



Image sourced from Nesco Website



INITIATING COVERAGE

NESCO LTD

Market Cap.

Rs. 3,791 Cr

52 Week H/L

Rs.639/381

CMP

Rs. 538

Target Price

Rs. 700

STOCK DATA

BUY

Reuters Code	NSEN.BO	
Bloomberg Code	NSE IN	
BSE Code	505355	
NSE Symbol	NESCO	
Face Value	Rs. 2	
Shares Outstanding	7.0 Cr.	
Avg. Daily Vol. (6m)	101,451	
Price Performance (%)		
1M	3M	6M
10	(10)	4
200 Days EMA Rs.536		

SHARE HOLDING (%)

Promoters	68.5
FII	2.1
FI/Bank	5.3
Body Corp/Govt	-
Public & Others	24.0

RESEARCH ANALYST

Saurabh Jain | +91 22 4093 4004
saurabh.jain@sushilfinance.com

SALES:

Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

Strong debt-free balance sheet with robust liquidity: The company has been consistently investing into new projects and expanding its portfolio of leasable space. Nevertheless, the company's policy has always been to remain debt-free in a sector which is otherwise dominated by borrowings. The company generates strong cash-flows from its lease & rental incomes from its IT Parks and BEC and invests the same to expand its asset-base.

Huge land bank to course the future growth: Acquiring sizeable real estate or a big land parcel in a prime location in Mumbai could be the nightmare even for the biggest of real estate players, however, the company doesn't have to worry on that front for many years to come. The area of Nesco Goregaon land parcel is over 60 acres and future development potential is nearly 5 times of existing built-up area.

Strategic decisions to foray into relevant businesses will drive the growth: During the last few years, the company has forayed into hospitality services through Nesco Foods which has good scalable opportunity with corporate parks and leading exhibition centre in their premises. Further, the company also has undertaken a strategic step to make use of idle business time of BEC when it is not occupied by establishing Nesco Events which organizes exhibitions and events on its own.

Office leasing space to showcase strong demand: According to a recent report by Savills India, office space leasing across six major cities of the country is expected to touch 41.3 mn sq ft in 2021, up 22% from last year. The report further states that Mumbai is likely to post highest growth in leasing activity from 2.9 mn sq ft in 2020 to 5.5 mn sq ft in 2021.

OUTLOOK & VALUATION

Nesco holds a 60+ acres land parcel in Goregaon, Mumbai and is engaged in real estate businesses through its IT Parks and Exhibition Centers which it lets out and generates robust cash-flows. The company reinvests these cash-flows to expand its leasable space portfolio. The company is slated to invest Rs.1,800-2,000 cr over the next 4-5 years to construct a new IT park alongwith a five-star hotel. Importantly, the company follows a policy of no debt and is going to fund the entire project through existing investments and internal accruals. As on September 30, 2020, the company held investments to the tune of Rs.750 cr. **Going forward, we expect the company to deliver an EPS of Rs.35.0 in FY23; assigning a target multiple of 20x we arrive at a target price of Rs.700 showcasing an upside potential of 30.2% from current levels with an investment horizon of 18-24 months.**

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	A-EPS (Rs.)	P/E (x)	P/S (x)	P/B (x)
FY20	431.7	278.2	64.4%	233.9	54.2%	33.2	16.2	8.8	2.8
FY21 E	299.6	190.2	63.5%	179.5	59.9%	25.5	21.1	12.7	2.5
FY22 E	375.1	236.3	63.0%	189.8	50.6%	26.9	20.0	10.1	2.3
FY23 E	510.0	321.3	63.0%	246.7	48.4%	35.0	15.4	7.4	2.0

COMPANY OVERVIEW



Nesco was originally founded as Standard Engineering Company in 1939 by Mr. JV Patel with a vision to become a leading engineering company. Over the next decade, the company acquired many sick industrial units and following the acquisition of Burjorji Pestonji & Sons in 1956, the company rechristened itself into New Standard Engineering Company. The company became India's first forging hammers and presses manufacturer. During 1958, the company launched its public issue which was oversubscribed. Originally operated from Byculla, add two more plants at Parel and Santacruz. In 1959, the company consolidated all three plants to 70 acre estate on the Western Express Highway at Goregaon, a suburb in Mumbai. By 1962, the company had become the largest foundry in the private sector making specialized castings for the company's forging equipment product line. Meanwhile, in 1960, the next generation stepped in and, Mr. Sumant J Patel founded Gujarat Machinery Manufacturers Ltd., which later became GMM Pfaudler Ltd. In 1964, the company formed a joint venture with US based Wheelabrator Corporation for the manufacturing of shot-blasting equipment in India resulting into formation of Indabrator.

In 1986, the company diversified into real estate business and by 1992 the 200,000 sqft Bombay Exhibition Center was developed into the largest center for exhibitions in the private sector in India. In 2001, the company rebranded itself as Nesco Ltd. considering the diversified business streams.

Today, the company is engaged in the businesses of licensing premises in IT park buildings and providing related services, licensing premises for exhibitions and providing services to the organizers, manufacturing of machines and capital equipment, and providing hospitality and catering services. Accordingly, the revenue is reported under five business segments – (a) Nesco IT Park (b) Bombay Exhibition Centre (c) Indabrator (d) Nesco Foods and, (e) Income from investments / other income. The IT Park and Bombay Exhibition Centre together contribute nearly 85% of its total turnover.

Over the last 5 and 3 years, the company's turnover has increased at a compounded annual growth rate (CAGR) of 17% and 12%, respectively while the profits have grown at a CAGR of 19% and 11% during the same period. The stock price has grown at a CAGR of 17%, 10% and -4% over the last 10, 5 and 3 years, respectively. For the year ended March 31, 2021, the company had posted a turnover of Rs.334 cr and a net profit of Rs.186 cr. The balance sheet stands debt-free. As on March 31, 2021, the promoters hold 68.5% while the foreign and domestic institutions hold 2.2% and 5.3%. The company has consistently paid dividend for last at least 16 years. The company had also announced 1:1 bonuses in 2006 and 2010.

