

NELCO LIMITED (CONSOLIDATED)

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS OF NELCO LIMITED

1. Introduction

1.1 We have reviewed the accompanying Unaudited Special Purpose Condensed Consolidated Balance Sheet of **NELCO LIMITED** ("the Company") as at 31st March, 2015, the Unaudited Special Purpose Condensed Consolidated Statement of Profit and Loss and the Unaudited Special Purpose Condensed Consolidated Cash Flow Statement for the year ended on that date and Selected Explanatory Notes (together referred to as "Interim Financial Information"). The Management is responsible for the preparation of the Interim Financial Information in accordance with the requirements of the recognition and measurement principles laid down in Accounting Standard ("AS") 25, "Interim Financial Reporting", specified as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India, to the extent considered relevant and appropriate for the purpose of this reporting. The Interim Financial Information has been approved by the Board of Directors and is the responsibility of the Company's Management. Our responsibility is to issue a report on the Interim Financial Information based on our review.

2. Scope of Review

2.1 We conducted our review in accordance with the Standard on Review Engagements (SRE 2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

2.2 We did not review the interim financial statement of a subsidiary included in the Interim Financial Information, whose interim financial results reflect total assets of Rs. 3,293 lakhs as at 31st March, 2015, total revenues of Rs. 5082 lakhs for the year ended 31st March, 2015, and total loss after tax of Rs. 387 lakhs for the year ended 31st March, 2015, as considered in the Interim Financial Information. These interim financial statements has been audited by an another auditor whose report

has been furnished to us by the Management and our report on the Interim Financial Information, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the report of the other auditor.

- 2.3 The Interim Financial Information also includes the Group's share of profit after tax of Rs. 73 lakhs for the year ended 31st March, 2015, as considered in the Interim Financial Information, in respect of an associate, based on their interim financial statements which have not been reviewed by its auditors.

3. Conclusion

- 3.1 Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information drawn up in conformity with requirements of the recognition and measurement principles laid down in AS 25 "Interim Financial Reporting" specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India, does not contain the information required for the purpose for which they have been drawn up or that it contains any material misstatement.

4. Emphasis of Matter

- 4.1 We draw attention to Note 9 to the Interim Financial Information, which describes the continued applicability of the going concern concept to the Company despite substantial erosion in the Net worth of the Company as at 31st March, 2015, in view of the support letter from the Parent Company.

Our report is not qualified in respect of this matter.

5. Restriction on Distribution and Use

- 5.1 The Interim Financial Information is prepared to assist The Tata Power Company Limited ("Tata Power"), in connection with their preparation of the consolidated financial statements of the Tata Power Group. As a result, the Interim Financial Information is not suitable for any other purpose. Our report is intended solely for Tata Power and should not be distributed to or used by parties other than Tata Power.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(ICAI Registration Number: 117366W/W-100018)



Rupen K. Bhatt
Partner

(Membership Number: 046930)

MUMBAI, 28th April, 2015

Neico Limited

Unaudited Special Purpose Condensed Consolidated Balance Sheet as at 31st March, 2015

Particulars		As at	As at
		31st March, 15	31st March, 14
		Rs in lakhs	Rs in lakhs
A	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital	2,282	2,282
	(b) Reserves and surplus	(1,532)	(1,219)
		750	1,063
2	Non-current liabilities		
	(a) Long-term borrowings	500	394
	(b) Deferred tax liability (Net)		
	(c) Other long-term liabilities	78	124
	(d) Long-term provisions	521	543
		1,097	1,061
3	Current liabilities		
	(a) Short-term borrowings	7,294	7,773
	(b) Trade payables	3,555	3,607
	(c) Other current liabilities	1,392	1,293
	(d) Short-term provisions	442	405
		12,683	13,078
	TOTAL	14,530	15,202
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets		
	(i) Tangible assets	2,831	3,456
	(ii) Intangible assets	294	530
	(iii) Capital work-in-progress	70	15
		3,195	4,001
	(b) Non-current investments	845	837
	(c) Long-term loans and advances	2286	1,473
		6,326	6,311
2	Current assets		
	(a) Inventories	1,293	1,777
	(b) Trade receivables	4,947	4,410
	(c) Cash and bank balances	233	616
	(d) Short-term loans and advances	750	933
	(e) Other current assets	981	1,155
		8,204	8,891
	TOTAL	14,530	15,202
	See accompanying notes forming part of the Interim Financial Information		

