

MANAGEMENT DISCUSSION AND ANALYSIS

A. Business Groups and Developments

Nesco IT Park

Nesco Realty carved a new benchmark with its premium Nesco IT Park. A self-sustained facility, the Park is laid out over several million square feet. It accommodates the world's leading multinationals such as HSBC, KPMG, PWC, MSCI, BlackRock, Here Solution, Framestore, Priceline and several others.

Developments

Our Company retained JLL's landlord representative team for sales and marketing activities of Nesco IT Park Tower 04. JLL comes with strong Tenant Representative and Landlord Representative practice; technology platform and reach to their strong client network globally.

Due to the ongoing COVID-19 Pandemic where movement of people was restricted virtual tour of the IT Park was introduced as a method to let the potential clients have a look at the office space and facilities offered. Marketing activities like Email, Whatsapp, JLL Client Event, LinkedIn Post, Roadshows in different cities were used for bringing in new and reputed clients from around the Country.

Bombay Exhibition Centre

Bombay Exhibition Centre reflects Belief and Opportunity. Bringing over millions of ideas to life, the Center has helped the globe converge in Mumbai with a common purpose.

As a space of limitless possibility, Bombay Exhibition Centre is endlessly customisable. With robust infrastructure, the center paces itself to global standards. The wide options of venues, the versatility packed within, are topped with helpful services.

With the continued expansion of Bombay Exhibition Centre, there is now a versatile solution for any trade fair. The BEC is already India's largest exhibition venue in the private sector, hosting exhibition for most of the large and reputed organisers from India and across the globe.

Nesco Exhibitions is into the business of organising Exhibitions and Conferences. We have events of different topics varying from B2B, B2C as well as B2G. The focus of each event is to create a huge business platform where the buyer and the seller come face to face and benefit commercially not only for themselves but also in the development of the nation.

Our foray into the event space has been buoyed with excitement. Nesco Events has created unique properties that have quickly become resounding successes. This is taking the business off to an impressive start and is enhancing the Group's strengths to deliver quality entertainment to a burgeoning audience of eager enthusiasts.

Bombay Exhibition Centre has attained historical status in Mumbai as the ideal location for exhibitions, MICE, trade shows, business displays, events and entertainment.

Developments

Guest Exhibitions and Events

Though BEC had strong bookings, shows couldn't be held due to the COVID-19 pandemic scenario.

When the covid cases reduced in February 2021, one exhibition organised by client and one organised by Nesco Exhibition – India Auto Show 2020 were held. Clients who had booked couldn't organise their exhibitions as the number of COVID cases rose sharply thereafter and resulting lockdown measures notified by the State Government.

Nesco Exhibitions

In FY 2020-21, exhibition scheduled were 2nd edition of India Auto Show, Launch of Construct Maharashtra, 3rd edition of EduTech India and Launch of Built Environment.

However due to ongoing Covid 2019 scenario for the complete 2020-21 year, only one exhibition – namely India Auto Show was organised. No other show could be organised due to the prevailing Covid 19 and lockdown measures.

Nesco Events

Rangilo Re – Utsav Gujarat no, Navaratri festival spread across 9 days was not organised during the F Y 2020-21 due to on-going pandemic. There is tremendous revenue opportunity in form of ticket sales and event sponsorship once we can start organising it again.

Paddy Fields – Folk & Fusion music festival, was also not organised during the F Y 2020-21 due to on-going pandemic. Paddy Fields also helps us in generating inquiries and business from third party B2C events like the Filmfare Marathi, Enchanted Valley Carnival music festival, DID Little Champs, Awards Night, COBEX etc.

Nesco Foods

Nesco Foods caters to all levels of social, business and luxury events. It is one of Mumbai's most preferred hospitality providers, well-recognized for their varied capability and array of cuisines. The division operates the largest non-flight kitchen in the city.

Developments

A team of experienced personnel from the industry have been taken on board to drive revenues for this division. Developing market awareness & presence of banquet segment with ballroom in both corporate and social segment. Marketing tools and aids are shaping up for a better reach and stronger brand recall. We participate in various Industry forums for increasing recognition of this new division. Nesco Foods caters to Dedicated Covid and Health Centre (DCHC) and provide them packed meals on daily basis.

Indabrator

Indabrator, our engineering division is a pioneer in the surface-preparation category. Backed by best-in-class technology, Indabrator boasts one of the largest manufacturing units. Today, it remains a Company with impressive market share and multiple innovations in the pipeline and only manufacturer in India for equipments, spares and abrasives all in one location.

Developments

Indabrator has all time high order bookings amounting to ₹ 4,028 lakhs, i.e., 80% higher from F Y 2019-20. Indabrator seized all the opportunities from firms that showed interest in setting-up/expanding green field and brown field projects. Abrasive sales continues its upward trend. Activities related to expansion of abrasive plant capacity at Karamsad were in full swing and expected completion by end of April 2021.

B. Opportunities and Threats

Nesco IT Park

Mumbai Suburban area is home to lot of MNC's, Banks and Global Shared Services. There is huge opportunity as the existing tenants in this location will either look to expand or relocate in the nearby IT Parks. Having said the micro-market lacks 'A' category supply. Landlord with the supply at the right time will be a key differentiation.



