NESCO Ltd — FY 2026 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 as a high-yield urban infrastructure entity transitioning from a passive landlord to an integrated service operator, anchored by LEED Platinum assets in Mumbai.**	□
2	**Core operational revenue grew 27.33% to □932 Cr, crossing the □1,000 Cr threshold when including treasury-driven other income.**	□
3	**Hospitality services emerged as a primary growth engine, surging 107.13% to □238.51 Cr and successfully diversifying the traditional exhibition-heavy revenue mix.**	□
4	**Profitability remains robust with PAT at □413 Cr, supported by a low effective tax rate of 19.95% due to standard deductions on rental income.**	□
5	***The "debt-free" profile has shifted following the recognition of 271.72 Cr in lease liabilities related to new highway amenity projects, though D/E remains <0.1x excluding leases.***	□
6	**Cash flow from operations (CFO) reached □388 Cr, providing strong coverage for capital expenditures and supporting a return to positive Free Cash Flow of □66 Cr.**	□
7	***Capital efficiency is hampered by 90.86 Cr in CWIP stagnant for over three years, primarily tied to Tower 2, indicating persistent execution hurdles.***	□
8	***Earnings quality is tempered by a 8.90 Cr asset write-off and the fact that 19.3% of PBT is derived from non-operational treasury income.***	□
9	***Governance remains a primary concern as KMP remuneration consumes 9.61% of PBT, with the CMD pay ratio reaching an extreme 511:1 against median employees.***	□
10	***Contingent liabilities rose to 69.31 Cr (16.8% of PAT), presenting a material litigation risk alongside historical SEBI procedural penalties.***	□
11	**The outlook is bolstered by the receipt of the IOD for IT Park Tower 2, de-risking the next leg of NAV growth and providing long-term earnings visibility.**	□
12	**Investment Stance: ACCUMULATE; key monitorables include the commencement of Tower 2 construction and the reduction of stagnant CWIP below □50 Cr.**	□

1. BUSINESS OVERVIEW

- **Business Segments:** Nesco operates across four primary verticals: IT Park (Realty), Bombay Exhibition Center (BEC), Hospitality Services (Nesco Foods), and Industrial Capital Goods (Indabrator).
- **Revenue Drivers:** Growth is primarily driven by the recovery and expansion of the BEC and a 107.13% surge in Hospitality Services, which now contributes 25.59% of total revenue.
- **Cost Drivers:** Key costs include event and catering expenses, power and fuel, and significant related-party executive compensation (9.61% of PBT).

- **Industry Position:** Nesco holds a dominant position in the Mumbai exhibition and Grade-A office space market through its 60-acre Goregaon campus.
- **Expansion Plans:** The company is pivoting from a "passive landlord" to an "active operator" by expanding into Wayside Amenities (WSA) with four active sites on the Hyderabad-Visakhapatnam expressway.
- **Acquisitions & Capacity:** Received the IOD (Building Permit) for IT Park Tower 2; Hall 6 of the BEC is now fully operational.
- **Segment Performance:** Realty remains the cash fortress (42.69% of revenue), while the Industrial segment is declining (down 30.07% YoY), signaling a strategic shift toward services.
- **Geographical Presence:** Historically concentrated in Mumbai, the company is now diversifying geographically through highway amenity projects in Andhra Pradesh and Telangana.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has shifted the narrative from pandemic recovery to aggressive ecosystem expansion, crossing the □1,000 Cr revenue milestone.
- The strategy involves vertical integration by insourcing décor and catering services to increase the "take rate" per square foot at the BEC.
- The receipt of the IOD for Tower 2 ends a multi-year period of regulatory stagnation, positioning it as the primary vehicle for future Net Asset Value (NAV) growth.
- The "Wayside Amenities" project marks the first significant move beyond the Goregaon campus, testing the company's ability to replicate hospitality success in a distributed environment.
- Management is utilizing its LEED Platinum certifications and 94% renewable energy share as a strategic moat to retain high-profile MNC tenants like HSBC and PWC.
- The appointment of a new Executive Director (Commercial & Operations) signals a transition toward a more delegated professional execution structure.
- The "war chest" of □2,981 Cr in retained earnings is being deployed into higher-velocity service businesses, though dividend payouts remain conservative.
- Management Tone: The tone is highly confident and expansionary, characterized by a "fortress balance sheet" finally opening its gates for capital deployment. However, the persistence of extreme vertical pay inequity (511:1) and finalized regulatory penalties suggest a management style that remains promoter-centric despite professionalization efforts. The outlook is contingent on the execution speed of Tower 2 and the operational viability of the new highway projects.

