2009, total revenues of Rs. 394,672 (000s) for the eighteen months period ended on that date and cash inflow amounting to Rs.64,90 (000s) for the period ended on that date and an associate whose financial statements reflect the Group's share of profit (net) up to 30th September, 2009 of Rs. 49,992 (000s) and the Group's share of profit (net) of Rs. 63,491 (000s) for the period ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts included in respect of this subsidiary and associate, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by NELCO Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements notified under the Companies (Accounting Standard) Rules, 2006.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the consolidated balance sheet, of the state of affairs of NELCO Limited Group as at 30th September, 2009;
 - b) in the case of the consolidated profit and loss account, of the profit for the eighteen months period ended on that date; and
 - c) in the case of the consolidated cash flow statement, of the cash flows for the eighteen months period ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

R.A.Banga
Partner

Membership No. 37915

Place: Mumbai
Date: 27th November, 2009

NELCO LIMITED

Sixty-seventh Annual Report 2008-09

NELCO LIMITED (CONSOLIDATED)

BALANCE SHEET AS AT 30TH SEPTEMBER, 2009

		(Rupees '000)	
	Schedule	As at 30.09.2009	As at 31.03.2008
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	228,175	228,175
(b) Reserves and Surplus	B	84,839	67,836
		313,014	296,011
2. LOAN FUNDS			
(a) Secured Loans	C	208,348	295,789
(b) Unsecured Loans	D	754,529	600,865
		962,877	896,654
3. DEFERRED TAX LIABILITIES (Net)		10,994	-
TOTAL		1,286,885	1,192,665
APPLICATION OF FUNDS			
1. FIXED ASSETS	E		
(a) Gross Block		854,985	679,950
(b) Less : Depreciation		470,217	366,618
(c) Net Block		384,768	313,332
(d) Capital work-in-progress		4,244	29,642
		389,012	342,974
2. INVESTMENTS	F	66,066	97,690
3. DEFERRED TAX ASSETS (Net)		-	18,827
4. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	G	304,533	300,675
(b) Sundry Debtors	H	1,512,359	1,055,416
(c) Cash and Bank Balances	I	171,056	138,715
(d) Loans and Advances	J	192,465	220,468
		2,180,413	1,715,274
Less :			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	K	1,224,939	933,277
(b) Provisions	L	134,242	91,120
		1,359,181	1,024,397
5. NET CURRENT ASSETS		821,232	690,877
6. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	M	10,575	42,297
TOTAL		1,286,885	1,192,665

NOTES FORMING PART OF THE ACCOUNTS

7

As per our report attached

For Deloitte Haskins & Sells
Chartered Accountants

R. A. BANGA
Partner

Mumbai, 27th November, 2009

PRASAD MENON
Chairman

GIRISH V. KIRKINDE
Company Secretary

For and on behalf of the Board

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

Mumbai, 27th November, 2009

NELCO LIMITED (CONSOLIDATED)

PROFIT AND LOSS ACCOUNT FOR THE EIGHTEEN MONTHS PERIOD ENDED 30TH SEPTEMBER, 2009

(Rupees '000)

	Schedule	For the eighteen months period ended 30.09.2009	For the twelve months period ended 31.03.2008
INCOME			
1. Income from Operations	1	3,626,967	2,093,983
2. Other Income	2	50,944	13,579
3. Total Income		3,677,911	2,107,562
EXPENDITURE			
4. Raw Materials, Finished and Semi-Finished Products	3	2,196,831	911,990
5. Expenditure on Property Development		-	255,300
6. Personnel	4	377,132	240,371
7. Operating and Other Expenses	5	780,878	457,465
8. Interest	6	182,961	108,354
9. Depreciation		114,175	59,653
10. Total Expenditure		3,651,977	2,033,133
11. Profit before exceptional items and taxation		25,934	74,429
12. Deferred Revenue Expenditure (Voluntary Retirement Scheme)		(31,722)	(12,561)
13. Profit on divestment of interest in associate		76,039	-
14. PROFIT BEFORE TAXATION		70,251	61,868
15. Provision For Taxation			
1. Current Tax			
a. For the Period		42,675	6,277
b. In respect of earlier years		10,751	3,415
c. MAT Credit (Availed) / reversed		12,000	(12,000)
		65,426	(2,308)
2. Deferred Tax		29,821	13,747
3. Fringe Benefit Tax		5,475	4,730
		100,722	16,169
16. PROFIT AFTER TAX AND BEFORE SHARE OF ASSOCIATE		(30,471)	45,699
17. Add : Share of Profit in Associate		63,491	35,339
		33,020	81,038
18. Balance Brought Forward		67,836	(13,202)
19. AMOUNT AVAILABLE FOR APPROPRIATION		100,856	67,836
20. Proposed Dividend		13,690	-
21. Tax on Proposed Dividend		2,327	-
22. Balance Carried to Balance Sheet		84,839	67,836
		84,839	67,836
Earnings per share Rs. (Basic & Diluted) - Face Value Rs. 10 per share (Note 9)		1.45	3.55
NOTES FORMING PART OF THE ACCOUNTS	7		

As per our report attached

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

R. A. BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

For and on behalf of the Board

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

Mumbai, 27th November, 2009

Mumbai, 27th November, 2009

NELCO LIMITED

Sixty-seventh Annual Report 2008-09

NELCO LIMITED (CONSOLIDATED)

Cash Flow Statement for the eighteen month period ended 30th September, 2009

		For the eighteen months period ended 30.09.2009	(Rupees ' 000) For the twelve months period ended 31.03.2008
A.	NET PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION	25,934	74,429
	ADJUSTED FOR		
	Depreciation	114,175	59,653
	Investment and Interest Income	(21,567)	(567)
	Dividend Income	(15)	(45)
	Loss on Sale of Fixed Assets	2,313	319
	Interest Expense	182,961	108,354
	Deferred Revenue Expenditure written off	-	629
		<u>277,867</u>	<u>168,343</u>
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	303,801	242,772
	Changes in		
	Trade and Other Receivables	(461,811)	(254,893)
	Inventories	(3,858)	(24,657)
	Trade and Other Payables	316,436	426,652
		<u>(149,233)</u>	<u>147,102</u>
	CASH GENERATED FORM OPERATIONS	154,568	389,874
	Direct taxes paid	(35,165)	(40,541)
	NET CASH FROM OPERATING ACTIVITIES (a)	<u>119,403</u>	<u>349,333</u>
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of fixed assets	(166,605)	(84,165)
	Sale of Investments	4,414	-
	Sales Proceeds received on divestment of interest in Associate	159,600	-
	Sale of fixed assets	1,214	288
	Dividend Received	7,155	2,085
	Interest received	21,567	567
	NET CASH FLOW FROM / (USED) IN INVESTING ACTIVITIES (b)	<u>27,345</u>	<u>(81,225)</u>
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from borrowings	2,404,501	1,181,590
	Repayment of borrowings	(2,338,278)	(1,236,436)
		<u>66,223</u>	<u>(54,846)</u>
	Interest paid	(180,630)	(107,893)
	NET CASH USED IN FINANCING ACTIVITIES (c)	<u>(114,407)</u>	<u>(162,739)</u>
	NET INCREASE IN CASH & CASH EQUIVALENTS	<u>32,341</u>	<u>105,369</u>
	CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT		
	OF THE PERIOD (Refer Schedule I)	138,715	33,346
	CASH AND CASH EQUIVALENTS AS AT THE END OF THE		
	PERIOD (Refer Schedule I)	<u>171,056</u>	<u>138,715</u>
		<u>32,341</u>	<u>105,369</u>

Notes :

(Rupees ' 000)

1) Cash and cash equivalents include	As at 30.09.2009	As at 31.03.2008
i) Cash and Cheques on Hand	4,301	82,361
ii) Balance with Scheduled Banks		
In current accounts	107,060	22,117
Deposit under Escrow Agreement with Bank	25,862	-
On Margin Money account against Letters of credit and bank guarantees	33,833	34,237
	<u>171,056</u>	<u>138,715</u>

The above includes amounts not available for use by the company as follows:

- Margin Money against letters of credit and bank guarantees Rs. 33,833 ('000) (Previous Year Rs. 34,237 ('000))
 - Deposit under Escrow Account agreement with bank Rs. 25,862 ('000)(Previous Year Rs. NIL) (made available to the company on 2nd October, 2009).
- 2) The company has changed its financial accounting year from April - March to October - September. The current financial period is for eighteen months commencing on 1st April, 2008 and ending on 30th September, 2009. Consequently, the figures for the current period are not comparable with the previous year.
- 3) Previous year's figures have been regrouped wherever necessary.

