BUY (Maintain)

CMP: **INR 163** Target Price: **INR 198** ▲ 21%

ICICI Securities

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16 May 2025

India | Equity Research | Results Update

CESC

Utilities

Changes in regulatory environment; renewable shoots begin to take root

CESC has arrested the build-up of regulatory assets in the Kolkata distribution area, addressing a major overhang on the stock. It has taken two hikes in fuel and power purchase which has augmented its cashflow. It has seen an improvement in the overall regulatory landscape. Note that it also acquired Chandigarh DISCOM within the quarter. Besides, its attempt towards building a renewable portfolio has started yielding positive results. It has concluded PPA for 1.2GW and is aiming for 3.2GW RE capacity by FY29. During the quarter, it also signed a power purchase agreement for open capacity of 300MW at attractive rates. It is trading at 10x FY27E earnings, the cheapest in the listed utilities universe. We reiterate our **BUY** rating on the stock with an unchanged target price of **INR 198** per share.

In-line result; superior operating parameter at DISCOMS

CESC saw 11% and 5% growth in Kolkata distribution area in Q4FY25 and FY25, respectively. Moreover, it reported 6.5% T&D loss, -40 bps YoY in FY25. T&D loss is a key parameter for earning incentives. It reported a PLF of 91% (+1000bps YoY) and 87% (+300bps YoY) at Dhariwal and Chandrapur, respectively. It reported standalone EBITDA/PAT of INR 6bn/INR 2.2bn in Q4.

Change in regulatory environment

CESC has seen ballooning regulatory assets at Kolkata DISCOM on account of under recovery in fuel and power purchase cost. It has started collecting additional tariff through fuel and power purchase adjustment. This has improved its cashflow. Moreover, the regulator has allowed higher capex in Noida DISCOM and has also allowed sharing of incentives.

Late to the bandwagon but RE shoots begin to take root

CESC was late to start on building its renewables portfolio. It unveiled its aim of building a 3.2GW portfolio by FY29 and 10GW overall. It has concluded PPA for 1.2GW of renewables. It is also looking to add new PPAs through bidding in FY26. It has secured transmission worth 3.5GW (+3GW additionally submitted for), land worth 2.6GW and wind EPC worth 3.3GW.

Maintain BUY; TP unchanged at INR 198

We reiterate **BUY** with SoTP-based unchanged TP of INR 198.

Financial Summary

Y/E Mar-31 (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,70,500	1,82,490	1,96,483	2,12,856
EBITDA	38,830	39,370	43,891	50,067
EBITDA Margin (%)	22.8	21.6	22.3	23.5
Net Profit	13,759	13,690	15,795	16,996
EPS (INR)	10.3	10.3	11.9	12.8
EPS % Chg YoY	3.5	(1.3)	14.1	7.0
P/E (x)	15.0	15.2	13.3	12.5
EV/EBITDA (x)	8.6	9.0	8.9	9.0
RoCE (%)	9.7	8.8	8.3	8.1
RoE (%)	12.4	11.6	12.5	12.6

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Market Data

Market Cap (INR)	216bn
Market Cap (USD)	2,529mn
Bloomberg Code	CESC IN
Reuters Code	CESC.BO
52-week Range (INR)	213 /119
Free Float (%)	47.0
ADTV-3M (mn) (USD)	7.5

Price Performance (%)	3m	6m	12m
Absolute	33.5	(6.8)	16.0
Relative to Sensex	24.8	(13.2)	3.0

ESG Score	2023	2024	Change
ESG score	67.2	NA	NA
Environment	52.8	NA	NA
Social	72.0	NA	NA
Governance	73.6	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

12-01-2025: Q3FY25 results review

14-11-2024: Q2FY25 results review

Outlook and valuation

CESC is India's first fully-integrated electrical utility in operation since 1899, generating and distributing power in Kolkata and Howrah. CESC is involved in power sector's value chain with assets in generation, transmission and distribution of power as well as coal mining.

Moreover, it owns a 600MW thermal power (Chandrapur) plant in Maharashtra and a 40MW atmospheric fluidised bed combustion power plant (Crescent Power). While Chandrapur TPP has PPA tie ups with CESC, Crescent Power operates in merchant market.

Apart from these, CESC has a distribution licence in Noida and four distribution franchisees in Rajasthan (Kota/Bikaner/Bharatpur) and Maharashtra (Malegaon).

The company has received the awaited tariff order for Kolkata licence area for FY24–26 period, wherein the regulator has disallowed any tariff hike. Nonetheless, CESC is collecting under-recovery of fuel and power-purchase cost, which could lead to slower build -up of regulatory assets.