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 2026	Mar 2025
Sales -	932.00	732.00
Sales Growth %	27.33	7.94
Expenses -	442.00	294.00
Material Cost % -	13.94	9.35
Raw material cost	133.00	65.00
Change in inventory	-3.00	3.00
Manufacturing Cost %	0.00	11.73
Employee Cost %	4.78	7.69
Other Cost %	28.67	11.42
Operating Profit	490.00	438.00
OPM %	53.00	60.00
Other Income -	100.00	114.00
Exceptional items	0.00	-19.00
Other income normal	100.00	133.00
Interest	25.00	12.00
Depreciation	49.00	50.00
Profit before tax	516.00	489.00
Tax %	20.00	23.00
Net Profit -	413.00	375.00
Exceptional items AT	0.00	-14.00
Profit excl Excep	413.00	390.00
Profit for PE	413.00	390.00
Profit for EPS	413.00	375.00
Profit Growth %	6.00	7.00
EPS in Rs	58.58	53.25
Dividend Payout %	12.00	12.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	14.00	14.00
Reserves	2,982.00	2,615.00
Borrowings -	272.00	1.00
Lease Liabilities	272.00	1.00
Other Borrowings	0.00	0.00
Other Liabilities -	421.00	385.00
Trade Payables	15.00	12.00
Advance from Customers	0.00	43.00
Other liability items	405.00	330.00
Total Liabilities	3,689.00	3,016.00
Fixed Assets -	1,175.00	916.00
Land	0.00	7.22
Building	0.00	284.44
Plant Machinery	0.00	64.89
Equipments	0.00	0.00
Furniture n fittings	0.00	57.61
Vehicles	0.00	2.58
Intangible Assets	0.84	0.00
Other fixed assets	0.00	742.85
Gross Block	0.00	1,159.59
Accumulated Depreciation	0.00	243.48
CWIP	763.00	753.00
Investments	1,520.00	1,135.00
Other Assets -	231.00	211.00
Inventories	13.00	10.00
Trade receivables -	19.00	16.00
Receivables over 6m	0.00	3.06
Receivables under 6m	0.00	13.85
Prov for Doubtful	0.00	-1.24
Cash Equivalents	25.00	19.00
Loans n Advances	44.00	11.00
Other asset items	130.00	155.00
Total Assets	3,689.00	3,016.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	388.00	349.00
Profit from operations	491.00	433.00
Receivables	-5.00	-4.00
Inventory	-3.00	3.00
Payables	5.00	0.00
Other WC items	7.00	35.00
Working capital changes	4.00	34.00
Direct taxes	-107.00	-119.00
Other operating items	0.00	0.00
Cash from Investing Activity -	-610.00	-315.00
Fixed assets purchased	-322.00	-784.00
Fixed assets sold	0.00	0.00
Investments purchased	-530.00	-372.00
Investments sold	161.00	746.00
Investment income	0.00	0.00
Interest received	82.00	95.00
Dividends received	0.00	0.00
Other investing items	0.00	0.00
Cash from Financing Activity -	222.00	-42.00
Proceeds from borrowings	271.00	1.00
Interest paid fin	-3.00	-1.00
Dividends paid	-46.00	-42.00
Financial liabilities	0.00	0.00
Other financing items	0.00	0.00
Net Cash Flow	0.00	-8.00
Free Cash Flow	66.00	-435.00
CFO/OP	101.00	107.00

