



nesco



**BOMBAY
EXHIBITION
CENTRE**



Nesco
IT Park



INDABRATOR

**53rd Annual Report
2011 - 2012**

Board of Directors

Mr. Sumant J. Patel

Chairman & Managing Director

Dr. Ram S. Tarneja

Mr. Bharat V. 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

Office & Plant Locations

Registered Office :

Nesco Complex,
Western Express Highway,
Goregaon (East),
Mumbai 400063

New Delhi Office :

B - 1 - 102, 10th Floor,
Himalaya House,
Curzon Road,
New Delhi 110001

Kolkatta Office :

Benoy Bhavan,
27 - B, 5th Floor,
Camac Street,
Kolkatta 700016

Karamsad Plant :

Anand Sojitra Road,
Karamsad,
Gujarat 388325

Vishnoli Plant :

Nadiad Khambat Road,
Vishnoli,
Gujarat 388450

Chennai Office :

Fagun Mansion,
26, Commander-in-Chief Road,
Chennai 600015

NOTICE

The 53rd 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 400063 on Wednesday, 8 August 2012 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2012 and the Profit and Loss Account for the year ended as on that date together with the report of the 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. Bharat V. Patel, 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, 30 May 2012

By order of the Board of Directors

Nesco Complex,
Western Express Highway, Goregaon (East),
Mumbai 400063

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 only on a poll 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 2 August 2012 to 8 August 2012 (both days inclusive), in term of the provisions of Section 154 of the Companies Act, 1956.
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 holding shares in physical form are requested to note that, in order to avoid any loss/interception in postal transit and also to get prompt credit to dividend through Electronic Clearing Service (ECS), they should submit their ECS details to the Company's Registrar & Transfer Agent. Alternatively, Members may provide details of their bank account quoting their folio numbers by the said date, to the Company's Registrar & Transfer Agent to enable them to print such details on the dividend warrants.
6. 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	Dr. Ram S. Tarneja	Mr. Bharat V. Patel
Date of birth	07.12.1931	25.09.1944
Date of appointment	21.04.1976	20.01.2005
Qualification	M.A., Ph. D.,	BA, MA., MBA.
Directorship held in Indian public Companies as on 31.03.2012	10	04
Committee positions held in Indian public Companies as on 31.03.2012	03	01
Number of shares held in the Company	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 2012.

1. Financial Results :

PARTICULARS	2011 - 12 (₹)	2010 - 11(₹)
Income	1,394,736,879	1,269,885,000
Profit before taxes	968,475,397	822,363,772
Provision for taxes	294,890,526	313,862,766
Net Profit	673,584,871	508,501,006
Exceptional Items	231,659	177,741,596
Balance brought forward	5,000,000	5,000,000
Amount available for appropriations	678,353,212	691,242,602
Appropriations:		
i) Dividend	42,275,976	35,229,980
ii) Tax on Proposed Dividend	7,021,511	5,851,347
iii) Dividend in respect of FY 2009-2010 (including taxes thereon)	-	12,324,504
iv) Transfer to General Reserve	624,055,725	632,836,771
iv) Surplus carried forward to Profit & Loss Account	5,000,000	5,000,000

2. Dividend:

Your Directors are pleased to recommend a dividend of ₹ 3 per equity share of ₹ 10/- each (i.e. 30%, previous year 25%) for the year ended 31 March 2012 amounting to ₹ 42,275,976 (previous year ₹ 35,229,980) subject to approval by shareholders at the 53rd annual general meeting. This would involve a cash outflow of ₹ 49,297,487. The dividend is free of tax in the hands of the shareholders.

3. Year in Retrospect:

It was a challenging year for the Indian economy. Due to high inflation, there was increase in cost of funds. There was decline in infrastructure, power & other projects and in industrial investment. Delay in policy decisions further adversely affected the domestic economic growth. Debt crisis in Europe and other global issues also affected the Indian economy, which slowed down reporting a growth of 6.10%, lowest during the last 9 years. These factors affected demand for IT space and for capital goods.

