

**nesco**

**Nesco Limited**

Report  junction.com

**46<sup>th</sup>**  
**Annual Report**  
**2004-2005**

**Annual Report 2004-05**

*"Your right is in action only, never to the fruits  
Let not the fruit of action be your motive  
Nor let your attachment be to inaction"*



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**Mr. Jethabhai V. Patel**

1904-1996

● Pioneer ● Visionary ● Philanthropist

On his 101st Birth Anniversary,  
We rededicate ourselves to our founder's strong beliefs and values  
He will always remain our inspiration

**The Nesco Team**

**Board of Directors**

Mr. Sumant J. Patel

Chairman &amp; Managing Director

Dr. Ram S Tarneja

Mr. Bharat Patel

Mr. Mahendra K Chouhan

Mr. Abbas Nakhoda

Mr. K. S. Srinivasa Murthy

Alternate to Mr. Abbas Nakhoda

Mrs. Sudha S. Patel

Jt. Managing Director

Mr. Mohan P. Parikh

**Auditors**

Shah &amp; Company

Chartered Accountants

Mumbai.

**Bankers**

HSBC Bank

State Bank of Indore

IndusInd Bank

Dena Bank

**Registered Office**

Nesco Complex

Western Express Highway

Goregaon (East)

Mumbai 400 063

**Annual Report 2004-05****Notice**

Notice is hereby given that the Forty-sixth Annual General Meeting of Nesco Limited will be held at the registered office of the Company at Nesco Complex, Western Express Highway, Goregaon (E), Mumbai - 400 063 on Thursday 29 September, 2005 at 1.30 p.m. to transact the following business.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2005 and the Profit and Loss account for the year as on that date together with the reports of the Board of Directors and auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31 March 2005.
3. To appoint a director in place of Dr. R. S. Tarneja, who retires by rotation & being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

**SPECIAL BUSINESS**

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

"RESOLVED THAT Mr. Bharat Patel who was appointed as an additional director and who holds office up to the date of this meeting, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Mahendra Chouhan who was appointed as an additional director and who holds office up to the date of this meeting, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309 with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 ( including any statutory modifications or reenactment thereof for the time being in force), the shareholders hereby approve the increase in the remuneration of Mr. Sumant J. Patel as Managing Director of the Company, not liable to retire by rotation, effective 1 April, 2005 as set out in the draft Agreement submitted to this meeting for identification, which agreement is hereby specifically sanctioned with liberty and powers to the Board of Directors to alter and vary the terms and conditions and remuneration in such manner as the Board may deem fit and is acceptable to Mr. Sumant J. Patel, within the limits specified in Schedule XIII to the Companies Act, 1956 ('the Act') or any amendments thereto."

"RESOLVED FURTHER THAT in the event of loss or inadequacy in profits in any financial year during the period effective from 01.04.2005, the Company will pay Mr. Sumant J. Patel remuneration, perquisites,

benefits and amenities including the Commission, not exceeding the ceiling laid down in Section II of Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors."

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

"RESOLVED THAT, subject to the provision of Section 314 (1) of the Companies Act, 1956 the approval of the shareholders be & is hereby given for the increase in remuneration of Mr. Krishna S. Patel, General Manager- Business Development effective from 21.02.2005 to Rs. 26,000/- per month besides the usual perks and an incentive of Rs.75,000 to Rs. 1,00,000/- per annum linked to achievement of goals and other perquisites as decided earlier within the limit of Section 314 (1) and Section 314 (1B) of the Companies Act, 1956."

9. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution

"RESOLVED THAT consent of the shareholders be & is hereby accorded to the payment of fees to the Directors of the Company ( other than the Directors who are in the whole-time employment of the Company) for attending the meeting of the Board of Directors &/or committee(s) thereof, of such amount not exceeding the limits prescribed under the proviso 310(1) of the Companies Act, 1956 or any statutory amendment thereto or re-enactment thereof and/or under any rules or regulation framed there under, as may be determined by the Board of Directors from time to time."

10. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Article no. 270 be and is hereby deleted & the following clause be replaced in that place;

"270. The Directors shall not be required to hold any qualification shares"

"RESOLVED FURTHER THAT Mr. Sumant J. Patel, Director of the Company be and is hereby authorized to take all necessary steps in this respect."

Mumbai  
13 August 2005

By order of the Board of Directors

**Sumant Patel**  
Chairman & Managing Director

Registered Office:  
Nesco Complex,  
W. E. Highway,  
Goregaon (East),  
Mumbai 400 063

**Annual Report 2004-05****NOTES:**

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, in respect to the business under item Nos. 5 to 10 above, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The instrument of proxy, duly completed, should be lodged at the registered office of the Company not less than forty eight hours before the commencement of the annual general meeting.
4. The register of members and share transfer book of the Company will remain closed from Saturday, 24 September 2005 to Thursday, 29 September 2005 (both days inclusive).
5. All correspondence regarding shares of the Company should be addressed to the Company's Registrar and Transfer Agents, Sharex Dynamic (India) Pvt. Ltd. (Unit : Nesco Limited) at Unit No. 1, Luthra Ind. Premises, Andheri – Kurla Road, Safed Pool, Andheri (East), Mumbai 400 072.
6. Members are requested to bring their copy of the Annual report to the meeting.

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 5**

Mr. Bharat Patel was appointed as an Additional Director from 20.01.2005, consequent to his withdrawal as an Alternate Director to Mr. Abbas Nakhoda. As per Section 260 of the Companies Act, 1956 he holds office only upto the date of forthcoming Annual General Meeting. Hence this resolution.

Mr. Bharat Patel is the Chairman of Proctor & Gamble Hygiene & Health Care Ltd., besides director of Force Motors Ltd., Yes Bank Ltd and Wockhardt Ltd.

None of the Directors except Mr. Bharat Patel is concerned or interested in the above resolution.

**Item No. 6**

Mr. Mahendra Chouhan was appointed as an Additional Director w. e. f. 19.04.2005. As per Section 260 of the Companies Act, 1956. He holds office only upto the date of Annual General Meeting. Hence this resolution.

Mr. Chouhan is a management consultant and specializes in corporate governance.

None of the Directors except Mr. Mahendra Chouhan is concerned or interested in the above resolution.

**Item No. 7**

It is proposed to increase the remuneration payable to Mr. Sumant Patel, Managing Director of the Company to Rs. 1,00,000/- per month besides commission on profit and other benefits and perquisites. The proposed resolution is approved by the Remuneration Committee framed in accordance with Clause 49 of the Listing Agreement.

Further, in the event of loss or inadequacy in profits in any financial year during the period effective from 01.04.2005, the Company will pay Mr. Sumant J. Patel remuneration, perquisites, benefits and amenities including commission, not exceeding the ceiling laid down in Section II of Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors.

The Board recommends the resolution for your approval.

Mr. Sumant J. Patel & Mrs. Sudha Patel are deemed to be concerned or interested in this resolution

#### Item No. 8

At the Annual General Meeting of the Company held on 30.09.2003 Mr. Krishna Patel, was appointed as Asst. Manager, Business Development at a salary of Rs. 12,500/- per month excluding LTA, medical, PF, gratuity, superannuation & phone bills. Effective 01.04.2004 his salary was increased to Rs. 13,125/- per month. Now, he has been promoted as General Manager- Business Development from 21.02.2005 with increase in remuneration to Rs. 26,000/- per month besides the usual perks. He will be also entitled to incentive of Rs. 75,000 to Rs. 1,00,000/- per annum linked with the achievement of goals. It may be noted that the above remuneration is within the limit passed by the shareholders through Special Resolution at the last Annual General Meeting held on 30.09.2004.

The Board recommends the resolution for your approval.

Mr. Sumant J. Patel & Mrs. Sudha Patel are deemed to be concerned or interested in this resolution.