Key Ratios (□Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	8.00	8.00
Inventory Days	36.00	56.00
Days Payable	43.00	63.00
Cash Conversion Cycle	1.00	0.00
Working Capital Days	117.00	-23.00
ROCE %	18.00	21.00

3.2 Financial Analysis Summary

- **Revenue** grew 27.33% YoY to **□932.00 Cr**, driven by a 107.13% surge in Hospitality Services to **□238.51 Cr**, while **Trade Receivables** remained lean at **□19.00 Cr**, reflecting a strong "pay-first" model with **Advance from Customers** increasing to **□56.33 Cr**.
- **Operating Profit** margin contracted from 60.00% to 53.00% as **Other Expenses** surged 38.97% to **□267.19 Cr**, primarily due to increased event costs and a material **□8.90 Cr Assets Written Off** impacting the carrying value of assets.
- **Finance Cost** spiked 104.79% to **□25.23 Cr** despite the company remaining debt-free regarding traditional borrowings, as **Lease Liabilities** exploded from **□1.00 Cr** to **□271.72 Cr** following the acquisition of leasehold land for highway amenities.
- **Depreciation** remained stable at **□49.00 Cr** despite a **□316.43 Cr** capitalization of **Fixed Assets** and **ROU Assets**, while **CWIP** remains high at **□763.00 Cr** with **□90.86 Cr** stagnant for over 3 years, primarily related to IT Park Tower 2.
- **Net Profit (PAT)** of **□413.00 Cr** was supported by a low effective tax rate of 19.95% due to the 30% standard deduction on rental income, though **Other Income** of **□100.00 Cr** remains a significant 19.30% contributor to **Profit before tax**.
- **Working Capital Days** shifted to 117.00 days from -23.00 days, yet **CFO** of **□388.00 Cr** remains robust as **Trade Receivables** ageing shows 90% of the balance is under 6 months, indicating the **Working Capital** increase is driven by "Other asset items" like a 58.2% spike in **Other Receivables** to **□64.28 Cr**.
- **Total Assets** expanded to **□3,689.00 Cr**, fueled by a **□385.00 Cr** increase in **Investments** to **□1,520.00 Cr**, while **Net Worth** grew to **□2,996.00 Cr** through retained earnings.
- **CFO** to **PAT** conversion stands at 93.9%, with cash generation slightly trailing profits due to the straight-lining of lease **Revenue** which resulted in a **□2.98 Cr** derecognition of unearned income.
- **Capex** of **□322.00 Cr** for fixed asset purchases was entirely self-funded, resulting in a positive **Free Cash Flow (FCF)** of **□66.00 Cr**, a sharp recovery from the negative **FCF** in FY25.
- **Dividends paid** of **□46.00 Cr** are sustainable, but capital allocation is heavily weighted toward KMP payments, with **Remuneration** and commissions to directors totaling **□49.56 Cr**, representing 9.61% of **Profit before tax**.
- **ROCE** diluted from 21.00% to 18.00% as the **Balance Sheet** expanded through **Investments** and **CWIP** faster than the growth in **Operating Profit**, signaling capital is locked in long-gestation projects.
- **Cash from Financing Activity** turned positive at **□222.00 Cr** due to **□271.00 Cr** in proceeds from lease-related liabilities, fundamentally changing the risk profile from a "pure" debt-free entity to one with significant long-term contractual cash outflows.

- **Other Expenses** were impacted by a sharp 38.97% increase, where "Event Expenses" (28.07 Cr) and "Catering Expenses" drove the surge, while **Other Liabilities** were bolstered by **Security Deposits** of **₹158.40 Cr**, providing an interest-free float.
- The dominant financial theme of the year is a aggressive pivot toward a high-growth, service-oriented model, where robust **Revenue** and **CFO** are balanced against margin pressures and the capital intensity of long-gestation **CWIP** and new **Lease Liabilities**.

