

58th Annual Report

The graphic consists of a central square area filled with a pattern of diagonal stripes. The stripes alternate between a medium blue and a dark navy blue. The word 'nesco' is centered within this square in a white, lowercase, sans-serif font.

nesco

2016-17

CONTENTS

01 /
REPORT OF
BOARD OF
DIRECTORS

24 /
REPORT ON
CORPORATE
GOVERNANCE

35 /
BUSINESS
RESPONSIBILITY
REPORT

45 /
FINANCIAL
STATEMENTS
(STANDALONE)

101 /
FINANCIAL
STATEMENTS
(CONSOLIDATED)

161 /
SHAREHOLDERS
INFORMATION

165 /
NOTICE

Board of Directors

Mr. Sumant J. Patel	Executive Chairman
Mr. Krishna S. Patel	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
Mr. Manu M. Parpia	Additional Independent Director (w.e.f. 10 May 2017)

Auditors

Manubhai & Shah LLP
Chartered Accountants

Banker

HDFC Bank Limited

Registered Office

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

Registrar and Share Transfer Agents

Sharex Dynamic (India) Private Limited

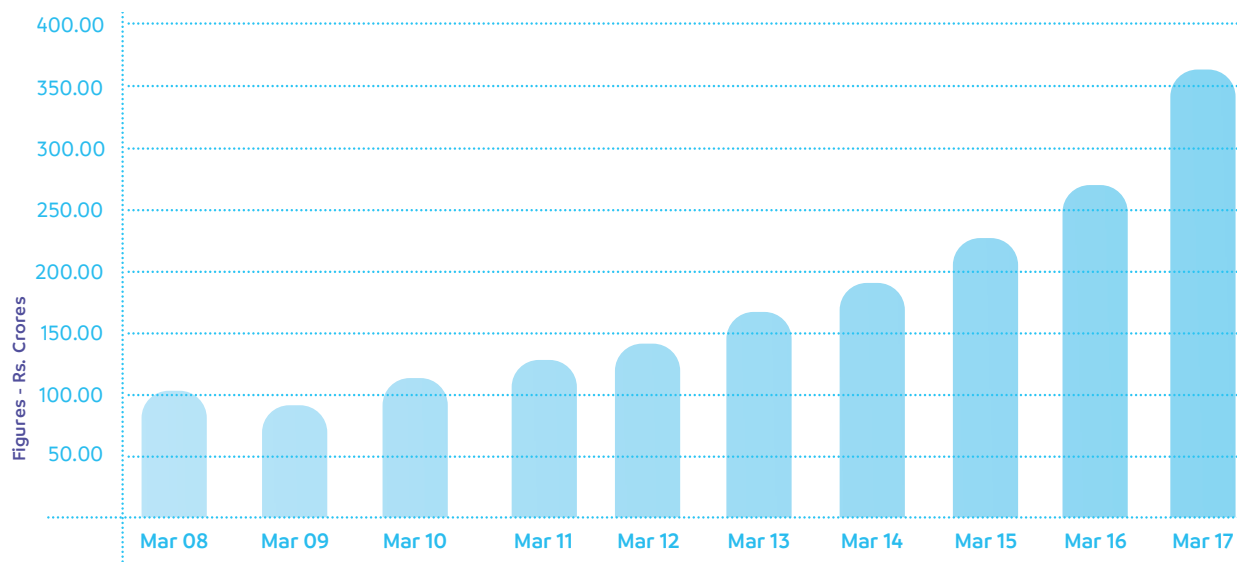
Branch Offices

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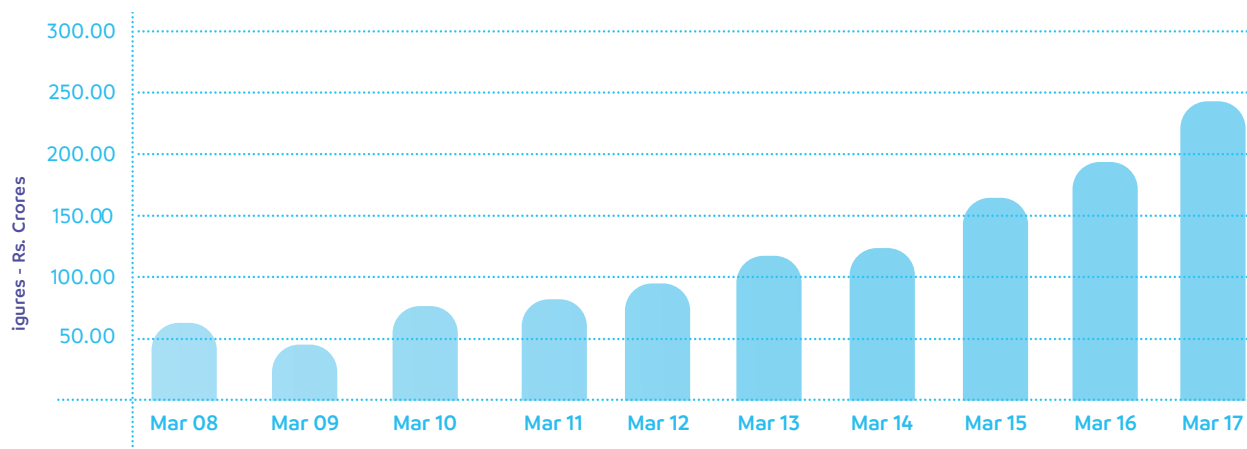
Plants

Karamsad Anand Sojitra Road, Karamsad, Gujarat 388325	Vishnoli Nadiad Petlad Road, Vishnoli, Gujarat 388450
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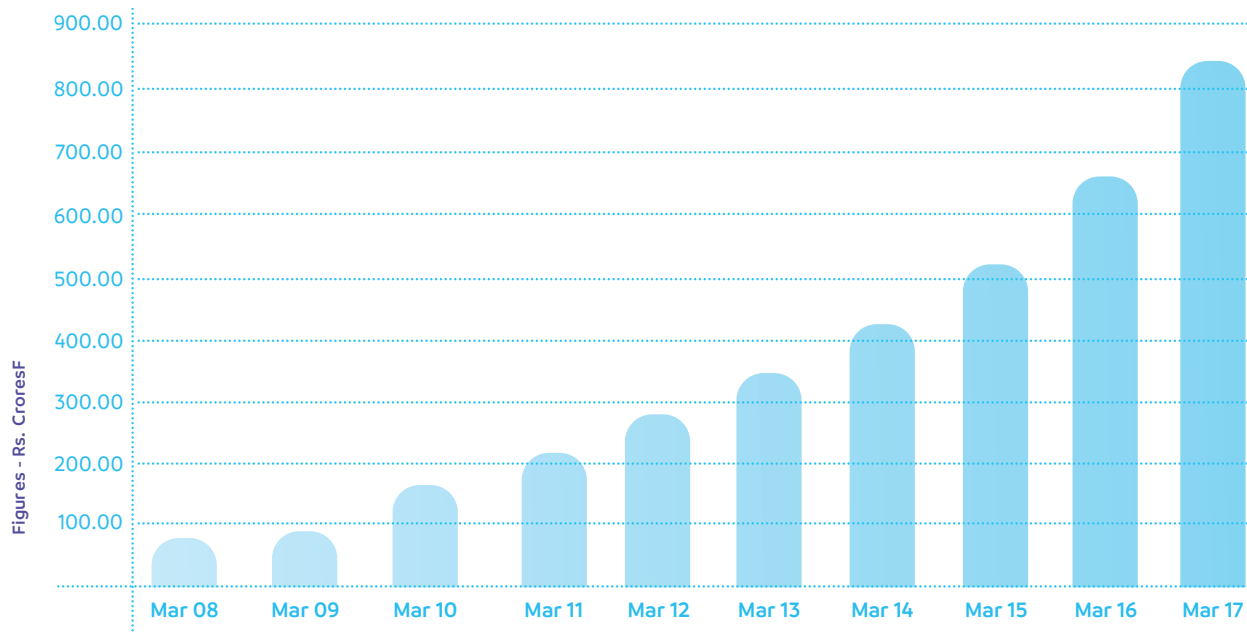
Total Revenue



Profit Before Tax



Reserves



REPORT OF BOARD OF DIRECTORS

Dear Members,

Your Directors have pleasure in presenting 58th annual report of your Company for the financial year ended 31 March 2017.