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

R. A. BANGA
Partner

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 27th November, 2009

Mumbai, 27th November, 2009

NELCO LIMITED

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NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2009

		(Rupees ' 000)	
		As at 30.09.2009	As at 31.03.2008
SCHEDULE A			
SHARE CAPITAL			
AUTHORISED :			
25,000,000	Equity Shares of Rs. 10/- each	250,000	250,000
2,500,000	Redeemable Preference Shares of Rs.100/- each	250,000	250,000
		<u>500,000</u>	<u>500,000</u>
ISSUED :			
22,496,370	Equity Shares of Rs.10/- each fully paid-up for payment in cash (including 939 Equity Shares pending allotment)	224,964	224,964
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to shareholders of the erstwhile General Radio & Appliances Ltd. in terms of the Scheme of Amalgamation	3,167	3,167
22,818,400	TOTAL	228,185	228,185
SUBSCRIBED AND PAID-UP :			
22,495,431	Equity Shares of Rs.10/- each fully paid-up for payment in cash	224,954	224,954
5,370	Equity Shares of Rs.10/- each issued as fully paid-up otherwise than in cash pursuant to contracts dated 23rd October, 1940	54	54
316,660	Equity Shares of Rs.10/- each issued to Shareholders of the erstwhile General Radio & Appliances Ltd in terms of the Scheme of Amalgamation	3,167	3,167
22,817,461	TOTAL	228,175	228,175

Note : Of the above

- 11,099,630 (Previous Year: 11,100,780) Equity Shares are held by The Tata Power Company Limited, the Holding Company
- 328,960 (Previous Year: 329,110) Equity Shares are held by the Aftaab Investments Company Limited - Subsidiary of The Tata Power Company Limited, the Holding Company

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees ' 000)

SCHEDULE B**RESERVES AND SURPLUS**

1. Profit and Loss Account

TOTAL

As at 30.09.2009	As at 31.03.2008
84,839	67,836
84,839	67,836

SCHEDULE C**SECURED LOANS**

1. Cash Credit with Banks
2. Term Loan from Axis Bank Ltd
3. Term Loans from Zoroastrian Co-op.Bank Ltd.

TOTAL

129,926	175,198
35,000	87,500
43,422	33,091
208,348	295,789

In respect of the above loans, Rs. 47,929,451/-(Previous Year Rs.44,050,169) is due and repayable within a year.

NOTES :

- a) Cash Credit with Banks are secured by hypothecation of all tangible moveable assets, including stocks of raw materials, finished goods, goods-in-process, book-debts, monies receivable and a second charge on the fixed assets of the company.
- b) Term Loan from Axis Bank Limited is secured by pari-passu first charge on the present and future fixed assets (moveable and immoveable) of the company and first pari-passu charge on the receivables of the company arising from installation of first 2000 new VSAT's .
- c) Term Loans from The Zoroastrian Co-operative Bank Limited are secured by pari-passu first charge both on the present and future fixed assets, (all tangible moveable machinery and plant) of the company.

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees ' 000)

SCHEDULE D

UNSECURED LOANS

	As at 30.09.2009	As at 31.03.2008
1. Deferred Sales Tax Liability (Under the SICOM Incentive Scheme) (repayable within one year Rs. 6,274,282/- (Previous Year Rs. 5,699,965))	32,029	43,365
2. Short Term Loan		
- From Banks	450,000	130,000
- Inter Corporate Deposit	172,500	327,500
3. Other Loan from Banks	100,000	100,000
TOTAL	754,529	600,865

SCHEDULE E

FIXED ASSETS

	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions/ Adjustment	Deductions/ Adjustments	As at 30.09.2009	Upto 01.04.2008	For The Period	Deductions/ Adjustments	Upto 30.09.2009	As At 30.09.2009	As At 31.03.2008
Tangible Assets										
1. Goodwill on Consolidation	40	-	-	40	-	-	-	-	40	40
2. Land : Leasehold	3,590	-	-	3,590	-	793	-	793	2,797	3,590
3. Buildings	33,855	-	-	33,855	12,698	1,670	-	14,368	19,487	21,157
4. Plant and Machinery	224,163	106,877	1,011	330,029	92,809	35,793	747	127,855	202,174	131,354
5. Electric Installation	12,337	1,641	-	13,978	4,071	923	-	4,994	8,984	8,266
6. Office Equipments, Furniture and Fixtures	267,653	61,436	15,365	313,724	151,993	47,269	9,356	189,906	123,818	115,660
7. Vehicles	6,622	-	592	6,030	2,683	914	473	3,124	2,906	3,939
Intangible Assets										
8. Software Expenditure	5,379	20,049	-	25,428	428	4,118	-	4,546	20,882	4,951
9. Technical Knowhow Fees	123,311	-	-	123,311	101,036	22,275	-	123,311	-	22,275
10. Licence Fees - VSAT	3,000	-	-	3,000	900	225	-	1,125	1,875	2,100
11. Licence Fees - ISP	-	2,000	-	2,000	-	195	-	195	1,805	-
Total	679,950	192,003	16,968	854,985	366,618	114,175	10,576	470,217	384,768	313,332
Capital work-in-progress									4,244	29,642
Total	679,950	192,003	16,968	854,985	366,618	114,175	10,576	470,217	389,012	
Previous Year	620,436	64,209	4,695	679,950	311,053	59,653	4,088	366,618		342,974

NOTES :

- Office Equipments include assets given on operating lease having original cost of Rs. 94,527 ('000) (Previous Year : Rs 80,672 ('000)) accumulated depreciation of Rs. 38,485 ('000) (Previous Year : Rs. 31,784 ('000)) and depreciation charge for the period amounting to Rs. 19,685 ('000) (Previous Year : Rs. 9,711('000))
- Amortisation of Technical Knowhow Fees includes write off of unamortised balance of technical knowhow fees amounting to Rs. 17,500 ('000)

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees ' 000)

	As at 30.09.2009	As at 31.03.2008
SCHEDULE F		
INVESTMENTS		
A. LONG TERM (fully paid up unless otherwise stated)		
1. Government And Trust Securities		
<u>Unquoted</u>		
National Savings Certificates (Sold during the year)		
<u>Quoted</u>		
44,123 US 64 Bonds of Rs.100/- each (6.75% Tax Free)		
(Sold during the year)	-	4,412
	-	4,414
2. Others		
<u>Unquoted</u>		
4,000 Ordinary Shares of Zoroastrian Cooperative Bank Ltd.		
of Rs. 25/- each.	100	100
	100	100
	100	4,514
B. TRADE INVESTMENT		
<u>Unquoted</u>		
1,810,000 Equity Shares of Technopolis Knowledge		
Park Ltd. of Rs.10/- each.	18,100	18,100
Less : Provision for Diminution	18,100	18,100
	-	-
IN ASSOCIATE		
450,000 (Previous Year 1,020,000) equity shares of	65,966	93,176
Nelito Systems Ltd. of Rs. 10/- each (Note 1(d))		
(570,000 equity shares sold during the year)		
TOTAL	66,066	97,690
Notes:		
(1) Aggregate of quoted investments		
Cost	-	4,412
Market value	-	4,476
(2) Aggregate of unquoted investments		
Cost	84,166	111,378
SCHEDULE G		
INVENTORIES		
1. Raw Materials	110,448	165,069
2. Semi-finished products	81,953	42,973
3. Finished Goods and Spares	90,435	67,133
4. Stock-in-trade (Car Park / Property under Development)	21,697	25,500
TOTAL	304,533	300,675

NELCO LIMITED

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NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees ' 000)