3.3 Contingent Liabilities & Commitments

- **Claims against Company:** ₹69.31 Cr (up 17.55% YoY) representing claims not acknowledged as debt; this is a significant 16.8% of PAT.
- **Capital Commitments:** ₹45.79 Cr in unexecuted contracts, likely related to Tower 2 and Wayside Amenities.
- **Disputed Tax Demands:** ₹1.42 Cr across Income Tax and GST.
- **Bank Guarantees:** ₹15.50 Cr outstanding, heavily over-collateralized by ₹70.33 Cr in Mutual Funds.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □25 Cr gap exists as straight-lined lease income exceeds cash collections.	□	PAT □413 Cr vs CFO □388 Cr.	Note 2(k): Straight-lining of lease rentals leads to non-cash revenue recognition.
2	Receivables & channel-stuffing signal	Revenue ↑ — high quality growth; combined receivables and inventory grew 18.5% vs 27.3% sales growth.	□	Receivables □19 Cr + Inventory □13 Cr vs Sales □932 Cr.	Note 12: 90% of receivables are <6 months old; growth trails revenue expansion.
3	Revenue timing (Advances)	Revenue ↑ — strong demand visibility; customer advances increased 30.8% providing interest-free operational funding.	□	Current Advances □56.33 Cr vs □43.05 Cr (LY).	Note 24: High advances in BEC and Hospitality segments indicate a "pay-first" model.
4	Revenue from related parties %	Neutral — negligible RPT revenue; sales to related entities represent less than 0.1% of total turnover.	□	Sale of goods to Patil Rail Infra: □0.12 Cr.	Note 40: Related party sales are immaterial to the overall revenue mix.
5	Inventory vs revenue growth	Profit ↑ — efficient stock management; inventory grew 30% while hospitality/ manufacturing costs surged significantly higher.	□	Inventory □13 Cr (up 30%) vs Sales □932 Cr (up 27%).	Note 11: Inventory is primarily raw materials for the declining machine division.
6	Inventory valuation method change	Neutral — consistent accounting; weighted average cost method applied consistently across both reporting periods.	□	No change reported in Note 2(g).	Note 2(g): Inventory valued at lower of cost or NRV using weighted average.
7	Exceptional items in operating profit	Profit ↑ — cleaner operating earnings; current year lacks the □19 Cr hit seen in the previous period.	□	FY26 Exceptional Items: □0.00 vs FY25: -□19.00 Cr.	P&L Statement: No exceptional items reported for the current financial year.
8	Depreciation rate vs useful life policy	Profit ↑ — potential under-depreciation; SLM used but □8.9 Cr asset write-off suggests prior overvaluation.	□	Depreciation □49 Cr; Assets Written Off □8.90 Cr.	Note 32: Sharp spike in assets written off indicates potential catch-up for past obsolescence.
9	Provision reversals boosting PAT	Neutral — no significant reversals; earnings are driven by operations and interest rather than provision adjustments.	□	Prov for Doubtful: □0.00 in Mar 2026.	Balance Sheet: Provision for doubtful debts reduced from □1.24 Cr to zero.
10	Tax rate consistency	Profit ↑ — structural tax advantage; 30% standard deduction on rental income keeps ETR below statutory rates.	□	ETR ~20% vs Statutory 25.17%; Cash Tax □107 Cr.	Note 42: Income from House Property classification allows for significant tax deductions.
11	CWIP age and stalling projects	Profit ↓ — capital inefficiency; □90.86 Cr stuck in CWIP for >3 years delays RoCE improvement.	□	Total CWIP □763 Cr; >3 years CWIP □90.86 Cr.	Note 4a: Long-gestation projects (IT Park Tower 2) keep significant capital unproductive.
12	Deferred tax asset recognition	Neutral — conservative position; company maintains a net deferred tax liability position rather than aggressive assets.	□	Tax % at 20% (P&L) vs 23% (LY).	Note 42: Tax reconciliation shows benefits from property income deductions.

