

## Recommendation

<b>Nelco Ltd.</b>		<b>BUY</b>
Current Market Price (CMP) <b>Rs. 608.50</b>	Target Price <b>Rs. 700</b>	

**Our price target of Rs. 700 offers upside of approximately 15% from current levels**

### Opportunity

- The company caters to renewable energy, enterprise, maritime, oil, energy, and gas sectors, as well as to bank ATM and branches. All these sectors have high growth potentials. Growth in renewable energy is expected to be particularly strong due to Government's emphasis on green energy transition.
- Nelco is preferred partners for the Government, Defense and Enterprise sectors when it comes to security and surveillance in India.
- The company has high Piotroski score indicating that it is a potential value investment for having strong financials.

### Company Profile

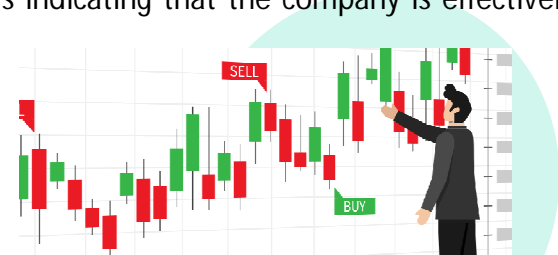
- Established in 1940, this Tata Group company focuses on system integration and product management for industrial controls, power, electronics, defence electronics, VSAT networks and automation.
- Nelco specializes in security and surveillance for defence and civil applications, traction, electronics for locomotives, turnkey projects involving supervisory control and data acquisition system (SCADA), AC and DC drives, real time and embedded software and network management system with VSAT based networks.

### Positive

- Strong quarterly performance with topline, bottom line and margin expansions. Q4 PAT increased 90% with significant margin expansion. 23% growth in consolidated PAT and 123% growth in standalone PAT for FY23 along with steady margin improvement, continuing the trend seen in previous 2- years .
- Low debt company. Return on Equity (ROE), Return on Capital Employed (ROCE) and Return on Assets (ROA) have been improving over the last 2 years indicating that the company is effectively using shareholders' funds and capital.

### Negatives

- Valuations are expensive.



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