

61st Annual Report

nesco

2019 - 20

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Notice

Board of Directors

Mr. Sumant J. Patel	Executive Chairman
Mr. Krishna S. Patel	Vice Chairman and 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
Mrs. Amrita Verma Chowdhury	Independent Director

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, 2nd Floor, No. 26, Ethiraj Salai, Chennai - 600 105
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Plants

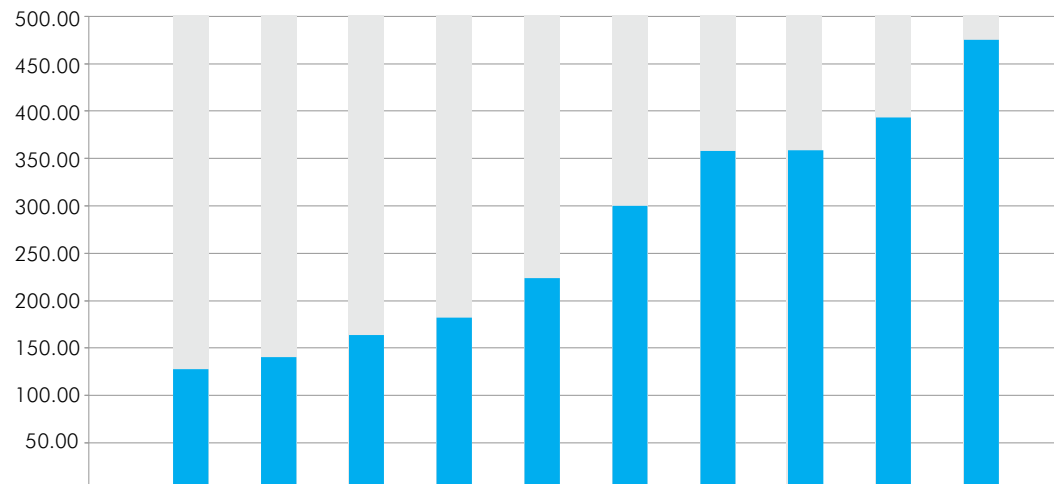
Karamsad Anand Sojitra Road, Karamsad, Gujarat 388 325	Vishnoli Nadiad Petlad Road, Vishnoli, Gujarat 388 130
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Registrar and Share Transfer Agents