Occupier may increase their focus on Environmental, Social and Corporate governance as key consideration while choosing building premises to occupy. Adoption of Green building is likely to act catalyst for preference of occupiers.

The office space providers in the nearby vicinity with approximately 3 Million sq. ft. space and more established Business Parks than Nesco are threat to the business.

Bombay Exhibition Centre

Guest Exhibitions and Events

Bombay Exhibition Centre could not provide its space for exhibitions during the year due to ongoing Pandemic. Once the pandemic scenario improves, it is expected that the show size would increase due to increased participation by exhibitors seeking added business and markets to make up for the lost period. This would increase BEC revenues.

In the scenario that few states fare well in managing covid whereas Mumbai, Maharashtra faces worsening scenario, few organisers could be compelled to move their exhibitions to other cities or states.

Nesco Exhibitions and Events

In Nesco Exhibitions and Events, the opportunities are endless, as we can work on various topics that are not being organised otherwise. Opportunities to an open international market to meet and greet the Indian market at India's number one privately owned venue. Getting the exhibitors, visitors and the Government on one single platform is the biggest opportunity. There is also an opportunity of potential strategic tie-ups with third party exhibitions and events as partners, wherein the benefits could range from revenues to brand building and increased footfalls to the venue. Launching new IP's in B2C space (Music Festivals, Food Festivals, Kids festivals).

However, due to ongoing Pandemic COVID-19 we cannot organize any shows during the year 2020-21. Once the pandemic scenario improves, it is expected that we will be able to organize more shows with increased participation from around the Country.

Nesco Foods

Opportunity to have better service offering and venues for Exhibition and Events. The Grande offers a unique package of safe and beautiful venue, F&B Services and well spread out function areas. The division has multiple channels of revenues through various segments: Corporate, Social and MICE.

Currently, ongoing Pandemic is the biggest threat to the business as there are restrictions on gatherings and exhibitions as per advisory issued by the State Government.

Indabrator

The biggest opportunity for Indabrator is the longevity in the business, strong and wide client base, its capability and capacity of handling large projects. Division has integrated manufacturing set-up under one roof. Export of Equipment, Spares and Abrasives can be a good opportunity for the Company.

However, Compliance to international standards, their requirements and local and international competition from established suppliers is a challenge for the Company.

C. Risks and Concerns

Current and immediate risk to the Company is due to the pandemic where public gathering is restricted.

Common and General risk or concern which may impact the Company's business are Statutory permissions, market conditions, natural concerns, riots, uprisings, religious holidays, acceptance of the exhibitions and events concept by the targeted audience and potential sponsors.

The Company has a Risk Management Policy, which provides overall framework of Risk Management appropriate to it and to the business environment under which it operates. Risks are being identified at regular intervals by the Company's Board of Directors and key management personnel.

Nesco IT Park

Due to COVID 19 situation lot of companies have started looking at reducing their space and reducing the cost as this IT/ITES companies have started "Work from Home" culture. Considering this situation existing client may reduce their spaces or move out to spaces with lower rentals.

Lot of companies have either put their plans for expansion or consolidation on hold or has deferred them for sometime.

Bombay Exhibition Centre

The major concern of the Company currently is making BEC Halls available for conducting exhibitions and events and relaxations of restrictions applicable on gatherings and functions.

Gestation period of launching new shows, fear in the Exhibitors and Visitors to travel with their teams, restrictions on International travelling due to travel bans, Non-availability of Halls, Lockdown /Semi Lockdown situations are the major concerns of the Company currently. Also organising an exhibition or an event with gathering of more than 50 people is not yet permitted by the state government.

Nesco Foods

Over the past 2 years, we have successfully built a reputation as a sought after location for Social and Corporate events. Nesco was also getting associated with Food related events. The pandemic has bought a huge gap, which could effectively erase the brand value created. Also, there seems to be no timeline defined by any agency for the end of the current ordeal. In which case, there are no grounds for planning the future.

Indabrator

Availability of raw material and its price, restrictions on local and international travel, imports to India at a cheaper rate, high logistics cost, uncertain demand scenario around the globe are the matter of concerns for the Company.

Investment

The Company has invested mostly in Mutual Funds, Corporate Deposits, Non-Convertible Debentures, Bonds and Preference Shares. The volatility in the market may adversely affect the Company due to Mark to Market losses. To overcome this risk, the management reviews the investments on regular basis and verify the returns and present the same before the Board for their consideration every quarter.

D. Internal Control Systems

The Company has proper and adequate system of internal controls which ensure that all the assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorised, recorded and reported correctly.

Our internal financial control framework commensurate with the size and operations of the business and is in line with requirements of the regulations. We have laid down adequate procedures and policies to guide the operations of our business. Divisional Heads are responsible for ensuring compliance with the policies and procedures laid down by the management.

Our internal control systems are routinely tested by the Management, Statutory Auditors and Internal Auditors. All major findings and suggestions arising out of internal audit are reported to and reviewed by the Audit committee.