	As at 30.09.2009	As at 31.03.2008
SCHEDULE H		
SUNDRY DEBTORS (Unsecured)		
1. Debts outstanding for a period exceeding six months		
Considered Good	537,577	233,272
Considered Doubtful	27,135	7,768
Less : Provision for Doubtful Debts	27,135	7,768
	<u>537,577</u>	<u>233,272</u>
2. Other debts		
Considered Good	974,782	822,144
Considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	<u>974,782</u>	<u>822,144</u>
TOTAL	<u>1,512,359</u>	<u>1,055,416</u>
SCHEDULE I		
CASH AND BANK BALANCES		
1. Cash and Cheques on Hand	4,301	82,361
2. Balance with Scheduled Banks		
In current accounts	107,060	22,117
Deposit under Escrow Agreement with Bank	25,862	-
On Margin Money account against Letters of credit and bank guarantees	33,833	34,237
TOTAL	<u>171,056</u>	<u>138,715</u>
SCHEDULE J		
LOANS AND ADVANCES		
(Unsecured - Considered good)		
1. Advances recoverable in cash or in kind or for value to be received	71,678	68,454
Considered Doubtful	718	718
Less : Provision for Doubtful Advances	718	718
	<u>71,678</u>	<u>68,454</u>
2. Loans and Advances to employees	1,321	1,664
3. Advance payment of Tax (Net of Provision)	90,495	126,231
4. Balances with Excise, Customs etc.	5,190	8,959
5. Service tax receivable	23,781	15,160
TOTAL	<u>192,465</u>	<u>220,468</u>

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Balance Sheet as at 30th September, 2009

(Rupees ' 000)

SCHEDULE K**CURRENT LIABILITIES**

	As at 30.09.2009	As at 31.03.2008
1. Acceptances	31,228	332
2. Sundry Creditors (other than micro and small enterprises)	901,494	683,289
3. Liabilities for expenses	131,958	108,593
4. Advances from customers	44,482	15,178
5. Other Liabilities	65,630	62,496
6. Liability for Voluntary Retirement Scheme	46,369	61,361
7. Interest accrued but not due on unsecured loans	3,349	1,018
8. Unclaimed Dividend*	258	609
9. Unpaid Matured Deposits*	171	401
TOTAL	1,224,939	933,277

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

SCHEDULE L**PROVISIONS**

1. Provision for Gratuity	36,921	36,522
2. Provision for Compensated Absences	26,424	23,961
3. Proposed Dividend	13,690	-
4. Tax on Proposed Dividend	2,327	-
5. Provision for Warranty (Note 11)	54,880	30,637
TOTAL	134,242	91,120

SCHEDULE M**MISCELLANEOUS EXPENDITURE****(To the extent not written off or adjusted)****DEFERRED REVENUE EXPENDITURE**

1. Voluntary Retirement Scheme		
As per last Balance Sheet	42,297	54,858
Less : Written off during the year	31,722	12,561
	10,575	42,297
2. New Project Expenses		
As per last Balance Sheet	-	629
Less : Written off during the year	-	629
	-	-
TOTAL	10,575	42,297

NELCO LIMITED

Sixty-seventh Annual Report 2008-09

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the eighteen months period ended 30th September, 2009

	For the eighteen months period ended 30.09.2009	(Rupees '000) For the twelve months period ended 31.03.2008
SCHEDULE 1		
INCOME FROM OPERATIONS		
1. Sales : Traded and Manufactured Goods	2,917,346	1,718,485
Less : Excise Duty	137,155	131,470
	2,780,191	1,587,015
2. Income from Services Rendered	846,776	495,118
3. Others	-	11,850
TOTAL	3,626,967	2,093,983
SCHEDULE 2		
OTHER INCOME		
1. Interest Received (Gross)		
(a) On Long Term Investments - Non Trade	49	297
(b) On Deposits with Banks	948	270
[(Tax deducted at Source Rs. 129,970/- (Previous Year Rs.57,194/-)]		
(c) On Others*	20,570	-
	21,567	567
[(* Includes interest on income tax refund of Rs. 20,145,807/- (Previous Year - Nil)]		
2. Dividend on Long Term Investments - Trade	15	45
3. Insurance Claims Recovered	383	277
4. Scrap Sales	623	2,294
5. Bad Debts Recovered	2,622	482
6. Liabilities / Provisions no longer required written back	21,010	9,091
7. Miscellaneous Income	4,724	823
TOTAL	50,944	13,579

NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the eighteen months period ended 30th September, 2009

	For the eighteen months period ended 30.09.2009	(Rupees '000) For the twelve months period ended 31.03.2008
SCHEDULE 3		
RAW MATERIALS, FINISHED AND SEMI-FINISHED PRODUCTS :		
1. Decrease /(Increase) to Stock of Finished goods and Semi finished products :		
Opening Stock		
(i) Finished goods produced and purchase for sale	67,133	88,311
(ii) Semi finished products	42,973	28,072
(iii) Car Park / Property under development	25,500	81,686
Less : Capitalised during the year	2,795	5,450
	132,811	192,619
Less : Closing Stock		
(i) Finished goods produced and purchase for sale	90,435	67,133
(ii) Semi finished products	81,953	42,973
(iii) Car Park / Property under development	21,697	25,500
	194,085	135,606
	(61,274)	57,013
2. Raw Materials Consumed		
Opening Stock	165,069	70,351
Add : Purchases made during the Year	1,046,987	657,461
	1,212,056	727,812
Less : Closing Stock	110,448	165,069
	1,101,608	562,743
3. Purchases of Finished Goods and Spares	1,156,497	292,234
TOTAL	2,196,831	911,990
SCHEDULE 4		
PERSONNEL		
Salaries, Wages, Bonus, etc.	307,901	191,953
Contribution to Provident fund	13,466	8,894
Contribution to Superannuation and other funds	10,242	7,495
Gratuity	8,708	9,432
Welfare expenses	36,815	22,597
TOTAL	377,132	240,371

NELCO LIMITED

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NELCO LIMITED (CONSOLIDATED)

Schedules forming part of the Profit & Loss Account for the eighteen months period ended 30th September, 2009

		(Rupees '000)
	For the eighteen months period ended 30.09.2009	For the twelve months period ended 31.03.2008
SCHEDULE 5		
OPERATING AND OTHER EXPENSES :		
Stores and loose tools consumed	1,697	1,252
Power and fuel	22,474	13,635
Freight Outward	32,477	12,840
Repairs to machinery	3,842	465
Repairs to building	191	4,136
Repairs and Maintenance-others	20,799	17,422
Rent	10,664	8,817
Insurance	8,197	5,576
Travelling and Conveyance	82,013	53,114
Lease Rentals	6,048	6,870
Rates and Taxes	4,384	1,959
Bank charges	29,509	18,031
Royalty	132	10,500
Loss on Sale of Fixed Assets (Net)	2,313	319
Sub Contracting Expenses	93,572	25,553
Warranty Expenses	38,278	23,426
Installation Expenses	32,354	33,307
Professional and Legal Charges	40,381	27,779
Loss/(Gain) on Foreign Currency Fluctuations (Net)	20,398	11,540
Sales Commission	4,269	2,208
Cash Discount	68	67
Directors' Sitting fees	528	102
Licence Fees to DOT	40,908	22,348
Transponder Charges	125,309	62,299
Other Expenses	133,408	84,785
	754,213	448,350
Bad Debts / Advances Written off	7,298	1,613
Less : Provision for doubtful debts /		
Advances made in earlier years	7,298	1,613
	-	-
Provision for Doubtful Debts / Recoverables	26,665	8,486
Deferred Revenue Expenditure Written off		
New Project Expenses	-	629
TOTAL	780,878	457,465
SCHEDULE 6		
INTEREST		
Term Loans	110,212	36,520
Others	72,749	71,834
TOTAL	182,961	108,354

NELCO LIMITED (CONSOLIDATED)

NOTES: Forming Part of the Accounts

SCHEDULE 7

1. Principles of Consolidation:

a. The consolidated financial statements

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS – 21) – “Consolidated Financial Statements” and Accounting Standard 23 (AS – 23) – “Accounting for Investments in Associates in Consolidated Financial Statements”.

