



**nesco**

**52nd Annual Report  
2010 - 2011**

BOMBAY CONVENTION & EXHIBITION CENTRE  
NESCO IT PARK  
INDABRATOR



## J. V. Patel

founder

### Our Values:

- Nesco Group will act with absolute honesty and integrity in dealing with its Customers, Employees, Stakeholders and Society at large.
- Nesco will always care for its customers by delivering value to them and delight them through quality products & services.
- Nesco will encourage creativity and innovation across the organization and offer equal opportunity for growth to all employees through a culture of meritocracy, teamwork, commitment and discipline.
- Nesco will always adopt fair practices and thereby we will aim to become a symbol of Trust & Reliability for all stakeholders. We will strive to maximize value for our shareholders as well as all stakeholders in a balanced manner.

### Our Mission:

- Mission of Bombay Exhibition centre is to become a fully integrated Exhibition & Convention Centre & achieve market leadership in India by offering world class facilities & provide fully integrated services for Exhibitions, Conventions and Trade Fairs.
- Mission of Realty Group is to become a "Preferred Location" by providing good quality premises which will enhance work efficiency of our clients.
- Mission for Engineering Group is to gain & Sustain customer satisfaction & increase market share in each of our product lines through continued improvement in quality, cost efficiency, delivery & after sales service.

### ***Board of Directors***

|                           |                              |
|---------------------------|------------------------------|
| Mr. Sumant J. Patel       | Chairman & Managing Director |
| Dr. Ram S. Tarneja        |                              |
| Mr. Bharat Patel          |                              |
| Mr. K. S. Srinivasa Murty |                              |
| 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.





nesco



IT BUILDING 3

NESCO IT PARK

**NOTICE**

The 52nd 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 Friday, 12 August 2011 at 3.30 p.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited balance sheet as at 31 March 2011 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. Mahendra K Chouhan who retires by rotation & being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Mohan P 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.

**Mumbai, 27 May 2011**

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

**By order of the Board of Directors**

**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 05 August 2011 to 12 August 2011 (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**

|   |                        |                    |
|---|------------------------|--------------------|
| <b>Name of the Director</b>   | Mr. Mahendra K Chouhan | Mr. Mohan Parikh   |
| <b>Date of birth</b>  | 05.12.1955             | 10.05.1937         |
| <b>Date of appointment</b>  | 19.04.2005             | 01.07.1998         |
| <b>Qualification</b>  | B Sc., MBA(Finance)    | B. A., LL. B., FCS |
| <b>Directorship held in Indian public Companies as on 31.03.2011</b>        | 01                     | N. A.              |
| <b>Committee positions held in Indian public Companies as on 31.03.2011</b> | NIL                    | N. A.              |
| <b>Number of shares held in the Company</b>                                 | NIL                    | NIL                |

## Directors' Report

Your Directors have pleasure in presenting their annual report with the audited statement of accounts for the year ended 31 March 2011.

|  | 2010 - 11     | 2009 - 10     |
|--|---------------|---------------|
|  | <u>Rs.</u>    | <u>Rs.</u>    |
| 1. <b>Financial Results :</b>                    |               |               |
| Income   | 1,448,689,517 | 1,198,196,927 |
| Profit before tax                                | 1,001,168,289 | 787,277,164   |
| Provision for tax                                | 315,000,000   | 225,000,000   |
| Net Profit                                       | 686,242,602   | 550,084,657   |
| Balance brought forward                          | 5,000,000     | 5,000,000     |
| Amount available for appropriations              | 691,242,602   | 554,767,877   |
| Appropriations:                                  |               |               |
| i) Dividend                                      | 35,229,980    | 10,568,994    |
| ii) Tax on Proposed Dividend                     | 5,851,347     | 1,755,510     |
| iii) Transfer to General Reserve                 | 632,836,771   | 537,443,373   |
| Surplus carried forward to Profit & Loss Account | 5,000,000     | 5,000,000     |

## 2. Dividend:

Your Directors are pleased to recommend a dividend of 25% (15% previous year) on the increased capital of 14,091,992 equity shares after issue of 1:1 bonus shares last year. This would involve a cash outflow of Rs.41,081,327 inclusive of dividend tax.

It is our Company's policy to pay dividends which can be sustained in the years to come, while considering the Company's goal to finance its expansion plans from internal funds as far as possible.

## 3. Year in Retrospect:

During the year Company achieved a turnover of Rs.1,448,689,517 as compared to Rs.1,198,196,927 in previous year, an increase of 21%. The PBT was Rs. 1,001,168,289 as compared to Rs. 787,277,164 in previous year, an increase of 27%. Earnings per share amounted to Rs.49 on doubled equity capital after issue of bonus shares (previous year Rs.78). The Company's reserves increased from Rs.1,574,900,517 to Rs.2,127,062,258.

