

60th Annual Report

nesco

2018 - 19

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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	Independent Director
Ms. Amrita Verma Chowdhury	Additional Independent Director <i>(w.e.f. 14 May 2019)</i>

Auditors

Manubhai & Shah LLP
Chartered Accountants

Banker

HDFC Bank Limited

Registered Office

Nesco Center,
Western Express Highway, Goregaon (East),
Mumbai 400 063.
CIN: L17100MH1946PLC004886
Email: companysecretary@nesco.in Web: www.nesco.in
Tel: 022 66450123 Fax: 022 66450101

Branch Offices

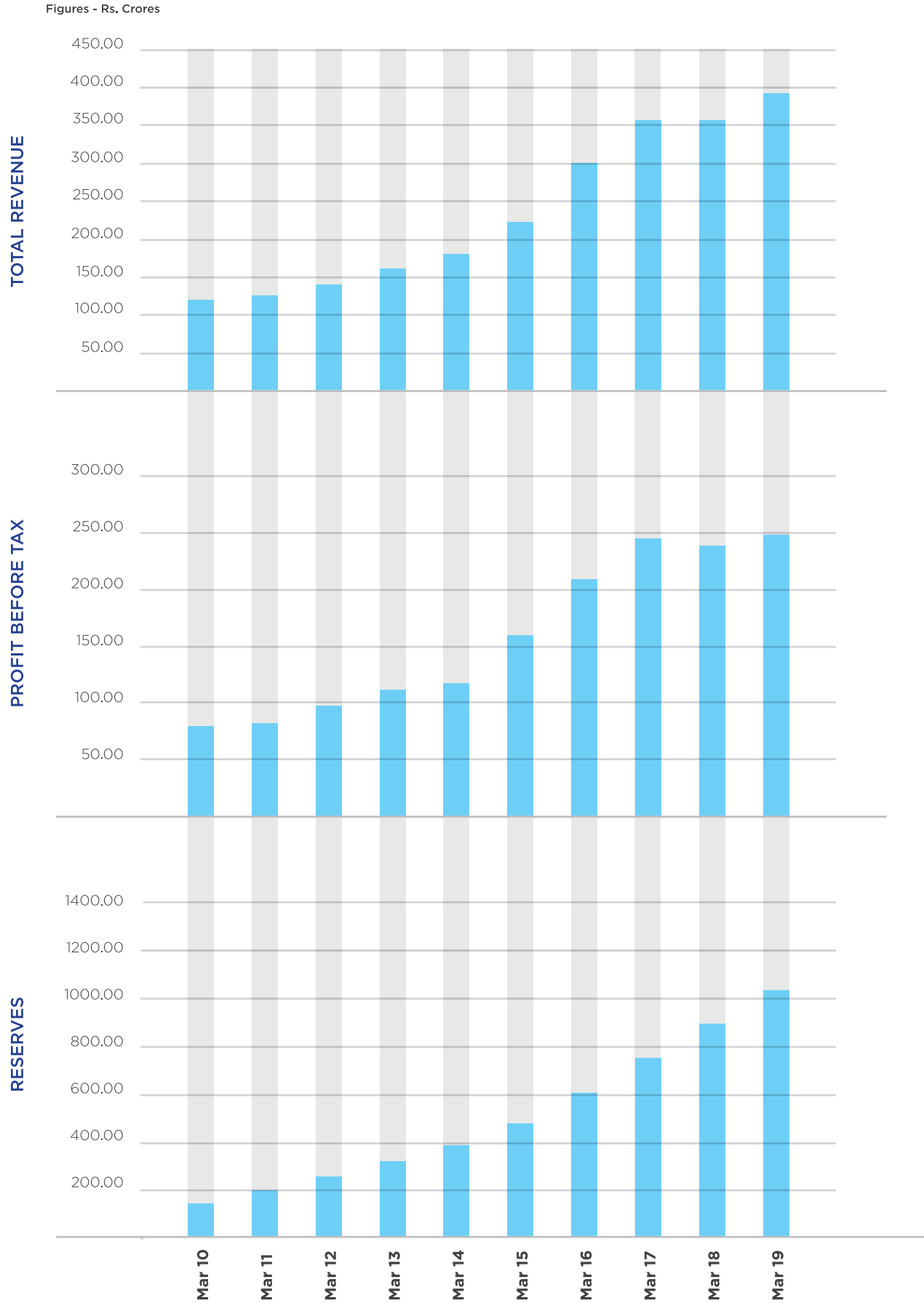
New Delhi LB-18, Ansal Bhawan, 16, K G Marg, New Delhi 110 001	Kolkata Benoy Bhavan, Camac Street, Kolkata 700 016	Chennai Fagun Mansion, 26, Commander - in- Chief Road, Chennai 600 105
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Plants

Karamsad Anand Sojitra Road, Karamsad, Gujarat 388 325	Vishnoli Nadiad Petlad Road, Vishnoli, Gujarat 388 450
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Registrar and Share Transfer Agent

Sharex Dynamic (India) Private Limited



REPORT OF BOARD OF DIRECTORS

Dear Members,

Your Directors have pleasure in presenting 60th annual report of your Company for the financial year ended 31 March 2019.