The audited financial statements of the subsidiary and associate companies used in consolidation are drawn up to the same reporting date as that of the Parent Company i.e. year ended 30th September, 2009.

- (i) The financial statements of the company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- (ii) The consolidated financial statements include the share of profit / (loss) of an associate company, which is accounted under the “Equity method” as per which the share of profit/(loss) of the associate company has been added/deducted to the cost of investment. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.
- (iii) The excess of cost to the company of its investments in its subsidiary over its equity of the subsidiary at the date on which the investments in the subsidiary is made, is recognised as ‘Goodwill’, being an asset in the consolidated financial statements and is tested for impairment.

b. The subsidiary company (which along with Nelco Limited, the Parent, constituted the Group) considered in the preparation of these consolidated financial statements is :

Name	Country of Incorporation	% voting power of held as at 30 th September, 2009	% voting power held as at 31st March, 2008.
Tatanet Services Ltd.	India	100%	100%

c. Investments in Associates

The Group's Associates are:

Name	Country of Incorporation	% of ownership Interest held as at 30 th September, 2009	% of ownership Interest held as at 31st March, 2008.
Nelito Systems Ltd.	India	21.82	49.46

d. The breakup of Investment in Associates is as under:

		Nelito Systems Limited	
		As at 30 September, 2009	As at 31 March, 2008
(i)	Number of Equity Shares (Nos.)	450,000	1,020,000
(ii)	Percentage holding	21.82%	49.46%
(iii)	Cost of Investments (Equity Shares) (Rs. '000)	19,124	43,350
(iv)	Including Goodwill/ (Capital Reserve) (Rs. '000)	(5,401)	(12,242)
(v)	Share in accumulated profits net of dividends received upto March 31, 2008 / March 31, 2007 (Rs. '000)	21,982	16,526
(vi)	Share of profit / (losses) for the period(Rs. '000)	28,010	35,340
	Less: Dividend received during the period (Rs. '000)	(3,150)	(2,040)
	Share of profit / (losses) net of dividend received during the period (Rs. '000)	24,860	33,300
(vii)	Carrying Cost	65,966	93,176

2. Significant Accounting Policies

1.1 System of Accounting

The financial statements are prepared under the historical cost convention, on an accrual basis, in accordance with the generally accepted accounting principles and applicable accounting standards as notified under the Companies (Accounting Standards) Rule, 2006, issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and relevant provisions of the Companies Act, 1956 ('the Act') to the extent applicable.

1.2 Fixed Assets and Depreciation

- Fixed Assets are stated at cost less depreciation. Cost comprises of cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition of its intended use.
- Depreciation for the year has been provided on the straight line method on all fixed assets at the rates specified as per Schedule-XIV of the Companies Act, 1956 except for Very Small Aperture Terminals (VSAT) used as back up, which are depreciated at 25% on straight line basis.
- Leasehold land is amortised over the period of the lease.

1.3 Intangible Assets

- Intangible assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.
- Software Expenditure and Technical Know-how

Software Expenditure and Technical Know-how incurred are amortised over a period of five years from the date of acquisition.
- License Fees is amortised over the License period.

1.4 Inventory Valuation

- a) Inventories comprise all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition.
- b) Raw materials are valued at the lower of cost or net realisable value. Cost is determined on the basis of the yearly weighted average method.
- c) Finished goods produced and purchased for sale, semi finished products and spares are carried at cost or net realisable value, whichever is lower.
- d) Car Park/ Property under development in pursuance of additional right of construction are valued at cost or net realisable value, whichever is lower.

1.5 Investments

Investments, being long term, are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

1.6 Revenue Recognition

- 1.6.1 Sale of product is recognized when risk and rewards of ownership of the product are passed on to the customers, which is generally on the dispatch of goods.
- 1.6.2 Sales from services are recognised when services rendered.
- 1.6.3 Income on Investment
 - i) Interest income is accounted on accrual basis
 - ii) Dividend income is accounted when right to receive payment is established.

1.7 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year is recognised as income or expense, as case may be.

Any premium or discount arising at the inception of a forward exchange contract is recognised as income or expense over the life of contract.

1.8 Voluntary Retirement Expenses

Voluntary Retirement scheme is amortised equally up to March 31, 2010.

1.9 Warranty Expenses

In respect of warranties given by the company on sale of certain products, the estimated costs of these warranties are accrued at the time of sale. The estimates for accounting of warranties are reviewed and revisions are made as required.

1.10 Retirement Benefits

(i) Defined Contribution Plan

Company's contributions paid/payable during the year towards Superannuation Scheme of the employees in accordance with the scheme of Life Insurance Corporation (LIC) are recognised in the Profit and Loss Account.

(ii) Defined Benefit Plan

- a) Company's liability towards gratuity and long term compensated absences are determined by

independent actuaries, using projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where currency and terms of Government Bonds are consistent with the currency and estimated terms of the benefit obligation.

- b) Company's Contribution towards Provident Fund is based on a percentage of salary which is made to a trust administered by the company. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the company.

1.11 Lease Rentals

The company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, etc.), plant, machinery and equipments taken on lease. The leasing arrangements, which are not non-cancellable, range between eleven months and five years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.

1.12 Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, subject to consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

3. The Parent Company has revised its accounting policy in respect of Pension payments which are part of the voluntary retirement compensation with effect from 1st April, 2008. The compensation on this account is now amortised equally upto the financial year ending 31st March, 2010 in line with Accounting Standard 15 "Employee Benefits" which were hitherto being amortised as and when they accrued in terms of the respective Voluntary Retirement Schemes. Consequently deferred revenue expenditure (Voluntary Retirement Scheme) for the eighteen months period ended 30th September, 2009 is higher by Rs. 19,304 ('000) and the profit after tax for the eighteen months period ended is lower by Rs. 12,742 ('000).
4. The Parent Company has revised its accounting policy in respect of valuation of car park/ property under development disclosed under Inventories. These inventories which were hitherto being valued at market value on the basis of the Valuer's Report are now being valued in terms of the Accounting Standard 2 "Valuation of Inventories" at cost or net realisable value, whichever is lower. Consequently the carrying value of such inventories has been reduced and the increase in Finished Products and work-in-progress for the eighteen months period ended 30th September, 2009 is lower by Rs. 3,803 ('000) and the Profit after tax for the eighteen months period ended is lower by Rs. 3,803 ('000) respectively.

5. Capital Commitment

(Rupees. '000)

Particulars	2008-09 Eighteen months	2007-08 Twelve months
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	13,285	336

6. Contingent Liabilities

(Rupees. '000)		
Particulars	2008-09 Eighteen months	2007-08 Twelve months
a) Claims against the Parent Company not acknowledged as debt comprises of:		
i) Excise duty, sales tax and service tax claims disputed by the Parent Company relating to issues of applicability and classification	229,434	229,434
ii) Arbitration proceeding initiated for non payment of royalty and interest thereon under the technical knowhow agreement	47,404	-
iii) Other matters (excluding claims where amounts are not ascertainable)	10,756	10,756
b) Taxation Matters		
i) Demand against the Parent Company not acknowledged as debt and not provided for, relating to issues of deductibility and taxability in respect of which company is in appeal and exclusive of the effects of similar matters in respect of assessments remaining to be completed.	36,656	27,517
ii) In case of associate, disputed demands of Income Tax which has already been deposited	727	1,648

7. EMPLOYEE BENEFITS

I. Defined Contribution Plan

Company's contribution paid/payable during the year to Superannuation fund and ESIC contribution are recognised as an expense and included in the Schedule 4 of the Profit and Loss Account under the heading "Contribution to Superannuation and other Funds" are as under:

(Rupees. '000)		
Particulars	2008-09 Eighteen months	2007-08 Twelve months
a) Contribution to Employees' Superannuation Fund	10,039	7,290
b) Employees' State Insurance Scheme	203	205

II. Defined Benefit Plan

a) Provident Fund

The company makes monthly contributions to Provident Fund managed by a trust administered by the company for qualifying employees. Under the schemes, the company is required to contribute a specified percentage of the payroll costs to fund the benefits. During the year, the company has contributed Rs.13,466 ('000) (Previous Year: Rs. 8,894 ('000)) to the Provident Fund Trust.

