Stock Update

Result Update

MIRAE ASSET Sharekhan

CESC Ltd

Decent Q1; Renewable energy addition to drive growth

Power	Sharekhan code: CESC
Reco/View: Buy ⇔	CMP: **Rs. 162**
	Price Target: **Rs. 195** ⇔

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

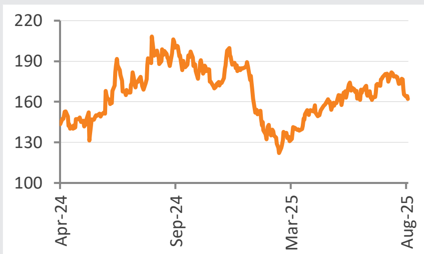
Company details

Market cap:	Rs. 21,474 cr
52-week high/low:	Rs. 213 / 119
NSE volume: (No of shares)	41.0 lakh
BSE code:	500084
NSE code:	CESC
Free float: (No of shares)	63.5 cr

Shareholding (%)

Promoters	52.1
FII	10.9
DII	25.4
Others	11.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-9.3	-0.5	16.2	-5.0
Relative to Sensex	-5.8	-0.4	13.2	-7.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- CESC's consolidated PAT of Rs. 387 crore was up 2.4% y-o-y, helped by increase in Noida profits but compensated by the rise in Malegaon losses.
- Standalone PAT rose 9.9% y-o-y to Rs. 211 crore because of a lower tax rate.
- Aggressive RE growth strategy with a plan of 3.2GW (capex of ~Rs. 12-13k cr) in the next 4-5 years will drive growth. Also, the company has signed a PPA for 225 MW capacity of Chandrapur at attractive rates.
- We retain Buy on CESC with an unchanged PT of Rs. 195 on a SOTP basis. Renewable energy capex would drive the growth and turnaround of the distribution business would further aid the earnings.

CESC's Q1FY26 consolidated revenue/operating profit/profit grew by -2.2%/ 3.1%/ 2.2% y-o-y to Rs. 5,430/ 1,092 / 387 crore. The earnings were aided by the standalone and Noida profits and dragged down by the losses in Malegaon DF. Key subsidiaries performed as follows – 1) Standalone PAT was up 9.9% y-o-y to Rs. 211 crore because of a lower tax rate and higher other income 2) Haldia Energy PAT was almost flat y-o-y at Rs. 83 crore 3) Dhariwal Infrastructure posted a slight 3.6% y-o-y PAT growth to Rs. 116 crore 4) Crescent Power profit of Rs. 11 crore was also flat y-o-y 5) Noida distribution business profit of Rs. 50 crore rose 35.1% y-o-y 5) Malegaon losses rose to Rs. 44 crore from a loss of Rs. 42 crore last year 6) The other DFs had a slight PAT increase.

Key positives

- Chandrapur has started supplying power to Adani Electricity, Mumbai; Tata Power, Mumbai and to NPCL from the current quarter pursuant to signing of medium term PPAs.

Key negatives

- Standalone generation was down 3% y-o-y.
- Malegaon DF's losses increased y-o-y.

Management Commentary

- Company is going to setup 3.2GW of renewable capacities by FY29 in Phase 1– 1.5GW solar and 1.7GW wind. Phase 2 will take the total capacity to 10GW.
- Currently, 1.2GW capacity is already under implementation and it will get commissioned by FY27 and would be able to generate an annual revenue of Rs. 1,200 crore.
- Company has submitted for connectivity of 7.3 GW, with 3.8 GW already approved for high-wind and solar states including Gujarat, Madhya Pradesh, Rajasthan, Andhra Pradesh, and Karnataka.
- Malegaon DF has initiated an aggressive vigilance & disconnection drive aimed at reducing T&D loss and increasing collection efficiency.

Our Call

Valuation - Maintain Buy with an unchanged SoTP-based PT of Rs. 195: CESC will be benefited because of the signing of Chandrapur PPA (225 MW), renewable energy capacity addition and turnaround of the power distribution businesses. Renewable energy capacity of 1.2 GW/ 3.2 GW is to be commissioned by FY27/29 respectively. The 1.2 GW capacity can generate an annual revenue of Rs. 1,200 crore. Company had also implemented a 5.7% tariff hike in the Kolkata discom for recovery of fuel and power purchase adjustment surcharge which will aid the cash flow. Hence, we maintain Buy on CESC with an unchanged SoTP-based PT of Rs. 195.

