

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Nelco Limited

**Report on the Audit of the Consolidated Ind AS Financial Statements****Opinion**

We have audited the accompanying consolidated Ind AS financial statements of Nelco Limited (hereinafter referred to as "the Holding Company"), its subsidiary Nelco Network Private Limited (the Holding Company and its subsidiary together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31, 2022, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at March 31, 2022, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

**Emphasis of matter**

Note 48 to the consolidated Ind AS financial statements regarding the holding company claim to carry forward of input tax credit balances availed under the CENVAT/ Service Tax/ Sales Tax act, upon transition to The Goods and Services Tax Act (GST) and the holding company's claim to set-off such input tax credit availed against GST payable. The holding company, based on external legal advice obtained, has filed a petition with courts in this regard.

Our opinion is not modified in respect of this matter.



**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Revenue recognition related to multiple element arrangements</b> (as described in notes 1.11 and 2.1(a) of the consolidated Ind AS financial statements).</p> <p>The contracts with customers include multiple elements including sale of products and ancillary services like installation, commissioning, annual maintenance etc. and rental income for equipments given on lease. In certain cases, the contracts also involve multiple entities in the Group. The identification of performance obligations under the contracts with customers, allocation of consideration to the performance obligations identified and determination of the timing of revenue recognition in accordance with Ind AS 115 requires exercise of judgement by the Group's management.</p> <p>We considered this to be a Key Audit Matter in view of the customer contracts being complex and non-standard.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• We obtained an understanding and evaluated the design and tested the operating effectiveness of key controls over revenue recognition;</li><li>• We assessed the appropriateness of the accounting policies applied by the Company in line with the applicable accounting standards.</li><li>• We tested contracts with customers on a sample basis to assess the contractual terms which impacted identification and timing of performance obligations, allocation of consideration to these performance obligations based on determination of standalone selling prices and determination of timing of recognition for each of these revenue components;</li><li>• We performed tests related to non-standard manual journal entries related to revenue.</li></ul>



Key audit matters	How our audit addressed the key audit matter
<p><b>Assessment of contingent liabilities, provision for litigations (as described in Note 1.18 and 2.1(f) to the Consolidated Ind AS financial statements)</b></p> <p>As at March 31, 2022, the Group held provisions of Rs 117 lakhs and disclosed contingent liabilities (to the extent not provided for) of Rs 1,608 lakhs in respect of certain tax litigations.</p> <p>The Group faces inquiries from tax authorities and regulatory authorities during tax assessment and legal proceedings, during the normal course of business. There is a high level of management judgement required in estimating the probable outflow of economic resources and the level of provisioning and the disclosures required. The management's assessment is supported by legal opinions from independent tax consultants and legal experts obtained by the management.</p> <p>We considered this to be a key audit matter as the outcome of the litigations/ inquiries is uncertain, including ensuring compliances with the various regulations and the positions taken by the management are based on the application of material judgement, advice from tax consultants and legal experts, and interpretation of law. The ultimate outcome of the litigations/inquiries could be different from the conclusion reached by the management and may significantly impact the Group's financial position.</p> <p>The Group's disclosures are included in Note 1.18, 2.1(f) and Note 36 and 37 to the financial statements, which outlines the accounting policy for contingent liabilities and details of pending direct and indirect tax litigation disclosed as contingent liabilities.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• We obtained an understanding and evaluated processes and controls designed and implemented by the management for assessment of litigations;</li><li>• We obtained the list of taxation and regulatory litigation matters, communications with the regulatory authorities, inspecting the supporting evidence and critically assessing management's evaluation through discussions and inquiries made with the management on both the probability of outcome and the magnitude of potential outflow of economic resources;</li><li>• Where relevant, we read and relied upon the most recent legal opinion obtained by management from independent tax consultants and external legal experts to assess development in all pending cases against the Company;</li><li>• We read recent orders received from the tax and regulatory authorities and the Company's responses to such communications and assessed the current status of the litigations against the Company;</li><li>• We obtained direct confirmations from tax consultants, where considered relevant;</li><li>• For tax matters, we involved our tax specialists to assess management's application and interpretation of tax legislation affecting the Company, and to consider the quantification of exposures and settlements arising from the disputes with the tax authorities in the various tax jurisdictions.</li></ul>



## Other Information

The Holding Company's Board of Directors are responsible for the other information. The other information comprises the Performance Highlights, Corporate Governance Report, Directors' Report, Management Discussion and Analysis Report and Business Responsibility Report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon. The Performance Highlights, Corporate Governance Report, Directors' Report, Management Discussion and Analysis Report and Business Responsibility Report is expected to be made available to us after that date of this auditor's report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## Responsibilities of Management for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to preparation and presentation of these consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with [the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) Second Amendment Rules, 2019. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

## Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the



aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable, that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
  - (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) Second Amendment Rules, 2019;
  - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2022 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies, incorporated in India, is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Company with reference to consolidated Ind AS financial statements of the Holding Company and its subsidiary companies, incorporated in India refer to our separate Report in "Annexure 1" to this report;
  - (g) In our opinion, the managerial remuneration for the year ended March 31, 2022 has been paid / provided by the Holding Company incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
  - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, in its consolidated Ind AS financial statements – Refer Note 36 to the consolidated Ind AS financial statements;



- ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2022;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.
- iv. (a) The respective managements of the Holding Company and its subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiaries ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;  
  
(b) The respective managements of the Holding Company and its subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the respective Holding Company or any of such subsidiaries from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and  
  
(c) Based on the audit procedures that has been considered reasonable and appropriate in the circumstances performed by us, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material mis-statement.
- v. The final dividend paid by the Company during the year in respect of the same declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend. As stated in note 15 to the consolidated financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend.



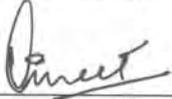
# S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

2. With respect to the matters specified in paragraphs 3(xxi) of the Companies (Auditor's Report) Order, 2020 (the "Order"/ "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us for the Company and its subsidiaries included in the consolidated financial statements of the Company, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO reports.

For S.R. Batliboi & Associates LLP  
Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Vineet Kedia



Partner

Membership Number: 212230

UDIN: 22212230AHUMBD3279

Place of Signature: Mumbai

Date: April 26, 2022

**Annexure 1 to the Independent Auditor's Report of even date on the Consolidated Ind AS Financial Statements of Nelco Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Nelco Limited ("the Company") as of March 31, 2022 in conjunction with our audit of the consolidated Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.



**Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements**

A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to Consolidated Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

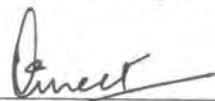
**Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Vineet Kedia

Partner

Membership Number: 212230

UDIN: 22212230AHUMBD3279

Place of Signature: Mumbai

Date: 26 April 2022



Nelco Limited  
Consolidated Balance Sheet as at March 31, 2022  
(Amount Rs in Lakhs, unless otherwise mentioned)

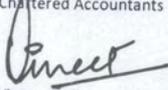
Particulars	Note No	As at March 31, 2022	As at March 31, 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Property, plant and equipment	4(a)	8,024	8,340
(b) Capital work-in-progress	4(a)	260	406
(c) Right-of-use assets	4(b)	2,591	2,264
(d) Other intangible assets	4(a)	394	178
(e) Financial assets			
(i) Investments	5	16	16
(ii) Loans	6(a)	-	1
(iii) Other financial assets	7(a)	383	509
(f) Deferred tax assets (net)	38	867	737
(g) Non-current tax assets (net)	8	729	1,535
(h) Other non-current assets	9(a)	703	721
<b>Total non current assets</b>		<b>13,967</b>	<b>14,707</b>
<b>Current assets</b>			
(a) Inventories	10	1,582	1,138
(b) Financial assets			
(i) Trade receivables	11	7,786	6,326
(ii) Cash and cash equivalents	12	1,565	916
(iii) Bank balances other than (ii) above	13	45	35
(iv) Loans	6(b)	7	4
(v) Other financial assets	7(b)	754	337
(c) Contract assets	14	137	-
(d) Other current assets	9(b)	483	347
<b>Total current assets</b>		<b>12,359</b>	<b>9,103</b>
<b>TOTAL ASSETS</b>		<b>26,326</b>	<b>23,810</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
(a) Equity share capital	15	2,282	2,282
(b) Other equity			
Reserves and surplus	16	6,611	5,307
Other reserves	16(a)	12	12
<b>Total equity</b>		<b>8,905</b>	<b>7,601</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	17(a)	1,875	1,514
(ii) Lease liabilities	4(b)	2,225	1,864
(iii) Trade payables	18(a)	-	-
(a) total outstanding dues of micro and small enterprises		-	-
(b) total outstanding dues other than (ii) (a) above		-	167
(b) Provisions	19(a)	-	307
(d) Other non-current liabilities	20(a)	4	8
<b>Total non-current liabilities</b>		<b>4,104</b>	<b>3,860</b>
<b>Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	17(b)	3,575	5,168
(ii) Lease liabilities	4(b)	473	416
(iii) Trade payables	18(b)	-	-
(a) total outstanding dues of micro and small enterprises		-	-
(b) total outstanding dues other than (ii) (a) above		5,349	3,495
(iv) Other financial liabilities	21	1,364	1,435
(b) Provisions	19(b)	313	325
(c) Contract liabilities	14	1,931	1,216
(d) Other current liabilities	20(b)	312	294
<b>Total current liabilities</b>		<b>13,317</b>	<b>12,349</b>
<b>Total liabilities</b>		<b>17,421</b>	<b>16,209</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,326</b>	<b>23,810</b>

Summary of significant accounting policies.

The accompanying notes are an integral part of the consolidated financial statements.

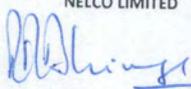
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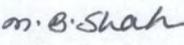
For S.R. Batliboi & Associates LLP  
Firm Registration Number : 101049W/E300004  
Chartered Accountants

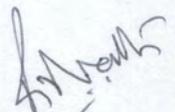
  
Vineet Kedia  
Partner  
Membership No. 212230

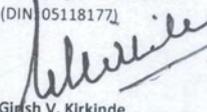


For and on behalf of the Board of Directors  
NELCO LIMITED

  
R. R. Bhinge  
Chairman  
(DIN: 00036557)

  
Malav Shah  
Chief Financial Officer

  
P.J. Nath  
Managing Director & CEO  
(DIN: 05118177)

  
Girish V. Kirkinde  
Company Secretary & Head-  
Legal



Place : Mumbai  
Date : April 26, 2022

Place : Mumbai  
Date : April 26, 2022

**Nelco Limited**

**Consolidated Statement of Profit and Loss for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

Particulars	Note No.	Year ended March 31, 2022	Year ended March 31, 2021
Revenue from operations	22	26,007	22,612
Other income	23	474	284
<b>Total Income</b>		<b>26,481</b>	<b>22,896</b>
<b>Expenses</b>			
(a) Purchases of stock-in-trade		4,911	2,889
(b) (Increase) / decrease in inventories of stock-in-trade	24	(443)	(86)
(c) Operating expenses	25	9,468	8,948
(d) Employee benefits expense	26	3,403	3,411
(g) Other expenses	27	3,610	2,963
<b>Total expenses</b>		<b>20,949</b>	<b>18,125</b>
<b>Profit before finance cost, tax and depreciation and amortization (PBITDA)</b>		<b>5,532</b>	<b>4,771</b>
(e) Finance costs	28	753	953
(f) Depreciation and amortisation expense	29	2,464	2,230
<b>Profit before tax</b>		<b>2,315</b>	<b>1,588</b>
Tax expense			
- Current tax		718	597
- Deferred tax (credit)/charge	38	(105)	(245)
- Tax adjustment for earlier years pursuant to scheme		94	-
<b>Total tax expense</b>		<b>707</b>	<b>352</b>
<b>Net profit for the year</b>		<b>1,608</b>	<b>1,236</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>			
-Remeasurement of post employment benefit obligations	43	(30)	28
<b>Total other comprehensive income</b>		<b>(30)</b>	<b>28</b>
<b>Total comprehensive income for the year</b>		<b>1,578</b>	<b>1,264</b>
Earnings per share (Face value of Rs 10/- per share) (Basic and diluted)	35	7.05	5.42

Summary of significant accounting policies.

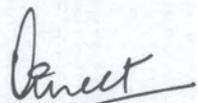
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The accompanying notes are an integral part of the consolidated financial statements.

**For S.R. Batliboi & Associates LLP**

Firm Registration Number : 101049W/E300004

Chartered Accountants



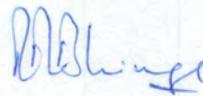
Vineet Kedia

Partner

Membership No. 212230



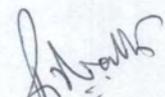
**For and on behalf of the Board of Directors of  
NELCO LIMITED**



R. R. Bhinge

Chairman

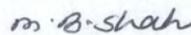
(DIN: 00036557)



P.J. Nath

Managing Director & CEO

(DIN: 05118177)