CESC is looking to scale up its RE platform and is targeting 3.2GW RE capacity by FY29E under the first phase; it is progressing well in terms of PPAs for RE capacity, equipment orders for wind capacity and acquiring assets with land and transmission connectivity. However, the progress in offtake tie-up has been slower than expected; signing of PPAs for balance capacity will be a monitorable. Accordingly, earnings have been revised pushing forward RE ramp-up. In phase two, the company plans to expand its RE capacity to 10GW.

We maintain our rating on the stock as **BUY** with an SoTP-based target price of **INR 198** per share.

Key risks: 1) Delay in RE capacity addition; and 2) higher build-up of regulatory assets.

Exhibit 1: SoTP-based target price of INR 198/share

Summary of Valuation	Methodology	INR mn	INR/Share
KLA License Area Business	DCF	1,31,285	99
Value to Shareholders (core power business)	**DCF**	**1,31,285**	**99**
Regulated Business/Regulated equity		2.8	
Add: Cash		14,040	11
Add: Value of Dhariwal	DCF	31,256	24
Add: Value of Haldia	DCF	32,971	25
Add: Value of Crescent Power	DCF	3,980	3
Add: Distribution Franchisee	DCF	2,657	2
Noida Power	DCF	9,806	7
Renewables	EV/EBITDA	37,986	29
Total Value to CESC shareholders		**2,63,980**	**198**
No. of Shares (mn)		1,330	1,330

Source: I-Sec research

Exhibit 2: Consolidated financial highlights (quarterly)

(INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Total Revenue	**39,590**	**55,520**	**48,190**	**38,610**	**40,170**	**1%**	**4%**
EBITDA	**9,820**	**10,600**	**10,150**	**9,100**	**9,520**	**-3%**	**5%**
Margin (%)	*24.8%*	*19.1%*	*21.1%*	*23.6%*	*23.7%*	*-110 bps*	*13 bps*
Depreciation	3,110	3,010	2,950	3,050	3,040	-2%	0%
Finance Cost	3,250	3,220	3,280	3,390	3,350	3%	-1%
Other Income	730	550	700	960	1,530	110%	59%
PBT	4,190	4,920	4,620	3,620	4,660	11%	29%
Tax	40	1,040	890	800	810	1925%	1%
Tax rate (%)	*1.0%*	*21.1%*	*19.3%*	*22.1%*	*17.4%*	*1643 bps*	*-472 bps*
Reported PAT	**4,150**	**3,880**	**3,730**	**2,820**	**3,850**	**-7%**	**37%**
Margin (%)	*10.5%*	*7.0%*	*7.7%*	*7.3%*	*9.6%*	*-90 bps*	*228 bps*
EPS	3.1	2.9	2.8	2.1	2.9	-7%	37%

Source: I-Sec research, Company data

Exhibit 3: Standalone financial highlights (quarterly)

(INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Total Revenue	**23,210**	**34,210**	**27,480**	**22,600**	**49,616**	**114%**	**120%**
EBITDA	**5,400**	**6,350**	**6,180**	**5,840**	**13,061**	**142%**	**124%**
Margin (%)	*23.3%*	*18.6%*	*22.5%*	*25.8%*	*26.3%*	*306 bps*	*48 bps*
Depreciation	1,830	1,750	1,690	1,740	3,544	94%	104%
Finance Cost	2,050	2,070	2,150	2,280	4,363	113%	91%
Other Income	330	210	450	490	924	180%	89%
PBT	1,850	2,740	2,790	2,310	6,078	229%	163%
Tax	(200)	820	610	590	1,364	-782%	131%
Tax rate (%)	*-10.8%*	*29.9%*	*21.9%*	*25.5%*	*22.4%*	*3326 bps*	*-309 bps*
Reported PAT	**2,050**	**1,920**	**2,180**	**1,720**	**4,713**	**130%**	**174%**
Margin (%)	*8.8%*	*5.6%*	*7.9%*	*7.6%*	*9.5%*	*67 bps*	*189 bps*
EPS	15.4	14.4	16.4	12.9	35.4	130%	174%

Source: I-Sec research, Company data

Exhibit 4: Consolidated financial highlights (yearly)

