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72nd ANNUAL REPORT 2013-2014

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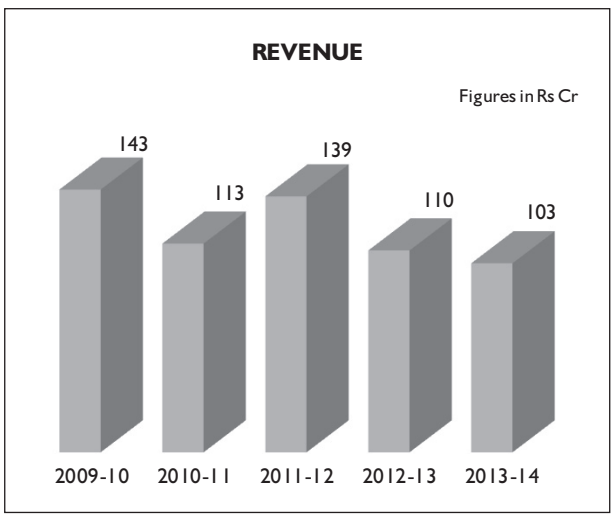
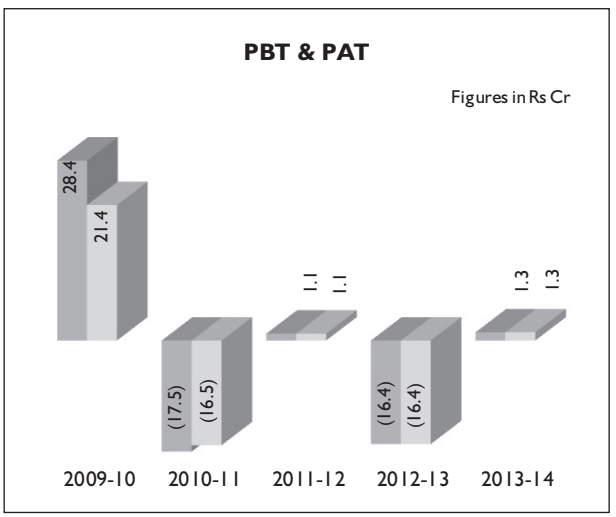
NETWORK OPERATIONS & DATA CENTRE

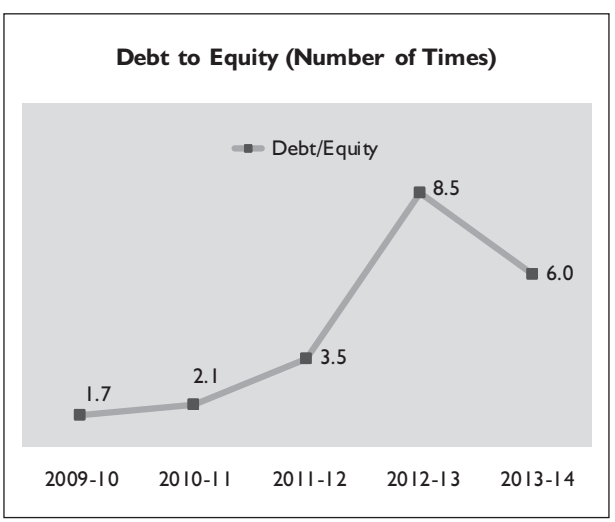
CORPORATE INFORMATION
(As on 27th November, 2014)

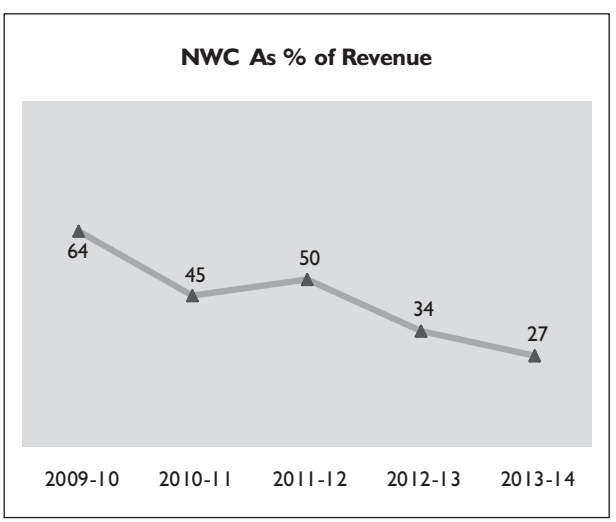
Chairman Emeritus	R. N. Tata
Board of Directors	Mr. R. R. Bhinge, Chairman Mr. S. Ramakrishnan Mr. P. K. Ghose Mr. V. K. Deshpande Mr. Sanjay Dube Mr. R. Savoor Mr. K. Raghuraman Mr. K. Ramachandran Ms. Hema Hattangady (from 1st October, 2014) Mr. P. J. Nath, Executive Director & CEO
Company Secretary	Mr. Girish V. Kirkinde
Share Registrars	TSR Darashaw Limited 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E.Moses Road, Mahalaxmi, Mumbai – 400 011. Tel : 022 66568484, Fax : 022 66568494 Email: csg-unit@tsrdarashaw.com Website: www.tsrdarashaw.com
Statutory Auditors	Deloitte Haskins & Sells LLP
Solicitors	Mulla & Mulla & Craigie Blunt & Caroe
Bankers	Bank of India Union Bank of India Axis Bank Ltd. The Zoroastrian Co-Op. Bank Ltd. ICICI Bank Ltd.
Registered Office	EL-6, TTC Industrial Area, MIDC Electronics Zone, Mahape, Navi Mumbai – 400 710 Email: services@nelco.in Investor relations : girish.kirkinde@nelco.in Website: www.nelco.in
Corporate Identity No (CIN)	L32200MH1940PLC003164

5 Years Financial Highlights









Note : For the purpose of comparison, the figures are calculated on annualized basis wherever necessary.

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This Annual Report can be viewed under the 'Investor Relations' section on the Company's website **www.nelco.in**

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the meeting.

CONTENTS

Notice and Explantory Statement 4

Directors' Report 16

Annexure 'A' to Directors' Report 19

Management Discussion and Analysis 20

Report on Corporate Governance 23

Standalone Financial Statements

Auditors' Report 33

Annexure to the Auditors' Report 34

Balance Sheet 36

Statement of Profit and Loss 37

Cash Flow Statement 38

Notes forming part of the Financial Statements 40

Gist of Financial Performance for the Year 2013-14 of the Subsidiary Company 62

Consolidated Financial Statements

Auditors' Report 63

Consolidated Balance Sheet 64

Consolidated Statement of Profit and Loss 65

Consolidated Cash Flow Statement 66

Notes forming part of the Consolidated Financial Statements 68

Annual General Meeting		
Date	:	Wednesday, 28th January, 2015
Time	:	3.00 p.m.
Venue	:	"Unison", Hotel Four Points by Sheraton, 2nd floor, Plot no. 39/1, 6 to 15, Sector 30A, Vashi, Navi Mumbai 400 701.

NOTICE

The SEVENTY SECOND ANNUAL GENERAL MEETING of NELCO LIMITED will be held on Wednesday,the 28th day of January, 2015 at 3.00 p.m. at "Unison", Hotel Four Points By Sheraton, 2nd Floor, Plot No. 39/1, 6 to 15, Sector 30A, Vashi, Navi Mumbai– 400 701 to transact the following business:-

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 30th September, 2014 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.

2. To appoint a Director in place of Mr. S. Ramakrishnan (DIN: 0005090), who retires by rotation and is eligible for re-appointment.

3. **Appointment of Statutory Auditors**

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

   "RESOLVED that pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, Deloitte Haskins & Sells LLP, Chartered Accountants (ICAI Firm Registration No. 117366W/W-100018), the retiring Auditors of the Company, be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the Seventy Fifth AGM of the Company (subject to ratification of their appointment at every AGM), to examine and audit the accounts of the Company, on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors plus reimbursement of service tax, travelling and out-of pocket expenses."

4. **Appointment of Ms. Hema Hattangady as Director**

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

   "RESOLVED that Ms. Hema Hattangady (DIN:00175563), who was appointed an Additional Director of the Company with effect from 1st October, 2014 by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company under Section 161(1) of the Companies Act, 2013 (the Act) but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a Member proposing her candidature for the office of Director, be and is hereby appointed a Director of the Company."

5. **Appointment of Ms. Hema Hattangady as an Independent Director**

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

   "RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act,2013 (the Act) and the Rules made thereunder read with Schedule IV to the Act, as amended from time to time, Ms. Hema Hattangady (DIN: 00175563), a Non-Executive Director of the Company, who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, with effect from 28th January 2015 upto 27th January 2020."

6. **Appointment of Mr. R.R. Bhinge as an Independent Director**

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

   "RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act,2013 (the Act) and the Rules made thereunder read with Schedule IV to the Act, as amended from time to time, Mr. R.R. Bhinge (DIN:00036557), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, with effect from 28th January 2015 upto 27th January 2020."

7. **Appointment of Mr. P.K.Ghose as an Independent Director**

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

   "RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act,2013 (the Act) and the Rules made thereunder read with Schedule IV to the Act,as amended from time to time, Mr. P.K.Ghose (DIN: 00034945), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, with effect from 28th January, 2015 upto 27th January, 2020"

8. **Appointment of Mr. R.Savoor as an Independent Director**

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

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules made thereunder read with Schedule IV to the Act, as amended from time to time, Mr. R.Savoor (DIN: 00149089), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, with effect from 28th January, 2015 upto 27th January, 2020"

9. **Appointment of Mr. K.Raghuraman as an Independent Director**

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

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act,2013 (the Act) and the Rules made thereunder read with Schedule IV to the Act, as amended from time to time, Mr.K.Raghuraman (DIN: 00320507), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, with effect from 28th January, 2015 upto 27th January, 2020"

10. **Appointment of Mr. K. Ramachandran as an Independent Director**

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

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules made thereunder read with Schedule IV to the Act, as amended from time to time, Mr. K.Ramachandran (DIN: 00193357), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, with effect from 28th January, 2015 upto 27th January, 2020"

11. **Approval for payment of Remuneration to Mr. P.J.Nath, Executive Director & CEO**

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules made thereunder, as amended from time to time, read with Schedule V to the Act and in pursuance of the Special Resolution passed by the Shareholders at the Annual General Meeting of the Company held on 22nd January, 2013 and subject to the approval of the Central Government and such other approvals as may be necessary, the Company hereby approves the payment of remuneration to Mr. P.J. Nath, Executive Director & CEO, from 1st April, 2014 till 12th June, 2015 (the remainder of the tenure of his existing contract) (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) as set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED FURTHER that the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

12. **Payment of Remuneration to the Cost Auditors**

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

"RESOLVED that pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the Company hereby ratifies the remuneration of Rs.1,50,000/- plus service tax and out-of-pocket expenses payable to P. D. Dani & Co., who are appointed as Cost Auditors of the Company to conduct the audit of cost records maintained by the Company for the Financial Year 2014-15 in respect of "Telecommunication (ISP) activities" and "Electronics Product."

NOTES:

1. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (the Act), in regard to the business as set out in Item Nos. 3 to 12 above and the relevant details of the Directors seeking re-appointment/appointment under Item Nos. 2 and 4 to 10 above as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued on behalf of the nominating organization. Members are requested to note that a person can act as a proxy on behalf of Members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

3. Corporate Members intending to send their authorized representatives to attend the Annual General Meeting (AGM) are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote in their behalf at the Meeting.
4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. The Register of Members and the Transfer Books of the Company will remain closed from Friday, 16th January, 2015 to Monday, 19th January 2015, both days inclusive.
6. Members are requested to notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents, TSR Darashaw Limited (TSRD) for shares held in physical form and to their respective Depository Participants (DPs) for shares held in electronic form.
7. Consequent upon the amendment of Section 205A of the Companies Act, 1956 and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividends declared for the financial years upto 2005-06 remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company has been transferred to Investor Education and Protection Fund ("the Fund") set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

   Members who have not yet encashed their dividend warrant(s) for the financial year 2008-09, 2009-2010 and 2011-12 are requested to make their claims to the Company accordingly, without any delay.
8. Members holding shares in physical form and who have not registered their email IDs, are requested to register the same with TSRD.
9. The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
10. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with TSRD/Depositories.
11. In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically through the e-voting services provided by National Securities Depository Limited (NSDL), on all resolutions set forth in this Notice.

    Voting through electronic means:

    The instructions for e-voting are as under:

    A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/depository participants(s)]:

       (i) Open email and open PDF file viz; "NELCOe-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password

       (ii) Launch internet browser by typing the following URL:https://www.evoting.nsdl.com/

       (iii) Click on Shareholder – Login

       (iv) Put user ID and password as initial password noted in step (i) above. Click Login.

       (v) Password change menu appears. Change the password with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

       vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.

       vii) "EVEN" (e-voting EVENT Number) of NELCO Limited.

       viii) Now you are ready for e-voting as Cast Vote page opens.

       ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.

       x) Upon confirmation, the message "Vote cast successfully" will be displayed.

       xi) Once you have voted on the resolution, you will not be allowed to modify your vote.

       xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to nelco.scrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in.

B) In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participant(s) or requesting physical copy] :

i) Initial password is provided in the enclosed ballot form: EVEN(e-voting EVENT Number)

User ID and Password.

ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholdersand e-voting user manual for Shareholders available at the Downloads section of www.evoting.nsdl.com

iii) If you are already registered with NSDL for e-voting then you can use your existing user

ID and password for casting your vote.

iv) You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

C) Other Instructions:

(i) The e-voting period commences on Wednesday 21st January, 2015 (9.00 a.m. IST) and ends on Friday, 23rd January, 2015 (5.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in electronic form, as on 19th December, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast and confirmed by the Member, he shall not be allowed to change it subsequently.

(ii) The voting rights of Members shall be in proportion to the shares held by them in the paid up equity share capital of the Company as on 19th December, 2014.

(iii) Mr. P. N. Parikh of M/s. Parikh and Associates, Practicing Company Secretary (Membership No. FCS 327), has been appointed as the Scrutinizer to conduct the e-voting process (including the Ballot Form received from the Members who do not have access to the e-voting process) in a fair and transparent manner.

(iv) The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of atleast two witnesses not in the employment of the Company and submit a Scrutinizer's Report of the votes cast in favour of or against, if any, forthwith to the Chairman of the Company.

(v) Members who do not have access to e-voting facility may return the duly completed Ballot Form in the prepaid Business Reply Envelope (enclosed with the Annual Report) so as to reach the Scrutinizer at the Registered Office of the Company not later than Friday, 23rd January, 2015 (5.00 p.m. IST).Ballot Form received after this date will be treated as invalid.

vi) Members have the option to request for physical copy of the Ballot Form by sending an e-mail to Csg-unit@tsrdarashaw.com by mentioning their Folio No./DP ID and Client ID No. However, the duly completed Ballot Form should reach the Registered Office of the Company not later than Friday, 23rd January, 2015 (6.00 p.m. IST).Ballot Forms received after this date will be treated as invalid.

A Member can opt for only one mode of voting i.e. either through e-voting or by Ballot. If a Member casts votes by both these modes, then voting done through e-voting shall prevail and the vote cast through Ballot shall be treated as invalid.

(vii) The results shall be declared on or after the AGM of the Company. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.nelco.in and on the website of NSDL www.evoting.nsdl.co within two days of the passing of the resolutions at AGM of the Company on 28th January, 2015 and communicated to the BSE Limited and National Stock Exchange of India Limited where the shares of the Company are listed.

By Order of the Board of Directors,

Girish V Kirkinde
Company Secretary

Navi Mumbai, 27th November, 2014
CIN: L32200MH1940PLC003164

Registered Office:
EL6, TTC Industrial Area,
MIDC Electronics Zone, Mahape,
Navi Mumbai – 400 710
Tel.: 91 22 67399100 Fax.: 91 22 67398787
E-mail: services@nelco.in, Website: www.nelco.in

EXPLANATORY STATEMENT

As required by Section 102 of the Companies Act, 2013 (the Act), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos.3 to12 of the accompanying Notice dated 27th November, 2014:

Item No. 3: This Explanatory Statement is provided though strictly not required as per Section 102 of the Act.

Deloitte Haskins & Sells LLP (DHS) (ICAI Firm Registration No. 112366W), Chartered Accountants (CAs), Mumbai were appointed as the statutory auditors of the Company for financial year 2013-14 at the Annual General Meeting (AGM) of the Company held on 22nd January, 2014.

DHS LLP has been the Auditors of the Company since 2008-09 and has completed a term of six years. As per the provisions of Section 139 of the Act, no listed company can appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Section 139 of the Act has also provided a period of three years from the date of commencement of the Act to comply with this requirement. In view of the above, DHS LLP, being eligible for re-appointment and based on the recommendation of the Audit Committee of Directors, the Board of Directors has, at its meeting held on 27th November, 2014, proposed the appointment of DHS LLP as the statutory auditors of the Company for a period of three years to hold office from the conclusion of this AGM till the conclusion of the Seventy Fifth AGM of the Company (subject to ratification of their appointment at every AGM).The Board commends the Resolution at Item No.3 of the accompanying notice for approval by the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is concerned or interested in the Resolution at Item No 3 of the accompanying Notice.

Item Nos. 4: Ms. Hema Hattangady was appointed as an Additional Director of the Company with effect from 1st October, 2014 by the Board of Directors under Section 161 of the Act and Article 125 of the Company's Articles of Association. In terms of Section161(1) of the Act, Ms. Hattangady holds office only upto the date of the forthcoming AGM but is eligible for appointment as a Director. A notice under Section 160(1) of the Act has been received from a Member signifying its intention to propose the appointment of Ms. Hattangady as a Director.

Other than Ms. Hattangady, none of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolutions at Item No. 4 of the accompanying Notice. Ms. Hattangady is not related to any other Director of the Company.

Item Nos. 5 to 10: The Company had, pursuant to the provisions of Clause 49 of the Listing Agreements entered into with the Stock Exchanges, appointed Mr. R.R.Bhinge, Mr. P.K.Ghose, Mr. R.Savoor, Mr. K.Raghuraman and Mr. K.Ramachandran and Ms. Hema Hattangady as Independent Directors at various times, in compliance with the requirements of the said Clause.

Pursuant to the provisions of Section 149 of the Act, which came into effect from 1st April 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors. Further, an Independent Director shall hold office for a term upto five consecutive years on the Board of a company and is not liable to retire by rotation.

The matter regarding appointment of the above Directors as Independent Directors was placed before the Nominations and Remuneration Committee, which recommended their appointment as Independent Directors from the date of AGM upto the dates provided, as under:-

Name of Independent Director	Appointed upto
Mr. R.R Bhinge	27th January, 2019
Mr. P.K.Ghose	27th January, 2019
Mr. R.Savoor	27th January, 2019
Mr. K.Raghuraman	27th January, 2019
Mr. K.Ramachandran	27th January, 2019
Ms. Hema Hattangady	27th January, 2019

The above named Directors have given declarations to the Board that they meet the criteria of independence as provided under Section 149(6) of the Act and Clause 49 of the Listing Agreement with the Stock Exchanges.

A brief profile of the Directors to be appointed is given below:

Mr. R.R.Bhinge

Mr. R.R.Bhinge is B.Tech. Hons.(Electrical) from IIT, Mumbai and a Post Graduation in Business Administration from IIM, Ahmedabad. He has over 30 years of 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 Ltd. and was responsible for its implementation. He participated in various Joint Venture planning and negotiations.

Mr. P.K.Ghose

Mr. Ghose is an Honours Graduate in Commerce and a member of the Institute of Cost and Works Accountants of India, the Institute of Company Secretaries of India and is an alumnus of the Advanced International General Management Programme of INSEAD, France. Currently he is Executive Director & CFO of Tata Chemicals Ltd. Prior to that he was with Tata Steel Ltd. for three decades and worked in several senior positions, including General Manager (Accounts), Chief Financial Controller (Corporate) and Chief of Strategic Finance.

Mr. R. Savoor

Mr. R. Savoor holds B.Sc. degree from Ruia College Mumbai with Chemistry as the principal subject. He completed 3 years course in Chemical Technology from the University Department of Chemical Technology (UDCT) at Mumbai. He has also completed a four week Senior Executive Programme at the London Business School. He spent 34 years with Castrol India Ltd., 12 of these, as Chief Executive and Managing Director. Under his leadership Castrol India grew to become the number 2 lubricant company in India and the second largest Castrol Company worldwide. Mr. Savoor has gone through the gamut of all corporate functions like, Sales, Marketing, R & D, Production Projects, supply chain & H. R., either as in charge of the function or as CEO.

Mr. K. Raghuraman

Mr. K. Raghuraman is B.Com from Loyola College, Chennai and Chartered Accountant from Institute of Chartered Accountants of India. He has over 40 years of experience in Banking, Finance, Treasury, Projects Appraisals, Policy Initiatives, etc. He retired in September 2008 from the services of Punjab National Bank as its Executive Director. He has participated in various international conferences/ seminars abroad in the area of Banking. He has served for many years in various capacities at different positions inclusive of Information Technology-Risk Management Initiative for BASEL-II, Treasury and Forex Operations and General Administration. He is also an advisor to BSE Ltd.

Mr. K.Ramachandran

Mr. K. Ramachandran is an Engineer from BITS Pilani, with a Post-graduate degree in Business Management from the Indian Institute of Management Calcutta. Mr. Ramachandran started his career with the Tata Administrative Service (TAS). His career has been mainly with two Companies viz. Philips Electronics and Voltas Ltd., a Tata Group Company. His 17 years with Voltas Ltd. were in technology intensive businesses in the power electrical industry. At Philips India, he was Sr. Vice President, Human Resources and Executive Director, before being appointed the first Indian Vice Chairman & Managing Director for Philips Electronics' Indian operations. He was given additional responsibility for the Indian Subcontinent in 2006. As CEO for the Indian Subcontinent, and a member of the Global Philips apex Leadership Group, he played a major role in renewing the Group's focus on Emerging Markets and in laying the foundation for building sustainable new business models relevant for emerging markets. He has experience in a wide range of assignments in manufacturing, marketing, sales, project management, human resource functions and also in full P&L responsibility for businesses. He is currently engaged with the Aditya Birla Group as Advisor to the Chairman for the Group's Higher Education Projects .

Ms. Hema Hattangady

Ms. Hattangady is a Commerce Graduate, a Post Graduate from IIM, Kolkata and an AMP from Harvard Business School. She was Vice Chairman & CEO of Conzerv Systems Pvt. Ltd until it was sold to Schneider Electric (French Multinational) in June 2009. Ms. Hattangady served as the Chief Executive Officer of Schneider Electric Conzerv India Pvt. Ltd. (formerly, Conzerv Systems Pvt. Ltd.) and its Managing Director for ten years. She started her career with advertising and software marketing before joining Conzerv India Pvt. Ltd. in 1989. She led the transformation of the business from family owned into venture funded and professionally managed business that became a trend setter and brand leader in digital meters and energy efficiency in India. Given the governance model of high ethics established and followed by her, Conzerv became a case study for the Advanced Management Program at Harvard Business School from 2009. Ms. Hattangady is a strong advocate of energy efficiency and is the founder director of Alliance for Energy Efficient Economy (AEEE) an industry think tank that interacts with policy makers to drive the cause of energy efficiency in industrial space. She served as a Director of Efficiency Valuation Organization. She serves on multiple boards and was also a Member of the Board of Governors of Xavier Institute of Management and Entrepreneurship. Her functional expertise is in Strategy, Marketing, Human Resource and Organizational Development.

In the opinion of the Board, the above Directors fulfill the conditions specified in the Act and the Rules made thereunder for appointment as Independent Directors and they are independent of the management.

In compliance with the provisions of Section 149 read with Schedule IV to the Act, the appointment of the above Directors as Independent Directors is now being placed before the Members for their approval.

The terms and conditions of their respective appointments shall be open for inspection by the Members at the Registered Office during normal business hours on any working day of the Company.