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants



Rupen K. Bhatt
Partner

Place: Mumbai
Date: 28 APR 2015

For and on behalf of the Board of Directors:

R. R. Bhinge - Chairman

P. J. Nath - Executive Director & CEO

Uday Banerjee - Chief Financial Officer

Grish V. Kirkinde - Company Secretary

Place: Mumbai
Date: 28 APR 2015





Nelco Limited		
Unaudited Special Purpose Condensed Consolidated Statement of Profit and Loss for the Year ended 31st March, 2015		
Particulars	For Year Ended	For Year Ended
	31st March, 15	31st March, 14
	Rs in Lakhs	Rs in Lakhs
A. Continuing Operations		
1	Revenue from operations (gross)	12,546
	Less: Excise duty	23
	Revenue from operations (net)	12,523
2	Other income	125
3	Total revenue (1+2)	12,648
4	Expenses	
	Cost of materials consumed	312
	Purchases of stock-in-trade	2,739
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	306
	Employee benefits expense	1,681
	Finance costs	698
	Depreciation and amortisation expense (Refer note - 12)	1,135
	Other expenses	8,460
	Total expenses	13,331
5	Loss before exceptional items and tax (3 - 4)	(683)
6	Exceptional items (refer note 6)	1,241
7	Profit / (Loss) before tax (5+6)	558
8	Less: Tax expense	
	Current tax	-
	Deferred tax (Refer note -12)	47
9	Profit / (Loss) after tax from continuing operations (7-8)	47
		511
B. Discontinuing Operations		
10	Profit / (Loss) from discontinuing operations (before tax)	
11	Add / (Less): Tax expense of discontinuing operations	(643)
12	Profit / (Loss) from discontinuing operations (10-11)	(643)
C. TOTAL OPERATIONS		
13	Profit / (Loss) after tax before share of profit/(loss) of associate (9 + 12)	(132)
14	Share in profit/(loss) of associate	16
15	Profit / (Loss) for the year attributable to the shareholders of the Company (13 + 14)	(116)
16	Earnings per share (of ` 10/- each): (Refer note 5)	(1,167)
	(a) Basic & Diluted	
	(i) Continuing operations	2.24
	(ii) Total operations	(0.51)
	See accompanying notes forming part of the Interim Financial Information	(2.92)
		(5.11)

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Rupen K. Bhatt
Partner

Place: Mumbai
Date: 28 APR 2015

For and on behalf of the Board of Directors

R. R. Bhinge - Chairman

P. J. Nair - Executive Director & CEO

Uday Banerjee - Chief Financial Officer

Grish V. Kirkinda - Company Secretary

Place: Mumbai

Date: 28 APR 2015

NELCO LIMITED

Unaudited Special Purpose Condensed Consolidated Cash Flow Statement for the year ended 31st March, 2015

Particulars	For the year ended 31st March, 2015	For the year ended 31st March, 2014
NET CASH FROM OPERATING ACTIVITIES AFTER EXCEPTIONAL ITEMS	1,599	1,453
NET CASH FLOW (USED) IN INVESTING ACTIVITIES	(626)	(1,006)
NET CASH FROM (USED) IN FINANCING ACTIVITIES	(1,358)	(169)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(385)	278
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE PERIOD	584	307
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (Refer note 1 below)	199	585

Notes :

1) Cash and cash equivalents include:

Rs. in Lakhs

	As at 31.03.2015	As at 31.03.2014
i) Cash In hand	2	2
ii) Cheques on Hand	-	51
iii) Balance with Scheduled Banks In current accounts	197	531
Total cash and cash equivalents as per AS 3	199	584

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

3) The Cash flow from Continuing and Discontinuing operations are:

	Continuing Operations		Discontinuing Operations		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	2,117	2,352	(518)	(899)	1,599	1,453
NET CASH FROM FLOW / (USED IN) / INVESTING ACTIVITIES	(626)	(533)	-	(473)	(626)	(1,006)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(1,358)	(169)	-	-	(1,358)	(169)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	133	1,650	(518)	(1,372)	(385)	278