BUSINESS OVERVIEW



BUSINESS OVERVIEW

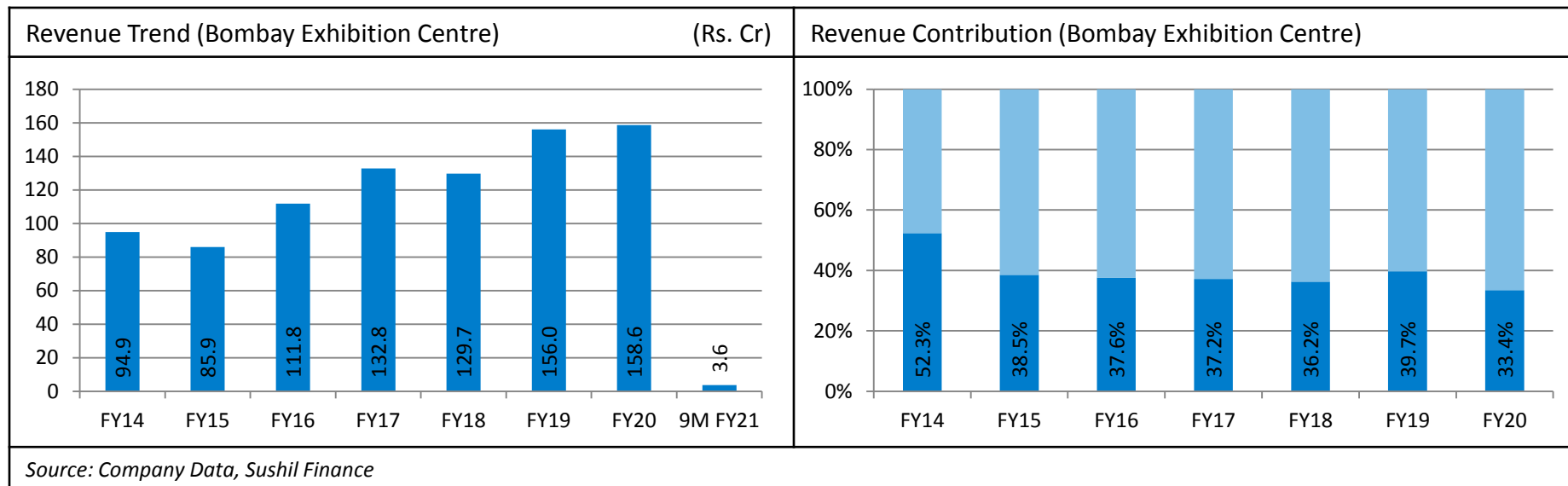
Bombay Exhibition Centre (BEC): Founded in 1991, BEC has attained a prominent stature in the country as the ideal location for meetings, incentives, conferences & exhibitions (MICE), trade shows, business displays, events and entertainment. India’s leading exhibition centre records over 2 crore visitors annually. The BEC comprises of 6 exhibition halls that occupies over 60,000 sq mt of space.

Hall 1	The largest BEC hall occupies a sprawling 20,000 sq mt, making it Mumbai's largest in the private domain. The hall has a standard clearance height of 6.75m with 7 gates provide easy access and flow to guests and exhibitors.
Hall 5	The hall is spread across 7,500 sq mt. Convenience takes priority here since an additional 2,500 sq mt (The Grande) functions as a bay area that can be customized into a cafeteria or food court. There are 5 gates to this hall to allow caterers & organizers access for an easy set up.
Hall 6	It is BEC's second largest hall. It stands at an impressive size of 12,000 sq mt and adheres to the standard clearance height of 6.75m. The 3 gates provide a streamlined flow of traffic for guests, organizers and exhibitors.
Hall 7 A	Mumbai's tallest hall is 14m at its highest point. At a gross area of 11,000 sq mt, Hall 7A is Mumbai's largest pillar-less hall, with uninterrupted wide vistas for hosting any public event.
Hall 7	Hall 5 is well-recognized as an event venue and performance space. At 4,500 sq mt, it can support audiences over 5,000. The clear height is 6.88m and the 2 gates provide clear, organized entry and exit points.
The Grande	This versatile space is well-suited for elegant events such as AGMs, weddings, corporate events and parties. At a gross size of 2,500 sq mt, The Grande can be customized into smaller sizes based on requirement.
Hall 8	This is a proposed hall with saleable area of 15,000 sq mt; the completion of which will take the total saleable area to 72,500 sq mt.

The services and amenities provided by BEC extends to centralized air-conditioning, food and beverage options including open air cafes, food courts (orchard, dress circle, canopy) in-stall dining and banqueting, parking space for over 2,000 vehicles, watch-towers, transportation services to-and-fro, internet alongwith lush open spaces.

For the year ended March 31, 2020, BEC recorded a top-line of Rs.158.6 cr (as against Rs.157.3 cr in FY19). On the profitability front, the profit before tax stood at Rs.121.6 cr (as against Rs.125.6 cr in FY19) translating into PBT margin of 76.7% in FY20. For the year, the segment contributed 36.7% of the total revenue earned by the company and 41.6% of the total profits earned.

BUSINESS OVERVIEW



Until FY20, BEC was just providing space and infrastructure to guest exhibitions. During the year, the company set up a new division 'Nesco Exhibitions' which launched its own exhibitions that included India Auto Show, Edutech, Machine Tools, Manufacturing & Technology Expo, Hobby & Lifestyle India, and Arogya Expo. During FY20, 128 guest exhibitions and events were held at BEC, out of which 18 were new organizers. Some of the new shows include exhibitions held by UBM India, Divergent Media India, Powerloom Development & EPC, Taipie WTC Liaison, Messe Dusseldorf India.

BEC business was severely affected with the onset of pandemic in 2020 as a majority portion of its entire saleable area has been converted to a covid-care centre and a vaccination centre by the Municipal Corporation of Greater Mumbai (MCGM).

Competition risk: This vertical of the company which enjoyed the monopolistic situation for years has now competition from nearing completion Reliance's Jio World Centre (erstwhile known as Dhirubhai Ambani International Convention & Exhibition Center) in Bandra Kurla Complex. The G+18 floors project is a mixed-use development based on a 75,000 sq mt of land parcel with 7,88,340 sq mt of useable floor space. As per last available information, this facility was also converted into a Covid-care centre.