These Directors are interested or concerned in the Resolutions in the accompanying Notice relating to their own appointment. None of the other Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolutions at Item Nos.5 to 10 of the accompanying Notice.

Item no. 11: Mr. Nath, aged 52 years, joined the Company as Chief Executive Officer from 23rd February, 2011. Mr. Nath is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 29 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a NASDAQ Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as its Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

The Board appointed Mr. P.J. Nath as an Additional Director of the Company with effect from 13th June, 2012 and also appointed him as the Executive Director and Chief Executive Officer for the period from 13th June, 2012 to 12th June, 2015, subject to the approval of the Shareholders.

At the Annual General Meeting held on 22nd January, 2013, the Shareholders of the Company had approved by passing the special resolution, pursuant to Sections 198, 269, 309 and Rules made thereunder of the erstwhile Companies Act, 1956("1956 Act"), read with Schedule XIII of the said 1956 Act, the appointment and terms of remuneration of Mr. P.J.Nath, as Executive Director & CEO of the Company for a period of 3 years from 13th June, 2012 till 12th June, 2015. The approval of the Central Government was not required at the relevant time under the erstwhile 1956 Act read with MCA Circular no. 46/2011 dated 14th July, 2011.

After the enactment of Companies Act, 2013 ("the Act") (effective from 1st April, 2014), it is necessary for the Company to seek fresh approval of the Shareholders by passing a special resolution and the approval of the Central Government for payment of remuneration to the Executive Director & CEO in excess of the prescribed limits under the Act including the payment of minimum remuneration in case of no profits or inadequacy of profits. There is no revision in the remuneration and/or the terms of appointment of Mr, Nath, the Executive Director and CEO as approved by the Shareholders at the AGM held on 22nd January, 2013 except the annual increments which will be effective from 1st October of each year or such other date as may be decided by the Board and the proportionate increase in the perquisites and allowances and the Performance Linked Payment (PLP).

In compliance with the provisions of Sections 196 and 197 read with Schedule V to the Act, the principal terms of appointment of Mr. P.J.Nath as Executive Director and Chief Executive Officer ("ED & CEO") (hereinafter referred to as "Mr. Nath" or "ED & CEO") are as follows:-

1. **Tenure of Agreement:**

   For a period from 13th June, 2012 to 12th June, 2015

2. **Nature of Duties:**

   (a) The ED & CEO shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and / or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the boards of such associated companies and / or subsidiaries or any other executive body or any committee of such a company.

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

   (c) The ED & CEO undertakes to employ the best of his skill and ability to make his utmost endeavors to promote the interests and welfare of the Company and to conform to and comply with the directions and regulations of the Company and all such orders and directions as may be given to him from time to time by the Board.

3. **Remuneration**

   Basic salary Rs. 3,13,547/- per month (as on 1st April, 2014) up to Rs. 5,00,000/- per month. The annual increment will be effective from 1st October, 2014 and will be based on the recommendation of the Nominations and Remuneration Committee (hereinafter called the "NRC") and will be performance-based and take into account the Company's performance as well, within the said maximum amount.

   i) Benefits, Perquisites & Allowances:

   Details of Benefits, Perquisites and Allowances are as follows:

   (i) House Rent and Maintenance Allowance of 85% of Salary per annum.

   (ii) Reimbursement of hospitalization and major medical expenses incurred as per Rules of the Company (this includes mediclaim insurance premium).

   (iii) Car, petrol and maintenance facility as per Rules of the Company.

   (iv) Telecommunication facility as per Rules of the Company.

(v) Other perquisites and allowances given below subject to a maximum of 55% of Salary per annum. This includes:
   a. Medical allowance,
   b. Leave Travel Concession/Allowance,
   c. Other Allowances,
   d. Personal Accident Insurance Premium,
   e. Annual club membership fees.

(vi) Contribution to Provident Fund and Gratuity as per the Rules of the Company.

(vii) Leave and encashment of unavailed leave as per the Rules of the Company.

ii) **Performance Linked Payment (PLP)**:

In addition to the Salary, Benefits, Perquisites and Allowances, Mr. P.J.Nath will be paid such remuneration by way of annual performance linked payment subject to a maximum of 150% of basic Salary. This performance linked payment would be payable subject to the achievement of certain performance criteria and such other parameters as may be considered appropriate from time to time by the Board. An indicative list of factors that may be considered for determination of the extent of the Performance Linked Bonus by the Board (supported by the NRC) are:

- Company performance on certain defined qualitative and quantitative parameters as may be decided by the Board from time to time,
- Industry benchmarks of remuneration,
- Performance of the individual.

Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. P.N.Nath, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of Salary, Benefits, Perquisites and Allowances and Performance linked payment as specified above, subject to further approvals as required under Schedule V of the Companies Act, 2013, or any modification(s) thereto.

4. All Personnel Policies of the Company and the related Rules, which are applicable to other employees of the Company, shall also be applicable to the ED & CEO, unless specifically provided otherwise.

5. The ED & CEO, so long as he functions as such, undertakes not to become interested or otherwise concerned, directly or through his spouse and/or children, in any selling agency of the Company.

6. The terms and conditions of the appointment of ED & CEO may be altered and varied from time to time by the Board as it may, in its discretion deem fit, irrespective of the limits stipulated under Schedule V to the Act or any amendments made hereafter in this regard, in such manner as may be agreed to between the Board and the ED & CEO subject to such approvals as may be required.

7. This appointment may be terminated by either party by giving to the other party six months' notice of such termination or the Company paying six months' remuneration in lieu of such notice.

8. The employment of the ED & CEO may be terminated by the Company without notice or payment in lieu of notice:
   a) if the ED & CEO is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associated company to which he is required by the Agreement to render services; or
   b) in the event of any serious or repeated or continuing breach (after prior warning) or non-observance by the ED & CEO of any of the stipulations contained in the Agreement; or
   c) in the event the Board expresses its loss of confidence in the ED & CEO.

9. In the event the ED & CEO is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate his contract on such terms as the Board may consider appropriate in the circumstances.

10. Upon the termination by whatever means of his employment under the Agreement:
   a) the ED & CEO shall immediately cease to hold offices held by him in any subsidiaries and associated companies without claim for compensation for loss of office by virtue of Section 167(1)(h) of the Act;
   b) the ED & CEO shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries and associated companies.

11. If and when the Agreement expires or is terminated for any reason whatsoever, Mr. Nath will cease to be the ED & CEO, and also cease to be a Director. If at any time, the ED & CEO ceases to be Director of the Company for any reason whatsoever, he shall cease to be the ED & CEO, and this Agreement shall forthwith terminate. If at any time, the ED & CEO ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director and ED & CEO of the Company.

12. The terms and conditions of the appointment of the ED & CEO also include clauses pertaining to adherence with the Tata Code of Conduct, intellectual property, non-competition, conflict of interest with the Company and maintenance of confidentiality.

13. Mr. Nath will also enjoy all benefits of continuity with regard to Gratuity and other benefits for the purposes of which the date of joining shall be the date on which he joined as Chief Executive Officer of the Company.

The Directors are of the view that the continuing the appointment of Mr. Nath as ED & CEO will be beneficial to the operations of the Company and the remuneration payable to him is commensurate with his abilities and experience and accordingly commend the Resolution at Item No.11 of the accompanying Notice for approval by the Members of the Company.

In compliance with the provisions of Sections 196, 197 and other applicable provisions of the Act, read with Schedule V to the Act, the terms of remuneration specified above are now being placed before the Members for their approval.

Other than Mr. Nath, none of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution at Item No.11 of the accompanying Notice. Mr. Nath is not related to any other Director of the Company.

Information pursuant to Schedule V, Part II Section II (iv) is as follows:-

I. General Information:

1. Nature of Industry: Electronics and Telecommunications (ISP) activities.
2. Date of /expected date of commencement of commercial production**:**

   The Company was incorporated on August 31, 1940 and started commercial production immediately.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institution appearing in the prospectus**:** Not applicable.
4. Financial performance based on given indicators: for the year ended 30th September 2014.

(Rs. in lakhs)

Particulars	**2013-14**	**2012-13**
Turnover and other income	10,276.45	10,971.86
Profit before exceptional items and taxation	(1,112.28)	(1,636.79)
Net Profit before tax	128.62	(1,636.79)
Net Profit after tax	128.62	(1,636.79)
Profit/(Loss) in terms of Section 198 of the Companies Act, 2013	(3,007.99)	(3,132.11)

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

II. Information about the Appointee:

1. Background details

   Mr. Nath, aged 52 years joined the Company as Chief Executive Officer from 23rd February, 2011. The Board of Directors appointed him as an additional Director and as Executive Director & CEO effective from 13th June, 2012. Mr.Nath is a graduate from BITS Pilani in Master of Management Studies (MMS). He has over 29 years of rich experience in the Enterprise market in reputed IT & Telecom services companies – ICIM, Wipro, Tata Communications (VSNL) and Sify. His varied experience comprise of dealing with Private and Govt. sector enterprises, working in start-up as also well established organizations, creating/developing new business lines as well as handling large and profit center responsibilities. He has been in leadership roles for the last 14 years across different organizations. Before joining the Company he was with Sify Technologies Ltd., (a NASDAQ Listed Company mainly focused in IT, SI and Telecom Services in Indian market) as its Executive President – Enterprise Business, heading all the business lines for the Enterprise segment.

2. Past Remuneration

   Mr. Nath's total remuneration (excluding the contribution to Provident Fund & Gratuity) during financial year 2012-13 was Rs. 123.58 lakhs as approved by the Shareholders at the Annual General Meeting held on 22nd January, 2013.

3. Recognition or awards

   In his previous organizations, Mr. Nath, on multiple occasions has received many recognitions and appreciations for building up new businesses as well as turning around existing businesses.

4. Job Profile and his suitability :

   Considering the excellent background of Mr. Nath and the experience of 29 years in the industry, he is well suited for the position of the Executive Director & Chief Executive Officer of the Company at the proposed remuneration,

5. Remuneration proposed

   Please refer to page 10 of this Notice

   The proposed maximum remuneration payable to the Executive Director & Chief Executive Director remains within the same limit as approved by the shareholders at the Annual General Meeting held on 22nd January, 2013

6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**:**

   The remuneration paid/proposed is commensurate with his experience and comparable to the standards in the industry.

7. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any:

   Mr. Nath has no pecuniary relationship with the Company, other than his remuneration and is not related to any Managerial personnel.

III. Other information

1. Reasons for inadequate profits:

   The marginal profit after tax of Rs. 128 lakhs for the year 2013-14 as against loss of Rs. 1,653 lakhs for the year 2012-13 was on account of unsatisfactory performance of security and surveillance business and provisioning of doubtful debts of Rs. 381 lakhs.

   The Company is continuously evaluating its businesses and will focus on building its position in VSAT Systems and services and pursue further synergistic opportunities in related areas. The Company has now good order position in VSAT business and with no legacy expenses like VRS and no loss making contracts of ISSS, the Company is expected to earn improved profits in the current year 2014-15 onwards. The medium and long term prospects of the Company are quite promising.

2. Steps taken by the Company to improve performance :

   Focus on core competence areas, improving customer focus and marketing, increasing productivity and process improvements, enlarging subscription base into related customer segments and deeper geographies, efforts to reduce debts through improved NWC, addressing the adjacent markets through alliances and expansion of products and services.

3. Expected increase in productivity and profits in measurable terms**:**

   As the Company continues to invest and expand its services in multiple sectors and geographies, it is difficult to predict the increase in revenue and profit of the Company for future years as in the medium term the business plans envisage targeting of scale and not just profitably.

Item No.12 : Pursuant to Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a cost accountant in practice. On the recommendation of the Audit Committee of Directors, the Board of Directors has approved the appointment of M/s. P.D.Dani & Co. (PDD) as the Cost Auditors of the Company to conduct audit of cost records maintained by the Company for the Financial Year 2014-15 in respect of Telecommunication (ISP) activities and Electronics Products, at a remuneration of Rs.1,50,000/- plus service tax and actual out-of-pocket expenses.

PDD have furnished a certificate regarding their eligibility for appointment as Cost Auditors of the Company. They have vast experience in the field of cost audit and have conducted the audit of the cost records of the Company for the previous year under the provisions of the Companies Act, 1956.

The Board commends the Resolution at Item No. 12 of the accompanying Notice for ratification by the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution at Item No.12 of the accompanying Notice.

By Order of the Board of Directors,

Girish V Kirkinde
Company Secretary

Navi Mumbai, 27th November, 2014
CIN: L32200MH1940PLC003164

Registered Office:
EL6, TTC Industrial Area,
MIDC Electronics Zone, Mahape,
Navi Mumbai – 400 710
Tel.: 91 22 67399100 Fax.: 91 22 67398787
E-mail: services@nelco.in, Website: www.nelco.in

Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting

Name of the Director	**Mr. S.Ramakrishnan**	**Mr. R.R. Bhinge**	**Mr. P. K. Ghose**
Date of Birth	19th February, 1949	29th May 1952	3rd September 1950
Date of Appointment	31st October, 2005	29th August 2003	28th July 2005
Expertise in Specific Functional Area	He joined the Tata Administrative Services in 1972. He has been associated with Tata Group for over 42 years and he has handled a multitude of national as well as international projects. He retired in Feb. 2014 as Executive Director and CFO of The Tata Power Co. Ltd.	He has over 30 years of 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 Ltd. and was responsible for its implementation. He participated in various Joint Venture planning and negotiations. He involved in all consultancy assignments undertaken in various industries by Tata Strategic Management Group (TSMG) since 1991. At present, he is Executive Director of Tata Industries Ltd.	Wide experience in the field of Corporate Finance and Accounts. Presently he is Executive Director and CFO of Tata Chemicals Ltd.
Qualifications	B.Tech (Mech.) IIT, Madras and a Management Degree from IIM, Ahmedabad	B.Tech. Hons.(Electrical) from IIT, Mumbai. Post Graduation in Business Administration from IIM, Ahmedabad.	Honours Graduate in Commerce, Member of the Institute of Cost & Works Accountants of India, Member of The Institute of Company Secretaries of India and is an alumnus of the Advanced International General Management Programme of CEDEP, (INSEAD) France
Directorship held in other companies (excluding alternate Directorships and Directorships in Private companies, Foreign Companies and Section 25 Companies	Tata Projects Ltd. Tata Power Solar Ltd. Tata Power Trading Co. Ltd. Coastal Gujarat Power Ltd.	Infiniti Retail Ltd. Tata Autocomp Systems Ltd. Tatanet Services Ltd. Tata Industries Ltd.	Tata Services Ltd. Tata Chemicals Ltd. Tata Power Renewable Energy Ltd. Infiniti Retail Limited
Committee positions held in Audit and Stakeholders Relationship Committees across Public Companies	Audit Committee Tata Projects Ltd. Tata Power Solar Ltd. Tata Power Trading Co. Ltd. Coastal Gujarat Power Ltd.	Audi Committee Infiniti Retail Ltd.	Audit Committee Tata Services Ltd. Tata Power Renewable Energy Ltd. Infiniti Retail Ltd.
No. of shares held (a) Own (b) For other persons on a beneficial basis	 NIL NIL	 NIL NIL	 NIL NIL

Name of the Director	Mr. R.Savoor	Mr. K.Raghuraman	Mr. K.Ramachandran
Date of Birth	24th April 1944	26th September 1948	22nd June 1949
Date of Appointment	20th September 2013	20th September 2013	1st October 2013
Expertise in Specific Functional Area	With over 31 years of experience in under which he went through the gamut of all functions like sales, marketing, R&D, Production etc. Mr. Savoor was also on the Governing Board of IIM Bangalore.	He has over 41 years of experience in Banking, Finance, Treasury, Projects Appraisals and Policy Initiatives.	Has over 30 years experience in manufacturing, marketing, sales, project management and human resource functions
Qualifications	Science Graduate with Chemistry as the Principal subject, B.Sc. Tech from UDCT of Bombay University in Oils.	B.Com from Loyola College, Chennai, Chartered Accountant from Institute of Chartered Accountants of India	An Engineer from BITS Pilani, , Post-graduate degree in Business Management from Indian Institute of Management Calcutta
Directorship held in other companies (excluding alternate Directorships and Directorships in Private companies, Foreign Companies and Section 25 Companies	Tata Auotocomp Systems Ltd.	Andhra Bank Canbank Factors Ltd. Centbank Financial Services Ltd. Oriental Carbon & Chemicals Ltd. Nagarjuna Agrichem Ltd. Rama Phosphates Ltd. Birla Ericsson Optical Ltd. Ladderup Corporate advisory Services Ltd.. Ladderup Finance Ltd.	Cyient Ltd.
Committee positions held in Audit and Stakeholders Relationship Committees across Public Companies	Audit Committee Tata Auotocomp Systems Ltd. Shareholders Relationship Committee Tata Auotocomp Systems Ltd.	Audit Committee Nagarjuna Agrichem Ltd. Rama Phosphates Ltd. Birla Ericsson Optical Ltd. Canbank Factors Ltd. Centbank Financial Services Ltd. Shareholders' Relationship Committee Andhra Bank	Audit Committee Cyient Ltd. Shareholders' Relationship Committee Cyient Ltd.
No. of shares held (a) Own (b) For other persons on a beneficial basis	 NIL NIL	 NIL NIL	 NIL NIL

Name of the Director	Ms. Hema Hattangady.
Date of Birth	11th January, 1963
Date of Appointment	1st October, 2014
Expertise in Specific Functional Area	Strategy, marketing, human resource and organizational development
Qualifications	B.Com from Dharwad University, Karnataka and a Post-Graduate Diploma in French from the same University. She acquired a Post-Graduate Degree in Management from the Indian Institute of Management, Kolkata
Directorship held in other companies (excluding alternate Directorships and Directorships in Private companies, Foreign Companiesand Section 25 Companies	SKF India Ltd.
Committee positions held in Audit and Stakeholders Relationship Committees across Public Companies	NIL
No. of shares held (a) Own (b) For other persons on a beneficial basis	 NIL NIL

DIRECTORS' REPORT

To the Members

The Directors present their Seventy second Annual Report together with the Audited Statement of Accounts for the year ended 30th September, 2014.

1. Financial Results

The summarized financial results (Standalone) are indicated below:-

(Rupees in Lakhs)

Particulars	For the year ended 30.09.2014 (Rs.)	For the year ended 30.09.2013 (Rs.)
Net Sales / Income from Operations	10,276.45	10,971.86
Operating Expenditure	10,251.75	11,215.70
Operating Profit /(Loss)	24.70	(243.84)
Add : Other Income	320.67	131.33
Less : Interest	886.91	954.91
Profit / (Loss) Before Tax & Depreciation and Exceptional items	(541.54)	(1,067.42)
Less : Depreciation	570.74	569.37
Profit / (Loss) Before Tax and Exceptional items	(1,112.28)	(1,636.79)
Exceptional Items		
Add:- Decreetal dues received including interest & cost **	1,240.90	-
Profit / (Loss) Before Tax	128.62	(1,636.79)
Less : Provision for Tax (including provision for Deferred Tax and Fringe Benefit Tax)	-	-
Net Profit / (Loss) After Tax	128.62	(1,636.79)
Balance Brought Forward	(1,623.77)	13.02
Balance available for appropriation	(1,495.15)	(1,623.77)
Appropriated as under :		
Proposed Dividend	-	-
Tax on Dividend	-	-
Transfer to General Reserve	-	-
Balance to be Carried Forward	(1,495.15)	(1,623.77)

** Refer to note no. 27 on notes to accounts.

Due to inadequacy of profits, the Board of Directors has not recommended any dividend for the year ended 30th September, 2014.

2. Financial Highlights

During the period under review, the total income was Rs.10,276.46 lakhs as against Rs. 10,971.86 lakhs in the previous year. The Company reported a profit after tax of Rs.128.62 lakhs as against a loss after tax of Rs. 1636.79 lakhs in the previous year.

The segment wise performance (Standalone) for the year was as follows :

Automation & Control earned total revenue of Rs. 2,430 lakhs (Rs 3,356 lakhs in previous year) and incurred a segment loss of Rs. 746 lakhs (loss of Rs. 1,164 lakhs in previous year). In order to reduce further losses, the Board had decided to explore various options of restructuring including restricting the operations of this Business Segment which comprises of Integrated Security & Surveillance Solutions (ISSS) and Unattended Ground Sensors (UGS) solutions for Defense.

Network Systems earned a total revenue of Rs. 7,821 lakhs (Rs.7,599 lakhs in previous year) and reported a segment profit of Rs. 1,547 lakhs (profit of Rs. 1,520 lakhs in previous year)

Interest amounted to Rs. 824 lakhs (Rs. 887 lakhs in previous year). Other un-allocable income (net of expenses) is Rs. 151 lakhs as against un-allocable expenses (net of income) of Rs. 1,106 lakhs in the previous year.

The Notes forming part of the Accounts referred to in Auditors' Report of the Company are self-explanatory and, therefore, do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

3. Subsidiary Company

Tatanet Services Ltd. (TNSL) is a Wholly Owned Subsidiary of the Company. It holds the requisite licenses for providing the Shared Hub VSAT services. For the financial year ended 31st March, 2014, TNSL has posted revenue from operations of Rs.4,626.39 lakhs as against Rs. 4,039.00 lakhs in the previous year and profit after Tax of Rs.83.45 lakhs as against loss after Tax of Rs.116.29 lakhs in the previous year.

Vide General Circular No.: 2/2011 dated 8th February, 2011, the Ministry of Corporate Affairs, Govt. of India has granted a general exemption to companies from attaching the Balance Sheet, the Statement of Profit and Loss and other documents referred to in Section 212 (1) of the Companies Act, 1956 in respect of its subsidiary companies, subject to fulfillment of the conditions mentioned therein.

Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of Tatanet Services Ltd. ("TNSL"), the subsidiary company is contained in the report. The Annual Accounts of TNSL are open for inspection by any Member / Investor and the Company will make available these documents / details upon request by any Member of the Company or to any Investor of TNSL who may be interested in obtaining the same. Further, the Annual Accounts of TNSL will be kept open for inspection by any investor at the Company's Registered Office and that of the TNSL and would be posted on the website of the Company www.nelco.in.

4. Human Resource Management

The company believes that employees are its most valuable resource and has implemented effective Human Resource management practices, which has helped in making the Organization robust, progressive and dynamic. The company as a step towards nurturing talent and building competencies, has introduced a new E-learning initiative, "GyanJyoti", in collaboration with Tata Management Training Centre (TMTC) and Harvard Business Publishing (HBP) for employees. This self paced E-learning system covers 44 modules in General Management in the areas of managing Self, Others and Business. An Employee Engagement & Satisfaction survey was conducted by AON Hewitt. Engagement Action Planning (EAP) workshops were conducted across the company to communicate the survey findings and facilitate formulation of action plans for improving engagement. The Company launched "HR Connect" to provide a formal structured process for better engagement. The Company emphasizes Ethics, Safety and Innovation as part of its work culture. Its entry, "Unmanned Aviation Pilot weather briefing system", last year had been selected for the Final National round of Tata Innovista – 2014 which is a popular, annual, Group wide program to showcase and recognise the best innovations. The Company maintained cordial industrial relations during the period under review.

5. 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 authorized 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.

6. Quality Systems

The Company's manufacturing facility has been approved & certified by Directorate General of Quality Assurance (DGQA), an establishment under Ministry of Defence, Govt. of India through their regular Audits verification System. The Company's in-house Development Department has been recognized by the Department of Science and Industrial Research (DSIR), an establishment under Ministry of Science & Technology Govt. of India. The company has been certified for ISO 20000 & ISO 27001 and its wholly owned subsidiary – Tatanet Services Ltd., with TL 9000.

7. Public Fixed Deposits

The Company has neither accepted nor renewed any public fixed deposits during the period under review. However, there were deposits amounting to Rs. 0.05 lakhs as on 30th September, 2014 which remain outstanding as some of the deposit holders have not claimed the repayment. In accordance with the provisions of Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, unclaimed deposits with interest aggregating to Rs. 0.48 lakhs were transferred during the financial year 2011-12 to the Investor Education and Protection Fund.

