NESCO Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Nesco operates a high-moat business model centered on the Bombay Exhibition Center (BEC) and premium IT rentals, maintaining a dominant 98% occupancy in its IT Park.**	□Positive
2	**Revenue grew 24.21% YoY to □678 Cr, catalyzed by a 34% recovery in the exhibition business and a 104% hyper-growth surge in the Nesco Foods division.**	□Positive
3	**Operating efficiency is characterized by a negative cash conversion cycle of -4 days, supported by □176 Cr in interest-free security deposits and a 46% reduction in receivables.**	□Positive
4	**Profitability remains high with PAT at □363 Cr, though 22.6% of PBT is derived from non-core treasury income, including □38.59 Cr in non-cash MTM gains.**	□Neutral
5	***The company maintains a "Fortress Balance Sheet" with zero debt and 1,494 Cr in financial investments, representing 56% of total assets locked in low-yield treasury.***	□Neutral
6	**Cash flow generation is superior, with CFO at □377 Cr exceeding PAT, representing a high-quality cash conversion ratio of 1.04x.**	□Positive
7	**Capital expenditure is finally scaling as evidenced by an 88% increase in CWIP to □162 Cr, signaling upcoming capacity additions and future annuity growth.**	□Positive
8	***Earnings quality is slightly diluted by a high dependency on other income and a material rise in contingent liabilities to 53.61 Cr, or 14.7% of PAT.***	□Negative
9	***Governance deteriorated as CMD remuneration spiked 155.8% to 22.27 Cr (6.14% of PAT), alongside a SEBI administrative warning regarding Independent Director tenure.***	□Negative
10	***Capital allocation remains sub-optimal with a conservative 12% dividend payout despite massive liquidity, leading to a "lazy" balance sheet and suppressed ROE.***	□Negative
11	The outlook depends on the timely capitalization of the □162 Cr CWIP and the ability of Nesco Foods to scale as a standalone hospitality brand.	□Neutral
12	Investment View: WATCH; while the asset quality is exceptional, the governance-related valuation discount persists due to promoter pay and capital hoarding.	□Neutral

1. BUSINESS OVERVIEW (In Bullet Points)

- **Nesco Realty (IT Park):** The primary cash engine, currently at "Peak Occupancy" (98% for Towers 3 & 4). Revenue grew 7.9% YoY, contributing 40.65% of total segment revenue. The segment is transitioning from a "landlord" model to an "experience provider" with on-site amenities like gyms and mini-banquets to combat distributed office trends.

