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**nesco**

*49<sup>th</sup>*  
*Annual Report*  
*2007-2008*

Nesco Limited

## **Board of Directors**

Mr. Sumant J. Patel

Chairman & Managing Director

Dr. Ram S. Tarneja

Mr. Bharat Patel

Mr. K.S. Srinivasa Murthy

Mr. Mahendra K. Chouhan

Mrs. Sudha S. Patel

Jt. Managing Director

Mr. Mohan P. Parikh

Mr. Krishna S. Patel

## **Auditors**

Shah & Company

Chartered Accountant

Mumbai

## **Bankers**

HDFC Bank

Axis Bank

HSBC Bank

## **Registered Office**

Nesco Complex,

Western Express Highway

Goregaon East

Mumbai - 400 063



## NOTICE

The 49th annual general meeting of Nesco Limited will be held at the registered office of the Company at Nesco Complex, Western Express Highway, Goregaon East, Mumbai – 400 063 on Friday, 5 September 2008 at 2.30 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited balance sheet as at 31 March 2008 and the profit and loss account for the year as on that date 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 Dr. Ram S. Tarneja who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Mohan Parikh 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 and to fix their remuneration.

### SPECIAL BUSINESS

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

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), Mr. Sumant J. Patel be and is hereby re-appointed as a Managing Director of the Company for a tenure of 5 years effective from 1 April 2008 on remuneration and perquisites as set out in the explanatory statement annexed to the notice convening this meeting 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. Patel, within the limits specified in Schedule XIII to the Companies Act, 1956 ('the Act') or any amendments thereof”.

**“RESOLVED FURTHER THAT** in the event of loss or inadequacy in profits in any financial year during the currency of tenure of Managing Director, the Company will pay Mr. Patel remuneration and perquisites referred above as minimum remuneration subject to Schedule XIII of the Companies Act, 1956”.

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

**“RESOLVED THAT** in accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Krishna S. Patel who holds office upto the date of this meeting, and in respect of whom the Company has received a notice in writing along with a deposit of Rs.500/- under section 257 of the said Act from a member signifying his intention to propose Mr. Krishna S. Patel as a candidate for the office of director be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation”.

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

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), Mr. Krishna S. Patel be and is hereby appointed as a Executive Director of the Company, not liable to retire by rotation, for a tenure 5 years effective from 1 July

2008 on remuneration and perquisites as set out in the explanatory statement annexed to the notice convening this meeting 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. Krishna S. Patel, within the limits specified in Schedule XIII to the Companies Act, 1956 ('the Act') or any amendments thereof".

**"RESOLVED FURTHER THAT** in the event of loss or inadequacy in profits in any financial year during the currency of tenure of Executive Director, the Company will pay Mr. Krishna S. Patel remuneration and perquisites referred above as minimum remuneration subject to Schedule XIII of the Companies Act, 1956".

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

**"RESOLVED THAT** in accordance with the provisions of Section 260 of the Companies Act, 1956 Mr. K.S. Srinivasa Murthy who holds office upto the date of this meeting, and in respect of whom the company has received a notice in writing along with a deposit of Rs.500/- under Section 257 of the said Act, from a member signifying his intention to propose Mr. K.S. Srinivasa Murthy as a candidate for the office of director be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation".

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

**"RESOLVED THAT** the consent of the Company be and is hereby accorded to the Board of Directors contributing from time to time to any national, charitable, benevolent, public or general and other funds not directly relating to the business of the Company or the welfare of its employees in any financial year as may be considered proper by the Board of Directors notwithstanding that such amount in any financial year may exceed five per cent of the average net profits of the Company as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding".

Mumbai, 30 June 2008

By order of the Board of Directors

Nesco Complex,  
W.E. Highway, Goregaon East,  
Mumbai - 400 063.

Sumant 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 to 10 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 Monday, 1st September 2008 to 5th September 2008 (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.

