

Current	Previous
CMP : Rs.787	
Rating : BUY	Rating : BUY
Target : Rs.1046	Target : Rs.1046

STOCK INFO

BSE	505355
NSE	NESCO
Bloomberg	NSE IN
Reuters	NSEN.BO
Sector	Misc.Commercial Services
Face Value (Rs)	10
Equity Capital (Rs mn)	141
Mkt Cap (Rs mn)	11,161
52w H/L (Rs)	827/ 577
3m Avg Daily Volume (BSE + NSE)	20,260

SHAREHOLDING PATTERN

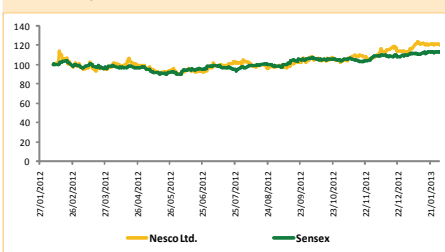
	%
<i>(as on 31st Dec. 2012)</i>	
Promoters	61.8
FII's	2.0
DII's	2.9
Public & Others	33.3

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
NESCO	-1	13	21
SENSEX	0	4	11

Source: Capitaline; IndiaNivesh Research

NESCO v/s SENSEX



Source: Capitaline; IndiaNivesh Research

Daljeet S. Kohli

Head of Research

Mobile: +91 77383 93371, 99205 94087

Tel: +91 22 66188826

daljeet.kohli@indianivesh.in

Y. Santosh

Research Analyst

Mobile: +91 77383 93416

Tel: +91 22 66188840

s.yellapu@indianivesh.in

Nesco reported good set of top-line and bottom-line numbers. The reported top-line numbers were at Rs 435.1 mn, ahead of our expectations of Rs 410.4 mn. The current top-line numbers reflect 26.8% year-over-year and 15.5% sequential increase. Surge in the year-over-year top-line numbers reflect the impact of Q3FY12 top-line numbers being reclassified from Rs 380.2 mn to Rs 343.2mn. Strong 38.5% increase in Exhibitions & IT Park segment (90.4% of Q3FY13 revenues) lead to the top-line growth.

Reported EBITDA of the company were at Rs 329.5 mn ahead of our expectations of Rs 299.6 mn. EBITDA margins of the company improved from 74.3% a year ago to 75.7% in Q3FY13. Improvement in year-over-year EBITDA margins has been on a/c of 15.1% fall in cost of materials (to Rs 29.6 mn). EBITDA margin expansion in Q3FY13 was restricted on a/c of 61.5% increase in other expenses (to Rs 59.6 mn). We sense expenses related to the launch of IT Building Phase-III would have led to such surge in other expenses.

Nesco reported a PAT of Rs 253.0 mn ahead of our expectations of Rs 215.5 mn. In-line with EBITDA margin movement, PAT margins of Nesco improved from 57.0% in Q3FY12 to 58.1% in Q3FY13. PAT margin expansion has been arrested due to (1) 109.0% increase in depreciation expenses (to Rs 12.5 mn), (2) 20.6% increase in tax expenses (to Rs 102.5 mn). New R&D facility related expenses being amortized, in our view has resulted in increase in depreciation expenses.

Valuation

At CMP of Rs 787, Nesco is trading at FY13E and FY14E, P/E multiple of 11.6x and 7.6x, respectively. After adjusting for the value of liquid investments of Rs 170/ share, the adj. FY14E P/E stands at 5.9x thereby the stock looks to be highly attractive at current valuations.

With IT Building Ph-III getting operational in Q4FY13E and growth prospects of Exhibitions industry to be in mid-teens, the growth prospects of Nesco look promising. Given the nature of higher EBITDA margins of Nesco, we sense that the top-line growth in FY14E would translate to bottom-line, too.

As of now we are not changing our FY13E and FY14E estimates, despite Q3 numbers ahead of our expectations. We continue to maintain BUY rating on the stock, with FY14E based price target of Rs 1,046, reflecting 32.0% upside from the current levels.

Standalone Financials

(Rs in mn.)	Q3FY13	Q2FY13	Q3FY12	q-o-q ch.	y-o-y ch.
Inc. from Operations	435.1	376.7	343.2	15.5%	26.8%
Cost of materials	29.6	42.8	34.9	-30.8%	-15.1%
Employee cost	16.4	15.6	16.4	5.0%	-0.2%
Other expenses	<u>59.6</u>	<u>46.7</u>	<u>36.9</u>	27.5%	61.5%
Total Operating Exp.	105.6	105.1	88.2	0.4%	19.7%
EBITDA	329.5	271.5	255.0	21.4%	29.2%
EBITDA Margin (%)	75.7%	72.1%	74.3%		
Depreciation	12.5	11.5	6.0	8.5%	109.0%
Other Income	<u>40.2</u>	<u>15.2</u>	<u>36.9</u>	164.1%	9.0%
Profit before Int. & tax	357.3	275.2	286.0	29.8%	24.9%
Finance Costs	<u>1.8</u>	<u>1.7</u>	<u>5.4</u>	4.4%	-67.7%
Profit before tax	355.5	273.6	280.5	30.0%	26.7%
Tax Expenses	<u>102.5</u>	<u>73.0</u>	<u>85.0</u>	40.4%	20.6%
Net profit after tax	253.0	200.6	195.5	26.1%	29.4%
Effective tax rate (%)	28.8%	26.7%	30.3%		
PAT Margins (%)	58.1%	53.2%	57.0%		
EPS- Diluted	17.95	14.23	13.88		

Source: Company Filings; IndiaNivesh Research



Trust.....we earn it.

IndiaNivesh Securities Private Limited

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: research@indianivesh.in | Website: www.indianivesh.in

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