4. Performance:

During the year Company achieved a turnover of ₹ 1,394,736,879, which is an increase of 9.83% over the previous year. Profit before exceptional item and tax was ₹ 968,475,397 as compared to ₹ 822,363,772 in previous year, an increase of 17.77%. Earnings per share amounted to ₹ 48 (previous year ₹ 49). The Company's reserves increased from ₹ 2,136,765,184 to ₹ 2,760,356,908.

Divisional Performance:

Bombay Convention & Exhibition Centre: Income for the year was ₹ 762,974,607 compared to ₹ 656,229,418 in the previous year registering an increase of 16%. Over 116 conventions & exhibitions were held in our Centre, of which 48 were new clients, including Engineering Export Promotion Council, The Energy Resources Institution and Images Multimedia. Over 1,146,400 persons visited BCEC, out of which over 480,000 were from out of Mumbai / abroad. BCEC is the venue which brings more visitors to Mumbai than any other venue. During the year, the Company spent ₹ 40,089,277 (previous year ₹ 48,528,217) on repairs and upgradation of the convention & exhibition centre halls covering an area of over 450,000 sq. ft.

Nesco IT Park: Income for the year was ₹ 267,154,906 (previous year ₹ 337,363,875). Income was lower due to reduced demand after slowdown in India and in several Western countries. IT Building No.3 admeasuring about 800,000 sq.ft., is ready with construction work completed while internal finishing work is going on. So far the Company has incurred capital expenditure of ₹ 1,133,109,185 on this project, which was financed from internal resources.

Indabrator - Industrial Capital Goods Group: In the year under review, the Industrial Capital Goods Group's income increased to ₹ 249,624,321 (previous year ₹ 168,210,331), an increase of 48%. Such increase was possible despite slowdown in the capital goods segment. During the year, the Company spent ₹ 7,209,955 on capital expenditure.

Income from Investments: Income from investments and other income was ₹ 114,983,045 (previous year ₹ 108,081,376), an increase of 6%.

5. **Finance:**

Your Company had no debt as on 31 March 2012. Company's liquid resources (FDs, FMPs, MFs, cash & bank balances) increased by 27% to ₹ 2,144,146,612 from ₹ 1,687,436,427. General reserves increased by 31% from ₹ 2,136,765,184 to ₹ 2,760,356,908.

During the year the Company paid a total amount of ₹ 292,486,146 by way of various taxes and duties.

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

6. **Management Discussion and Analysis:**

Company is in the initial stage of considering expansion of the Bombay Convention & Exhibition Centre. We expect to finalize plans during this year.

The IT building 3 is now completed and is expected to start generating revenue from the current financial year. Company expects significant growth in revenues in 2013-14. The Company has initiated steps to secure required approvals for starting construction of IT building 4, admeasuring about 1,200,000 sq ft, which has been designed by a leading American architects firm. Cost of construction is expected to be met through internal resources.

Though uncertainty still prevails in the capital goods segment which showed negative growth last year, your Company was able to achieve significant growth. Your Company has been continuously investing in developing new products and technologies. To accelerate this process your Company is investing in construction of a new building and other capital expenditure to set up a Research and Development Centre for Indabrator, its Industrial Capital Goods Division. Construction of this new building is progressing well, besides several new equipment and facilities will also be installed.

Our Directors are of the view that Indian economy will recover in the near future, and India growth story will continue. Accordingly our Company has decided to continue without delay its investment plans in all its three divisions.

7. **Recognition:**

Forbes Asia September 2011 issue has published a list of "200 Best Under A Billion" Companies in Asia. Nesco is one of the Companies in the list. The 'Best Under A Billion' list is chosen from nearly 15,000 publicly-listed Asia-Pacific companies with actively traded shares and having annual revenues in the range of \$5 million - \$ 1 billion and are publicly traded for at least a year. The selection of the best 200 companies is based on earnings growth, sales growth, and shareholders return on equity in the past 12 months and over three years.

Nesco was included amongst top India Inc 500 Club- India's best performing mid-sized companies.

8. **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 also the Statutory Auditors and the Audit Committee reviews them regularly.

9. **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 goals are: no accidents, no injuries to people and no damage to environment. 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.

