



Nesco Limited



47th *Annual Report* *2005-2006*

Board Of Directors

Mr. Sumant J. Patel	Chairman & Managing Director
Dr. Ram S. Tarneja	
Mr. Bharat Patel	
Mr. Abbas Nakhoda	
Mr. K. S. Srinivasa Murthy	Alternate to Mr. Abbas Nakhoda
Mr. Mahendra K. Chouhan	
Mrs. Sudha S. Patel	Jt. Managing Director
Mr. Mohan P. Parikh	

Auditors

Shah & Company
Chartered Accountants
Mumbai.

Bankers

UTI Bank
HSBC Bank

Registered Office

Nesco Complex,
Western Express Highway
Goregaon (East),
Mumbai 400 063.

NOTICE

Notice is hereby given that the forty-seventh annual general meeting of Nesco Limited will be held at the registered office of the Company at Nesco Estate, Western Express Highway, Goregaon (E), Mumbai-400 063 on Monday 31 July 2006 at 11.30 a.m. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited balance sheet and the profit and loss account for the year as on 31 March 2006 together with the report of the Board of Directors and auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Abbas Nakhoda, who retires by rotation & being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Mohan Parikh, who retires by rotation & being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting & to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :

“ RESOLVED THAT in supersession of the ordinary resolution adopted at the annual general meeting of the Company held on 24 October 1991, consent of the Company pursuant to the provisions of section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time such sum or sums of money as it may consider fit for the purpose of the business of the Company notwithstanding that the money to be borrowed together with the money already borrowed by the Company may exceed the aggregate of the paid up capital of the Company and its free reserves, provided, however, that the total amount so borrowed by the Board of Directors and outstanding at any one time shall not exceed the sum of Rs.100 crores.

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :

“RESOLVED THAT pursuant to article 145 of articles of association of the Company and subject to the consent of the members in annual general meeting, and in accordance with the guidelines of Securities and Exchange Board of India, a sum of Rs.35,210,360 be capitalised out of the general reserve and set free for distribution amongst the equity shareholders by issue of 3,521,036 equity shares of Rs. 10/- each credited as fully paid to the equity shareholders in the proportion of one equity share for every one equity share held by them on the record date to be decided by the Board and that such new shares, as and when issued and fully paid, shall rank pari pasu with the existing shares.”

Mumbai, 12 June 2006

By order of the Board of Directors

Nesco Complex,
Western Express Highway,
Goregaon (East),
Mumbai 400 063

Sumant J. Patel
Chairman & Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The explanatory statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of item nos. 6 & 7 of the notice is annexed.
3. The proxy form 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 Wednesday, 26 July 2006 to Monday, 31 July 2006 (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 Industrial, 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.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No. 6**

In view of growing business opportunities, it may become necessary to raise finance from banks/financial institutions. The Company is likely to need increased working finance; as also finance for implementing ongoing and new projects. Hence it is proposed to increase the borrowing powers from Rs. 25 crores to Rs. 100 crores, this resolution is put up to the shareholders as an enabling resolution.

The Board recommends with or without modification, the passing of this resolution as an ordinary resolution.

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

Item No. 7

The Company has to the credit of its general reserves a sum of Rs. 231,219,730 as at 31 March 2006. The Directors propose to capitalize a sum of Rs. 35,210,360 to be applied for the issue of 3,521,036 new equity shares of Rs. 10/- each credited as fully paid-up as bonus shares. New equity shares will be issued and allotted as bonus equity shares in the proportion of one such new equity

share credited as fully paid-up for every one of existing equity shares as proposed in the resolution. The said bonus equity shares shall rank pari passu in all respects with the existing equity shares and shall also be subject to memorandum and articles of association of the Company.

All the Directors of the Company may be considered to be interested in the proposed resolution to the extent they would be entitled for bonus shares in relation to their holdings in the same manner as the other shareholders of the Company.