The management ensures implementation of these suggestions and reviews them periodically. The Company continuously strives to evolve, improve and implement the best practices for each of its major functional areas with a view to strengthen its internal control systems.

E. Internal Audit

The internal audit is conducted by an independent audit firm comprising of chartered accountants. The internal audit function carries audit basis quarterly / calendar plan. Internal audit comprises risk based approach and also transaction audit for certain identified areas and processes.

F. Development in Human Resources and Industrial Relations

The Company’s vision is to create a cohesive work environment that encourages the employees to pursue their professional and self-development goals in addition to building operational excellence and a sense of belonging. The Company believes that human resources are a critical factor for its growth. The emphasis is on grooming inhouse talent enabling them to take on larger responsibilities. The relations with the employees and workers remained cordial and harmonious throughout the year. The year 2020-21 saw a drop in overall employee benefit expense by almost 20% compared to the previous year. In addition to the above, there is a 8% impact on account of new hires and increments in the current year i.e. a net fall of 28% in like to like costs compared to previous year. The main reason for this drop is on account of Resignations (9%); Retirements (2%); Redundancy (8%) and Cost Savings (9%).

G. Financial Review

During the year under review, certain business were impacted due to the lockdown measures to contract ongoing pandemic situation resulting in reduction in revenue and profits. The Standalone and Consolidated financial highlights for financial year 2020-21 are as follows:

Particulars	Consolidated		Standalone	
	2020-21	2019-20	2020-21	2019-20
Revenue from Operations and Other Income	35,569.72	47,427.87	35,565.77	47,411.83
EBIDTA	25,025.63	32,074.71	25,029.90	32,068.30
Profit Before Tax	21,630.61	29,228.53	21,634.97	29,222.15
Profit After Tax	17,245.56	23,389.01	17,249.92	23,379.00

Particulars	Consolidated		Standalone	
	2020-21	2019-20	2020-21	2019-20
Debtors Turnover	12.61	24.95	12.61	24.95
Inventory Turnover	4.88	6.68	4.91	6.70
Current Ratio	1.73	1.10	1.70	1.07
Operating Profit Margin	77.13%	69.10%	77.15%	69.08%
Net Profit Margin	59.24%	54.17%	59.26%	54.15%
Return on Net Worth	11.23%	17.22%	11.25%	17.25%

H. Capital Expenditure and Expansion Plan

During the financial year 2020-21, expansion plans for IT Park and for BEC were deferred due to the on-going pandemic situation. The Company’s Exhibition Halls were occupied by the Municipal Corporation of Greater Mumbai (MCGM) to operate a Jumbo Dedicated Covid and Health Centre which included a Quarantine Centre, Hospital ICU, as well as a Vaccination Centre.

- Nesco IT Park is expecting to complete the designing & finalization of plans for the new Tower 02 which will be located in place of legacy IT building 02 and the adjoining areas. The designs are made by Singapore Based Architects – Aedas and the total development size will be about 4.6 million sq. ft. that includes office space, hotel, car parking and other amenities.

The estimated cost for Tower 02 is around ₹1,80,000 lakhs, with outflow spread across the 5 years and civil work expected to start shortly after overall improvement in the conditions due to pandemic.

The Company's IT Park Division is planning to complete the F&B and Retail areas in Tower 04 which include new Restaurants, Food Court, Gym, Convenience Store, Salon and a Coffee Shop. The expected cost is approximately ₹ 5,000 lakhs.

- Bombay Exhibition Centre is awaiting clearance of State Government to the suggestion of objection filed in respect of DP 2034 which were included in the Excluded Portion (EP).

Company has plans to develop a large world class integrated Exhibition Centre comprising of Exhibition Centre, Convention Centre, Hotel and other amenities.

- Nesco Foods served packed meals to the patients, doctors, and support staff in the Covid Care Centre during the year. For the financial year 2021-22, the division is planning to increase its revenue stream by foraying into outdoor catering and B2B contracts outside the Nesco Center. This additional business will be managed within its existing production capacity.
- At Indabrator division, the abrasive plant manufacturing capacity of 2000 MT/annum has been ramped-up to 6000 MT/annum and expected to generate revenue of approximately ₹ 2,500 lakhs on full capacity basis.

Newly developed Blast wheel with automatic control cage will be tested and installed on 16W Coach Blasting Machine for Indian Railways that will be installed at Liluah site.

Custom design for simultaneous blasting of Internal as well as external surface of large pipe is under development and the same will be installed at Client site at Kharagpur.

- The Company is implementing Enterprise Risk Management and Compliance Tool to better manage its regulatory compliances and risk management. The Company has implemented SAP (SG/HANA) for most of the areas related to accounting functions and now working towards digitization of its business processes and functions across all divisions and functions. Furthermore, the company is expected to complete the implementation of "Microsoft LS Retail" as a front ending solution for all its food courts and restaurants.
- The Company is expecting to complete the upgradation of the existing storm water drain within the Nesco Center in the year 2021-22. This will help eliminate the risk of water logging during monsoon season. The estimated cost of completion for the same is ₹1,000 lakhs.