Malav Shah

Chief Financial Officer



Girish V. Kirkinde

Company Secretary &

Head- Legal

Place : Mumbai

Date : April 26, 2022

Place : Mumbai

Date : April 26, 2022



Nelco Limited

Consolidated Statement of Cash Flow for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Particulars	Year Ended March 31, 2022	Year Ended March 31, 2021
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax		1,588
<b>Adjustments to reconcile profit before tax to net cash flows</b>	2,315	
Depreciation and amortisation expense		2,230
Finance Costs	2,464	953
Unrealised mark to market (gain) / loss on forward contracts	753	71
Unrealised foreign exchange (gain) / loss (net)	(47)	(133)
Impairment allowance (allowance for bad and doubtful debts)	9	189
Bad debts written off	(14)	-
Liabilities/Provisions no longer required, written back	43	-
Gain on disposal of property, plant and equipment (net)	(209)	(28)
Unwinding of discount on financial asset measured at amortised cost	(8)	(14)
Interest Income classified as investing cash flow	(16)	(4)
Interest income	(11)	(133)
Amortisation of processing fees	(171)	6
<b>Operating Profit Before Working Capital Changes</b>		
<b>Movement in working capital</b>	5,108	4,725
- (Increase) / Decrease in trade receivables	(1,489)	1,680
- (Increase) / Decrease in other current assets	(136)	152
- (Increase) / Decrease in other non current assets	34	(110)
- (Increase) / Decrease in financial assets - non current - loans	1	-
- (Increase) / Decrease in inventories	(444)	(86)
- (Increase) / Decrease in other financial assets - current	(420)	275
- (Increase) / Decrease in other financial assets - non current	126	(67)
- (Increase) / Decrease in contract assets	(137)	-
- (Increase) / Decrease in other bank balances	(10)	(3)
<b>Movements in Liabilities</b>		
- (Decrease) / Increase in trade payables	1,934	(56)
- (Decrease) / Increase in other financial liabilities - non current	-	(4)
- (Decrease) / Increase in other liabilities - non current	(4)	(3)
- (Decrease) / Increase in provisions - non current	(307)	(29)
- (Decrease) / Increase in other financial liabilities - current	28	66
- (Decrease) / Increase in current contract liabilities	715	(1,774)
- (Decrease) / Increase in other current liabilities	18	(244)
- (Decrease) / Increase in provisions - current	(42)	(109)
<b>Cash generated from operations</b>		
- Direct taxes paid (net of refunds)	4,974	4,413
<b>Net cash flow generated from / (used in) operating activities (A)</b>	(31)	970
	4,943	5,383
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment / intangible assets/Capital work-in-progress	(1,798)	(930)
Proceeds from sale of property, plant and equipment / intangible assets	8	37
Interest received	182	137
<b>Net cash flow generated from / (used in) investing activities (B)</b>	(1,608)	(756)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings		
- Receipts	16,850	7,816
- Payments	(17,353)	(12,377)
Proceeds from sales and lease back	-	1,294
Payment of principal portion of lease liabilities	(439)	(210)
Payment of interest portion of lease liabilities	(237)	(133)
Finance costs paid	(510)	(808)
Dividend Paid (including dividend distribution tax)	(271)	(272)
<b>Net cash flow generated from / (used in) financing activities (C)</b>	(1,960)	(4,690)
<b>Net (Decrease) / increase in Cash &amp; Cash Equivalents [(A)+(B)+(C)]</b>	1,375	(63)
Cash and cash equivalents at the beginning of the year	190	253
Cash and cash equivalents at the end of the year	1,565	190



**Nelco Limited**

**Consolidated Statement of Cash Flow for the year ended March 31, 2022**

*(Amount Rs in Lakhs, unless otherwise mentioned)*

Cash and Cash Equivalents Comprise of :	As at	As at
	March 31, 2022	March 31, 2021
a) Balance with scheduled banks in current accounts	1,418	506
b) Cash on Hand	-	1
c) Cheques on Hand	147	409
d) Bank Overdraft	-	(726)
<b>Total</b>	<b>1,565</b>	<b>190</b>

Refer Note 17B for Change in liabilities arising from financing activities.

Summary of significant accounting policies.

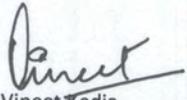
The accompanying notes are an integral part of the consolidated financial statements.

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**For S.R. Batliboi & Associates LLP**

Firm Registration Number : 101049W/E300004

Chartered Accountants



Vineet Kedia

Partner

Membership No. 212230



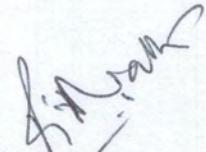
**For and on behalf of the Board of Directors of  
NELCO LIMITED**



R. R. Bhinge

Chairman

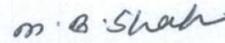
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P.J. Nath

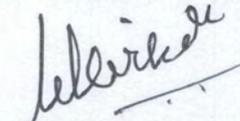
Managing Director & CEO

(DIN: 05118177)



Malav Shah

Chief Financial Officer



Grish V. Kirkinde

Company Secretary & Head-  
Legal

Place : Mumbai

Date : April 26, 2022

Place : Mumbai

Date : April 26, 2022



**Nelco Limited**

**Consolidated Statement of Changes in Equity for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**A. Equity share capital**

Equity shares of Rs. 10 each issued, subscribed and fully paid.

Particulars	Amount
As at March 31, 2020	2,282
Changes in equity share capital	-
As at March 31, 2021	2,282
Changes in equity share capital	-
As at March 31, 2022	2,282

**B. Other Equity**

Particulars	Attributable to equity shareholders			Total
	Reserves and Surplus		Other Reserves	
	General Reserve	Retained earnings	FVOCI Equity instrument	
As at March 31, 2020	250	4,045	12	4,307
Profit for the year	-	1,236	-	1,236
On amalgamation of Tatanet Services Limited [Refer Note 46]	-	23	-	23
Dividend paid*	-	(274)	-	(274)
Other comprehensive income for the year (net of tax)	-	28	-	28
As at March 31, 2021	250	5,057	12	5,319
Profit for the year	-	1,608	-	1,608
Dividend paid*	-	(274)	-	(274)
Other comprehensive income for the year (net of tax)	-	(30)	-	(30)
As at March 31, 2022	250	6,361	12	6,623

\*For financial year ended March 31,2021, the Board of Directors had recommended a dividend of 12% (2020: 12%) which was Rs. 1.20/- (2020: Rs. 1.20/-) per equity share of Rs.10/- each, which is approved by shareholders in the Annual General Meeting of the Company held on June 22, 2021.

For financial year ended March 31,2022, the Board of Directors recommended a dividend of 18% (2021: 12%) which was Rs.1.80/- (2021: Rs. 1.20/-) per equity share of Rs.10/- each, which is subject to approval at the upcoming annual general meeting and are not recognised as a liability as at March 31, 2022.

Summary of significant accounting policies.

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The accompanying notes are an integral part of the consolidated financial statements.

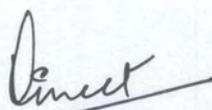
**For S.R. Batliboi & Associates LLP**

Firm Registration Number : 101049W/E300004

Chartered Accountants

**For and on behalf of the Board of Directors of**

**NELCO LIMITED**

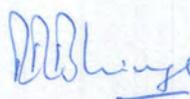


Vineet Kedia

Partner

Membership No. 212230

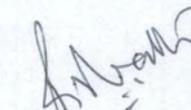




R. R. Bhinge

Chairman

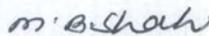
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P.J. Nath

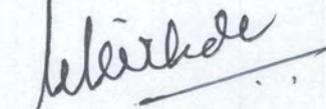
Managing Director & CEO

(DIN: 05118177)



Malav Shah

Chief Financial Officer



Girish V. Kirkinde

Company Secretary & Head - Legal

Place : Mumbai

Date : April 26, 2022

Place : Mumbai

Date : April 26, 2022



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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#### General Information

Nelco Limited (Formerly known as National Ekco Radio & Engineering Co Ltd) herein after referred to as "the Company" was established in 1940. The Company had two wholly owned subsidiaries viz. Tatanet Services Ltd. (TNSL) & Nelco Network Products Ltd. (NNPL). The Company and its subsidiaries together referred to as the Group. The Company is a subsidiary of The Tata Power Company Limited.

The Company was engaged in providing end to end networking solutions (Satcom Projects) services, sale/rental of VSATs and maintenance of private hubs and hybrid networks for its customers (Equipment business and related services). TNSL was engaged in the Satellite Communication services (VSAT Bandwidth services) and NNPL did not commence its operations.

During the year, pursuant to the Scheme of Arrangement and Amalgamation (Scheme) [Refer note 46], the Company has transferred Equipment business to NNPL on a "going concern" basis by way of a slump sale and TNSL has been merged with the Company.

Equity shares of the Company are listed in India on the Bombay Stock Exchange ("BSE") and National Stock Exchange ("NSE"). The registered office of the Company is located at EL-6, TTC Industrial Area, MIDC, Electronic Zone, Mahape, Navi Mumbai – 400710, CIN: L32200MH1940PLC003164.

The standalone financial statements are presented in Indian Rupee (INR) which is also functional currency of the Company. The standalone financial statements were reviewed by Audit committee and Board of Directors in it's meeting held on April 26, 2022.

#### 1. Summary of Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 1.1 Basis of preparation

###### a. Compliance with Ind AS

The Consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act as amended from time to time.

###### b. Historical Cost Convention

The Consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) that is measured at fair value;
- defined benefit and other long-term employee benefits;
- asset held for sale - measured at fair value less cost to sell.



**c. Current -non current classification**

All assets and liabilities have been classified as current or non current as per the Group's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

**e. Basis of consolidation**

The Company consolidates entities which it owns or controls. The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together referred to as "the Group"). Control exists when the Parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of profit and loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The group combines the financial statements of the parent and its subsidiary line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group.

All intra group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Changes in the Group's ownership interests in existing subsidiary**

When the group ceases to consolidate or equity account for an investment because of loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in the other comprehensive income are reclassified to profit or loss.

If ownership interest in joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts recognised in other comprehensive income are reclassified to profit or loss where appropriate.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

#### 1.2 Property, plant and equipment

All items of property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the assets. Subsequent costs are added to existing item's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of profit and loss during the reporting period in which they are incurred.

##### a. Capital work-in-progress

Projects under which Property, Plant and equipment which are not yet ready for their intended use are carried at cost, comprising direct cost and related incidental expenses net of accumulated impairment loss, if any.

##### b. Depreciation methods estimated useful lives and residual value

Depreciation is calculated using the straight-line method to allocate cost, net of their estimated residual value, over their estimated useful lives.

The useful lives and residual values are as prescribed under schedule II to Companies Act, 2013 except for the following type of assets where useful life is considered as per management estimate, based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, replacements generally required from the point of view of operational effectiveness.

Type of Assets	Useful Life
Building	30 years
Plant and Machinery	Radio frequency and baseband equipment – 10 to 12 Years Teleport antenna– 15 Years VSAT Antenna – 10 Years Networking devices -6 Years Electronic equipment – 6 to 7.50 Years
Electrical installation	10 years
Furniture and fixture	10 years
Office equipment's – VSAT	Antenna – 10 Years Electronic equipment – 6 to 7.50 Years
Office equipment's Computer hardware	3 Years
Vehicles	8 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit and loss within other Income / other Expenses.



### 1.3 Intangible assets

Intangible assets purchased are measured at cost as of the date of acquisition less accumulated amortisation and accumulated impairment, if any. The Group amortises intangible assets using straight line method over the following periods.

License Fees – VSAT: Over the license period of 20 years from the date of license available for use

License Fees – ISP : Over the license period of 15 years from the date of license available for use

Testing software : 5 years

### 1.4 Impairment of non-financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 1.5 Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### A. Financial assets

##### a. Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115. Refer to the accounting policies in section 1.11 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### b. Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through other comprehensive income (FVTOCI) with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (debt instruments):

A 'financial asset' is measured at the amortised cost if both the following conditions are met:

- i. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- ii. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

#### Financial assets at fair value through OCI (FVTOCI) (debt instruments):

A 'financial asset' is classified as at the FVTOCI if both of the following criteria are met:

- i. The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- ii. The asset's contractual cash flows represent SPPI.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. For debt instruments, at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value changes recognised in OCI is reclassified from the equity to profit or loss.

#### **Financial assets designated at fair value through OCI (equity instruments):**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

#### **Financial assets at fair value through profit or loss:**

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of profit and loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised in the statement of profit and loss when the right of payment has been established.

#### **c. Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated balance sheet) when:

- ▶ The rights to receive cash flows from the asset have expired, or
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

the group has transferred substantially all the risks and rewards of the asset, or



- ii. the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

**d. Impairment of financial assets**

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – see Note 30
- Investment at fair value through OCI – see Note 5
- Trade receivables and contract assets – see Note 11 and 14

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Also, on case-to-case basis specific provisions are also made for customers based on management estimates.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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#### e. Income recognition

##### Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable.

##### Dividend

Dividend income from investments is recognised when the right to receive dividend has been established.

#### B. Financial liabilities

##### a. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

##### b. Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

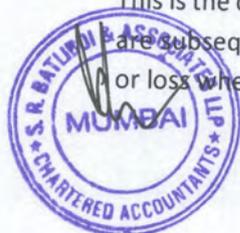
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (Loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings. For more information refer Note 17.

#### c. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

#### 1.6 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdraft. Bank overdraft are shown within borrowings in current liabilities in the balance sheet.

#### 1.7 Trade receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### 1.8 Trade and other payables

These amounts represent liabilities for goods and services received by the group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using effective interest method.

#### 1.9 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

#### 1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises cost of purchases and includes all other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method and is net of provision for obsolescence and other anticipated losses, wherever considered necessary. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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#### 1.11 Revenue recognition

The Group earns revenue from providing Satellite communication connectivity systems and solutions through sale of goods, providing installation and annual maintenance services, renting of goods, Integrated Security & Surveillance services. The Group also earns revenue from providing domestic satellite communication services to closed user group (CUG) networks via Satellite System on non-exclusive basis (Bandwidth Services).

Revenue is recognised upon transfer of control of promised goods or services to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those products or services.

The Group recognises revenue as follows:

##### a. Sale of goods

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

##### b. Rendering of Services

- Revenue from annual maintenance contract and network management is recognized over the period of performance.
- Revenue from Installation and commissioning services is recognized upon completion of installation of equipment.
- Revenue from bandwidth services is provided over the period of time, where it is received and consumed simultaneously by the customers and accordingly revenue is recognized over the period of performance and in the accounting period in which the services are rendered.

##### c. Rental Income

Lease income from operating leases where the Company is a lessor is recognised on straight-line basis over the term of the relevant lease in accordance with contract with the customers.

#### 1.12 Foreign currency translation

##### a. Functional and presentation currency

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statement is presented in Indian rupee (INR), which is Nelco Limited's functional and presentation currency.

##### b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the statement of profit and loss.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other income / other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

#### 1.13 Derivative financial instruments:

The group holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Although the group believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative is categorized as a financial asset or financial liability, at fair value through profit or loss. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Consolidated Statement of Profit and Loss, when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through the Statement of Profit and Loss and the resulting exchange gains or losses are included in the Statement of Profit and Loss. Assets/ liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

#### 1.14 Current and deferred tax

The Income tax expenses or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### a. Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



**b. Deferred Tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax assets and liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and carry forward tax credits only if it is probable that future taxable amounts will be available to utilize those temporary differences, tax losses and tax credits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

**c. Minimum Alternate Tax (MAT)**

Credit of MAT is recognised as deferred tax asset only when it is probable that taxable profit will be available against which the credit can be utilised. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the statement of profit and loss account. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent it is no longer probable that the Company will pay normal income tax during the specified period

**1.15 Leases**

**As a lessee**

Leases are recognised as right-of-use assets and a corresponding liability at the date at which the leases asset is available for use by the group. Contracts may contain lease and non-lease component. The group allocates the consideration in the contract to lease and non-lease component based on their relative standalone prices. Assets and liabilities are initially measured on the present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable by the group under residual value guarantees.
- the exercise price of purchase option if the group is reasonably certain to exercise the option and
- payment of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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obtain an asset of similar value to the right-of-use asset in similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting points, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with Risk- free interest rate adjusted for credit risk for leases held by the group, which doesn't have recent third party financing, and
- makes adjustments specific to the lease e.g. term, security etc

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following;

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct cost, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on straight line basis. If the group is reasonably certain to exercise purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all the leases of low value assets are recognised as expense on a straight-line basis in profit and loss. Short term leases are leases with a term of lease term of 12 months or less.

