

nesco

Nesco Limited

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48th

Annual Report

2006-2007

Board of Directors

Mr. Sumant J. Patel	Chairman & Managing Director
Dr. Ram S. Tarneja	
Mr. Bharat Patel	
Mr. Abbas Nakhoda	
Mr. K. S. Shrinivasa 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 Accountant
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 Eight 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 Monday, 30 July 2007 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited balance sheet as at 31 March 2007 and the profit and loss account for the year as on 31st March 2007 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. Bharat V. Patel, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Mahendra K. Chouhan, who retires by rotation and 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 resolutions as a special resolution.

"RESOLVED THAT, subject to the provision of section 314 (1) of the Companies Act, 1956 approval of the shareholders be and is hereby given for increase in remuneration of Mr. Krishna S. Patel, Vice President-Operations effective from 1 April 2007 upto Rs. 50,000/- per month inclusive of all the usual perks and an incentive within the limit of section 314 (1) and section 314 (1B) of the Companies Act, 1956."

Mumbai, 29 May 2007
Nesco Complex,
Western Express Highway,
Goregaon(East),
Mumbai 400 063

By order of the Board of Directors

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 AND THE 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 no. 6 of the notice is annexed.
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 Thursday, 26 July 2007 to Monday, 30 July 2007 (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 - 400072.
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**

The Board recommends with or without modification, the passing of this resolution as a special resolution.

At the Annual General Meeting of the Company held on 29.09.2005 the shareholders had approved remuneration of Rs. 26,000/- per month besides the usual perks and incentive of Rs. 75,000 to Rs. 1,00,000/- per annum linked with the achievement of goals effective from 01.04.2004 to Mr. Krishna Patel, General Manager- Business Development. The Board has now redesignated Mr. Krishna Patel as Vice President-Operations and decided to increase his remuneration upto Rs. 50,000/- per month inclusive of usual perks and incentive within the limit of section 314 (1) and section 314 (1B) of the Companies Act, 1956

The Board recommends the resolution for your approval.

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

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

Mumbai, 29 May 2007
Nesco Complex,
Western Express Highway,
Goregaon (East),
Mumbai 400 063

By order of the Board of Directors

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. Bharat V. Patel	Mr. Mahendra Chouhan
Date of Birth	25.09.1944	05.12.1955
Date of Appointment	20.01.2005	19.04.2005
Qualification	B A, M A., MBA.	BSc., MBA(Finance)
Directorship held in Indian Public Companies as on 31.03.2007	04	01
Committee positions held in Indian Public Companies as on 31.03.2007	Nil	Nil
Number of Shares held in the Company	Nil	Nil



1. Financial Results:

	2006-07	2005-06
	Rs.	Rs.
Profit before tax	276,653,098	135,955,388
Provision for tax	70,000,000	8,000,000
Profit after tax and prior period items	182,113,117	98,977,440
Balance brought forward	5,000,000	5,000,000
Amount available for appropriations	187,113,117	103,977,440
Appropriations:		
i) Dividend	8,455,195	4,227,598
ii) Tax on Proposed Dividend	1,436,960	592,920
iii) Transfer to General Reserve	172,220,962	94,156,922
Surplus carried forward to Profit & Loss Account	5,000,000	5,000,000

2. Dividend:

Your Directors have recommended a dividend of 12% for the year ended 31 March 2007 (on increased capital after 1: 1 bonus issue) amounting to Rs. 8,455,195 (previous year 12% Rs. 4,227,598) subject to approval by shareholders at the 48th annual general meeting. The dividend is free of tax in the hands of shareholders.

3. Management Discussion and Analysis:

A. Overview:

Income increased by 57.72% from Rs. 454,049,974 to Rs. 716,133,937, while net profit increased by 83.99 % from Rs. 98,977,440 to Rs. 182,113,117. Earnings per share amounted to Rs. 26 (on doubled capital after issue of 1:1 bonus shares) compared to Rs. 28 in 05-06. Borrowings went down from Rs. 22,469,100 to nil while interest costs came down to Rs. 1,204,027 from Rs.4,091,120. At the same time the Company's reserves increased from Rs. 231,219,730 to Rs.367,446,254.

B. Divisional Performance:

During the year 2006-07, all groups of the Company were profitable:

	Invoicing			
	2006-07	2005-06		
	Rs.	Rs.		
<u>Services Group:</u>				
Bombay Convention & Exhibition				
Centre and Realty Group (including IT Park)	423,205,739	238,900,319	77%	increase
<u>Manufacturing Group:</u>				
Industrial Capital Goods	234,631,463	166,659,493	40%	increase
<u>Income from Investments & Other Income</u>	58,296,735	48,490,162	20%	increase
Total	716,133,937	454,049,974	58%	increase



Bombay Convention & Exhibition Centre

Income showed an increase of 77%. During the year the Company hosted some of the largest exhibitions from world leading players including Messe Frankfurt, Germany; DMG World Media, UK; ITR Exhibitions Pte Ltd., Singapore; HQ Links Pte. Ltd., Singapore; Koelnmesse GMBH, Germany; CMP Asia Pte Ltd., Bangkok. During the year, the Company spent Rs. 94,448,582 on repairs, modernization and up gradation of the four convention & exhibition center halls covering an area of over 4,50,000 sq. ft. The expenditure of Rs. 94,448,562, was financed from internal resources. 2007-08 should also see reasonable growth.

Realty Division

During the year the Company finalized plans for construction of IT Tower no.1, admeasuring 500,000 sq. ft. Now process for securing various permissions is on, the construction is expected to start around August 2007. Demand for space continues to be good. IDBI has sanctioned financing for the IT Tower no. 1.