8. Safety, Health and Environment

The Company accords high priority to health, safety, and environment, treating these as integral part of all its activities. The operations of the Company are not of a hazardous nature. However, the Company emphasizes on maintaining a healthy and safe environment in and around its facilities as well as contract sites where projects are under execution. To ensure success of the safety initiatives, the Company involves the line management along with contract workforce in all initiatives rolled out from time to time. Safety Awareness is inculcated through regular Safety Awareness Programs, basic fire safety training, mock drills, regular Safety Committee meetings and capturing employees' voices through safety observation and near miss reporting. The employees working at project sites are given requisite training for ensuring safety during work. Periodic Safety Audit is carried out and action taken to eliminate unsafe conditions.

9. Disclosure of Particulars

Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure "A" to the Directors' Report.

Particulars of Employees: In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure "B" to the Directors' Report. However, having regard to the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all Members of the Company excluding the aforesaid information. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

10. Directors

Ms. Hema Hattangady was appointed as an Additional Director with effect from 1st October, 2014 in accordance with Article 125 of the Articles of Association of the Company and Section 161 of the Companies Act, 2013 (the Act). Ms. Hattangady holds office only upto the date of the forthcoming AGM and a Notice under Section 160(1) of the Act has been received from a Member signifying his intention to propose Ms. Hattangady's appointment as a Director.

The Company has, pursuant to the provisions of Clause 49 of the Listing Agreements entered into with Stock Exchanges, appointed Mr. R. R. Bhinge, Mr. P. K. Ghose, Mr. R. Savoor, Mr. K. Raghuraman, Mr. K. Ramachandran and Ms. Hema Hattangady as Independent Directors of the Company. The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49. In accordance with the provisions of Section 149(4) and proviso to Section 152(5) of the Companies Act, 2013, these Directors are being appointed as Independent Directors to hold office as per their tenure of appointment mentioned in the Notice of the forthcoming AGM of the Company.

In accordance with the requirements of the Act and the Articles of Association of the Company, Mr. S.Ramakrishnan retires by rotation and is eligible for re-appointment.

11. Auditors

Messrs. Deloitte Haskins & Sells LLP (DHS), who are the statutory auditors of your Company, hold office until the conclusion of the forthcoming seventy second Annual General Meeting (AGM). It is proposed to re-appoint DHS as statutory auditors of the Company from the conclusion of the seventy second AGM till the conclusion of the seventy fifth AGM to be held in the year 2018, subject to ratification of their appointment at every AGM. DHS has, under Section 141 of the Act, furnished a certificate of its eligibility for re-appointment. The Members year on year will be requested, to ratify their appointment as Auditors and to authorize the Board of Directors to fix their remuneration. In this connection, the attention of the Members is invited to Item No.3 of the Notice.

M/s P. D. Dani & Co., Cost Accountant, was appointed Cost Auditors of your Company for FY14.

In accordance with the requirement of the Central Government and pursuant to Section 233B of the Companies Act, 1956, your Company carries out an audit of cost accounts relating to Telecommunication (ISP) activities and Electronic Products. The Cost Audit Report and the Compliance Report of your Company for the Financial Year ended 30th September, 2013 by M/s P. D. Dani & Co, has been filed with the Ministry of Corporate Affairs within the prescribed time.

12. Corporate Governance

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis Statement, Report on Corporate Governance and Auditors' Certificate, are included in the Annual Report.

13. 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:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures therefrom;
2. 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 that period;
3. They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the annual accounts on a going concern basis.

14. Acknowledgements

On behalf of the Directors of the Company, I would like to place on record our deep appreciation to our Shareholders, Customers, Business Partners, Vendors, Bankers and Financial Institutions. The Directors are thankful to the Government of India and the various Ministries and Regulatory authorities. We also appreciate and value the contributions made by all our employees.

On behalf of the Board of Directors

R.R. Bhinge
Chairman

Mumbai, 27th November, 2014

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 endeavors 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 Strategic and Surveillance Electronics and Managed M2M Services.

Future plan of action:

(a) Setting up of a new and more advanced VSAT hub to increase the satellite bandwidth operations.

(c) Adaption of advanced Technologies in satellite communications.

Expenditure on R&D	**Rs. in Lakhs**
Revenue and recurring	Nil

Technology absorption, adaptation and innovation

Constant endeavors are being made towards technology absorption, adaptation and innovation. The focus has been on improving the quality of the products & services as well as creating new products, services and solutions adapted to suit the customers' requirements for specific industry segments.

Foreign exchange earnings and outgo	Rs. in Lakhs
Total foreign exchange earned	190.36
Total foreign exchange used	1,903.12

MANAGEMENT DISCUSSION AND ANALYSIS

The Company offers solutions and services mainly in the areas of VSAT communications, Managed Services and Integrated Security & Surveillance Systems in the B2B space, addressing Government as well as enterprise customers. Nelco has been driving continuous performance improvement through TL9000, ISO 20000 and ISO27001.

Industry structure and development

The Company has two reportable segments viz. (1) Network Systems consisting of VSAT services (including SATCOM) and Managed Services and (2) Automation & Control consisting of Integrated Security and Surveillance Solutions (ISSS). The company has a wholly owned subsidiary – Tatanet Services Ltd., for delivering satellite bandwidth services through VSATs.

Network Systems

The **VSAT service** caters to Wide Area Networking requirements for B2B customers using satellite as the medium of transmission. These services are offered under a license held by the company's subsidiary Tatanet Services Ltd., from Department of Telecom, Govt. of India. This industry is 24+ years old in India. These services are used mainly for data communication and to some extent voice communication in a Closed User Group (CUG). There are 5 main operators for this business in the country. The VSAT industry has grown primarily due to its ability to offer highly reliable services anywhere in the country, coupled with the trend of many businesses expanding into rural and remote areas. The operators lease satellite transponder space from Antrix Corporation Ltd. ("Antrix") (a Govt. of India Company under Dept. of Space), a part of ISRO. Transponder space is provided in satellites belonging to ISRO as well as foreign operators. The current regulations mandate VSAT service providers to buy transponder space through Antrix only. The VSAT service provider industry is currently growing at around 8% pa.

Managed Services cater to the remote monitoring of Security & Surveillance and Energy Management for a variety of market segments.. The services are essentially meant for monitoring and management of non-IT devices. There has been significant growth of these services across the globe. However in India these services are still in their early stages, though the industry has high growth potential in the long run. The Company has been, focusing mainly on remote management for Safety, Security & Surveillance and Energy. A number of players from Telecom Services industry, Original Equipment Manufacturers (OEMs) as well as focused services companies are expanding in this space.

Automation & Control

The Integrated Security and Surveillance Solutions (ISSS) business caters to the System Integration of on-premise Safety, Security & Surveillance infrastructure. This is a highly fragmented and extremely competitive market in India. There are a large number of OEMs selling various security & surveillance equipment as stand-alone products in the country. There are also a number of comprehensive System Integrators who integrate multiple brand agnostic components to create an end-to-end solution for the customers. With increasing awareness of safety related challenges and threats to assets and human lives, the demand will grow in the long run for high–tech electronic security products like Access Control systems, CCTV Surveillance, Explosive Detection & Disposal, and Sensor Based Electronic Fence Solutions. A few customers in the private sector have started deploying these technologies for offices and factory premises based on their own perception of threats. However, the market for end-to-end system integration projects encompassing multiple types of equipments is still limited. A substantial part of it comes from the Govt. which makes the demand lumpy in nature. Also, margins are low as preference is given for the lowest price.

Opportunities and Threats

Opportunities

Network Systems

During FY14, the Banking and Finance sector bought the largest number of VSATs, as has been the trend for the last few years. This is driven by increasing ATMs and bank branches across the country, particularly in non-metro, non-urban locations. The VSATs continue to be the most preferred mode of data communication for this segment in remote and rural locations. While the existing banks continue to expand their respective ATM base to cater to growing consumer needs, the White Label ATM providers have also started deploying their own ATMs, which is likely to grow rapidly in the coming years. The new Banking Licensees have started deploying their infrastructure, which will also lead to the creation of a large number of bank branches in remote/rural locations. This will create a growing market for the VSAT industry. Overall, the trend of opening off-site ATMs and bank branches in remote locations is likely to further gain momentum in the coming years. There are about 179,000 ATMs deployed in India, out of which 84,000 (approx) are off-site ATMs.

The other important growth area for the VSAT industry is the e-Governance sector. This sector has a lot of potential due to the thrust on rural connectivity in projects like Regional Rural Banks (RRBs), Common Service Centers (CSCs), Restructured Accelerated Power Development and Reforms Projects (R-APDRPs) and Panchayat services. The advent of Multi-facility centers as a concept at the village level in many states is also likely to fuel growth of VSATs in the coming years. The Oil sector - Retail as well as Exploration, is another important market for VSAT industry. The Oil Retail sector is in the process of deploying VSATs for connecting their retail outlets, and provides a large opportunity in the future. VSATs are already used for providing reliable data and voice communication for off-shore Oil Rigs, which is also likely to see a growing market.

The Managed Services offered by the Company for remote management of critical infrastructure spread across the country, especially around safety, security, surveillance and energy management, is being used mainly by the Banking sector currently. The industry has found benefits from these services. However, this being a new concept in the country, the adoption rates have been slow so far. While the Banking sector has become one of the early adopters for these services, and initiatives for managing the ATMs and branches have started, it will take some more time before these services are widely accepted. The full potential of these services won't be utilized unless the majority of Banks adopt these for all their ATMs & branches, which will take a few years to materialize. The other sectors like Retail and Telecom Towers can gain a lot from these services but are yet to embrace them seriously.

Automation & Control

The Integrated Security & Surveillance Solutions are deployed in Govt. & Defense sectors, as well as the Enterprise segment. The main opportunity exists in large Govt. & Defense applications like the City Surveillance projects, ISSS at Railway Stations, Airports, Ports, and Border Management solutions etc., which offer good opportunity in this space in the long-term. However, the current decision making cycles are extremely long which exorbitantly delays in project finalization and execution.

Threats:

Network Systems

The main threats for the VSAT industry come from availability of alternate technology at lower costs and scarcity of Satellite bandwidth coupled with high prices.

The terrestrial Telecom industry could pose a threat to VSAT services if Telecom operators are able to roll out fiber infrastructure across remote locations of the country and offer reliable services at low costs. Considering that the capex required will be high for such extensive fiber roll outs, this threat may not be very pronounced for the next 3 – 4 years. The fast evolving 3G and 4G services could also pose a threat for the VSAT industry, if the Telecom industry is able to obtain adequate spectrum in the appropriate frequencies and at competitive spectrum prices. However, in the current scenario, this will not be a major threat for the next 3 – 4 years.

The VSAT industry currently faces a threat from the non-availability of satellite transponder space as per demand and lack of negotiating power for buying it. This is due to the industry being dependent on only one source – Antrix, as per the current Regulations in the country.

The main threats in the Managed Services business come from delays in adoption of the services by the various sectors in the Enterprise space, continuous innovation of technologies necessitating continuous change in the services and potential entry of large players in this segment, once the demand grows and the industry matures.

Automation & Control

The major threat for the ISSS business comes from the heavy dependence on Government establishments for turnkey projects, where the decision making cycles are long and unpredictable. There has been no fresh requirement of UGS systems after 2008 in Defense, nor there been any demand for the system from other paramilitary organizations. However, the Company has been continuously incurring the costs for maintaining the required Defense approved manufacturing facility which do not have any other use. While the economy is moving in the positive direction, the capex spend for the Enterprise segment may take some more time to start growing. Potential entry into this segment by the big IT and non-IT System Integrators, who have existing presence and relationships with large Enterprise customers also poses a threat.

Segment wise performance

Network Systems

VSAT Services:

During the period under review, the revenue for the VSAT business including SATCOM was Rs. 7,067 Lakhs as against Rs 6,948 Lakhs in the previous year. The VSAT installed base for the company is in excess of 35,000, which works out to a market share of around 18% of the overall installed base. The Company installed 7,404 VSATs during the year against 9,454 in the previous year. However, the revenue is higher due to higher value contracts during the year as compared to the previous year.

The Company has fared well in the Banking & Finance sector, by rolling out infrastructure for bank branches as well as ATMs. The Company has deployed VSATs in ATMs directly owned by the Banks as well as in ATMs out sourced to the major Brown Label ATM services providers. The Company strengthened its position in the niche segment of Oil exploration by signing up a large 5 year contract with a global leader in solutions for oil rigs, for providing the services to companies doing off-shore oil exploration in India. The Company also deployed VSATs for creating a critical infrastructure backbone for a Defense establishment.

Managed Services:

During the period under review, the revenue for the Managed Services business was Rs 780 L as against Rs 667 L in the previous year. The Company concentrated on one of the largest private sector banks in India for remotely managing the safety & security surveillance infrastructure of its branches spread across India.

Automation & Control

In view of losses incurred by ISSS and the Defense business of Unattended Ground Sensors (UGS) in the last few years, which led to substantial erosion of the Company's net worth, the Board approved the restructuring of the business by restricting operations and reducing expenditure, with a view to minimize losses. During the period under review the revenue from this business was Rs. 2,430 Lakhs as against Rs. 3,357 Lakhs in the previous year. The Company managed to complete a large number of complex projects, including at one of the Zonal Railways.

Outlook

Network Systems

The Company has strengthened its presence in the Banking & Finance segment by deploying a large number of VSATs for off-site ATMs and branches. The company had a 32% market share of the incremental VSAT deployment in off-site ATMs. The dominant position in providing infrastructure for Oil rigs has created potential for future growth, some of which could happen within a year's time. There is momentum in the e-Governance segment, which is likely to lead to additional business in the coming years.

The Company, through its wholly owned subsidiary, Tatanet Services Limited, has already obtained frequency allocation for additional 36 MHz of Ku band satellite transponder space, which will get implemented in the current financial year through a new VSAT hub. This is likely to give a significant boost to the VSAT business of the Company for the coming years.

The availability of High Throughput Satellites (HTS) can give a significant impetus to the VSAT industry by increasing the applications where it will be able to provide services at a competitive price. HTS has already made a large impact for the VSAT industry in many other countries. It is expected that HTS would be available for India in the next 2 – 3 years.

The Managed Services offered by the Company are in the nascent stage in India. The various PSU banks have started adopting these services and this would result in a bigger market in the years to come. The other sectors like Retail, Warehouses, large Buildings, etc. have been evaluating these services but have not yet adopted them. The Company is focusing establishing itself as a quality service provider with a view to creating long term customer relationships.

Automation & Control

The Company expects the ISSS business to pick up momentum only in the medium term, when the new opportunities in the Government and Defense sectors are concretized as also the Govt. decision making process is streamlined for these projects. In the short run, the current challenges of the sector are likely to remain, mainly in terms of delayed decision making, low margins and lumpy demand. The uncertainty of demand for UGS in Defense is likely to continue. The Company will be able to leverage its expertise in executing projects in Railways, Oil PSUs and Defense sectors, for addressing these needs as and when they come up. In the short run, however, the Company is meeting its existing contractual obligations towards its customers and restricting its operations.

Risks and Concerns

Network Systems

The risks for the VSAT business could arise if the Banking and Finance industry was to slow down for any reason. Any major change in the Govt. Regulations pertaining to VSAT business could also pose a threat, considering that these services are offered under license from DOT.

The Managed Services business is a new concept. There are few major reference cases, which may lead to slower adoption. Growing competition may lead to lower margins, especially in tenders from Public Sector banks.

Automation &Control

The ISSS business could face challenges due to lower budgets for security and surveillance projects in Enterprises as well as in the Government and Defense sectors.

The weakening and fluctuations of the Indian Rupee against US$ pose challenges, since a majority of the electronics equipment used in this business is imported.

Cautionary Statement

Statements in the Management Discussion and Analysis, describing the Company's objectives, projections and estimates may be forward - looking statements within the meaning of applicable securities laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental / related factors.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The Company subscribes fully to the principles and spirit of sound Corporate Governance and embodies the principles of fairness, transparency, accountability and responsibility into the value systems driving the Company. The Company is committed to attain high standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvements of internal controls and sound investor relations. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders' value over a sustained period of time. The Company has implemented the mandatory requirement of Corporate Governance as set out under Clause 49 of the Listing Agreement with the Stock Exchanges.

2. Board of Directors Composition

As on 27th November 2014, the Company's Board of Directors comprises 10 members, out of whom 1 is Executive Director and 9 are Non-Executive Directors (NEDs). These Directors bring in a wide range of skills and experience to the Board.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as prescribed in Clause 49), across all the companies in which he/she is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year under review **(**FY14) and at the last Annual General Meeting, as also the number of Directorships and Committee positions held by them in other companies:

Name of the Directors and Business Relationship	Category of Directorship	No.of Board Meetings attended	Attendance at the last AGM	Number of Directorship in other public limited companies (*) as on 30/9/2014	Number of Committee positions held in other public limited companies (**) as on 30/9/2014	
				Director	Chairman	Member
Mr.R.R.Bhinge, Chairman	Non-Executive Chairman (Independent)	9	YES	4	1	-
Mr.P.K.Ghose	Non-Executive Director (Independent)	9	YES	4	1	2
Mr.R. Savoor		8	YES	1	1	1
Mr.K.Raghuraman		8	YES	9	3	3
Mr.K.Ramachandran		7	YES	1	-	-
Mr.V.K.Deshpande	Non-Executive Director (Non-Independent)	6	NO	5	-	1
Mr.S.Ramakrishnan		9	YES	4	-	4
Mr.Sanjay Dube		7	YES	12	2	5
Mr.P.J.Nath	Executive Director&CEO	9	YES	2	-	-
Ms.Hema Hattangady (Appointed w.e.f. 1st October 2014)	Non-Executive Director (Independent)	-	-	1	-	-

*Excludes Alternate Directorships and Directorships in private companies, foreign companies and Section 25 companies.

**Represents Chairmanships/Memberships of Audit Committee and Stakeholders Relationship Committee.

None of the Directors of the Company are related to each other

Nine Board Meetings were held during the year and the gap between the two meetings did not exceed four months. Following are the dates on which the said meetings were held:25th October 2013, 21st November 2013, 22nd January 2014, 31st January 2014, 3rd April 2014, 5th May 2014, 27th June 2014, 30th July 2014 and 30th September 2014.

The information required under Annexure1A to Clause 49 is being made available to the Board.

Code of Conduct

The Company has adopted the Tata Code of Conduct for all the employees, Executive Directors and Non-Executive Directors and the same is posted on the Company's website www.nelco.in**.** All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. The Executive Director and CEO has also confirmed and certified the same. The certification is enclosed at the end of this report.

Committees of the Board

The Committees of the Board focus on certain specific areas and make informed decisions in line with the delegated authority. Each Committee of the Board functions according to its role and defined scope.

3. Audit Committee of Directors

Composition of the Audit Committee of Directors (Audit Committee) and details of meetings attended by the Directors during the year under review:

Name of the Director	Category of Directorship	No. of meeting(s) attended
Mr.P.K.Ghose, Chairman	Non-Executive Independent	6
Mr.R.R. Bhinge (upto 21st November, 2013)		1
Mr.R.Savoor		6
Mr.K.Raghuraman (Appointed w.e.f. 25th October, 2013)		4
Mr.V.K.Deshpande	Non-Executive Non-Independent	5

The Audit Committee met 6 times during the year under review on the following dates: 21st November 2013, 12th December 2013, 31st January 2014, 7th March 2014, 5th May 2014 and 30th July 2014.

The terms of reference, role and scope of the Audit Committee are in line with those prescribed by Clause 49. The Company also complies with the provisions of Section 177 of the Companies Act, 2013 (the Act) pertaining to Audit Committee and its functioning.

The Board has delegated the following powers to the Audit Committee:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee invites such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at its meetings. The Executive Director & CEO and Chief Financial Officer attend the meetings. The Statutory Auditors are also invited to the meetings. Mr. Girish V. Kirkinde, the Company Secretary, acts as the Secretary of the Committee.

Internal Controls and Risk Management

The Company has robust systems for internal audit and corporate risk assessment and mitigation. The risk based audit plan is prepared and approved by the Audit Committee at the beginning of every year. The Audit Committee is presented with key control issues and actions taken on past issues. These procedures provide the Management an assurance on the internal processes and systems. Business Risk Assessment procedures have been set in place for self-assessment of business risks, operating controls and compliance with Corporate Policies. There is an ongoing process to track the evolution of the risks and delivery of mitigating action plans. Risks and their mitigation plans are reviewed by the Audit Committee.

4. Stakeholders Relationship Committee

In terms of Section 178(5) of the Act, the Company has rechristened the Shareholders'/Investors' Grievance Redressal Committee as Stakeholders Relationship Committee (SRC).

Composition of the SRC and details of meetings attended by the Directors during the year under review:

Name of the Director	Category of Directorship	No. of meeting(s) attended
Mr. R. Savoor (Appointed Member and Chairman w.e.f. 25th October, 2013)	Non-Executive Independent	1
Mr. R.R.Bhinge (Ceased to be Member and Chairman w.e.f. 25th October, 2013)		-
Mr.K.Raghuraman (Appointed w.e.f. 25th October, 2013)		1
Mr.P.J.Nath	Executive Director & CEO	1

The SRC met once during the year under review on 18th September 2014.

In accordance with Clause 49(IV)(G)(iv) of the Listing Agreements with the Stock Exchanges, the Board has authorised Mr. Girish V. Kirkinde, Company Secretary and Compliance Officer, to severally approve share transfers/transmissions, in addition to the powers with the members of the SRC. Share Transfer formalities are regularly attended to atleast once a fortnight.

The status of total number of complaints received during the year under review is as follows:

Description	Total		
Letters received from Statutory Bodies	Received	Replied	Pending
Securities and Exchange Board of India (SEBI)	2	2	-
Stock Exchanges	-	-	-
Depositories (NSDL/CDSL)	-	-	-
Ministry of Corporate Affairs	-	-	-

- There was no pending Transfers/Demats as on 30th September 2014.

5. Nominations, HR and Remuneration Committee

In terms of Section 178(1) of the Act, the Company has constituted the Committee titled "Nominations, HR and Remuneration Committee" (NRC).

Composition of the NRC and the details of meetings attended by the Directors met once during the year under review on 12th December 2013.

Name of the Director	Category of Directorship	No. of meeting(s) attended
Mr.P.K.Ghose, Chairman (w.e.f. 21st November, 2013)	Non-Executive Independent	1
Mr.R.R.Bhinge (Ceased as Chairman w.e.f. 21st November, 2013 but continue as a Member of the Committee)		1
Mr.K.Ramachandran (Appointed w.e.f. 25th October, 2013)		1
Mr.V.K.Deshpande	Non-Executive / Non Independent	1
MrS.Ramakrishnan		1

Terms of Reference

The Committee shall identify persons who are qualified to become directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.

The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

While formulating this policy, the NRC shall ensure that –

(a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;

(b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(c) Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

Remuneration Policy:

Remuneration to Executive Director

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and Performance Linked Incentive (variable component) to the Executive Director. The salary is paid within the range approved by the shareholders and the approval of the Central Government, if any. Annual increments effective 1st October each year, as recommended by the Remuneration Committee, are placed before the Board for approval. The ceiling on perquisites and allowances as a percentage of salary is fixed by the Board. Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee and approved by the Board. The amount of Performance Linked Incentive is based on defined set of matrix and clear goals.