(INR mn)	FY21	FY22	FY23	FY24	FY25	YoY (%)
Total Revenue	**1,20,630**	**1,32,840**	**1,55,220**	**1,70,500**	**1,82,490**	**51%**
EBITDA	**36,100**	**36,580**	**34,240**	**38,830**	**39,370**	**9%**
Margin (%)	*29.9%*	*27.5%*	*22.1%*	*22.8%*	*21.6%*	*-835 bps*
Depreciation	8,670	8,850	8,780	12,170	12,050	39%
Finance Cost	12,260	11,320	11,170	12,340	13,240	8%
Other Income	2,350	2,730	3,090	2,510	3,740	59%
PBT	17,520	19,140	17,380	16,830	17,820	2%
Tax	3,890	5,110	3,420	2,360	3,540	-9%
Tax rate (%)	*22.2%*	*26.7%*	*19.7%*	*14.0%*	*19.9%*	*-234 bps*
Reported PAT	**13,630**	**14,030**	**13,960**	**14,470**	**14,280**	**5%**
Margin (%)	*11.3%*	*10.6%*	*9.0%*	*8.5%*	*7.8%*	*-347 bps*
EPS	10.2	10.5	10.5	10.9	10.7	5%

Source: I-Sec research, Company data

Exhibit 5: Standalone financial highlights (yearly)

(INR mn)	FY21	FY22	FY23	FY24	FY25	YoY (%)
Total Revenue	**73,780**	**80,100**	**87,600**	**1,01,020**	**1,07,190**	**45%**
EBITDA	**16,311**	**18,340**	**19,640**	**22,580**	**24,410**	**50%**
Margin (%)	*22.1%*	*22.9%*	*22.4%*	*22.4%*	*22.8%*	*67 bps*
Depreciation	4,630	4,710	4,800	7,200	6,940	50%
Finance Cost	5,020	5,040	6,040	7,390	8,660	73%
Other Income	1,800	1,830	1,800	1,230	1,810	1%
PBT	8,461	10,420	10,600	9,220	10,620	26%
Tax	321	2,280	2,300	1,470	2,620	716%
Tax rate (%)	*3.8%*	*21.9%*	*21.7%*	*15.9%*	*24.7%*	*2088 bps*
Reported PAT	**8,140**	**8,140**	**8,300**	**7,750**	**8,000**	**-2%**
Margin (%)	*11.0%*	*10.2%*	*9.5%*	*7.7%*	*7.5%*	*-357 bps*
EPS	61.2	61.2	62.4	58.3	60.2	-2%

Source: I-Sec research, Company data

Exhibit 6: Consolidated financials by key subsidiaries (quarterly)

(INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Standalone	23,210	34,210	27,480	22,600	22,900	-1%	1%
Haldia	4,960	4,810	5,550	5,200	5,580	13%	7%
Dhariwal	5,170	5,260	5,370	4,510	5,040	-3%	12%
Crescent	580	470	550	550	570	-2%	4%
Noida Power	5,730	7,550	8,020	6,150	6,050	6%	-2%
Rajasthan DF	3,790	6,490	6,320	4,370	4,000	6%	-8%
Malrgaon DF	1,440	2,270	2,430	1,910	1,760	22%	-8%
(-) Elimination	(5,290)	(5,540)	(7,530)	(6,680)	(5,730)	8%	-14%
Total Revenues	**39,590**	**55,520**	**48,190**	**38,610**	**40,170**	**1%**	**4%**
Standalone	2,050	1,920	2,180	1,720	2,180	6%	27%
Haldia	770	840	740	560	700	-9%	25%
Dhariwal	940	1,120	810	510	690	-27%	35%
Crescent	240	110	160	150	60	-75%	-60%
Noida Power	310	370	530	440	360	16%	-18%
Rajasthan DF	(20)	60	10	30	88	-540%	193%
Malegaon DF	(70)	(420)	(430)	(380)	(260)	271%	-32%
(-) Elimination	(70)	(120)	(270)	(210)	32	-146%	-115%
Total Profits	**4,150**	**3,880**	**3,730**	**2,820**	**3,850**	**-7%**	**37%**

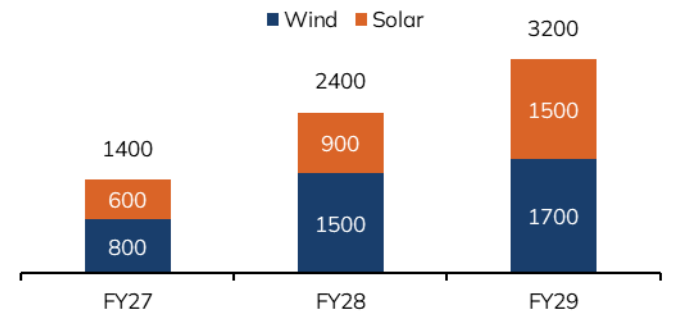
Source: I-Sec research, Company data

Exhibit 7: Consolidated financials by key subsidiaries (yearly)