10. **Directors:**

Dr. Ram S Tarneja and Mr. Bharat V Patel 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.

11. **Directors' Responsibility Statement:**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 1956, 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 applied 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 March 31, 2012 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; and
- iv. the annual accounts have been prepared on a going concern basis.

12. **Corporate Governance:**

Your company is compliant with the requirement of Clause 49 of the listing agreement. Necessary disclosures have been made in this regard in the Corporate Governance Report. A certificate from the Statutory Auditors of your Company regarding compliance with the requirements of Corporate Governance as stipulated under Clause 49 of the listing agreement is attached to this report. The report on Corporate Governance is included and forms part of this report

13. **Corporate Social Responsibility:**

Nesco continued its activities in the rural social sector. A new English medium school is under construction in a village with funds provided by our Company. Students from needy families are being given scholarships. Our CSR Group is closely involved with these activities.

14. **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.

Recently, Mr. Hemendra N. Shah, partner of Shah & Co, passed away. Your Directors wish to place on record their appreciation of the long, constructive relationship our Company had with Mr. Shah and convey their sincere condolences to his family.

15. **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.

16. **Particulars of Employees:**

In terms of provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, names and other particulars of employees are required to be attached to this report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Annual accounts sent to the shareholders do not contain the said annexure. Any member desirous of obtaining a copy of the said annexure may write to the Compliance Officer at the Registered Office of the Company.

17. **Acknowledgment:**

The Directors thanks 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, 30 May 2012

Report on Corporate Governance

Company's Philosophy on Corporate Governance:

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

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

Your 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.

Board of Directors:

The present strength of the Board of Directors is eight. The Board comprises of the Managing Director, Joint Managing Director and Executive Director and 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 2012 are as follows:

Name of the Director	Category	No. of other Directorship *	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	10	06	02
Mr. Bharat V. Patel	Non Executive, Independent	04	03	01
Mr. K. S. Srinivasa Murty	Non Executive, Independent	---	---	---
Mr. Mahendra K. Chouhan	Non Executive, Independent	02	---	---
Mrs. Sudha S. Patel	Promoter, Executive	----	---	----
Mr. Mohan P. 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, Investor Grievances Committee and Remuneration Committee of Directors.

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

Number of Board Meetings and Attendance Record of Directors

The meetings of the Board are scheduled well in advance. The Board meets at least once in a quarter to consider amongst other business the performance of the Company and financial results. Each time, a detailed agenda is prepared in consultation with the Chairman & Managing Director.

During the year the Board Meetings were held on 27.05.2011, 12.08. 2011, 07.11.2011 and 02.02.2012.

Attendance of each Director at the Board meetings held during the year and at the last Annual General Meeting is as under:

Name of Director	Number of board meetings attended during the year	Whether attended Last AGM held on 12.08.2011
Mr. Sumant J. Patel	04	Yes
Dr. Ram S. Tarneja	04	Yes
Mr. Bharat V. Patel	03	Yes
Mr. K. S. Srinivasa Murthy	00	No
Mr. Mahendra K. Chouhan	04	Yes
Mrs. Sudha S. Patel	04	Yes
Mr. Mohan P. Parikh	04	Yes
Mr. Krishna S. Patel	03	Yes

Remuneration of Directors: Sitting fees, perquisites and commission (in ₹):

Name of Directors	Sitting fees	Salary	Perquisites and allowance	Commission	Total
Mr. Sumant J. Patel	N.A.	2,400,000	798,315	21,757,192	24,955,507
Dr. Ram S. Tarneja	40,000	-	-	-	40,000
Mr. Bharat V. Patel	30,000	-	-	-	30,000
Mr. K. S. Srinivasa Murty	-	-	-	-	-
Mr. Mahendra K. Chouhan	40,000	-	-	-	40,000
Mrs. Sudha S. Patel	-	-	-	-	-
Mr. Mohan P. Parikh	40,000	-	-	-	40,000
Mr. Krishna S. Patel	-	3,000,000	1,394,493	500,000	4,894,493
Total	150,000	5,400,000	2,192,808	22,257,192	30,000,000

Board Committees

The Board has constituted three committees as follows:

Audit Committee**I. Composition**

Committee comprises of Mr. Mohan P. Parikh as the Chairman, Mr. K. S. Srinivasa Murty and Mr. Mahendra K. Chouhan.