The details of remuneration and perquisites paid and/or value calculated as per the Income Tax Act, 1961 to the Executive Director and Chief Executive Officer for the financial year ended 30th September 2014 are as under:-

Terms of Agreement	Mr. P. J. Nath, Executive Director & CEO
Period of Appointment	13th June 2012 to 12th June 2015
Salary and allowance	Rs. 87.70 lakhs
Perquisites	Rs. 12.21 lakhs
Performance Linked Incentives	Rs. 25.00 lakhs
Contribution to Provident Fund & Superannuation Fund, Leave encashment, gratuity and other benefits	Rs. 4.52 lakhs
Retirement Benefits	-
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

Remuneration to Non Executive Directors (NEDs)

The Company pays sitting fees Rs.12,500/- per meeting to the NEDs for attending meetings of the Board. The sitting fees for meetings of the Committee attended by them per meeting is Rs.10,000/-. The details of sitting fees paid to NEDs during the year under review are as under:-

Name of the Directors	Sitting fees paid (Rs.)
Mr.R.R.Bhinge	2,02,500/-
Mr.P.K.Ghose	1,82,500/-
Mr.S.Ramakrishnan	Nil
Mr.V.K.Deshpande	1,95,000/-
Mr.Sanjay Dube	1,37,500/-
Mr.Ramesh Savoor	1,70,000/-
Mr.K.Raghuraman	1,50,000/-
Mr.K.Ramachandran	1,47,500/-

None of the NEDs had any pecuniary relationship or transactions with the Company other than the Directors fees received by them.

Management Staff

Remuneration of employees largely consists of basic remuneration, perquisites, allowances and performance linked incentives. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his annual performance etc. For the last few years, efforts have also been made to link the annual variable pay of employees with the performance of the Company. The performance pay policy links the performance pay of each officer to his individual, divisional and overall organizational performance on parameters aligned to Company's objectives.

Retirement Policy for Directors

The Company has adopted the Guidelines for retirement age wherein Managing and Executive Directors retire at the age of 65 years. The Company has also adopted a Retirement Policy for Managing and Executive Directors, which has also been approved by the Members of the Company, offering special retirement benefits including pension, ex-gratia, medical and other benefits. In addition to the above, the retiring Managing Director is entitled to residential accommodation or compensation in lieu of accommodation on retirement. The quantum and payment of the said benefits are subject to an eligibility criteria of the retiring director and is payable at the discretion of the Board in each individual case on the recommendation of the NRC.

6. Executive Committee of the Board

The Executive Committee of the Board comprises of Mr. R.R. Bhinge (Chairman), Mr. V. K. Deshpande, Mr. K. Ramchandran, Mr. Sanjay Dube and Mr. P. J. Nath (Executive Director & CEO). This Committee covers a detailed review of the following items before being presented to the full Board:

- Business and strategy review
- Long-term financial projections and cash flows
- Capital and Revenue Budgets and capital expenditure programmes
- Acquisitions, divestments and business restructuring proposals
- Senior management succession planning
- Any other item as may be decided by the Board

7. Subsidiary Company

Explanation 1 to Clause 49 (III) 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 has one "Material non-listed Indian Subsidiary" during the year under review viz. Tatanet Services Ltd. An Independent Director of the Company has been appointed on the Board of the said Subsidiary Company. The minutes of Board meetings of the Subsidiary Company are placed before the Board of Directors of the Company for review.

8. 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. Girish V. Kirkinde, is the Compliance Officer for the implementation of and overseeing compliance with the Regulations and the Code across the Company.

9. General Body Meetings

The last three Annual General Meetings (AGMs) were held as under:

Financial year ended	Day & Date	Time	Venue
30th September 2011	Tuesday, 24th January 2012	4.00 p.m.	Millennium 1, Hotel Ramada, 156, Millennium Business Park, MIDC, Sector 2, Mahape, Navi Mumbai – 400 710
30th September 2012	Tuesday, 22nd January 2013	3.00 p.m.	Ebony, Hotel Regenza By Tunga, Ground floor, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703
30th September 2013	Wednesday, 22nd January 2014	3.00 p.m.	Ebony, Hotel Regenza By Tunga, Ground floor, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703

Details of Special Resolutions passed in the previous three AGMs

30th September 2011	Appointment of Mr. P.J.Nath as Chief Executive Officer
30th September 2012	Appointment of Mr.P.J.Nath as Executive Director & Chief Executive Officer
30th September 2013	Nil

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

None of the business required to be transacted at this AGM is proposed to be passed by Postal Ballot.

Postal Ballot

The Company successfully completed the Postal Ballot process pursuant to Section 110 of the Companies Act, 2013 ("Act") for obtaining the approval of its Members on the Special Resolutions as required under Section 180(1)(a) and 180(1)(c) of the Act for creation of charge on Company's properties and borrowing powers of the Board, respectively.

On 14th July, 2014, the Company appointed Parikh & Associates, Practicing Company Secretaries as Scrutinizer who carried out the Postal Ballot process in a fair and transparent manner. The results were announced on 6th September, 2014.

Voting Pattern and Procedure for Postal Ballot

i) The Company completed on 4th August, 2014, the dispatch of postal ballot forms along with postage prepaid business reply envelopes to its Members whose name(s) appeared on the Register of Members/list of beneficiaries as on 18th July, 2014.

ii) All postal ballot forms received/receivable up to the close of working hours on 3rd September, 2014, the last date and time fixed by the Company for receipt of the forms, were considered for his scrutiny.

iii) An E-voting facility was also made available to the Members. The results of the Postal Ballot via postal ballot forms and e-voting facility was announced on 6th September, 2014 at the Registered Office of the Company as per the Scrutinizer's Report

iv) Both the Special Resolutions set out in the Notice dated 14th July 2014 were duly passed by the requisite majority of the Shareholders.

No Court convened meetings were held during last three years.

10. Disclosures

1. 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.
2. The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
3. There was no non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.
4. 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 behaviour, 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.
5. All mandatory requirements as per Clause 49 have been complied with by the Company.
6. The Company follows Accounting Standards issued by The Institute of Chartered Accountants of India and there are no statutory audit qualifications in this regard.
7. In terms of Clause 49(V) of the Listing Agreement, the Executive Director & CEO and the Chief Financial Officer made 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.

11. Means of Communication

i) Quarterly and half yearly Results are published in the Free Press Journal (English) and Navashakti (Marathi) newspapers and displayed on the Company's website www.nelco.in

ii) Hard copies of the said disclosures and communications are also filed with the Stock Exchanges.

iii) NSE Electronic Application Processing System (NEAPS) and BSE Online Portal: The Company also submits to NSE, all disclosures and communications through NSE's NEAPS portal. Similar filings are made to BSE on their newly launched Online Portal – BSE Corporate Compliance & Listing Centre with effect from 12th July 2013.

iv) Extensive Business Reporting Language (XBRL): XBRL is a language for electronic communication of business and financial data. It offers major benefits to all those who have to create, transmit, use or analyse such information which aids better analysis and decision making. Ministry of Corporate Affairs (MCA) vide its Circular No.8/2012 dated 10th May, 2012 [as amended on

29th June, 2012], has already mandated all cost auditors and the concerned companies to file their Cost Audit Reports and Compliance Reports for the year 2011-12 onwards [including the overdue reports relating to any previous year(s)] only in the XBRL mode. The Company has filed its Cost Audit Report and Compliance Report on MCA through XBRL.

v) SEBI Complaints Redress System (SCORES): A centralised web-based complaints redressal system which serves as a centralized database of all complaints received, enables uploading of Action Taken Reports (ATRs) by the concerned companies and online viewing by the investors of actions taken on the complaint and its current status.

vi) Website**:** Comprehensive information about the Company, its business and operations, and Investor information can be viewed at the Company's website. The 'Investor Relations' section serves to inform the investors by providing key and timely information like Financial Results, Annual Reports, Shareholding Pattern, etc.

vii) Factory visit: To familiarise Members with the Company's operations, based on requests by them, the Company arranged for visit to its facilities at Mahape, Navi Mumbai in the month of January 2013.

12. General Shareholder Information

i) The AGM of the Company is scheduled to be held on Wednesday, 28th January 2015 at 3.00 p.m. at "Unisons", Hotel Four Points By Sheraton, 2nd floor, Plot No.39/1, 6 to 15, Sector 30A, Vashi, Navi Mumbai– 400 701. As required under Clause 49(IV)(G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the forthcoming AGM are given in the Annexure to the Notice of the AGM to be held on28th January 2015.

ii) ''Financial Year **:**1st October 2013 to 30th September 2014

iii) Book Closure : From Friday, 16th January 2015 to Monday, 19th January 2015 (both days inclusive).

iv) Listing on Stock Exchanges **:** The Company's Equity Shares are listed on the following two Stock Exchanges in India:

BSE Limited (BSE) (Regional Stock Exchange) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001.	National Stock Exchange of India Limited (NSE) 'Exchange Plaza', Bandra-Kurla Complex Bandra (E), Mumbai 400 051.

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

BSE Ltd. (Physical segment) – 4112, Demat Segment- 504112

National Stock Exchange of India Ltd. – NELCO EQ

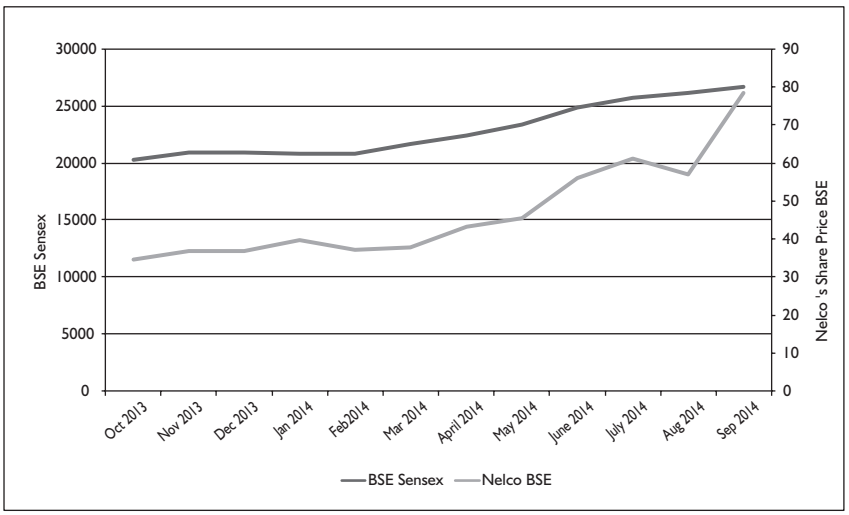
CIN allotted to the Company by the Ministry of Corporate Afffairs, Govt. of India is L32200MH1940PLC003164.

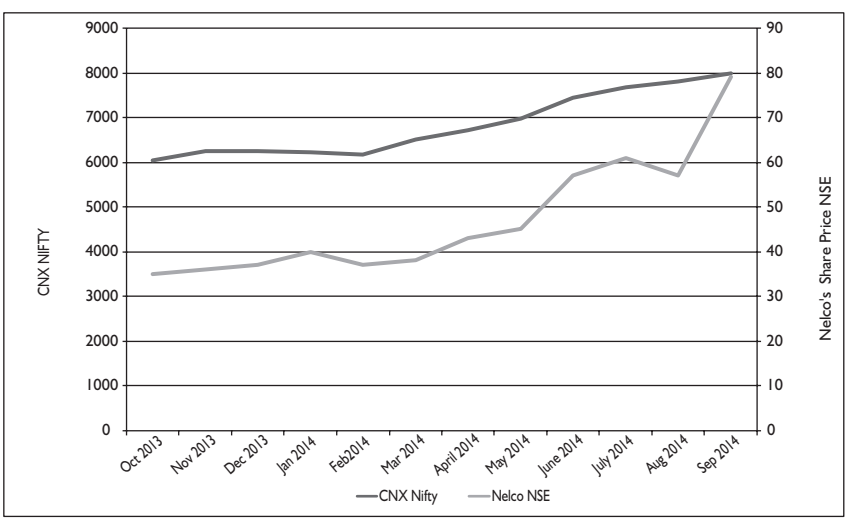
vi) Market Information:

(a) Market Price Data: High, Low during each month and trading volumes of the Company's Equity Shares during the period 1st October 2013 to 30th September 2014 at the BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE) are given below:-

Stock Exchange	**BSE**			**NSE**		
Month	**High (Rs.)**	**Low (Rs.)**	**No. of shares traded**	**High (Rs.)**	**Low (Rs.)**	**No. of shares traded**
October 2013	**37.25**	**32.00**	**2,45,411**	37.45	33.20	622326
November 2013	**40.50**	**33.05**	**6,38,842**	40.50	33.60	1625500
December 2013	**38.65**	**34.85**	**3,36,123**	38.90	34.75	702091
January 2014	**45.00**	**34.55**	**8,81,277**	45.10	34.60	1989562
February 2014	**39.60**	**34.50**	**3,13,937**	39.90	34.40	949572
March 2014	**40.65**	**35.00**	**5,06,349**	40.55	34.80	1171581
April 2014	**47.50**	**38.80**	**8,75,760**	47.50	38.25	2270397
May 2014	**53.00**	**38.00**	**3,99,432**	53.00	37.60	726770
June 2014	**60.90**	**51.15**	**5,26,270**	62.00	51.05	916223
July 2014	**69.00**	**53.45**	**7,35,664**	68.90	53.30	1890346
August 2014	**62.70**	**51.30**	**4,17,277**	62.50	52.35	779959
September 2014	**100.50**	**56.60**	**42,94,045**	100.50	56.55	10776153

(b) Performance of the Company's Share Price in comparison to BSE and NSE Nifty Sensex





vii Registrars and Transfer Agents:

TSR Darashaw Private Limited (TSRD)
6-10, Haji Moosa Patrawala Industrial Estate
(Near Famous Studio), 20, Dr. E. Moses Road,
Mahalaxmi, Mumbai 400 011.

Tel.: 022 6656 8484, Fax: 022 6656 8494
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

For the convenience of Members based in the following cities, transfer documents and letters will also be accepted at the following branches/agencies of TSRD.

Branches of TSRD

1. 503, Barton Centre, 5th Floor,
   84, Mahatma Gandhi Road,
   Bengaluru 560 001.
   Tel: 080 25320321. Fax: 080 25580019
   E-mail: tsrdlbang@tsrdarashaw.com

2. Bungalow No.1, 'E' Road,
   Northern Town, Bistupur,
   Jamshedpur 831 001.
   Tel: 0657 2426616. Fax: 0657 2426937
   E-mail: tsrdljsr@tsrdarashaw.com

3. Tata Centre, 1st Floor,
43, Jawaharlal Nehru Road,
Kolkata 700 071.
Tel: 033 22883087.Fax: 033 22883062
E-mail: tsrdlcal@tsrdarashaw.com

4. Plot No.2/42, Sant Vihar,
Ansari Road, Darya Ganj,
New Delhi 110 002.
Tel: 011 23271805 Fax: 011 23271802
E-mail: tsrdldel@tsrdarashaw.com

Agent of TSRD

Shah Consultancy Services Pvt. Limited
3, Sumatinath Complex, Pritam Nagar, Akhada Road, Ellisbridge, Ahmedabad 380 006.
Telefax: 079 2657 6038 E-mail: shahconsultancy8154@gmail.com

viii) Share Transfer System: Share Transfers in physical form can be lodged with TSRD at the above mentioned address or at their branch Transfer offices, addresses of which are available on website:www.tsrdarashaw.com. Transfers are normally processed within 15 days from the date of receipt. If the documents are complete in all respects, Mr. Girish V. Kirkinde Company Secretary and Compliance Officer is severally empowered to approve transfers, in addition to the powers with the Members of the Stakeholders Relationship Committee.

ix) Distribution of Shares as on 30th September 2014.

No. of shares held (Range)	Shareholding	% of total Shareholding	No. of Shareholders	% of total Shareholders
1 to 5000	2911068	12.76	21300	87.70
5001 to 10000	1254092	5.50	1495	6.15
10001 to 20000	1171424	5.13	752	3.10
20001 to 30000	696630	3.05	269	1.11
30001 to 40000	448334	1.96	126	0.52
40001 to 50000	590633	2.59	125	0.51
50001 to 100000	985412	4.32	140	0.58
100001 and above	14760807	64.69	81	0.33
Total	2,28,18,400	100.00	24,288	100.00

x) Shareholding pattern as on 30th September 2014

Sr. No.	Category	No. of shares	Percentage
1	TATA Companies	11432590	50.10
2	Financial Institutions/ Banks	27390	0.12
3	Mutual Funds	10850	0.05
4	State Government / Government Companies	82162	0.36
5	Bodies Corporate / Trusts	1689568	7.40
6	Individuals	8591720	37.66
7	Foreign Institutional Investors	984120	4.31
	Total	2,28,18,400	100.00

xi) Top 10 Shareholders of the Company as on 30th September 2014

List of Top 10 Shareholders				
Sr. No.	Name of Shareholder	Account number	Total holdings	Percentage to capital
1	The TATA Power Company Ltd.	IN30152430005534	11099630	48.64
2	Schlumberger Ltd.	NES0000110	866460	3.80
3	Hitesh Ramji Javeri	IN30036020087818	380000	1.67
4	Af-Taab Investment Company Ltd.	IN30395610023209	318460	1.40
5	Jainam Share Consultants Pvt. Ltd.	1204150000007808	124548	0.55
6.	Vinayak Kumar Bahl	IN30064410006685	103023	0.45
7.	Tanvi J. Mehta	1203000000624997	86758	0.38
8.	Digvijay Commerce &Trading Pvt. Ltd.	IN30021410675971	78000	0.34
9.	Roopa Corporate Services Pvt. Ltd.	130234000039761 4	75000	0.33
10.	Chiranjilal Rajkumar Exports Pvt. Ltd.	IN30321210005610	69500	0.30
		Total	13201379	57.85

xii) Dematerialization of Shares as on 30th September 2014 and 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).

Particulars of Shares	Equity Shares of Rs. 10/- each		Shareholders	
	Number	% of Total	Number	% of Total
Dematerialized form				
NSDL	1,80,34,467	79.03	14,179	58.38
CDSL	33,33,740	14.61	7,552	31.09
Sub-total	**2,13,68,207**	**93.94**	**21,731**	**89.47**
Physical form	14,50,193	6.36	2,557	10.53
Total	**2,28,18,400**	**100**	**24,288**	**100.00**

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

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

xiv) Works, facilities and address for correspondence

Plot No. EL-6, Electronics Zone,
MIDC Mahape, Navi Mumbai – 400 710.
Telephone : 022 67399100,
Fax : 022 67398787.
Email : services @nelco.in, Website : www.nelco.in

13. E-voting

E-voting is a common internet infrastructure that enables investors to vote electronically on resolutions of companies. Investors can now vote on resolutions requiring voting through Postal Ballot as per the applicable rules and regulations without sending their votes through post. The Company will also have the E-voting facility for the items to be transacted at this AGM. The MCA has authorised NSDL and CDSL for setting up electronic platform to facilitate casting of votes in electronic form. The Company has entered into agreement with NSDL for availing e-voting facilities.

14. Compliance with Non-Mandatory Requirements

i) The Board

The Company does not reimburse expenses incurred by the Non-Executive Chairman for maintenance of a separate Chairman's Office.

ii) Nominations, HR and Remuneration Committee

The Board has set up a Nominations, HR and Remuneration Committee. Please see details in para on Nominations, HR and Remuneration Committee.

iii) Shareholder Rights

The Company posts the quarterly, half yearly and annual financial results on its website www. nelco.in.

iv) Audit qualifications

During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.

v) Training of Board Members

The Company's Board of Directors comprise of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with changes in the economy, legislation and technologies.

vi) Mechanism for evaluation of Non-Executive Board Members (NEDs)

The Board of Directors of the Company, at present, comprises nine NEDs. The Directors appointed are from diverse fields which are relevant to the Company's business and they have long-standing experience and are experts in their respective fields. They have gained considerable experience in managing large corporates and have been in public life for decades. The enormously rich and diverse background of the Directors is of considerable value to the Company.

vii) The NEDs add substantial value through discussions and deliberations at the Board and Committee Meetings. Besides contributing at the Board and Committee meetings, the NEDs also have detailed deliberations with the Management Team and add value through such deliberations.

viii) Whistle Blower Policy

The Company has adopted a Whistle Blower Policy. Please refer to the para under the head 'Disclosures.'

15. Transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the dividend which remains unclaimed/unpaid for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, I 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 2014.

For NELCO Limited

P. J. Nath

Executive Director & CEO

Navi Mumbai, 27th November, 2014.

CERTIFICATE

To,

The Members of NELCO Limited

We have examined the compliance of conditions of Corporate Governance by Nelco Limited, for the year ended 30th September 2014 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 LLP**
Chartered Accountants
ICAI Firm Registration No 117366W/W-100018

Rupen K. Bhatt
Partner
Membership No. 046930

Mumbai, 27th November 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NELCO LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **NELCO LIMITED** ("the Company"), which comprise the Balance Sheet as at 30th September, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards specified under the Companies Act, 1956 ("the Act")(which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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 31st March, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
   (a) 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.
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
   (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which is deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014).
   (e) Since the provisions of Section 274(1)(g) of the Act are not in effect from April 1,2014, the reporting requirement under Section 227(3)(f) is not applicable as of the balance sheet date.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rupen.K. Bhatt
(Partner)
(Membership No. 046930)

Mumbai, 27th November, 2014

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

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business/activities, clauses (xii) (xiii) (xiv) (xviii) (xix) and (xx) of paragraph 4 of the Order are not applicable.

(i) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company.

(ii) In respect of its inventories:

(a) As explained to us, the inventory of the company has been physically verified by the management during the year and at the year end. In respect of stock lying with third parties, a substantial portion 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 inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) 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, during the period the said Section was applicable.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, for the period the said Section was applicable.

(vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956,during the period the said Section was applicable.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 (for the period the said Section was applicable) and are of the opinion that, *prima facie,* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax,Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax,Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 30th September, 2014 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 30th September, 2014 on account of disputes are given below:

Name of the statute	Nature of the dues	Financial Year relates to which the matter pertains	Forum where the dispute is pending	Amount (Rs. in Lakhs)
Income – Tax Laws	Income –Tax	2010-11	Appellate Authority - Commisioner Level	631.33
Sales – Tax Laws	Sales-Tax	1989-90 and 1990-91	Appellate Authority - High Court Level	17.43
		1985-86 to 1990-91, 1992-93, 1996-97, 2003-04	Appellate Authority - Commissioner Level	31.51
		2006-07	Tribunal	179.98
		2009-10	Appellate Authority - Joint Commissioner Level	112.32
Customs Duty Laws	Customs Duty	1991 to 1993	Appellate Authority - Assessing Officer Level	24.26
Excise Duty Laws	Excise Duty	1983-84 to 1985-86	Appellate Authority - Commissioner Level	56.43
		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	217.69

(x) The accumulated losses of the Company at the end of the financial year are more than fifty per cent of its net worth and the Company has not incurred cash losses in the current financial but has incurred cash losses 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 the repayment of dues to financial institutions and banks. The Company has not issued any debentures.

(xii) In our opinion and according to the information and explanations given to us, the Company has given guarantees for loans taken by subsidiary companies from banks or financial institutions which are *prima facie* not prejudicial to the interest of the Company.

(xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained.

(xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have been applied for fixed assets, non-current investments and loans and advances of amounts aggregating to Rs.3,434.92 lakhs.

(xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rupen K. Bhatt
Partner
(Membership No. 046930)

Mumbai, 27th November, 2014

Balance Sheet as at 30th September, 2014

(Rs. in Lakhs)

Particulars	Note No.	As at 30th September, 2014	As at 30th September, 2013
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	2,281.75	2,281.75
(b) Reserves and surplus	3	(1,245.15)	(1,373.77)
		1,036.60	907.98
2 Non-current liabilities			
(a) Long-term borrowings	4	48.81	71.29
(b) Deferred tax liability (Net)	35	-	-
(c) Other long-term liabilities	5	95.88	143.06
(d) Long-term provisions	6	504.65	517.28
		649.34	731.63
3 Current liabilities			
(a) Short-term borrowings	7	6,201.69	7,628.40
(b) Trade payables	8	3,320.51	4,148.17
(c) Other current liabilities	9	627.16	752.97
(d) Short-term provisions	10	437.13	470.55
		10,586.49	13,000.09
TOTAL		**12,272.43**	**14,639.70**
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	1,842.69	2,162.22
(ii) Intangible assets	11	469.42	88.01
(iii) Capital work-in-progress		17.73	56.70
		2,329.84	2,306.93
(b) Non-current investments	12	212.25	198.90
(c) Long-term loans and advances	13	2,601.27	2,830.19
		5,143.36	5,336.02
2 Current assets			
(a) Inventories	14	1,514.40	1,963.48
(b) Trade receivables	15	3,679.16	5,158.07
(c) Cash and bank balances	16	130.44	158.96
(d) Short-term loans and advances	17	614.13	523.07
(e) Other current assets	18	1,190.94	1,500.10
		7,129.07	9,303.68
TOTAL		**12,272.43**	**14,639.70**
See accompanying notes forming part of the financial statements			

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

R. R. Bhinge
Chairman

P. J. Nath
Executive Director & CEO

Rupen K. Bhatt
Partner

Uday Banerjee
Chief Financial Officer

Girish V. Kirkinde
Company Secretary

Mumbai, 27th November, 2014

Mumbai, 27th November, 2014

Statement of Profit and Loss for the year ended 30th September, 2014

(Rs. in Lakhs)

	Particulars	Note No.	For the year ended 30th September, 2014	For the year ended 30th September, 2013
1	Revenue from operations (gross)	19	10,391.92	11,032.10
	Less: Excise duty		115.47	60.24
	Revenue from operations (net)		10,276.45	10,971.86
2	Other income	20	320.67	131.33
3	**Total revenue (1+2)**		**10,597.12**	**11,103.19**
4	**Expenses**			
	Cost of materials consumed	39 A	491.48	813.19
	Purchases of stock-in-trade	39 D	3,254.49	4,561.41
	Changes in inventories of Stock-in-trade, work-in-progress and contracts in progress	21	547.67	50.33
	Employee benefits expense	22	2,400.30	2,418.23
	Finance costs	23	886.91	954.91
	Depreciation and amortisation expense	11	570.74	569.37
	Other expenses	24	3,557.81	3,372.54
	Total expenses		**11,709.40**	**12,739.98**
5	**Loss before exceptional items and tax (3 - 4)**		**(1,112.28)**	**(1,636.79)**
6	**Exceptional items (refer note 27)**		1,240.90	-
7	**Profit/(Loss) before tax (5+6)**		128.62	(1,636.79)
8	Less: Tax expense			
	Current tax		-	-
	Deferred tax		-	-
			-	-
9	**Profit /(Loss) for the year (7-8)**		**128.62**	**(1,636.79)**
10	**Earnings per share (Face value of Rs 10/- per share) Rs. :**			
	Basic and Diluted (refer note 34)		0.56	(7.17)
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

R. R. Bhinge
Chairman

P. J. Nath
Executive Director & CEO

Rupen K. Bhatt
Partner

Uday Banerjee
Chief Financial Officer

Girish V. Kirkinde
Company Secretary

Mumbai, 27th November, 2014

Mumbai, 27th November, 2014

Cash Flow Statement for the year ended 30th September, 2014

(Rs. in Lakhs)

	Particulars	For the year ended 30th September, 2014		For the year ended 30th September, 2013	
A.	**LOSS BEFORE EXCEPTIONAL ITEMS AND TAXATION**		**(1,112.28)**		**(1,636.79)**
	ADJUSTMENTS FOR				
	Depreciation	570.74		569.37	
	Interest Income	(192.68)		(113.78)	
	Dividend Income on long term investment	(6.88)		(4.65)	
	Profit on sale of investment	(5.45)		-	
	Provision for debts/advances	140.09		145.13	
	Interest Expense	886.91		887.45	
	Loss/(Profit) on Sale of Fixed Assets	3.05		28.88	
			1,395.78		1,512.40
	OPERATING (LOSS)/ PROFIT BEFORE WORKING CAPITAL CHANGES		**283.50**		**(124.39)**
	Changes in working capital:				
	Adjustments for (increase) / decrease in operating assets:				
	Inventories	449.07		133.15	
	Trade receivables	1,344.04		1,970.84	
	Short-term loans and advances	(96.28)		480.07	
	Long-term loans and advances	0.02		127.50	
	Other current assets	309.16		(382.54)	
	Adjustments for increase / (decrease) in operating liabilities:				
	Trade payables	(827.66)		510.84	
	Other current liabilities	(49.41)		46.93	
	Other long-term liabilities	(47.18)		(177.60)	
	Short-term provisions	(33.42)		11.74	
	Long-term provisions	(12.63)		(61.05)	
			1,035.71		2,659.88
	CASH GENERATED / (USED IN) FROM OPERATIONS BEFORE EXCEPTIONAL ITEMS		**1,319.20**		**2,535.49**
	Exceptional items (Refer note 27)		1,240.90		-
	CASH GENERATED / (USED IN) FROM OPERATIONS AFTER EXCEPTIONAL ITEMS		**2,560.10**		**2,535.49**
	Direct taxes (paid) (net)		(146.10)		(348.26)
	NET CASH FROM OPERATING ACTIVITIES		**2,414.01**		**2,187.23**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets		(601.79)		(519.89)
	Sale of fixed assets		5.11		14.05
	Purchase of investment		(17.86)		-
	Sale of investment		9.96		-
	Loans and Advances given to subsidairy		(125.00)		-
	Loans and Advances repaid by subsidairy		500.00		100.00
	Interest received		192.68		113.78
	Dividend received		6.88		4.65
	Bank balance not considered as Cash and Cash Equivalents		(0.73)		33.15
	NET CASH FLOW (USED) IN INVESTING ACTIVITIES		**(30.76)**		**(254.26)**

Cash Flow Statement for the year ended 30th September, 2014

(Rs. in Lakhs)

Particulars	For the year ended 30th September, 2014		For the year ended 30th September, 2013	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of Long-term borrowings	(54.56)		(106.85)	
Proceeds from Short-term borrowings	1,596.91		1,721.51	
Repayment of Short-term borrowings	(1,721.51)		(4,055.55)	
Increase/(Decrease) in cash credit balances (Net)	267.42		(296.51)	
Matured deposit paid	(0.43)		(0.76)	
Proceeds from Inter-corporate deposits	4,300.00		5,870.00	
Repayment of Inter-corporate deposits	(5,870.00)		(4,170.00)	
		(1,482.17)		(1,038.16)
Dividend paid		(0.06)		(111.67)
Tax on Dividend paid		-		(18.51)
Interest paid		(930.27)		(863.43)
NET CASH FROM / (USED) IN FINANCING ACTIVITIES		**(2,412.50)**		**(2,031.77)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(29.25)**		**(98.80)**
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR		127.80		226.60
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (Refer note 1 below)		98.55		127.80
		(29.25)		(98.80)

Notes :

1) Cash and cash equivalents include: (Rs. In lakhs)

Particulars	As at 30.9.2014	As at 30.9.2013
i) Cash in hand	1.01	2.51
ii) Cheques on Hand	53.93	-
iii) Balance with Scheduled Banks		
In current accounts	43.61	125.29
Total cash and cash equivalents as per AS 3	**98.55**	**127.80**

2) Previous year's figures have been regrouped wherever necessary.

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

R. R. Bhinge
Chairman

P. J. Nath
Executive Director & CEO

Rupen K. Bhatt
Partner

Uday Banerjee
Chief Financial Officer

Girish V. Kirkinde
Company Secretary

Mumbai, 27th November, 2014

Mumbai, 27th November, 2014

Notes forming part of the Financial Statements

Note 1

A. **Background**

The Company was formed in the year 1940 as National Ekco Radio & Engineering Co Ltd (JV between E K Cole & Fazalbhoy). The Company became "Nelco Limited" in 1969.

In 1969, the Company was pre-dominantly the manufacturer of audio-visual appliances like Television, calculator, Servo Voltage Stabilizers and such other office equipment. In late 90's the Company entered in Automation business (SCADA, Traction & Drives), which was divested in 2010. In 1995 the Company through its subsidiary, Tatanet Services Limited (TNSL) first installed VSAT captive hub for Tata Group Companies connectivity and in 2003 it entered into the public domain in VSAT services.

Nelco is today focused in providing systems and solutions in the areas of VSAT connectivity & Managed Services. It also provides solutions in the area of Integrated Security & Surveillance

The Company offers a range of innovative and customized solutions for businesses and government institutions under one roof.

The financial year of the Company is from 1st October -30th September.

B. Significant Accounting Policies

1.1 Basis of Accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 ('the 1956 Act') (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

1.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

1.3 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.4 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

1.5 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 Aperture Terminals (VSAT) used as back up, which are depreciated at 25% on straight line basis.

c) Leasehold land is amortized over the period of the lease.

1.6 Intangible Assets

Intangible assets are initially measured at cost and amortized so as to reflect the pattern in which the asset's economic benefits are consumed.

Software Expenditure incurred is amortized over a period of five years from the date of acquisition.

Technical knowhow incurred is amortized in proportion of unit sold of the Licensed Product or ten year whichever is higher

Notes forming part of the Financial Statements

1.7 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 realizable value. Cost is determined on the basis of the moving weighted average method.

c) Finished goods produced and purchased for sale, semi finished products and spares are carried at cost or net realizable value, whichever is lower.

1.8 Investments

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

1.9 Revenue Recognition

1.9.1 Sale of product is recognized when risk and rewards of ownership of the product are passed on to the customers on the basis of terms of contract, which is generally on the dispatch of goods.

1.9.2 Sales from services are recognized when services are performed.

1.9.3 Income on Investment

i) Interest income is accounted on accrual basis.

ii) Dividend income is accounted when right to receive payment is established.

1.10 Accounting for Contracts

Contract revenue are accounted on "Percentage of Completion" basis measured by the proportion that the cost incurred up to the reporting date bears to the estimated total cost of the contract.

1.11 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 recognized as income or expense, as the case may be.

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

1.12 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.

1.13 Employee Benefits

Defined Contribution Plan

(a) Company's contributions paid/payable during the year towards Provident Fund, Superannuation Fund and ESIC are recognized in the Statement of Profit and Loss.

(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.

Defined Benefit Plan

Company's liability towards gratuity and long term compensated absences are determined by independent actuaries, using projected unit credit method. Past services are recognized on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized immediately in the Statement of Profit and loss 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.

Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

1.14 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

1.15 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.

1.16 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

1.17 Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Deferred Tax is recognized, 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 recognized 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 realized.

1.18 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

Notes forming part of the financial statements

Note 2 Share capital

Particulars	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares	Rs in Lakhs	Number of shares	Rs in Lakhs
Authorised				
Equity Shares of Rs.10/- each with voting rights	25,000,000	2,500.00	25,000,000	2,500.00
Redeemable Preference Shares of Rs.100/- each	2,500,000	2,500.00	2,500,000	2,500.00
		5,000.00		5,000.00
Issued:				
Equity shares of Rs 10/- each with voting rights (including 939 equity shares pending allotment)	22,818,400	2,281.85	22,818,400	2,281.85
		2,281.85		2,281.85
Subscribed and fully paid up				
Equity shares of Rs 10/- each with voting rights	22,817,461	2,281.75	22,817,461	2,281.75
Total	**22,817,461**	**2,281.75**	**22,817,461**	**2,281.75**

Refer Notes (i) to (v) below

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares	Rs in Lakhs	Number of shares	Rs in Lakhs
Equity shares - Subscribed				
Opening and Closing balance	22,817,461	2,281.75	22,817,461	2,281.75

(ii) Details of shares held by the holding company

Particulars	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares	Rs in Lakhs	Number of shares	Rs in Lakhs
Equity shares				
The Tata Power Company Limited (48.65%) (Holding Company)	11,099,630	1,109.96	11,099,630	1,109.96
Aftaab Investment Company Limited (1.44%) (Subsidiary of Holding Company)	328,410	32.84	328,410	32.84

(iii) The company has issued only one class of equity shares having a par value of Rs.10 /- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend proposed by Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

Notes forming part of the financial statements

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights				
The Tata Power Company Limited	11,099,630	48.65%	11,099,630	48.65%

(v) Issued and subscribed equity shares include the following

Class of shares	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares held	Rs in Lakhs	Number of shares held	Rs in Lakhs
Otherwise than in cash pursuant to contracts dated 23rd October, 1940	5,370	0.54	5,370	0.54
Issued to Shareholders of the erstwhile General Radio & Appliances Limited in terms of the Scheme of Amalgamation	316,660	31.67	316,660	31.67

Note 3 Reserves and surplus **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
General reserve		
Opening balance and closing balance	250.00	250.00
Surplus in Statement of Profit and Loss		
Opening balance	(1,623.77)	13.02
Add: Profit /(Loss) for the year	128.62	(1,636.79)
Closing balance	**(1,495.15)**	**(1,623.77)**
Total	**(1,245.15)**	**(1,373.77)**

Notes forming part of the financial statements

Note 4 Long-term borrowings **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014			As at 30th September, 2013		
	LongTerm	Current Maturities (Refer Note 9)	Total	LongTerm	Current Maturities (Refer Note 9)	Total
Term loans from Bank - Secured	-	-	-	-	10.93	10.93
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	48.81	22.48	71.29	71.29	43.63	114.92
Total	**48.81**	**22.48**	**71.29**	**71.29**	**54.56**	**125.85**

i) Details of Security provided in respect of secured long term borrowings

Particulars	As at 30th September, 2014	As at 30th September, 2013	Details of security
Term Loan from Banks	-	10.93	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.

ii) Terms of repayment as at September 30th, 2014

Particulars	As at 30th September, 2014	Start date	Maturity Date	Repayment of instalments	Remarks
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	71.29	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of availment of respective loan.

iii) Terms of repayment as at September 30th, 2013

Particulars	As at 30th September, 2013	Start date	Maturity Date	Repayment of Installments (Rs. In Lakhs)	Remarks
Term loans from Bank	10.93	8-Oct-08	6-Oct-13	10.93	Monthly instalments starting from November'2008
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	114.92	26-Apr-04	26-Apr-18	various	Repayable in five equal annual instalments after ten years from the year of availment of respective loan.

Notes forming part of the financial statements

Note 5 Other long-term liabilities **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Trade payables:	-	2.15
Other payables		
Income received in advance	-	1.43
Liability towards voluntary retirement scheme	95.88	139.48
Total	**95.88**	**143.06**

Note 6 Long-term provisions **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Provision for employee benefits:		
Compensated absences	108.91	98.36
Gratuity (Refer note 33)	185.57	167.99
	294.48	266.35
Provision - Others:		
Warranty (Refer note 37 (ii))	-	30.61
Estimated losses on onerous contracts (Refer note 37 (i))	210.17	220.32
Total	**504.65**	**517.28**

Note 7 Short-term borrowings **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Term loans		
From Banks - Secured (Refer note (ii) below)	346.91	221.51
Loans repayable on demand		
From Banks - Unsecured	1,250.00	1,500.00
Cash credit from Banks - Secured (Refer note (i) below)	304.78	36.89
Other loans and advances		
Inter corporate deposits - Unsecured		
- from Holding Company	500.00	1,270.00
- from others	3,800.00	4,600.00
Total	**6,201.69**	**7,628.40**

Note: (i) 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 fixed assets of the Company.

(ii) 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.

Note 8 Trade payables **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Trade payables:		
Other than acceptances (Refer note 32)	3,320.51	4,148.17
Total	**3,320.51**	**4,148.17**

Notes forming part of the financial statements

Note 9 Other current liabilities **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Current maturities of long-term debt (Refer note 4)	22.48	54.56
Interest accrued but not due on borrowings	56.42	99.78
Overdrawn Balances as per Books	0.68	1.15
Income received in advance	25.08	57.16
Unclaimed dividends*	11.87	11.94
Unclaimed matured deposits*	0.05	0.48
Other payables		
Statutory remittances (Contributions to PF and ESIC, Withholding Taxes)	43.48	30.65
Trade / security deposits received	24.06	24.05
Advances from customers	399.45	425.49
Liability towards voluntary retirement scheme	43.59	47.71
Total	**627.16**	**752.97**

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

Note 10 Short-term provisions **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Provision for employee benefits		
Compensated absences	18.21	30.27
Gratuity (Refer note 33)	26.25	34.87
	44.46	65.14
Provision - Other		
Warranty (Refer note 37 (ii))	310.67	343.21
Estimated losses on onerous contracts (Refer note 37 (i))	82.00	62.20
Total	**437.13**	**470.55**

Notes forming part of the financial statements

Note 11 Fixed Assets (Rs. In Lakhs)

Description	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	AS AT 1.10.2013	ADDITIONS	DEDUCTION	AS AT 30.9.2014	AS AT 1.10.2013	FOR THE YEAR	DEDUCTION	AS AT 30.9.2014	AS AT 30.9.2014	AS AT 30.9.2013
Tangible Assets										
Land :Leasehold	35.90	-	-	**35.90**	9.45	0.38	-	**9.83**	**26.07**	**26.45**
	35.90	-	-	*35.90*	*9.07*	*0.38*	-	*9.45*	*26.45*	*26.83*
Building	335.90	-	-	**335.90**	185.56	11.13	-	**196.69**	**139.21**	**150.34**
	335.90	-	-	*335.90*	*174.43*	*11.13*	-	*185.56*	*150.34*	*161.47*
Plant and machinery	1,144.75	133.31	3.75	**1,274.31**	450.78	106.22	0.80	**556.20**	**718.11**	**693.97**
	890.29	*277.95*	*23.49*	*1,144.75*	*382.69*	*72.33*	*4.24*	*450.78*	*693.97*	*507.60*
Electrical Installation	209.25	-	5.53	**203.72**	84.51	9.28	2.32	**91.47**	**112.25**	**124.74**
	209.25	-	-	*209.25*	*74.57*	*9.94*	-	*84.51*	*124.74*	*134.68*
Office equipments										
Own	2,217.47	13.68	0.58	**2,230.56**	1,783.92	86.42	0.14	**1,870.20**	**360.36**	**433.54**
	2,288.04	*45.42*	*116.00*	*2,217.46*	*1,783.87*	*100.49*	*100.44*	*1,783.92*	*433.54*	*504.17*
Given on Lease	2,072.53	40.75	4.49	**2,108.79**	1,350.30	284.02	2.93	**1,631.39**	**477.40**	**722.23**
	1,947.95	*124.58*	-	*2,072.53*	*1,040.83*	*309.47*	-	*1,350.30*	*722.23*	*907.12*
Vehicles	26.93	-	-	**26.93**	15.98	1.66	-	**17.64**	**9.29**	**10.95**
	59.93	-	*33.00*	*26.93*	*37.03*	*3.82*	*24.87*	*15.98*	*10.95*	*22.90*
Total Tangible Assets	**6,042.72**	**187.74**	**14.35**	**6,216.11**	**3,880.50**	**499.11**	**6.19**	**4,373.42**	**1,842.69**	**2,162.22**
Previous year	*5,767.26*	*447.95*	*172.49*	*6,042.72*	*3,502.49*	*507.56*	*129.55*	*3,880.50*	*2,162.22*	*2,264.77*
Intangible Assets										
Testing Software	378.71	-	-	**378.71**	290.70	39.95	-	**330.65**	**48.06**	**88.01**
	355.10	*23.61*	-	*378.71*	*228.89*	*61.81*	-	*290.70*	*88.01*	*126.21*
Techincal Know-how	1,083.11	453.04	-	**1,536.15**	1,083.11	31.68	-	**1,114.79**	**421.36**	**-**
	1,083.11	-	-	*1,083.11*	*1,083.11*	-	-	*1,083.11*	-	-
Total Intangible Assets	**1,461.82**	**453.04**	**-**	**1,914.86**	**1,373.81**	**71.63**	**-**	**1,445.44**	**469.42**	**88.01**
Previous year	*1,438.21*	*23.61*	-	*1,461.82*	*1,312.00*	*61.81*	-	*1,373.81*	*88.01*	*126.21*
Grand Total	**7,504.54**	**640.76**	**14.35**	**8,130.96**	**5,254.31**	**570.74**	**6.19**	**5,818.86**	**2,312.11**	**2,250.23**
Previous year	*7,205.47*	*471.56*	*172.49*	*7,504.54*	*4,814.49*	*569.37*	*129.55*	*5,254.31*	*2,250.23*	*2,390.98*

Figures in Italics pertains to previous year.

Notes forming part of the financial statements

Note 12 Non-current investments (At cost, less provision other than temporary,if any) **(Rs. in Lakhs)**

Particulars	Number of Shares	Face value per unit (Rs.)	As at 30th September, 2014	As at 30th September, 2013
Unquoted - Equity Shares				
Trade				
In subsidary				
Tatanet Services Limited	6,000	100	6.00	6.00
	6,000			
In Associate Company				
Nelito Systems Limited (Purchased 18,977 & Sold 10,600 shares)	458,877	10	205.25	191.90
	450,500			
In Other Companies				
Technopolis Knowledge Park Limited	1,810,000	10	181.00	181.00
	1,810,000			
Other investments				
Ordinary Shares of Zoroastrian Co-operative Bank Limited.	4,000	25	1.00	1.00
	4,000			
Total			**393.25**	**379.90**
Less: Provision for diminution in value of investments in respect of Technopolis Knowledge Park Limited.			181.00	181.00
Total			**212.25**	**198.90**
Note:				
Aggregate amount of unquoted investments			393.25	379.90

Note 13 Long-term loans and advances (Unsecured, considered good) **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Security deposits	44.49	44.49
Loans & advances to Subsidiary (Tatanet Services Limited)	1,439.32	1,814.32
Advance income tax (net of provision for tax Rs. 1,809.30 lakhs (previous year : Rs 1,809.30 lakhs)	1,040.09	894.00
Balances with government authorities	42.43	42.44
Other recoverables	34.94	34.94
Total	**2,601.27**	**2,830.19**

Note 14 Inventories **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Contracts in Progress	233.03	74.06
Raw material - Goods-in-transit	170.69	-
Raw materials	257.16	329.26
Work-in-progress	175.13	427.08
Stock - in - trade	678.39	1,133.08
Total	**1,514.40**	**1,963.48**

Notes forming part of the financial statements

Note 15 Trade receivables (Unsecured and considered good, unless otherwise stated) **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Outstanding for a period exceeding six months from the date they were due for payment		
Considered good	534.15	519.65
Doubtful	291.67	385.96
	825.82	905.61
Less: Provision for doubtful trade receivables	291.67	385.96
	534.15	519.65
Other Trade receivables (refer note (i) below)		
Considered good	3,145.01	4,638.42
Doubtful	15.39	-
	3,160.40	4,638.42
Less: Provision for doubtful trade receivables	15.39	-
	3,145.01	4,638.42
Total	**3,679.16**	**5,158.07**

(i) Other Trade receivables include Rs. 620.71 lakhs (Previous year: Rs.1,043.66 lakhs), which in accordance with the terms of contracts, were not due for payment as at the year end.