(INR mn)	FY21	FY22	FY23	FY24	FY25	YoY (%)
Standalone	73,780	80,100	87,600	1,01,020	1,07,190	45%
Haldia	21,920	22,510	19,870	20,000	21,140	-4%
Dhariwal	15,040	16,540	19,180	19,330	20,180	34%
Crescent	2,540	2,370	1,770	2,080	2,140	-16%
Noida Power	17,200	20,550	23,250	24,780	27,770	61%
Rajasthan DF	14,940	15,890	18,540	19,360	21,190	42%
Malrgaon DF	4,510	4,940	6,080	6,870	2,540	-44%
(-) Elimination	(29,300)	(30,060)	(21,070)	(22,940)	(19,660)	-33%
Total Revenues	**1,20,630**	**1,32,840**	**1,55,220**	**1,70,500**	**1,82,490**	**51%**
Standalone	8,140	8,140	8,300	7,750	8,000	-2%
Haldia	3,610	3,330	2,610	2,540	2,840	-21%
Dhariwal	1,060	1,370	2,440	2,830	3,130	195%
Crescent	220	210	330	800	490	123%
Noida Power	1,010	1,500	1,610	1,690	1,710	69%
Rajasthan DF	(150)	(300)	(250)	130	190	-227%
Malegaon DF	(230)	(570)	(770)	(950)	(1,490)	548%
(-) Elimination	(30)	350	(310)	(320)	(590)	1867%
Total Profits	**13,630**	**14,030**	**13,960**	**14,470**	**14,280**	**5%**

Source: I-Sec research, Company data

Exhibit 8: RE ramp-up



Source: Bloomberg, I-Sec research

Exhibit 9: RE pipeline of 1.2GW

Project	Type	Capacity (MW)	Location	Off-taker	COD
Project 1	Solar	300	Rajasthan	CESC	Q4FY26
Project 2	Solar	150	Madhya Pradesh	CESC	Q3FY27
	Wind	300			
Project 3	Solar	150	Rajasthan	NPCL	Q4FY27
	Wind	300	Andhra Pradesh		

Source: Bloomberg, I-Sec research

Exhibit 10: Chandigarh DISCOM to contribute significantly

(INR mn)	FY25E	FY26E	FY27E
Units sold (MU)	211	1,456	1,674
Sales	**1,270**	**8,051**	**9,259**
Power purchase cost	992	5,714	6,571
O&M cost	248	1,533	1,579
EBITDA	**30**	**805**	**1,109**
Other income	64	282	287
Depreciation	52	229	252
EBIT	**42**	**858**	**1,145**
Interest	35	523	601
PBT	**7**	**335**	**544**
Tax	2	84	136
PAT	**5**	**251**	**408**

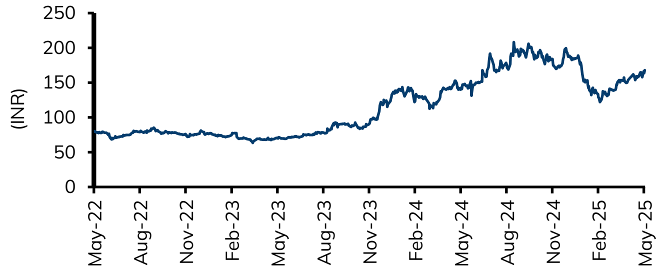
Source: I-Sec research, Company data, FY25E Units sold, revenues, EBITDA and PAT are actuals from the date pf acquisition (1 Feb'25)

Exhibit 11: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	52.1	52.1	52.1
Institutional investors	36.0	36.1	36.1
MFs and others	17.3	17.6	17.5
FIs/Banks	0.0	0.0	0.0
Insurance	5.4	6.1	7.6
FIIs	13.3	12.4	11.0
Others	11.9	11.8	11.8

Source: Bloomberg, I-Sec research

Exhibit 12: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 13: Profit & Loss

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Net Sales	**1,70,500**	**1,82,490**	**1,96,483**	**2,12,856**
Operating Expenses	12,130	12,210	13,431	14,774
EBITDA	**38,830**	**39,370**	**43,891**	**50,067**
EBITDA Margin (%)	22.8	21.6	22.3	23.5
Depreciation & Amortization	12,170	12,050	12,748	15,356
EBIT	26,660	27,320	31,142	34,711
Interest expenditure	12,340	13,240	13,666	16,367
Other Non-operating Income	2,510	3,740	4,026	4,031
Recurring PBT	**16,830**	**17,820**	**21,502**	**22,376**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,361	3,540	5,209	4,942
PAT	14,469	14,280	16,292	17,434
Less: Minority Interest	(710)	(590)	(498)	(438)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**13,759**	**13,690**	**15,795**	**16,996**
Net Income (Adjusted)	**13,759**	**13,690**	**15,795**	**16,996**