During the year, the Company paid an amount of Rs. 372,643,007 by way of various taxes and duties.

### Divisional Performance:

#### a) Bombay Convention & Exhibition Centre:

Bombay Convention & Exhibition Centre income was Rs.656,229,418 compared to Rs.540,429,225 in the previous year, an increase of 21%.

Over 105 conventions & exhibitions were held in our Centre.

During the year, the Company spent Rs.48,528,217 (previous year Rs.42,869,185) on capital expenses, repairs, modernization and upgradation of the four convention & exhibition centre halls covering an area of over 4,50,000 sq. ft.

#### b) Nesco IT Park and Realty Division:

Income from IT Park and Realty Division increased from Rs.229,549,115 to Rs.516,168,392.

As regards IT Building no.3 admeasuring about 800,000 sq., construction work is completed and internal finishing work is going on. So far the Company has incurred capital expenditure of Rs.788,942,710 on this project.



c) **Indabrator - Industrial Capital Goods Group:**

In the year under review, the Industrial Capital Goods segment did not pick up as was expected but in fact showed negative growth in the country as many corporates deferred their plans for capital investment. Besides, several customers could not take delivery of equipment ordered by them. As a result, income was Rs.168,210,331 as compared to Rs.248,305,826 in previous year.

d) **Income from Investments:**

Income from investments and other income was Rs.108,081,376 (previous year Rs.179,912,761). Due to economic slow down in 2008-09, the interest rates had reduced significantly. As most of the Company's investments are in debt funds, the income was lower, at Rs. 70,928,951 (previous year Rs. 103,043,900) even though the amount invested was higher.

**Finance:**

Your Company had no debt as on 31 March 2011. Company's liquid resources (FDs, FMPs, MFs, cash & bank balances) increased by 24% to Rs.1,687,436,427 from Rs.1,358,883,404. General reserves increased from Rs.1,574,900,517 to Rs.2,136,765,184.

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

**4. Management Discussion and Analysis:**

a. Bombay Convention & Exhibition Centre, the largest centre in India in the private sector, has become the most popular venue for conventions & exhibitions, with all world leading organizers holding their events in our centre. Its space utilization is better than world average. The Company is in the process of finalizing its expansion plans for which a world leading American architect firm has been appointed. Our Company hopes to start construction of the first new convention & exhibition hall before the end of this financial year. We expect our Convention & Exhibition Centre revenues to grow in 2011-12.

b. Nesco IT Park's third building is nearing completion: construction work is over, internal finishing is now in progress. Company expects some revenues from IT building 3 in 2011-12 and full occupancy in 2012-13. A leading American architect firm has been appointed for subsequent IT buildings, designs for IT building 4 are under finalization. We expect to start work on IT building 4 by December 2011.

c. In a slowdown, capital goods are the first to be affected and last to pick up. This segment is now showing positive trend, inflow of orders is increasing, the Company expects good growth in 2011-12 in its Indabrator Division.

d. Now that interest rates are going up, our Investment income is likely to be higher than previous year.

**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 corrective 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. Directors:**

Mr. Mahendra K Chouhan and Mr. Mohan P Parikh 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.

**8. 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 31.03.2011 and of 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 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 ongoing concern basis.

**9. 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 forms part of this report

**10. Corporate Social Responsibility:**

Nesco group continued to increase its activities in the rural social sector. In the education field, after setting up an English medium school in a village, further assistance is being given to upgrade and expand this school. Proposal is under consideration to impart training in entrepreneurship. Students from needy families are being given scholarships. In the health field, our Company assisted hospitals and health projects. Our CSR group monitors these activities.

**11. Auditors:**

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.

**12. 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.

**13. 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)

**14. Acknowledgment:**

The Directors thank for the support received from the shareholders, customers, vendors and bankers.  
The Directors also thank all members of the Nesco team for their valuable contribution.

**For and on behalf of the Board of Directors**

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

**Mumbai, 27 May 2011**

## 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 2011 are as follows:

| Name of the Director      | Executive/Non Executive/<br>Independent /Alternate | No. of outside<br>Directorship in<br>Public Limited<br>Companies * | Membership<br>held in<br>Committee of<br>Directors # | Chairmanship<br>held in<br>Committee of<br>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 Murty | Non Executive & Independent                        | ----   | ----   | ----  |
| Mr. Mahendra K. Chouhan   | Non Executive & Independent                        | ----   | ----   | ----  |
| 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