Mumbai, 12 June 2006

By order of the Board of Directors

Nesco Complex,
Western Express Highway,
Goregaon (East),
Mumbai 400 063

Sumant J. Patel
Chairman & Managing Director

Details of Directors seeking reappointment at the forthcoming annual general meeting pursuant to clause 49 of the listing agreement.

Name of the Director	Mr. Abbas Nakhoda	Mr. Mohan Parikh
Date of Birth	04.11.1940	26.05.1937
Date of Appointment	30.04.2004	01.07.1998
Qualification	BSC Econs (Hon's)	BA (Eco), LLB, FCS
Directorship held in Indian Public Companies as on 30th May 2006	Nil	Nil
Committee positions held in Indian Public Companies as on 30th May 2006	Nil	Nil
Number of Shares held in the Company	Nil	Nil

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Directors' Report

Your Directors present their forty seventh annual report together with the audited statement of accounts for the year ended 31 March 2006

1. Financial Results :

(Rs.in lakhs)

	<u>2005-06</u>	<u>2004-05</u>
Profit before tax	1359.55	955.36
Provision for tax	80.00	37.63
Profit after tax and prior period items	989.77	622.63
Balance brought forward	50.00	111.54
Amount available for appropriations	1039.77	652.47
Appropriations:		
i) Dividend	42.27	39.33
ii) Tax on proposed dividend	5.92	5.14
iii) Transfer to general reserve	941.56	557.99
Surplus carried forward to profit & loss account	50.00	50.00

2. Dividend & Bonus Shares :

The Directors have recommended a dividend of 12% amounting to Rs.42.27 lakhs for the year ended 31 March 2006 (2004-05 @ 12%).

The Directors are pleased to recommend issue of bonus shares in the ratio 1:1. As a result the Company will issue 3,521,036 equity shares to the existing shareholders, amounting to Rs.35,210,360 out of reserves of Rs. 231,219,730. Dividend and issue of bonus shares are subject to approval of members at the annual general meeting.

3. Management Discussion and Analysis :

A. Overview

Income increased by 62% from Rs. 2852 lakhs to Rs. 4540 lakhs, while net profit increased by 59% from Rs.622.63 lakhs to Rs. 989.77 lakhs. Earnings per share amounted to Rs. 28, compared to Rs.18 in 04-05. Borrowings went down from Rs.264.66 lakhs to Rs.224.69 lakhs, while interest

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costs came down to Rs.40.91 lakhs from Rs.74.20 lakhs. At the same time the Company's reserves increased from Rs.1379 lakhs to Rs.2312.19 lakhs.

B. Divisional Performance :

During the year 2005-06, all divisions of the Company were profitable and showed growth:

	(Rs.in lakhs)		
	Invoicing		Increase
	2005-06	2004-05	%
Bombay Convention & Exhibition Centre	1441	1096	31%
Realty Group including IT Park	948	600	58%
Industrial Capital Goods	1666	1075	55%
Income from Investments & Other Income	485	81	499%
Total	4540	2852	59%

Bombay Exhibition Centre

Income showed an increase of 31%. Bombay Exhibition Centre with halls area of 450,000 sq.ft. is the largest exhibition centre in India in the private sector. During the year under review, a sum of about Rs.12 crores was spent on modernization & upgradation of the Bombay Exhibition Centre. The modernization items covered a 1650 TR AC Plant for halls 5 & 6 admeasuring over 200,000 sq.ft; and, upgradation/repairs of roofs, electrical and storm water drain systems. The process of modernization & upgradation will be completed in 2006-07 when an additional Rs.12 crores are expected to be spent. Now all four halls – occupying an area of 450,000 sq.ft. – are air-conditioned; new HT & LT electrical systems are in place; and roofs are being changed. These investments are being made from internal resources. The tempo of business in this division is good, which should see growth in 2006-07 also.