In keeping with the Guidance on implementation of Accounting Standard (AS) 15 (Revised) on Employees Benefits notified by the Companies (Accounting Standards) Rules, 2006, employer established provident fund trust are treated as Defined Benefit Plans, since the company is obligated to meet interest shortfall, if any, with respect to covered employees. According to the Management, the Actuary has opined that actuarial valuation cannot be applied to reliably measure provident fund liabilities in the absence of guidance from the Actuarial Society of India. Accordingly, the company is currently not in position to provide other related disclosures as required by the aforesaid AS-15 read with the Accounting Standards Board Guidance. Having regard to the assets of the fund and the return on investments, the entity does not expect any deficiency in the foreseeable future. Accordingly, no provision is required towards the guarantee given for notified interest rates.

b) Gratuity (Unfunded)

Particulars	Eighteen months ended 30th September, 2009	Twelve months ended 31st March, 2008
1 Expenses recognised in statement of Profit and Loss Account for the period ended		
Current Service cost	3,839	1,917
Interest cost	4,345	2,481
Expected return on plan assets	Nil	Nil
Net Actuarial (Gain)/Loss	524	5,034
Total Expense	8,708	9,432
2 Net Asset/(Liability) recognised in the Balance Sheet as at		
Present value of Defined Benefit obligations as at the end of year	36,921	36,522
Fair value of plan assets as at the end of the year	Nil	Nil
Net Asset/(Liability) as at	(36,921)	(36,522)
3 Changes in present value of obligations during the period		
Present value of obligations as at beginning of year	36,522	31,093
Interest cost	4,345	2,481
Current Service Cost	3,839	1,917
Benefits Paid	(8,309)	(4,003)
Actuarial (Gain)/Loss	524	5,034
Present value of Defined Benefit obligations as at end of year	36,921	36,522
4 Assumptions		
Discount Rate	8%	8%
Salary Escalation	6%	6%
Attrition Rate	2%	2%
Mortality Rate	LIC (94-96) Ultimate	LIC (94-96) Ultimate

Note: The above disclosure is made to the extent of information given by the actuaries.

III. Long Term Employee Benefit – Compensated Absences

Provision for Compensated Absences has been made on the basis of actuarial valuation report as at the Balance Sheet date. The charge for the year of Rs.7,857 ('000) (Previous Year: Rs. 7,912 ('000)) has been made in the Profit and Loss Account.

8. (a) The aggregate lease rentals in respect of operating leases for the period charged as Lease Rentals in the Profit and Loss Account aggregate to Rs.6,048 ('000) (Previous Year: Rs. 6,870 ('000)).

The future minimum lease payments under non-cancellable operating leases are as under:

(Rupees. '000)

Particulars	2008-09 Eighteen months	2007-08 Twelve months
i) Not later than one year	2,063	4,894
ii) Later than one year and not later than five years	1,375	4,470
iii) Later than five years	Nil	Nil

- (b) In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals recognised in the Profit and Loss Account for the period included under Income from Services Rendered under Income from Operations aggregate to Rs. 40,642 ('000) (Previous Year: Rs. 25,038 ('000)).

9. Earnings Per Share (EPS)

Particulars	2008-09 Eighteen months	2007-08 Twelve months
a) Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b) Net Profit after Tax available for Equity Shareholders (Rupees '000)	33,020	81,038
c) Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	1.45	3.55
d) Diluted Earning Per Share (Rs.)	1.45	3.55

10. The components of Deferred Tax Assets /(Liabilities) are as under:

Particulars	2008-09 Eighteen months	2007-08 Twelve months
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	22,105	21,049
b) On Carried Forward Tax Losses and Unabsorbed Depreciation	-	52,324
c) On Provision for Doubtful debts	8,969	3,029
Total:	31,074	76,402
Less: Deferred Tax Liability		
a) On Fiscal allowances of Fixed asset	38,473	43,199
b) On Deferred Revenue Expenditure	3,595	14,376
Total:	42,068	57,575
Net Deferred Tax Assets / (Liabilities)	(10,994)	18,827

11. Provision for Warranty

Provision for Warranty relates to warranty provision made in respect of sale of certain products, the estimated cost of which is accrued at the time of sale. The products are generally covered under free warranty period ranging from one to three years.

The movement in above provision is as follows:

Particulars	(Rupees. '000)	
	2008-09 Eighteen months	2007-08 Twelve months
Opening Balance	30,637	11,323
Provisions made during the period	38,278	23,426
Utilisation during the period	14,035	4,112
Closing Balance	54,880	30,637

12. The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are:

		(Rupees. '000)	
		2008-09 Eighteen months	2007-08 Twelve months
Particulars	Foreign Currency	Amount in Foreign Currency ('000)	
Receivable	USD	644	3,247
Payable	USD	8,890	2,767
	EUR	555	547
	GBP	22	2
	JPY	7,606	-
	CHF	2,828	3,076
	NOK	766	-

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end Rs. Nil
(Previous Year: Rs. Nil)

13. Related Party Disclosure:

- I. Holding Company – The Tata Power Company Limited
- II. Other parties with whom transactions have taken place during the year
 - a. Fellow Subsidiary – Af-taab Investment Company Limited
 - b. Associate – Nelito Systems Limited
- III. Key Management Personnel
 - a. Executive Directors - Mr. K . A. Mahashur
Mr. Z. J. Engineer

The related party transactions are as under:

(Rupees '000)

Sr. no.	Particulars	The Tata Power Company Limited	Af-taab Investment Company Limited	Nelito Systems Limited	Key Management Personnel
		(HOLDING COMPANY)	(FELLOW SUBSIDIARY)	(ASSOCIATE)	
1)	Purchase :				
	Goods	-	-	182	-
		(-)	(-)	(-)	(-)
2)	Sales :				
a)	Goods	877	-	-	-
		(4,606)	(-)	(-)	(-)
b)	Services provided	18,800	-	135	-
		(11,810)	(-)	(93)	(-)
3)	Investments :				
	Sale of long term Investment in Nelito Systems Ltd.	-	159,600	-	-
		(-)	(-)	(-)	(-)
4)	Deputation of Personnel :	982	-	-	-
		(-)	(-)	(-)	(-)
5)	Finance :				
a)	Inter Corporate Loans taken	450,000	-	-	-
		(270,000)	(200,000)	(-)	(-)
b)	Inter Corporate Loans Repayment	720,000	-	-	-
		(16,500)	(200,000)	(-)	(-)
c)	Interest Paid	17,204	-	-	-
		(1,765)	(4,931)	(-)	(-)
d)	Dividend Received	-	-	7,140	-
		(-)	(-)	(2,040)	(-)
6)	Other Transactions :				
	Reimbursements received from parties	-	-	-	-
		(236)	(-)	(-)	(-)
7)	Outstandings :				
a)	Debtors (Net)	480	-	-	-

		(1,139)	(-)	(-)	(-)
b)	Creditors (Net)	-	-	-	-
		(-)	(-)	(18)	(-)
c)	Inter Corporate Loans	-	-	-	-
		(270,000)	(-)	(-)	(-)
d)	Other Recoverable	620	-	38	-
		(-)	(-)	(25)	(-)
8)	Managerial Remuneration	-	-	-	13,441
		(-)	(-)	(-)	(8,977)

Note : Figures in brackets pertain to the Previous year

14. Segment Reporting

Business Segment:

The group has considered business segment as the primary segment for disclosure. The segment have been identified taking in to account the organisational structure as well as the differing risks and returns of these segments.

Automation and control comprises of sales of security and surveillance products, traction controls, drives, scada, Energy network management and Building management systems.

Network systems comprises of sales of solution for management of network connectivity, networking services and turnkey communication systems supply and integration.

Property development comprises of sales of developed commercial property.

Secondary Segment:

The company caters mainly to the needs of the domestic market, the export turnover of Rs. 39,760 ('000) (Previous Year Rs. 140,204 ('000)) is not significant in the context of the total external revenue of Rs. 3,404,475 ('000) (Previous Year Rs. 1,973,474('000)).