II. Scope of Audit Committee:

The terms reference are broadly as under:

- Overall assessment of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other service rendered by the Auditors.

- c) Reviewing with management the annual financial statement before submission to the board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause 2(AA) of Section 217 of the Companies Act, 1956.
 - Changes if any, in accounting policies and practice.
 - Major accounting entries based on exercise of judgment by management.
 - Observations if any, in draft audit report.
 - Significant changes/amendments, if any, arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Qualification in the draft audit report.
 - Compliance with stock exchange and legal requirements concerning financial statement.
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- d) Review of Quarterly /Half Yearly unaudited financial results before submission to the auditors and the Board.
- e) Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- f) Reviewing the adequacy of internal audit functions, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- g) Discussion with internal auditors any significant finding and follow up thereon.
- h) Reviewing the findings, if any, of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and reporting the matter to the Board.
- i) Discussions with external auditors before the audit commence nature and scope of audit as well as have post- audit discussion to ascertain any area of concern.
- j) Reviewing the company's financial and risk management policies.
- k) To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non –payment of declared dividends) and creditors.
- l) Financial Statements and Investments made by subsidiaries.

III. The Audit Committee also reviews:

- a) Management discussion and analysis of financial condition and results of operations;
- b) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- c) Management letters / letters of internal control weaknesses issued by the statutory Auditors;
- d) Internal audit reports relating to internal control weaknesses; and
- e) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

The Chairman of the Audit Committee briefs the Board about the significant discussions held at the Audit Committee Meetings. During the year the Committee has met 4 times. The Committee meetings were held on 27.05.2011, 12.08.2011, 07.11.2011 and on 02.02.2012

Remuneration Committee

- I. Composition
Committee comprises of Mr. Mohan P. Parikh as the Chairman, Dr. Ram S. Tarneja and Mr. Mahendra K. Chouhan.
- II. Scope of Remuneration Committee:
The following matters are referred to the Remuneration Committee:
 - Fixing the remuneration payable to the Managing Directors/ Whole time Directors/ Executive Directors within the overall limits approved by the members.
 - Determining the remuneration policy of the Company and
 - Reviewing the performance of employees and their compensation.

During the year under review the committee has met on 12.08.2011 wherein the committee approved revised remuneration and commission of Mr. Krishna S. Patel, Executive Director of Company

The Company has not paid any remuneration or commission to Mrs. Sudha S. Patel (Jt. Managing Director) since she has waived the same.

The sitting fees payable to the non executive Directors has increased from Rs. 10,000 to Rs. 15,000 for each meeting attended by them with effect from board meetings held after 31 March 2012.

Investor Grievances Committee:

- I. Composition
Committee comprises of Mrs. Sudha S. Patel as Chairman, Mr. Mohan P. Parikh and Mr. K. S. Srinivasa Murty.

The Committee has met 4 times during the year to review grievances received from the members. The committee met on 27.05.2011, 12.08.2011, 07.11.2011 and on 02.02.2012

- II. Scope of Investor Grievances Committee:
The Committee administers the activities pertaining to Transfer of Shares, Transmission of shares, Issue of Duplicate share certificate, Change of Status, Change of Name, Transposition of Shares, Sub-division of Shares, Consolidation of Folios, Shareholders requests for Dematerialization / Rematerialization of shares.

The Board has delegated the power of share transfer to registrar & share transfer agents, who process the transfers and the same is approved by the Board in their meeting as well as in the Investor Grievance Committee. The Committee also looks after redressal of investor's grievances and performance of the registrar and share transfer agents of the Company.

At present there are no pending cases wherein adverse claims are made against the Company except one case wherein the Company is pursuing the matter with the shareholder through its nominated employees.

Share Transfer Details

The number of shares transferred during the year are:

Sr. no.	Particulars	Equity
a.	Number of transfers	84
b.	Average No. of Transfer per month	7
c.	Number of Share Transferred	1,445,280