



nesco

56th Annual Report 2014-2015

Contents

Board of Directors	01
Board's Report	02
Nesco at a glance	07
Financial Statement (Stand-alone)	14
Financial Statement (Consolidated)	42
Report on Corporate Governance	73
General Shareholder Information	80
Annexure	84
Notice of the Annual General Meeting	98

Board of Directors

Mr. Sumant J. Patel	Chairman & Managing Director
Dr. Ram S. Tarneja	Director
Mr. K. S. Srinivasa Murty	Director
Mr. Mahendra K. Chouhan	Director
Mrs. Sudha S. Patel	Director
Mr. Jai S. Diwanji	Director
Mr. Krishna S. Patel	Joint Managing Director

Auditors

Manubhai & Shah
Chartered Accountants
Mumbai

Bankers

HDFC Bank Limited
Hongkong & Shanghai Banking Corporation

Registered Office

Nesco Complex,
Western Express Highway, Goregaon (East),
Mumbai 400063
CIN: L17100MH1946PLC004886
Email: contact@nesco.in Web: www.nesco.in
Tel: 022 66450123 Fax: 022 66450101

Branch Offices**New Delhi**

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

Kolkatta

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

Chennai

Fagun Mansion
26, Commander-in-
Chief Road,
Chennai 600105

Plants**Karamsad**

Anand Sojitra Road,
Karamsad
Gujarat 388325

Vishnoli

Nadiad Petlad Road,
Vishnoli
Gujarat 388450

BOARD'S REPORT

Dear Members,

Your Directors have pleasure in presenting 56th annual report of your Company for the year ended 31 March 2015.

1. Financial Results (₹ in lakhs):

Particulars	2014-2015	2013-2014
Income	22,306.88	18,142.14
Profit before depreciation and tax	16,647.56	12,792.30
Depreciation	670.09	1,102.57
Profit before taxes	15,977.47	11,689.73
Provision for taxes	4,814.02	3,587.28
Net profit	11,163.45	8,102.45
Balance brought forward	50.00	50.00
Amount available for appropriations:		
- Proposed dividend	915.98	704.60
- Tax on proposed dividend	155.67	119.75
- Transfer to general reserve	10,091.80	7,278.10
- Surplus carried forward to profit & loss account	50.00	50.00

2. Review of Operations:

During the year your Company achieved a consolidated turnover of ₹ 22,312.98 lakhs, an increase of 22.99% over the previous year turnover of ₹ 18,142.14 lakhs. Consolidated PBDT was ₹ 16,634.54 as compared to ₹ 12,792.30 in previous year, an increase of 30.04%. Consolidated Earnings per share amounted to ₹ 79.13 (previous year ₹ 57.50). The Company's general reserves increased from ₹ 42,468.47 lakhs to ₹ 52,560.27 lakhs.

3. Dividend:

Your Directors are pleased to recommend a dividend of 65% per equity share of ₹ 10/- each (previous year 50%) for the year ended 31 March 2015 amounting to ₹ 6.50/- (previous year ₹ 5.00/-) per share, subject to approval by shareholders at the 56th annual general meeting. This would involve a cash outflow of ₹ 915.98 lakhs as compared to ₹ 704.59 lakhs in previous year. The dividend is free of tax in the hands of the shareholders.

4. Management Discussion and Analysis:

i) Nesco IT Park:

Income for the year was ₹ 9,067.36 Lakhs (previous year ₹ 4,783.37 Lakhs) an increase of 89.56%. The IT building 3 is LEED Platinum rated by Indian Green Building Council, which is the highest standard for sustainable development. The ultra modern amenities in the building include air conditioning, futsal, food court, modern health centre, ample car parking, a golf putting green and other recreation areas. The Company expects to start construction of IT building 4 in quarter 2 of 2015-16. Built up area of the building will be approx. 17,20,000 sq.ft.

ii) Bombay Exhibition Centre:

Income for the year was ₹ 8,586.28 Lakhs compared to ₹ 9,488.56 Lakhs in the previous year. During the year 130 exhibitions were held in our Centre, out of which 37 were new organizers including new titles like LED Technology (LED Expo 2014), Sustainable Construction Technology (Ecobuild India 2014), Wellness, Fitness Health Supplements (India International Wellness Expo 2014), Ice-Cream Technology & Processing (Ice-Cream Congress 2014), Cold Chain Warehousing (India Cold Chain Show 2014), Intelligent Electronics (Intellect 2015), Financial Technology & Services (Fintech 2015) and Ink & Coating Technology (AISA Coat + Ink Show 2015). Our Centre continued to bring large number of visitors to Mumbai city.