Further, segment assets and capital expenditure incurred outside India are not significant in relation to the total assets and total capital expenditure incurred during the year, as such there are no reportable geographical segments.

Primary Segment Disclosure - Business Segment For eighteen months period ended 30th September, 2009

Rs.'000

	Automation & Control	Network Systems	Property Development	Others	Elimination	Consolidated Total
A SEGMENT REVENUE						
External Revenue	1,919,870	1,844,252	-	-	-	3,764,122
	1,255,670	629,520	340,050	213	-	2,225,453
Less : Excise Duty	137,155	-	-	-	-	137,155
	131,470	-	-	-	-	131,470
Net External Revenue	1,782,715	1,844,252	-	-	-	3,626,967
	1,124,200	629,520	340,050	213	-	2,093,983
Intersegment Revenue	-	1,949	-	-	(1,949)	-
	-	10,591	-	-	(10,591)	-
TOTAL SEGMENT REVENUE	1,782,715	1,846,201	-	-	(1,949)	3,626,967
	1,124,200	640,111	340,050	213	(10,591)	2,093,983

Rs.'000

	Automation & Control	Network Systems	Property Development	Others	Elimination	Consolidated Total
B RESULTS						
Segment Results	124,419	150,727	11,443	-	-	286,589
	<i>146,356</i>	<i>79,352</i>	<i>28,400</i>	<i>-</i>	<i>-</i>	<i>254,108</i>
Unallocable Corporate Expenses (Net of Income)						(99,261)
						<i>(71,892)</i>
Less : Interest Expense unallocable to segments						182,961
						<i>108,354</i>
Add : Interest Income unallocable to segments						21,567
						<i>567</i>
Exceptional Items (Net) unallocable to Segment						31,722
Less: Deferred Revenue Expenditure (Voluntary Retirement Scheme)						<i>12,561</i>
Add: Profit on divestment of interest in associate						76,039
						<i>-</i>
Profit before Taxes						70,251
						<i>61,868</i>
Less : Provision for Tax						
Income taxes including						
Fringe Benefit Tax						100,722
						<i>16,169</i>
Profit after tax and before Share of Associate, Minority Interest and						
Pre-acquisition Profit/(Loss)						(30,471)
						<i>45,699</i>
Add : Share of Profit/(Loss) in Associate						63,491
						<i>35,339</i>
Profit after tax and before Share of Associate, Minority Interest and						
Pre-acquisition Profit/(Loss)						33,020
						<i>81,038</i>
C SEGMENT ASSETS	1,120,386	1,211,991	21,696			2,354,073
	<i>1,194,149</i>	<i>636,465</i>	<i>109,749</i>			<i>1,940,363</i>
Add: Unallocable Corporate Assets						323,067
						<i>334,274</i>
Total Assets						2,677,140
						<i>2,274,637</i>
D SEGMENT LIABILITIES	602,581	592,671	360			1,195,612
	<i>637,430</i>	<i>197,627</i>	<i>49</i>			<i>835,106</i>
Add: Unallocable Corporate Liabilities						1,168,514
						<i>1,143,520</i>
Total Liabilities						2,364,126
						<i>1,978,626</i>
E CAPITAL EXPENDITURE	24,000	142,605				166,605
	<i>19,379</i>	<i>64,786</i>				<i>84,165</i>
F DEPRECIATION	38,903	75,272				114,175
	<i>15,742</i>	<i>43,911</i>				<i>59,653</i>
G NON CASH EXPENSES						
Provision for doubtful debts/ advances	17,393	9,272				26,665
	<i>5,204</i>	<i>3,282</i>				<i>8,486</i>

Note : Figures in italics pertains to the previous year.

- 15.** The company has changed its financial accounting year from April - March to April - September. The current financial period is for eighteen months commencing on 1st April, 2008 and ending on 30th September, 2009. Consequently, the figures for the current period are not comparable with the previous year.
- 16.** Figures in italics pertain to previous year and have been regrouped wherever necessary.

SIGNATURE TO SCHEDULES "A" TO "M" AND "1" TO "7"

For and on behalf of the Board

PRASAD MENON
Chairman

K.A. MAHASHUR
Executive Director

Z.J. ENGINEER
Executive Director

R. B. UPADHYAY
CFO & Senior Vice-President
(Finance)

GIRISH V. KIRKINDE
Company Secretary

Mumbai, 27th November, 2009

DIRECTORS' REPORT

To The Members

The Directors hereby present their Twenty Second Report together with the Audited Statement of Account relating to the working of the Company for the year ended 31st March, 2009.

1 FINANCIALS:

During the year under review, the Company has recorded a Turnover of **INR 252.37 million** (previous year INR 215.99 million) and a net profit after tax (P.A.T) of INR **2.22 million** (previous year INR 3.41 million).

2 BUSINESS OVERVIEW:

The Company has successfully continued its operations in this global recessionary phase. It had to face a severe shrinking selling price of bandwidth in the range of almost **20%** in the current fiscal. However it could still make up this decline with an increase in the volume of business through the additional 1906 VSAT's which got added to the network in the current financial year

The company has successfully implemented the new platform of I-Direct on extended C-Band, making it the only company to provide commercial shared Hub services on i-Direct platform. Further there was an addition of 39 new customers in its network in the current year taking the total number of customers to 325

3 CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The statement containing particulars pursuant to the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 as required under section 217 (l) (a) of the Companies Act, 1956 is not attached as it is not applicable to the Company. The Company has no exports. The foreign exchange earned during the period under review was **NIL** However the total outgo of foreign currency was **INR. 22.85 million**.

4 SAFETY, HEALTH & ENVIRONMENT:

The operations of the Company are not of hazardous nature; however, the Company shall take all necessary precautions to maintain healthy and safe environment in and around its facilities.

5 DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. K. A. Mahashur and Mr. R. B. Upadhyay retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

6 AUDITORS:

M/s. M. H. DALAL & ASSOCIATES, Chartered Accountants retires at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment

7 DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating management, confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there were no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year viz. 31st March 2009 and of the profit of the Company for the year ended on that date;

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TATANET SERVICES LIMITED

- (iii) they have taken proper and sufficient care to the best of their knowledge and information, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

8 ACKNOWLEDGEMENTS:

Your Directors place on record their appreciation for the support and assistance received from Customers, Investors, business, associates, bankers, vendors, regulatory & Governmental Authorities. The Board would also like to acknowledge the continued support and guidance from Tata Group.

BY ORDER OF THE BOARD OF DIRECTORS

Zal Engineer Uday Banerjee
Directors

MUMBAI, 23rd April 2009.

AUDITORS' REPORT

TO THE MEMBERS OF TATANET SERVICES LIMITED

1. We have audited the attached Balance Sheet of TATANET SERVICES LIMITED as on **31st March, 2009** and also the attached Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of the books of account.
 - (iii) The Profit & Loss Account and the Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the profit & loss Account and the Balance Sheet and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
 - (v) On the basis of written representation received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2009, from being appointed as a director u/s. 274(1) (g) of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts subject to notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet of the State of Affairs of the Company as on 31st March, 2009 and
 - b) In case of Profit & Loss Account of the profit for the year ended on that date.
 - c) In case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

For **M. H. Dalal & Associates**
Chartered Accountants

D.M. Dalal
Partner

MUMBAI, 23rd April, 2009.

Membership No.:109049

ANNEXURE TO THE AUDITORS' REPORT

Annexure to Auditors report of even date to the members of TATANET SERVICES LIMITED

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details & situation of Fixed Assets.
- (b) A major portion of fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of fixed assets by the management is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) None of the assets are disposed off during the year.
- (ii) Clauses (ii)(a) , (b) , (c) are not applicable , since the company has no stock.
- (iii) (a) During the year the company has not granted any loans to the parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has not taken loans from the parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (c) In our opinion, it is not prejudicial to the interest of the company.
- (iv) In our opinion & according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company & the nature of its business with regard to purchase of fixed assets. During the course of our audit we have not observed any continuing failure to correct major weaknesses in Internal Control.
- (v) No transactions have been entered during the period in the register maintained in pursuance of section 301 of the Companies Act, 1956 and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the internal audit functions carried out during the year have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to Telecommunication Services, pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) In respect of statutory dues:
 - (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income tax and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues for outstanding as at 31.03.2009 for the period of more than 6 months from the date of becoming payable.