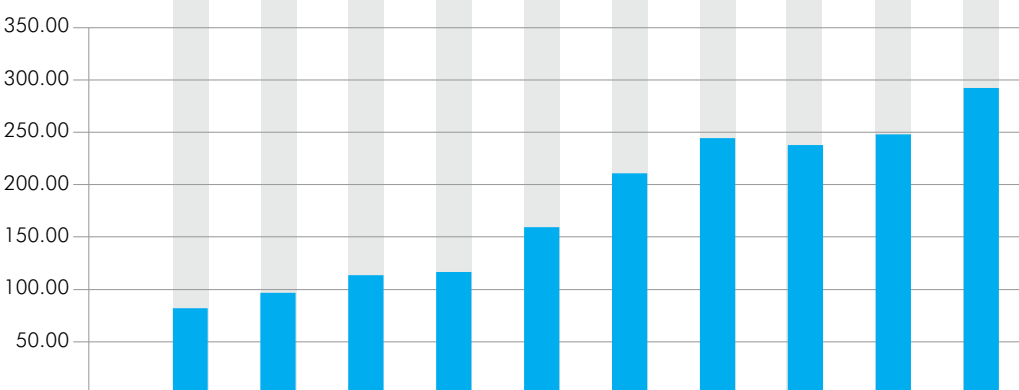
Sharex Dynamic (India) Private Limited

Figures - Rs. Crores

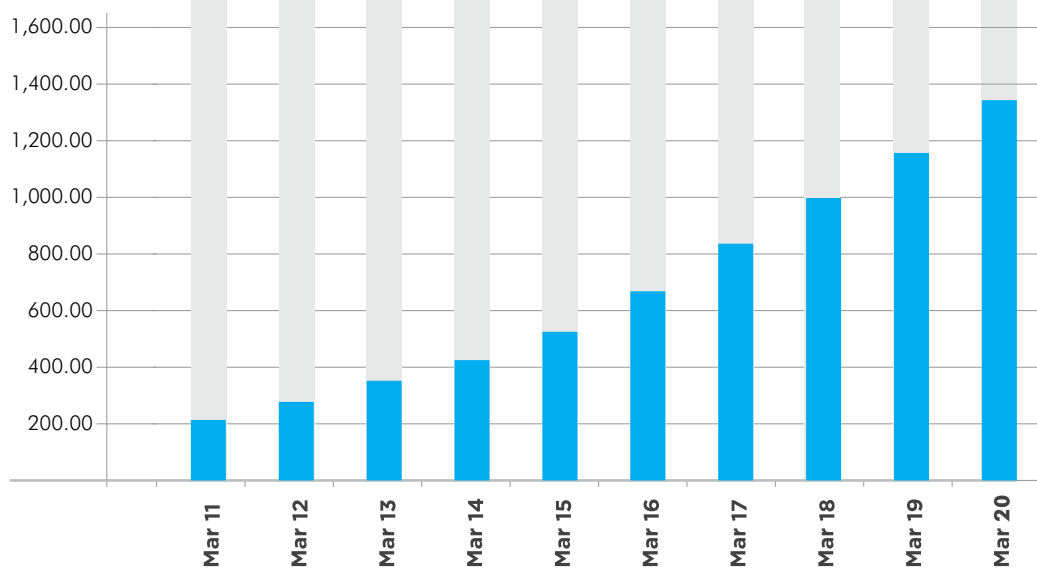
TOTAL REVENUE



PROFIT BEFORE TAX



RESERVES



REPORT OF BOARD OF DIRECTORS

Dear Members,

Your Directors have pleasure in presenting 61st annual report of your Company for the financial year ended 31 March 2020.

1. Financial Results:

(₹ in lakhs)

Particulars	Consolidated		Standalone	
	2019-20	2018-19	2019-20	2018-19
Income	47,427.87	39,266.43	47,411.83	39,206.18
Profit before depreciation and tax	31,472.30	25,976.83	31,465.91	25,956.19
Depreciation	2,243.77	1,187.38	2,243.76	1,187.38
Profit Before Taxes	29,228.53	24,789.45	29,222.15	24,768.81
Tax Expenses	5,839.52	6,746.64	5,843.15	6,750.56
Net Profit after Taxes	23,389.01	18,042.81	23,379.00	18,018.25
Opening Balance of Retained Earnings	50.00	50.00	50.00	50.00
Amount available for appropriations:	23,427.75	18,076.85	23,417.74	18,052.18
Appropriations:				
1. Dividend	3,875.33	1,620.60	3,875.33	1,620.60
2. Tax on Dividend	796.58	333.12	796.58	333.12
3. Transfer to General Reserve	18,705.84	16,073.13	18,695.83	16,048.48
Closing Balance of Retained Earnings	50.00	50.00	50.00	50.00
Earning Per Share (Basic) (in ₹)	33.19	25.61	33.18	25.57
Earning Per Share (Diluted) (in ₹)	33.19	25.61	33.18	25.57

2. Review of Operations:

Your Company achieved a consolidated turnover of ₹ 47,427.87 lakhs as compared to previous year consolidated turnover of ₹ 39,266.43 lakhs.

Consolidated profit before tax was higher at ₹ 29,228.53 lakhs as compared to ₹ 24,789.45 lakhs in the year 2018-19.

Consolidated earnings per share amounted to ₹ 33.19 (previous year ₹ 25.61). Company's reserves were ₹ 1,34,338.59 lakhs (previous year ₹ 1,15,638.34 lakhs).

3. Dividend:

Board of Directors has decided that interim dividend of 150% amounting to ₹ 3 per equity share of ₹ 2 each for the financial year ended 31 March 2020 be confirmed as final dividend at the ensuing Annual General Meeting.

Dividend Distribution Policy

As per Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) the Dividend Distribution Policy is available on the Company's website at www.nesco.in.

4. Management Discussion and Analysis:

Company has four business verticals:

i) Nesco IT Park:

During the year, revenue from IT Park was ₹ 21,416.82 lakhs (previous year ₹ 13,696.98 lakhs).

Construction of Tower 04 is now completed. The building is Platinum rated for Core & Shell under the LEED India rating system by the Indian Green Building Council. Tower 03 is fully occupied. Hall 3 provides Incubation Centre facility; and a Child Care Centre for children of employees working in Nesco Center.

Opportunities and Threats

Goregoan East is a preferred location and demand for IT space is expected to rise in the years to come from MNCs, Banks, etc. At the same time several new buildings and more Business Parks are coming up to meet the growing demand.

Capital Expenditure and Expansion Plan

Having completed two IT Towers, the Company is going forward to construct third Tower. Designs are being made by Singapore Based Architects – Aedas Pte Limited and size will be about 4.6 million sq. ft. which includes office space, hotel, car parking, other amenities and support areas. Civil work is expected to start in FY 2021-22.

Company also undertook major refurbishment towards lift lobby areas, other facilities & common areas in existing Tower 03.

ii) Bombay Exhibition Centre:

- a. Guest Exhibitions and Events:** During the year 128 guest exhibitions and events were held in our Centre, out of which 18 were new organizers. Some of our new shows include exhibitions held by UBM India, Divergent Media India, Powerloom Development & EPC, Taipie WTC Liaison, Messe Dusseldorf India.