Realty Division

Income increased by 58%. Company's licensees include world leading MNCs and Indian Corporates. Nesco Complex at Goregaon has been recently registered as an IT Park by Government of Maharashtra. Now, the Company intends to set up towers for IT & ITES industry. Plans for the first tower of 500,000 sq.ft. are finalized and construction is expected to start from August 2006.

Industrial Capital Goods Group

Income increased by 55%. Process of restructuring was successfully completed in 2004-05, as a result, costs and overheads have come down significantly. In our Industrial Capital Goods Group, we made some investments in 2005-06 to enhance our capacity and will continue to make further investments for both modernization and expansion of our manufacturing capacity. This group has three units – one in Bombay and two in Gujarat at Karamsad & Vishnoli. This Group is a regular exporter, its exports in 2005-06 amounted to Rs.120 L. Order inflow is good. Company expects growth in 2006-07.

2005-06 was the first full year after Indabrador Ltd was merged into our Company. As a result of the merger there has been significant increase in both turnover and profits.

C. Diversification

In the last few years our Company has transformed itself well, and this process will continue. The Company's business model now has two segments: services and manufacturing. In services we have two groups – Bombay Exhibition Centre and Realty. In our Industrial Capital Goods Group we have three product lines: surface preparation equipment; forging hammers & presses; and oil recovery equipment.

The Company is considering to diversify and expects to finalize plans during the year. It is expected that in the next 3-5 years these new diversification will contribute 20-25% of the total revenues. We will continue to diversify and broaden our business portfolio to generate growth and create strong shareholder returns over the long term. At the same time we will continue to stay focused. Moderate diversification while staying focused will be our approach in the years to come.

4. Internal Control Systems :

Your Company has strong internal control systems to ensure that its assets and interests are protected. There are clear demarcation of roles and responsibilities at various levels of operations. The Company's internal control system is further strengthened by continuous periodical internal audit system and Audit Committee Review at the Board level. The internal audit is conducted at regular intervals at various locations of the Company and covers all the key areas. All audit observations and follow up actions are discussed with the Management as also the Statutory Auditors and the Audit Committee reviews them regularly.

5. Personnel :

Employee relations during the year were cordial and stable.

The Directors appreciate the contributions, dedication and commitment of all employees of Company in achieving the 2005-2006 results.

6. Safety, Health and Environment :

The operations at the plants at Karamsad and Vishnoli at Gujarat were in conformity with the safety and environmental standards and regulations prescribed by the statutory authorities. The Company has achieved a continuous accident free record.

7. Opportunities and Threats :

With the production facilities being upgraded and with the continuous efforts for product quality development, the Company is optimistic about its leadership in the domestic market and a sizeable share of export of market.

The Company operates in multiple segments with varied product range. The abnormal increase in raw material and fuel cost and consequent increase in freight will have pressure on the margins of its entire product range.

8. Risks and Concerns :

1. Rising prices of raw materials, fuels, freight and other inputs, resulting in lower margins.
2. Competition in the domestic market for the Company's products.
3. Lower realization on the export front due to strengthening of the rupee against US Dollar.
4. Competition from new players who are likely to enter our markets.

9. Outlook :

The business outlook for the Company's products continues to be good. The Company is aiming for higher levels of performance in all its segments.

10. Cautionary Statement :

The above effects the Company's objectives, projections, estimates, expectations and predictions which may be "forward looking statements" within the meaning of the applicable securities laws and regulations. The annual results can differ materially from those expressed or implied, depending on the economic conditions, Government policies and other incidental factors and developments.

11. Directors :

Mr. Abbas Nakhoda & Mr. Mohan Parikh are due for retirement by rotation and are eligible for reappointment.

12. Fixed Deposits :

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

13. Particulars of Employees :

There are no employees falling under the purview of Section 217 (2A) of the Companies Act, 1956 read with Companies (particular of employees) Rules, 1975.

14. Conversion of energy, technology absorption, foreign exchange earning and outgo :

This information required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988 is annexed hereto.

15. 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.