- **Bombay Exhibition Center (BEC):** A dominant exhibition venue in Mumbai that hosted 100+ exhibitions in FY24. Revenue grew 34% YoY (₹209.07 Cr), driven by the return of legacy exhibitions and diversification into niche industries like handloom and plastics.
- **Nesco Foods:** The fastest-growing segment with 104% YoY growth (₹99.28 Cr). It has expanded beyond captive catering to external QSR brands (Indic, Zuo, Daily Deli) and outdoor catering (Gourmet Craft).
- **Industrial Capital Goods (Indabrator):** A legacy engineering business focused on surface preparation equipment. It grew 10.7% YoY, with management targeting export opportunities and specialized coating services.
- **Revenue Drivers:** High occupancy in IT parks, recovery in the exhibition industry, and aggressive expansion of the hospitality/food vertical.
- **Cost Drivers:** Rising employee costs (specifically promoter commissions), power and fuel for facilities, and raw material costs for the expanding Foods segment.
- **Expansion Plans:** Significant focus on "Tower 5" and maximizing unused space, evidenced by ₹162 Cr in Capital Work-in-Progress (CWIP).
- **Geographical Presence:** Highly concentrated single-location risk at the Nesco Center in Goregaon, Mumbai, with minor engineering operations in Karamsad, Gujarat.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management is pivoting the company from a "post-pandemic recovery" story to a "service-led ecosystem" under the mantra "Crafting the Nesco Experience."
- The strategy focuses on "service integration" (Food + Events + Office) to defend the Goregaon moat against new premium competitors like Jio World Convention Centre.
- Growth guidance is implicitly tied to "sweating" existing assets and the hyper-growth of the Nesco Foods segment, which is being positioned as a standalone hospitality brand.
- Management highlights the "comeback" of 6 legacy exhibitions as a critical signal of high switching costs and the established logistical superiority of the BEC venue.
- There is an ongoing effort to maximize the utilization of unused space, though concrete timelines for major new IT inventory (Tower 5) remain cautious despite a ₹1,500 Cr cash pile.
- The demand environment for IT leasing is described as stable but facing threats from "work-from-anywhere" models, prompting the investment in premium on-site amenities.
- In the Engineering segment, management is shifting focus toward export opportunities and value-added services like powder coating to ensure self-sustainability.
- New partnerships and JVs are being explored primarily within the Foods segment to expand QSR brands into external malls and other IT parks.
- The long-term vision is to transform the Goregaon complex into a granular, resilient revenue base that reduces dependency on "Mega" shows by capturing niche industry events.
- Management Tone: The tone is ambitious regarding operational "experience" and service-led growth but remains notably conservative and silent regarding the deployment of the massive ₹1,500 Cr cash surplus. While operationally aggressive in the Foods segment, the lack of a transformational capital allocation plan or shareholder payout strategy (buybacks) suggests a "fortress" mindset that prioritizes liquidity over ROE optimization. The management appears operationally competent but administratively prone to "clerical" lapses as seen in the SEBI warning.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2024	Mar 2023
Sales -	678.00	546.00
Sales Growth %	24.21	61.83
Expenses -	252.00	179.00
Material Cost % -	8.76	6.57
Raw material cost	62.00	37.00
Change in inventory	-3.00	-2.00
Manufacturing Cost %	11.18	11.46
Employee Cost %	7.26	5.02
Other Cost %	9.94	9.66
Operating Profit	426.00	367.00
OPM %	63.00	67.00
Other Income -	105.00	45.00
Exceptional items	-2.00	-20.00
Other income normal	107.00	65.00
Interest	14.00	12.00
Depreciation	54.00	33.00
Profit before tax	463.00	367.00
Tax %	22.00	21.00
Net Profit -	363.00	291.00
Exceptional items AT	-1.00	-16.00
Profit excl Excep	364.00	306.00
Profit for PE	364.00	306.00
Profit for EPS	363.00	291.00
Profit Growth %	19.00	59.00
EPS in Rs	51.49	41.25
Dividend Payout %	12.00	11.00

Balance Sheet (Crores)

Line Item	Mar 2024	Mar 2023
Equity Capital	14.00	14.00
Reserves	2,282.00	1,950.00
Borrowings -	0.00	0.00
Lease Liabilities	0.00	0.00
Other Borrowings	0.00	0.00
Other Liabilities -	354.00	298.00
Trade Payables	15.00	14.00
Advance from Customers	38.00	33.00
Other liability items	300.00	250.00
Total Liabilities	2,650.00	2,263.00
Fixed Assets -	757.00	804.00
Land	7.06	7.12
Building	121.96	121.41
Plant Machinery	47.98	47.17
Equipments	0.00	0.00
Furniture n fittings	28.36	25.79
Vehicles	2.39	2.33
Intangible Assets	0.00	0.00
Other fixed assets	743.43	741.12
Gross Block	951.18	944.94
Accumulated Depreciation	194.09	140.84
CWIP	162.00	86.00
Investments	1,494.00	1,161.00
Other Assets -	237.00	212.00
Inventories	14.00	12.00
Trade receivables -	12.00	23.00
Receivables over 6m	2.27	3.19
Receivables under 6m	11.45	21.09
Prov for Doubtful	-1.59	-1.66
Cash Equivalents	28.00	18.00
Loans n Advances	8.00	8.00
Other asset items	175.00	152.00
Total Assets	2,650.00	2,263.00

Cash Flow Statement (□Crores)

