

nesco

57th
Annual Report
2015-2016

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Board of Directors

Mr. Sumant J. Patel	Chairman & Managing Director
Mr. Krishna S. Patel	Joint Managing Director
Mr. Mahendra K. Chouhan	Independent Director
Mrs. Sudha S. Patel	Non-Executive Director
Mr. Jai S. Diwanji	Independent Director
Mr. K. S. Srinivasa Murty	Independent Director

Auditors

Manubhai & Shah LLP
Chartered Accountants

Bankers

HDFC Bank Limited
Hongkong & Shanghai Banking Corporation Limited

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

**Registrar and
Share Transfer Agents**

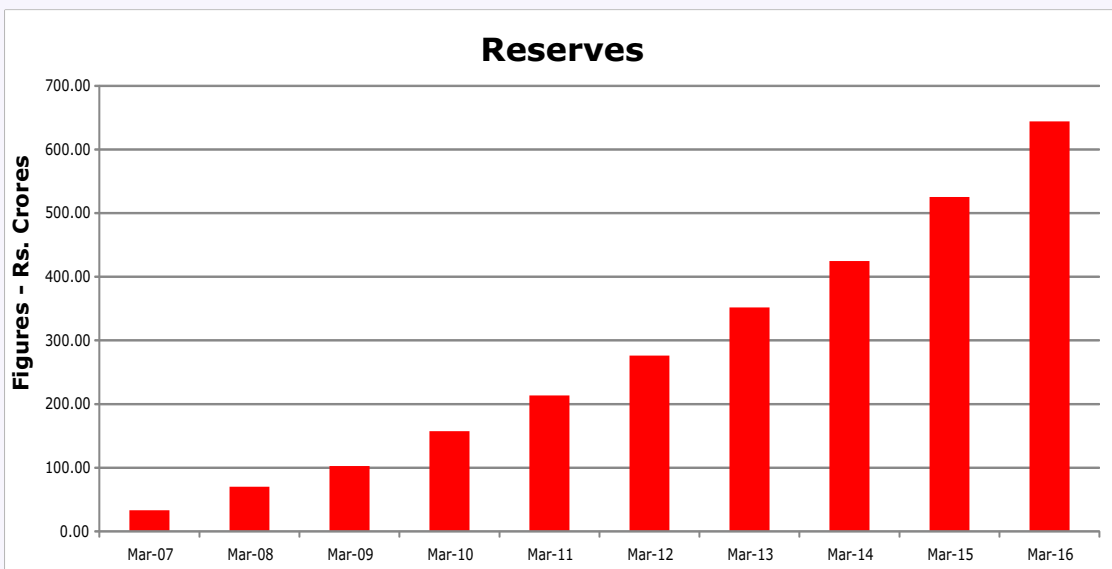
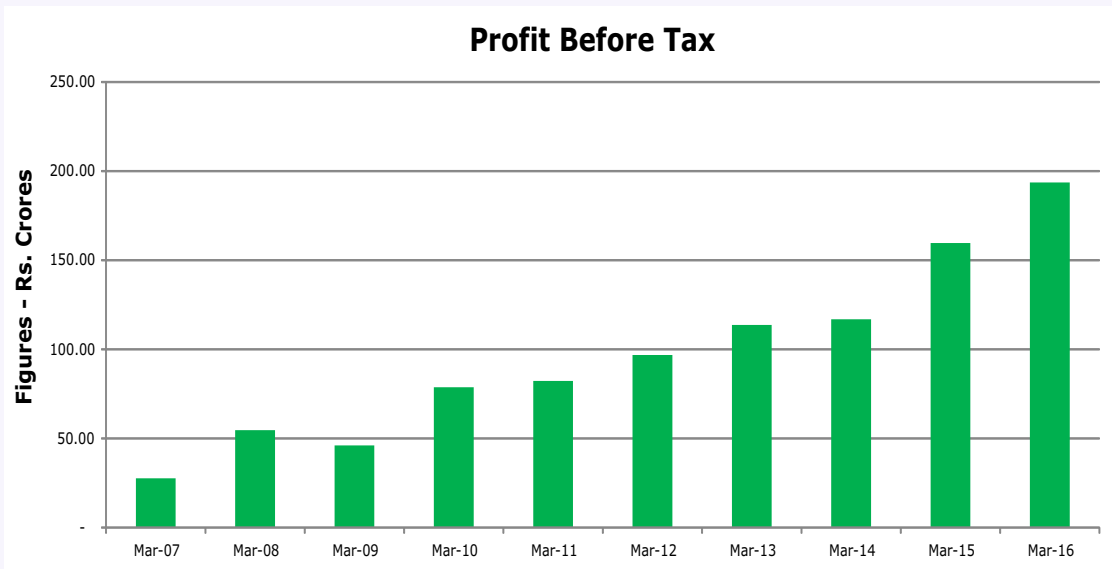
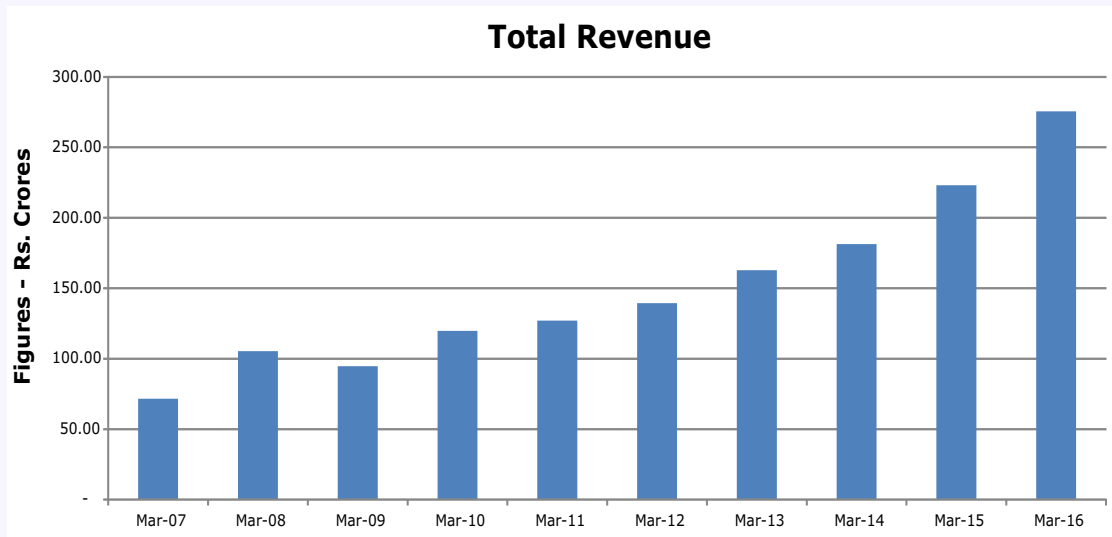
Sharex Dynamic (India) Private Limited