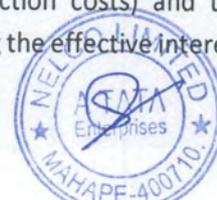
#### As a lessor

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. Finance leases receivables are recognised at the inception of lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments receivable. Each lease payment received is allocated between the finance lease receivable and finance income. The finance income is recognised to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the finance lease receivable for each period.

Lease income from operating leases where the group is a lessor is recognised on a straight-line basis over the term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying assets and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in balance sheet based on their nature. The group did not make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

#### 1.16 Borrowing

Borrowing are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest



method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is breach of a material provision of a long-term loan agreement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

#### 1.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

#### 1.18 Provisions and contingent liabilities

##### a. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The measurement of provision for restructuring includes only direct expenditure arising from the restructuring, which are both necessary entailed by the restructuring and not associated with the ongoing activities of the group.



**i) Onerous Contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**ii) Warranties**

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

**b. Contingent liabilities**

The group has Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle, or a reliable estimate of the amount cannot be made.

**c. Contingent Assets**

A contingent asset is disclosed, where an inflow of economic benefits is probable.

**1.19 Employee benefits**

**a. Short-term obligations**

Liabilities for salaries and wages, including other monetary and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**b. Other long-term employee benefit obligations**

The group has liabilities for compensated absences which are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the appropriate market yield at the end of the reporting period that have terms approximating to the terms of the related obligations. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of profit and loss.

The obligation is presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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#### c. Post-employment obligations (Defined Benefit Obligations)

The group operates the following post-employment schemes:

- defined benefit plans – Provident Fund and Gratuity
- defined contribution plans such as Superannuation Fund and Employee State Insurance Corporation (ESIC).

#### Defined Benefit Plans

The liability or asset recognised in the balance sheet in respect of defined benefit provident fund and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments, changes in actuarial assumptions and return on plan assets (excluding interest income) are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

During the year Company has formed gratuity fund exclusively for gratuity payment to the employees. The gratuity liability amount is contributed to the approved gratuity fund formed. The gratuity fund has been approved by Income Tax authorities.

#### Defined contribution plans

Group pays Superannuation Fund and ESIC contributions to publicly administered funds as per local regulations. The group has no further payment obligation once the contribution has been made. Group's contribution to Superannuation Fund and ESIC is recognised on accrual basis in the Statement of Profit and Loss.

#### Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits ; and (b) when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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#### 1.20 Segment reporting

The Company's Managing Director and CEO is identified as Chief Operating Decision Maker ('CODM') of the Company and CODM reviews and allocates resources for consolidated business i.e. Network Systems products and services and accordingly, it is a single operating segment.

#### 1.21 Contributed equity

Equity shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 1.22 Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

1.23 the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

#### 1.24 Measurement of EBITDA

The Group has elected to present earnings before finance cost, tax and depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss account. The Group measures EBITDA on the basis of profit from total operations. In its measurement, the Group does not include depreciation and amortization expense, finance cost and tax expense.

#### 2.1 Critical estimates and judgements and key sources of estimation uncertainty: -

In the application of the groups' accounting policies, which are described in note 1 above, the management of the group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the following areas the management of the group has made critical judgements and estimates



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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#### a. Revenue recognition

- The Group's contracts with customers could include promises to transfer multiple goods and services to a customer. The Group assesses the goods / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables. Each revenue component is recognised based on the policy noted in Note 1.11 above.
- The Group uses judgement to determine an appropriate standalone selling price for a performance obligation by the Group Companies. The Group allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct goods or service promised in the contract. Where standalone selling price is not observable, the Group uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits as services are rendered.
- Contract fulfilment costs are expensed as incurred.

#### b. Estimation of defined benefit obligation

The cost of the defined benefit plans, compensated absences and the present value of the defined benefit obligations are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### c. Recognition of deferred tax assets

Deferred tax assets are recognized for based on estimated future taxable rate on all deductible temporary differences, unused tax losses and carry forward tax credits only if it is probable that future taxable amounts will be available to utilize those temporary differences, tax losses and tax credits. The management assumes that taxable profits will be available while recognising deferred tax assets.

#### d. Useful lives of property, plant and equipment and Intangible assets

The group reviews the useful lives and carrying amount of property, plant and equipment and intangible assets at the end of each reporting period. This reassessment may result in change in depreciation and amortisation expense in future periods.

#### e. Expected Credit Loss on trade receivables

Trade receivables are typically unsecured and are derived from revenue earned from customers. Credit risk has been managed by the group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the group grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the group uses expected credit loss model to assess the impairment loss. The group uses a provision matrix and forward-looking information and an assessment of the credit risk over the expected life of the financial asset to compute the expected credit loss allowance for



## Nelco Limited

### Notes to the consolidated financial statements for the year ended March 31, 2022

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trade receivables. Additionally, Group makes specific provision in relation to disputed receivables based on periodic credit evaluation. (Refer Note 31)

#### f. Estimation of Provisions & Contingent Liabilities

The group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities which is related to pending litigation or other outstanding claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual liability may be different from the originally estimated as provision or contingent liability. (Refer Note No 36 and 37)

#### g. Leases

The group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Assessing whether a contract contains a lease requires significant judgement. Significant judgement is also required in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option. In assessing whether the group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The group revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

### 3. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.



## Note 4(a) : Property, plant and equipment, intangible assets and capital work-in-progress

Description	Cost					Accumulated depreciation / amortisation				Net block	
	As at April 01, 2021	Additions	Disposals	As at March 31, 2022	As at April 01, 2021	Depreciation / amortisation for the year	Disposals	As at March 31, 2022	As at March 31, 2022	As at March 31, 2021	
<b>i. Property, plant and equipment</b>											
Building	163 (163)	-	-	163 (163)	81 (67)	13 (14)	-	94 (81)	69 (82)	82 (96)	
Plant and machinery	7,709 (7,397)	1,097 (826)	3 (514)	8,803 (7,709)	3,784 (3,134)	921 (777)	15 (127)	4,690 (3,784)	4,113 (3,925)	3,925 (4,263)	
Electrical installation	110 (110)	-	-	110 (110)	105 (101)	2 (5)	-	107 (105)	3 (5)	5 (9)	
Furniture and fixture	121 (125)	10 (11)	-	131 (121)	121 (125)	3 (2)	-	124 (121)	7 (-)	-	
Office equipment											
(i) Own	447 (405)	59 (46)	33 (4)	473 (447)	324 (260)	54 (67)	24 (3)	354 (324)	119 (123)	123 (145)	
(ii) Given on lease (operating lease)	6,689 (7,843)	386 (12)	470 (1,166)	6,605 (6,689)	2,518 (1,800)	871 (857)	470 (139)	2,919 (2,518)	3,686 (4,171)	4,171 (6,043)	
Vehicles	62 (70)	-	-	62 (62)	28 (23)	7 (8)	-	35 (28)	27 (34)	34 (47)	
<b>Total - Property, plant and equipment (i)</b>	<b>15,301 (16,113)</b>	<b>1,552 (885)</b>	<b>506 (1,697)</b>	<b>16,347 (15,301)</b>	<b>6,961 (5,510)</b>	<b>1,871 (1,730)</b>	<b>509 (152)</b>	<b>8,323 (6,961)</b>	<b>8,024 (8,340)</b>	<b>8,340 (10,603)</b>	
<b>ii. Other intangible assets</b>											
License fees	23 (23)	250 (-)	-	273 (23)	18 (15)	23 (3)	-	41 (18)	232 (5)	5 (8)	
Testing software	466 (403)	64 (63)	-	530 (466)	293 (216)	75 (77)	-	368 (293)	162 (173)	173 (187)	
<b>Total- Other intangible assets (ii)</b>	<b>489 (426)</b>	<b>314 (63)</b>	<b>-</b>	<b>803 (489)</b>	<b>311 (231)</b>	<b>98 (80)</b>	<b>-</b>	<b>409 (311)</b>	<b>394 (178)</b>	<b>178 (195)</b>	
<b>Total-Property, plant and equipment &amp; Other intangible assets (i+ii)</b>	<b>15,790 (16,539)</b>	<b>1,866 (948)</b>	<b>506 (1,697)</b>	<b>17,150 (15,790)</b>	<b>7,272 (5,741)</b>	<b>1,969 (1,810)</b>	<b>509 (152)</b>	<b>8,732 (7,272)</b>	<b>8,418 (8,518)</b>	<b>8,518 (10,798)</b>	
<b>iii. Capital work-in-progress</b>											
Projects in progress	260 (406)	-	-	-	260 (406)	-	-	-	260 (406)	406 (914)	
Projects temporarily suspended	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>260 (406)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260 (406)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260 (406)</b>	<b>406 (914)</b>	

Ageing of capital work-in-progress	As at March 31, 2022		
	Less than 1 year	1-2 years	2-3 years
Projects in progress	260 (406)	-	-
Projects temporarily suspended	-	-	-
<b>Total</b>	<b>260 (406)</b>	<b>-</b>	<b>-</b>

Figures in (brackets) represents previous year's figures.

Note :-

- 1) Property, plant and equipment pledged as security by the group (refer note 34)
- 2) Contractual obligations in respect of capital commitment for acquisition of property, plant and equipment (refer note 40)
- 3) Capital work in progress mainly comprises components related to plant and machinery.
- 4) On amalgamation of Tatanet services Limited with Company realised profit of Rs. 23 Lakhs earlier eliminated from property, plant, equipment now reinstated. (refer note 16 (iii)).



## Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Note 4(b) : Right-of-use assets and lease liabilities  
4(b)(i) Group as lessee

- Asset acquired on finance lease represents Leasehold land. The total lease term is 95 years, remaining lease term is 62 years as on March 31, 2022. The Group does not have an option to purchase the land at the end of the lease term. Also Group has taken on lease various offices for its branches where lease term ranges from 1 year to 8 years.
- The Group has taken on premises on lease along with certain equipments for term of five years. The group is restricted from assigning and subleasing the leased assets.
- Group has taken Office equipment (VSAT) on lease with lease term of 6-7 years.

## i. Right of use assets

Description	Cost						Amortisation		Net Block	
	As at April 01, 2021	Adjustment for change in accounting policy	Additions	Disposals	As at March 31, 2022	As at April 01, 2021	Amortisation for the year	Disposals	As at March 31, 2022	As at March 31, 2021
Leasehold premises and equipments	784 (754)	- -	855 (30)	- -	1,639 (784)	323 (148)	182 (175)	- -	1,134 (461)	461 (606)
Office equipment	2,195 (443)	- (30)	- (1,722)	- -	2,195 (2,195)	392 (147)	346 (245)	- -	1,457 (1,803)	1,803 (296)
Total	2,979 (1,197)	- (30)	855 (1,752)	- -	3,834 (2,979)	715 (295)	528 (420)	- -	2,591 (2,264)	2,264 (902)

Figures in (brackets) represents previous year's figures.



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 4(b) : Right-of-use assets and lease liabilities**

**(ii). Lease liability**

Description	As at April 1, 2021	During the year				As at March 31, 2022
		Additions	Modification	Accrued finance cost	Payments	
Leasehold premises and equipments	521 (619)	856 (28)	- -	70 (54)	226 (180)	1,221 (521)
Office equipment	1,759 (219)	- (1,588)	- (36)	167 (79)	449 (163)	1,477 (1,759)
<b>Total</b>	<b>2,280</b> (838)	<b>856</b> (1,616)	<b>-</b> (36)	<b>237</b> (133)	<b>675</b> (343)	<b>2,698</b> (2,280)
Current	416 -					473 (416)
Non Current	1,864 -					2,225 (1,864)
<b>Total</b>	<b>2,280</b> -	<b>-</b> -	<b>-</b> -	<b>-</b> -	<b>-</b> -	<b>2,698</b> (2,280)

Figures in (brackets) represents previous year's figures.

**iii. Amount recognised in Statement of profit or loss**

Amount recognised in Statement of profit or loss	Year ended March 31, 2022	Year ended March 31, 2021
Depreciation of Right-of-use assets	528	420
Interest on lease liabilities	237	133
Expenses related to short term leases	57	61

**iv. Amount recognised in statement of cash flows**

Amount recognised in statement of cash flows	Year ended March 31, 2022	Year ended March 31, 2021
Total cash outflow of leases	(675)	(343)

**4(b).II Group as lessor**

**a. Operating Lease**

The Group as Lessor

- (1) Operating leases related to VSATs given on lease, owned by the group with lease terms between 3 to 7 years.
- (2) The lessee does not have an option to purchase the VSATs at the expiry of the lease period.
- (3) No refundable deposits are taken and the lease rentals recognised in the consolidated statement of Profit and Loss for the year included under sale of services under revenue from Operations (refer note 22) aggregate to Rs 2,790 Lakhs (Previous Year Rs. 2,743 Lakhs).

**Non- Cancellable operating lease receivables**

Particulars	As at March 31, 2022	As at March 31, 2021
Not Later than 1 year	1,350	1,127
Later than 1 year and not longer than 5 years	1,642	2,679
Later than 5 years	-	-
<b>Total</b>	<b>2,992</b>	<b>3,806</b>

Disaggregation of property, plant and equipment given on operating lease as at March 31, 2022 is as follows:

Class of assets	Operating Lease		
	Gross block	Accumulated Depreciation	Carrying Amount
Office equipment	6,605 (6,689)	2,919 (2,518)	3,686 (4,171)
<b>Total</b>	<b>6,605</b> (6,689)	<b>2,919</b> (2,518)	<b>3,686</b> (4,171)

Figures in (brackets) represents previous year's figures.