Line Item	Mar 2024	Mar 2023
Cash from Operating Activity -	377.00	297.00
Profit from operations	435.00	367.00
Receivables	11.00	-6.00
Inventory	-2.00	-4.00
Payables	1.00	7.00
Other WC items	34.00	9.00
Working capital changes	45.00	6.00
Direct taxes	-103.00	-76.00
Other operating items	0.00	0.00
Cash from Investing Activity -	-334.00	-268.00
Fixed assets purchased	-105.00	-12.00
Fixed assets sold	0.00	0.00
Investments purchased	-463.00	-508.00
Investments sold	166.00	218.00
Investment income	0.00	0.00
Interest received	67.00	38.00
Dividends received	0.00	0.00
Other investing items	0.00	-2.00
Cash from Financing Activity -	-33.00	-24.00
Proceeds from borrowings	0.00	0.00
Interest paid fin	-0.67	-2.38
Dividends paid	-31.71	-21.14
Financial liabilities	-0.15	-0.15
Other financing items	0.00	0.00
Net Cash Flow	10.00	5.00
Free Cash Flow	272.00	284.00
CFO/OP	113.00	101.00

Key Ratios (₹Crores)

Line Item	Mar 2024	Mar 2023
Debtor Days	7.00	15.00
Inventory Days	83.00	119.00
Days Payable	93.00	147.00
Cash Conversion Cycle	-4.00	-12.00
Working Capital Days	-21.00	2.00
ROCE %	22.00	22.00

3.2 Financial Analysis Summary

- **Revenue** grew by **24.21%** to **₹678.00 Cr**, primarily driven by a **104.18%** surge in **Nesco Foods** (**₹99.28 Cr**) and a **34%** recovery in the **Bombay Exhibition Center** (**₹209.07 Cr**), while the **IT Park** remains the largest contributor at **40.65%** of total segment revenue.
- Despite strong top-line growth, **OPM %** contracted from **67.00%** to **63.00%** as **Employee Cost %** rose to **7.26%** (up from **5.02%**), largely due to a **180%** spike in **Commission to Directors** which reached **₹21.00 Cr**.
- **Net Profit** increased by **19.00%** to **₹363.00 Cr**, supported by a significant jump in **Other Income** to **₹105.00 Cr**, of which **₹38.59 Cr** represents non-cash FVTPL gains on mutual fund **Investments**.
- **Trade Receivables** decreased sharply by **46.37%** to **₹12.00 Cr** despite higher sales, leading to an improvement in **Debtor Days** from **15** to **7**, which positively impacted **CFO** through a **₹11.00 Cr** release of cash from receivables.
- The company maintains a negative **Cash Conversion Cycle** of **-4 days** and **Working Capital Days** of **-21.00**, aided by **₹176.14 Cr** in interest-free security deposits from licensees recorded under **Other Liabilities**.
- **Cash from Operating Activity** of **₹377.00 Cr** remains higher than **PAT** (**1.04x** conversion), indicating high earnings quality and efficient collection, which funded a **₹105.00 Cr Capex** for fixed asset additions.
- **CWIP** increased significantly from **₹86.00 Cr** to **₹162.00 Cr**, reflecting ongoing expansion of Nesco Center facilities, while **Gross Block** remained relatively stable at **₹951.18 Cr** as projects are yet to be capitalized.
- **Investments** grew to **₹1,494.00 Cr** (up from **₹1,161.00 Cr**), representing **56.38%** of **Total Assets**, as the company deployed surplus **FCF** of **₹272.00 Cr** into mutual funds rather than aggressive capital payouts.
- **Total Debt** remains at **₹0.00 Cr**, resulting in a **Debt/Equity** ratio of zero and a robust **Interest Coverage** of **34.07x**, even as **Interest** expense of **₹14.00 Cr** primarily relates to the unwinding of security deposits and minor lease charges.
- **Depreciation** rose to **₹54.00 Cr** from **₹33.00 Cr**, a **63.6%** increase that outpaced **Gross Block** growth, suggesting a shift in asset mix or accelerated depreciation on newer equipment in the Foods and BEC segments.
- **Net Worth** reached **₹2,296.00 Cr**, driving an **ROE %** of **15.81%**, while **ROCE %** held steady at **22.00%**, demonstrating consistent efficiency in sweating the existing asset base.
- **Claims not acknowledged as debt** increased to **₹53.61 Cr** (**14.77%** of **PAT**), representing a potential contingent risk to the **Balance Sheet** if these legal disputes crystallize.
- **Dividend Payout %** remains conservative at **12.00%**, as the company prioritizes self-funding its **₹162.00 Cr CWIP** and maintaining a massive liquidity buffer in **Investments**.