Note 16 Cash and bank balances **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
A. Cash and cash equivalents		
(a) Cash on hand	1.01	2.51
(b) Cheques on hand	53.93	-
(c) Balances with banks		
In current accounts	43.61	125.29
Total - Cash and cash equivalents (A)	**98.55**	**127.80**
B. Other bank balances		
In earmarked accounts		
- Unclaimed dividend accounts	11.87	11.94
- Unclaimed matured deposits	0.05	0.48
- Balances held as margin money against letter of credit and bank guarantees	**19.97**	**18.74**
Total - Other bank balances (B)	**31.89**	**31.16**
Total Cash and Bank balance (A+B)	**130.44**	**158.96**
Of the above balance that meet definition of cash flow and cash equivalents as per AS-3 Cash Flow Statement	**98.55**	**127.80**

Notes forming part of the financial statements

Note 17 Short-term loans and advances - (Unsecured and considered good, unless otherwise stated) **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Security deposits		
Considered good	87.65	149.47
Doubtful	21.44	85.89
	109.09	235.36
Less: Provision for doubtful deposits	21.44	85.89
	87.65	149.47
Loans and advances to employees	12.56	18.63
Prepaid expenses	68.24	67.88
Balances with government authorities		
Service Tax credit receivables	32.54	5.49
Value Added Tax/Work Contract Tax	162.12	134.07
Advance to suppliers	209.91	114.20
Other recoverables	41.11	33.33
Total	**614.13**	**523.07**

Note 18 Other current assets **(Rs. in Lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
Unbilled revenue	1,183.12	1,483.33
Unamortised expenses		
Premium on Forward Contract	7.82	16.77
Total	**1,190.94**	**1,500.10**

Note 19 Revenue from operations **(Rs. in Lakhs)**

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Sale of products (refer note 39 C)	5,766.67	6,769.37
Sale of Services (refer note 39 C)	4,599.46	4,245.73
Total A	10,366.13	11,015.10
Other Operating revenue		
Scrap sales	-	0.85
Commission income	25.79	16.15
Total B	25.79	17.00
Total A+B	10,391.92	11,032.10
Less: Excise duty	(115.47)	(60.24)
Total	**10,276.45**	**10,971.86**

Notes forming part of the financial statements

Note 20 Other income **(Rs. in Lakhs)**

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Interest income comprises:		
Interest on Bank deposits	3.72	5.80
Interest on Income tax refund	23.77	-
Interest on Loans and advances to subsidairy	165.19	107.98
	192.68	113.78
Dividend income from long term investments		
Associate	6.88	4.50
Others	-	0.15
Other non-operating income comprises:		
Insurance claims recovered	0.19	0.39
Liabilities/Provisions no longer required written back	19.49	9.82
Bad Debts Recovered	25.84	-
Provision for doubtful advances written back (Refer note 27)	62.50	-
Profit on sale of investment	5.45	-
Miscellaneous income	7.64	2.69
Total	**320.67**	**131.33**

Note 21 Changes in inventories of Stock-in-trade, work-in-progress and contracts in progress **(Rs. in Lakhs)**

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Inventories at the beginning of the year:		
Stock - in - trade	1,133.08	1,066.70
Work-in-progress	427.08	210.94
Contracts in progress	74.06	406.91
	1,634.22	**1,684.55**
Less : Inventories at the end of the year:		
Stock - in - trade	678.39	1,133.08
Work-in-progress	175.13	427.08
Contracts in progress	233.03	74.06
	1,086.55	**1,634.22**
Net Decrease	**547.67**	**50.33**

Note 22 Employee benefits expense **(Rs. in Lakhs)**

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Salaries and wages	2,050.48	2,058.42
Contributions to provident and superannuation fund, etc.	91.96	104.30
Gratuity	47.53	34.00
Staff welfare expenses	210.33	221.51
Total	**2,400.30**	**2,418.23**

Notes forming part of the financial statements

Note 23 Finance costs **(Rs. in Lakhs)**

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Interest expense on:		
Borrowings	821.45	875.13
Trade payables	3.83	12.32
Bank charges	61.63	67.46
Total	**886.91**	**954.91**

Note 24 Other expenses **(Rs. in Lakhs)**

Particulars	For the year ended 30th September, 2014		For the year ended 30th September 2013
Consumption of loose tools		33.07	49.31
Subcontracting expenses		957.58	648.73
Power and fuel		119.42	144.86
Rent including lease rentals		105.28	69.59
Repairs and maintenance - Buildings		-	0.03
Repairs and maintenance - Others		167.60	150.75
Insurance		16.91	27.54
Rates and taxes		12.58	11.98
Travelling and conveyance		274.99	328.91
Freight and forwarding		248.60	240.14
Legal and professional charges		114.55	81.28
Consultancy charges		265.23	303.30
Installation expenses		438.73	353.93
Foreign exchange (gain) /loss (net)		2.22	(1.00)
Payments to auditors		40.83	38.86
Bad debts/advances written off	220.97		266.80
Less: Provision for doubtful debts/advances made in earlier years written back	(220.97)		(266.80)
Provision for doubtful debts and advances		140.09	145.13
Loss on fixed assets sold (net)		3.05	28.88
Provision for foreseeable losses (Refer note 37 (i))		9.65	5.60
Provision for warranty (Refer note 37 (ii))		(2.84)	3.26
Miscellaneous expenses		610.28	741.46
Total		**3,557.81**	**3,372.53**

Note: **(Rs. in Lakhs)**

Particulars	For the year ended 30th September, 2014	For the year ended 30th September 2013
Payments to the auditors comprises (net of service tax where applicable)		
As auditors - statutory audit	12.00	12.00
For taxation matters*	7.00	3.35
For other services	21.50	23.51
Reimbursement of expenses	0.33	-
Total	**40.83**	**38.86**

*represents payment of Rs. 7.00 lakhs (Previous year Rs. 3.35 lakhs) for taxation matters to an affiliated firm in view of the networking arrangement which is registered with the Institute of Chartered Accountant of India.

Notes forming part of the financial statements

25. The Board of Directors of the Company at its meeting held on April 03, 2014, inter alia, has approved the restructuring of the Company's Automation & Control segment , by restricting operations and reducing expenditure with a view to minimize losses. This will be subject to necessary approvals / consents / permissions. However, the Company will continue to focus on building its position in the Network Systems segment.

26. The Company has accumulated losses as at 30th September,2014 which has substantially eroded the Company's net worth. Notwithstanding this, these financial have been prepared on going concern basis in view of support letter from the parent company and the business plan of the Company.

27. In the year 2006, the Company filed arbitration proceedings against Jawaharlal Nehru Port Trust (JNPT) for enforcement of its claim in respect of the additional work carried out, wrongful deduction of liquidated damages and encashment of bank guarantee by JNPT. The Arbitration award was passed in favour of the Company on 06th February, 2012. The said award, however, was challenged by JNPT in the Hon'ble Bombay High Court which dismissed the plea on 06th February, 2014 and awarded the claim to the Company. JNPT paid in June, 2014 Rs 1,303.40 lakhs as decretal dues (including interest and costs) to the Company (of which Rs 62.50 lakhs is included in other income as provision no longer required written back).

28. In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals for the year of Rs. 244.43 lakhs (Previous Year: Rs. 319.14 lakhs) recognized in the Statement of Profit and Loss are included under Income from Services Rendered.

29. Capital Commitments (Rs. in Lakhs)

Particulars	2013-14	2012-13
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	58.50	87.74

30. Contingent Liabilities (Rs. in Lakhs)

Particulars	2013-14	2012-13
a) Guarantees issued by the company on behalf of its subsidiary (amount of loan outstanding against this guarantee is Rs. 371.00 lakhs (Previous year: Rs. 335.70 lakhs))	2,000.00	2,000.00
b) Claims against the company not acknowledged as debt comprises of:		
i) Excise duty, sales tax and service tax claims disputed by the company relating to issues of applicability and classification	654.77	362.46
ii) Custom duty (excluding claims where amounts are not ascertainable)	29.28	29.28
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	631.33	-
Future cash outflows in respect of the above matters are determinable only on receipt of judgments/decisions pending at various forums / authorities		

31. Managerial Remuneration (Rs. in Lakhs)

Particulars	2013-14	2012-13
i) Salary and allowances	115.94	112.80
ii) Contribution to provident and superannuation funds	4.52	3.95
iii) Other perquisites	8.97	10.78
iv) Directors sitting fees (Non-Whole time Directors)	11.85	7.87
Total	***141.28**	***135.40**

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

Notes forming part of the financial statements

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

(Rs.in Lakhs)

Sr. No.	Particulars	2013-14	2012-13
(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.

33. Employee Benefits

I. Defined Contribution Plan

Company's contribution paid/payable during the year to provident fund, superannuation fund and ESIC contribution are recognized as an expense and included in note 22 of the Statement of Profit and Loss under the heading "Contribution to Provident and superannuation funds, etc."are as under:

(Rs.in Lakhs)

	Particulars	2013-14	2012-13
a)	Contribution to Employees' Superannuation Fund	23.86	26.09
b)	Employees' State Insurance Scheme	0.32	0.51
c)	Contribution to Provident Fund	67.78	77.70

Provident Fund:

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trust formed by the Company. The Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.

The Rules of the Company's provident fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared by Central Government under para 60 of the

Employees' Provident Fund Scheme,1952 then the shortfall shall be made good by the Company. Having regard to the assets of the fund and the return on the investments, the Company does not expect any shortfall in the foreseeable future.

II. Gratuity (Unfunded)

(Rs.in Lakhs)

	Particulars	2013-14	2012-13
1	**Expenses recognized in Statement of Profit and Loss for the year ended**		
	Current Service cost	16.38	18.59
	Interest cost	18.77	17.20
	Expected return on plan assets	-	-
	Net Actuarial (Gain)/Loss	12.38	(1.79)
	Total Expense	47.53	34.00
2	**Net Asset/(Liability) recognized in the Balance Sheet as at**		
	Present value of Defined Benefit obligations as at the end of year	(211.82)	(202.86)

Notes forming part of the financial statements

	Fair value of plan assets as at the end of the year	-	-
	Net Asset/(Liability) as at	(211.82)	(202.86)
	Current	26.25	34.87
	Non-current	185.57	167.99
3	**Changes in present value of obligations during the year**		
	Present value of obligations as at beginning of year	202.86	185.97
	Interest cost	18.77	17.20
	Current Service cost	16.38	18.59
	Liabilities transferred out	(0.86)	-
	Benefits Paid	(37.71)	(17.11)
	Actuarial (Gain)/Loss	12.38	(1.79)
	Present value of Defined Benefit obligations as at end of year	211.82	202.86

	Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
4	**Experience Adjustments**					
	Experience (Gain)/Loss on adjustments on plan assets	-	-	-	-	-
	Experience (Gain)/Loss on adjustments on plan liabilities	7.14	12.42	2.92	4.14	(11.92)
	Experience Adjustments (Total)	**7.14**	**12.42**	**2.92**	**4.14**	**(11.92)**
5	**Assumptions**					
	Discount Rate	8.89%	9.25%	8.25%	8.50%	8.25%
	Salary Escalation	6.00%	6.00%	6.00%	6.00%	6.00%
	Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%
	Mortality Rate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	LIC (94-96) Ultimate	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. 41.42 lakhs (Previous Year: Rs. 15.61 lakhs)has been included in the Statement of Profit and Loss.

34 Earnings Per Share (EPS)

	Particulars	2013-14	2012-13
a)	Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b)	Net Profit /(loss) after Tax available for Equity Shareholders (Rs.in Lakhs)	128.62	(1,636.79)
c)	Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	0.56	(7.17)
d)	Diluted Earnings Per Share (Rs.)	0.56	(7.17)

Notes forming part of the financial statements

35. The components of Deferred Tax Assets /(Liabilities)are as under: (Rs.in Lakhs)

Particulars	2013-14	2012-13
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act,1961	112.24	109.05
b) On Provision for Doubtful debts	106.58	153.09
c) On Voluntary Retirement costs	9.02	22.92
d) Provision for future losses	94.79	*59.53
e) Unabsorbed tax depreciation	*27.37	* -
Total:	**350.00**	**344.59**
Less: Deferred Tax Liability		
a) On Fiscal allowances of fixed assets	350.00	344.59
Total:	**(350.00)**	**(344.59)**
Net Deferred Tax Assets / (Liabilities)	-	-

* Considered to the extent that there are compensating timing differences, reversal of which will result in sufficient income against which this can be realized.

36. Information relating to Contracts required as per Accounting Standard-7 notified by the Companies (Accounting Standards) Rules, 2006 are as follows:

(Rs.in Lakhs)

Particulars	2013-14	2012-13
Contract revenue recognized as revenue during the year	760.86	2,364.99
Aggregate amount of contract costs incurred and recognized profits (less recognized losses) upto year end	8,355.76	7,459.41
Retention money for contracts in progress	322.39	234.01
Advance payments received	-	-
Gross amount due from customers for contract work (assets)	1,358.52	1,482.99
Gross amount due to customers for contract work (liabilities)	10.52	30.37

For the method used to determine the contract revenue recognized and the stage of completion on contract in progress, refer note 1.10

37. Disclosures as required by Accounting Standard-29 – "Provisions, Contingent Liabilities and Contingent Assets" notified by the Companies (Accounting Standards) Rules, 2006 as at the year end are as follows:

Provision for future losses pertains to certain onerous contracts where the unavoidable costs of meeting the obligations as per the contracts exceed the economic benefits expected to be received from it.

i) Future foreseeable losses on contracts :-

(Rs.in Lakhs)

Particulars	2013-14	2012-13
Opening Balance	282.52	297.83
Provision during the year	28.58	5.60
Utilisation During the year	-	20.91
Reversal during the Year	18.93	-
Closing Balance	**292.17**	**282.52**
Current	82.00	62.20
Non Current	210.17	220.32

Notes forming part of the financial statements

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.

ii) Warranties :

(Rs. in Lakhs)

Particulars	2013-14	2012-13
Opening Balance	373.82	418.94
Provision during the year	162.31	50.00
Utilisation During the year	60.31	48.38
Reversal during the Year	165.15	46.74
Closing Balance	**310.67**	**373.82**
Current	310.67	343.21
Non Current	-	30.61

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

Particulars	Foreign Currency	Amount in Foreign currency (in lakhs)	
		2013-14	2012-13
Receivable	USD	0.33	1.59
Payable	USD	2.84	2.43
	EUR	0.40	0.85
	GBP	-	0.08
	NOK	0.12	0.12

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end are :

Particulars	Foreign Currency	Amount in Foreign Currency (in Lakhs)	
		2013-14	2012-13
Payable	USD	7.89	13.83

39A. Particulars of Raw Materials consumed:

(Rs. in lakhs)

Particulars	2013-14	2012-13
Battery	21.55	62.72
Cables And Wires	91.30	52.54
Camera, Monitors And Lens	85.24	206.27
Cabinets And Panels	23.55	19.40
Electronic Modules	46.72	154.53
Integrated Circuits	0.37	95.30
Others	222.75	222.43
TOTAL VALUE	**491.48**	**813.19**

Notes:

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.

Notes forming part of the financial statements

39B. Value of Imported / Indigenous Raw Materials Consumed

Particulars	2013-14		2012-13	
	%	Value (Rs in lakhs)	%	Value (Rs in lakhs)
Imported	24	116.28	48	389.13
Indigenous	76	375.20	52	424.06
	100	**491.48**	**100**	**813.19**

39C. Details of Revenue from Operations

(Rs. in lakhs)

Sl.No	Class of Goods	2013-14	2012- 13
i)	**Manufactured goods**		
1	UGS / GPS - Assemblies & Equipments	572.13	199.73
2	Automatic Weather Station (AWS)	-	73.30
3	Fencing Equipments & Networking	1.34	79.83
4	CCTV Systems	847.27	392.88
	(A)	**1,420.74**	**745.74**
ii)	**Sale of Stock - in - trade**		
1	Network Related Systems	678.35	746.76
2	Baggage Scanner	-	523.69
3	Camera	17.84	482.25
4	Under Vehicle Scanning System	-	616.02
5	Network Related Systems Integration	3,629.41	3,630.88
6	Others	20.33	24.03
	(B)	**4,345.93**	**6,023.63**
	Sale of products (A)+(B)= C	**5766.67**	**6,769.37**
iii)	**Income from services rendered (D)**	**4599.46**	**4,245.73**
	Revenue from operations Total (C)+(D)	**10,366.13**	**11,015.10**

39D. Details of Purchases of Stock-in-trade

(Rs. in lakhs)

Sl.No	Class of Goods	2013-14	2012- 13
1	Network Related Systems	730.71	609.01
2	Baggage Scanner	-	349.26
3	Camera	117.66	338.81
4	Under Vehicle Scanning System	5.00	608.02
5	Network Related Systems Integration	2,313.77	2,643.23
6	Others	87.35	13.08
	TOTAL	**3,254.49**	**4,561.41**

Notes forming part of the financial statements

39E. Expenditure in foreign currency **(Rs.in Lakhs)**

	Particulars	2013-14	2012-13
i)	Foreign Travel	3.33	19.72
ii)	Bank Charges	0.26	0.36
iii)	Sub-contracting Expenses	117.23	92.28
iv)	Others	1.18	-

39F. Earnings in foreign currency **(Rs.in Lakhs)**

	Particulars	2013-14	2012-13
i)	Engineering / Software Services	145.90	185.40
ii)	Exports of goods calculated on FOB basis	44.46	25.05

39G. Value of Imports calculated on CIF basis **(Rs.in Lakhs)**

	Particulars	2013-14	2012-13
i)	Raw Materials and Component	107.57	444.99
ii)	Finished Goods	1568.50	1665.08
iii)	Capital Goods	102.83	135.51

39H. Remittance in foreign currency on account of dividends to non-resident shareholders :

Year	No of Shareholder	No. of Equity shares of Rs. 10/- each	Amount Remitted (Rs.in Lakhs)	Dividend
2013-14	-	-	-	-
2012-13	One(1)	8,66,460	4.33	For the year ended September, 2012 Dividend @ 5%

40 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. Associate – Nelito Systems Limited

IV. Key Management Personnel

a. Mr. P.J. Nath - Executive Director & CEO

Notes forming part of the financial statements

The related party transactions are as under:

(Rs. in Lakhs)

Sl.no.	Particulars	The Tata Power Company Limited	TATANET Services Limited	Nelito Systems Limited	Key Management Personnel
1)	**Sales :**				
a)	Goods	1.20	-	-	
		(2.59)	-	-	-
b)	Services	1.89	1,680.00	0.90	
		(3.71)	(1,751.00)	(0.90)	-
2)	**Finance :**				
a)	Inter Corporate Loans taken	-	-	-	
		(900.00)	(-)	(-)	(-)
b)	Inter Corporate Loans Repayment	770.00	-	-	
		(775.00)	(-)	(-)	(-)
c)	Interest Paid/Payable	120.70	-	-	
		(177.37)	(-)	(-)	(-)
d)	Loans given during the period	-	125.00	-	
		(-)	(-)	(-)	(-)
e)	Loans repaid during the period	-	500.00	-	
		(-)	(100.00)	(-)	(-)
f)	Dividend received	-	-	6.88	
		-	-	(4.50)	-
g)	Dividend paid	-	-	-	-
		(55.50)	(-)	(-)	(-)
h)	Interest Received	-	165.19	-	-
		(-)	(107.98)	(-)	(-)
3)	**Other Transactions :**				
a)	Reimbursements received from parties	-	45.17	-	-
		(1.73)	(29.32)	-	-
4)	**Balance outstanding as on 30.09.2014**				
a)	Trade receivables (Net)	0.28	156.51	-	
		(2.38)	(108.21)	-	
b)	Inter Corporate Loans	500.00	-	-	-
		(1,270.00)	-	-	-
c)	Interest Accrued, but not due	13.25	-	-	
		(16.96)	-	-	-
d)	Loans & advances given	-	1,439.32	-	
		-	(1,814.32)	-	-
e)	Guarantees and collaterals	-	2,000.00	-	
		-	(2,000.00)	-	-
f)	Other Recoverable	-	-	0.28	-
		-	-	(0.33)	-
5)	Remuneration to Key Managerial Personnel				129.43
					(127.53)

Note: Figures in brackets pertain to the previous year

Notes forming part of the financial statements

41 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 six months ended 31st March, 2014 and the provision based on the figures for the remaining six months up to 30th September, 2014, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2014 to 31st March, 2015.

42 Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/ disclosure.

Signature to Notes forming part of financial statements "1" to "42"

For and on behalf of the Board of Directors

R. R. Bhinge
Chairman

P. J. Nath
Executive Director & CEO

Uday Banerjee
Chief Financial Officer

Girish V. Kirkinde
Company Secretary

Mumbai, 27th November, 2014

(Rs. in Lakhs)

Gist of the Financial Performance for the year 2013-14 of the Subsidiary Company

Sr. No	Name of the subsidiary	Capital	Reserves	Assets @	Investments	Liabilities#	Turnover##	Profit/ (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
1	Tatanet Services Limited	6.00	49.11	3,371.91	0.50	3,317.30	4,849.49	110.00	52.00	58.00	-

@ Assets = Fixed Assets + Non-Current Assets + Current Assets (other than Non-Current and Current Investments).

Liabilities = Capital Grant + Service Line Contributions from Consumers + Non-Current Liabilities + Current Liabilities.

Turnover includes Other Income

Gist prepared as per Subsidiary Company's Final Accounts. For Consolidated results, please refer to Consolidated Financial Statements and Notes appearing thereon.

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF

NELCO LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **NELCO LIMITED** (the "Company") and its subsidiary (the Company and its subsidiary constitute "the Group"), which comprise the Consolidated Balance Sheet as at 30th September, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiary and associate referred to below in the Other Matter paragraph, the aforesaid 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 the Group as at 30th September, 2014;

(b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matter

We did not audit the financial statements of the subsidiary (one), whose financial statements reflect the total assets (net) of Rs. 3,372.41 lakhs as at 30th September, 2014, total revenues of Rs.4,834.27 lakhs and net cash inflow amounting to Rs. 122.52 lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs.27.81 lakhs for the year ended 30th September, 2014, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and associate, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rupen K Bhatt
Partner
Membership No. 046930

Mumbai, 27th November, 2014

Consolidated Balance Sheet as at 30th September, 2014

(Rs. in Lakhs)

Particulars	Note No.	As at 30th September, 2014	As at 30th September, 2013
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	2,281.75	2,281.75
(b) Reserves and surplus	3	(591.59)	(690.97)
		1,690.16	1,590.78
2 Non-current liabilities			
(a) Long-term borrowings	4	323.09	334.20
(b) Deferred tax liability (Net)		-	-
(c) Other long-term liabilities	5	95.88	143.06
(d) Long-term provisions	6	504.65	517.28
		923.62	994.54
3 Current liabilities			
(a) Short-term borrowings	7	6,201.69	7,628.40
(b) Trade payables	8	3,548.91	4,336.82
(c) Other current liabilities	9	1,845.96	1,366.87
(d) Short-term provisions	10	437.13	470.55
		12,033.69	13,802.64
TOTAL		**14,647.47**	**16,387.96**
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	3,036.99	3,627.69
(ii) Intangible assets	11	508.76	113.89
(iii) Capital work-in-progress		335.96	73.19
		3,881.71	3,814.77
(b) Non-current investments	12	833.45	813.78
(c) Long-term loans and advances	13	1,829.66	1,567.09
		6,544.82	6,195.64
2 Current assets			
(a) Inventories	14	1,514.40	1,963.48
(b) Trade receivables	15	3,864.13	5,600.98
(c) Cash and bank balances	16	490.53	396.54
(d) Short-term loans and advances	17	1,006.21	710.87
(e) Other current assets	18	1,227.38	1,520.45
		8,102.65	10,192.32
TOTAL		**14,647.47**	**16,387.96**
See accompanying notes forming part of the financial statements			

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

R. R. Bhinge
Chairman

P. J. Nath
Executive Director & CEO

Rupen K. Bhatt
Partner

Uday Banerjee
Chief Financial Officer

Girish V. Kirkinde
Company Secretary

Mumbai, 27th November, 2014

Mumbai, 27th November, 2014

Consolidated Statement of Profit and Loss for the Year ended 30th September, 2014

(Rs. in Lakhs)

	Particulars	Note No.	For the year ended 30th September, 2014	For the year ended 30th September, 2013
1	Revenue from operations (gross)	19	13,546.20	13,533.93
	Less: Excise duty		115.47	60.24
	Revenue from operations (net)		13,430.73	13,473.69
2	Other income	20	158.39	33.83
3	**Total revenue (1+2)**		**13,589.12**	**13,507.52**
4	**Expenses**			
	Cost of materials consumed		491.48	813.19
	Purchases of stock-in-trade		3,254.49	4,561.41
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	547.67	50.33
	Employee benefits expense	22	2,400.30	2,418.23
	Finance costs	23	949.78	997.52
	Depreciation and amortisation expense	11	919.28	891.71
	Other expenses	24	6,049.87	5,499.35
	Total expenses		**14,612.87**	**15,231.74**
5	**Loss before exceptional items and tax (3 - 4)**		**(1,023.75)**	**(1,724.22)**
6	**Exceptional items (refer note 27)**		1,240.90	-
7	**Profit / (Loss) before tax (5+6)**		217.15	(1,724.22)
8	Less: Tax expense			
	Current tax		52.00	(18.18)
	Deferred tax		-	(8.51)
			52.00	(26.69)
9	**Profit /(Loss) after tax before share of profit in associate (7-8)**		**165.15**	**(1,697.53)**
	Add: Share in profit of associate		27.81	34.92
	Profit / (Loss) for the year (8+9)		**192.96**	**(1,662.61)**
10	**Earnings per share (Face value of Rs 10/- per share) Rs. :**			
	Basic and Diluted (refer note 32)		0.85	(7.29)

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

R. R. Bhinge
Chairman

P. J. Nath
Executive Director & CEO

Rupen K. Bhatt
Partner

Uday Banerjee
Chief Financial Officer

Girish V. Kirkinde
Company Secretary

Mumbai, 27th November, 2014

Mumbai, 27th November, 2014

Consolidated Cash Flow Statement for the year ended 30th September, 2014

(Rs. in Lakhs)

	Particulars	for the year ended 30th September, 2014		for the year ended 30th September, 2013	
A.	**NET LOSS BEFORE EXCEPTIONAL ITEMS AND TAXATION**		**(1,023.75)**		**(1,724.22)**
	ADJUSTMENTS FOR				
	Depreciation	919.28		891.71	
	Interest Income	(42.64)		(5.80)	
	Dividend Income on long term investment	(0.08)		(0.19)	
	Loss on sale of investment	9.15		-	
	Provision for doubtful debts and advances	(52.41)		(78.91)	
	Interest Expense	867.97		909.38	
	Loss/(Profit) on Sale of Fixed Assets	3.05		28.88	
			1,704.32		1,745.07
	OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES		**680.57**		**20.85**
	Changes in working capital:				
	Adjustments for (increase) / decrease in operating assets:				
	Inventories	449.08		133.15	
	Trade receivables	1,787.27		2,324.59	
	Short-term loans and advances	(293.36)		548.29	
	Long-term loans and advances	1.98		(102.96)	
	Other current assets	293.07		(402.89)	
	Adjustments for increase / (decrease) in operating liabilities:				
	Trade payables	(787.91)		522.11	
	Other current liabilities	209.29		361.62	
	Other long-term liabilities	(47.18)		(192.54)	
	Short-term provisions	(33.42)		11.74	
	Long-term provisions	(12.63)		(61.04)	
			1,566.19		3,142.07
	CASH GENERATED / (USED IN) FROM OPERATIONS BEFORE EXCEPTIONAL ITEMS		**2,246.76**		**3,162.92**
	Exceptional items (refer note 27)		1,240.90		-
	CASH GENERATED / (USED IN) FROM OPERATIONS AFTER EXCEPTIONAL ITEMS		**3,487.66**		**3,162.92**
	Direct taxes (paid)/ refund (net)		(316.55)		(612.47)
	NET CASH FROM OPERATING ACTIVITIES		**3,171.11**		**2,550.45**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets		(766.05)		(858.29)
	Sale of fixed assets		5.01		14.05
	Purchase of Investment		(17.84)		-
	Sale of Investments		9.96		-
	Interest received		42.64		5.80
	Dividend received		0.08		0.19
	Dividend received from Associate		6.88		4.50
	Bank balance not considered as Cash and Cash Equivalents		(0.73)		33.15
	NET CASH FLOW (USED) IN INVESTING ACTIVITIES		**(720.05)**		**(800.60)**

Consolidated Cash Flow Statement for the year ended 30th September, 2014 (contd.)

