

**Nesco Limited.**

COMPANY SNAPSHOT					
CMP	Initiation Price*	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs565	Rs476	Rs640	13%	BUY	Rs39.8

\* Initiation price adjusted for Stock Split

**About the Company:**

Established in 1939 April as the New Standard Engineering Co. Ltd. (NSE), the company is known as a pioneer in the tool manufacturing segment, as it brought into the domestic market, world class processes and designs for the manufacture of a number of engineering products. Different equipments such as forging hammers and presses, blowroom lines and high production cards for the textile industry; and sucker rod pumps for on-shore oil recovery were some of the main product lines of the company that emerged as market leaders. With the high-quality products manufactured, the company soon saw rise in its exports, and not only are its products market leaders in the domestic market, but also have found a niche overseas. To reflect on the different new avenues that the company was entering, the promoters of the New Standard Engineering Company, decided to change the name of the company to Nesco Limited (Nesco). This was done to reflect the transformation of the company from a pure Engineering play to a diversified player in the services segment. The management of the company has Mr. Sumant Patel as the Chairman and Managing Director having about 50 years of experience in exhibition and real estate industry.

**Results Declared:**

- The net sales for the quarter under reference was flat at Rs755mn as compared to Rs776mn in the same quarter last year.
- The Ebitda margins stood strong at 70.1% as against 54% in the comparative quarter, majorly due to the drop in the other expenses
- The net profit grew by 24.2% to Rs428mn as against Rs345mn in the same quarter last year.
- The EPS stands at Rs6.07
- For the full year, the net sales remains flat at Rs3036mn with margins of 71%. The net profit stands at Rs1767mn.
- In context to the segmental performance for the quarter, there has been a drop in the Nesco IT, Indabrator and income from investments by 16%, 34% and 47% respectively while the Bombay exhibition Centre grew by 11%. There has been reporting in the Nesco Hospitality with breakeven.

**Financials (Standalone):**

Result Update (Q4&FY2018)								
Q4&FY18 Result (Rs mn)	Mar-18	Mar-17	y-o-y	Dec-17	q-o-q	FY18	FY17	y-o-y
Total Income	755	776	(2.7%)	806	(6.3%)	3036	3057	(0.7%)
EBITDA	529	417	26.8%	585	(9.5%)	2156	2139	0.8%
Other Income	60	113	(46.8%)	77	(22.2%)	361	430	(16.1%)
Interest	15	20	(25.0%)	16	(3.3%)	55	50	10.2%
Depreciation	30	25	21.1%	29	2.2%	110	81	35.6%
Tax	116	141	(17.3%)	179	(34.9%)	584	743	(21.4%)
Net Profit	428	345	24.2%	438	(2.4%)	1767	1694	4.3%

**Outlook and Recommendations:**

The company has reported a flat quarter in terms of the topline, but with strong margin improvement. However, the company is well on track in terms of the growth plans going forward and we expect the company performance to be better. We maintain a BUY on the stock with a target price of Rs640 from a 12 months' horizon.

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