**Nelco Limited****Notes to the consolidated financial statements for the year ended March 31, 2022***(Amount Rs in Lakhs, unless otherwise mentioned)***Note 5 : Investments - Non current**

Particulars	As at March 31, 2022		As at March 31, 2021	
	Numbers	Amount	Numbers	Amount
<b>Investments at fair value through OCI (Unquoted, fully paid)</b>				
Technopolis Knowledge Park Limited [(net of impairment of Rs.181 Lakhs (March 2021 : Rs. 181 Lakhs)]	18,10,000	-	18,10,000	-
Zoroastrian Co-operative Bank Limited	6,000	16	6,000	16
<b>Total equity instruments</b>		16		16
<b>Total investments</b>		16		16
<b>Aggregate amount of unquoted investments</b>		16		16
<b>Aggregate amount of impairment in the value of investments</b>		(181)		(181)



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 6 (a): Non-current Loans**

Particulars	As at March 31, 2022	As at March 31, 2021
Loan to employees	-	1
<b>Total</b>	-	<b>1</b>

**Note 6 (b): Current Loans**

Particulars	As at March 31, 2022	As at March 31, 2021
Loans to employees	7	4
<b>Total</b>	<b>7</b>	<b>4</b>

**Note 7 (a) : Other non current financial assets**

Particulars	As at March 31, 2022	As at March 31, 2021
(Unsecured considered good, unless otherwise stated)		
Security deposits	253	267
Balances held as margin money against bank guarantees	102	17
Finance lease receivable	28	225
<b>Total</b>	<b>383</b>	<b>509</b>

**Note 7 (b) : Other non current financial assets**

Particulars	As at March 31, 2022	As at March 31, 2021
(Unsecured considered good, unless otherwise stated)		
Security deposits	545	56
Security deposits which have significant increase in credit risk	21	21
Less: Impairment allowance on security deposits which have significant increase in credit risk	(21)	(21)
	545	56
Accrued interest	-	2
Fair value of foreign exchange forward contract	14	-
Finance lease receivable	195	279
<b>Total</b>	<b>754</b>	<b>337</b>

**Note 8 : Non-current tax assets (net)**

Particulars	As at March 31, 2022	As at March 31, 2021
Opening balance	1,535	2,588
Add : Tax deducted at source and advance tax	605	428
Add :- Mat credit utilised during the year	136	164
Less: Income tax refund	(767)	(1,048)
Less: Current tax payable for the year	(720)	(597)
Less: Interest on current tax	(60)	-
<b>Total</b>	<b>729</b>	<b>1,535</b>



**Nelco Limited****Notes to the consolidated financial statements for the year ended March 31, 2022***(Amount Rs in Lakhs, unless otherwise mentioned)***Note 9 (a) : Other non current assets**

Particulars	As at March 31, 2022	As at March 31, 2021
Balances with government authorities (refer note 48)	668	697
Prepaid Expenses	35	24
<b>Total</b>	<b>703</b>	<b>721</b>

**Note 9 (b) : Other current assets**

Particulars	As at March 31, 2022	As at March 31, 2021
Prepaid expenses	135	96
Advance to suppliers	67	30
Balance with government authorities	279	218
Others	3	3
<b>Total</b>	<b>483</b>	<b>347</b>

**Note 10 : Inventories**

Particulars	As at March 31, 2022	As at March 31, 2021
<b>Inventories (lower of cost and net realisable value)</b>		
Stock-in-trade	1,316	1,138
Stock-in-trade in transit	266	-
<b>Total</b>	<b>1,582</b>	<b>1,138</b>

During the year ended March 31, 2022, Rs. 56 lakhs (2021: Rs. 43 lakhs) has been recognised as an expense in relation to inventory being carried at net realisable value.



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 11 : Trade receivables- current**

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Trade receivables from contract with customers	-	-
- Trade receivables - considered good- secured	5,743	4,981
- Trade receivables - considered good- unsecured	262	270
- Trade receivables which have significant increase in credit risk	67	73
- Trade receivables- credit impaired	6,072	5,324
Trade receivables from contract with customers- related parties (refer note 44)	2	1
Less : Impairment allowance (allowance for bad and doubtful debts)	(329)	(343)
	5,745	4,982
Unbilled receivables	2,041	1,344
<b>Total</b>	<b>7,786</b>	<b>6,326</b>

- Trade receivables are dues in respect of goods sold and services rendered in the normal course of business.
- Trade receivables are non-interest bearing and are generally on terms of 0 to 60 days.
- The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a detailed analysis of trade receivables.
- There are no dues by directors or other officers of the Company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director is a member.
- Trade receivables from related parties (refer note 44).

**Trade receivables ageing schedule**

Particulars	Outstanding for following periods from due date of payment						As at March 31, 2022
	Not due	Less than 6 months	6 months to 1 year	1-2 years	2-3 years	More than 3 years	
i. Undisputed trade receivables- considered good	3,376	1,784	353	172	60	-	5,745
ii. Undisputed trade receivables- which have significant increase in credit risk	93	48	10	4	-	-	155
iii. Undisputed trade receivables- credit impaired	-	-	-	-	49	58	107
iv. Disputed trade receivables- considered good	-	-	-	-	-	-	-
v. Disputed trade receivables- which have significant increase in credit risk	-	-	-	-	-	-	-
vi. Disputed trade receivables- credit impaired	-	-	-	15	52	-	67
<b>Total</b>	<b>3,469</b>	<b>1,832</b>	<b>363</b>	<b>191</b>	<b>161</b>	<b>58</b>	<b>6,074</b>
Impairment allowance	93	48	10	19	101	58	329
<b>Total</b>	<b>3,376</b>	<b>1,784</b>	<b>353</b>	<b>172</b>	<b>60</b>	<b>-</b>	<b>5,745</b>

**Unbilled receivables ageing schedule**

Particulars	Ageing of unbilled receivables					As at March 31, 2022
	Less than 6 months	6 months to 1 year	1-2 years	2-3 years	More than 3 years	
Unbilled receivables	1,921	120	-	-	-	2,041
<b>Total</b>	<b>1,921</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,041</b>

Particulars	Outstanding for following periods from due date of payment						As at March 31, 2021
	Not due	Less than 6 months	6 months to 1 year	1-2 years	2-3 years	More than 3 years	
i. Undisputed trade receivables- considered good	2,312	1,695	460	342	116	57	4,982
ii. Undisputed trade receivables- which have significant increase in credit risk	127	91	25	18	6	3	270
iii. Undisputed trade receivables- credit impaired	-	-	-	-	-	-	-
iv. Disputed trade receivables- considered good	-	-	-	-	-	-	-
v. Disputed trade receivables- which have significant increase in credit risk	-	-	-	-	-	-	-
vi. Disputed trade receivables- credit impaired	-	-	21	51	1	-	73
<b>Total</b>	<b>2,439</b>	<b>1,786</b>	<b>506</b>	<b>411</b>	<b>123</b>	<b>60</b>	<b>5,325</b>
Impairment allowance	127	91	46	69	7	3	343
<b>Total</b>	<b>2,312</b>	<b>1,695</b>	<b>460</b>	<b>342</b>	<b>116</b>	<b>57</b>	<b>4,982</b>

**Unbilled receivables ageing schedule**

Particulars	Ageing of unbilled receivables					As at March 31, 2021
	Less than 6 months	6 months to 1 year	1-2 years	2-3 years	More than 3 years	
Unbilled receivables	1,320	17	-	7	-	1,344
<b>Total</b>	<b>1,320</b>	<b>17</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>1,344</b>



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 12 : Cash and cash equivalents**

Particulars	As at March 31, 2022	As at March 31, 2021
(a) Balances with banks :- In current accounts	1,418	506
(b) Cheques on hand	147	409
(c) Cash on hand	-	1
<b>Total cash and cash equivalents in the balance sheet and statement of cash flows</b>	<b>1,565</b>	<b>916</b>

**Note 13 : Bank balance other than cash and cash equivalents**

Particulars	As at March 31, 2022	As at March 31, 2021
<b>In earmarked Accounts</b>		
(a) Unclaimed dividend accounts	10	7
(b) Balances held as margin money against letter of credit and bank guarantees	35	28
<b>Total</b>	<b>45</b>	<b>35</b>

**Note 14 : Contract Assets**

Particulars	As at March 31, 2022	As at March 31, 2021
Contract assets	137	-
<b>Total contract assets</b>	<b>137</b>	<b>-</b>
Advances received from customers	423	283
Deferred revenue	1,508	933
<b>Total contract liabilities</b>	<b>1,931</b>	<b>1,216</b>

**Note:**

**1. Significant changes in contract liabilities**

Contract liabilities have been increased due to increase in advance received from customers and deferred revenue for the services to be rendered in next year.

**i. Revenue recognised in relation to contract liabilities**

The following table shows how much of the revenue recognised in the current period relates to a carried forward contract liabilities and how much relates to performance obligation satisfied in prior year.

Particulars	Year ended March 31, 2021	Year ended March 31, 2021
<b>Revenue from contract with customers</b>		
Revenue recognised that was included in contract liability balance at the beginning of the period	1,216	2,990
Revenue recognised from performance obligations satisfied in previous periods	-	-



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 15 : Equity share capital**

Particulars	As at	
	March 31, 2022	March 31, 2021
<b>Authorised share capital:</b>		
2,50,00,000 (2,50,00,000 as at March 31, 2021) equity shares of Rs.10/- each	2,500	2,500
Redeemable Preference Shares of Rs.100/- each	2,500	2,500
	<b>5,000</b>	<b>5,000</b>
<b>Issued share capital:</b>		
2,28,18,400 (2,28,18,400 as at March 31, 2021) equity shares of Rs.10/- each )	2,282	2,282
	<b>2,282</b>	<b>2,282</b>
<b>Subscribed and paid-up share capital:</b>		
2,28,17,461 (2,28,17,461 as at March 31, 2021) equity shares of Rs.10/- each )	2,282	2,282
<b>Total</b>	<b>2,282</b>	<b>2,282</b>

**Notes:**

**(i) Movement in equity share capital**

There has been no movement in issued, subscribed and paid up share capital of the group, during the last five years.

**(ii) Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates**

Particulars	As at March 31, 2022		As at March 31, 2021	
	Number of shares	Amount	Number of shares	Amount
<b>Equity shares of Rs. 10/- each, fully paid up</b>				
The Tata Power Company Limited [50.08% (2021 : 48.65%)(Holding Company)]	1,14,27,940	1,143	1,10,99,630	1,110
Aftaab Investment Company Limited [Nil, (2021 : 1.44%) (Subsidiary of Holding Company)]	-	-	3,28,310	33

**(iii) Terms and rights attached to equity shares**

The Company has 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 dividends in Indian Rupees.

The Board of directors have recommended dividend of Rs. 1.80/- per equity share for the year ended March 31, 2022. The dividend proposed by the Board of Directors is subject to the approval of the 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 shareholders.

**(iv) Details of shareholder holding more than 5% shares in the company :**

Name of shareholder	As at March 31, 2022		As at March 31, 2021	
	Number of shares held	% holding	Number of shares held	% holding
<b>Equity shares of Rs. 10/- each, fully paid up</b>				
The Tata Power Company Limited	1,14,27,940	50.08%	1,10,99,630	48.65%

As per records of the Company and other declarations received from shareholders, the above shareholding represents both legal and beneficial ownerships of shares.

**(v) Shareholding of the promoter in the Company as at March 31, 2022 and March 31, 2021:**

Promoter's Name	No of share	% total shares	% changed during
The Tata Power Company Limited	1,14,27,940	50.08%	1.44%
Aftaab Investment Company Limited (Subsidiary of Holding Company)	3,28,310	1.44%	-1.44%

(vi) 939 shares (March 31,2021 : 939 shares) are kept in abeyance out of the rights issued in the year 1994 pending for final allotment.

(vii) There are no shares bought back or allotted either as fully paid up by way of bonus shares or allotted under any contract without payment received in cash during 5 years immediately preceding March 31, 2022.



**Nelco Limited****Notes to the consolidated financial statements for the year ended March 31, 2022***(Amount Rs in Lakhs, unless otherwise mentioned)***Note 16 : Other equity**

Particulars	As at March 31, 2022	As at March 31, 2021
General reserve - Refer (i) below	250	250
Retained earnings - Refer (ii) below	6,361	5,057
<b>Total</b>	<b>6,611</b>	<b>5,307</b>

**(i) General reserve**

Particulars	As at March 31, 2022	As at March 31, 2021
Opening balance	250	250
Addition during the year	-	-
<b>Closing balance</b>	<b>250</b>	<b>250</b>

**(ii) Retained earnings**

Particulars	As at March 31, 2022	As at March 31, 2021
Opening balance	5,057	4,045
Elimination of profit on internal restructuring [refer note 4(a)]	-	23
Net Profit for the year	1,608	1,236
Less :- Dividend paid*	(274)	(274)
Other comprehensive income (net of tax)		
- Remeasurements of post employment benefit obligations, net of tax	(30)	28
<b>Closing Balance</b>	<b>6,361</b>	<b>5,057</b>

**Note 16 (a) : Other Reserve - Reserve for FVOCI Equity instrument**

Particulars	As at March 31, 2022	As at March 31, 2021
Opening balance	12	12
Changes in fair value of FVOCI equity instruments	-	-
<b>Closing Balance</b>	<b>12</b>	<b>12</b>

**General reserve**

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in general reserve will not be reclassified subsequently to the Statement of Profit and Loss. The amount that can be distributed by the group as dividends to its equity shareholders is determined based on the balance in this reserve and also considering the requirements of the Companies Act, 2013.

**Retained earnings**

The same reflects surplus/ (deficit) after taxes in the Statement of Profit and Loss. The amount that can be distributed by the group as dividends to its equity shareholders is determined based on the balance in this reserve and also considering the requirements of the Companies Act, 2013.

**Reserve for Equity FVOCI instrument**

This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, net of amounts reclassified to retained earnings when those assets have been disposed off.

**Note on Dividend :-**

\*For financial year ended March 31,2021, the Board of Directors had recommended a dividend of 12% (2020: 12%) which was Rs. 1.20/- (2020: Rs. 1.20/-) per equity share of Rs.10/- each, which is approved by shareholders in the Annual General Meeting of the Company held on June 22, 2021.

For financial year ended March 31,2022, the Board of Directors recommended a dividend of 18% (2021: 12%) which was Rs. 1.80/- (2021: Rs. 1.20/-) per equity share of Rs.10/- each, which is subject to approval at the annual general meeting and are not recognised as a liability as at March 31, 2022.