BUSINESS OVERVIEW

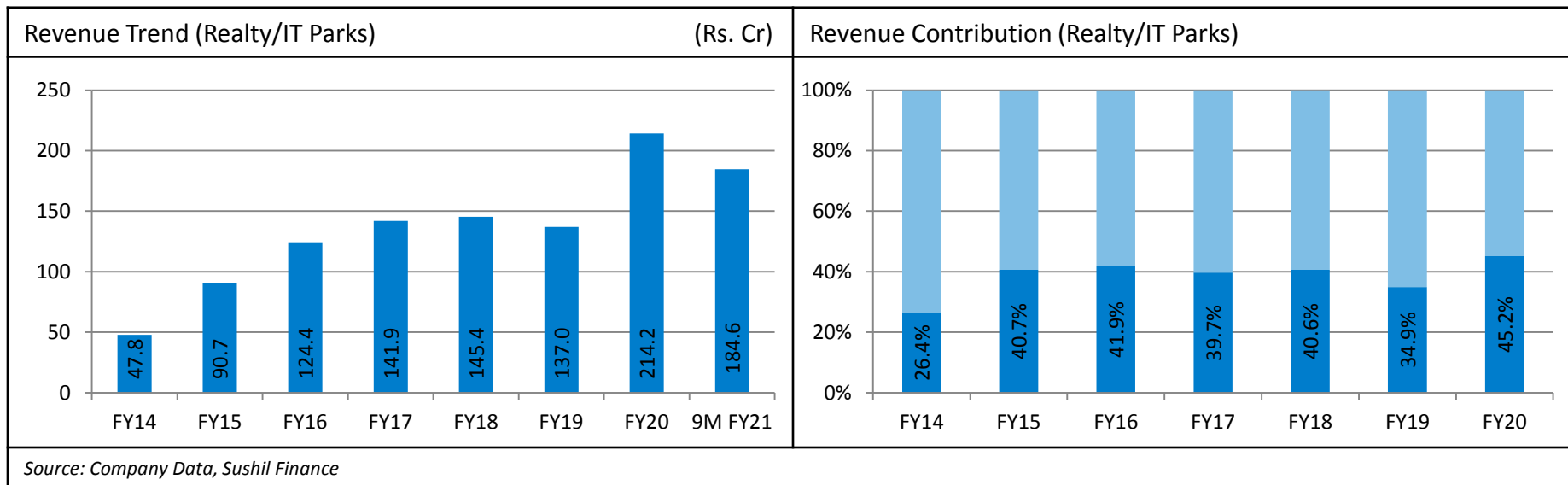
Nesco Realty: Nesco Realty ventured into developing IT parks right with the onset of IT industry in the country. The workspaces have been well supported by multiple support services, leisure and dining options. Nesco IT parks are the preferred office space providers for multinationals such as HSBC, KPMG, PWC, MSCI, Blackrock and several others. The specialization further extends to stadiums, auditoriums, exhibitions and convention centers. These IT parks also house a score of leading food brands on location with 24*7 operations with available task force.

Tower 3	The company invested Rs.150 cr for this leasable office and related space of 6,65,000 sq ft; this IT park at 100% occupancy can fetch the company an annual turnover of Rs.115 cr. As of now, the 100% of the leasable area has been licensed or contracted. The revenue yield works out to be Rs.145 per sq ft per month.
Tower 4	The company invested Rs.570 cr for this leasable office and related space of 12,00,000 sq ft; this IT park at 100% occupancy can fetch the company an annual turnover of Rs.200 cr. As of now, 76% of the leasable area has been licensed or contracted. The revenue yield works out to be Rs.150 per sq ft per month. This IT park no 4 was completed during FY20 and the license agreements have already been finalized with leading MNCs including KPMG, BlackRock, Here Solutions, etc. In a recent media interaction, the Management had stated that the facility is ~80% occupied by the end of 2020.
Tower 2	The proposed tower with an investment of Rs.1,450 cr upon its completion will offer leasable space of 26,80,000 sq ft and with an estimated turnover of Rs.500 cr annually at its full occupancy (assuming a revenue yield of Rs.160 per sq ft per month). The floor plates ranging from 25,000 sq ft to 120,000 sq ft with options for horizontal and vertical exclusivity experience. The proposed platinum LEED certified project will have a direct connectivity to metro station (the company has allotted a few acres to the Metro for the same). The Management has guided that the entire project will take four years of construction and the total investment will be funded through internal accruals.
	The Tower 2 will also have an integrated four-star hotel alongwith F&B, banquet halls and business centre. The planned project of this 300 keys hotel sprawling over 3,40,000 sq ft will need a capex of Rs.350 cr. At an assumed occupancy of ~70%, the annual projected turnover works out to be Rs.100 cr.

The tenants include Blackrock, HSBC, MSCI, KPMG, Ericsson, Priceline, Endurance, Aegon, IndiaFirst, ISS, WeWork, Framestore, PWC, Maps For Life, Integreon, Games 24x7, etc.

For the year ended March 31, 2020, Nesco Realty recorded a top-line of Rs.214.2 cr (as against Rs.137.0 cr in FY19). On the profitability front, the profit before tax stood at Rs.171.1 cr (as against Rs.110.2 cr in FY19) translating into PBT margin of 79.9% in FY20. For the year, the segment contributed 49.6% of the total revenue earned by the company and 58.5% of the total profits earned.

BUSINESS OVERVIEW



Nesco IT Park (Tower – 3)



Nesco IT Park (Tower – 4)