**ANNEXURE TO THE NOTICE:**

**Item No. 6:**

The Board of Directors has reappointed Mr. Patel as Managing Director for a further period of 5 years with effect from 01.04.2008. As he has attained age of 70 years, as per the schedule XIII part A clause (c) approval of shareholders by way of special resolution is required. Hence this resolution. The Board has approved the following terms as its meeting held on 30 June 2008, pursuant to the recommendations of the Remuneration Committee of the Board:

- i) Remuneration : Upto a limit of Rs.5,00,000 per month, as may be decided by the Board depending on Company's performance.
- ii) Such benefits, perquisites and allowances as may be determined by the Board from time to time.
- iii) Commission on net profits as may be determined by the Board.

In the event of loss or inadequacy of profits in any financial year during the period effective from 01.04.2008 the Company will pay Mr. Patel remuneration, perquisites, benefits and amenities including commission not exceeding the ceiling laid down in section II of part II of schedule XII of the Companies Act, 1956 or as may be decided by the Board of Directors.

Mr. Sumant J. Patel, Mrs. Sudha Patel and Mr. Krishna Patel are to be considered as interested in the aforesaid resolution.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 302 of the Companies Act, 1956.

The Board recommends this resolution for acceptance by the members.

**Item No. 7:**

Mr. Krishna S. Patel was appointed as an Additional Director w.e.f. 30.06.2008. As per section 260 of the Companies Act, 1956 he holds office upto the date of annual general meeting. Hence this resolution.

Mr. Krishna S. Patel, Mr. Sumant Patel and Mrs. Sudha Patel are concerned or interested in the above resolution.

**Item No.8:**

The Board of Directors has decided to promote Mr. Krishna S. Patel from the post of President Operations to Executive Director with effect 1 July 2008 for a period of 5 years.

Depending on merits and performance of the business groups looked after by Mr. Krishna Patel, the Board of Directors will decide on the remuneration, perquisites and commission to be paid to Mr. Krishna Patel from time to time within the outer limits specified below and overall ceilings prescribed under the Companies Act, 1956.

- i) Remuneration: Upto a limit of Rs.300,000 per month, as may be decided by the Board depending on merits and performance of the related business groups.
- ii) Such benefits, perquisites and allowance as may be determined by the Board from time to time.

iii) Commission on net profits as may be determined by the Board.

In the event of loss or inadequacy in profits in any financial year during the period effective from 01.07.2008 the Company will pay Mr. Krishna S. 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 or as may be decided by the Board of Directors. Mr. Krishna S. Patel, Sumant J. Patel and Mrs. Sudha Patel are to be considered as interested in the aforesaid resolution.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 302 of the Companies Act, 1956. The Board recommends this resolution for acceptance by the members.

**Item No. 9:**

Mr. K.S. Srinivasa Murthy was appointed as an Additional Director w.e.f. 30.07.2007. As per Section 260 of the Companies Act, 1956 he holds office upto the date of Annual General Meeting. Hence this resolution.

None of the Directors except Mr. K.S. Srinivasa Murthy is concerned or interested in the above resolution.

**Item No. 10:**

Your Company is authorized by its article of association to contribute to charitable and other funds not directly relating to the business of the Company. The consent sought by the proposed resolution is pursuant to section 293 (1) (e) of the Companies Act, 1956.

None of the Directors of your Company is interested, either directly or indirectly, in the said resolution and your Directors recommend the adoption of the proposed resolution in the national / public interest.

Mumbai, 30 June 2008

By order of the Board of Directors

Nesco Complex,  
W.E. Highway, Goregaon East,  
Mumbai - 400 063.

Sumant Patel  
Chairman & Managing Director

**Details of Directors seeking reappointment at the forthcoming annual general meeting pursuant to Clause 49 of the listing agreement:**

|   |                 |                  |
|---|-----------------|------------------|
| <b>Name of the Director</b>   | Dr. Ram Tarneja | Mr. Mohan Parikh |
| <b>Date of Birth</b>  | 07.12.1931      | 10.05.1937       |
| <b>Date of Appointment</b>  | 21.04.1976      | 01.07.1998       |
| <b>Qualification</b>  | M.A., Ph.D.,    | B.A., LL.B., FCS |
| <b>Directorship held in Indian Public Companies as on 31.03.2008</b>        | 13              | N.A.             |
| <b>Committee positions held in Indian Public Companies as on 31.03.2008</b> | 07              | N.A.             |
| <b>Number of Shares held in the Company</b>                                 | Nil             | Nil              |



## Directors' Report

Your Directors present their 49th annual report together with the audited statement of accounts for the year ended 31 March 2008.