1. Financial Results:

(₹ in lakhs)

Particulars	Consolidated		Standalone	
	2018-19	2017-18	2018-19	2017-18
Income	39,266.43	35,799.50	39,206.18	34,046.58
Profit before depreciation and tax	25,976.83	24,896.08	25,956.19	24,612.33
Depreciation	1,187.38	1,102.73	1,187.38	1,102.73
Profit Before Taxes	24,789.45	23,793.35	24,766.81	23,509.60
Tax Expenses	6,746.64	5,921.48	6,750.56	5,840.33
Net Profit after Taxes	18,042.81	17,871.87	18,018.25	17,669.27
Opening Balance of Retained Earnings	50.00	4,256.45	50.00	50.00
Amount available for appropriations	18,076.85	22,768.43	18,052.81	18,359.38
Appropriations:				
1. Dividend	1,620.60	1,550.12	1,620.60	1,550.12
2. Tax on Dividend	333.12	315.57	333.12	315.57
3. Transfer to General Reserve	16,073.13	20,852.74	16,048.46	16,443.69
Closing Balance of Retained Earnings	50.00	50.00	50.00	50.00
Earning Per Share (Basic) (in ₹)	25.61	25.36	25.57	25.08
Earning Per Share (Diluted) (in ₹)	25.61	25.36	25.57	25.08

2. Review of Operations:

Your Company achieved a consolidated turnover of ₹ 39,266.43 lakhs as compared to previous year consolidated turnover of ₹ 35,799.50 lakhs.

Consolidated profit before tax was higher at ₹ 24,789.45 lakhs as compared to ₹ 23,793.35 lakhs in the year 2017-18.

Consolidated earnings per share amounted to ₹ 25.61 (previous year ₹ 25.36). Company's reserves were ₹ 1,15,638.34 lakhs (previous year ₹ 99,704.63 lakhs).

3. Dividend:

Your Directors are pleased to recommend a dividend of 125% per equity share amounting to ₹ 2.50 per equity share of ₹ 2 each (previous year dividend of 115% per equity share i.e., ₹ 2.30 per equity share of ₹ 2 each) for the year ended 31 March 2019 for 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. Management Discussion and Analysis:

COMPANY OVERVIEW

Nesco Limited is a diversified Company in four business segments. Nesco IT Park provides space to some of the world's leading companies. Its Bombay Exhibition Centre is the largest Exhibition Centre in the private sector. Nesco's Foods division on the days of exhibitions prepares and serves over 20,000 meals per day. Nesco's Indabrador division is a leading manufacturer of surface preparation equipment with facilities in Gujarat.

Business Segments and Operational Highlights

The Company has four business verticals:

i) Nesco IT Park:

During the year, revenue from IT Park was ₹ 13,696.98 lakhs (previous year ₹ 14,544.33 lakhs).

An amount of ₹ 49,414.05 lakhs has been spent so far for construction of Tower 4 which is now completed. The building is Platinum rated for Core & Shell under the LEED India rating system by the Indian Green Building Council. Towers 2 and 3 are fully occupied by renowned Companies. Hall 3 provides Incubation Centre; and a Child Care Centre for children of employees working in Nesco IT Park.

ii) Bombay Exhibition Centre:

- a. Guest Exhibitions and Events: During the year 118 guest exhibitions and conventions were held in our Centre, out of which 19 were by new organizers. Some of our new clients include MIDC, Thai Trade Center, Jain International Trade Organization and Stylus Arts.

Income for the year was ₹ 15,597.13 lakhs compared to ₹ 12,970.34 lakhs in the previous year.

Bombay Exhibition Centre continues to bring more visitors to Mumbai than any other venue and is spread over six air-conditioned halls. Plans for further expansion are being finalized.

- b. Nesco Events: During the year two events were organized by the Company.

Rangilo Re:

Rangilo Re, started in 2017 has become one of the top 5 Navratri destinations of Mumbai. Rangilo Re showcases varied dances from the various parts of Gujarat and the best of Gujarati cuisine in one stupendous setting. This event is organized in an indoor air-conditioned hall to celebrate Navratri festival on a scale and size unparalleled in the city of Mumbai.

Paddy Fields:

Paddy Fields is a unique initiative, the only folk and fusion revival festival in India. It is an exclusive event that recognizes and celebrates the beauty of folk music and proposes to recreate that magic through talented artists from across rural and urban India. Started in 2016, the festival distinguishes itself by making popular artists come out of their comfort zone and make music with the strands of folk tradition for lovers of this genre.

- c. Nesco Exhibitions: A new division – Nesco Exhibitions - will organize its own exhibitions.