Nesco IT Park (Tower – 2) - Proposed

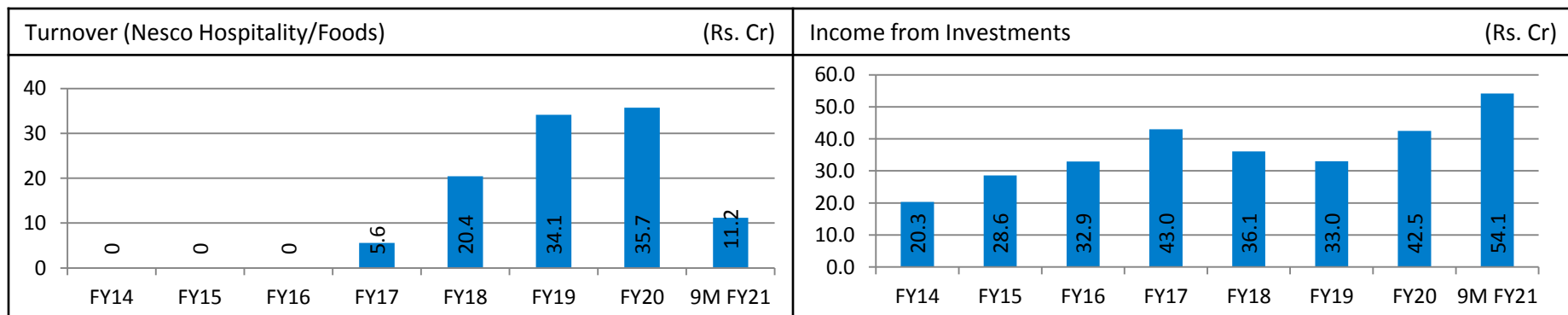


Source: Company Data, Sushil Finance

BUSINESS OVERVIEW

Nesco Foods/Hospitality: To facilitate one of the leading weddings, social celebrations, outdoor catering, IT parks and exhibition centre, the company launched Nesco Foods in FY17. The centralized kitchen, ‘The Root’ is a 25,000 sq ft state-of-the-art facility that allows the preparation of over 20,000 meals a day across a multitude of cuisines by renowned and experienced chefs. The facilities include 4 food courts – Orchard (open sky, multi-cuisine offers both take-away and dine-in), Dining Hall (built for sit-down, multi-course meals, buffets or an infinite number of other gatherings, an ideal place for business dinners or private celebrations), Dress Circle (a world-class lounge, it is quickly evolving as a hub for the city’s swish set with exciting social events and dedicated theme nights. A place to network, dance and celebrate) and, Canopy (an extensive indoor food court that allows easy access for those looking for a quick snack. A list of food brands on display provide guests with a range of cuisines to pick & choose from. The facility is fully customizable) Nesco houses more than 20 food brands including ‘Zuo’ – Asian cuisine, ‘Chettinad Express’ – Authentic South India, ‘Indic’ – North Indian, ‘Daily Deli’ – Continental. Until now the revenue of Nesco Foods largely depended on BEC but the Management is undertaking steps to diversify the business to reduce its dependence on the exhibition business. After the BEC’s transformation to covid-centre, the business has taken a severe hit however, meals are being served to patients based in the covid-centre. During FY20, Nesco Foods recorded a top-line of Rs.35.7 cr (as against Rs.34.1 cr in FY19). On the profitability front, the profit before tax stood at Rs.7.6 cr (as against Rs.6.9 cr in FY19) translating into PBT margin of 21.2% in FY20. For the year, the segment contributed 8.3% of the total revenue earned by the company and 2.6% of the total profits earned.

Investments/Other Income: The company generates strong and stable cash flows; thus holds substantial cash & cash equivalents on the books. This cash is parked with various financial instruments and the company receives interest income, dividends, profits, etc. For the year ended March 31, 2020, the company recorded an other income of Rs.42.5 cr as against Rs.31.7 cr in the previous year. Of this, Rs.5.8 cr was from interest, Rs.0.4 cr was from dividends, and net gains arising on financial assets measured at their fair value worth Rs.34.9 cr. As on March 31, 2020, the company held non-current financial investments worth Rs.632.2 cr (up from Rs.506.0 cron March 31, 2019) and current financial assets worth Rs.40.1 cr alongwith a cash and cash equivalents of Rs.13.3 cr. These investments were parked in corporate deposits, non-convertible debentures, preference shares and debt-funds & bonds.



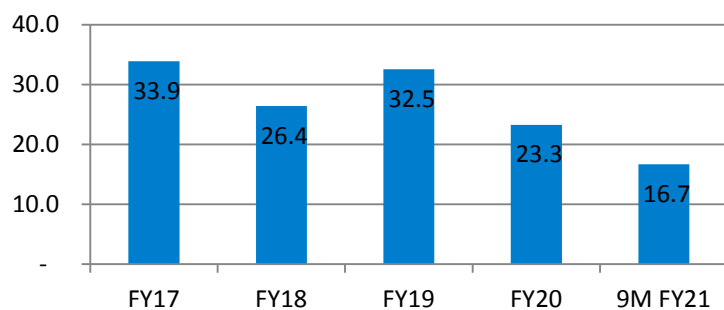
BUSINESS OVERVIEW

Indabrator: This engineering arm of the company is a single-window solution for all surface-preparation needs which includes machines, spares and abrasives. Indabrator's offerings include, shot blasting machines, air pollution control systems, painting systems, dust collectors, alongwith spares, abrasives, etc. The company is also engaged in operations and management and offers annual maintenance contracts to its customers, thereby, covering a wide range across the value chain. The company operates through its 2 state-of-the-art manufacturing units sprawling over 1,00,000 sq ft based in Gujarat. The Vishnoli unit produces numerous shot-blasting, painting and air pollution control equipments. Further, the foundry and abrasive plant located across 60 acres of estate in Karamsad, Gujarat is claimed to be one of India's finest manufacturing centers. The plant includes full heat treatment facilities and physical and chemical tests laboratories.

Indabrator is pioneer in India in this product range with capability of handling large projects, integrated manufacturing under one roof, with experience of more than 15,000 customized installations and spares and abrasives is a recurring business & has worked with reputed customers over the past decades. (figure on the right side). The company had recently completed capacity expansion of its abrasive plant at Karamsad during FY20, thereby, taking the capacity to 2,400 MTPA. The Management is considering a further expansion.

During FY20, Indabrator recorded a top-line of Rs.23.3 cr (Rs.32.5 cr in FY19) which constituted nearly 5.4% of the total turnover; the profit before tax stood negative.

Revenue Trend (Indabrator)



