NESCO Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat **One-line:** Nesco has transitioned from a steady-state leasing business to an active "mega-project" execution phase, with Tower 2 moving to "Ground Zero" and annual revenue crossing the 1,000 Cr milestone for the first time.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 22% YoY to 1,031 Cr; PAT grew 10% YoY to 412 Cr.	□
Earnings Quality	High (Core driven)	Growth is driven by a 107% surge in the Foods business and 30% in Exhibitions.	□
Guidance Confidence	Neutral	Tower 2 completion timeline extended from 48 to 60 months; capex now fixed at 3,500 Cr.	□
Management Credibility	Strong	Conservative debt-free status maintained despite a 3,500 Cr capex commitment.	□
Business Quality Signal	Improving	Non-realty segments (BEC & Foods) now contribute 48% of revenue, reducing IT-Park dependency.	□
Key Q&A Exchange	Q#2 Tower 2 Delay	Mgmt clarified 60-month timeline starts from "Commencement Certificate," not IOD.	□
The Street's Primary Anxiety	Execution Timeline	Analysts focused heavily on the Tower 2 delay and the 12-month timeline for Hall 1.	□
Capital Cycle Stage	Investment	Massive capex cycle starting (Tower 2 + Hall 1 redevelopment).	□
Margin / Return Ratio Trajectory	Stable	EBITDA at 590 Cr (57% margin); strong for an asset-owner model.	□
Pricing Power	Stable	Realty rents at 180/sqft; BEC seeing recovery despite Pragati Maidan competition.	□
FCF Conversion & Quality	Strong	Cash/Treasury grew to 1,650 Cr (+515 Cr YoY) after 640 Cr BMC fees.	□
Competitive Moat Signals	Widening	Integrated offering (Exhibitions + In-house Catering + IT Park) is unique in Mumbai.	□
Balance Sheet Strength	Strong	Debt-free with 1,650 Cr in liquid treasury; funding Tower 2 via internal accruals.	□
Working Capital Efficiency	Stable	100% occupancy in IT Park ensures predictable monthly cash inflows.	□
Mgmt Guidance Track Record	Mixed	Tower 2 construction start has seen incremental delays over the last 24 months.	□
Key Vulnerability / Red Flag	Regulatory / Execution	Timeline for Hall 1 (12 months) and Tower 2 (60 months) is aggressive given Mumbai's regulatory environment.	□
Management Tone	Confident/ Pragmatic	Krishna Patel focused on "Ground Zero" status and "Believe, Build, Grow" vision.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** Nesco has successfully diversified its revenue stream; the Foods division (₹238 Cr) and Exhibitions (₹260 Cr) are now major contributors alongside Realty (₹398 Cr). The balance sheet remains a fortress with ₹1,650 Cr in cash, providing a self-funding mechanism for the ₹3,500 Cr Tower 2 project. The land bank remains significantly underutilized (only 14% FSI consumed), offering decades of growth. * **Negatives:** There is visible "timeline creep" in the Realty segment—Tower 2's completion estimate has shifted to 60 months from the previous 48 months. The Wayside Amenities venture saw some "surrenders" of sites due to local unrest and feasibility issues, resulting in a ₹125-₹150 Cr write-off in Q1 FY27. * **Watchpoint:** The receipt of the "Commencement Certificate" for Tower 2. This is the ultimate trigger for the 60-month construction countdown and the largest value-unlock in the company's history.

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2. BUSINESS PERFORMANCE

2B. SEGMENT BREAKDOWN

DATA SOURCE: PPT 2319 primary; Concall 3512 for FY26 annual figures and commentary.