(Rs. in Lakhs)

Particulars	for the year ended 30th September, 2014		for the year ended 30th September, 2013	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Long-term borrowings	119.64		247.97	
Repayment of Long-term borrowings	(138.91)		(135.11)	
Proceeds from Short-term borrowings	1,596.91		1,721.52	
Repayment of Short-term borrowings	(1,721.50)		(4,055.51)	
Increase/(Decrease) in cash credit balances (Net)	267.89		(296.55)	
Matured deposit paid	(0.43)		(0.76)	
Proceeds from Inter-corporate deposits	4,300.00		5,870.00	
Repayment of Inter-corporate deposits	(5,870.00)		(4,170.00)	
		(1,446.40)		(818.44)
Dividend paid		(0.07)		(111.67)
Tax on Dividend paid		-		(18.51)
Interest paid		(911.33)		(885.35)
NET CASH FROM (USED) IN FINANCING ACTIVITIES		**(2,357.80)**		**(1,833.97)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**93.26**		**(84.12)**
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD		365.38		449.50
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer note 1 below)		**458.64**		**365.38**
		93.26		**(84.12)**

Notes :

1) Cash and cash equivalents include:

(Rs. In Lakhs)

Particulars	As at 30.9.2014	As at 30.9.2013
i) Cash in hand	1.01	2.51
ii) Cheques on Hand	53.92	-
iii) Balance with Scheduled Banks		
In current accounts	403.71	362.87
Total cash and cash equivalents as per AS 3	**458.64**	**365.38**

2) Previous period's figures have been regrouped wherever necessary.

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

R. R. Bhinge
Chairman

P. J. Nath
Executive Director & CEO

Rupen K. Bhatt
Partner

Uday Banerjee
Chief Financial Officer

Girish V. Kirkinde
Company Secretary

Mumbai, 27th November, 2014

Mumbai, 27th November, 2014

Notes forming part of the Consolidated Financial Statements

Note 1

A Background

The Company was formed in the year 1940 as National Ekco Radio & Engineering Co Ltd (JV between E K Cole & Fazalbhoy). The Company became "Nelco Limited" in 1969.

In 1969, the Company was pre-dominantly the manufacturer of audio-visual appliances like Television, calculator, Servo Voltage Stabilizers and such other office equipment. In late 90's the Company entered in Automation business (SCADA, Traction & Drives), which was divested in 2010. In 1995 the Company through its subsidiary, Tatanet Services Limited (TNSL) first installed VSAT captive hub for Tata Group companies' connectivity and in 2003 it entered into the public domain in VSAT services.

Nelco is today focused in providing systems and solutions in the areas of VSAT connectivity & Managed Services. It also provides solutions in the area of Integrated Security & Surveillance.

The Company offers a range of innovative and customized solutions for businesses and government institutions under one roof.

The financial year of the Company is from 1st October -30th September.

B 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 company considered in consolidation are drawn up to the same reporting date as that of the Company i.e. year ended 30th September, 2014.

(i) The financial statements of the Company and its subsidiary 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, which is accounted under the "Equity method" as per which the share of profit/ (loss) of the associate has been added/deducted to/from 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 (which along with Nelco Limited, the Parent, constitute the Group) considered in the preparation of these consolidated financial statements is :

Name	Country of Incorporation	% of voting power held as at 30th September, 2014.	% of voting power held as at 30th September, 2013.
Tatanet Services Limited	India	100	100

c. Investments in Associate

The Group's Associate is:

Name	Country of Incorporation	% of ownership Interest held as at 30th September, 2014.	% of ownership Interest held as at 30th September, 2013.
Nelito Systems Limited	India	22.25	21.84

Notes forming part of the Consolidated Financial Statements

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

		Nelito Systems Limited	
		As at 30th September, 2014	As at 30th September, 2013
(i)	Number of Equity Shares (Nos.)	458,877	450,500
(ii)	Percentage holding	22.25%	21.84%
(iii)	Cost of Investments (Equity Shares) (Rs. in Lakhs)	205.25	191.90
(iv)	Including Goodwill/ (Capital Reserve) (Rs. in Lakhs)	(68.83)	(54.01)
(v)	Share in accumulated profits net of dividends received upto September 30th, 2014 / September 30th, 2013 (Rs.in Lakhs)	605.77	589.96
(vi)	Share of profit / (losses) for the year (Rs. in Lakhs)	27.81	34.92
	Less: Dividend received during the period (Rs.in Lakhs)	(6.88)	(4.50)
	Share of profit / (losses) net of dividend received during the period (Rs.in Lakhs)	20.93	30.42
(vii)	Carrying Cost (Rs.in Lakhs)	831.95	812.28

C Significant Accounting Policies

1.1 **Basis of Accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 ('the 1956 Act') (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

1.2 **Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

1.3 **Cash and cash equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.4 **Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

1.5 **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 Aperture Terminals (VSAT) used as back up, which are depreciated at 25% on straight line basis.

c) Pursuant to the enactment of the Companies Act 2013 (the 'Act'), Tatanet Services Limited(wholly owned subsidiary) has, effective 1st April 2014, reviewed and revised the estimated useful lives of its fixed assets, in accordance with the provisions of Schedule II to the Act except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under:

VSAT remotes: Depreciation on VSAT remotes is provided on the straight line method over the useful life as estimated by the Management. The Management estimates the useful life to be 5 years.

d) Leasehold land is amortized over the period of the lease.

Notes forming part of the Consolidated Financial Statements

1.6 **Intangible Assets**

Intangible assets are initially measured at cost and amortized so as to reflect the pattern in which the asset's economic benefits are consumed.

Software Expenditure incurred is amortized over a period of five years from the date of acquisition.

Technical knowhow incurred is amortized in proportion of unit sold of the Licensed Product or ten year whichever is higher.

License Fees - VSAT : 20 years (9 years remaining as at the Balance sheet date)

License Fees - ISP : 15 years (9 years remaining as at the Balance sheet date)

Testing Software : 5 years (5 years remaining as at the Balance sheet date)

1.7 **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 realizable value. Cost is determined on the basis of the moving weighted average method.

c) Finished goods produced and purchased for sale, semi finished products and spares are carried at cost or net realizable value, whichever is lower.

1.8 **Investments**

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

1.9 **Revenue Recognition**

1.9.1 Sale of product is recognized when risk and rewards of ownership of the product are passed on to the customers on the basis of terms of contract, which is generally on the dispatch of goods.

1.9.2 Sales from services are recognized when services are performed.

1.9.3 Income on Investment

i) Interest income is accounted on accrual basis.

ii) Dividend income is accounted when right to receive payment is established.

1.10 Accounting for Contracts

Contract revenue are accounted on "Percentage of Completion" basis measured by the proportion that the cost incurred up to the reporting date bears to the estimated total cost of the contract.

1.11 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 recognized as income or expense, as the case may be.

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

1.12 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.

1.13 Employee Benefits

Defined Contribution Plan

(a) Company's contributions paid/payable during the year towards Provident Fund, Superannuation Fund and ESIC are recognized in the Statement of Profit and Loss.

(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.

Defined Benefit Plan

Company's liability towards gratuity and long term compensated absences are determined by independent actuaries, using projected unit credit method. Past services are recognized on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized immediately in the Statement of Profit and loss 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.

Notes forming part of the Consolidated Financial Statements

Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

1.14 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

1.15 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.

1.16 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

1.17 Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Deferred Tax is recognized, 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 recognized 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 realized.

1.18 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

Notes forming part of the Consolidated Financial Statements

Note 2 Share capital

Particulars	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Authorised				
Equity Shares of Rs.10/- each with voting rights	25,000,000	2,500.00	25,000,000	2,500.00
Redeemable Preference Shares of Rs.100/- each	2,500,000	2,500.00	2,500,000	2,500.00
		5,000.00		**5,000.00**
Issued:				
Equity shares of Rs 10/- each with voting rights (including 939 equity shares pending allotment)	22,818,400	2,281.85	22,818,400	2,281.85
		2,281.85		**2,281.85**
Subscribed and fully paid up				
Equity shares of Rs 10/- each with voting rights	22,817,461	2,281.75	22,817,461	2,281.75
Total	**22,817,461**	**2,281.75**	**22,817,461**	**2,281.75**

Refer Notes (i) to (v) below

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Equity shares - Subscribed				
Opening and Closing balance	22,817,461	2,281.75	22,817,461	2,281.75

(ii) Details of shares held by the holding company

Particulars	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares	Rs. in Lakhs	Number of shares	Rs. in Lakhs
Equity shares				
The Tata Power Company Limited (48.65%)(Holding Company)	11,099,630	1,109.96	11,099,630	1,109.96
Aftaab Investment Company Limited (1.44%) (Subsidiary of Holding Company)	328,410	32.84	328,410	32.84

(iii) The company has issued only one class of equity shares having a par value of Rs.10 /- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend proposed by Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

Notes forming part of the Consolidated Financial Statements

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights				
The Tata Power Company Limited	11,099,630	48.65%	11,099,630	48.65%

(v) Issued and subscribed equity shares include the following

Class of shares	As at 30th September, 2014		As at 30th September, 2013	
	Number of shares held	Rs. in Lakhs	Number of shares held	Rs. in Lakhs
Otherwise than in cash pursuant to contracts dated 23rd October, 1940	5,370	0.54	5,370	0.54
Issued to Shareholders of the erstwhile General Radio & Appliances Limited in terms of the Scheme of Amalgamation	316,660	31.67	316,660	31.67

Note 3 Reserves and surplus **(Rs. in lakhs)**

Particulars	As at 30th September, 2014	As at 30th September, 2013
General reserve		
Opening balance and closing balance	250.00	250.00
Surplus in Statement of Profit and Loss		
Opening balance	(940.97)	721.64
Add: Profit /(Loss) for the year	192.96	(1,662.61)
	(748.01)	**(940.97)**
Less : Carrying Value of Assets debited as per transitional provision (Refer footnote to Note 11)	93.58	-
	93.58	-
Closing balance	(841.59)	**(940.97)**
Total	**(591.59)**	**(690.97)**

Note 4 Long-term borrowings

(Rs. in lakhs)

Particulars	As at 30th September, 2014			As at 30th September, 2013		
	LongTerm	Current Maturities (Refer Note 9)	Total	LongTerm	Current Maturities (Refer Note 9)	Total
Term loans from Bank - Secured	274.28	96.73	371.01	262.91	83.73	346.64
Deferred Sales tax liability (Under the Sicom Incentive Scheme) - Unsecured	48.81	22.48	71.29	71.29	43.63	114.92
Total	**323.09**	**119.21**	**442.30**	**334.20**	**127.36**	**461.56**

Notes forming part of the Consolidated Financial Statements

Note 5 Other long-term liabilities (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Trade payables:	-	2.15
Other payables		
Income received in advance	-	1.43
Liability towards voluntary retirement scheme	95.88	139.48
Total	**95.88**	143.06

Note 6 Long-term provisions (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Provision for employee benefits:		
Compensated absences	108.91	98.36
Gratuity (Refer note 31)	185.57	167.99
	294.48	266.35
Provision - Others:		
Warranty (Refer note 35 (ii))	-	30.61
Estimated losses on onerous contracts (Refer note 35 (i))	210.17	220.32
Total	**504.65**	**517.28**

Note 7 Short-term borrowings (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Term loans		
From banks- Secured (Refer note (ii) below)	346.91	221.51
Loan repayable on Demand		
From banks- Unsecured	1,250.00	1,500.00
Cash credit from Banks - Secured (Refer note (i) below)	304.78	36.89
Other loans and advances		
Inter corporate deposit - Unsecured		
- from Holding Company	500.00	1,270.00
- from others	3,800.00	4,600.00
Total	**6,201.69**	**7,628.40**

Note: (i) 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 fixed assets of the Company

(ii) 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.

Notes forming part of the Consolidated Financial Statements

Note 8 Trade payables (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Trade payables:		
Other than acceptances	3,548.91	4,336.82
Total	**3,548.91**	**4,336.82**

Note 9 Other current liabilities (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Current maturities of long-term debt (Refer note 4)	119.21	127.36
Interest accrued but not due on borrowings	56.42	99.78
Overdrawn Balances as per Books	0.68	1.16
Income received in advance	665.21	445.96
Unclaimed dividends*	11.87	11.94
Unclaimed matured deposits*	0.05	0.48
Other payables		
Statutory remittances (Contributions to PF, ESIC and Withholding Taxes)	65.75	52.35
Liability towards Department Of Telecommunications	98.27	90.59
Liability towards Standing Advisory Committee on Radio Frequency Allocation	20.26	20.65
Payables in respect of Fixed assets	341.14	19.36
Trade / security deposits received	24.06	24.05
Advances from customers	399.45	425.48
Liability towards voluntary retirement scheme	43.59	47.71
Total	**1,845.96**	**1,366.87**

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

Note 10 Short-term provisions (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Provision for employee benefits		
Compensated absences	18.21	30.27
Gratuity (Refer note 31)	26.25	34.87
	44.46	65.14
Warranty (Refer note 35 (ii))	310.67	343.21
Estimated losses on onerous contracts (Refer note 35 (i))	82.00	62.20
Total	**437.13**	**470.55**

Notes forming part of the Consolidated Financial Statements

Note 11 Fixed Assets

(Rs. in Lakhs)

Description	GROSS BLOCK AT COST				DEPRECIATION					NET BLOCK	
	AS AT 1.10.2013	ADDITIONS	DEDUCTION	AS AT 30.9.2014	AS AT 1.10.2013	FOR THE YEAR	DEDUCTION	Adjustment (refer footnote)	AS AT 30.9.2014	AS AT 30.9.2014	AS AT 30.9.2013
Tangible Assets											
Land :Leasehold	35.90	-	-	35.90	9.45	0.38	-	-	9.83	26.07	26.45
	35.90	-	-	*35.90*	*9.07*	*0.38*	-	-	*9.45*	*26.45*	*26.83*
Building	335.90	-	-	335.90	185.56	11.13	-	-	196.69	139.21	150.34
	335.90	-	-	*335.90*	*174.43*	*11.13*	-	-	*185.56*	*150.34*	*161.47*
Plant and machinery	4,668.45	298.26	3.75	4,962.96	2,509.01	449.63	0.90	93.59	3,051.33	1,911.63	2,159.44
	4,081.70	*610.24*	*23.49*	*4,668.45*	2,121.41	391.84	4.24	-	2,509.01	2,159.44	1,960.29
Electrical Installation	209.25	-	5.53	203.72	84.51	9.28	2.32	-	91.47	112.25	124.74
	209.25	-	-	*209.25*	*74.57*	*9.94*	-	-	*84.51*	*124.74*	*134.68*
Office equipments											
Own	2,217.46	14.57	0.58	2,231.45	1,783.92	86.53	0.14	-	1,870.31	361.14	433.54
	2,288.04	*45.42*	*116.00*	*2,217.46*	*1,783.87*	*100.49*	*100.44*	-	*1,783.92*	*433.54*	*504.17*
Given on lease	2,072.53	40.75	4.49	2,108.79	1,350.30	284.02	2.93	-	1,631.39	477.40	722.23
	1,947.95	*124.58*	-	*2,072.53*	*1,040.83*	*309.47*	-	-	*1,350.30*	*722.23*	*907.12*
Vehicles	26.93	-	-	26.93	15.98	1.66	-	-	17.64	9.29	10.95
	59.93	-	*33.00*	*26.93*	*37.03*	*3.82*	*24.87*	-	*15.98*	*10.95*	*22.90*
Total Tangible Assets	**9,566.42**	**353.58**	**14.35**	**9,905.65**	**5,938.73**	**842.63**	**6.29**	**93.59**	**6,868.66**	**3,036.99**	**3,627.69**
Previous year	*8,958.66*	*780.24*	*172.49*	*9,566.42*	*5,241.20*	*827.06*	*129.55*	-	*5,938.72*	*3,627.69*	*3,717.47*
Intangible Assets											
Goodwill on consolidation	0.40	-	-	0.40	-	-	-	-	-	0.40	0.40
	0.40			*0.40*	-	-	-	-	-	*0.40*	*0.40*
Testing Software	378.71	18.48	-	397.19	290.70	42.14	-	-	332.84	64.35	88.01
	355.10	*23.61*	-	*378.71*	*228.89*	*61.81*	-	-	*290.70*	*88.01*	*126.21*
Technical Know-how	1,083.11	453.04	-	1,536.15	1,083.11	31.68	-	-	1,114.79	421.36	-
	1,083.11	-	-	*1,083.11*	*1,083.11*	-	-	-	*1,083.11*	-	-
Licence Fees - VSAT	30.00	-	-	30.00	17.25	1.50	-	-	18.75	11.25	12.75
	30.00	-	-	*30.00*	*15.75*	*1.50*	-	-	*17.25*	*12.75*	*14.25*
Licence Fees - ISP	20.00	-	-	20.00	7.27	1.33	-	-	8.60	11.40	12.73
	20.00	-	-	*20.00*	*5.94*	*1.33*	-	-	*7.27*	*12.73*	*14.06*
Total Intangible Assets	**1,512.22**	**471.52**	**-**	**1,983.74**	**1,398.33**	**76.65**	**-**	**-**	**1,474.98**	**508.76**	**113.89**
Previous year	*1,488.61*	*23.61*	-	*1,512.22*	*1,333.68*	*64.64*	-	-	*1,398.33*	*113.89*	*154.92*
Grand Total	**11,078.64**	**825.10**	**14.35**	**11,889.39**	**7,337.06**	**919.28**	**6.29**	**93.59**	**8,343.64**	**3,545.75**	**3,741.58**
Previous year	*10,447.27*	*803.85*	*172.49*	*11,078.63*	*6,574.88*	*891.71*	*129.55*	-	*7,337.05*	*3,741.58*	3872.38

Figures in italics pertains to the previous year.

Footnote : Pursuant to the enactment of the Companies Act 2013 (the 'Act'), Tatanet Services Limited(wholly owned subsidiary) has, effective 1st April 2014, reviewed and revised the estimated useful lives of its fixed assets, in accordance with the provisions of Schedule II to the Act. As per the transitional provision the carrying amount of assets aggregating Rs.93.59 lakhs where the remaining useful life of the asset as on March 31,2014 is Nil is debited to opening balance of retained earnings.

Notes forming part of the Consolidated Financial Statements

Note 12 Non-current investments (At cost, less provision other than temporary , if any) (Rs. in Lakhs)

Particulars	Number of Shares	Face value per unit (Rs.)	As at 30th September, 2014	As at 30th September, 2013
Unquoted - Equity Shares				
Trade				
In Associate Companies				
Nelito Systems Limited	458,877	10	831.95	812.28
(refer note 1B (d))	*450,500*			
In Other Companies				
Technopolis Knowledge Park Limited	1,810,000	10	181.00	181.00
	1,810,000			
Other investments				
Ordinary Shares of Zoroastrian Co-operative Bank Limited.	6,000	25	1.50	1.50
	6,000			
Total			**1,014.45**	**994.78**
Less: Provision for diminution in value of investments in respect of Technopolis Knowledge Park Limited.			181.00	181.00
Total			**833.45**	**813.78**
Note:				
Aggregate amount of unquoted investments			1,014.45	994.78

Note 13 Long-term loans and advances (Unsecured, considered good) (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Security deposits	44.49	44.49
Advance income tax (net of provision for tax of Rs 1879.07 Lakhs (previous year : Rs 1938.66 Lakhs))	1,705.36	1,440.81
Balances with government authorities	42.43	42.44
Unamortised portion of term loan processing charges	2.44	4.41
Other recoverables	34.94	34.94
Total	**1,829.66**	**1,567.09**

Note 14 Inventories (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Contracts in Progress	233.03	74.06
Raw materials - Goods-in-transit	170.69	-
Raw materials	257.16	329.26
Work-in-progress	175.13	427.08
Stock - in - trade	678.39	1,133.08
Total	**1,514.40**	**1,963.48**

Notes forming part of the Consolidated Financial Statements

Note 15 Trade receivables (Unsecured and considered good, unless otherwise stated) (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Outstanding for a period exceeding six months from the date they were due for payment		
Considered good	551.07	567.69
Doubtful	391.79	457.61
	942.86	1,025.30
Less: Provision for doubtful trade receivables	391.79	457.61
	551.07	567.69
Other Trade receivables (refer note (i) below)		
Considered good	3,313.06	5,033.29
Doubtful	15.39	0.00
	3,328.45	5,033.29
Less: Provision for doubtful trade receivables	15.39	0.00
	3,313.06	5,033.29
Total	**3,864.13**	**5,600.98**

(i) Other Trade receivables include Rs. 620.71 lakhs (Previous year: Rs.1,043.66 lakhs), which in accordance with the terms of contracts, were not due for payment as at the year end.