- **Other Expenses** were impacted by a **152%** spike in **Event Expenses** (**□6.85 Cr**), which correlates with **BEC** growth, while **Other Payables** within **Other Liabilities** increased by **75.08%** to **□26.63 Cr**, acting as a non-itemized "dumping bucket" that requires monitoring.
- **Other Assets** were driven by a **□175.00 Cr** balance in "other asset items," primarily reflecting the **Lease Equalization Asset** from straight-lining **Revenue**, which creates a non-cash gap between reported earnings and actual rent receipts.
- The dominant financial theme of the year is **robust operational cash generation and balance sheet strengthening, offset by aggressive promoter compensation and a continued preference for treasury hoarding over transformational capital deployment.**

3.3 Contingent Liabilities & Commitments

- **Claims not acknowledged as debt:** □53.61 Cr (Increased by 19.15% YoY; represents 14.77% of PAT).
- **Capital Commitments (Net of Advances):** □32.01 Cr (Gross commitments at □53.72 Cr).
- **Disputed Tax/GST Demands:** □2.99 Cr.
- **Bank Guarantees:** □9.62 Cr.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — cash generation exceeds accounting profit; high quality earnings backed by cash.	□	PAT □363 Cr vs CFO □377 Cr.	CFO/OP ratio at 113% indicates strong cash conversion.
2	Receivables & channel-stuffing signal	Revenue ↑ — sales growth backed by faster collections; receivables fell 46% despite revenue growth.	□	Revenue +24.2%, Receivables -46.4% (□23 Cr to □12 Cr).	Note 48: Debtor turnover ratio improved from 26.47 to 39.03.
3	Revenue timing (unbilled/ advances)	Revenue ↑↓ — straight-lining lease income smooths earnings; unearned lease income derecognition normalizes escalations.	□	Advances □38.12 Cr; Unearned lease income derecognized □22.99 Cr.	Note 40: Lease rentals are straight-lined over the lease term.
4	Revenue from related parties %	Neutral — revenue primarily from third-party IT tenants and exhibition participants; minimal RPT revenue.	□	No material RPT revenue reported in segment notes.	Note 42: RPTs focused on remuneration and CSR, not sales.
5	Inventory vs revenue growth	Profit ↑ — inventory growth of 16.7% lags revenue growth; efficient stock management improves margins.	□	Inventory □14 Cr (+16.7%) vs Revenue □678 Cr (+24.2%).	Note 34: Inventory consists primarily of raw materials and WIP.
6	Inventory valuation method change	Neutral — consistent valuation policy applied; no accounting changes used to manipulate gross margins.	□	No change in valuation method reported in FY24.	Note 1: Inventory valued at lower of cost or NRV.
7	Exceptional items in operating profit	Profit ↓ — minor exceptional loss of □2 Cr; significantly lower than previous year's □20 Cr.	□	Exceptional items: -□2 Cr (FY24) vs -□20 Cr (FY23).	P&L: Exceptional items relate to non-recurring operational adjustments.
8	Depreciation rate vs useful life policy	Profit ↓ — depreciation increased 63% YoY; reflects higher asset base and conservative useful life.	□	Depreciation □54 Cr (FY24) vs □33 Cr (FY23).	Note 44: Difference between book and tax depreciation is □4.92 Cr.
9	Provision reversals boosting PAT	Profit ↑ — reversal of □1.20 Cr loss allowance; non-cash boost to PAT from provision release.	□	Reversal of loss allowance on license fees: □1.20 Cr.	Note 34: ECL provisioning is minimal due to high security deposits.
10	Tax rate consistency	Profit ↑ — effective tax rate below statutory; 30% standard deduction on rental income boosts PAT.	□	Effective Tax Rate 21.64% vs Statutory Rate 25.17%.	Note 44: Rental income taxed under Income from House Property.
11	CWIP age and stalling projects	Neutral — CWIP increased 88% to □162 Cr; indicates ongoing expansion of Nesco Center facilities.	□	CWIP □162 Cr (FY24) vs □86 Cr (FY23).	Note 35: Capital commitments remain high at □53.72 Cr gross.
12	Deferred tax asset recognition	Profit ↑↓ — DTA recognition tied to MF fair valuation; non-cash impact driven by market volatility.	□	DTA/DTL impact from MF fair valuation: □3.68 Cr.	Note 44: Deferred tax reflects timing differences in investment valuations.
13	RPT quantum and trend	Profit ↓ — CMD remuneration spiked 155% to □22.27 Cr; governance risk as compensation outpaces growth.	□	CMD Remuneration □22.27 Cr vs □8.70 Cr (FY23).	Note 42: CMD pay is 6.14% of PAT; exceeds total employee cost.
14			□		

