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nesco

50th
Annual Report
2008 - 2009
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	Executive Director

Auditors

Shah & Company
Chartered Accountants
Mumbai

Bankers

HDFC Bank
Axis Bank
HSBC Bank

Registered Office

Nesco Limited
Nesco Complex,
Western Express Highway,
Goregaon East,
Mumbai - 400 063.

**NOTICE**

The 50th 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, 14 September 2009 at 11.30 A. M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited balance sheet as at 31 March 2009 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 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 and to fix their remuneration.

Mumbai, 27 June 2009

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 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.
3. The register of members and share transfer book of the Company will remain closed from Monday, 07 September 2009 to Monday, 14 September 2009 (both days inclusive).
4. 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.
5. Members are requested to bring their copy of the annual report to the meeting.

**ANNEXURE TO THE NOTICE**

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 K 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.	B Sc., MBA(Finance)
Directorship held in Indian public Companies as on 31.03.2009	03	01
Committee positions held in Indian public Companies as on 31.03.2009	NIL	NIL
Number of shares held in the Company	NIL	NIL





Directors' Report

Your Directors present their 50th annual report together with the audited statement of accounts for the year ended 31 March 2009.

1. Financial Results :

	<u>2008 - 09</u>	<u>2007-08</u>
	Rs.	Rs.
Income	946,913,649	1,053,775,869
Profit before tax	460,777,730	545,892,299
Provision for tax	137,771,489	162,561,672
Profit after tax and prior period items	337,856,488	382,612,788
Balance brought forward	5,000,000	5,000,000
Amount available for appropriations	333,992,292	372,387,049
Appropriations:		
i) Dividend	8,455,195	8,455,195
ii) Tax on Proposed Dividend	1,436,960	1,436,960
iii) Transfer to General Reserve	319,100,137	357,494,894
Surplus carried forward to Profit & Loss Account	5,000,000	5,000,000

2. Dividend :

Your Directors recommend a dividend of Rs.1.20 per equity share of Rs.10 each (i.e. 12%) for the year ended 31 March 2009 amounting to Rs. 8,455,195 (previous year Rs.1.20 per equity share of Rs.10 each i.e. 12%) subject to approval by shareholders at the 50th annual general meeting. The dividend is free of tax in the hands of shareholders.

3. Management Discussion and Analysis:

i) Overview

During the year your Company achieved a turnover of Rs. 946,913,649 as compared to Rs. 1,053,775,869 in previous year, while PBT was Rs. 460,777,730 as compared to Rs. 545,892,299 in previous year. Earnings per share amounted to Rs. 47 (previous year Rs. 52). The Company's reserves increased from Rs. 719,546,901 to Rs. 1,038,022,585.

ii) Divisional Performance

During the year 2008-09, all the Company's business groups were profitable.

	<u>2008 - 09</u>	<u>2007-08</u>
	Rs.	Rs.
<u>Services Group:</u>		
Bombay Convention & Exhibition Centre and Realty Group (including IT Park)	571,375,972	663,023,911
<u>Manufacturing Group:</u>		
Industrial Capital Goods	279,608,347	283,782,876
<u>Income from Investments & Other Income</u>	95,929,330	106,969,082
Total	946,913,649	1,053,773,869



a) **Bombay Convention & Exhibition Centre**

Bombay Convention & Exhibition Centre income was Rs. 349,615,729 compared to Rs. 496,324,633 in the previous year. Due to 26/11 Mumbai blasts and the economic slowdown, several exhibitions got cancelled or downsized.

New organizers who hosted their exhibitions at our Convention & Exhibition Center include Expomedia Events India; Global Sources, Singapore; K and D Communications Ltd; Franchise Association of India; Indian Institute of Welding, etc. For the year 2009-10 new customers will include Messe Nurnberg; Messe Hannover; Conferences & Exhibitions, Singapore; CWIEME Ltd, UK; Al Fazer Information & Services, Dubai, etc.

During the year, the Company spent Rs. 171,32,455 on repairs, modernization and upgradation of the four convention & exhibition center halls covering an area of over 4,50,000 sq. ft.

b) **Realty Division**

Income from Realty Division, including IT Park, increased from Rs. 166,699,278 to Rs. 221,760,243.

As regards IT Building no. 3, admeasuring about 800,000 sq.ft., construction is well under way, for which contract has been given to Larsen & Toubro Ltd. This building is expected to be completed around April 2010. So far the Company has spent Rs. 206,728,687 on this project.

c) **Industrial Capital Goods Group**

Income was almost the same at Rs. 279,608,347 as compared to Rs. 283,782,876 in previous year. Large value of finished/semi finished goods could not be dispatched due to constraints faced by our customers. Due to economic slowdown, several corporates deferred or cancelled their plans for capital investments. The industries particularly affected were automotive, steel and engineering.