### 1. Financial Results:

|  | <u>2007-08</u> | <u>2006-07</u> |
|--|----------------|----------------|
|  | Rs.            | Rs.            |
| Profit before tax                                | 545,892,299    | 276,653,098    |
| Provision for tax                                | 162,561,672    | 73,568,899     |
| Profit after tax and prior period items          | 383,330,627    | 203,084,199    |
| Balance brought forward                          | 5,000,000      | 5,000,000      |
| Amount available for appropriations              | 372,387,049    | 187,113,117    |
| Appropriations:                                  |                |                |
| i) Dividend                                      | 8,455,195      | 8,455,195      |
| ii) Dividend Tax                                 | 1,436,960      | 1,436,960      |
| iii) Transfer to General Reserve                 | 357,494,894    | 172,220,962    |
| Surplus carried forward to Profit & Loss Account | 5,000,000      | 5,000,000      |

### 2. Dividend:

Your Directors have considered it most desirable to conserve resources to meet the funds required for construction of IT Building No.3; as also for modernization and expansion of Bombay Exhibition Centre and the Industrial Capital Goods Group. Keeping this in view, the Directors recommend a dividend of 12% for the year ended 31 March 2008 amounting to Rs.8,455,195 (previous year 12%) subject to approval by shareholders at the 49th annual general meeting. The dividend is free of tax in the hands of shareholders.

### 3. Management Discussion and Analysis:

#### i) Overview:

Operating performance in all of the Company's business segments continued to be good. Income increased by 47% from Rs. 716,133,937 to Rs. 1,053,775,869 while PBT increased by 97% from Rs. 276,653,098 to Rs. 545,892,299. Earnings per share amounted to Rs. 52 compared to Rs.26 in 06-07. The Company's reserves have increased by 96% from Rs.367,446,254 to Rs. 719,546,901.

#### ii) Divisional Performance :

During the year 2007-08, Company's three business groups showed growth and were profitable:

|  | Invoicing            |                    |            |                 |
|--|----------------------|--------------------|------------|-----------------|
|  | 2007-08              | 2006-07            |            |                 |
|  | Rs.                  | Rs.                |            |                 |
| a) <b>Services Group:</b>  |                      |                    |            |                 |
| Bombay Convention & Exhibition Centre and Realty Group (including IT Park) | 663,023,911          | 423,205,739        | 56%        | increase        |
| b) <b>Manufacturing Group:</b>   |                      |                    |            |                 |
| Industrial Capital Goods   | 283,782,876          | 234,631,463        | 21%        | increase        |
| c) <b>Income from Investments &amp; Other Income</b>                       | 106,969,082          | 58,296,735         | 83%        | increase        |
| <b>Total</b>   | <b>1,053,773,869</b> | <b>716,133,937</b> | <b>47%</b> | <b>increase</b> |



### iii) **Bombay Convention & Exhibition Centre**

Income showed an increase of 51%.

During the year several new organizers hosted their exhibitions at our Exhibition Centre, including Reed Exhibitions; Wordex; GattaCa Communication, UK; Famdent; Virtual Info Systems, etc. Some of the world's largest organizers continued to have their exhibitions with us, including CMP; Messe Frankfurt; Messe Dusseldorf, etc.

During the year, the Company spent Rs.76,223,184 on repairs, modernization and upgradation of the four convention and exhibition center halls covering an area of over 4,50,000 sq.ft. This expenditure was financed from internal resources. Significant investments are being made this year in a new cafeteria / kitchen in association with Sodexo Pass; new offices for organizers; storm water drain systems; toilet blocks, etc. These investments will also be financed from internal resources.

### iv) **Realty Division /IT Park**

Income increased by 77%.

As regards IT Building No.3, admeasuring about 800,000 sq.ft., most of the approvals, appointment of agencies and other arrangement are completed. Construction is expected to start very shortly.

### v) **Industrial Capital Goods Group**

Income increased by 21%.