Income from the Exhibition Centre for the year was ₹ 15,860.11 lakhs compared to ₹ 15,730.24 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.

Since 23 March 2020, in view of the lockdown to control the COVID-19 pandemic, several exhibitions have been either postponed or cancelled. This has not significantly impacted performance of financial year 2019-20. However, impact on our business would depend on future developments and the Company will closely monitor the situation.

Opportunities and Threats

Mumbai being the commercial capital of India, is a preferred venue. Number of exhibitions organized by foreign and local organizers are increasing. Bombay Exhibition Centre is confident of growth in years to come.

Capital Expenditure and Expansion Plan

Bombay Exhibition Centre is considering plans for building new Halls.

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.

Opportunities and Threats

There is an opportunity of potential strategic tie-ups with third party as partners, wherein the benefits could range from revenues to brand building and increased footfalls to the venue.

Competition from new venues coming up in the city is a possibility.

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

During the financial year 2019-20, Company had successfully organized five exhibitions including India Auto Show; Machine Tools, Manufacturing and Technology Expo; Hobby & Lifestyle; Edutech India and Arogya Fest. Nesco's own exhibitions and events will increase the Halls occupancy.

Opportunities and Threats

In Nesco Exhibitions, we work on new topics. Getting exhibitors, visitors and the Government on one single platform is the biggest opportunity.

Exhibitions is a competitive industry, with foreign and Indian organisers, who are active in India for many years.

iii) Nesco Foods:

Income for the year from the foods division was ₹ 3,568.82 lakhs as compared to ₹ 3,413.19 lakhs during the previous year. 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.

Opportunities and Threats

This Division has multiple channels of revenues through various segments: Corporate, Social and MICE. As number of exhibitions grow, Nesco Foods revenue also grow.

Capital Expenditure and Expansion Plan

Nesco Foods continued its expansion by adding a new cafeteria in Hall 06 and Dining Bay in Hall 03 during the year 2019-20. The division further diversified by adding a premium lounge/bar "Dress Circle" towards the end of the year in Nesco Centre. The total expenditure was about ₹ 350 lakhs.

Plans for 2020-21 include adding new restaurants such as Hard Rock Café, Shiro, California Pizza Kitchen amongst others and new food courts within the premises of Tower 04. The Company is also exploring options for adding a new "Pan-Asian" restaurant in Tower 03.

iv) Indabrator:

During the year under review, income from Indabrator was ₹ 2,327.43 lakhs as compared to ₹ 3,253.65 lakhs during the previous year.

Opportunities and Threats

Indabrator is pioneer in India in this product range, with capability of handling large projects, integrated manufacturing set-up under one roof, with large number of installations. Spares and abrasives are recurring business.

Capital Expenditure and Expansion Plan

Indabrator has completed capacity expansion of its Abrasive plant at Karamsad in November 2019. Capacity of the new Abrasive plant is 2400 MT per annum. Further expansion is under consideration.

v) Investment Income:

Income from investments was ₹ 4,254.69 lakhs (previous year ₹ 3,172.36 lakhs).

5. 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 completed implementation process of integrated SAP S4 HANA software System covering all the segments of the Company. The modules 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.

6. Finance:

Your Company had no debt as on 31 March 2020. Company's liquid resources (fixed maturity plans, mutual funds, cash and bank balances) increased by 27.33% to ₹ 68,566.60 lakhs from ₹ 53,851.11 lakhs.

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

7. Corporate Social Responsibility:

Your Company has undertaken various projects during the year in the field of promotion of Education, Health Care, Safe Drinking water and Women Empowerment.

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.

8. 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.

Mr. Krishna S. Patel, Managing Director was also appointed as Vice Chairman of the Company with effect from 07 February 2020.

Mr. Sumant J. Patel, Executive Chairman, Mr. Krishna S. Patel, Vice Chairman and Managing Director, Mr. Dipesh R. Singhania, 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.

9. 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 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.

10. 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 Company has shown all the Independent Directors Company's business and manufacturing activities and were also introduced to Company's staff.

11. 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.

12. 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 six 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 07 February 2020.

13. Policy on Directors appointment and Remuneration and other details:

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.

14. 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 2020, 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. 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 2020 and of the profit and loss of the Company for the financial year ended 31 March 2020;
- 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. 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.

15. Auditors:

a. Statutory Audit and Auditors Report:

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, had 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.

Auditors Report for the financial year 2019-20, 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 24 May 2019, 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 2019-20.

Secretarial Audit Report for the financial year 2019-20 is annexed herewith as “Annexure B.” The Secretarial Auditors Report does not contain any qualification, reservation or adverse remark.

16. Particulars of Loans, Guarantees and Investments:

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.

17. Vigil Mechanism/Whistle Blower Policy:

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.

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.