Industrial Capital Goods Group

Income increased by 40%. Company's both units at Karamsad & Vishnoli in Gujarat worked to optimum capacity, increasing supplies to both domestic & export markets. Recently the Company has started construction of a third unit in Gujarat at Vishnoli, which is expected to be operational by July 2007. This unit will need an investment of about Rs. 600 lakhs, which will also be financed from internal resources. This division is expected to show good growth in 2007-08.

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 internal audit and Audit Committee Review at the Board level. The internal audit is conducted at various location 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 2006-2007 results.

6. Safety, Health and Environment:

Your Company recognizes its role in health and safety, as well as its responsibility towards environment and society. The health and medical services are accessible to all employees through well equipped occupational health centers at all manufacturing facilities. Safety and security of personnel, assets and environmental protection are also on top of the agenda of the Company at its manufacturing facilities. Clean environment and sustainable development integrated with the business objective is the focus of operations of the Company. The projects and activities are planned and designed with environment protection as an integral part to ensure a safe and clean environment for sustainable development.

7. Directors:

During the year under review there are no changes in the Board of Directors. In accordance with

requirement of the Companies Act, 1956 Mr. Bharat V. Patel & Mr. Mahendra K. Chouhan are due for retirement by rotation and are eligible for reappointment.

8. Opportunities and Threats:

Opportunities

- ◆ There are opportunities to increase the production capacity to meet greater inflow of new orders for shot blasting, peening & other surface preparation equipment and forging equipment.
- ◆ Due to growth of IT sector, there is increased demand for IT space.
- ◆ India being a large market, number & size of exhibitions are increasing.
- ◆ The large scale operations can improve the margins of the Company.

Threats:

- ◆ Competition is on the increase, both from domestic & foreign players in the Industrial Capital goods segment.
- ◆ Due to stiff competition, prices are under pressure. Costs need to be controlled.
- ◆ Competition is likely to increase in the Convention & Exhibition center segment.
- ◆ Significant new construction is taking place for IT space.

9. Risks and Concerns:

- Rising prices of raw materials, fuels, freight and other inputs, resulting in lower margins.
- Lower realization on the export front due to strengthening of the rupee against US Dollar.
- Competition from new domestic & foreign players who are likely to enter markets in all three segments.

10. Outlook:

The Company is aiming for higher levels of performance in all its segments. Large investments for modernization & upgrading of Bombay Exhibition Centre, and setting up of a third unit in the ICGG are expected to significantly increase the Company's revenues & profits in 2007-08. Effect of IT Tower no.1 should be felt in 2008-09.

11. Cautionary Statement:

The above statements outlining the Company's objectives, projections, estimates, expectations and predictions 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.

12. Listing:

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited. (BSE) .The Company has paid listing fees to BSE for the financial year 2006-07.

13 Particulars of Employees:

There are no employee falling under the preview of sub-section (2A) of section 217 of the Companies Act, 1956 read with Companies (particular of employees) Rules, 1975.

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

Details of energy conservation activities undertaken by the Company along with the information in accordance with the provisions of 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 are annexed hereto.

**15. Directors' Responsibility Statement:**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the 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 and that there are no material departures;
- (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 31.03.2007 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 provisions 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.

16. Auditors:

M/s Shah & Co., Chartered Accountants, who are the statutory auditors of the Company, hold office until conclusion of the ensuing Annual General Meeting and are eligible for reappointment. Members are requested to consider their reappointment for the financial year 2007-08 and authorize the Board of Directors' to fix their remuneration.

17. Corporate Governance:

A separate section on Corporate Governance forming part of the Directors' Report and the certificate from the Company auditors confirming compliance of Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement with Stock Exchange is included in the Annual Report.

18. Acknowledgment:

The Directors wish to place on record their appreciation for their continued support and co-operation by all the stake-holders: customers, suppliers, shareholders, Banks, Government authorities and others. Your Directors also acknowledge the support extended by the Company's employees for their dedicated service.

Mumbai, 29 May 2007
Nesco Complex,
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Mumbai 400 063

By order of the Board of Directors

Sumant J. Patel
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance:

Nesco's endeavor is to ensure transparency and fairness at all levels and to give maximum value to its shareholders. Nesco owes to its Customers, Employees, Stakeholder and Society and hence in turn will always do its utmost to deliver Value to them, and endeavor to be a symbol of trust and reliability for all the persons dealing with them.

2. Board of Directors:

The Board of Directors of the Company consists of eight members inclusive of one alternate director comprising of a fair number of independent, professionally competent and acclaimed, non executive directors. Out of the seven directors exclusive of one alternate director, the Company has five independent Directors.

The day to day management is conducted by the Chairman of the Company subject to superintendence, control and direction of the Board of directors.

Directorship held by Directors of Nesco Limited

Name of the Director	Executive / Non Executive / Independent / Alternate	No. of outside Directorship in Public Limited Companies*	Membership held in Committee of Directors in other Companies#	Chairmanship held in Committee of Directors ##
Mr Sumant J. Patel	Promoter/Executive	----	----	----
Mrs Sudha S. Patel	Promoter/Executive	----	----	----
Dr. Ram S. Tarneja	Non Executive & Independent	13	11	3
Mr Mohan Parikh	Non Executive & Independent	----	----	----
Mr Abbas Nakhoda	Non Executive & Independent	----	----	----
Mr Bharat V. Patel	Non Executive & Independent	4	----	----
Mr Mahendra K. Chouhan	Non Executive & Independent	1	----	----
Mr K. S. Srinivasa Murthy (Alternate Director to Mr Abbas Nakhoda)	Non Executive & Independent	----	----	----

* This excludes directorship held in private companies, foreign companies, companies formed under section 25 of the Companies Act, 1956 and directorship held as an alternate director.

Committee of Directors includes Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committee of Directors only.

This does not include Membership / Chairmanship in Committee of Directors of Nesco Limited.