Source Company data, I-Sec research

Exhibit 14: Balance sheet

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	1,46,661	1,77,260	1,74,575	1,89,053
of which cash & cash eqv.	27,110	40,420	29,194	32,120
Total Current Liabilities & Provisions	34,220	37,400	31,766	27,784
Net Current Assets	**1,12,441**	**1,39,860**	**1,42,809**	**1,61,268**
Investments	569	590	589	589
Net Fixed Assets	2,21,310	2,27,670	2,43,769	2,88,233
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,740	4,270	21,487	36,737
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax Assets	-	-	-	-
Total Assets	**3,36,060**	**3,72,390**	**4,08,654**	**4,86,827**
Liabilities				
Borrowings	**1,43,630**	**1,77,190**	**2,01,527**	**2,67,732**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	-	-	-
other Liabilities	72,580	69,180	72,639	76,271
Equity Share Capital	1,330	1,330	1,330	1,330
Reserves & Surplus	1,13,120	1,18,760	1,27,228	1,35,564
Total Net Worth	**1,14,450**	**1,20,090**	**1,28,558**	**1,36,894**
Minority Interest	5,400	5,930	5,930	5,930
Total Liabilities	**3,36,060**	**3,72,390**	**4,08,654**	**4,86,827**

Source Company data, I-Sec research

Exhibit 15: Cashflow statement

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**24,428**	**22,061**	**31,990**	**37,256**
Working Capital Changes	(14,551)	(17,509)	(10,717)	(11,901)
Capital Commitments	(5,557)	(20,940)	(46,064)	(75,071)
Free Cashflow	**29,985**	**43,001**	**78,054**	**1,12,326**
Other investing cashflow	**-**	**-**	**-**	**-**
Cashflow from Investing Activities	(5,557)	(20,940)	(46,064)	(75,071)
Issue of Share Capital	(2)	-	-	-
Interest Cost	(12,340)	(13,240)	(13,666)	(16,367)
Inc (Dec) in Borrowings	3,006	33,560	24,337	66,205
Dividend paid	(5,995)	(5,995)	(7,327)	(8,659)
Others	(2,312)	(2,136)	(497)	(438)
Cash flow from Financing Activities	(17,644)	12,189	2,847	40,741
Chg. in Cash & Bank balance	**1,227**	**13,310**	**(11,226)**	**2,926**
Closing cash & balance	27,110	40,420	29,194	32,120

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	10.9	10.7	12.2	13.1
Adjusted EPS (Diluted)	10.3	10.3	11.9	12.8
Cash EPS	19.5	19.3	21.4	24.3
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	85.9	90.1	96.5	102.8
Dividend Payout (%)	0.0	0.0	0.0	0.0
Growth (%)				
Net Sales	9.8	7.0	7.7	8.3
EBITDA	13.4	1.4	11.5	14.1
EPS (INR)	3.5	(1.3)	14.1	7.0
Valuation Ratios (x)				
P/E	15.0	15.2	13.3	12.5
P/CEPS	8.4	8.4	7.6	6.7
P/BV	1.9	1.8	1.7	1.6
EV / EBITDA	8.6	9.0	8.9	9.0
P / Sales	1.3	1.2	1.1	1.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	29.9	28.3	29.2	30.5
EBITDA Margins (%)	22.8	21.6	22.3	23.5
Effective Tax Rate (%)	14.0	19.9	24.2	22.1
Net Profit Margins (%)	8.5	7.8	8.3	8.2
NWC / Total Assets (%)	25.4	26.7	27.8	26.5
Net Debt / Equity (x)	1.0	1.1	1.3	1.7
Net Debt / EBITDA (x)	3.0	3.5	3.9	4.7
Profitability Ratios				
RoCE (%)	9.7	8.8	8.3	8.1
RoE (%)	12.4	11.6	12.5	12.6
RoIC (%)	9.7	8.8	8.3	8.1
Fixed Asset Turnover (x)	0.8	0.8	0.8	0.8
Inventory Turnover Days	20	15	55	54
Receivables Days	51	50	53	54
Payables Days	29	33	29	29

Source Company data, I-Sec research

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