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Profit ↓ — high management leakage; KMP remuneration and commissions consume 9.6% of PBT.	□	CMD Remuneration + Director Commission: □49.56 Cr.	Note 40: Significant portion of profits distributed to KMPs; □14.48 Cr payable to CMD.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payouts; □46 Cr dividend is well-covered by □66 Cr Free Cash Flow.	□	Dividends Paid □46 Cr vs FCF □66 Cr.	Cash Flow Statement: FCF turned positive despite heavy □322 Cr capex.
15	Auditor KAM: Lease Recognition	Revenue ↑↓ — Subjectivity in revenue timing due to lease modifications and straight-lining (□397.92 Cr).	□	Auditor flagged risk of material misstatement in Realty segment.	Note 2(k): Straight-lining requires management judgment for rent-free periods.
16	Auditor KAM: PPE Capitalization	Profit ↑ — Risk of improper capitalization of operating costs to inflate profits (□316.43 Cr capitalized).	□	Auditor verified recognition criteria under Ind AS 16 and 116.	Note 4: Massive capitalization move from CWIP to Balance Sheet.
17	Asset Write-off Spike	Profit ↓ — Non-recurring hit; □8.90 Cr write-off suggests prior-period accounting aggression or obsolescence.	□	Assets Written Off: □8.90 Cr vs □0.04 Cr (LY).	Note 32: Sharp increase indicates potential catch-up for past overvaluation.
18	Lease Liability Explosion	Profit ↓ — Increased financial burden; new leasehold land added □9.32 Cr in interest charges.	□	Lease Liabilities: □271.72 Cr vs □0.97 Cr (LY).	Note 38: Fundamental shift in risk profile from debt-free to long-term contractual outflows.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified / Unmodified. * **KAM 1: Lease Rental Recognition:** The auditor flagged risks regarding material misstatement in the Realty segment (□397.92 Cr) due to complex straight-lining and lease modifications. * **KAM 2: Capitalization of PPE & ROU Assets:** Focus on the □316.43 Cr capitalized during the year. The auditor verified recognition criteria under Ind AS 16 and 116 to ensure operating costs were not improperly capitalized. * **Auditor Change:** M/s. S G D G & Associates LLP was appointed in FY 2024-25 following mandatory rotation. * **Auditor Fees:** Total fees of □0.47 Cr, aligned with complexity.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |:---|:---|:---|:---|:---| | ***Krishna S. Patel*** | CMD (Promoter) | Remuneration | 25.56 Cr | ***6.19% of PAT*** | | ***Board of Directors*** | KMP | Commission | 24.00 Cr | ***4.90% of EBITDA*** | | **KMP/Relatives** | Promoter Group | Rent Expense | 0.20 Cr | Minimal | | **Patil Rail Infra** | Associate | Sale of Goods | 0.12 Cr | Arm's length | | **Nesco Foundation** | Subsidiary | Liquidation | Not disclosed | Voluntary winding up |

- **RPT Risk Checks:** Total RPT of □49.88 Cr represents 5.35% of Revenue but a significant 12.86% of CFO.
- **Red Flag:** Aggregate payments to Directors (□49.56 Cr) represent 9.61% of PBT. □14.48 Cr remains payable to the CMD at year-end.

C. Shareholding | Category | Mar 2026 (%) | Mar 2025 (%) | |:---|:---|:---| | **Promoters** | 68.54 | 68.54 | | **FIIs** | 4.63 | 4.90 | | **DIIs** | 3.84 | 3.19 | | **Public** | 22.99 | 23.37 | * **Pledged shares:** 0.00%.

D. Board Composition + KMP Compensation * **Board:** 6 Directors; 66.67% Independent; 2 Women Directors. * **CMD Pay:** Krishna S. Patel’s pay rose 7.21% to □25.56 Cr. * **Family Concentration:** CMD Krishna S. Patel is the son of Director Sudha S. Patel. * **Vertical Inequity:** CMD remuneration is 511x the median employee pay (up from 411x).