See accompanying notes forming part of the Interim Financial Information

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants



Rupen K. Bhatt
Partner

Place : Mumbai
Date : 28 APR 2015

For and on behalf of the Board of Directors

R. R. Bhinge - Chairman

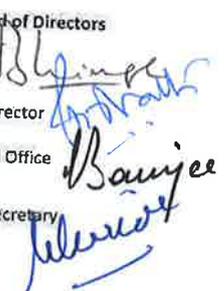
P. J. Nath - CEO & Executive Director

Uday Banerjee - Chief Financial Officer

Girish V. Kirkinde - Company Secretary

Place : Mumbai

Date : 28 APR 2015



Notes forming part of Interim Financial Information

Notes

1. Background Information:-

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

In 1969, the parent 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 parent Company through its subsidiary, Tatanet Services Limited (TNSL) first installed VSAT captive hub for Tata Group companies 'connectivity and in 2003 it entered into public domain in VSAT services.

Nelco is today focused in offering solutions in the areas of Integrated Security & Surveillance, VSAT connectivity, Managed Services.

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

2. The Interim Financial Information consists of Unaudited Special Purpose Condensed Consolidated Balance Sheet of NELCO LIMITED ("the Company") as at 31st March, 2015, the Unaudited Special Purpose Condensed Consolidated Statement of Profit and Loss and the Unaudited Special Purpose Condensed Consolidated Cash Flow Statement for the year ended on that date and Selected Explanatory Notes (together referred to as "Interim Financial Information").

(a) Basis of Preparation and significant accounting policies:

The accounting policies followed in the Interim Financial Information are the same as those followed in the audited financial statements of the Company for the year ended 30th September, 2014 and should be read in conjunction with the said audited financial statements.

The Interim Financial Information have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP), recognition and measurement principles laid down in Accounting Standard 25 (AS - 25) 'Interim Financial Reporting', specified under Section 133 of the Companies Act, 2013 ("the 2013 Act"), read with rule 7 of the Companies (Accounts) Rules, 2014. In the opinion of the management, all adjustments which are necessary for a fair presentation have been included. The results of interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the full year.

(b) The Company's statutory year end is 30th September. However, for the purpose of consolidation of the accounts of the Parent Company (The Tata Power Company Limited), the Company has prepared these Interim Financial Information for the period from 1st April, 2014 to 31st March, 2015. Accordingly, the comparative figures in these Interim Financial Information are not in line with AS - 25 requirements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Notes forming part of Interim Financial Information

3. Capital Commitments

Particulars	As on 31.03.15 (Rs in Lakhs)	As on 31.03.14 (Rs in Lakhs)
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances paid)	58	322

4. Contingent Liabilities

Particulars	As on 31.03.15 (Rs in Lakhs)	As on 31.03.14 (Rs in Lakhs)
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	4,401	2,391
ii) Other matters (excluding claims where amounts are not ascertainable)	29	29
iii) 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	631
Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending at various forums / authorities		

5. Earnings Per Share (EPS)

		For Twelve Months Ended 31 st Mar, 2015	For Twelve Months Ended 31 st Mar, 2014
a)	Weighted Average Number of Shares at the beginning and end of the period (Nos.)	22,817,461	22,817,461
b)	Net Profit/ (loss) after Tax available for Equity Shareholders (Rs in Lakhs) - Continuing operations	511	(665)
	Total Operations	(116)	(1,167)
c)	Basic & Diluted Earnings Per Share (Rs.) (Face value of Rs. 10 per share)		
	Continuing Operations	2.24	(2.92)
	Total Operations	(0.51)	(5.11)

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Notes forming part of Interim Financial Information

6. Consolidated Segment wise revenue, results & capital employed for Twelve months ended 31st March 2015.

Sr. No.	Particulars	12 months ended 31.03.2015	12 months ended 31.03.2014
		Rs in lakhs	Rs in lakhs
1	Segment Revenue (Net Sales / Income from operations)		
	(i) Automation & Control	1,263	3,625
	(ii) Network Systems	12,203	10,747
	Less : Excise Duty	32	129
	Total	13,434	14,242
	Less : Inter Segment Revenue	-	-
	Net Sales / Income from Operations	13,434	14,242
2	Segment Results		
	(i) Automation & Control	(1,071)	(816)
	(ii) Network Systems	1,701	1,850
	Total	630	1,034
	Less:		
	(i) Interest expense	907	984
	(ii) Other un-allocable (income) /expenditure net of unallocable (income) / expenditure	(194)	1,215
	Profit/(Loss) Before Tax	(83)	(1,165)
Sr. No.	Particulars	31.03.2015	31.03.2014
	Capital Employed (Segment Assets-Segment Liabilities)		
	(i) Automation & Control	3,070	3,934
	(ii) Network Systems	2,841	3,310
	Total Segment Capital Employed (Segment Assets - Segment Liabilities)	5,911	7,244