Note 16 Cash and Bank Balances (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
A. **Cash and cash equivalents**		
Cash on hand	1.01	2.51
Cheques on hand	53.92	-
Balances with banks		
In current accounts	403.71	362.87
Total - Cash and cash equivalents (A)	**458.64**	**365.38**
B. Other bank balances		
In earmarked accounts		
- Unclaimed dividend accounts	11.87	11.94
- Unclaimed matured deposits	0.05	0.48
- Balances held as margin money against letter of credit and bank guarantees	19.97	18.74
Total - Other bank balances (B)	31.89	31.16
Total Cash and Bank balance (A+B)	490.53	396.54
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statement	**458.64**	**365.38**

Notes forming part of the Consolidated Financial Statements

Note 17 Short-term loans and advances - (Unsecured and considered good, unless otherwise stated) (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Security deposits		
Considered good	226.34	158.73
Doubtful	21.43	85.89
	247.77	244.62
Less: Provision for doubtful deposits	21.43	85.89
	226.34	158.73
Loans and advances to employees	12.56	18.63
Prepaid expenses	144.57	101.59
Balances with government authorities		
Service Tax credit receivables	209.60	150.32
Value Added Tax/Work Contract Tax	162.12	134.07
Advance to suppliers	209.91	114.20
Other recoverables	41.11	33.33
Total	**1,006.21**	**710.87**

Note 18 Other current assets (Rs. in Lakhs)

Particulars	As at 30th September, 2014	As at 30th September, 2013
Unbilled revenue	1,219.56	1,503.68
Unamortised expenses		
Premium on Forward Contract	7.82	16.77
Total	**1,227.38**	**1,520.45**

Note 19 Revenue from operations (Rs. in Lakhs)

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Sale of products	5,766.68	6,769.37
Sale of Services	7,753.73	6,747.56
Total (A)	**13,520.41**	**13,516.93**
Other Operating revenue		
Scrap sales	-	0.85
Commission income	25.79	16.15
Total (B)	25.79	17.00
Total (A)+(B)	13,546.20	13,533.93
Less: Excise duty	(115.47)	(60.24)
Total	**13,430.73**	**13,473.69**

Notes forming part of the Consolidated Financial Statements

Note 20 Other income (Rs. in Lakhs)

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Interest income comprises:		
Interest on Bank deposits	3.72	5.80
Interest on Income tax refund	38.92	-
	42.64	5.80
Dividend income from long term investments	0.08	0.19
Other non-operating income comprises:		
Insurance claims recovered	0.19	0.39
Liabilities/Provisions no longer required written back	19.49	24.76
Bad Debts Recovered	25.84	-
Provision for Doubtful Advances Written back (Refer Note 27)	62.50	-
Miscellaneous income	7.65	2.69
Total	**158.39**	**33.83**

Note 21. Changes in inventories of Stock-in-trade, work-in-progress and contracts in progress (Rs. in Lakhs)

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Inventories at the beginning of the year:		
Stock - in - trade	1,133.08	1,066.70
Work-in-progress	427.08	210.94
Contracts in progress	74.06	406.91
	1,634.22	**1,684.55**
Less : Inventories at the end of the year:		
Stock - in - trade	678.39	1,133.08
Work-in-progress	175.13	427.08
Contracts in progress	233.03	74.06
	1,086.55	**1,634.22**
Net Decrease	**547.67**	**50.33**

Note 22 Employee benefits expense (Rs. in Lakhs)

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Salaries and wages	2,050.48	2,058.42
Contributions to provident and superannuation fund, etc.	91.96	104.30
Gratuity	47.53	34.00
Staff welfare expenses	210.33	221.51
Total	**2,400.30**	**2,418.23**

Notes forming part of the Consolidated Financial Statements

Note 23 Finance costs (Rs. in Lakhs)

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Interest expense on:		
Borrowings	864.14	897.06
Trade payables	3.83	12.32
Bank charges	81.81	88.14
Total	**949.78**	**997.52**

Note 24 Other expenses (Rs. in Lakhs)

Particulars	For the year ended 30th September, 2014	For the year ended 30th September, 2013
Consumption of loose tools	33.07	49.31
Licence fees to Department of Telecomunications	579.84	489.94
Transponder charges	1,621.14	1,428.55
Subcontracting expenses	957.58	648.73
Power and fuel	161.52	170.21
Rent including lease rentals	122.64	69.59
Repairs and maintenance - Buildings	-	0.03
Repairs and maintenance - Machinery	45.30	31.61
Repairs and maintenance - Others	167.39	154.02
Insurance	17.73	28.63
Rates and taxes	12.58	11.98
Travelling and conveyance	274.99	328.91
Freight and forwarding	248.60	240.14
Legal and professional	138.96	96.94
Consultancy charges	265.23	303.30
Installation expenses	438.73	353.93
Foreign exchange loss (net)	2.22	(4.18)
Bad debts/advances written off	242.32	276.35
Less: Provision for doubtful debts/advances made in earlier years written back	(242.32)	(276.35)
	-	-
Provision for doubtful debts and advances	189.91	197.44
Loss on sale of investment	9.15	-
Loss on fixed assets sold (net)	3.05	28.88
Provision for foreseeable losses (refer note 35 (i))	9.64	5.60
Provision for warranty (refer note 35 (ii))	(2.84)	3.26
Miscellaneous expenses	753.44	862.53
Total	**6,049.87**	**5,499.35**

Notes forming part of the Consolidated Financial Statements

25. The Board of Directors of the Company at its meeting held on April 03, 2014, inter alia, has approved the restructuring of the Company's Automation & Control segment , by restricting operations and reducing expenditure with a view to minimize losses. This will be subject to necessary approvals / consents / permissions. However, the Company will continue to focus on building its position in the Network Systems segment.

26. The Company has accumulated losses as at 30th September, 2014 which has substantially eroded the Company's net worth. Notwithstanding this, these financial have been prepared on going concern basis in view of support letter from the parent company and the business plan of the Company.

27. In the year 2006, the Company filed arbitration proceedings against Jawaharlal Nehru Port Trust (JNPT) for enforcement of its claim in respect of the additional work carried out, wrongful deduction of liquidated damages and encashment of bank guarantee by JNPT. The Arbitration award was passed in favour of the Company on 06th February, 2012. The said award, however, was challenged by JNPT in the Hon'ble Bombay High Court which dismissed the plea on 06th February, 2014 and awarded the claim to the Company. JNPT paid in June, 2014 Rs 1,303.40 lakhs as decretal dues (including interest and costs) to the Company (of which Rs 62.50 lakhs is included in other income as provision no longer required written back).

28. In respect of equipments given on operating leases, no refundable deposits are taken and the lease rentals for the year of Rs. 244.43 lakhs (Previous Year: Rs. 319.14 lakhs) recognized in the Statement of Profit and Loss are included under Income from Services Rendered.

29. Capital Commitment (Rs. in Lakhs)

Particulars	2013-14	2012-13
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	70.04	87.74

30. Contingent Liabilities (Rs. in Lakhs)

Particulars	2013-14	2012-13
a) Claims against the company not acknowledged as debt comprises of :		
i) Excise duty, sales tax and service tax claims disputed by the company relating to issues of applicability and classification	4490.34	879.03
ii) Custom duty (excluding claims where amounts are not ascertainable)	29.28	29.28
b) **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	631.33	-
Future cash outflows in respect of the above matters are determinable only on receipt of judgments/decisions pending at various forums / authorities		

31. Employee Benefits

I. Defined Contribution Plan

Company's contribution paid/payable during the year to provident fund, superannuation fund and ESIC contribution are recognised as an expense and included in Note 22 of the Statement of Profit and Loss under the heading "Contributions to provident and superannuation funds, etc.," are as under:

(Rs. in Lakhs)

Particulars	2013-14	2012-13
a) Contribution to Employees' Superannuation Fund	23.86	26.09
b) Employees' State Insurance Scheme	0.32	0.51
c) Contribution to Provident Fund	67.78	77.70

Provident Fund

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trust formed by the Company. The Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.

Notes forming part of the Consolidated Financial Statements

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of Trustees is unable to pay interest at the rate declared by Central Government under para 60 of the Employees' Provident Fund Scheme, 1952 then the shortfall shall be made good by the Company. Having regard to the assets of the fund and the return on the investments, the Company does not expect any shortfall in the foreseeable future.

II. Gratuity (Unfunded) (Rs.in Lakhs)

	Particulars	2013-14	2012-13
1	**Expenses recognised in Statement of Profit and Loss for the year ended**		
	Current Service cost	16.38	18.59
	Interest cost	18.77	17.20
	Expected return on plan assets	-	-
	Net Actuarial (Gain)/Loss	12.38	(1.79)
	Total Expense	**47.53**	**34.00**
2	**Net Asset/(Liability) recognised in the Balance Sheet as at**		
	Present value of Defined Benefit obligations as at the end of year	(211.82)	(202.86)
	Fair value of plan assets as at the end of the year	-	-
	Net Asset/(Liability) as at	(211.82)	(202.86)
	Current	26.25	34.87
	Non-Current	185.57	167.99
3	**Changes in present value of obligations during the year**		
	Present value of obligations as at beginning of year	202.86	185.97
	Interest cost	18.77	17.20
	Current Service cost	16.38	18.59
	Liabilities transferred out	(0.86)	-
	Benefits Paid	(37.71)	(17.11)
	Actuarial (Gain)/Loss	12.38	(1.79)
	Present value of Defined Benefit obligations as at end of year	211.82	202.86

	Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
4	**Experience Adjustments**					
	Experience (Gain)/Loss on adjustments on plan assets	-	-	-	-	-
	Experience (Gain)/Loss on adjustments on plan liabilities	7.14	12.42	2.92	4.14	(11.92)
	Experience Adjustments (Total)	**7.14**	**12.42**	**2.92**	**4.14**	**(11.92)**
5	**Assumptions**					
	Discount Rate	8.89%	9.25%	8.25%	8.50%	8.25%
	Salary Escalation	6.00%	6.00%	6.00%	6.00%	6.00%
	Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%
	Mortality Rate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	LIC (94-96) Ultimate	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. 41.42 lakhs (Previous Year: Rs. 15.61 lakhs) has been included in the Statement of Profit and Loss.

Notes forming part of the Consolidated Financial Statements

32. Earnings Per Share (EPS)

Particulars	2013-14	2012-13
a) Weighted Average Number of Shares at the beginning and end of the year (Nos.)	22,817,461	22,817,461
b) Net Profit/(Loss) after Tax available for Equity Shareholders (Rs.in Lakhs)	192.96	(1662.61)
c) Basic Earnings Per Share (Rs.) (Face value of Rs. 10 per share)	0.85	(7.29)
d) Diluted Earning Per Share (Rs.)	0.85	(7.29)

33. The components of Deferred Tax Assets /(Liabilities) are as under: (Rs. in lakhs)

Particulars	2013-14	2012-13
Deferred Tax Assets		
a) On Unpaid Liabilities under Section 43B of the Income Tax Act	112.24	109.05
b) On Provision for Doubtful debts	106.58	153.09
c) On Voluntary Retirement costs	9.02	22.92
d) Provision for future losses	94.79	*59.53
e) Unabsorbed tax depreciation	*27.37	* -
Total:	**350.00**	**344.59**
Less: Deferred Tax Liability		
a) On Fiscal allowances of fixed assets	350.00	344.59
Total:	**(350.00)**	**(344.59)**
Net Deferred Tax Assets / (Liabilities)	**-**	**-**

* Considered to the extent that there are compensating timing differences, reversal of which will result in sufficient income against which this can be realized.

34. Information relating to Contracts required as per Accounting Standard-7 notified by the Companies (Accounting Standards) Rules, 2006 are as follows :

(Rs.in Lakhs)

Particulars	2013-14	2012-13
Contract revenue recognised as revenue during the year	760.86	2,364.99
Aggregate amount of contract costs incurred and recognized profits (less recognized losses) upto year end	8,355.76	7,459.41
Retention money for contracts in progress	322.39	234.01
Advance payments received	-	-
Gross amount due from customers for contract work (assets)	1358.52	1,482.99
Gross amount due to customers for contract work (liabilities)	10.52	30.37

For the method used to determine the contract revenue recognised and the stage of completion on contract in progress, refer note 1.10

Notes forming part of the Consolidated Financial Statements

35. Disclosures as required by Accounting Standard-29 – "Provisions, Contingent Liabilities and Contingent Assets" notified by the Companies (Accounting Standards) Rules, 2006 as at the year end are as follows:

Provision for future losses pertains to certain onerous contracts where the unavoidable costs of meeting the obligations as per the contracts exceed the economic benefits expected to be received from it.

i) Future foreseeable losses on contracts :-

(Rs.in Lakhs)

Particulars	2013-14	2012-13
Opening Balance	282.52	297.83
Provision during the year	28.58	5.60
Utilisation During the year	-	20.91
Reversal during the Year	18.93	-
Closing Balance	**292.17**	**282.52**
Current	82.00	62.20
Non Current	210.17	220.32

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.

ii) Warranties :

(Rs. in Lakhs)

Particulars	2013-14	2012-13
Opening Balance	373.82	418.94
Provision during the year	162.31	50.00
Utilisation During the year	60.31	48.38
Reversal during the Year	165.15	46.74
Closing Balance	**310.67**	**373.82**
Current	310.67	343.21
Non Current	-	30.61

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

Particulars	Foreign Currency	Amount in Foreign currency (in lakhs)	
		2013-14	2012-13
Receivable	USD	0.33	1.59
Payable	USD	2.84	2.43
	EUR	0.40	0.85
	GBP	-	0.08
	NOK	0.12	0.12

Foreign currency exposures that have been hedged by a derivative instrument or others as at the year end are:

Particulars	Foreign Currency	Amount in Foreign Currency (in Lakhs)	
		2013-14	2012-13
Payable	USD	7.89	13.83

Notes forming part of the Consolidated Financial Statements

37. Related Party Disclosure:

I. Holding company – The Tata Power Company Limited

II. Other parties with whom transactions have taken place during the year

a. Associate – Nelito Systems Limited

III. Key Management Personnel

a. Mr. P.J. Nath - Executive Director & CEO

The related party transactions are as under:

(Rs.in Lakhs)

Sl. no.	Particulars	The Tata Power Company Limited	Nelito Systems Limited	Key Management Personnel
1)	**Sales :**			
a)	Goods	1.20	-	-
		(2.59)	(-)	(-)
b)	Services	1.89	0.90	-
		(3.71)	(0.90)	(-)
2)	**Finance :**			
a)	Inter Corporate Loans taken	-	-	-
		(900.00)	(-)	(-)
b)	Inter Corporate Loans Repayment	770.00	-	-
		(775.00)	(-)	(-)
c)	Interest Paid/Payable	120.70	-	-
		(177.37)	(-)	(-)
d)	Dividend received	-	6.88	-
		(-)	(4.50)	(-)
e)	Dividend paid	-	-	-
		(55.50)	(-)	(-)
3)	**Other Transactions :**			
a)	Reimbursements received from parties	-	-	-
		(1.73)	(-)	(-)
4)	**Balance outstanding as on 30.09.2014**			
a)	Trade receivables (Net)	0.28	-	-
		(2.38)	(-)	(-)
b)	Inter Corporate Loans	500.00	-	-
		(1,270.00)	(-)	(-)
c)	Interest Accrued, but not due	13.25	-	-
		(16.96)	(-)	(-)
d)	Other Recoverable	-	0.28	-
		(-)	(0.33)	(-)
5)	Remuneration to Key Managerial Personnel	-	-	129.43
		(-)	(-)	(127.53)

Note : Figures in brackets pertain to the Previous year

Notes forming part of the Consolidated Financial Statements

38. Segment Reporting

Business Segment:

The group has considered business segment as the primary segment for disclosure. The segment has 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.

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

Secondary Segment:

The company caters mainly to the needs of the domestic market, the export turnover of Rs.190.36 lakhs (Previous Year Rs. 210.44 lakhs) is not significant in the context of the total external revenue of Rs. 13,404.94 lakhs (Previous Year Rs. 13,456.69 lakhs)

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.

SEGMENT REPORT FOR THE YEAR ENDED 30th SEPTEMBER, 2014

Primary Segment Disclosure - Business Segment (Rs. in Lakhs)

	Particulars	Automation & Control	Network Systems	Elimination	Total
A	**SEGMENT REVENUE**				
	External Revenue	2,544.88	10,975.53	-	13,520.41
		3,415.69	*10,101.24*	-	*13,516.93*
	Less : Excise Duty	115.47	-	-	115.47
		60.24	-	-	*60.24*
	Net External Revenue	2,429.41	10,975.53	-	13,404.94
		3,355.45	*10,101.24*	-	*13,456.69*
	Intersegment Revenue	-	-	-	-
		-	-	-	-
	TOTAL SEGMENT REVENUE	**2,429.41**	**10,975.53**	**-**	**13,404.94**
		3,355.45	***10,101.24***	**-**	***13,456.69***
B	**RESULTS**				
	Segment Results	(746.16)	1,849.71	-	1,103.55
		(1,164.29)	*1,567.20*	-	*402.91*
	Unallocable Corporate Expenses (Net of Income)	-	-	-	1,301.96
		-	-	-	*1,223.55*
	Less : Interest Expense unallocable to segments	-	-		867.98
		-	-	-	*909.38*
	Add : Interest Income unallocable to segments	-	-		42.64
		-	-	-	*5.80*
	Add: Exceptional Items (refer note 27)	-	-	-	1,240.90
		-	-	-	-
	Profit/ (Loss) before Taxes				217.15
					(1,724.22)

Notes forming part of the Consolidated Financial Statements

	Particulars	Automation & Control	Network Systems	Elimination	Total
	Less : Provision for Tax				
a)	Current tax including Fringe Benefit Tax				52.00
					(18.18)
b)	Deferred Tax				-
					(8.51)
	NET PROFIT/(LOSS) after Tax and before share of associate				165.15
					(1,697.53)
	Add: Share of Profit in Associate				27.81
					34.92
	Profit/(Loss) after tax				**192.96**
					(1,662.61)
C	**SEGMENT ASSETS**	5,084.33	6,114.88		11,199.21
		5,916.15	*7,533.85*		*13,450.00*
	Add: Unallocable Corporate Assets				3,448.25
					2,937.96
	Total Assets				**14,647.46**
					16,387.96
D	**SEGMENT LIABILITIES**	1,613.51	3,719.65		5,333.16
		1,817.40	*3,741.47*		*5,558.87*
	Add: Unallocable Corporate Liablities				7,624.15
					9,238.31
	Total Liabilities				**12,957.31**
					14,797.18
E	**CAPITAL EXPENDITURE**	457.63	630.21		**1,087.84**
		17.64	*839.57*		*857.21*
F	**DEPRECIATION**	79.30	839.98		**919.28**
		70.30	*821.41*		*891.71*
G	**NON CASH EXPENSES**				
	Provision for doubtful debts/advances	106.30	83.61		**189.91**
		61.60	*135.84*		*197.44*

Figures shown in Italics pertains to previous year.

39. The tax year for the company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the six months ended 31st March, 2014 and the provision based on the figures for the remaining six months up to 30th September, 2014, the ultimate tax liability of which will be determined on the basis of the figures for the year 1st April, 2014 to 31st March, 2015.

40. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/ disclosure.

Signature to Notes forming part of financial statements "1" to "40"

For and on behalf of the Board

R.R. Bhinge
Chairman

P.J. Nath
Executive Director & CEO

Uday Banerjee
Chief Financial Officer

Girish Kirkinde
Company Secretary

Mumbai, 27th November, 2014

NOTES

NOTES

NELCO LIMITED

CIN : L32200MH1940PLC003164
Registered Office : MIDC Plot EL-6, TTC Industrial Area, Electronics Zone, Mahape,Navi Mumbai – 400710
Tel: 91 22 67399100 Fax : 91 22 6739877, Email: services@nelco.in Website : www.nelco.in

ATTENDANCE SLIP

72nd Annual General Meeting on Wednesday, 28th January, 2015 at 3.00 pm
at "Unison" Hotel Four Points By Sheraton, 2nd floor, Plot No.39/1, 6 to 15, Sector 30A, Vashi, Navi Mumbai– 400 701

Folio No. ..... DP ID No.*..... & Client ID No.* .....

Name of the Member.....Signature……...

Name of the Proxy holder .....Signature……..……..

1. Only Member/Proxy holder can attend the Meeting.
2. Member/Proxy holder should bring his/her copy of the Annual Report for reference at the Meeting

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NELCO LIMITED

Registered Office : MIDC Plot EL-6, TTC Industrial Area, Electronics Zone, Mahape,Navi Mumbai – 400710.
Tel: 91 22 67399100 Fax : 91 22 6739877, Email: services@nelco.in Website : www.nelco.in

PROXY

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]
Name of the Company : **NELCO Limited,** CIN : L32200MH1940PLC003164
Registered Office : MIDC Plot EL-6, TTC Industrial Area, Electronics Zone, Mahape, Navi Mumbai – 400710.

Name of the member(s) :..... E-mail ID :.....

Registered address .....

.....

Folio No / Client ID :..... DP ID :.....

I / We, being the member(s) of NELCO Limited holding.....shares of the above named company, hereby appoint

1. Name :..... E-mail :.....

   Address :.....

   ..... Signature : ..... , or failing him

2. Name :..... E-mail :.....

   Address :.....

   ..... Signature : ..... , or failing him

3. Name :..... E-mail :.....

   Address :.....

   ..... Signature : .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 72nd Annual General Meeting of the Company, to be held on the 28th day of January, 2015 at 3 p.m. at "Unison" Hotel Four Points By Sheraton, 2nd floor, Plot No.39/1, 6 to 15, Sector 30A, Vashi, Navi Mumbai– 400 701 and at any adjournment thereof in respect of such resolutions as are indicated overleaf:

Resolution No	Description of Resolution	For	Against
1	Adoption of Statement of Profit and Loss, Balance Sheet, reports of Board of Directors and Auditors for the year ended 30th September, 2014	☐	☐
2	Re-appointment of Mr. S.Ramakrishnan who retires by rotation	☐	☐
3	Appointment Auditors and fix their remuneration	☐	☐
4	Appointment of Ms. Hema Hattangady as Director	☐	☐
5	Appointment of Ms. Hema Hattangady as an Independent Director	☐	☐
6	Appointment of Mr. R.R.Bhinge as an Independent Director	☐	☐
7	Appointment of Mr. P.K.Ghose as an Independent Director	☐	☐
8	Appointment of Mr. R.Savoor as an Independent Director	☐	☐
9	Appointment of Mr. K.Raghuraman as an Independent Director	☐	☐
10	Appointment of Mr. K.Ramachandran as an Independent Director	☐	☐
11	Payment of remuneration to Mr. P.J.Nath, Executive Director & CEO	☐	☐
12	Ratification of remuneration to Cost Auditors	☐	☐

Signed this _____day of _____20__

Signature of the Shareholder _____

Signature of the proxy holder(s)_____

Affix Revenue Stamp

Notes 1. This form of proxy in order to be effective should be duly completed and deposited at the Registered office of the Company at Plot EL-6, TTC Industrial Area, Electronics Zone, Mahape, Navi Mumbai – 400710, not less than 48 hours before the commencement of the meeting.

2. Those Members who have multiple folios with different joint holders may use copies of this Attendance Slip/Proxy.

OPEN HOUSE

SAFETY AND FIRE TRAINING

ANNUAL GENERAL MEETING

FOUNDER'S DAY

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Registered Office: Nelco Limited, EL-6, Electronics Zone, MIDC, Mahape, Navi Mumbai - 400 710, India.
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Regional office: **Bangalore:** +91-080-6453 2271, **Chennai:**+91-044-6551 3933/34/35,
Jamshedpur :+91-0657-222 7766/7, **Kolkata:** +91-033-2212 1 904/06,
New Delhi:+91-011-2586 3876/77, **Secunderabad:**+91-040-2790 3419

CIN No.L32200MH1940PLC003164;