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Note 17 : Borrowings

(a) Non - current

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
(i) Term Loans from banks (refer note (i) and (iii) below)	1,875	1,514
<b>Total</b>	<b>1,875</b>	<b>1,514</b>

(b) Current

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured		
(i) Term loans from Banks (refer note (i) and (iii) below)	-	986
Loan in foreign currency (a)	-	986
Unsecured		
(i) Term loans from Banks (refer note (i) and (iii) below)	1,750	2,006
(ii) Inter corporate deposits (refer note (i) and (iii) below)	-	15
Secured		
(i) Bank overdraft (refer note (i) and (iii) below)	-	726
(i) Term loans from Banks (refer note (i), (ii) and (iii) below)	1,000	-
Loan in Indian currency (b)	2,750	2,747
<b>Total(a+b)</b>	<b>2,750</b>	<b>3,733</b>
Current maturity of long term debt (refer note (i) and (iii) below)	825	1,435
<b>Total</b>	<b>3,575</b>	<b>5,168</b>

(i) The carrying amount of financial and non-financial assets pledged as security for current borrowings (refer note 34).

(ii) Disclosure related to returns filed with banks with respect to working capital facilities (refer note 50).

(iii) Details of borrowings are as follows :

Particulars	As at March 31, 2022		As at March 31, 2021		Terms of Repayment	Rate of Interest (p.a.)	Nature of security
	Non current	Current	Non current	Current			
Term loan from Bajaj Finance Limited	1,875	825	-	-	36 monthly equal installments	MCLR+ Spread	Charge over the VSAT's Installed at HPCL, IOCL, Bank of India and BPCL Outlets
Term loan from Shinhan Bank	-	1,200	-	1,000	Payable on demand	3 Months MCLR +1%	Unsecured
Term loan from IDFC Bank Ltd (Loan in Indian currency)	-	1,000	-	-	Bullet repayment payable on due date	7.30 % to 7.55 %	First Pari Passu charge on entire Current Assets of the Borrower present and future
Term loan from ICICI Bank Ltd	-	550	-	-	Payable on demand	I-MCLR 1 year +1.30%	Unsecured
Term loan from IDFC Bank Ltd	-	-	1,514	1,214	Quarterly installment begin from July, 2019, last date of installment April 30, 2023	MCLR + 0.65%	Charge on the VSATs. Value of VSATs installed against the loan provided by IDFC bank.
Current maturity of long term loan from South Indian Bank	-	-	-	80	Repayable in quarterly equal instalments till September, 2021	MCLR + 0.5%	Hypothecation of asset acquired utilizing the loan
Current maturity of long term loan from ICICI Bank Ltd	-	-	-	141	Repayable in quarterly equal instalments till March, 2022	I-MCLR 1 year +1.30%	Charge over the assets, financed by rupee term loan
Term loan from IDFC Bank Ltd (Loan in foreign currency)	-	-	-	986	Bullet repayment payable on due date	2.30%	Unsecured
Term loan from IDFC Bank Ltd (Loan in Indian currency)	-	-	-	1,006	Bullet repayment payable on due date	9.15 % to 10.50 %	Unsecured
Inter Corporate Deposit	-	-	-	15	Payable on demand	9.75% to 10.25%	Unsecured
Bank overdraft from Bank of India	-	-	-	142	Payable on demand	2.00 % over 1 year BOI MCLR + BSS and 2.55% over MCLR + BSS	1) First pari passu charge on current assets by way of hypothecation 2) Second pari passu charge on all present and future fixed assets i.e. land and building, plant and machinery situated at EL-6, TTC Industrial Area, MIDC, Electronic Zone, Mahape, Navi Mumbai
Bank overdraft from South Indian Bank	-	-	-	584	Payable on demand	1 year MCLR+ 0.5%	Hypothecation by way of first charge on entire current assets of the Company
<b>Total</b>	<b>1,875</b>	<b>3,575</b>	<b>1,514</b>	<b>5,168</b>			



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Loan covenants:

Bank loans contain certain debt covenants relating to limitation on indebtedness, debt-equity ratio, net Borrowings to EBITDA ratio and debt service coverage ratio. The limitation on indebtedness covenant gets suspended if the Group meets certain prescribed criteria. The debt covenant related to limitation on indebtedness remained suspended as of the date of the authorisation of the financial statements. The Group has also satisfied all other debt covenants prescribed in the terms of bank loan.

Net debt reconciliation

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Cash & cash equivalents	1,565	916
Bank overdraft	-	(726)
Current borrowings	(3,575)	(4,442)
Lease obligation	(2,698)	(2,280)
Non current borrowings	(1,875)	(1,514)
<b>Net debts</b>	<b>(6,583)</b>	<b>(8,046)</b>

Note 17B : Changes in liabilities arising from financing activities

Particulars	Other assets	Liabilities from financial activities			
	Cash & bank overdrafts	Lease obligation	Non current borrowings	Current borrowing	Current borrowing
<b>Net debt as at March 31, 2020</b>	<b>253</b>	<b>(838)</b>	<b>(4,411)</b>	<b>(5,795)</b>	<b>(10,791)</b>
Cash flow	(63)	210	2,893	1,353	4,393
Modification of lease term	-	(36)	-	-	(36)
Acquisitions - Finance leases	-	(1,616)	-	-	(1,616)
Interest expenses	(67)	(133)	(97)	(539)	(836)
Interest paid	67	133	101	539	840
<b>Net debt as at March 31, 2021</b>	<b>190</b>	<b>(2,280)</b>	<b>(1,514)</b>	<b>(4,442)</b>	<b>(8,046)</b>
Cash flow	1,375	438	(361)	867	2,319
Acquisitions - Finance leases	-	(856)	-	-	(856)
Interest expenses	-	(237)	(25)	(421)	(683)
Interest paid	-	237	25	421	683
<b>Net debt as at March 31, 2022</b>	<b>1,565</b>	<b>(2,698)</b>	<b>(1,875)</b>	<b>(3,575)</b>	<b>(6,583)</b>



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Note 18 (a) : Non current trade payables

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Total outstanding dues of micro enterprises and small enterprises (refer note 53)	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	167
<b>Total</b>	-	<b>167</b>

Particulars	Unbilled	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2022
<b>Micro enterprises and small enterprises (A)</b>	-	-	-	-	-	-
Disputed	-	-	-	-	-	-
Undisputed	-	-	-	-	-	-
<b>Others (B)</b>	-	-	-	-	-	-
Disputed	-	-	-	-	-	-
Undisputed	-	-	-	-	-	-
<b>Total (A+B)</b>	-	-	-	-	-	-

Particulars	Unbilled	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2021
<b>Micro enterprises and small enterprises (A)</b>	-	-	-	-	-	-
Disputed	-	-	-	-	-	-
Undisputed	-	-	-	-	-	-
<b>Others (B)</b>	-	-	167	-	-	-
Disputed	-	-	-	-	-	-
Undisputed	-	-	167	-	-	-
<b>Total (A+B)</b>	-	-	167	-	-	-

Note 18 (b) : Current trade payables

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Total outstanding dues of micro enterprises and small enterprises (refer note 53)	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	5,325	3,476
(iii) Trade payable to related parties (refer note 44)	24	19
<b>Total</b>	<b>5,349</b>	<b>3,495</b>

Particulars	Unbilled	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2022
<b>Micro enterprises and small enterprises (A)</b>	-	-	-	-	-	-
Disputed	-	-	-	-	-	-
Undisputed	-	-	-	-	-	-
<b>Others (B)</b>	1,329	3,611	75	207	127	5,349
Disputed	-	-	5	11	93	109
Undisputed	1,329	3,611	70	196	34	5,240
<b>Total (A+B)</b>	<b>1,329</b>	<b>3,611</b>	<b>75</b>	<b>207</b>	<b>127</b>	<b>5,349</b>

Particulars	Unbilled	Less than 1 year	1-2 years	2-3 years	More than 3 years	As at March 31, 2021
<b>Micro enterprises and small enterprises (A)</b>	-	-	-	-	-	-
Disputed	-	-	-	-	-	-
Undisputed	-	-	-	-	-	-
<b>Others (B)</b>	498	2,136	581	177	103	3,495
Disputed	-	-	-	-	-	-
Undisputed	498	2,136	581	177	103	3,495
<b>Total (A+B)</b>	<b>498</b>	<b>2,136</b>	<b>581</b>	<b>177</b>	<b>103</b>	<b>3,495</b>



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 19 (a) : Non-current provisions**

Particulars	As at March 31, 2022	As at March 31, 2021
<b>Provision for Employee Benefits obligations:</b>		
Gratuity (refer note 43)	-	307
<b>Total</b>	-	<b>307</b>

**Note 19 (b) : Current provisions**

Particulars	As at March 31, 2022	As at March 31, 2021
<b>Provision for employee benefits obligations:</b>		
Compensated absences (refer note 43)	149	130
Gratuity (refer note 43)	-	70
	<b>149</b>	<b>200</b>
<b>Provision - Others:</b>		
Warranty (refer note 37)	47	58
	<b>47</b>	<b>58</b>
Provision for disputes (refer note 37)	117	67
<b>Total</b>	<b>313</b>	<b>325</b>

**Note 20 (a) : Other non current liabilities**

Particulars	As at March 31, 2022	As at March 31, 2021
Deferred profit on sale of fixed assets on finance lease	4	8
<b>Total</b>	<b>4</b>	<b>8</b>

**Note 20 (b) : Other current liabilities**

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory dues payable	306	284
Deferred profit on sale of fixed assets on finance lease	6	10
<b>Total</b>	<b>312</b>	<b>294</b>

**Note 21 : Other current financial liabilities**

Particulars	As at March 31, 2022	As at March 31, 2021
Interest accrued	70	64
Liability towards voluntary retirement scheme	-	4
Sundry deposits received from customers	24	24
Capital creditors	351	459
Employee related payables	909	844
Mark to market loss on forward contracts	-	33
Unclaimed dividend*	10	7
<b>Total</b>	<b>1,364</b>	<b>1,435</b>

\*There is no amount due and outstanding, to be credited to Investor Education and Protection Fund.



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 25 : Operating expenses**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
License fees		
Transponder charges	1,743	1,575
Connectivity charges	5,771	5,493
ISP monitoring & support charges	338	129
Subcontracting expenses	4	3
<b>Total</b>	<b>9,468</b>	<b>8,948</b>

**Note 26 : Employee benefits expense**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Salaries, wages and bonus	3,055	3,074
Contributions to provident fund (refer note 43)	101	104
Contributions to superannuation and other funds (refer note 43)	32	24
Gratuity (refer note 43)	63	62
Staff welfare expenses	152	147
<b>Total</b>	<b>3,403</b>	<b>3,411</b>

**Note 27 : Other Expenses**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Power and fuel	200	201
Rent including lease rentals [refer note 4(b)]	57	61
Repairs and maintenance - Plant and machinery	235	182
Repairs and maintenance - Others	600	455
Provision for contentious liabilities	66	-
Rates and taxes	160	13
Travelling and conveyance	151	55
Freight and forwarding	441	315
Legal and professional charges	302	216
Consultancy charges	229	229
Director sitting fees	63	53
Installation expenses	206	214
Payments to auditors	49	46
Bad debts written off	43	24
Less: Provision for doubtful debts made in earlier years written back	(43)	(24)
Provision for doubtful debts	29	213
Standing Advisory Committee on Radio Frequency Allocation (SACFA) Fees	116	113
Corporate social responsibility expenses (refer note 52)	15	12
Foreign exchange loss (net)	-	26
Sales commission	90	102
Information technology expenses	129	100
Vehicle charges	175	55
Miscellaneous expenses	297	302
<b>Other expenses</b>	<b>3,610</b>	<b>2,963</b>

**Note: Auditors remuneration (excluding Goods and Service Tax)**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Payments to the auditors comprises		
Audit fee	32	22
Tax Audit fee	3	1
Other services*	13	22
Reimbursement of expenses	1	1
<b>Total</b>	<b>49</b>	<b>46</b>

Other Services primarily includes certification fees paid to auditors, one time fees for merger, additional effort for March 31, 2020 pursuant to scheme accounting.

**Note 28 : Finance costs**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Interest expense on:		
Borrowings	446	717
Leased liabilities	197	133
Trade payables	65	29
Less: Capitalisation	(24)	-
Bank charges	684	879
	69	74
<b>Total</b>	<b>753</b>	<b>953</b>

**Note 29 : Depreciation and amortisation expense**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
On property, plant and machinery [refer note 4(a)]	1,871	1,730
On intangible assets [refer note 4(a)]	98	80
On Right of use assets [refer note 4(b)]	528	420
Less: Capitalisation	2,497	2,230
	33	-
<b>Total</b>	<b>2,464</b>	<b>2,230</b>



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 22 : Revenue from operations**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>Revenue from operations</b>		
Revenue from contracts with customer		
Sale of products	5,714	3,812
Sale of services	20,292	18,799
	<b>26,006</b>	<b>22,611</b>
Other operating revenue		
Scrap sales	1	1
<b>Total</b>	<b>26,007</b>	<b>22,612</b>

**Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Revenue as per contracted price	27,515	23,545
Adjustments for:		
Deferred revenue (refer note 14)	(1,508)	(933)
<b>Total</b>	<b>26,007</b>	<b>22,612</b>

**Note 23 : Other income**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>Interest income</b>		
On bank deposits	11	4
On finance lease	37	65
On income tax refund	134	68
	<b>182</b>	<b>137</b>
<b>Other non-operating income</b>		
Liabilities/Provisions no longer required, written back	209	62
Rent income	-	21
Others	1	22
	<b>210</b>	<b>105</b>
<b>Other gains</b>		
Profit on sale of property, plant and equipment (net)	8	28
Gain on mark to mark forward contract	46	-
Foreign exchange gain (net)	12	-
Unwinding of discount on financial asset measured at amortised cost	16	14
	<b>82</b>	<b>42</b>
<b>Total</b>	<b>474</b>	<b>284</b>

**Note 24 : (Increase) / decrease in inventories of stock-in-trade**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>Inventories at the beginning of the year :</b>		
Stock-in-trade	1,138	1,051
Stock-in-transit	-	1
	<b>1,138</b>	<b>1,052</b>
<b>Less : Inventories at the end of the year :</b>		
Stock-in-trade	1,316	1,138
Stock-in-transit	266	-
	<b>1,582</b>	<b>1,138</b>
<b>Net (increase) / decrease in inventories of stock-in-trade</b>	<b>(443)</b>	<b>(86)</b>



**Note 30 : Fair Value Measurements**

This section gives an overview of the significance of financial instruments for the Company and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in the financial statements.

The carrying amount of all financial assets and liabilities appearing in the financial statements is reasonable approximation of fair value. The following tables presents the carrying value and fair value of each category of financial assets and liabilities.

