

Price: 158

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 03-Apr-2025

CESC Limited is advancing its renewable energy portfolio, focusing on 3,200 MW of wind and solar projects across several Indian states. Aiming for 10 GW capacity under Purvah Green Power, it has secured 5.8 GW connectivity. The company is optimizing power procurement and leveraging Industry 4.0 technologies to enhance efficiency. With India's growing power demand, CESC plans to cut carbon emissions by 1 billion tons by 2030, while expanding data center capacity and EV demand.

Sales		Profit & Loss		Profitability Matrix	
Current Year	9251 Cr	Operating Profit(Year)	878 Cr	Operating Profit Margin	9.49 %
Previous Year	7973 Cr	Operating Profit(Quarter)	262 Cr	EBITDA Margin	26.75 %
Current Quarter	1938 Cr	PAT (Year)	758 Cr	Net Profit Margin	8.80 %
Previous Quarter	2639 Cr	PAT (Quarter)	172 Cr	EPS	5.94
Revenue (QYoY)	1819 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	26.6	Sales Growth	9.52 %	Sales Growth	-26.56 %
PEG Ratio	-7.44	PAT Growth	-4.77 %	Sales Growth QYoY	6.54 %
EV/EBITDA	12.1	EPS Growth	1.54 %	PAT Growth	-21.1 %
P/B	2.08	Dividend Yield	2.87	PAT Growth QYoY	1.18 %
Capital Allocation		Holdings		Leverage	
RoE	7.63 %	Promoter	52.1 %	Debt/Equity	1.07
RoA	2.68 %	FII	12.4 %	Debt	10950 Cr
RoCE	9.27 %	DII	23.8 %	Market Cap	20904 Cr
RoIC	10.8 %	Public	11.8 %	Enterprise value	30450 Cr
		No of Shares	133 Cr	Cash Equivalents	1404 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

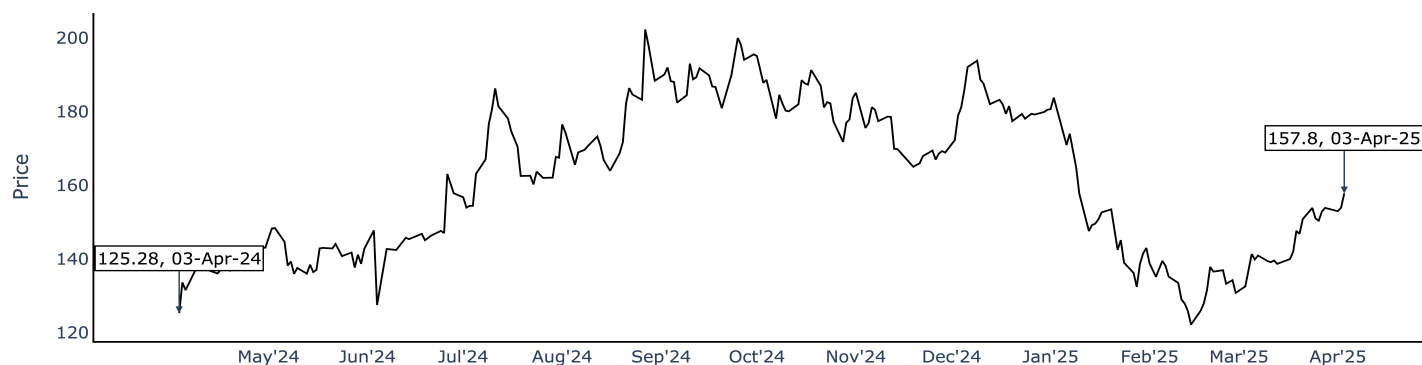
In the recent meeting, CESC Limited outlined several new initiatives and business strategies aimed at enhancing its renewable energy portfolio and operational efficiency. The company is actively pursuing the development of 3,200 MW of renewable energy projects, with a focus on wind and solar power across states like Gujarat, Madhya Pradesh, Karnataka, Andhra Pradesh, and Rajasthan. This initiative is part of a broader strategy to achieve a total renewable capacity of 10 GW under Purvah Green Power Private Limited. The company has secured connectivity for 5.8 GW across high wind and solar states, positioning itself to participate in various bid formats invited by Renewable Energy Implementing Agencies. "Our platform is ready for participation in various bid formats invited by Renewable Energy Implementing Agencies (REIA)/discoms-Solar/Wind/Hybrid/ Firm and dispatchable renewable energy (FDRE)/ Battery etc."