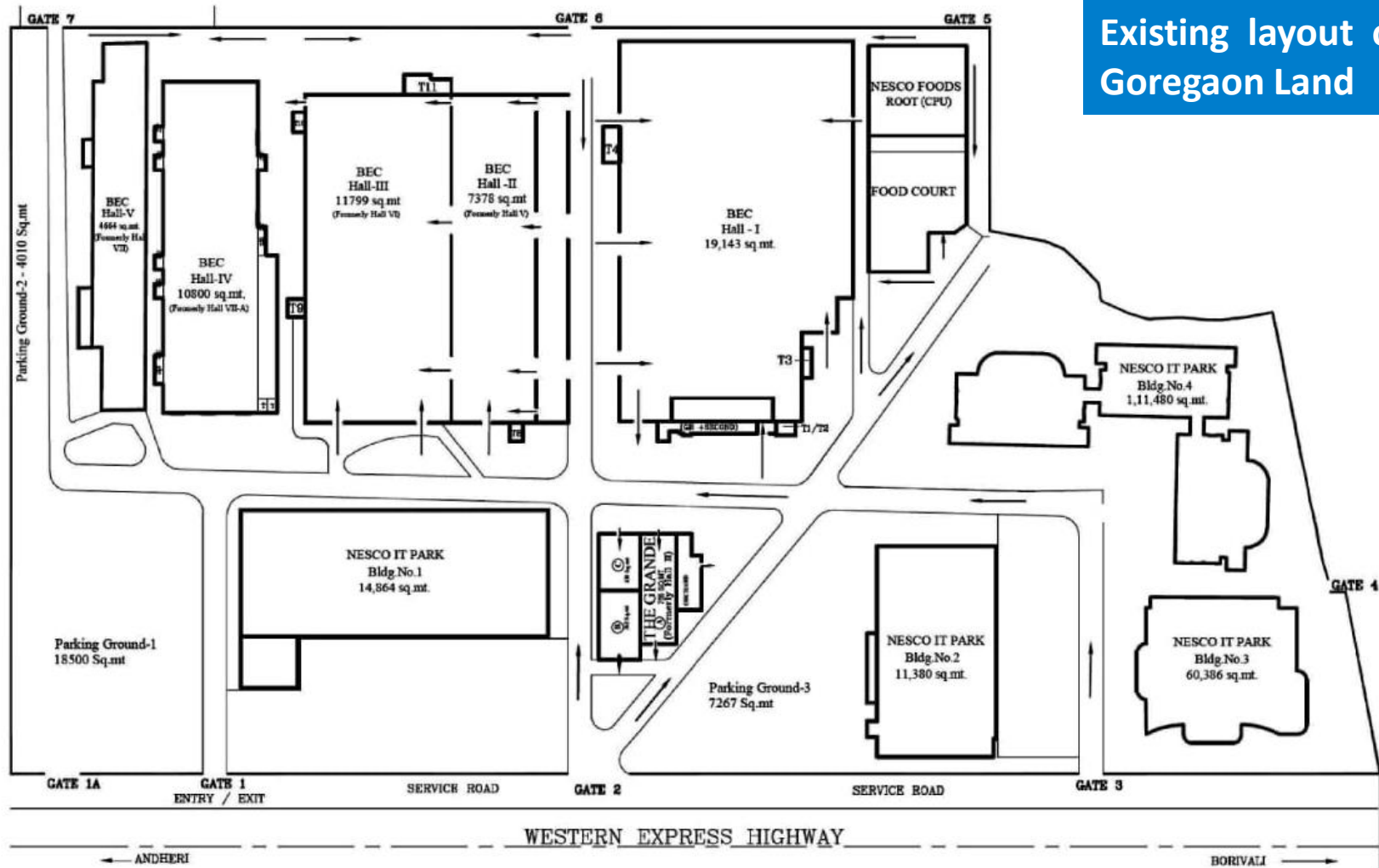
Source: Company Data, Sushil Finance

Indabrator (founded in 1964) is one of the leading manufacturers of wide-range of surface preparation systems such as shot & grit blasting systems; providing products and services to foundries, forging-plants, automotive industries, railways, defence, department of space, heavy engineering industries, shipbuilding alongwith many other industries; the branches are at Gujarat, Mumbai, Delhi, Kolkata & Chennai.



BUSINESS OVERVIEW

Existing layout of Goregaon Land



Source: Company Data, Sushil Finance

BUSINESS OVERVIEW

Potential of Goregaon Land

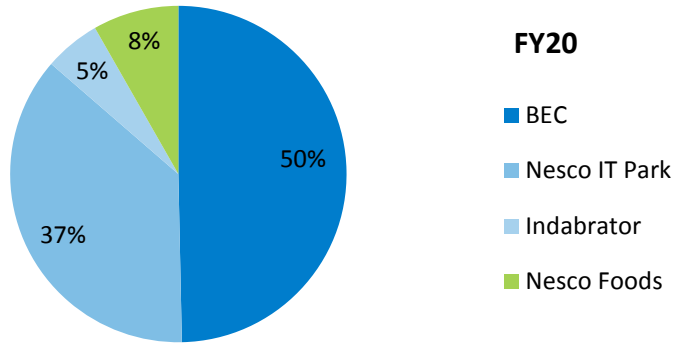
Area	IT Park (sq mt)	BEC (sq mt)	Others (sq mt)	Total (sq mt)	Total (sq ft)
Plot Area	1,70,451	50,000	27,903	2,48,354	26,72,289
Potential – FSI Area	6,45,685	2,70,000	-	9,15,685	98,52,771
Potential – Chargeable Area	7,74,822	2,70,000	-	10,44,822	1,12,42,285
Potential – Built-up Area (BUA)	12,26,801	5,40,000	-	17,66,801	1,90,10,779
Existing – (BUA)	2,49,907	61,200	-	3,11,107	33,47,511
Existing BUA / to be retained	2,32,256	-	-	2,32,256	24,99,075
Potential BUA / Future Development	9,94,545	5,40,000	-	15,34,545	1,65,11,704

Note: Area calculations are as per the provisions of DCPR 2034 | Sq ft figures have been converted at 1 sq mt = 10.76 sq ft

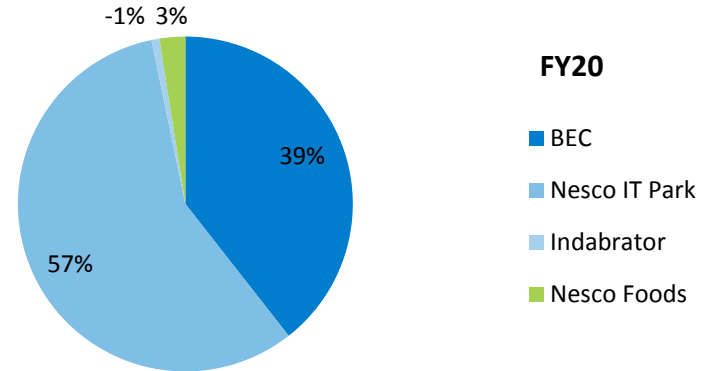
(Source: Company Data)