The Group's assets and liabilities which are measured at FVPL, FVOCI and amortised cost for which fair values are disclosed:

Particulars	As at March 31, 2022			As at March 31, 2021		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised Cost
<b>Financial Assets</b>						
Investments	-	16	-	-	16	-
Trade receivable	-	-	7,786	-	-	6,326
Cash and cash equivalent	-	-	1,565	-	-	916
Other bank balances	-	-	45	-	-	35
Loan - Loans to employees	-	-	7	-	-	5
Fair value of foreign exchange forward contract	14	-	-	-	-	-
Other financial assets	-	-	1,123	-	-	846
<b>Total financial assets</b>	<b>14</b>	<b>16</b>	<b>10,526</b>	<b>-</b>	<b>16</b>	<b>8,128</b>
<b>Financial liabilities</b>						
Borrowings	-	-	5,450	-	-	6,682
Lease liability	-	-	2,698	-	-	2,280
Trade payables	-	-	5,349	-	-	3,662
Foreign exchange forward contracts	-	-	-	33	-	-
Other financial liabilities	-	-	1,364	-	-	1,402
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>14,861</b>	<b>33</b>	<b>-</b>	<b>14,026</b>

**(i) Fair Value hierarchy**

This section explains the judgements and estimates made in determining the fair value of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Financial assets and liabilities measured at fair value- recurring fair value measurement at March 31, 2022	Notes	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>					
<b>Financial instrument at FVOCI</b>					
Investment in equity shares	5	-	-	16	16
<b>Financial instrument at FVPL</b>					
Fair value of foreign exchange forward contract	7 (b)	-	14	-	14
<b>Total financial assets</b>		<b>-</b>	<b>14</b>	<b>16</b>	<b>30</b>



Financial assets and liabilities measured at fair value- recurring fair value measurement at March 31, 2021	Notes	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>					
Financial instrument at FVOCI					
Investment in equity shares	5	-	-	16	16
<b>Total financial assets</b>		-	-	16	16

**Level 1** - Level 1 Hierarchy includes financial instruments measured using quoted price. This includes listed equity instruments, traded bonds, mutual funds that have quoted price.

**Level 2** - The fair value of financial instruments that are not traded in an active market is determined using valuation technique which maximize the use of observable market data and rely as little as possible on entity - specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3** - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**(ii) Valuation technique used to determine fair value**

**a) Specific valuation technique used to value financial instruments include:**

- The use of quoted market price or dealer quotes for similar instruments.
- The fair value of foreign exchange forward contract is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

b) During the current year, there is no significant movement in the items of fair value measurements categorised within Level 3 of the fair value hierarchy.

c) The Fair value for investment in unquoted equity share were calculated based on risk adjusted discounted rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

**(iii) Valuation processes**

The finance department of the group performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the CFO, Audit Committee and the finance team at least once every three months, in line with group's quarterly reporting periods

**(iv) Fair value of financial assets and liabilities measured at amortised cost**

Particulars	As at March 31, 2022		As at March 31, 2021	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
<b>Financial Assets</b>				
Trade receivable	7,786	7,786	6,326	6,326
Cash and cash equivalent	1,565	1,565	916	916
Other bank balances	45	45	35	35
Loan - Loans to employees	7	7	5	5
Other financial assets	1,123	1,123	846	846
<b>Total Financial Assets</b>	<b>10,526</b>	<b>10,526</b>	<b>8,128</b>	<b>8,128</b>
<b>Financial Liabilities</b>				
Borrowings	5,450	5,450	6,682	6,682
Lease liabilities	2,698	1,364	2,280	1,402
Trade payables	5,349	5,349	3,662	3,662
Other financial liabilities	1,364	1,364	1,402	1,402
<b>Total Financial Liabilities</b>	<b>14,861</b>	<b>13,527</b>	<b>14,026</b>	<b>14,026</b>

The carrying amounts of cash and cash equivalent, other bank balances and trade payables are considered to be the same as their fair values, due to their short-term nature.

The Fair value of Loans, Trade Receivables, Borrowings and Other financial liabilities were calculated based on cash flows discounted using a current deposit rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

**Significant Estimates**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) and (iii) above.



**Note 31 : Financial Risk Management**

The Group's activities expose it to the market risk, liquidity risk and credit risk.

The Groups's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to support its operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, foreign currency risk, liquidity risk and credit risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a Risk management committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Risk management committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, loans, other financial assets measured at amortised cost.	Ageing analysis, credit ratings	Diversification of bank deposit, credit limits
Liquidity risk	Borrowings, Trade Payables, contract liabilities and other Financial liabilities	Rolling cash flow forecast	Availability of bank credit lines and borrowings facilities
Market risk - foreign exchange	Recognised financial assets and liabilities not denominated in Indian rupees (INR)	Rolling cash flow forecast Sensitivity analysis	Monitoring Foreign currency fluctuation, availing Forward Contracts.
Market risk -interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Availability of borrowing facilities at fixed rate, variable rate and Periodic monitoring of variable interest rates.

**(A) Credit Risk**

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily trade receivables), deposits with bank and financial institution, Loans and deposits with third party, Foreign exchange transactions and other financial instruments / assets.

The group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. It considers reasonable and supportive forwarding-looking information such as: adverse changes in business, changes in the operating results of the counterparty, change to the counterparty's ability to meet its obligations etc. Financial assets are written off when there is no reasonable expectation of recovery.

**(i) Credit Risk Management**

**Financial Assets**

The group maintains exposure in cash and cash equivalents, term deposits with banks, Security deposits with counterparties, loans to third parties. Individual risk limits are set for each counter-party based on financial position, credit rating and past experience. Credit limits and concentration of exposures are actively monitored by the group.

The group's maximum exposure to credit risk as at March 31, 2022 and March 31, 2021 is the carrying value of each class of financial assets as disclosed in the consolidated financial statements.

**Trade receivables**

Trade receivables are typically unsecured and are derived from revenue earned from customers. Credit risk has been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Group uses expected credit loss model to assess the impairment loss or gain. The Group uses a provision matrix and forward-looking information and an assessment of the credit risk over the expected life of the financial asset to compute the expected credit loss allowance for trade receivables.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount of trade receivable and the amount of the loss is recognised in the statement of profit and loss within other expenses.

Two customers as at March 31, 2022 and three customers as at March 31, 2021 contributed to more than 5% of the total balance of trade receivables. Receivable from these customers was Rs. 1,239 Lakhs and Rs.1,544 Lakhs as at March 31, 2022 and as at March 31, 2021 respectively.

The amount of Trade receivable outstanding as at March 31, 2022 and March 31, 2021 is as follows:

Particulars	Not Due	0-180 days	181 - 365 days	More than 365 days	Total
As at March 31, 2022	3,469	1,832	363	410	6,074
As at March 31, 2021	2,439	1,786	506	594	5,325



## (ii) Reconciliation of loss allowances provision - Trade Receivable

Loss Allowances on March 31, 2020	154
Add: provision made/(reversed) during the year	213
Less: Provision for doubtful debts made in earlier years written back	(24)
<b>Loss Allowances on March 31, 2021</b>	<b>343</b>
Add: provision made/(reversed) during the year	29
Less: Provision for doubtful debts made in earlier years written back	(43)
<b>Loss Allowances on March 31, 2022</b>	<b>329</b>

Management does not expect any significant loss from non-performance by counterparties on credit granted during the financial year that has not been provided for.

**Other than trade receivables and financial assets.**

Management believes that the parties from which the receivables are due have strong capacity to meet the obligations and risk of default is negligible or nil and accordingly no significant provision for expected credit loss has been recorded.

Credit risk from balances with bank and financial institutions is managed by the Group's treasury department in accordance with the Group's policy.

**(B) Liquidity Risk**

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. The Group manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due through rolling cash flow forecast. Also, the Group has unutilized credit limits with banks.

**(i) Financing arrangements**

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

Particulars	As at	As at
	March 31, 2022	March 31, 2021
<b>Floating Rate</b>		
Expiring within one year (Bank overdraft, Term Loans and other facilities)	4,152	4,796
<b>Total</b>	<b>4,152</b>	<b>4,796</b>

The Bank has an unconditional right to cancel the undrawn/ unused/ unavailed portion of the loan/ facility sanctioned at any time during the period of the loan/ facility, without any prior notice to the Group.

**(ii) Maturities of financial liabilities**

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 1 Year	1 - 2 Years	2 Year and Above	Total
<b>March 31, 2022</b>				
<b>Non - Derivative</b>				
Borrowings	3,650	900	900	5,450
Lease liability	473	522	1,703	2,698
Trade payables	5,349	-	-	5,349
Other financial liabilities	1,364	-	-	1,364
<b>Total Non derivative liabilities</b>	<b>10,836</b>	<b>1,422</b>	<b>2,603</b>	<b>14,861</b>

Contractual maturities of financial liabilities	Less than 1 Year	1 - 2 Years	2 Year and Above	Total
<b>March 31, 2021</b>				
<b>Non - Derivative</b>				
Borrowings	5,166	1,213	303	6,682
Lease liability	426	429	1,425	2,280
Trade payables	3,662	-	-	3,662
Other financial liabilities	1,435	-	-	1,435
<b>Total Non derivative liabilities</b>	<b>10,689</b>	<b>1,642</b>	<b>1,728</b>	<b>14,059</b>

**(C) Market Risk****(i) Foreign currency risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, trade payables, deposits, investments, trade receivables, other financial assets and derivative financial instruments.

The risk is measured through a forecast of highly probable foreign currency cash flows.



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**(a) Foreign currency risk exposure:**

The group's exposure to foreign currency risk at the end of the reporting period are as follows

Particulars	Foreign Currency	As at March 31, 2022		As at March 31, 2021	
		In foreign currency	Rs in Lakhs	In foreign currency	Rs in Lakhs
<b>Financial Liabilities</b>					
Trade payables and capex creditors	USD	32	2,450	17	1,259
Borrowing	USD	-	-	13	986
<b>Derivative Liabilities</b>					
Foreign exchange forward contract					
Buy foreign currency	USD	(25)	(1,909)	(11)	(822)
<b>Net Exposure to Foreign Currency Liability</b>	<b>USD</b>	<b>7</b>	<b>541</b>	<b>19</b>	<b>1,423</b>
<b>Financial Assets</b>					
Trade receivables	USD	(4)	(292)	(1)	(100)
Derivative assets	USD	*	14		
<b>Net Exposure to foreign currency Assets</b>	<b>USD</b>	<b>(4)</b>	<b>(278)</b>	<b>(1)</b>	<b>(100)</b>

**(b) Sensitivity**

The Sensitivity of profit or loss to changes in the exchange rates arises mainly currency denominated financial instrument .

Particulars	Impact on profit after tax	
	As at March 31, 2022	As at March 31, 2021
<i>USD sensitivity</i>		
INR/USD - Increase by 5% (March 31, 2021 - 5%)*	(9)	(47)
INR/USD - Decrease by 5% (March 31, 2021 - 5%)*	9	47
* Holding all other variables constant		

**(ii) Interest rate risk**

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk.

**(a) Interest Rate risk exposure**

The exposure of the group's borrowings to interest rate changes at the end of the reporting period are as follows.

Particulars	As at March 31, 2022	As at March 31, 2021
Variable rate borrowings	5,450	6,682
<b>Total Borrowings</b>	<b>5,450</b>	<b>6,682</b>

**(b) Sensitivity**

Profit or loss is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates.

Particulars	Impact on profit after tax	
	As at March 31, 2022	As at March 31, 2021
Interest Rate - Increase by 100 basis points*	(39)	(47)
Interest Rate - Decrease by 100 basis points*	39	47
* Holding all other variable constant		

**(iii) Price Risk**

The Group does not have any financial instrument which is exposed to change in price.

**Note 32 : Capital Management**

**Risk Management**

The Groups's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Loan covenants**

Under the terms of the major borrowing and facilities, the group is required to comply with the following financial covenants.

There are no financial covenants related to borrowing and facilities opt by the Company.

Financial covenants related to borrowing and facility opted by the subsidiary company:

Exclusive charge over the VSAT's installed at HPCL, IOCL, Bank of India and BPCL Outlets with minimum security cover of 1.35x at all times.

Group has complied with the above covenants throughout the reporting period.



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

*(Amount Rs in Lakhs, unless otherwise mentioned)*

**Note 33 : Offsetting Financial Assets And Financial Liabilities**

There are no financial assets and liabilities which are eligible for offset under any arrangement.

**Collateral against borrowings**

The Group has pledged financial instruments as collateral against a number of its borrowings. Refer to note no. 34 for further information on financial and non-financial collateral pledged as security against borrowings.

**Note 34 : Assets Pledge As Security**

The carrying amounts of assets pledged as security for current and non-current borrowings are :

Particulars	As at March 31,2022	As at March 31,2021
<b>Current Assets</b>		
<b>Financial Assets</b>		
First Charge		
Trade receivables (Including non-current)	7,839	5,814
Inventories	1,582	1,138
Cash & cash equivalents	1,565	916
Bank balances other than above	45	35
Loans	7	60
Other financial assets	1,146	1,625
Other current assets	483	347
<b>Total Current Assets pledged as Security</b>	<b>12,667</b>	<b>9,935</b>
<b>Non Current Assets</b>		
First Charge		
(i) Plant and machinery	-	3,356
(ii) Office equipment	-	2
(iii) Intangible assets	-	167
(iv) Capital work-in-progress	-	362
(v) Other financial assets	-	17
<b>Total (A)</b>	<b>-</b>	<b>3,904</b>
Second Charge		
(i) Building	70	82
(ii) Plant and machinery	3,763	591
(iii) Office equipment	3,211	4,239
<b>Total (B)</b>	<b>7,044</b>	<b>4,912</b>
<b>Total Non-Current Assets pledged as Security</b>	<b>7,044</b>	<b>8,816</b>
<b>Total Assets pledged as Security</b>	<b>19,711</b>	<b>18,751</b>



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Note 35 : Earnings per share (EPS)

Sr. No.	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
1	Net profit after tax attributable to equity shareholders (Rs. in Lakhs)	1,608	1,236
2	Weighted average number of equity shares	2,28,17,461	2,28,17,461
3	EPS (Rs.) [Basic and diluted] (Face value per share Rs. 10)	7.05	5.42

Note 36 : Contingent liabilities

Sr. No.	Particulars	As at March 31, 2022	As at March 31, 2021
a)	Claims against the group not acknowledged as debt comprises of: - Sales tax and service tax claims disputed by the group relating to issues of applicability and classification	448	4,099
b)	Claims from Vendor - Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending	663	168
c)	Income tax demand against the group not acknowledged as debt and not provided for, relating to issues of deductibility and taxability in respect of which group is in appeal.	497	559
Future cash outflows in respect of the above matters are determinable only on receipt of judgments/decisions pending at various forums / authorities.			