1. Financial Results:

(₹ in Lakhs)

Particulars	Consolidated		Standalone	
	2016-17	2015-16	2016-17	2015-16
Income	35,722.76	29,930.29	35,154.45	29,707.55
Profit before depreciation and tax	25,256.79	21,744.05	25,185.28	21,742.89
Depreciation	812.97	670.13	812.97	670.13
Profit Before Taxes	24,443.82	21,073.92	24,372.31	21,072.76
Provision for Taxes	7,448.87	6,659.12	7430.13	6,659.12
Net Profit after Taxes	16,994.95	14,414.80	16,942.18	14,413.64
Balance brought Forward	2,376.30	1252.32	2,388.15	1,265.33
Amount available for appropriations:	19,371.26	15,667.12	19,330.33	15,678.97
Appropriations:				
1. Dividend	1,550.12	1,197.83	1,550.12	1,197.83
2. Tax on Dividend	315.57	243.85	315.57	243.85
3. Transfer to General Reserve	19,321.25	11,849.14	19,280.33	11,849.14
4. Surplus carried forward to Profit and Loss Account	50.00	2,376.30	50.00	2,388.15
Earning Per Share (Basic) (in ₹)	120.60	102.29	120.23	102.28
Earning Per Share (Diluted) (in ₹)	120.60	102.29	120.23	102.28

2. Review of Operations:

Your Company achieved a consolidated turnover of ₹ 35,722.76 lakhs, an increase of 19.35% over the previous year consolidated turnover of ₹29,930.29 lakhs.

Consolidated profit before tax was ₹24,443.82 lakhs as compared to ₹ 21,073.92 lakhs in previous year, an increase of 15.99%.

Consolidated earnings per share amounted to ₹120.60 (previous year ₹102.29). Company's reserves increased from ₹ 66,711.90 lakhs to ₹ 83,692.64 lakhs.

3. Dividend:

Your Directors are pleased to recommend a dividend of 110% per equity share amounting to ₹11 per equity share (previous year ₹8.50) of ₹10 each as dividend for the year ended 31 March 2017 for the approval of shareholders at the ensuing Annual General Meeting.

Dividend Distribution Policy

As per Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the top 500 listed Companies shall formulate a Dividend Distribution Policy. This policy is available on the Company's website at www.nesco.in

4. Sub Division of Equity Shares:

Your Company in its Board meeting held on 29 May 2017 has approved sub-division of equity shares from ₹10 to ₹2 per share which is subject to the approval of the shareholders at the ensuing

annual general meeting. The sub-division of equity shares if approved by the shareholders will initiate after 15 September 2017.

Management Discussion and Analysis:

i) Nesco IT Park:

Income for the year was ₹ 14,191.14 lakhs (previous year ₹ 12,440.45 lakhs), an increase of 14.07%.

Your Company has started construction of IT building 4, having built up area of approx. 17,00,000 sq. ft. So far ₹ 25,610.04 lakhs has been spent on IT building 4. 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 ₹13,276.56 lakhs compared to ₹11,183.36 lakhs in the previous year, an increase of 18.72%.

An amount of ₹ 345.51 lakhs was spent during the year for additional space, adding more facilities and improving infrastructure.

During the year 109 exhibitions and conventions were held in our Centre, out of which 27 were new organizers. Some of the new clients include Business Live, Radeecal Exhibitions, I for Africa, Beyond Infotainment, Times Conferences Ltd., Sumansa Exhibitions. Narayan Seva Sansthan had this year organized wedding ceremony for 101 couples at Bombay Exhibition Centre.

Our Centre continues to bring more visitors to Mumbai than any other venue.

Your Company has decided to build a new world class exhibition and convention center with integrated facilities. Plans for construction of first phase admeasuring 15,00,000 sq. ft. are being finalized.

iii) Nesco Hospitality Private Limited:

Nesco Hospitality Private Limited, wholly owned subsidiary of your Company, earned revenue of ₹ 568.32 lakhs as compared to ₹ 222.75 lakhs during the previous year, profit before tax was ₹ 71.52 lakhs

The Company has commissioned two food courts and started food services within Nesco Complex with leading international and national food brands and is targeting to cater to the growing demand of quality food services from the exhibition organizers, exhibitors, visitors and employees working in Nesco IT Park.

Your Company is now setting up a large kitchen facility in area admeasuring approx. 24,000 sq. ft. This facility is expected to be operational from July 2017. The facility will have capacity to produce about 15,000 meals per day. An investment of about ₹ 15 Crores is being made in this new world class, hygienic, kitchen facility.

iv) Indabrator:

In the year under review, Indabrator income was ₹ 3,388.52 lakhs (previous year ₹ 2,793.44 lakhs), an increase of 21.30%. Indabrator has recently won several large contracts, and has completed its expansion of machine building division at its Vishnoli Complex, Gujarat.

v) Investments:

Income from investments and other income were ₹ 4,298.23 lakhs (previous year ₹ 3,290.29 lakhs).