BUSINESS OVERVIEW

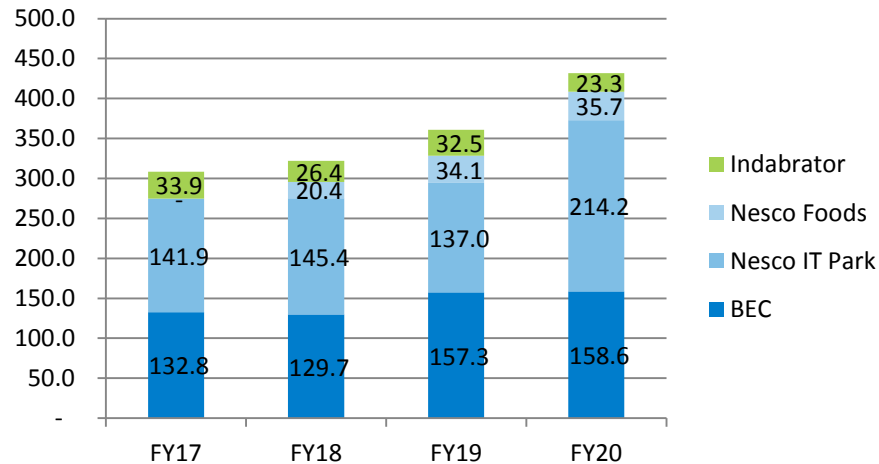
Revenue Break-up



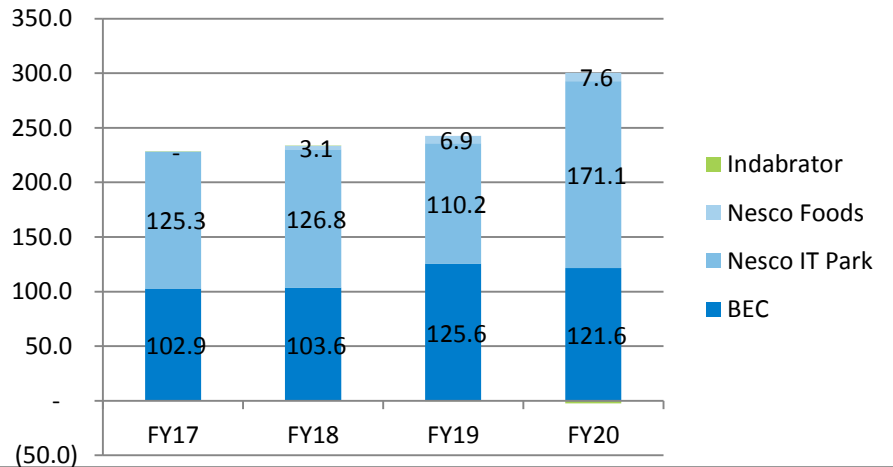
EBIT Break-up



Revenue Trend

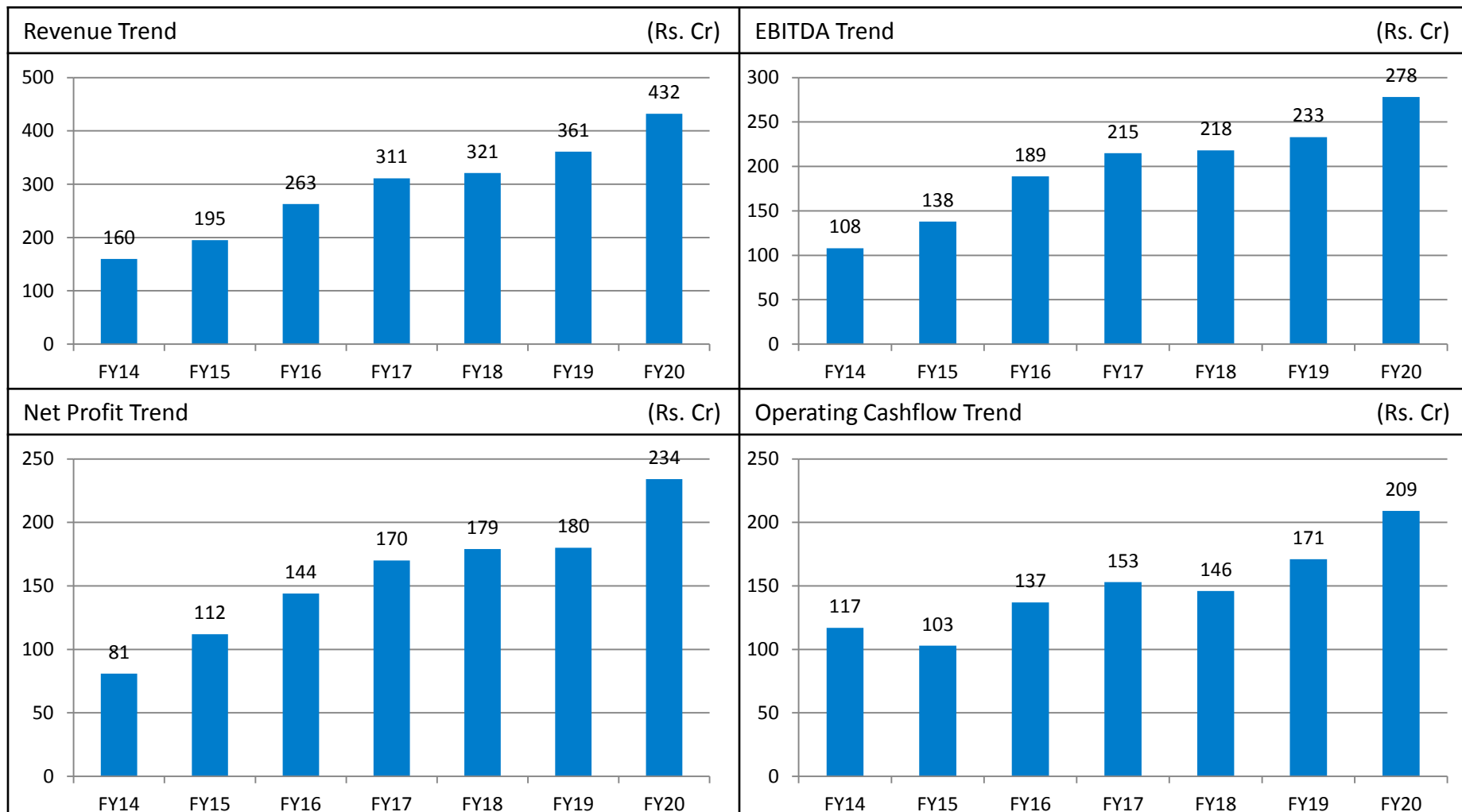


EBIT Trend



Source: Company Data, Sushil Finance

BUSINESS OVERVIEW



Source: Company Data, Sushil Finance

KEY INVESTMENT RATIONALE

Strong debt-free balance sheet with robust liquidity: The company has been consistently investing into new projects and expanding its portfolio of leasable space. Nevertheless, the company's policy has always been to remain debt-free in a sector which is otherwise dominated by borrowings. Over the years, all these investments have been through internal accruals. The company generates strong cash-flows from its lease & rental incomes from its IT Parks and BEC and invests the same to expand its asset-base. Over the last 5 years, the company generated operating cash flows of over Rs.800 cr and spent the same towards investments and dividends. During the same period, the fixed assets have grown from Rs.269 cr at the beginning of FY16 to Rs.775 cr at the end of FY20. Apart from that, the company's investments and cash and cash equivalents have grown from Rs.388.8 cr to Rs.685.7 cr; this figure has further gone up to Rs.753.2 cr as on September 30, 2020. Additionally, the company has never missed a dividend at least since FY05. Although, the company's conservative policy of not borrowing funds have restricted the potential growth over the past several years but over the next 4-5 years, the company is slated to invest to the tune of Rs.1,800-2,000 cr on Tower-2; the Management has clarified that the entire capex will be funded through internal accruals. We believe Nesco is one of the few companies from this sector that has such clean and robust balance sheet.