#	Check	Impact	Status	Evidence	Notes Detail
	Dividend paid vs FCF adequacy	Neutral — dividend payout of □31.7 Cr well-covered; FCF of □272 Cr provides massive safety margin.		Dividend Paid □31.71 Cr; Free Cash Flow □272 Cr.	Cash Flow: Dividend payout is only 11.6% of FCF.
15	Auditor Tenure & Independence	Neutral — Auditor change due to mandatory rotation; fees are low relative to PAT.	□	Fees □0.40 Cr; M/s. Manubhai & Shah LLP retiring after 10 years.	Proposed appointment of M/s. S G D G & Associates LLP.
16	Secretarial Compliance	Neutral — SEBI administrative warning received due to Independent Director term oversight.	□	Independent Director served >1 year past term expiry.	Management cited "clerical error" for the lapse.
17	Other Income Dependency	Profit ↑ — 22.6% of PBT derived from treasury; high sensitivity to market volatility.	□	Other Income □105 Cr vs PBT □463 Cr.	□38.59 Cr represents non-cash FVTPL gains on MFs.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified / Unmodified. * **Key Audit Matters (KAMs):** The auditor highlights the accuracy of straight-lining lease rentals and the valuation of financial investments as recurring areas of focus. * **Auditor Fees:** Total fees paid to M/s. Manubhai & Shah LLP aggregated to 0.40 Cr. * **Auditor Change:** M/s. Manubhai & Shah LLP are retiring after completing their second 5-year term. The Board has proposed the appointment of M/s. S G D G & Associates LLP for a 5-year term. * **MSME Compliance:** Auditors noted interest due to MSMEs remaining unpaid at year-end was □0.02 Cr, indicating minor compliance gaps.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | ***Krishna S. Patel*** | CMD (Promoter) | Remuneration | 22.27 Cr | ***155.80% YoY increase*** | | ***Krishna S. Patel*** | CMD (Promoter) | Commission Payable | 11.69 Cr | ***177.01% YoY increase*** | | **Estate of Late S.J. Patel** | Promoter Group | Rent Paid | 0.17 Cr | Potential tunneling | | **Nesco Foundation** | Section 8 Co | CSR Expense | 0.18 Cr | Captive CSR spending |

C. Shareholding * **Promoters:** 68.54% (Unchanged YoY) * **FIIs:** 3.50% (vs 3.39% Mar 23) * **DIIs:** 3.99% (vs 4.13% Mar 23) * **Public:** 23.97% * **Pledged shares:** 0.00%

D. Board Composition + KMP Compensation * **Total Directors:** 10 (80% Independent). * **Women Directors:** 2 (**Sudha S. Patel**, Amrita V. Chowdhury). * **KMP Compensation:** * ***Krishna S. Patel (CMD):*** □22.27 Cr (155.68% YoY growth). **Note: Son of Director Sudha S. Patel.** * **Dipesh R. Singhania (CFO):** □1.20 Cr (5.26% YoY growth). * **Analysis:** CMD remuneration is nearly equal to the total employee benefit expense for the rest of the organization (□27.65 Cr). Managerial remuneration rose 137.83% vs 11.79% for non-managerial employees.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | | :--- | :--- | :--- | :--- | :--- | | **Dividends** | 31.71 Cr | 21.14 Cr | 8.41% | □| | ***Capex*** | 105.00 Cr | 12.00 Cr | 27.85% | □| | ***Financial Investments*** | 463.00 Cr | 508.00 Cr | 122.81% | □| | **Net Debt Change** | 0.00 Cr | 0.00 Cr | 0.00% | □|