iii) **Nesco Hospitality Private Limited:**

Your Company has recently incorporated a wholly owned subsidiary to provide hospitality services. Income for the period was ₹ 6.10 lakhs. The Company has also started food court services with leading international and national food brands who will cater to the growing demand of quality food services from Nesco IT Park and from the organizers, their exhibitors and visitors.

iv) **Indabrator:**

In the year under review, Indabrator income was ₹ 1,790.91 lakhs (previous year ₹ 1,838.83 lakhs). Year 2014-15 continued to be a difficult year for the capital goods industry. A large number of projects were either cancelled or delayed or deferred; steel, automotive and other industries faced low demand and went through difficult times. Economic environment is showing improvement and we expect Indabrator to pick up in the current year.

v) **Investments:**

Income from investments and other income was ₹ 2,862.33 lakhs (previous year ₹ 2,031.35 lakhs), an increase of 40.90%.

5. Finance:

Your Company had no debt as on 31 March 2015. Company's liquid resources (fixed maturity plans, mutual funds, cash & bank balances) increased by 4.31% to ₹ 38,883.96 lakhs from ₹ 37,277.90 lakhs. Your Company has neither accepted any deposits from the public during the year nor are any deposits outstanding for repayment.

6. Corporate Social Responsibility:

Even before the introduction of Section 135 of the Companies Act, 2013 in respect of Corporate Social Responsibility (CSR), your Company had already initiated these activities. In the rural areas, your Company has supported setting up of a industrial training institute and two English medium schools. The third English Medium School is under construction. Students from needy families are being given scholarships. Your Company had provided support to Election Commission in organizing Counting Station for two constituencies of Mumbai in Bombay Exhibition Centre in the last financial year.

The second school set up is registered under CBSE Board, with your Company's assistance and has commenced its activities. Both schools provide modern education facilities including smart class / audio visual learning system, modern computer labs, etc.

Your Company has also taken initiatives under "Swachh Bharat Abhiyan" and has already built 12 toilets for the needy families in a village and is also planning to construct more toilets in rural areas. The construction of an overhead water tank with a storage capacity of 9 lakh litres in a village has also commenced.

The Company is evaluating and will take up more CSR activities. The Annual Report on CSR activities is annexed herewith as 'Annexure A'.

7. Directors:

Mrs. Sudha S. Patel, retires by rotation at the ensuing annual general meeting and being eligible offer herself for reappointment. Her profile is given in the annexure to the notice.

8. Board Evaluation:

Clause 49 of the Listing agreement mandates that the Board shall monitor and review the Board evaluation framework. The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual Directors.

The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board. The evaluation process has been explained in the Corporate Governance Report section in this Annual Report.

9. Training of Independent Directors:

Your Company's Independent Directors are highly qualified and have been associated with corporate and business organizations. They have been associated with your Company since last several years, hence they all understand Company's business and activities very well, however, pursuant to the provisions of Clause 49 of the Listing agreement, the Board has shown all the Independent Director Company's business and manufacturing activities

and were also introduced to Company's staff. They were also introduced to new activities of the Company namely, Day Care Centre, Food Court area and the new Hospitality subsidiary Company.

10. Declaration by Independent Directors:

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

11. Board Meetings:

Pursuant to Section 134(3)(b), details of Board meeting held in the year is mentioned in the Report of the Corporate Governance. During the year 4 (four) Board Meetings and 4 (four) Audit Committee meetings were held, details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013. A separate meeting of Independent Directors, pursuant to Section 149(7) read with Schedule VI of the Companies Act, 2013 and Clause 49 was held on 10 February 2015.

12. Policy on Directors' appointment and Remuneration and other details:

The Company's policy on Directors' appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in Corporate Governance Report, which forms part of Annual Report.

13. Directors' Responsibility Statement as required under Section 134(3)(c) of the Companies Act, 2013:

The Directors state that: -

- a) in the preparation of the annual accounts for the financial year ended 31 March, 2015, the applicable accounting standards and Schedule III of the Companies Act, 2013, have been followed and there are no material departures from the same;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31 March, 2015 and of the profit and loss of the Company for the financial year ended 31 March, 2015;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis;
- e) proper internal financial controls laid down by the Directors were followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

14. A. Auditors and Auditors Report:

The Board of Directors in their meeting held on 28 May, 2014, on the recommendation of the Audit Committee, in accordance with the provisions of Section 139 of the Companies Act, 2013 had appointed M/s Manubhai & Shah, Chartered Accountants, to act as the Auditors of your Company till the conclusion of the 56th Annual General Meeting.

The Board of Directors in their meeting held on 23 May, 2015, on the recommendations of the Audit Committee, in accordance with the provisions of Section 141 of the Companies Act, 2013, recommended M/s Manubhai & Shah, Chartered Accountants as the Auditors of your Company till the conclusion of the 60th Annual General Meeting. The Company has received a certificate from the Auditors to the effect that the proposed appointment, if made, will be in accordance with the limits specified under Section 139(9) of the Companies Act, 2013.