-
- (b) According to the records made available to us and the information and explanations given by the management, there are no dues of sales tax / income tax / custom duty / wealth tax / service tax / excise duty / cess, as at 31.03.2009 which have not been deposited with the authorities on account of any dispute.
- (x) In our opinion the Company has no accumulated losses at the end of the financial year and in the immediately preceding financial year. The Company has not incurred cash losses at the end of the financial year and in the immediately preceding financial year.
- (xi) In our opinion & according to the information and explanations given to us, the Company has not obtained any loans from financial institutions or banks.
- (xii) The Company has not granted any loans on the basis of the security by the way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to the information and explanations given to us and records made available to us, the Company has not given any guarantee for the loans taken by banks or financial institutions.
- (xvi) In our opinion no term loans have been raised by the Company during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) There was no issue of debentures by the Company during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **M. H. Dalal & Associates**
Chartered Accountants

D.M. Dalal
Partner

Mumbai, 23rd April, 2009

Membership No.:109049

NELCO LIMITED

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TATANET SERVICES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2009

			(Rupees in 000')
	Schedule	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	600	600
2. RESERVES & SURPLUS			
(a) Profit & Loss Account		3,067	1,533
TOTAL		3,667	2,133
APPLICATION OF FUNDS			
1. FIXED ASSETS	B		
(a) Gross Block		209,129	159,788
(b) Less: Depreciation		74,453	54,764
(c) Net Block		134,677	105,024
(d) Capital work-in-progress		6,448	21,742
		141,125	126,766
2. DEFERRED TAX ASSETS / (LIABILITIES)		(7,277)	(6,468)
3. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Sundry Debtors	C	63,160	48,641
(b) Cash and Bank Balances	D	6,585	8,768
(c) Loans and Advances	E	37,933	22,159
		107,678	79,568
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	F	237,859	197,733
		237,859	197,733
4. NET CURRENT ASSETS		(130,181)	(118,165)
TOTAL		3,667	2,133
Notes forming part of the Accounts	2		

As per our report attached

For and on behalf of the Board

For M.H.Dalal & Associates.
Chartered Accountants

D.M.Dalal
Partner
Membership No: 109049

MUMBAI, 23rd April, 2009

Zal Engineer
K A Mahashur
R B Upadhyay
Uday Banerjee

Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2009

(Rupees in 000')

	Schedule		For the year ended 31.03.2009	For the year ended 31.03.2008
INCOME				
1. Service Income			252,368	215,909
2. Other Income			-	78
3. Total Income			252,368	215,987
EXPENDITURE				
4. Operating and Other Expenses	1		228,935	195,614
5. Interest Expenses			359	128
6. Depreciation & Amortisation	B		19,689	16,015
7. Total Expenditure			248,982	211,757
8. PROFIT / (LOSS) BEFORE TAXATION			3,386	4,230
9. Provision For Taxation				
Current Tax	200		270	
Short tax provision for earlier year	156		3,000	
Deferred Tax	808		1,164	(2,453)
10. PROFIT / (LOSS) AFTER TAXATION			2,222	3,413
11. Balance Brought Forward			1,533	(1,880)
12. AMOUNT AVAILABLE FOR APPROPRIATION			3,755	1,533
APPROPRIATIONS				
13. Balance Carried to Balance Sheet			3,755	1,533
14. Adjustment to General Reserve			688	-
			3,067	1,533
Earnings Per Share Rs. (Basic & Diluted) - Not Annualised			370.39	568.90
Notes forming part of the Accounts	2			

As per our report attached

For and on behalf of the Board

For M.H.Dalal & Associates.
Chartered Accountants

D.M.Dalal
Partner
Membership No: 109049

MUMBAI, 23rd April, 2009

Zal Engineer
K A Mahashur
R B Upadhyay
Uday Banerjee

Directors

NELCO LIMITED

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TATANET SERVICES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

	(Rupees '000)	
	As at 31.03.2009	As at 31.03.2008
SCHEDULE A		
SHARE CAPITAL		
AUTHORISED :		
18 Non-Cumulative Redeemable Preference Shares of Rs.100/- each	2	2
9982 Equity Shares of Rs. 100/- each	998	998
10,000	1,000	1,000
ISSUED , SUBSCRIBED & PAID UP:		
6000 Equity Shares of Rs. 100/- each fully paid	600	600
6,000 TOTAL	600	600

Note : Of the above **6,000** Equity Shares (**100%**) are held by the Holding Company - **Nelco Limited**

SCHEDULE B

FIXED ASSETS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	Gross block as at 01.4.2008	ADDITIONS/ ADJUSTMENTS	DEDUCTIONS	AS AT 31.03.2009	Accumulated Depreciation upto 01.04.2008	for the three months ended 31.03.09	for the year ended 31.03.09	DEDUCTIONS	UPTO 31.03.2009	AS AT 31.03.2009
Tangible										
Plant and Machinery	156,789 (147,146)	47,341 (9,643)	-	204,129 (156,789)	53,864 (37,999)	5,199 (4,053)	19,411 (15,865)	-	73,275 (53,864)	130,855 (102,925)
Intangible										
Licence Fees - VSAT	3,000 (3,000)	-	-	3,000 (3,000)	900 (750)	38 (38)	150 (150)	-	1,050 (900)	1,950 (2,100)
Licence Fees - ISP	-	2,000	-	2,000	-	33	128	-	128	1,872
TOTAL	159,789	49,341	-	209,129	54,764	5,270	19,689	-	74,453	134,677
Capital Work in Progress										6,448 (21,742)

Additions to fixed assets includes capitalisation of exchange fluctuation loss to the tune of Rs. 30.07 lacs as per amendment to AS-11 (31.3.2009). Depreciation figure includes amortisation amount of Rs 10.02 lacs for the year ended 31.03.2009 as per AS-11 as amended

SCHEDULE C

SUNDRY DEBTORS

(Unsecured - Considered Good)

1. Debts outstanding for a period exceeding six months		
- Considered Good	5,919	15,158
- Considered Doubtful	470	470
Less: Provision for Doubtful Debts	470	470
	5,919	15,158
2. Other debts	57,241	33,483
	63,160	48,641

SCHEDULE D

CASH AND BANK BALANCES

1 In current accounts with Scheduled Banks	6,585	8,768
TOTAL	6,585	8,768

Schedules forming part of the Balance Sheet as at 31st March, 2009

	(Rupees in 000')	
	As at 31.03.2009	As at 31.03.2008
SCHEDULE E		
LOANS AND ADVANCES		
(Unsecured - Considered good)		
1 Advances recoverable in cash or kind or for value to be received	19,343	-
2 Other Recoverables	12,450	19,345
3 Advance payment of Tax (Net of Provision)	6,141	814
4 Other deposits	-	2,000
TOTAL	37,933	22,159
SCHEDULE F		
CURRENT LIABILITIES		
1. Sundry Creditors	65,791	58,592
2. Liabilities for expenses	4,280	1,111
3. Deposits from Holding Company - Nelco Limited	155,465	134,356
4. Other Liabilities	6,476	3,674
5. Deposits & Advances	5,848	-
TOTAL	237,859	197,733

Schedule forming part of the Profit & Loss Account for the year ended 31st March, 2009

	(Rupees in 000')	
	For the year ended 31.03.2009	For the year ended 31.03.2008
SCHEDULE 1		
OPERATING AND OTHER EXPENSES		
Licence Fees to D.O.T	27,354	22,348
Transponder Charges	76,598	62,299
Connectivity Charges	7,912	8,543
Network Management Fees	53,400	46,800
Marketing Sevices Fees	59,400	48,600
Power and fuel	1,220	1,254
Repairs and Maintenance - Plant	1,931	790
Repairs and Maintenance - Others	528	2,371
Insurance	149	279
Bank charges	831	1,722
Provision for Doubtful Debts	-	470
Professional and Legal Charges	758	631
Audit Fees	50	50
Auditors Other Remuneration (Tax Audit Fees)	35	43
Exchange Rate Fluctuations	(1,301)	(606)
Other Expenses	70	21
TOTAL	228,935	195,614

NOTES: Forming Part of the Accounts

SCHEDULE 2

1. Significant Accounting Policies

1.1 System of Accounting

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

1.2 Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost less depreciation. Cost comprises cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition of its intended use.
- b) Depreciation for the year has been provided on the straight line method on all fixed assets at the rates specified as per Schedule-XIV of the Companies Act, 1956 except for License Fees which is amortized over the License period and Foreign Exchange Loss Amortized Account which is amortized over a period of three (3) years upto 31.03.2011 as per amended AS-11 dated 31.03.2009

1.3 Revenue Recognition

- 1.3.1 Sales of services are recognized on rendering of services to customers.