#### Item No. 9

In terms of the revised clause 49 of the Listing Agreement with the Stock Exchanges, all fees/ compensation to be paid to non executive directors are to be fixed by the Board and requires the previous approval of the Shareholders in the General Meeting. There are conflicting views as to whether this requirement applies to payment of sitting fees, which in terms of proviso to Section 310(1) of the Companies Act, 1956 does not require such approval provided it is within the prescribed limits. However, out of abundant caution approval of the shareholders is being sought to payment of the sitting fees to the non-executive directors of the Company.

At present, non-executive directors are paid sitting fees of Rs. 5000/- per meeting of the Board of Directors &/ or committee(s) thereof in terms of resolution passed by the Board of Directors at its meeting held on 19.04.2005 while the maximum prescribed under proviso to Section 310(1) of the Companies Act, 1956 is Rs.10,000/- per meeting.

The Board recommends the resolution for your approval.

All the non-executive Directors of the Company are deemed to be concerned or interested in the resolution at item No.8 of the notice since it relates to payment of sitting fees for Board/Committee meeting attended by them.

#### Item No. 10

The directors have thought it fit to delete the provision of qualification shares. Hence the above resolution.

None of the directors are interested or concerned in the above resolution.

Mumbai  
13 August 2005

Registered Office:  
Nesco Complex,  
W. E. Highway, Goregaon (East),  
Mumbai 400 063

By order of the Board of Directors

**Sumant Patel**  
Chairman & Managing Director



**Annual Report 2004-05**  
**Report of the Directors**

To the Members:

The Directors present their Forty-sixth Annual Report on the business and operations of the Company together with the Audited Statements of Accounts for the year ended 31 March 2005:

**FINANCIAL RESULTS**

	<u>2004-2005</u>	<u>2003-2004</u>
	Rs.	Rs.
Income	280,473,292	90,327,168
Profit before depreciation and tax	77,340,824	7,378,587
Provision for Depreciation	9,531,046	7,971,715
Profit before Tax	67,809,778	(593,128)
Provision for Tax: Current	3,763,922	1,500,000
Deferred Tax Liability	1,621,283	1,329,209
Profit after tax	62,263,150	(4,032,960)
Balance brought forward	2,984,303	15,187,535
Amount available for appropriations	65,247,453	11,154,575
Appropriations		
i) Dividend	3,933,571	—
ii) Tax on dividend	514,068	—
iii) Transfer to General Reserve	55,799,814	—
Surplus carried forward to Profit & Loss A/c	5,000,000	11,154,575

**2. Amalgamation of Indabrator Limited with the Company:**

The most important development of the year was the merger of erstwhile Indabrator Limited with our Company. Established in 1964, Indabrator has been a market leader in surface preparation equipment, which they manufacture to the technology of Wheelabrator Corp., USA. It has two plants in Gujarat and an 85,000 sq.ft. premises in Bombay. Indabrator's products cater to a wide range of industries with strong growth potential. It is a regular exporter.

The High Court of Judicature at Bombay passed an order dated 28 January 2005 sanctioning the scheme of amalgamation of Indabrator Limited with the Company effective 1 July 2004. Accordingly, the Balance Sheet and the Profit & Loss Account of the merged entity are being presented to the members for adoption. Hence the figures of the current year are not comparable with that of the previous year.

Pursuant to the scheme of merger, one equity share of Rs.10 each of the Company has been issued for one equity share held by the members of erstwhile Indabrator Ltd. Accordingly, 9,80,088 equity shares of Rs.10 each were allotted to the members of erstwhile Indabrator Ltd. Now, the paid up equity capital of the Company stands increased from Rs.25,402,335 to Rs.35,203,215.

**3. Dividend:**

For the year under review, the Directors have recommended a dividend of 12%, amounting to Rs.3,933,571. Prorata dividend would be paid to the shareholders of erstwhile Indabrator Ltd. on the increased share capital consequent to the merger.

**4. Performance:**

a) Financial : Income increased almost thrice from Rs.90,327,168 to Rs.280,473,292. Net Profit increased to Rs.62,263,150. Earnings per share were Rs.17.61 per share, compared to Rs.6.61 in the previous year.