The Company does not have any contingent assets at the balance sheet date.

The above figures for contingent liabilities do not include amounts towards certain additional penalties/interest that may devolve on the Company in the event of an adverse outcome as the same is subjective and not capable of being presently quantified. Unless otherwise stated below, the management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable, further outflow of resources is not probable in either cases.

The Supreme court of India in the month of February 2019 had passed a judgement relating to definition of wages under the Provident Fund Act, 1952. The management is of the view that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has made a provision for provident fund contribution pursuant to the judgement only from the date of Supreme Court Order. The Company will evaluate its position and update its provision, if required, on receiving further clarity on the subject. The Company does not expect any material impact of the same.

Note 37 : Disclosure as required by Ind AS 37 – "Provisions, contingent Liabilities and contingent Assets" as at year end are as follows:

- Provision for disputes represents estimates made for probable liabilities arising out of pending assessment proceedings with various Government Authorities and others. The information usually required by Ind AS 37 – "Provisions, Contingent Liabilities and Contingent Assets", is not disclosed on grounds that it can be expected to prejudice the interests of the group. The timing of the outflow with regard to the said matter depends on the exhaustion of remedies available to the group under the law and hence, the group is not able to reasonably ascertain the timing of the outflow (refer note 36).
- Provision for Warranty relates to warranty provision made in respect of sale of certain products, the estimated cost of which is accrued at the time of sale. The products are generally covered under free warranty period ranging from one to three years.
- The movement and provision during the year are as follows:

Particulars	Provision for disputes		Warranties	
	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2021
Opening balance	67	39	58	58
Add: Provision during the year	72	28	44	-
(Less): Utilisation during the year	(16)	-	-	-
(Less): Reversal during the year	(6)	-	(55)	-
Add: Effects of unwinding of discounts on provision	-	-	-	-
Closing balance	117	67	47	58
Classified as current (refer note 19(b))	117	67	47	58





**Nelco Limited****Notes to the consolidated financial statements for the year ended March 31, 2022***(Amount Rs in Lakhs, unless otherwise mentioned)***Note 39 : Reconciliation of tax expense and accounting profit multiplied by India's tax rates:**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Profit before tax	2,315	1,588
Statutory tax rate (%)	29.12%	29.12%
<b>Tax at Indian tax rate</b>		
Deferred tax created on temporary differences in related to earlier years	674	462
Income tax provision made for earlier year, including interest	(158)	(94)
<b>Other Items</b>		
Tax on income at different rates	(63)	(27)
Others	1	11
<b>Total tax expense</b>	<b>707</b>	<b>352</b>

**Note 40 : Capital and other Commitments**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance paid)	668	299

**Note 41 : Foreign Exchange earnings**

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
During the year Company earned foreign exchange from below activities		
a. Export of goods/services calculated on FOB basis	4,717	2,726

**Note 42 : Segment reporting**

The Company's Managing Director and CEO is identified as Chief Operating Decision Maker ('CODM') of the Company and CODM reviews and allocates resources for consolidated business i.e. Network Systems products and services and accordingly, it is a single operating segment.



**Note 43 : Employee benefit obligations****Short-term employee benefits**

These benefits include salaries and wages, including other monetary and non-monetary benefits, compensated absences which are either non-accumulating or accumulated and expected to be availed within twelve months after the end of the reporting period.

**Long-term employee benefits****i) Defined contribution plans**

Groups's contribution paid/payable during the year to superannuation fund and ESIC contribution are recognised as an expense and included in Note 26 under the heading "Contributions to superannuation and other funds" are as under:

Sr. No	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
a)	Contribution to employees' superannuation fund	21	21
b)	Contribution to employees' state insurance scheme	11	3
c)	Contribution to provident fund	37	-
	<b>Total</b>	<b>32</b>	<b>24</b>

**ii) Defined Benefit Plans**

The Group operates the following funded/unfunded defined benefit plans:

**-Provident Fund (Funded):**

The Group makes Provident Fund contributions to defined benefit plans for eligible employees. Under the scheme, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified under the law are paid to the provident fund set up as a trust by the Group. The Rules of the Group's provident fund administered by the Trust requires 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 Group. Having regard to the assets of the fund and the return on the investments, the Group does not expect any shortfall in the foreseeable future.

In terms of guidance note issued by the Institute of Actuaries of India, the Actuary has provided a valuation of Provident fund liability based on the assumptions listed and determined that there is no shortfall as at March 31, 2022 and March 31, 2021, respectively.

The details of fund and plan asset position are given below:

Particulars	As at March 31, 2022	As at March 31, 2021
Plan assets at period end, at fair value	2,858	2,516
Present value of benefit obligation at period end	2,858	2,516
Asset recognized in Balance Sheet	-	-

The Plan assets have been primarily invested in government securities

Assumptions used in determining the present value of obligation of interest rate guarantee under the deterministic approach :

Particulars	As at March 31, 2022	As at March 31, 2021
Government of India (GOI) bond yield	7.06%	6.86%
Remaining term to maturity of portfolio	11 years	11 years
Expected guaranteed interest rate	8.10%	8.50%

The Group has contributed Rs 101 Lakhs and Rs 104 Lakhs during the year ended March 31, 2022 and March 31, 2021 respectively and the same has been recognized in the Statement of Profit and Loss.

**Provident Fund Assessment as per recent Supreme court Judgment**

Recent Supreme Court judgement in case of Vivekananda Vidyamandir and Others (February 2019) lays down principles to exclude a particular allowance from the definition of "basic wages" for the purposes of computing the deduction towards provident fund contributions. A review petition have been filed against the said order by other Companies and await clarification from Provident Fund Commissioner/Supreme Court. Based on the initial assessment and recently concluded inspections by Provident Fund authorities, management does not expect any material impact on the financial statements.



**-Gratuity (funded)**

Till March 31, 2021 gratuity was unfunded. During the year the Company has created gratuity trust. The Company has a funded defined benefit gratuity plan. The Company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, every employee who has completed five years or more of service gets gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The gratuity liability amount is contributed to the approved gratuity fund formed exclusively for gratuity payment to the employees. The gratuity fund has been approved by respective Income Tax authorities. The liability in respect of gratuity and other post employment benefits is calculated using the Projected Unit Credit Method and spread over the period during which the benefit is expected to be derived from employees' services.

The following table sets out the status of the defined benefit scheme and the amount recognised in the consolidated financial statements:

**Amount recognised in the statement of profit and loss**

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Current service cost	37	36
Interest cost (Net)	26	26
<b>Total expense recognised in the statement of profit and loss</b>	<b>63</b>	<b>62</b>

**Amount recognised in other comprehensive income (OCI)**

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Due to change in demographic assumptions	*	*
Due to change in financial assumptions	(3)	(1)
Due to experience	33	(27)
<b>Total remeasurement (gains)/losses recognised in OCI</b>	<b>30</b>	<b>(28)</b>

\*figures are below rounding off norm adopted by the group

**Change in Defined Obligation (DBO) during the year**

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Present value of DBO at the beginning	377	389
Current service cost	37	36
Interest cost (Net)	26	26
Liabilities transferred In/acquisitions	-	1
Remeasurement (gain)/loss	30	(28)
Benefits paid	(37)	(47)
Total	433	377
Amount paid to employees gratuity trust	(433)	-
<b>Present value of DBO at the end</b>	<b>-</b>	<b>377</b>

**Principal Actuarial assumptions for valuation of gratuity liability**

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Discount rate	7.06%	6.84%
Expected rate of escalation in salary	7.50%	7.50%
Rate of employee turnover	a. For service 4 years and below - 8.00% p.a. b. For service 5 years and above - 5.00% p.a.	a. For service 4 years and below - 8.00% p.a. b. For service 5 years and above - 5.00% p.a.
Mortality tables	Indian Assured Lives Mortality (2006-08) Ultimate	



The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

This plan typically exposes the Group to actuarial risks such as:

- Interest rate risk** - A decrease in the bond interest rate will increase the plan liability.
- Demographic risk** - This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria.
- Salary risk** - The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

#### Sensitivity

Sensitivity of the defined benefit obligation to changes in the weighted principal assumptions (while holding all other assumptions constant) is:

Particulars	Change in assumption	As at March 31, 2022		As at March 31, 2021	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(26)	30	(22)	26
Expected rate of escalation in salary	1%	29	(27)	25	(23)
Rate of employee turnover	1%	(2)	2	(1)	1

\*figures are below rounding off norm adopted by the group.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

#### Defined benefit liability and employers contributions

The weighted average duration of the projected benefit obligation is 8 years ( 2021 - 8 years). The expected maturity analysis of undiscounted gratuity is as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
1st following year	47	54
2nd following year	17	21
3rd following year	29	71
4th following year	31	35
5th following year	11	47
Sum of years 6 to 10	112	148
Sum of years 11 and above	217	291

#### iii) Other employee benefits

Compensated absences which are accumulated and not expected to be availed within twelve months after the end of the reporting period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date. Compensated absences is recognised as a liability based on actuarial valuation of the defined benefit obligation as at the balance sheet date.

An amount of Rs. 41 Lakhs (previous year Rs. 50 Lakhs) has been charged to the Statement of Profit and Loss for the year ended March 31, 2022 towards Compensated absences.

Provision for compensated absences has been made on the basis of actuarial valuation carried out as at the Balance sheet date.

#### Principal Actuarial assumptions for valuation of long-term compensated absences

Particulars	As at March 31, 2022	As at March 31, 2021
Discount rate	7.06%	6.86%
Expected rate of escalation in salary	7.50%	7.50%
Rate of Employee Turnover	a. For service 4 years and below - 8.00% p.a. b. For service 5 years and above - 5.00% p.a.	a. For service 4 years and below - 8.00% p.a. b. For service 5 years and above - 5.00% p.a.

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.



**Note 44 : Related party transactions**

- (A) **Promotor of holding company**  
Tata Sons Private Limited
- (B) **Parent Company / Holding Company**  
The group is controlled by the following entity

Name	Type	Place of incorporation	Ownership interest	
			As at March 31, 2022	As at March 31, 2021
The Tata Power Company Limited	Immediate parent entity	India	50.09%	48.65%

- (C) **Subsidiary Companies**  
Interest in subsidiaries are set out in note 46
- (D) **Associate Company :**  
Interest in associate are set out in note 46
- (E) **Key Managerial Personnel**
- (i) **Executive director**  
Mr.P.J. Nath (Managing Director and CEO)
- (ii) **Independent and Non-Executive Directors**  
Mr.R.R Bhinge (Non-Executive Director)  
Mr. Anand Agrawal (Non Executive Director w.e.f October 24, 2019)  
Mr. Ajay Kumar Pandey (Independent Director upto w.e.f January 28, 2020)  
Dr. Lakshmi Nadkarni (Independent Director upto w.e.f January 28, 2020)  
Mr. K. Narasimha Murthy (Independent Director upto w.e.f January 28, 2020)

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>(i) Executive Directors</b>		
Short-term employee benefits	285	288
Post-employment benefits	8	8
Long-term employee benefits*	-	-
<b>(ii) Non Executive and Independent Director</b>		
Director sitting fees	63	53
<b>Total compensation</b>	<b>356</b>	<b>349</b>

\*The Group provides long term benefits in the form of Gratuity to Key managerial personnel along with all employees, cost of same is not identifiable separately and hence not disclosed.

**(F) Details of transactions between related parties are disclosed below :**

Sr.no.	Particulars	The Tata Power Company Limited (Holding Co.)	Tata Sons Private Limited (Promoter of Holding Co.)
1) Purchase :			
a) Services / Royalties	-	-	33 (20)
2) Sales :			
a) Services	1 (2)	-	-
3) Other transactions :			
a) Dividend paid	133 (133)	-	(-)
4) Balance Outstanding as at year end			
a) Trade receivables	2 (1)	-	-
b) Trade payables	-	-	24 (19)

- Note : (i) Figures in brackets pertain to the previous year ended March 31, 2021.  
(ii) Related Party relationship is as identified by the group and relied upon by auditors.  
(iii) \* figures below rounding off norm adopted by the group.



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 45:** Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

**a. Net assets, i.e., total assets minus total liabilities**

Name of the entity in the Group	As at March 31, 2022		As at March 31, 2021	
	As % of consolidated net assets	Amount	As % of consolidated net assets	Amount
<b>Parent</b>				
Nelco Limited	94.96%	8,456	(101.00%)	7,677
<b>Indian Subsidiaries</b>				
Nelco Network Products Limited	(39.10%)	3,482	(36.51%)	2,775
<b>Indian Associate (Investment as per equity method)</b>				
Adjustment on consolidation	-(34.06%)	(3,033)	-(37.51%)	(2,851)
<b>Total</b>	<b>100.00%</b>	<b>8,905</b>	<b>100.00%</b>	<b>7,601</b>

**b. Share in profit or loss**

Name of the entity in the Group	Year ended March 31, 2022		Year ended March 31, 2021	
	As % of consolidated net Profit and Loss	Amount	As % of consolidated net Profit and Loss	Amount
<b>Parent</b>				
Nelco Limited	63.57%	1,022	74.84%	925
<b>Indian Subsidiaries</b>				
Nelco Network Products Limited	35.95%	578	0.00%	
Adjustment on consolidation	0.48%	8	24.60%	304
<b>Total</b>	<b>100.00%</b>	<b>1,608</b>	<b>100.00%</b>	<b>1,236</b>

**c. Share in Other Comprehensive Income**

Name of the entity in the Group	Year ended March 31, 2022		Year ended March 31, 2021	
	As % of consolidated net Other Comprehensive	Amount	As % of consolidated net Other Comprehensive Income	Amount
<b>Parent</b>				
Nelco Limited	213.33%	(64)	46.43%	13
<b>Indian Subsidiaries</b>				
Nelco Network Products Limited	-113.33%	34	53.57%	15
<b>Total</b>	<b>100.00%</b>	<b>(30)</b>	<b>100.00%</b>	<b>28</b>

\* figures below rounding off norm adopted by the group.