Metric	FY 2025-26 (Annual)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	₹1,031.00 Cr	↑ 22%	N/A	↑	Milestone year crossing ₹1k Cr.
EBITDA	₹590.00 Cr	N/A	N/A	→	Strong 57.2% EBITDA margin.
PAT	₹412.00 Cr	↑ 10.1%	N/A	↑	Lower growth vs revenue due to BMC premium/fees.
Realty Revenue	₹398.00 Cr	↑ 8.6%	N/A	→	Driven by 100% occupancy in Tower 3/4.
BEC Revenue	₹260.00 Cr	↑ 30%	N/A	↑	Hosted 135 exhibitions/events.
Foods Revenue	₹238.00 Cr	↑ 107%	N/A	↑	Explosion in catering and new restaurants.
Engineering Rev.	₹35.00 Cr	↓ (Soft)	N/A	↓	Softer demand in capital goods.
Realization (Rent)	₹180 /sqft/mo	N/A	N/A	→	Weighted average across 17.7L sqft.
Treasury Size	₹1,650.00 Cr	↑ 45%	↑ 8.5%	↑	Grew from ₹1,135 Cr in FY25.
Dividend	₹7 /share	↑ 16.6%	N/A	↑	Recommended for shareholder approval.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Occupancy / Utilization	Trend	vs Company Avg	Key Development
Realty (IT Park)	398.00	8.6%	100%	→	Below	Tower 2 (6.6L sqft) demolition completed.
BEC (Exhibitions)	260.00	30.0%	135 Events	↑	Above	Hall 1 being dismantled; ₹200 Cr capex.
Nesco Foods	238.00	107.0%	12 Restaurants	↑	Significant	Added 3 new restaurants; in-house catering.
Indabrator (Eng)	35.00	Negative	Soft demand	↓	Below	Focus on process/cost optimization.
Wayside Amenities	N/A	N/A	4 sites under const.	→	N/A	Operational by end of FY 2026-27.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capex	3,500 Cr for Tower 2.	Needs 700 Cr/year over 5 years.	N/A (Project Start)	Delay risk.
Guidance	Timeline	Tower 2 completion in 60 months from CC.	Avg 1.3 floors/month for a 75-floor structure.	Timeline slipped from 48 to 60 mo.	Regulatory.
Strategy	BEC Expansion	Hall 1 redevelopment within 12 months.	High; demolition is rapid; structure is semi-permanent.	Consistent.	Revenue dip during construction.
Strategy	Wayside	Operational by March 2027.	4 sites need completion in 9 months.	Surrendered sites recently.	Local unrest.
Capital	Allocation	Fund expansion via internal accruals.	Treasury at 1,650 Cr; annual OCF ~500 Cr. Total 4k Cr over 5 yrs.	Debt-free for decades.	IRR dilution if delayed.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Manjit Bauria	Tower 2	Capex	"Why has the timeline increased from 48 to 60 months and what are the clearance delays?"	Mgmt clarified the 60-month clock starts only after receiving the Commencement Certificate (CC) to avoid over-promising. This shift suggests a more realistic but slower revenue realization for the ₹3,500 Cr asset.	None	4.0	Specific timeline given
2	3.5	Manjit Bauria	Realty	Financials	"What will the weighted average rent of ₹179/sqft end up as by FY30?"	Mgmt declined to provide a specific 2030 forecast, citing varying escalation clauses (annual vs 3-yearly) across 26 clients. Investors should model a 3-5% CAGR on current ₹180 base.	Specific FY30 number	3.0	Vague but consistent
3	4.0	Aspi Besania	BEC/ Cyclicality	Financials	"Why did topline reduce from ₹251 Cr (Q4 FY26) to ₹211 Cr (Q1 FY27)?"	Mgmt noted business cyclicality where Q4 is historically the strongest for exhibitions/ events. This confirms the seasonal nature of the high-margin BEC segment.	None	5.0	Clear and quantified
4	3.5	Lekha Shah	Risks	Outlook	"What are the major risks for FY 2027 and the expected revenue mix?"	Mgmt identified execution of Tower 2 as the primary focus, with no specific new sector diversification planned. The	Specific risk mitigants	3.5	Directional

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						strategy remains consolidating the Goregaon land bank.			
5	3.0	Yusuf Rangwala	Wayside	Strategy	"What is the impact of site surrenders in South India?"	Mgmt confirmed surrendering sites due to local unrest and lack of commercial feasibility, resulting in a ₹15 Cr charge. This indicates a disciplined exit from non-performing highway sites.	None	4.5	Clear exit logic
6	3.5	Parag Hemdev	Governance	Comm.	"Request for regular investor concalls and results PPTs."	Mgmt (Krishna Patel) agreed to take a call with the CFO on arranging 6-monthly or more regular updates. This is a positive signal for transparency.	Specific frequency	4.0	Positive commitment

PATTERN FLAGS & SENTIMENT Analysts were primarily focused on the **Tower 2 Execution Timeline**. The anxiety stems from the "creeping" completion date—now 60 months from CC. Management's posture was conservative, choosing to reset expectations rather than defend the old 48-month target. This suggests they are bracing for a longer regulatory haul in Mumbai.

Analyst Sentiment Verdict: Generally positive but cautious. Shareholders are pleased with the ₹1,000 Cr revenue milestone and debt-free balance sheet, but the repeated questioning on Tower 2 clearances indicates the "Street" is tired of waiting for the shovel to hit the ground. Credibility remains high due to the cash position, but execution "fatigue" is a minor risk.

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5. WHAT CHANGED vs PRIOR QUARTER

Analysis based on PPT 2319 (Baseline) vs AGM 3512 (Current).

What Changed	Prior Quarter (Baseline)	This Quarter (Current)	Direction
Revenue Scale	Sub-₹1,000 Cr	₹1,031 Cr	↑ Improving
Tower 2 Status	Planning/Clearance	"Ground Zero" (Demolished)	↑ Improving
Tower 2 Timeline	~48 Months (Implied)	60 Months from CC	↓ Deteriorating
Treasury Size	₹1,135 Cr (Mar-25)	₹1,650 Cr (Jun-26)	↑ Improving
Foods Segment	Growing	"Popular Destination" (107% growth)	↑ Improving
Wayside Strategy	11 sites awarded	Surrendered sites; 4 under const.	↓ Consolidation
Dividend Policy	₹5-₹6 range	₹7 recommended	↑ Improving
BEC Footprint	Static	Hall 1 dismantling started	↑ Investment