1.4 Foreign Currency Transactions

Transactions in foreign currencies (other than those covered by forward contracts) are recorded at the exchange rate prevailing on transaction date. Assets and Liabilities denominated in foreign currency are restated at the year end rate. All exchange gains and losses from the period 1st April 2007 to 31st March 2009 are capitalized to fixed assets as per amendment to Accounting Standard 11 (AS-11) vide Companies (Accounting Standards) Amendment Rules, 2009, notification of Ministry of Corporate Affairs no G.S.R. 226(E) dtd. 31.03.2009

1.5 Taxes on Income

- a) **Current Tax:** Provision for Income Tax is determined in accordance with the provisions of the Income Tax Act 1961.
Short Provision for tax of Rs 1.56 lakhs for the Financial Year 2007-08 is accounted in the current financial year.
- b) **Deferred Tax Provision:** Deferred Tax is recognized on timing differences being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s).

1.6 Segment Reporting

The Company has two segments: 1 VSAT Commercial & 2. Internet Service Provision (ISP). Since the ISP Segment doesn't fall under the criteria of reportable segment as per Accounting Standard (AS-17) on 'Segment Reporting' issued by the Institute of Chartered Accountants of India, it has not been shown separately

2. Value of Imports calculated on CIF basis

	(In Rupees)	
	2008-09	2007-08
	12mths	12mths
i) Capital Goods	84, 30,941	2,03,44,913

3. Related Party Disclosure :

The disclosure pertaining to the related party transaction as required by the Accounting Standards 18 (AS-18) issued by the Institute of Chartered Accountants of India, as applicable are, indicated below.

a) List of related parties with whom transactions have taken place during the year

	(In Rupees)	
	2008-09	2007-08
b) Transactions with Holding company:		
i) Sales, services & Other income	11,57,80,000	9,54,00,000
ii) Advance / Sec.Deposits Received	4,07,01,901	74,42,301
iii) Balance outstanding as at 31.03.09		
Creditors (Net) & Other income	5,55,37,419	4,80,20,484
Deposit Payable	15,54,65,395	13,43,55,978

	2008-09 12mths	(In Rupees) 2007-08 12mths
c) Corporate Guarantees received		
From Parent Company – Nelco Limited	10,00,00,000	6,00,00,000
4. Earnings Per Share (EPS)		
a) Weighted Average Number of Shares at the beginning and end of the period	6,000	6,000
b) Net Profit / (Loss) after Tax available for Equity Share holders(Rupees)	22,22,358	3,412,599
c) Basic and diluted earnings Per Share (Rupees) – Annualised	370.39	568.90
5. Audit Fees		
Payable to Auditor as Audit Fees	50000	50000
Payable for Tax Audit	35000	35000
TOTAL	85000	85000
		(Rupees in '000)
6. Major components of Deferred Tax Assets/ (Liabilities) are:		
Deferred Tax Assets		
(a) Carried forward Tax Losses & Depreciation & MAT	—	1834
Less: - Deferred Tax Liability		
Difference between Book and Income Tax Depreciation	7277	8302
Net Deferred Tax Assets / (Liabilities)	(7277)	(6468)
7. Additions to Fixed Assets:		
Additions made to Fixed Assets during the F.Y. 2008-09 amounted to Rs. 4.73 crores (This includes capitalization of exchange loss as per amendment to AS-11)		
8. Changes in Accounting Policies		
The Company has chosen to avail the option to amortize the foreign exchange differences arising on long term monetary items as per amended AS-11. The effects of changes in foreign exchange rates notified under the Companies (Accounting Standard) Rules 2009 on availing this option: Profits stated are higher to the extent of Rs 20.05 lacs		
9. Previous years figures have been regrouped wherever necessary.		

Signature to Schedules “A” to “F” and “1” to “2”

As per our Report attached

For M.H.Dalal & Associates.
Chartered Accountants

D.M.Dalal
Partner
Mumbai, 23rd April, 2009

For and on behalf of the Board

Zal Engineer
K.A.Mahashur
R.B.Upadhyay
Uday Banerjee

Directors

NELCO LIMITED

Twenty second Annual Report 2008-09

TATANET SERVICES LIMITED

Balance Sheet abstract and Company's General Business profile : (in terms of amendment of Schedule VI Part IV)

I. Registration Details

Registration No. 4 4 3 5 1

State Code 1 1

Balance Sheet Date 3 1 0 3 2 0 0 9
Date Month Year

II. Capital raised during the year

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds : (Rupees in 000')

Total Liabilities

3 6 6 7

Total Assets

3 6 6 7

Source of Funds

Paid-up Capital

6 0 0

Reserves & Surplus

3 0 6 7

Secured Loans

N I L

Unsecured Loans

N I L

Deferred Tax Liability

7 2 7 7

Application of Funds

Net Fixed Assets

1 3 4 6 7 7

Investments

N I L

Net Current Assets

(1 3 0 1 8 1)

Misc. Expenditure

N I L

IV. Performance of Company (Rupees in 000')

Turnover/Total Income

2 5 2 3 6 8

Total Expenditure

2 4 8 9 8 2

+ - Profit/(Loss) before tax

+ 3 3 8 6

+ - Profit/(Loss) after tax

+ 2 2 2 2

Earnings per Share in Rupees (Rs.)

3 7 0 . 3 9

Dividend Rate %

N I L

V. Generic Names of Principal Products/Services of Company (As per Monetary terms)

Item Code Nos. (ITC Codes)

N A

Product Descriptions/Services

V S A T N E T W O R K I N G S E R V I C E S

As per our Report attached

For and on behalf of the Board

For M.H.Dalal & Associates.
Chartered Accountants

D.M.Dalal
Partner

Zal Engineer
K.A.Mahashur
R.B.Upadhyay
Uday Banerjee

Directors

MUMBAI, 23rd April, 2009

NELCO LIMITED

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

ATTENDANCE SLIP

Folio No DP ID No.*/Client ID No.*

Name of the Member:

Name of the Proxy

Address

I hereby record my presence at the 67th ANNUAL GENERAL MEETING of the Company at Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground floor, INOX Cinema, 226, Nariman Point, Mumbai – 400 001 at 4.00 p.m. on Wednesday, 27th January 2010.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

*Applicable for Members holding shares in electronic form.

NOTE : Shareholders/proxyholders wishing to attend the meeting must bring the Attendance Slip duly completed to the meeting and hand it over at the entrance of the Meeting hall.

NELCO LIMITED

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

PROXY

I/We of in the district of being a Member/Members of the above named company hereby appoint of in the district of or failing him of in the district of as my/our Proxy to attend and vote for me/us and on my/our behalf at the 67th Annual General Meeting of the Company to be held on Wednesday, 27th January 2010 and at any adjournment thereof.

Signed this day of 2009.

Folio No DP ID No.*/Client ID No.*

*Applicable for members holding shares in electronic form.

Signature

Affix
Rupee 1
Revenue
Stamp

This form is to be used ^{# in Favour} of the Resolution. Unless otherwise instructed, the proxy will act as he thinks fit.
_{# Against}

Strike out whichever is not desired.

Note : The proxy must be returned so as to reach the Registered Office of the Company at Francysters Cybernetics Centre, 3rd floor, Eucharistic Congress Building No. III, 5, Convent Street, Colaba, Mumbai – 400 001 not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.

[illegible]

[illegible]

NELCO PRODUCTS / INSTALLATIONS

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NELCO LIMITED

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