**d. Share in Total Comprehensive Income**

Name of the entity in the Group	Year ended March 31, 2022		Year ended March 31, 2021	
	As % of consolidated net Total Comprehensive	Amount	As % of consolidated net Total Comprehensive Income	Amount
<b>Parent</b>				
Nelco Limited	60.72%	958	74.21%	938
<b>Indian Subsidiaries</b>				
Nelco Network Products Limited	(38.79%)	612	(25.24%)	319
Adjustment on consolidation	(0.49%)	8	(0.55%)	7
<b>Total</b>	<b>100.00%</b>	<b>1,578</b>	<b>100.00%</b>	<b>1,264</b>

\* figures below rounding off norm adopted by the group.



**Nelco Limited**

**Notes to the consolidated financial statements for the year ended March 31, 2022**

(Amount Rs in Lakhs, unless otherwise mentioned)

**Note 46:** (A) The Company vide its letter dated September 1, 2017 informed the stock exchange about the approval of the Board of Directors to (i) transfer by way of slump sale on a going concern basis, for a lump sum consideration to its wholly owned subsidiary, Nelco Network Products Ltd (NNPL) of the following :

(a) Integrated Security and Surveillance Solution ('ISSS') business and  
 (b) Very Small Aperture Terminals ("VSAT") hardware business and allied services consisting of network management, project management, infrastructure services, turnkey solutions for satellite communication systems, and co-location services to customers other than Tatanet Services Ltd (TNSL); and  
 (ii) the amalgamation of TNSL with the Company, through a composite scheme of Arrangement and Amalgamation (Proposed Scheme).

(B) The Proposed Scheme has been approved by National Company Law Tribunal ('NCLT') and Department of Telecommunications (DoT) on November 2, 2018 and June 9, 2021 respectively. The scheme is effective from appointment date i.e. April 1, 2017. Since, the above reorganisation is between the Company and its two wholly owned subsidiaries, this has no implication on consolidated financial results of the Company

**Interest in other entities**

**Subsidiaries**

The group's subsidiaries at March 31, 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of the entity	Place of business / Country of incorporation	Ownership interest held by the group		Principal activities
		As at March 31, 2022	As at March 31, 2021	
Nelco Network Products Limited	India	100%	100%	Sale of VSAT Equipment's

**Note 47: Finance lease receivables**

The Company has given on finance lease VSAT equipment to its customer. Below is rental receivable by the Company towards finance lease.

Particulars	As at March 31, 2022	As at March 31, 2021
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not Later than 1 year		
Later than 1 year but not later than 5 years	272	252
Later than 5 years	38	186
	310	438

**Note 48:** As a part of transition to Goods Services Tax (GST) in June 2017, the Company carried forward the Cenvat/Service tax/Sales tax input credit balance of Rs 31 Lakhs as on March 31, 2022 for future set-off against GST payable. However, due to technical glitch on the GSTN portal, the Company could not file the Tran 1 Form within the prescribed period including the extended filing period. A writ petition filed by the Company in the Hon'ble High Court of Bombay for allowing the carry forward of the input credit balances was dismissed vide its order dated March 20, 2020. Thereby the petition and the claim of the Company of Rs. 31 Lakhs was disallowed. The Company has filed Special Leave Petition in Hon'ble Supreme Court and which is admitted by Supreme Court. In addition, Similar writ petition was filed by the subsidiary company (TNSL) which merged with the Company pursuant to the Scheme, for an amount of Rs 85 Lakhs which is pending for hearing at Hon'ble High Court of Bombay. In view of the multiple judgements by various High Courts in India on this matter which supports the Company's claim and based on the advice received from independent legal counsel, the Company expects to recover total input credit balance of Rs 116 Lakhs. In view of this, no provision has been made in the books of account against the recoverability of these balances.

**Note 49: Foreign Exchange earnings**

	As at March 31, 2022	As at March 31, 2021
During the year Company earned foreign exchange from below activities		
a. Export of goods/services calculated on FOB basis	4,717	2,726

**Note 50: Returns filed with banks with respect to working capital facility availed by the Company**

Name of Bank	Quarter	Particulars of Securities provided	Amount as per books of accounts	Amount as reported in the quarterly return/statement	Amount of difference	Reason for material discrepancies
Bank of India, Union Bank of india, South Indian Bank	Q-1 of FY 20-21	Inventory	1,262	1,262	-	-
		Debtors	6,633	6,633	-	-
		Creditors	2,773	2,773	-	-
Bank of India, Union Bank of india, South Indian Bank	Q-2 of FY 20-21	Inventory	1,421	1,421	-	-
		Debtors	5,570	5,570	-	-
		Creditors	1,801	1,801	-	-
Bank of India, Union Bank of india, South Indian Bank	Q-3 of FY 20-21	Inventory	1,309	1,309	-	-
		Debtors	6,289	6,289	-	-
		Creditors	2,900	2,900	-	-
Bank of India, Union Bank of india, South Indian Bank	Q-4 of FY 20-21	Inventory	1,137	1,137	-	-
		Debtors	6,765	6,765	-	-
		Creditors	2,551	2,551	-	-
Bank of India, Union Bank of india, South Indian Bank	Q-1 of FY 21-22	Inventory	-	-	-	-
		Debtors	3,117	3,117	-	-
		Creditors	2,144	2,144	-	-



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Name of Bank	Quarter	Particulars of Securities provided	Amount as per books of accounts	Amount as reported in the quarterly return/statement	Amount of difference	Reason for material discrepancies
Bank of India, Union Bank of India	Q-2 of FY 21-22	Debtors	3,812	3,812	-	-
		Creditors	3,624	3,624	-	-
Bank of India, Union Bank of India	Q-3 of FY 21-22	Debtors	3,799	3,799	-	-
		Creditors	1,596	1,596	-	-
<b>For Subsidiary</b>						
IDFC Bank Ltd	Q3 of 2021-22	Inventory	1,400	1,400	-	-
		Debtors	6,162	6,162	-	-
		Creditors				

Note 51: Ratio

Particulars	Note	Ratio		Remarks for movement
		March 31, 2022	March 31, 2021	
a) Current ratio=Current assets/Current liabilities	Refer note I	0.93	0.74	Increase due to reduction in current borrowings during the year
b) Debt equity ratio= Total Debt/Total Equity	Refer note II	0.61	0.88	Decrease due to reduction in current borrowings and increase in equity due to profit earned during the year
c) Debt service coverage ratio = EBITDA/Total amount of interest and principal payable or paid during the period	Refer note III	0.90	0.63	Increase due to reduction in current borrowings during the year
d) Return on equity ratio= Net Profits after taxes/Total Equity	Refer note IV	0.08	0.06	-
e) Inventory turnover ratio= Average Inventory/COGS	Refer note V	0.30	0.39	-
f) Trade receivable turnover ratio= Sales/Average trade receivable	Refer note VI	3.69	3.11	-
g) Trade payable turnover ratio= (COGS+subcontracting expenses+Other expenses- provision for doubtful debts)/Average trade payables	Refer note VII	2.97	2.44	-
h) Net capital turnover ratio= Net Sales/Working capital	Refer note VIII	8.41	9.67	-
i) Net profit ratio = Net Profit after Tax/Revenue	Refer note IX	0.06	0.05	-
j) Return on capital employed= Earning before interest and taxes/Capital employed	Refer note X	0.21	0.18	-
k) Return on investment = Net Profit after Tax/Capital employed	Refer note XI	0.11	0.09	Increase due to increase in profit earned during the year



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Note 51: Ratio

Sr No	Particulars	Refer note	March 31, 2022	March 31, 2021	
I	<u>Current assets</u>				
	(a) Inventories	10	1,582	1,138	
	(b) Financial assets				
	(i) Trade receivables	11	7,786	6,326	
	(ii) Cash and cash equivalents	12	1,565	916	
	(iii) Bank balances other than (ii) above	13	45	35	
	(iii) Loans	6(b)	7	4	
	(iv) Other financial assets	7(b)	754	337	
	(c) Contract Assets	14	137	-	
	(d) Other current assets	9(b)	483	347	
			12,359	9,103	
		<u>Current liabilities</u>			
	(a) Financial liabilities				
	(i) Borrowings	17(b)	3,575	5,168	
	(ia) Lease liabilities	4(b)	473	416	
	(ii) Trade payables	18(b)	5,349	3,495	
	(iii) Other financial liabilities	21	1,364	1,435	
	(b) Provisions	19(b)	313	325	
	(c) Contract Liabilities	14	1,931	1,216	
	(d) Other current liabilities	20(b)	312	294	
		13,317	12,349		
II	<u>Total Debt</u>				
	Non current borrowings	17(a)	1,875	1,514	
	Current borrowings	17(b)	3,575	5,168	
			5,450	6,682	
	<u>Total equity</u>				
	Equity share capital	15	2,282	2,282	
Other equity - Reserve and surplus	16	6,623	5,319		
		8,905	7,601		
III	Earning before interest tax depreciation and amortisation (EBITDA)	Refer P & L	5,532	4,771	
	<u>Total amount of interest and principal payable or paid during the period</u>				
	<u>Total interest paid or payable during the period</u>				
	On borrowings	27	446	717	
	On lease liabilities	27	197	133	
	On trade payable	27	65	29	
			708	879	
	<u>Total principal paid or payable during the period</u>				
	Non current borrowing	17(a)	1,875	1,514	
	Current borrowing including current maturity of long term borrowing	17(b)	3,575	5,168	
		5,450	6,682		
IV	Net Profits after taxes	As per P & L	707	487	
	<u>Total equity</u>				
	Equity share capital	15	2,282	2,282	
	Other equity - Reserve and surplus	16	6,623	5,319	
		8,905	7,601		
V	<u>Average inventory</u>				
	Opening inventory	10	1,138	1,052	
	Closing inventory	10	1,582	1,138	
	Average inventory		1,360	1,095	
Cost of goods sold (COGS)	As per P & L	4,468	2,803		
VI	Sales	21	26,007	22,612	
	<u>Average trade receivable</u>				
	Opening trade receivable	11	6,326	8,195	
	Closing trade receivable	11	7,786	6,326	
	Average trade receivable		7,056	7,261	



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Sr No	Particulars	Refer note	March 31, 2022	March 31, 2021
VII	Cost of goods sold (COGS)	As per P & L	4,468	2,803
	Other expenses- provision for doubtful debts)/Average trade payables			
	Subcontracting expenses	23	20,949	17,936
	Other expenses	23	-	-
	Less: provision for doubtful debts	23	14	-189
			20,963	17,747
	<u>Average trade payables</u>			
	Opening trade payables	11	6,326	8,195
	Closing trade payables	11	7,786	6,326
	Average trade payables		7,056	7,261
VIII	Net Sales		26,007	22,612
	<u>Working capital (Current assets- current liabilities)</u>			
	<u>Current assets</u>			
	(a) Inventories	10	1,582	1,138
	(b) Financial assets			
	(i) Trade receivables	11	7,786	6,326
	(ii) Cash and cash equivalents	12	1,565	916
	(iii) Bank balances other than (ii) above	13	45	35
	(iii) Loans	6(b)	7	4
	(iv) Other financial assets	7(b)	754	337
	(c) Contract Assets	14	137	-
	(d) Other current assets	9(b)	483	347
	<b>Total Current assets</b>		<b>12,359</b>	<b>9,103</b>
	<u>Current liabilities</u>			
	(a) Financial liabilities			
	(ii) Trade payables	18(b)	5,349	3,495
	(iii) Other financial liabilities	21	1,364	1,435
	(b) Provisions	19(b)	313	325
	(c) Contract Liabilities	14	1,931	1,216
	(d) Other current liabilities	20(b)	312	294
	<b>Total Current liabilities</b>		<b>9,269</b>	<b>6,765</b>
	Working capital (Current assets - current liabilities)		3,091	2,338
IX	Net Profit after Tax	As per P & L	1,608	1,236
	Revenue	21	26,007	22,612
X	<u>Earning before interest and taxes</u>	As per P & L	5,532	4,771
	Earning before finance cost, depreciation, amortisation and tax	28	2,464	2,230
	Less: Depreciation and amortisation		3,068	2,541
	<u>Capital employed</u>			
	Equity share capital	15	2,282	2,282
	Other equity	16	6,623	5,319
	Borrowing			
	Non current	17(a)	1,875	1,514
	Current	17(b)	3,575	5,168
	<b>Total capital employed</b>		<b>14,355</b>	<b>14,283</b>
XI	Net Profit after Tax	As per P & L	1,608	1,236
	<u>Capital employed</u>			
	Equity share capital	15	2,282	2,282
	Other equity	16	6,623	5,319
	Borrowing			
	Non current	17(a)	1,875	1,514
	Current	17(b)	3,575	5,168
	<b>Total capital employed</b>		<b>14,355</b>	<b>14,283</b>



Nelco Limited

Notes to the consolidated financial statements for the year ended March 31, 2022

(Amount Rs in Lakhs, unless otherwise mentioned)

Note 52 : Corporate Social Responsibility

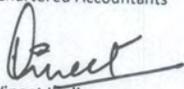
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Gross amount required to be spent by the Company during the year		
b) Amount approved by the Board to be spent during the year	15	12
c) Amount spend in cash during the year ending March 31, 2022	15	12
i) Construction/acquisition of an asset		
ii) On purpose other than (i) above	-	-
Contribution to Tata Education and Development Trust		
Total (C+ii)	15	12
d) Amount yet to be paid in cash (d=a-c)	15	12
	-	-

Note 53 : There are no Micro and Small Enterprises to whom the Group owes dues, which are outstanding as at March 31, 2022. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined on the basis of information available with the Group.

Note 54 : The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

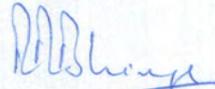
Note 55 : Previous year's figures have been regrouped/reclassified , wherever necessary, to conform to the current year's classification

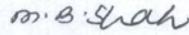
For S.R. Batliboi & Associates LLP  
Firm Registration Number : 101049W/E300004  
Chartered Accountants

  
Vineet Kedia  
Partner  
Membership No. 212230

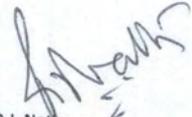


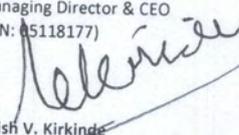
For and on behalf of the Board of Directors of  
NELCO LIMITED

  
R. R. Bhinge  
Chairman  
(DIN: 00036557)



Malav Shah  
Chief Financial Officer  
Place : Mumbai  
Date : April 26, 2022

  
P.J. Nath  
Managing Director & CEO  
(DIN: 05118177)

  
Girish V. Kirkingde  
Company Secretary & Head - Legal

Place : Mumbai  
Date : April 26, 2022