During the financial year 2019-20, Company will organize exhibitions including India Auto Show; Machine Tools, Manufacturing and Technology Expo; Hobby & Lifestyle; Edutech India; etc. Nesco's own exhibitions and events will increase the hall occupancy.

iii) a. Nesco Foods:

Income for the year was ₹ 3,357.57 lakhs. Nesco Foods caters to the needs of visitors to exhibitions and conventions and employees working in Nesco IT Park. The kitchen facility is fully operational.

b. Nesco Hospitality Private Limited:

Nesco Hospitality Private Limited, a wholly owned subsidiary of your Company, earned revenue of ₹ 60.24 lakhs during the current year, profit before tax was ₹ 20.64 lakhs. Your Company has decided to merge Nesco Hospitality Private Limited with Nesco Limited subject to members approval.

iv) Indabrator:

In the year under review, Indabrator income was higher by 23.33% at ₹ 3,253.65 lakhs (previous year ₹ 2,638.13 lakhs). Indabrator has recently won several large contracts. It is expanding capacity of its Abrasive plant at Karamsad. Your Company is also planning to enter into some new product lines.

v) Investments:

Income from investments and other income was ₹ 3,305.47 lakhs (previous year ₹ 3,606.48 lakhs).

Internal Audit Systems:

- a. 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 the 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.
- b. During the year, the Company has commenced implementation of integrated SAP S4 HANA software System covering all the segments of the Company. The modules being implemented includes Manufacturing Module (MM), Finance & Costing (FICO), Business Solution Module and Office Solution module. This will help in further strengthening of Internal Financial Control System. The implementation process will be completed in second quarter of financial year 2019-20.

5. Finance:

Your Company had no debt as on 31 March 2019. Company's liquid resources (fixed maturity plans, mutual funds, cash & bank balances) increased by 5.63% to ₹ 53,403.80 lakhs from ₹ 50,557.22 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 various projects in the field of Education, Healthcare and Sanitation. The Company has completed construction of a new English Medium Higher Secondary School.

The Company is evaluating and will take up more CSR activities in different areas. Annual report on CSR activities is set out in "Annexure A" attached to 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 have been detailed in the annexure to the notice.

The shareholders have approved the appointment or re-appointment of the following Directors with requisite majority by way of postal ballot, the results of which were declared on 30 March 2019:

- a. Continuation of the directorship of Mrs. Sudha S. Patel and Mr. K. S. Srinivasa Murty, Non-executive Directors of the Company with effect from 01 April 2019 in compliance with Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- b. Reappointment of Mr. K. S. Srinivasa Murty, Mr. Mahendra K. Chouhan and Mr. Jai S. Diwanji, Non-executive, Independent Directors of the Company for a second term of five years from 01 April 2019 to 31 March 2024.

Ms. Alka V. Adatia who was appointed as an Additional, Non-executive, Independent Director on the Board of Nesco Limited with effect from 28 March 2019 has resigned from the directorship of the Company with effect from 10 May 2019.

Ms. Amrita Verma Chowdhury was appointed as an Additional, Non-executive, Independent Director on the Board of Nesco Limited with effect from 14 May 2019. It is proposed to appoint her as an Independent Director for a period of five years subject to approval of the shareholders in the ensuing Annual General Meeting.

Mr. Krishna S. Patel, Managing Director, Mr. Dipesh R. Singhanian, Chief Financial Officer and Head Legal and Ms. Jinal J. Shah, Company Secretary and Compliance Officer of the Company are the Key Managerial Personnel of the Company.

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.

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, the Board and Committees 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 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.

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 which forms part of this Annual Report.

During the year five 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 14 February 2019.

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 this 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 2019, 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 2019 and of the profit and loss of the Company for the financial year ended 31 March 2019;
- 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 in place and that such systems were adequate and operating effectively.

14.A. Auditors and Auditors Report:

The Board of Directors in their meeting held on 24 May 2019, on the basis of recommendations of the Audit Committee and in accordance with the provisions of Section 139(1) of the Companies Act, 2013, have appointed M/s Manubhai & Shah LLP, to act as the Statutory Auditors of your Company for a second term of five years i.e., till the conclusion of the 65th 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 Auditors Report for the financial year 2018-19, 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 16 May 2018, 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 2018-19.

The Secretarial Audit Report for the financial year 2018-19 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 this annual report. There are no guarantees issued by the Company.

16. 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 placed on the website of the Company.

17. 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.

18. 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.

19. 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.

20. 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”.

21. 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.”

22. Conservation of energy, technology absorption, foreign exchange earnings and outgo:

Your Company is continuously striving to conserve energy in all its business activities. During the year under review, Company has installed several equipments, which is reducing power consumption by over 20%.

Tower 04 of Nesco IT Park which is under construction is planned and constructed as a Green Building with LED lightings, energy efficient designs, use of latest power saving techniques and equipments, sustainable site selection, etc. which will further lead to energy conservation.

The Company's foreign exchange earning during the year was ₹ 18.63 lakhs and outgo during the year was ₹ 2.89 lakhs.

23. Subsidiary Company:

Nesco Hospitality Private Limited, a wholly owned subsidiary of your Company operated Food Courts in the Nesco Complex.

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. It has been decided to merge Nesco Hospitality Private Limited with Nesco Limited.

24. Related Party Transactions:

During the financial year 2018-19, 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 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.

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.