Borrowings went down from Rs.49,414,746 to Rs.26,466,554. At the same time the Company has built up cash reserves of Rs.60,799,814 consisting of mutual funds, equities, intercorporate & bank deposits, cash and bank balances. Interest costs came down from Rs.8,153,119 to Rs.7,420,552.

Such a significant improvement in the results was due to several factors:

- i) Improved working of both the Bombay Exhibition Centre and the Realty Divisions.
- ii) Merger of Indabrador Ltd with our Company.
- iii) Restructuring and correct sizing carried out during the last few years in the Engineering Division at Bombay which has brought down costs substantially; at the same time unprofitable products have been phased out. The restructuring process of the Engineering Division at Bombay is now completed.
- iv) Overall improvement in the Indian economy.

**b) Bombay Exhibition Centre:**

The Company's Bombay Exhibition Centre had a record year. Its turnover increased to Rs.109,662,231 from Rs.54,376,515 in the previous year. Many new, world-renowned organizers held their exhibitions in our Exhibition Centre, including Messe Frankfurt, CII, FICCI, etc. These were largely successful, with most of the exhibitors booking for next few years in advance.

Bombay Exhibition Centre's four halls occupy an area of about 450,000 sq.ft. During the year the Company completed its Convention Centre. It is a fully air-conditioned hall, measuring about 25,000 sq.ft., which can accommodate about 1,500 persons.

**c) Realty Group:**

The Company's Realty Group brought in new licencees during the year, including eServe International Ltd. (a subsidiary of Citibank); Sembcorp Logistics Ltd. (a subsidiary of Sembcorp Technologies, Singapore); and Star India Ltd. The Realty Group's turnover increased from Rs.25,308,450 in 03-04 to Rs.59,974,832 in 04-05.

**d) Engineering Group:**

As a result of the merger of erstwhile Indabrador Limited with Nesco Limited, the Engineering Group's turnover increased from Rs.8,241,642 to Rs.102,755,666.

Nesco's Engineering Division's volumes had come down after the Company phased out of textile machinery business. Indabrador's products will contribute to increase our turnover, exports and profits in the years to come.

**5. 2005-06:**

The Company intends to continue its modernization and expansion, and has several projects in hand and in the pipeline.

We have just completed air-conditioning of Exhibition Hall No.1 measuring about 200,000 sq.ft. at a cost of about Rs.75,000,000. Besides we are investing significant amounts in upgrading the other infrastructure.

New investments are also being made in the Engineering Division's two units in Gujarat.

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These investments are being financed from internal resources.

We are also considering to undertake new construction in our Realty Group as demand for new space continues to be strong.

**6. Corporate Governance:**

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Corporate Governance Report presented separately forms part of this report. The Certificate as required under Clause 49 of the listing Agreement does not form part of the Report as the clause became applicable w.e.f. 1st April, 2005.

**7. Conservation of Energy:**

The information required and section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is annexed hereto as annexure A and forms part of this report.

**8. Fixed Deposits**

Your Company has neither accepted any deposits from the public during the year nor are any deposits outstanding for repayment.

**9. Directors:**

Mr. Bharat Patel who was an Alternate Director to Mr. Abbas Nakhoda was withdrawn as Alternate Director. Mr. K S Srinivasa Murthy is appointed as an Alternate Director to Mr. Abbas Nakhoda with effect from 20 January 2005.

Mr. Bharat Patel is appointed as an Additional Director with effect from 20th January 2005.

Mr. Mahendra K Chouhan is also appointed as an Additional Director with effect from 19th April 2005.

Dr. R S Tarneja is due for retirement by rotation and is eligible for reappointment.

**10. Directors Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that to the best of their knowledge and belief and according to the information and explanation available to them:

- i) In the preparation of the annual accounts the applicable accounting standards have been followed.
- ii) Appropriate accounting policies have been selected and supplied consistently and have made judgments that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31.03.2005 and of the profit of the Company for the year ended on the date.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.