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Nesco achieves our PT of Rs 1,109 | Maintain BUY with revised PT of Rs 1,680

In our "Outlook for 2013", we had for the first time recommended BUY on Nesco with PT of Rs 1,046 (at the then CMP of Rs 740). On April 1, 2013, we came out with detailed Initiation report on Nesco. Since then we have been maintaining BUY, with last updated PT of Rs 1,109. Since our recommendation in "Outlook for 2013", Nesco stock has generated ~50% absolute returns.

With new government at centre, we expect revival in the economy. This in-turn would lead to higher marketing spends by business houses, thereby benefiting Exhibitions business. With improvement in Exhibitions business, Nesco would be one of the key beneficiaries. On the back of improved revenue visibility across Exhibitions and IT Buildings business, we have assigned 12% discounting rate to IT Building I, II & III and assigned cap rate of 8% (vs. 9% earlier), to arrive at revised Price target of Rs 1,680/share.

We have used NAV based valuation methodology for Exhibition and IT Building rental business and assigned 1.0x P/E multiple to FY16E earnings for the Tools business. In addition to cash, we have added liquid investments in company's books and assigned conservatively 40% discount to it.

Name	Methodology	Assumptions	NAV
Bombay Exhibition Centre	NAV	Dis. rate - 12%, Cap rate - 8%	678
IT Building I & II	NAV	Dis. rate - 12%, Cap rate - 8%	223
IT Building III	NAV	Dis. rate - 12%, Cap rate - 8%	424
Tools Business	Rel. Val.	P/E - 1.0x	2
FY16E- Cash & Investments		Invstmt. discounted- 40% (extremely conservative assumption)	352
			1,680

Source: Company Filings; IndiaNivesh Research

At CMP of Rs 1,160, Nesco is trading at FY15E and FY16E, EV/EBITDA multiple of 9.2x and 4.9x, respectively. We continue to maintain BUY rating on the stock with revised PT of Rs 1,680 (given the 44.8% upside from current level).