Key Risks

- Delay in addition of renewable energy capacity.
- Sustained losses in DF for an extended period.

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	7,973	8,606	9,584	10,553	11,153
OPM (%)	14.8	8.9	13.6	14.4	14.6
PAT	830	775	800	978	1,070
% y-o-y growth	1.7	(6.6)	3.2	22.2	9.4
EPS (Rs.)	6.3	5.8	6.0	7.4	8.1
P/E (x)	25.9	27.7	26.8	22.0	20.1
P/B (x)	2.2	2.2	2.2	2.1	2.0
EV/EBITDA (x)	24.7	39.1	22.8	19.6	18.2
RoCE (%)	6.9	6.7	7.6	8.1	8.4
RoE (%)	8.3	7.8	8.1	9.7	10.3

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated) Rs cr

Particulars	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)
Revenue	**5,430**	**5,552**	**-2.2%**	**4,017**	**35.2%**
Expenses	4,338	4,492	-3.4%	3,065	41.5%
Operating profit	**1092**	**1060**	**3.0%**	**952**	**14.7%**
Other income	83	55	50.9%	153	-45.8%
Depreciation	304	301	1.0%	304	0.0%
Interest	363	322	12.7%	335	8.4%
PBT	**508**	**492**	**3.3%**	**466**	**9.0%**
Tax	104	104	0.0%	81	28.4%
PAT	**404**	**388**	**4.1%**	**385**	**4.9%**
Minority interest	17	10	70.0%	12	41.7%
PAT post MI	**387**	**378**	**2.4%**	**373**	**3.8%**
EPS	2.9	2.9	2.4%	2.8	3.8%
Margin (%)			**bps**		**bps**
OPM	20.1	19.1	102	23.7	-359
NPM	7.1	6.8	32	9.3	-216
Tax rate	20.5	21.1	-67	17.4	309

Source: Company; Mirae Asset Sharekhan Research

Financial performance of key subsidiaries Rs cr

Particulars	Revenue			PAT		
	Q1FY26	Q1FY25	Y-o-Y (%)	Q1FY26	Q1FY25	Y-o-Y (%)
CESC Standalone	2906	2881	0.9	211	192	9.9
Chandigarh Power	212			1.2		
Haldia Energy	536	481	11.4	83	84	-1.2
Dhariwal Infrastructure	589	526	12.0	116	112	3.6
Crescent Power	54	47	14.9	11	11	0.0
Noida Power	776	755	2.8	50	37	35.1
Kota/Bharatpur/Bikaner	646	649	-0.5	8	5	60.0
Malegaon	167	165	1.2	-44	-42	-

Source: Company; Mirae Asset Sharekhan Research

Generation business – operational performance

	Capacity (MW)	Q1 FY26		Q1 FY25		FY25		FY24	
		Sent Out Units (MU)	PLF %	Sent Out Units (MU)	PLF %	Sent Out Units (MU)	PLF %	Sent Out Units (MU)	PLF %
Budge Budge Generating Station	**750**	1,278	85%	1,363	90%	5,060	84%	5,296	87%
Southern Generating Station	**135**	78	29%	217	81%	399	37%	582	54%
Haldia Energy	**600**	1,181	97%	942	78%	4,441	91%	4,221	87%
Dhariwal Infrastructure	**600**	1,064	87%	1,141	94%	4,301	87%	4,112	84%
Crescent Power	**40**	63	82%	60	77%	300	94%	299	96%
Solar (TN)	**18**	7	21%	7	22%	25	20%	26	21%