Notes forming part of Interim Financial Information

7. The figures for the 12 months ended 31st March, 2015 are derived based on reviewed figures of 9 months ended 31st December, 2014 and 3 months ended 31st March, 2015.
8. In the year 2006, the Company had 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 6th February, 2012. The said award, however, was challenged by JNPT in the Hon'ble Bombay High Court which dismissed the plea on 6th February, 2014 and awarded the claim to the Company. JNPT paid in June, 2014 Rs 1,303 lakhs as decretal dues (including interest and costs) to the Company (of which Rs 62 lakhs is included in other income as provision no longer required written back).
9. The Company has accumulated losses as at 31st March 2015 which has substantially eroded the Company's net worth. Notwithstanding this, these Interim Financial Information have been prepared on going concern basis in view of a support letter from Parent Company.
10. a) The Company vide its letter dated 3rd April, 2014 had informed the stock exchange about the approval of the Board of Directors to restructure the operations of Company's Integrated Security & Surveillance Solutions business ("ISSS business") which inter alia, includes the business of Unattended Ground Sensors (UGS) and forms part of the 'Automation & Control' segment. As part of such restructuring, the Board of Directors of the Company at its meeting held on 28th January, 2015 accepted an "offer" made by The Tata Power Co. Ltd., (Parent Company for its Strategic Engineer Division) to purchase the business of UGS as a "going concern" on a "slump sale" basis at a consideration of Rs. 831 Lakhs with effect from 1st October 2014. This shall be subject to various approvals and consents including from the Members as required under applicable law.
- b) The assets attributable to the UGS business have been impaired in the three months ended 31st December, 2014 to the tune of Rs. 166 Lakhs and disclosed as part of Depreciation & Amortisation expense.
- c) The financial parameters in respect of the ordinary activities attributable to the UGS business are as follows:

Particulars	12 Months ended 31.03.15	12 Months ended 31.03.14
Sales / Income from Operations (net of tax)	190	609
Expenses	351	483
Expenses Attributable	175	180
Pre-tax profit / (loss)	(336)	(54)
Total Assets	834	1142
Total Liabilities	8	46

The transfer being effective from 1st October, 2014, the results of operation for the twelve months ended 31st March, 2015, includes a portion attributable to The Tata Power Company Limited which will be given effect to on completion of transaction.

11. a) Further, as part of restructuring, the Board of Directors of the Company at its meeting held on 18th March, 2015 accepted the offer received from a company for the transfer of Managed

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Notes forming part of Interim Financial Information

Services business ("MS Business") forming part of Network System segment as a "going concern" on a "slump sale" basis at a consideration up to Rs. 260 lakhs with effect from 1st April, 2015. This shall be subject to concluding a definitive agreement and various approvals and consents from the Members as required under applicable law.

b) The financial parameters in respect of the ordinary activities attributable to the MS business are as follows

Particulars	12 Months ended 31.03.15	12 Months ended 31.03.14
Sales / Income from Operations (net of tax)	742	674
Expenses	737	743
Expenses Attributable	312	429
Pre-tax profit / (loss)	(307)	(498)
Total Assets	393	454
Total Liabilities	189	227

12. Pursuant to the enactment of the Companies Act 2013 (the 'Act'), the Company has, effective 1st October 2014, reviewed and revised the estimated useful lives of its fixed assets, in accordance with the provisions of Schedule II to the Act. Consequently, the depreciation charge for the twelve months ended 31st March, 2015 is higher by Rs. 199 lakhs and Rs.104 lakhs (net of tax Rs. 47 lakhs) on account of transition provision has been adjusted to retained earnings as on 1st October, 2014.
13. The Managerial remuneration paid/payable during the period 1st April 2014- 31st March 2015 includes remuneration of Rs. 201 lakhs to Mr. P.J.Nath as Executive Director and Chief Executive officer for which the Company is in the process of obtaining necessary approvals.

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 Kirkinde – Company Secretary

Place : Mumbai

Date : 28 APR 2015