The Company completed construction of its third unit at Vishnoli, Gujarat which gives it the capacity to manufacture and assemble the largest surface preparation plants.

d) **Income from Investments**

Income from investments and other income was Rs. 959,29,330 (previous year Rs. 106,969,082).

iii) **Future Outlook**

Indian economy, one of the fastest growing economy in the world, grew well in 2007-08 and in the beginning of 2008-09. Around August 2008, in response to rising inflation, monetary policy was tightened with the result interest rates went up and there was a liquidity crunch. Then in September 2008, the bankruptcy of Lehman Brothers and the sub prime crisis led to the deterioration of the USA and European economies, unparalleled in history. All this led to decline in GDP and IIP growth.

These developments had an impact on further investments and expansions, which were slowed down or stopped. This affected both our Industrial Capital Goods Group and Bombay Convention & Exhibition Centre. Several leading companies deferred their capital equipment purchases, particularly in the automotive & steel segments. The economic slowdown in India and worldwide combined with 26/11 Mumbai blasts resulted in downsizing or cancellations of several exhibitions. With the result, growth we had envisaged in 2008-09 did not take place.



There are some signs of improvement in demand. We are of the view that future outlook is positive, as the Indian economy will continue to be one of the fastest growing economies in the world since it is driven largely by domestic demand.

In this context, we are considering to increase our Convention & Exhibition Centre hall space from 4,50,000 sq ft to 1,000,000 sq ft.; construct additional IT buildings after IT building no.3 is completed and fully occupied; and, modernize our Industrial Capital Goods Group. Further expansions we are considering will be timed with the economic tempo in the country. Our Company has no plans to go for new borrowings and would like to keep debt within healthy limits, and as far as possible carry out major portion of this expansion and modernization from our own resources.

4. **Finance:**

Company's liquid resources (FDs, FMPs, debt MFs, etc) increased to Rs. 1,232,004,368 from Rs. 1,041,559,083. General reserves increased from Rs. 719,546,901 to Rs. 1,038,022,585.

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 well laid out policies on financial reporting, asset management, adherence to Management policies and also on promoting compliance of ethical and well defined standards. The Company also follows an exhaustive budgetary control and standard costing system. Moreover, the management team regularly meets to monitor expectations and budgeted results and scrutinizes reasons for deviations in order to take necessary collective steps. The Audit Committee which meets at regular intervals also reviews the internal control systems with the Management and the Internal Auditors. The internal audit is conducted 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.

6. **Safety, Health and Environment:**

Your Company recognizes its role in health and safety, as well as its responsibility towards environment and society. Infact your Company's goal are: no accidents, no harm to people and no damage to environment. 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 2008-2009 results.



8. **Listing:**

The Company's equity shares are traded both on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited (BSE).

9. **Directors:**

Mr. Bharat Patel and Mr. Mahendra Chouhan retire by rotation at the ensuing annual general meeting and being eligible offer themselves for reappointment. The profile of the Directors to be reappointed at the annual general meeting is given in the annexure to the notice. There are no other changes in the Board of Directors 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 31.03.2009 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.

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 reappointment. 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.

14. **Particulars of Employees :**

As required under sub-section (2A) of section 217 of the Companies Act, 1956 read with companies (particular of employees) rules, 1975, the name and other particulars are set out in the schedule 13 note 11A(a).

15. **Acknowledgment:**

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

For and on behalf of the Board of Directors

Sumant J. Patel
Chairman & Managing Director

Mumbai, 27 June 2009





REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance:

The Company's endeavour is to maximize shareholder value. Nesco is committed to adopt the best governance practices and its adherence in true spirit at all times. It has strong legacy of fair, transparent and ethical governance practices.

The Company has adopted a code of conduct which is applicable to all employees and is posted on the website of the Company. The Company also has in place a code for preventing insider trading.

The Company is fully compliant with the requirements of the listing agreements and applicable corporate governance norms and is committed to ensuring compliance with all modifications within the prescribed time.

2. Board of Directors:

The present strength of the Board of Directors is eight. The Board comprises of the Managing, Joint Managing and executive Directors. There are five non executive, independent Directors.

The day to day management is conducted by the Managing Director of the Company subject to superintendence, control and direction of the Board of Directors.

The details of composition of the Board and summary of other Directorships and Board Committee Memberships of each of the Directors as on 31 March 2009 are as follows:

Name of the Director	Executive/Non Executive/ Independent /Alternate	No. of outside Directorship in Public Limited Companies *	Membership held in Committee of Directors #	Chairmanship held in Committee of Directors ##
Mr. Sumant J. Patel	Promoter / Executive	----	----	----
Dr. Ram S. Tarneja	Non Executive & Independent	11	06	03
Mr. Bharat V. Patel	Non Executive & Independent	03	03	01
Mr. K. S. Srinivasa Murthy	Non Executive & Independent	----	----	----
Mr. Mahendra K. Chouhan	Non Executive & Independent	01	----	----
Mrs. Sudha S. Patel	Promoter / Executive	----	----	----
Mr. Mohan Parikh	Non Executive & Independent	----	----	----
Mr. Krishna S Patel	Promoter / Executive	----	----	----

* 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