Branch Offices

<u>New Delhi</u> Himalaya House, Curzan Road, New Delhi 110001	<u>Kolkata</u> Benoy Bhavan, Camac Street, Kolkata 700016	<u>Chennai</u> Fagun Mansion 26, Commander –in- Chief Road, Chennai 600105
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Plants

<u>Karamsad</u> Anand Sojitra Road, Karamsad Gujarat 388325	<u>Vishnoli</u> Nadiad Petlad Road, Vishnoli Gujarat 388450
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**REPORT OF BOARD OF DIRECTORS**

Dear Members,

Your Directors have pleasure in presenting 57th annual report of your Company for the year ended 31 March 2016.

1. Financial Results:

(₹ in lakhs)

Particulars	Consolidated		Standalone	
	2015-16	2014-15	2015-16	2014-15
Income	27,559.14	22,277.98	27,336.39	22,271.88
Profit before depreciation and tax	20,034.13	16,634.54	20,032.98	16,647.56
Depreciation	670.13	670.09	670.13	670.09
Profit Before Taxes	19,364.00	15,964.45	19,362.85	15,977.47
Provision for Taxes	6,072.03	4,814.02	6,072.03	4,814.02
Net Profit after Taxes	13,291.97	11,150.43	13,290.82	11,163.45
Balance brought Forward	50.00	50.00	50.00	50.00
Amount available for appropriations:				
1. Dividend	1,197.83	915.98	1,197.83	915.98
2. Tax on Dividend	243.85	155.67	243.85	155.67
3. Transfer to General Reserve	11,850.29	10,078.79	11,849.14	10,091.80
4. Surplus carried forward to Profit and Loss Account	50.00	50.00	50.00	50.00

2. Review of Operations:

Your Company achieved a consolidated turnover of ₹ 27,559.14 lakhs, an increase of 23.71% over the previous year's consolidated turnover of ₹ 22,277.98 lakhs.