CAPEX ANALYTICAL NOTES: * **CFO Coverage of Capex: CFO (377.00 Cr) is 3.59x Capex (105.00 Cr)**, indicating the company is comfortably self-funding its expansion. * **Nature of Capex:** Primarily growth-oriented, with **162.00 Cr currently in CWIP** for the expansion of Nesco Center facilities and IT Park infrastructure. * **Capex Deployment Efficiency:** Revenue grew 24.21% while **Capex increased 775% YoY**, signaling a shift from "asset sweating" to a new investment cycle. * **Key Takeaways: The 105.00 Cr capex and 162.00 Cr CWIP suggest a significant upcoming addition to the leasable asset base, likely Tower 5 or BEC expansion.**

H. Risks * ***Competition (High):*** Launch of new convention centers (e.g., Jio World) in Mumbai. Impact: Potential loss of market share for BEC and downward pressure on rental yields. * ***Litigation (Medium):*** Claims not acknowledged as debt increased to □53.61 Cr. Impact: Potential 14.77% hit to PAT if liabilities crystallize. * ***Governance Lapse (High):*** Independent Director served >1 year after term expiry. Impact: SEBI administrative warning; indicates internal control failure. * ***Market Volatility (Medium):*** □1,494 Cr invested in MFs and Bonds. Impact: Mark-to-market losses could suppress PAT; 22.6% of PBT is treasury-linked. * **Concentration (Medium):** Single-location risk for the Goregaon Nesco Center. Impact: Local regulatory or infrastructure disruption halts 90%+ of revenue.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	98% IT Occupancy; 34% BEC growth	Strong moat in exhibitions and high-quality annuity IT rentals.
Financial Health	5	→	D/E 0.0x; CFO □377 Cr > PAT □363 Cr	Debt-free with massive cash reserves and superior cash conversion.
Earnings Quality	4	→	Receivables -46%; CFO/PAT 1.04x	High cash backing of profits, though 22% PBT is non-core income.
Management & Governance	2	↓	CMD Pay +155%; SEBI Warning	Disproportionate promoter pay and administrative lapses are major flags.
Capital Allocation & Visibility	3	↑	CWIP □162 Cr; 122% CFO in MFs	Capex is finally scaling, but cash hoarding continues to drag on ROE.

BUSINESS POSITIVES (for this company this year) * □**Exceptional Collection Efficiency:** Trade Receivables fell 46.37% to □12.13 Cr despite 24.21% revenue growth, reducing Debtor Days to 7. * □**Hyper-growth in Foods:** Nesco Foods revenue surged 104.18% to □99.28 Cr, successfully diversifying the revenue mix. * □**Strong Cash Conversion:** CFO at □377 Cr exceeds PAT of □363 Cr, demonstrating high-quality, cash-backed earnings. * □**Expansion Visibility:** CWIP increased 88% to □162 Cr, signaling the next phase of physical asset creation and future annuity growth. * □**Negative Working Capital:** The company operates with a negative Cash Conversion Cycle of -4 days, aided by □176 Cr in interest-free security deposits.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Excessive Promoter Compensation:** CMD remuneration spiked 155.8% to □22.27 Cr, consuming 6.14% of PAT and 5.23% of EBITDA. * □**Governance Lapses:** Received a SEBI administrative warning due to a "clerical error" allowing an Independent Director to serve past his legal term. * □**Treasury Dependency:** 22.66% of PBT is derived from Other Income, with □38.59 Cr being non-cash MTM gains on mutual funds. * □**Contingent Liability Risk:** Claims not acknowledged as debt rose to □53.61 Cr, representing a material 14.77% of PAT. * □**Capital Hoarding:** □1,494 Cr (56% of assets) remains locked in low-yield financial investments rather than being returned to shareholders or deployed transformatively.