Company's two units at Karamsad & Vishnoli in Gujarat worked to optimum capacity, increasing supplies to both domestic and export markets. Company has completed construction of a third unit (admeasuring about 50,000 sq.ft.) in Gujarat at Vishnoli, which is now operational. This unit needed an investment of about Rs. 60,000,000, which was financed from internal resources. This year, Company has decided to install some new machinery and machine tools in its plants to expand capacity. These investments will also be financed from internal generation.

### vi) **Future Outlook**

The future scenario offers both challenges and opportunities.

Recently there has been an all round increase in prices of steel, cement and other bought out items. It is going to be a challenge to sustain reasonable profit margins in our Industrial Capital Goods Group when costs are going up on one hand while on the other hand there is pressure on prices due to increasing competition from local and foreign players.

Cost of the IT Building no.3 could also go up due to costs of steel, cement and other inputs going up.

The Government has taken several measures to bring down inflation, including bringing down prices of steel and cement. We are hoping that these will result in bringing down prices in the near future.

India's IT & ITES industry continue to grow with world leading firms increasing their outsourcing from India. It is expected that demand for space will also continue to grow. This should assure good prospects for our IT building no.3 and additional IT buildings we shall be constructing in our IT Park.

With India's growing markets, national and international players continue to exhibit their products in trade fairs. Number of exhibitions and participants are seeing an increasing trend, with exhibitions becoming bigger. In this background, we expect higher occupancy and revenues from our Bombay Exhibition Centre division.



## 4. Finance

We continue to be a debt free Company with strong liquid resources. As far as finance for IT building no.3 is concerned, the Directors felt it was better to arrange outside finance, keeping our liquid resources for contingencies. HDFC Bank has sanctioned finance for IT Building no.3.

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

## 5. 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.

## 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. 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 2007-2008 results.

**8. Listing:**

The company's equity shares are now being traded on the National Stock Exchange of India Limited also, besides on Bombay Stock Exchange Limited.

**9. Directors:**

- i) Subject to the approval of the shareholders in the forthcoming annual general meeting, the Board has reappointed Mr. Sumant Patel as Managing Director for five years on revised terms.
- ii) Mr. Krishna Patel, President-Operations, has been appointed as an additional director as well as an executive director in the Board Meeting held on 30 June, 2008 subject to the approval of the shareholders in the forthcoming annual general meeting.
- iii) Dr. Ram Tarneja & Mr. Mohan Parikh retire by rotation at the ensuing annual general meeting and being eligible offer themselves for reappointment. The profile of the Directors to be re-appointed at the annual general meeting is given in the annexure to the notice.
- iv) Mr. K.S. Srinivasa Murthy was appointed as an additional Director on 30.07.2007. Mr. Murthy holds office upto the date of forthcoming 49th Annual General Meeting of the Company. As required under section 257 of the Companies Act, 1956 the Company has received a notice in writing from a member signifying his intention to propose Mr. K.S. Srinivasa Murthy as a candidate for the office of director of the Company.

**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 explanations 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 31.03.2008 and the profit of the Company for the year ended on that 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.

**11. Corporate Governance:**

As required by clause 49 of the listing agreement of stock exchange, a report on corporate governance and a certificate from M/s. Shah & Co., Chartered Accountants confirming compliance with requirement of corporate governance are given in an annexure which form part of this report.

**12. Auditors:**

M/s. Shah & Co., Chartered Accountants, retire as auditors of the Company on the conclusion of the ensuing annual general meeting and being eligible offer themselves for re-appointment. The members are requested to appoint auditors for the current year and fix their remuneration.

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

The Company is undertaking the necessary energy conservation activities 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.

The details of Foreign Exchange Earning & outgo are available in the Notes to the account given under Schedule XIII which forms part of the Balance Sheet.

**14. Particulars of Employees:**

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

**15. Acknowledgement:**

Directors wish to express their appreciation for the assistance and co-operation received from the shareholders, employees and all other stakeholders of the Company.

Mumbai, 30 June 2008  
Nesco Complex  
Western Express Highway  
Goregaon - East  
Mumbai 400 063

By order of the Board of Directors

**Sumant J. Patel**  
Chairman & Managing Director