Source: Company; Mirae Asset Sharekhan Research

Distribution business – operational performance

	Q1 FY26			Q1 FY25			FY25			FY24		
	Sales (MU)	T&D Loss %	Revenue (Rs Cr.)	Sales (MU)	T&D Loss %	Revenue (Rs Cr.)	Sales (MU)	T&D Loss %	Revenue (Rs Cr.)	Sales (MU)	T&D Loss %	Revenue (Rs Cr.)
CESC Kolkata	3,440	-	2,906	3,547	-	2,881	11,857*	6.5%	9,765	11,149*	6.9%	8,729
Noida Power	1063	9.71%	776	1,012	9.49%	755	3,598	7.5%	2,777	3,136	7.5%	2,478
Chandigarh Power #	374	11.99%	1.2	-	-	-	221	12.5%	127	-	-	-
Kota DF	399	13.8%	328	421	14.5%	344	1290	14.28%	1077	1329	14.3%	1,021
Bharatpur DF	100	10.8%	80	99	10.9%	78	314	9.74%	254	295	10.2%	228
Bikaner DF	270	11.9%	238	257	12.1%	227	860	11.96%	788	775	12.5%	687
Malegaon DF	201	40.8%	167	190	42.7%	165	836	39.7%	718	830	39.1%	670

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View - Power demand to rise and renewable capacity mix to increase

India's power demand is growing more than the GDP growth rate and is expected to clock strong growth in the coming years. The sector is experiencing a fundamental shift towards clean energy, driven by the national target of 500 GW renewable capacity by 2030. The sector sees major opportunities in distribution reforms through RDSS scheme and grid modernization initiatives like smart metering. While thermal power faces challenges from coal costs and environmental regulations, it remains essential for base load. Distribution privatization, renewable energy adoption, and supportive policies create a favorable growth environment. The industry's future hinges on balancing conventional power with renewables while integrating new technologies for grid stability.

■ Company Outlook – Improvement in power demand and turnaround of subsidiaries to improve consolidated earnings

Growth in standalone business with the signing of the Chandrapur PPA, lower losses at distribution franchisees led by lower T&D losses, renewable capacity addition and turnaround of Rajasthan/Malegaon DF are expected to improve the consolidated earnings of CESC over FY2025-FY2027E.

■ Valuation - Maintain Buy with an unchanged SoTP-based PT of Rs. 195

CESC will be benefited because of the signing of Chandrapur PPA (225 MW), renewable energy capacity addition and turnaround of the power distribution businesses. Renewable energy capacity of 1.2 GW/ 3.2 GW is to be commissioned by FY27/29 respectively. The 1.2 GW capacity can generate an annual revenue of Rs. 1,200 crore. Company had also implemented a 5.7% tariff hike in the Kolkata discom for recovery of fuel and power purchase adjustment surcharge which will aid the cash flow. Hence, we maintain Buy on CESC with an unchanged SoTP-based PT of Rs. 195.

About company

CESC started operations in 1899. The company is a fully integrated power utility company. The company is the sole electricity distributor within 567 sq. km of Kolkata and Howrah and serves 3.6 million consumers (including domestic, industrial, and commercial users). The company owns and operates three thermal power plants with a generation capacity of 1,485 MW for its Kolkata distribution business. Additionally, CESC has independent power plants of Chandrapur (600 MW) and Crescent Power (40 MW). CESC has a distribution license within 335 sq. km of Noida and serves 1.87 lakh consumers. The company has distribution franchisees in three cities of Rajasthan (Kota, Bikaner, and Bharatpur) and one city in Maharashtra (Malegaon). Also, the company recently acquired 100% stake in Chandigarh Power Distribution Ltd. (CPDL). It is the sole distributor of electricity in Chandigarh.

Investment theme

Growth in standalone business with the signing of the Chandrapur PPA, lower losses at distribution franchisees led by lower T&D losses, renewable capacity addition and turnaround of Rajasthan/Malegaon DF are expected to improve the consolidated earnings of CESC over FY2025-FY2027E.

Key Risks

- Delay in addition of renewable energy capacity.
- Sustained losses in DF for an extended period.

Additional Data

Key management personnel

Name	Designation
Sanjiv Goenka	Chairman
Rajarshi Banerjee	Chief Financial Officer
Brajesh Singh	Managing Director – Generation
Vineet Sikka	Managing Director – Distribution

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds Management Ltd	6.59
2	Life Insurance Corp of India	6.52
3	Nippon Life India Asset Management	2.74
4	Quest Capital Markets Ltd	2.19
5	Sprott Resource Lending Corp	2.19
6	Vanguard Group Inc/The	1.92
7	STEL Holdings Ltd	1.88
8	ICICI Prudential Asset Management	1.82
9	HDFC Asset Management Co Ltd	1.78
10	Franklin Resources Inc	1.76

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.