

July 12, 2013

CESC LTD.

BSE Code: 500084 NSE Code: CESC Reuters Code: CESC.NS Bloomberg Code: CESC:IN

CESC, a fully integrated power utility with its operation covering the entire value chain: right from mining coal, generating power, distribution of power. It serves 2.4 million customers within 567 square kilometers of Kolkata and Howrah. It is also engaged in the organized retail and infrastructure sectors. It operates in five sectors: power and natural resources, carbon black, retail, media and entertainment, and infrastructure. It operates four generating stations: Budge Budge, Southern, Titagarh, and New Cossipore.

Investor's Rationale

Topline grew 9.7% YoY on higher unit realization— CESC registered a 9.7% YoY growth in its topline at ₹14.92bn in Q4FY'13 against ₹13.60bn on standalone basis primarily on the account of higher unit realization (on 9 paise hike in tariff to ₹6.18), despite of decline in electric production by 10.2% YoY.

EBITDA margin expanded 15bps on lower fuel cost— The EBITDA of the company increased by 9.3% YoY at ₹4.57bn mainly due to decline in fuel cost (as a % of sale) by 130bps YoY at 4.37% due to lower YoY generation. However, it was offset by a 76% YoY increase in power purchase cost. Thus, OPM expanded by 15bps YoY at 30.2% against 30.1%.

Flat growth in bottom-line on lower other income, higher interest & depreciation cost — CESC has recorded a flat growth in net profit by 0.4% YoY at ₹2.56bn against ₹1.01bn primarily on the account of lower other income (38.5% YoY at ₹0.24bn against ₹0.39bn) and higher interest cost (30.8% YoY at ₹0.85bn against ₹0.65bn) despite of 9.7% YoY growth in topline. Further, higher depreciation cost (5.6% YoY at ₹0.8bn against ₹0.7bn) also pulled the bottom-line figures. Thus, NPM contracted by 118bps YoY at 16.7% against 17.8%.

Projects in queue — CESC's Chandrapur project is likely to get commissioned by Q2FY14. Further, Haldia's first unit is expected to get commissioned by September 2015. Chandrapur, however, is yet to sign a PPA. The project is likely to operate on a merchant basis, possessing relatively higher risk compared to Haldia, which has a PPA with the company's distribution arm. However Chandrapur project is expected to secure FSA (against LoA of 2.7MT) from Coal India by entering into a medium term PPA.

Market Data

Rating	BUY
CMP (₹)	355.5
Target Price	391
Stop Loss	337
Duration	Short-term
52-week High-Low (₹)	367/252
Rise from 52WL (%)	41.0
Correction from 52WH (%)	3.1
Beta	1.3
1 year Average Volume (mn)	0.4
	3M-
Stock Return (%)	20.9
	6M-
	(6.7)
	1Y-
	71.3
Market Cap (₹bn)	54.7
Book Value (₹)	102.7

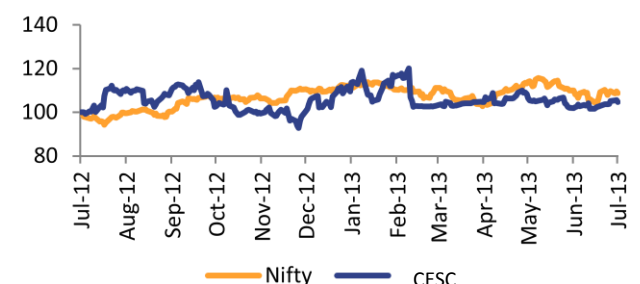
Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	52.48	52.48	-
FII (%)	18	15.18	2.82
DII (%)	17.58	18.45	(0.87)
Public & Others (%)	11.94	13.89	(1.95)

Quarterly Performance (Standalone)

(₹Mn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Sales	14.92	13.60	10.22	9.7	46.0
Op. exp	10.56	9.73	7.74	8.5	36.4
EBITDA	4.57	4.18	2.66	9.3	71.8
OPM (%)	30.2	30.1	25.6	15bps	462bps
Net profit	2.56	2.55	1.01	0.4	153.5
NPM (%)	16.7	17.8	9.5	(118bps)	716bps
EPS (₹)	20.49	20.41	8.14	0.4	151.7

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

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