Consolidated profit before depreciation and tax was ₹ 20,034.13 lakhs as compared to ₹ 16,634.54 lakhs in previous year, an increase of 20.44%.

Consolidated earnings per share amounted to ₹ 94.32 (previous year ₹ 79.13). Company's general reserves increased from ₹ 52,547.26 lakhs to ₹ 64,397.55 lakhs.

3. Dividend:

The Board of Directors has decided that interim dividend of ₹ 8.50 per share of ₹ 10.00 each be confirmed as final dividend.

4. Management Discussion and Analysis:**i) Nesco IT Park:**

Income for the year was ₹ 12,046.02 lakhs (previous year ₹ 9,067.36 lakhs), an increase of 32.85%.

Your Company has started construction of IT building 4, having built up area of approx. 17,00,000 sq. ft. The building is pre-certified Platinum rated under the LEED India for Core & Shell rating system from the Indian Green Building Council. IT buildings 1, 2 and 3 are fully occupied by well renowned companies. Hall 3 provides Incubation Centre and Child Care Centre for children of employees working in Nesco IT Park.

ii) Bombay Exhibition Centre:

Income for the year was ₹ 11,183.36 lakhs compared to ₹ 8,586.27 lakhs in the previous year, an increase of 30.25%.

During the year 156 exhibitions and conventions were held in our Centre, out of which 33 were new organizers. Some of the new clients include Infinity Exhibitions & Conferences Pvt. Ltd., JP Morgan Services India Pvt. Ltd., V-Rock Entertainment Agency, Dalit Indian Chambers of Commerce & Industry (DICC), New Media Communication Pvt. Ltd. and Artisans & Weavers Welfare Association.

The Maritime Exhibition organized by Ministry of Shipping held in April 2016 in Bombay Exhibition Centre was inaugurated by Indian Prime Minister Mr. Narendra Modi when Chief Ministers of Maharashtra, Gujarat, other states and several foreign and national dignitaries were present. This exhibition has attracted large investments.

Our Centre continues to bring large number of visitors and tourists from out of City, State and Country.

iii) Nesco Hospitality Private Limited:

Nesco Hospitality Private Limited, wholly owned subsidiary of your Company, has earned revenue of ₹ 222.75 lakhs as compared to ₹ 6.10 lakhs during the previous period.

The Company has started food court services within our Nesco Complex with leading international and national food brands and is targeting to cater the growing demand of quality food services from the exhibition organizers, exhibitors, visitors and employees working in Nesco IT Park. Your Company is taking steps to establish a large world class kitchen, construction is expected to start in later part of this year.

iv) Indabrator:

In the year under review, Indabrator income was ₹ 2,501.74 lakhs (previous year ₹ 1,790.92 lakhs), an increase of 39.69%

2015-16 showed some progress in the capital goods industry. A number of projects which were deferred in the previous year were completed in the current year. Your Company has recently won several large contracts. Company has decided to expand its machine building division at its Visholi Complex, Gujarat, construction for which is expected to start in Q4 of this year.

v) Investments:

Income from investments and other income was ₹ 1,605.27 lakhs (previous year ₹ 2,827.33 lakhs).

5. Finance:

Your Company had no debt as on 31 March 2016. Company's liquid resources (fixed maturity plans, mutual funds, cash & bank balances) increased by 6.59% to ₹ 41,439.01 lakhs from ₹ 38,878.07 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:

Your Company has undertaken several programs and activities as part of its Corporate Social Responsibility Group. In the rural areas your Company has supported setting up of an industrial training institute and three English Medium Schools.

These Schools provide modern education facilities including smart class / audio visual learning system, modern computer labs, etc. The Company's CSR team regularly monitors these activities.



Your Company has also taken initiatives under “Swachh Bharat Abhiyan”. A new 9,00,000 Litres Over Head Water Tank at a nearby village is completed with your Company’s assistance. Old Water Tank having capacity of 2,40,000 Litres was also renovated. Several toilets were constructed in a village as part of Swachh Bharat Program.

The Company is evaluating and will take up more CSR activities in different areas. The Annual Report on CSR activities is annexed as “Annexure A.”

7. Directors and Key Managerial Personnel:

Dr. Ram S. Tarneja, Independent Director of the Company, who was a Director of the Company for many years, expired on 07 August 2015. Your Board places on record its appreciation for outstanding contribution made by Dr. Tarneja during his tenure as an Independent Director.