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | |:---|:---|:---|:---|:---| | **Dividends** | 46.00 Cr | 42.00 Cr | 11.86 | □| | **Capex (Fixed Assets)** | 322.00 Cr | 784.00 Cr | 82.99 | □| | ***Financial Investments*** | 530.00 Cr | 372.00 Cr | 136.60 | □| | ***Lease Liabilities (New)*** | 271.72 Cr | 0.97 Cr | 70.03 | □| | ***CWIP Stagnation*** | 90.86 Cr | 81.50 Cr | 23.42 | □|

- **CFO Coverage:** CFO (□388 Cr) covers capex (□322 Cr) by **1.20x**, a significant improvement.
- **Capex Nature:** Transitioning to execution, but **□90.86 Cr of CWIP is aged >3 years**, indicating persistent delays in Tower 2.
- **Lease Leverage:** Massive **□271.72 Cr lease liability** for highway amenities creates a long-term □793.5 Cr undiscounted commitment.

H. Risks * ***Litigation:*** □69.31 Cr in claims not acknowledged as debt (16.8% of PAT). **High Impact.** * ***Project Delay:*** □90.86 Cr locked in CWIP for >3 years, delaying RoCE. **High Impact.** * ***Lease Commitment:*** □271.72 Cr liability adds □9.32 Cr annual interest burden. **Medium Impact.** * ***Concentration:*** Single-location Goregaon campus puts 90%+ revenue at risk from local changes. **High Impact.** * ***Treasury Risk:*** □1,520 Cr in investments; 19.3% of PBT is treasury-linked. **Medium Impact.**

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	107% Hospitality growth; LEED Platinum assets	Strong moat in Mumbai with successful vertical integration.
Financial Health	4	↑	D/E < 0.1x (ex-leases); CFO □388 Cr > Capex	Fortress balance sheet with improved CFO coverage of capex.
Earnings Quality	3	↓	PAT > CFO; □8.9 Cr write-off; 19% Other Income	High CFO but impacted by non-cash lease income and asset write-offs.
Management & Governance	2	→	511:1 pay ratio; 9.6% PBT to KMPs; SEBI penalty	Extreme promoter pay leakage and procedural lapses remain a drag.
Capital Allocation & Earnings Visibility	3	↑	IOD for Tower 2; FCF turned positive (□66 Cr)	Improved visibility via Tower 2, but stalled CWIP and new lease risks persist.

BUSINESS POSITIVES (for this company this year) * □**Revenue Growth:** Consolidated revenue crossed the □1,000 Cr threshold (including other income), with core operations growing 27.33% to □932 Cr. * □**Hospitality Surge:** Nesco Foods revenue grew 107.13% to □238.51 Cr, successfully diversifying the revenue mix. * □**Tower 2 Progress:** Receipt of IOD for Tower 2 de-risks the next leg of NAV growth. * □**FCF Recovery:** Free Cash Flow turned positive at □66 Cr, compared to negative □435 Cr in the prior year. * □**Customer Advances:** Current advances increased 30.8% to □56.33 Cr, providing interest-free operational funding.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Promoter Leakage:** KMP remuneration and commissions consume 9.61% of PBT (□49.56 Cr). * □**CWIP Stagnation:** □90.86 Cr of capital has been stuck in CWIP for >3 years, primarily in Tower 2. * □**Lease Liability:** Recognition of □271.72 Cr in lease liabilities fundamentally changes the debt-free profile. * □**Asset Write-offs:** A material □8.90 Cr hit for assets written off suggests prior-period accounting issues. * □**Litigation Risk:** Claims not acknowledged as debt rose to □69.31 Cr, representing 16.8% of PAT.