5. Finance:

Your Company had no debt as on 31 March 2017. Company's liquid resources (fixed maturity plans, mutual funds, cash & bank balances) increased by 1.70% to ₹ 48,680.57 lakhs from ₹ 47,866.74 lakhs.

Estimated cost of developments proposed in Nesco IT Park, Bombay Exhibition Centre and Nesco Hospitality is about ₹1500 Crores. It is our endeavor to finance these expansions from our own resources, without any borrowings, and to remain debt free.

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 various projects in the field of Education, Healthcare and Sanitation. Your Company is now supporting expansion of an English Medium Higher Secondary School and setting up of a new Surgical ICU.

Your Company is evaluating and will take up more CSR activities in different areas. Annual report of CSR activities is in "Annexure A" and is attached in this report.

7. Directors and Key Managerial Personnel:

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. Krishna S. Patel was designated as Managing Director of the Company and Mr. Sumant J. Patel was designated as Executive Chairman with effect from 01 August 2016.

Mr. Manu Parpia was appointed as an additional, non-executive, independent director on the Board with effect from 10 May 2017. He shall be appointed as an independent director for a period of five years subject to approval of the shareholders in the ensuing Annual General Meeting.

8. Board Evaluation:

Pursuant to the provisions of the Companies Act, 2013 read with the Rules issued thereunder and the Listing Regulations (including any statutory modification(s) or re-enactment(s) for the time being in force), the process for evaluation of the annual performance of the Directors, Board and Committees was carried out. The criteria applied in the evaluation process are detailed in the Corporate Governance Report which forms part of this report.

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 Subsidiary Company namely the Central Processing Unit (Kitchen Facility).

10. Declaration by Independent Directors:

All independent directors have given declarations that they meet the criteria of independence as prescribed under the provisions of the Companies Act, 2013 and Regulation 16(1)(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 four board meetings and 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 Regulation 25 was held on 30 May 2016.

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. Director's Responsibility Statement :

In accordance with the provisions of Section 134(5) of the Companies Act, 2013, your Directors confirm that: -

- a) in the preparation of the annual accounts for the financial year ended 31 March 2017, 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 on 31 March 2017 and of the profit and loss of the Company for the financial year ended 31 March 2017;
- 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 29 May 2017, ratified the appointment of Auditors for the financial year 2017-18.

The Auditors Report for the financial year 2016-17, does not contain any qualification, reservation or adverse remark.

B. Secretarial Audit and Secretarial Audit Report:

In terms of Section 204 of the Companies Act, 2013, the Board of Directors at its meeting held on 29 May 2017, appointed Ms. Neeta H. Desai of M/s. ND & Associates, Practising Company Secretary, as the Secretarial Auditor to conduct an audit of the Secretarial records, for the financial year 2017-18. The Secretarial Audit Report for the financial year 2016-17 is annexed herewith as "Annexure B." The Secretarial Auditors Report 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 auditor. 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 Board of Directors has formulated a Whistle Blower Policy which is in compliance with the provisions of Section 177(10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations. 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:

In compliance with Regulation 34 of the Listing Regulations, a separate report on Corporate Governance along with a certificate from M/s. Manubhai & Shah LLP, Chartered Accountants confirming compliance with requirement of corporate governance forms an integral part of this 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. 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. Conservation of energy, technology absorption, foreign exchange earnings and outgo:

The information on conservation of energy and foreign exchange earnings and outgo activities in accordance with the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 forms part of the notes to accounts.

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, the 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 a world class kitchen facility to cater to 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 2016-17, your Company has entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013. All transactions with related parties were reviewed and approved by the Audit Committee. 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. Business Responsibility Report:

A Business Responsibility Report as per Regulation 34 of the Listing Regulations forms part of this Annual Report.

28. Indian Accounting Standards:

Your Company has adopted Indian Accounting Standard (Ind AS) notified by MCA and the relevant provision of the Companies Act, 2013 and the general circulars issued by the Ministry of Corporate Affairs from time to time. The significant accounting policies which are consistently applied have