The Auditors Report for the financial year 2014-15, does not contain any qualification, reservation or adverse remark.

B. Secretarial Audit and Secretarial Audit Report:

The Board of Directors in their meeting held on 10 February, 2015, on the recommendations of the Audit Committee, in accordance with the provisions of Section 204 of the Companies Act, 2013 and the Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014, has appointed M/s ND & Associates to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report is attached as 'Annexure B'. The Secretarial Auditors Report for the financial year 2014-15, does not contain any qualification, reservation or adverse remark.

C. Cost Audit:

The Board of Directors had appointed M/s. Y. S. Thakkar & Co., Cost Accountants, as the Cost Auditor of your Company for the financial year 2014-15 to conduct the audit of the cost records of your Company.

Cost Audit is not applicable to your Company for the financial year 2015-16.

15. Internal Financial 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 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 Company and covers all 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.

16. Particulars of Loans, Guarantees and Investments:

The particulars of loans, guarantees and investments have been disclosed in the financial statement.

17. Vigil Mechanism/Whistle Blower Policy:

The Company has a vigil mechanism to deal with fraud and mismanagement, if any. The policy is on the website of the Company.

18. Safety, Health and Environment:

Your Company recognizes its role in health and safety, as well as its responsibility towards environment and society. 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.

19. 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 Manubhai & Shah, Chartered Accountants confirming compliance with requirement of corporate governance are given as a separate report, which forms part of this annual report.

20. Conversion of energy, technology absorption, foreign exchange earnings and outgo:

The Company is undertaking the necessary energy conservation activities in accordance with the provisions of Section 134 (3) (m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014.

21. Extract of Annual Return:

Pursuant to Section 134(3)(a), extract of Annual Return in Form MGT-9 has been annexed herewith as 'Annexure C'.

22. Particulars of Employees:

The information required under section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, in respect of employees of the Company has been annexed herewith as 'Annexure D'.

23. Subsidiary Company:

During the year under review your Company has entered into the business of food catering and related services within the Nesco Complex. The Company has incorporated a wholly owned subsidiary named 'Nesco Hospitality Private Limited' to set up world class kitchen facilities to cater to the needs of Nesco IT Park and visitors to exhibitions and conventions.

24. Related Party Transactions:

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business.

During the year under review the Company entered into Leave and License agreement for the land which is situated at Karamsad, District Anand, Gujarat, owned by Mr. Sumant Patel, Chairman of the Company, against payment of monthly license fees to Mr. Sumant Patel after taking prior permission by passing special resolution as per section 188 of the Companies Act, 2013.

Except this there are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The Form AOC-2 pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is set out as 'Annexure E' to this Report.

25. Deposit from Public:

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

26. Consolidated Financial Statement:

The consolidated financial statement of your Company for the financial year 2014-15, are prepared in compliance with applicable provisions of the Companies Act, 2013, Accounting Standards and Listing Agreement as prescribed by the Securities and Exchange Board of India (SEBI). The consolidated financial statements have been prepared on the basis of audited financial statements of the Company and its subsidiary, as approved by their respective Board of Directors.

27. Acknowledgment:

The Board of Directors wish to place on record their appreciation for the support extended by the clients, shareholders, bankers and the employees of the Company for their continued co-operation and support.

For and on behalf of the Board of Directors

Sumant J. Patel
Chairman & Managing Director
Mumbai, 23 May 2015

NESCO AT A GLANCE

Nesco is a diversified, multi-location, public limited Company, established in 1939, quoted on the Bombay Stock Exchange and National Stock Exchange. Nesco has four business groups: Nesco IT Park; Bombay Convention & Exhibition Centre; Indabrator, the Industrial Capital Goods Division and the newly started Hospitality Division.

1. **Nesco IT Park**

Nesco IT Park, located at Goregaon East on the Western Express Highway, is registered as a Private IT Park by the Govt. of Maharashtra. Recently constructed IT Building No. 3 is a state-of-art IT building which caters to companies engaged in software, BPO, call centers and other IT and ITES activities; banks, financial institutions and insurance companies. Leed India has given the building a Platinum Rating. World class amenities in the IT Building No. 3 include Gymnasium, Futsal, Golf Putting & Open Sky Lounge.



IT Building No. 3



Futsal Turf on the Terrace of IT Building No. 3

To look after the needs of young parents who work in the Nesco IT Park, Nesco has recently commissioned a Child Care Centre. Children of the young parents are looked after by trained staff in this Child Care Centre.



Open Area of the Child Care Centre