Mrs. Sudha S. Patel, Non-Executive Director, retires by rotation at the ensuing annual general meeting pursuant to the provisions of Section 152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Articles of Association of your Company and being eligible has offered herself for reappointment. Her brief resume and other related information has been detailed in the annexure to the notice.

Mr. Sumant J. Patel, Chairman & Managing Director, Mr. Krishna S. Patel, Joint Managing Director, Mr. Dipesh R. Singhania, Chief Financial Officer and Ms. Jinal J. Shah, Company Secretary and Compliance Officer (appointed w.e.f. 09 February 2016) are the Key Managerial Personnel.

8. Board Evaluation:

Regulation 17 of the Listing Regulations 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 Regulation 4 of the Listing Regulations, the Board has shown all the Independent Directors 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 Regulation 16(b) of the Listing Regulations.

11. Number of Board and Committee Meetings:

Pursuant to Section 134(3)(b), details of Board Meetings held during the year are given in the Report on Corporate Governance.

During the year 5 (Five) 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 23 May 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 2016, 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 2016 and of the profit and loss of the Company for the financial year ended 31 March 2016;
- 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 were followed and that such systems were adequate and operating effectively.

14. A. Auditors and Auditors Report:

The Board of Directors in their meeting held on 23 May 2015, on the basis of recommendations of the Audit Committee, in accordance with the provisions of Section 139(1) of the Companies Act, 2013, had appointed M/s Manubhai & Shah LLP, to act as the Statutory Auditors of your Company till the conclusion of the 60th Annual General Meeting. The Company has received certificate from the Auditors to the effect that the appointment is in accordance with the limits specified under Section 139(9) of the Companies Act, 2013.

The Board of Directors in their meeting held on 30 May 2016, ratified the appointment of Auditors for the financial year 2016-17.

The Auditors Report for the financial year 2015-16, does not contain any qualification, reservation or adverse remark.

B. Secretarial Audit and Secretarial Audit Report:

The Board of Directors at its meeting held on 17 March 2016, 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, a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company. The report of the



Secretarial Audit Report is annexed herewith as "Annexure B." The Secretarial Auditors Report for the financial year 2015-16, does not contain any qualification, reservation or adverse remark.

15. Particulars of Loans, Guarantees and Investments:

The particulars of loans, guarantees and investments made by the Company pursuant to Section 186 of the Companies Act, 2013 have been disclosed in the financial statements forming part of Annual Report.

16. 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 goals and 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.

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. In fact 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 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 Regulation 27 of the Listing Regulations of stock exchange, a report on corporate governance and a certificate from M/s. Manubhai & Shah LLP, Chartered Accountants confirming compliance with requirement of corporate governance are given as a separate report, which forms part of this annual report.

20. Prevention of Sexual Harassment at Workplace:

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 read with rules made thereunder, your Company has constituted Internal Complaints Committee which is responsible for redressal of complaints related to sexual harassment. During the year under review, there were no complaints pertaining to sexual harassment.

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

The Company is undertaking 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.

22. 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".

23. 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."

24. Subsidiary Company:

During the previous year your Company had entered into the business of food catering and related services within the Nesco Complex. Nesco Hospitality Private Limited, a wholly owned subsidiary of your Company is now operating Food Courts, Day Care Centre and Gymnasium in Bombay Exhibition Centre and Nesco IT Park. The Company is also in process of setting up world class kitchen facility to cater the needs of employees working in Nesco IT Park and visitors to exhibitions and conventions.

A separate statement containing the salient features of financial statements of subsidiary of your Company forms part of consolidated financial statements in compliance with Section 129 and other applicable provisions, if any, of the Companies Act, 2013.

25. Related Party Transactions:

During the financial year 2015-16, all related party transactions that were entered into were on an arm's length basis and were in the ordinary course of business.

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.

26. Deposits 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.

27. Consolidated Financial Statement:

The Consolidated Financial Statement of the Company prepared in accordance with relevant Accounting Standards (AS) viz. AS 21, AS 23 and AS 27 issued by the Institute of Chartered Accountants of India form part of this Annual Report.

28. Appreciation:

Your Board of Directors wish to convey their appreciation for the support extended by the clients, shareholders, bankers and the employees of the Company.

For and on behalf of the Board of Directors

Sumant J. Patel
Chairman & Managing Director
DIN: 00186976

Mumbai, 30 May 2016