OVERALL SCORECARD SUMMARY Nesco remains a "Fortress Balance Sheet" entity with exceptional asset quality and a strong "pay-first" business model that generates robust cash flows. The company has successfully pivoted toward a high-growth hospitality model and cleared regulatory hurdles for its next major realty asset (Tower 2). However, the governance posture remains weak due to extreme promoter compensation leakage and persistent capital inefficiency in stalled projects. While the financial trajectory is improving with positive FCF, the governance discount will likely persist until promoter pay is capped and CWIP is converted to revenue.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.104).
2	Promoter pledge = 0?	□	0.00% pledged (p.45).
3	KMP pay < 5% of PAT?	□	CMD pay alone is 6.19% of PAT; Total KMP pay is 12% of PAT.
4	RPT quantum < 5% of revenue?	□	5.35% of Revenue (slightly above 5% threshold).
5	Board > 50% independent?	□	66.67% (4 out of 6).
6	At least 1 woman director?	□	2 Women Directors (Sudha Patel, Amrita Chowdhury).
7	No statutory dues outstanding?	□	No material dues reported.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Confirmed in Auditor's Report.
10	Frequent Auditor change	□	Rotation as per statutory requirements.
Final line: "Total: 7.5/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: Nesco is a high-yield urban infrastructure play transitioning from a passive landlord to an integrated service operator with a massive cash-rich balance sheet.

OVERALL STANCE: ACCUMULATE

RATIONALE: Strong recovery in BEC and Hospitality, coupled with the IOD for Tower 2, provides clear earnings visibility despite governance-related pay leakage. RE-EVALUATE WHEN: CMD remuneration exceeds 15% of PAT OR Tower 2 construction fails to commence by FY27. BULL CASE: Successful execution of Tower 2 and Wayside Amenities drives a 25% CAGR in EBITDA over 3 years. BEAR CASE: Regulatory delays in Tower 2 persist and highway amenities fail to achieve operational break-even, leading to a □271 Cr liability drag. KEY MONITORABLE: CWIP > 3 years: □90.86 Cr → Watch for reduction below □50 Cr.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation & FCF	Negative FCF (-₹435 Cr) due to peak capex of ₹784 Cr.	Positive FCF (+₹66 Cr) as capex moderated to ₹322 Cr.	The company has successfully transitioned from a cash-depleting investment phase to a self-sustaining growth cycle.
Margin Trajectory	OPM at 60%; high-margin rental dominance.	OPM at 53%; dilution from hospitality surge and event costs.	Aggressive expansion into service-heavy verticals is structurally lowering the overall margin profile in exchange for higher revenue velocity.
Balance Sheet Risk	Virtually debt-free with ₹1 Cr in lease liabilities.	Recognition of ₹272 Cr in lease liabilities for highway projects.	The "debt-free" fortress narrative is being diluted by substantial long-term contractual lease obligations that fundamentally alter the risk profile.
Working Capital	Highly efficient -23 days; negative cycle.	Sharp spike to 117 days; driven by "Other asset items."	A massive expansion in working capital days suggests potential inefficiencies or different credit dynamics in the new highway amenity segment.
Management Tone	Passive landlord; Goregaon-centric focus.	Active operator; geographic diversification via highway sites.	Management is pivoting the business model toward a more complex, operationally intensive service ecosystem beyond its core Mumbai campus.
Asset Integrity	Negligible asset write-offs reported.	Material ₹8.90 Cr hit for assets written off.	The sudden spike in write-offs signals a potential cleanup of legacy manufacturing assets or a correction of prior-period accounting aggression.

7.2 Persistent Patterns

- **Disproportionate promoter compensation** remains a core governance drag, with CMD remuneration consistently exceeding 6% of PAT and 400x-500x the median employee pay.
- **Stalled CWIP projects** continue to signal execution friction, with stagnant capital (aged >3 years) actually increasing from ₹81.50 Cr to ₹90.86 Cr.
- **High treasury dependency** persists, with non-core "Other Income" consistently contributing approximately 20% of Profit Before Tax.
- **Superior cash conversion** remains a structural strength, with Cash Flow from Operations (CFO) consistently tracking close to or exceeding Net Profit.
- **Extreme geographical concentration** remains the primary business risk, as the vast majority of revenue and asset value is tied to the single Goregaon campus.
- **Structural tax advantages** are maintained through the classification of rental income, keeping the effective tax rate consistently below statutory corporate norms.
- **Conservative dividend payout** behavior persists at ~12%, despite the company sitting on a massive and growing "war chest" of liquid investments.
- **Strong IT Park occupancy** levels (98-100%) provide a persistent and high-quality annuity floor to the consolidated earnings.