Huge land bank to course the future growth: Acquiring sizeable real estate or the land parcel in a prime location in Mumbai could be the nightmare even for the biggest of real estate players, however, the company doesn't have to worry on that front for many years to come. The area of Nesco Goregaon land parcel is over 60 acres and future development potential is nearly 5 times of existing built-up area. The company has potential to reach gross leasable/saleable built-up area of 19.0 mn sq ft going forward as against the existing 3.3. mn sq ft. (See Page 12); Going forward, the company will be expanding its offering through increasing leasable area of BEC, adding another tower in its realty business including a 5 star hotel through its internal accruals for which the land is already available with them.

Strategic decisions to foray into relevant businesses will drive the growth: Earlier, for years, the company was only into renting out its space. However, over the last few years, the company has forayed into hospitality services through Nesco Foods which has good scalable opportunity with corporate parks and leading exhibition centre in their premises. Initially, the revenues from this division was linked to BEC but the company has undertaken steps to diversify so as to reduce its dependence on exhibitions related businesses. Further, the company also has undertaken a strategic step to make use of idle business time of BEC when it is not occupied by establishing Nesco Events which organizes exhibitions and events when there are no exhibitions running at BEC. During the first year, the division held few exhibitions including India Auto Show, Edutech, Machine Tools, Manufacturing & Technology Expo, Hobby & Lifestyle India, and Arogya Expo. We believe, these strategic initiatives open up good long-term opportunities for the company.

Nesco is going to invest Rs.1,800-2,000 cr over the coming 4-5 years to build a new IT Park and a 5-star hotel; the entire capex will be funded through internal accruals and company will continue to remain debt-free.

KEY INVESTMENT RATIONALE

Office leasing space to showcase strong demand: According to a recent report by Savills India, office space leasing across six major cities of the country is expected to touch 41.3 mn sq ft in 2021, up 22% from last year. The report further states that Mumbai is likely to post highest growth in leasing activity from 2.9 mn sq ft in 2020 to 5.5 mn sq ft in 2021. The key findings of the report, as published by Construction Week Online further states that Mumbai could see an increase of about 85-90% in office leasing as recovery is anticipated in the latter part of 2021. The key drivers for this recovery and growth would be BFSI and technology companies. In a recent media interaction, the Management had also shrugged off the fear of any structural changes in the office leasing space with regard to any shift in work-from-office to work-from-home (WFH) patterns. The Management argued that many international companies are coming to India and Mumbai being the financial capital of the country would be hosting their offices. Thus, the annuity lease income from the company’s realty business is likely to remain unaffected and escalation clauses and renewal of contracts are likely to give steady growth to the business. According to another report by Cushman & Wakefield, the Q1 CY2021 recorded gross leasing volumes of 2.96 mn sq ft (+34%,QoQ), as leasing was healthy in select sub-markets and was driven by major transaction closures.

Nesco recently shrugged off the fear of any structural changes in the office leasing space with regard to any shift to WFH patterns arguing that many global companies are coming to India; Mumbai being the financial capital of the country would be hosting their offices.

Why you should buy?	Key Risks
<p>Landbank: The area of Nesco Goregaon land parcel is over 60 acres & future development potential is nearly 5x of existing built-up area.</p> <p>Consistent & robust cash-flows: Nesco generates strong cash-flows from its lease & rental incomes from its IT Parks & BEC. Over the last 5 years, the company generated OCF of over Rs.800 cr.</p> <p>Strategic diversification: Foray into Nesco Foods & Nesco Events opens up new avenues to scale up businesses leveraging on its existing set-up.</p> <p>Reasonable valuations: Even if we value annuity rental income from existing IT parks at 8.5-9% rental yield, it fetches us value broadly equal to the current market price. This shows discount being given to other businesses including BEC.</p>	<p>Competition: The upcoming Jio World Centre at BKC is likely to pose cut-throat competition for BEC (Page 6) which may negatively affect the company’s revenue going forward and our estimates as well.</p> <p>Extended loss of revenue: The BEC is currently converted into Covid-care centre and there is uncertainty about any income from BMC towards the same.</p> <p>Any structural shift towards WFH patterns: Even though the Management has refuted any such possibility but in case if there is any sustenance in work-from-home culture, may affect the rental yields going forward with fall in occupancy.</p>

OUTLOOK & VALUATION

Nesco holds a 60+ acres land parcel in Goregaon, Mumbai and is engaged in real estate businesses through its IT Parks and Exhibition Centers which it lets out and generates robust cash-flows. The company reinvests these cash-flows to expand its leasable space portfolio. The company is slated to invest Rs.1,800-2,000 cr over the next 4-5 years to construct a new IT park alongwith a five-star hotel. Importantly, the company follows a policy of no debt and is going to fund the entire project through existing investments and internal accruals. As on September 30, 2020, the company held investments to the tune of Rs.750 cr. **Going forward, we expect the company to deliver an EPS of Rs.35.0 in FY23; assigning a target multiple of 20x we arrive at a target price of Rs.700 showcasing an upside potential of 30.9% from current levels with an investment horizon of 18-24 months.**



9M FY21 Result Performance			(Rs. Cr)
Y/E Mar.	9M FY21	9M FY20	YoY
Revenue	216.0	314.0	(31.2%)
Raw Material Cost	10.7	15.2	
Employee Cost	12.0	14.8	
Other Expenses	55.2	77.0	
Capitalized Expenses	-	-	
EBITDA	138.1	206.9	(33.2%)
<i>EBITDA Margin (%)</i>	<i>63.9%</i>	<i>65.9%</i>	<i>(196 bps)</i>
Depreciation	19.5	17.6	
EBIT	118.6	189.3	(37.4%)
<i>EBIT Margin (%)</i>	<i>54.9%</i>	<i>60.3%</i>	<i>(540 bps)</i>
Finance Costs	5.5	4.1	
Other Income & Share	54.1	29.0	
Profit before Tax	167.3	214.2	(21.9%)
Tax Expense	34.5	33.3	
Net Profit (Post Minority)	132.7	181.0	(26.7%)
<i>Net Margin (%)</i>	<i>61.4%</i>	<i>57.6%</i>	<i>380 bps</i>
EPS	18.8	25.7	(26.7%)

PROFIT & LOSS STATEMENT

(Rs. Cr)