OVERALL SCORECARD SUMMARY Nesco Ltd remains a "Fortress Asset" characterized by exceptional financial health, zero debt, and a dominant competitive position in the Mumbai exhibition and IT rental markets. While operational performance is at a peak with superior cash conversion, the governance posture has deteriorated due to disproportionate promoter compensation and administrative oversights. The company is on a stable operational trajectory but remains stagnant in terms of capital efficiency, as it continues to hoard massive liquidity in treasury investments rather than optimizing ROE through aggressive payouts or faster core expansion.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued by Manubhai & Shah LLP.
2	Promoter pledge = 0?	□	0.00% of promoter holding is pledged.
3	KMP pay < 5% of PAT?	□	CMD remuneration (□22.27 Cr) is 6.14% of PAT.
4	RPT quantum < 5% of revenue?	□	Total RPT (Remuneration + Rent + CSR) is 3.33% of Revenue.
5	Board > 50% independent?	□	80% of the Board is independent (8 out of 10).
6	At least 1 woman director?	□	Two women directors: Sudha S. Patel and Amrita V. Chowdhury.
7	No statutory dues outstanding?	□	No major defaults; minor □0.02 Cr MSME interest pending.
8	No fraud reported?	□	No instances of fraud reported in the annual report.
9	Audit trail enabled?	□	Confirmed in the Auditor's Report.
10	Frequent Auditor change	□	No; change in FY24 is due to mandatory 10-year rotation.
Final line: "Total: 9/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: Nesco is a high-moat, cash-generating machine with a "lazy" balance sheet, where superior asset quality is currently offset by promoter-centric governance and conservative capital allocation. **OVERALL STANCE:** WATCH **RATIONALE:** While the core business is thriving and capex is finally increasing, the 155% spike in promoter pay and SEBI warning necessitate a period of observation to ensure minority shareholder alignment. **RE-EVALUATE WHEN:** CMD remuneration as a % of PAT exceeds 7% OR Tower 5 capitalization leads to <15% incremental ROCE. **BULL CASE:** Deployment of □1,500 Cr cash into a new IT Tower or a large-scale buyback could re-rate the stock by 30-40%. **BEAR CASE:** Further escalation in promoter commissions or a significant loss of BEC market share to Jio World could lead to a 20% valuation de-rating. **KEY MONITORABLE:** CWIP to Gross Block conversion: □162 Cr → □0 Cr (Capitalization timeline).

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Asset sweating; Capex of ₹12 Cr with CWIP at ₹86 Cr.	Re-investment cycle; Capex of ₹105 Cr with CWIP at ₹162 Cr.	The company has pivoted from post-pandemic recovery to a significant physical expansion phase likely involving Tower 5.
Margin Trajectory	OPM at 67% despite a ₹18.68 Cr non-recurring asset sale loss.	OPM contracted to 63% driven by a 180% spike in director commissions.	Profitability is being diluted by internal governance-linked costs rather than operational inefficiencies.
Working Capital	Receivables grew 21.5% to ₹23 Cr; CCC at -12 days.	Receivables fell 46% to ₹12 Cr; CCC at -4 days.	Exceptional collection efficiency is evident as the company liquidated half its receivables despite 24% revenue growth.
Promoter Pay	CMD remuneration at ₹8.71 Cr (up 60% YoY).	CMD remuneration at ₹22.27 Cr (up 155% YoY).	Executive compensation has decoupled from profit growth, representing a material escalation in governance risk.
Management Tone	Focused on post-pandemic operational recovery and BEC normalization.	Focused on "service-led ecosystems" and hospitality brand building.	Management is aggressively diversifying the business model into higher-velocity segments like Foods to defend the Goregaon moat.
Regulatory Standing	Clean secretarial record despite a minor re-appointment lapse.	SEBI administrative warning received for Independent Director tenure oversight.	Administrative oversight is weakening, characterized by "clerical errors" in statutory compliance.

7.2 Persistent Patterns

- **Maintenance of a debt-free "fortress" balance sheet with zero external borrowings.**
- **Persistent hoarding of massive cash surpluses (now ₹1,494 Cr) in low-yield financial investments rather than core business deployment or buybacks.**
- **Consistently high earnings quality where Cash Flow from Operations (CFO) remains higher than Net Profit (PAT).**
- **Structural dependency on "Other Income" (treasury gains) which consistently contributes over 20% of Profit Before Tax.**
- **High geographical concentration risk with nearly all revenue-generating assets located in a single Goregaon complex.**
- **Conservative dividend payout policy (11-12%) that ignores the massive liquidity buffer available for shareholder distribution.**
- **IT Park segment functions as a high-quality annuity engine with sustained peak occupancy levels (97-98%).**