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
Revenue	432	300	375	510
Raw Material Cost	19	15	19	26
Employee Cost	20	16	21	28
Other Expenses	115	78	99	135
EBITDA	278	190	236	321
<i>EBITDA Margin (%)</i>	<i>64.4%</i>	<i>63.5%</i>	<i>63.0%</i>	<i>63.0%</i>
Depreciation	22	26	29	33
EBIT	256	164	207	288
<i>EBIT Margin (%)</i>	<i>59.2%</i>	<i>54.8%</i>	<i>55.3%</i>	<i>56.5%</i>
Finance Costs	6	7	8	9
Other Income	43	69	40	32
Profit before Tax	292	226	239	311
Tax Expense	58	47	50	65
Net Profit	234	180	190	247
<i>Net Margin (%)</i>	<i>54.2%</i>	<i>59.9%</i>	<i>50.6%</i>	<i>48.4%</i>
EPS	33	25	27	35

BALANCE SHEET STATEMENT

(Rs. Cr)

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
PP&E (incl. CWIP & Investment Property)	775	899	1,245	1,722
Other Non-Current	724	772	522	272
Inventories	9	7	8	10
Trade Receivables	16	13	18	28
Cash and Bank Balances	13	19	86	78
Other Current Assets	73	73	73	73
Total Assets	1,610	1,782	1,952	2,183
Equity Share Capital	14	14	14	14
Reserves & Surplus	1343	1502	1667	1889
Borrowings (LT)	0	0	0	0
Other Non-Current Liabilities	151	151	151	151
Borrowings (ST)	0	0	0	0
Trade Payables	15	29	33	42
Other Financial Liabilities	38	38	38	38
Other Current Liabilities	48	48	48	48
Total Liabilities	1,610	1,782	1,952	2,183

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT
(Rs. Cr)

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
PBT	292	226	239	311
Depreciation	22	26	29	33
Interest	6	7	8	9
Taxes Paid	(58)	(47)	(50)	(65)
CFO before Working Cap chg	262	213	227	289
Chg in Inventories	0	2	(1)	(2)
Chg in Trade Receivables	2	3	(5)	(9)
Chg in Trade Payables	4	14	5	9
Cash Flow from Operations	269	232	225	286
Interest Paid	(6)	(7)	(8)	(9)
Dividend Paid	(21)	(21)	(25)	(25)
Others	58	-	-	-
Cash Flow from Financing	31	(28)	(33)	(34)
Capital Expenditure	(77)	(150)	(375)	(510)
Investments & Others	(216)	(48)	250	250
Cash Flow from Investing	(293)	(198)	(125)	(260)
Opening Cash	7	13	19	86
Total Cash Flow	6	6	67	(8)
Closing Cash	13	19	86	78

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
Growth (%)				
Revenue	19.6%	(30.6%)	25.2%	36.0%
EBITDA	19.5%	(31.6%)	24.2%	36.0%
PAT	29.6%	(23.3%)	5.7%	30.0%
Profitability (%)				
EBITDA Margin	64.4%	63.5%	63.0%	63.0%
PAT Margin	54.2%	59.9%	50.6%	48.4%
RoCE	18.8%	10.8%	12.3%	15.1%
RoE	17.2%	11.8%	11.3%	13.0%
Per Share Data				
AEPS	33	25	27	35
CEPS	36	29	31	40
BVPS	193	215	239	270
Valuations (x)				
PER	16.2	21.1	20.0	15.4
P/BV	2.8	2.5	2.3	2.0
EV / EBITDA	11.3	16.5	13.3	9.8
Mcap / Net Sales	8.8	12.7	10.1	7.4
Turnover Days				
Inventory Days	169	160	150	140
Debtors Days	14	16	18	20
Creditors Days	511	700	650	600
Gearing Ratio				
Total Debt - Equity	-	-	-	-

Source: Company, Sushil Finance Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 20%

HOLD : 0% to 20%

SELL : 0% to -20%

Disclaimer & Disclosures : <http://goo.gl/1sOHeV>

This report has been furnished to you for your general information only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. This Research Report is meant solely for use by the original recipient to whom it is sent and is not for circulation. Any unauthorized use, disclosure or public dissemination or copying of information (either whole or partial) contained herein is prohibited.

This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice/offer for the purpose of purchase or sale of any securities mentioned herein. Past performance is not a guide for future performance, future returns are not guaranteed. Opinions expressed herein are subject to change without notice. Investor should rely on information/data arising out of their own investigations. The Sushil Equity Universe consists of ## Sushil's Classic- the company's where fundamental reports are published and # Sushil's Bonanza - the other company's under study.

Investors are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investor may realize losses on any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by us to be reliable. A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental and Technical Research. Sushil Financial Services Private Limited or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. None of the directors, employees, affiliates or representatives of company shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages/loss etc whatsoever from the information/opinions/views contained in this Report and investors are requested to use the information contained at their risk.

Sushil Financial Services Private Limited (SFSPL) and its connected companies, and their respective Directors, Officers and employees or their relative, may have a long or short position in the subject companies mentioned in the report and it may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Reports based on technical and derivative analysis centre on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. SFSPL has different business segments/Divisions with independent research and maintains arm's length distance catering to different set of customers having various objectives, risk profiles, investment horizon, etc. and therefore may at times have different contrary views on stocks sector and markets. Research Report may differ between SFSPL's RAs on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold - SFSPL, its employees and associates responsible for any losses, damages of any type whatsoever.

This Report is not intended to be a complete statement or summary of the securities, market or developments referred to in this document. SFSPL or its affiliates or employees are under no obligation to update the information. SFSPL or its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

SFSPL or its affiliates and/or its employees/its associates or his relative does not have financial interest in the subject companies. SFSPL or its affiliates and/or its employees/its associates or his relative may or may not have beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report. SFSPL/its Associates/ Research Analyst have not received any compensation from the subject company in the past twelve months. Further the subject company is/was not a client during twelve months preceding the date of distribution of the research report and the types of services provided. SFSPL or its research analyst has not served as an officer, director or employee of the subject company. SFSPL or its affiliates and/or its research analysts have not been engaged in market making activity for the subject company. SFSPL or its associates or its Research Analyst have not received any compensation or other benefits from the subject companies or third party in connection with the research report. SFSPL/its Associates/ Research Analyst/ his Relatives not have any other material conflict of interest at the time of publication of the research report.

SFSPL/its Associates/ Research Analyst have not managed or co-managed public offering of securities, have not received compensation for investment banking or merchant banking or brokerage services, have not received any compensation for product or services other than investment banking or merchant banking or brokerage services from the subject companies in the last twelve months. There is no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities.

Sushil Financial Services Private Limited

Member : BSE / NSE - SEBI Regn. No. INZ000165135

Research Analyst – SEBI Registration No. INH000000867

Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758

Email : info@sushilfinance.com

Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No