CESC is also focusing on optimizing power procurement costs and improving export revenue through the implementation of advanced tools like the annual power-mix optimizer and demand forecasting systems. These tools are designed to enhance the company's ability to manage its power mix efficiently and forecast demand accurately. The company is leveraging Industry 4.0 technologies, including IoT sensors, AI/ML, and big data, to streamline operations and improve customer experience. "Leveraging Industry 4.0 technologies to enhance efficiency, streamline processes and improve customer experience" is a key focus area, with initiatives like real-time monitoring and automated social media response being implemented.

Looking ahead, CESC is poised for significant growth, driven by India's increasing power demand and the company's strategic investments in renewable energy. The company aims to reduce carbon emissions by 1 billion tons and the carbon intensity of GDP by 45% by 2030. With a strong GDP forecast of over 7% in the medium term, CESC is well-positioned to capitalize on the growing demand for clean energy. The company's data center capacity is expected to grow from 1 GW to 11 GW in the next decade, and electric vehicle-related demand is projected to increase tenfold by FY30. "Growing Power Demand in India" and "India's Green Energy Transition" are central themes in CESC's future growth narrative.

While the company's initiatives are promising, there are areas for improvement. Enhancing the diversity of the workforce, which currently stands at 7.8% women, and further reducing transmission and distribution losses, which are among the best in the country but still present opportunities for improvement, could bolster CESC's operational efficiency. Additionally, maintaining high collection efficiency and continuing to invest in digitalization and infrastructure upgrades will be crucial for sustaining growth. The company's commitment to ESG principles, with achievements like zero fatalities at the workplace and significant CSR impacts, underscores its dedication to sustainable and responsible growth.

CESC Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
JSW Energy	92273.42	49.10	8.40%	-24.67%	-4.09%	-81.55%	-31.94%
NTPC	347964.85	15.88	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	278227.60	17.93	19.00%	-0.40%	-2.74%	1.81%	-4.14%
CESC	20904.25	26.62	7.63%	-26.56%	6.54%	-21.10%	1.18%
Adani Power	203877.77	15.81	57.06%	2.49%	5.23%	-10.84%	7.38%

Aspect	Commentary
Revenue	The company shows a solid revenue increase from the previous year, indicating strong sales performance. However, the quarter-on-quarter decline suggests potential seasonal fluctuations or market challenges. The year-over-year growth remains positive, reflecting overall business expansion and market demand resilience.
Profit & Loss	Operating profit and PAT figures highlight a profitable year, though quarterly results show a decline, possibly due to increased costs or reduced sales. The annual profit margins suggest efficient cost management, but the quarterly dip indicates areas for operational improvement to stabilize earnings.
Profitability Matrix	The company maintains healthy profitability margins, with a strong EBITDA margin indicating effective cost control. The net profit margin reflects solid bottom-line performance, while the EPS suggests shareholder value creation. These metrics underscore the company's financial health and operational efficiency.
Valuation Matrix	The valuation metrics reveal a moderate P/E ratio, suggesting market confidence in future earnings. The negative PEG ratio indicates potential growth concerns, while the EV/EBITDA and P/B ratios reflect reasonable valuation levels. These figures suggest a balanced market perception of the company's value.
Growth (YoY)	Year-over-year growth metrics show positive sales growth, though PAT growth is negative, indicating profit challenges despite revenue gains. The slight EPS growth suggests limited earnings improvement. Dividend yield remains attractive, providing shareholder returns amidst mixed growth signals.
Growth (QoQ)	Quarter-on-quarter growth metrics reveal a decline in sales and PAT, indicating short-term challenges. However, the positive QYoY growth suggests resilience over a longer period. These figures highlight the need for strategies to address quarterly volatility and sustain growth momentum.
Capital Allocation	The company demonstrates effective capital allocation with solid RoE, RoA, and RoCE figures, indicating efficient use of resources. The RoIC suggests strong investment returns, supporting long-term value creation. These metrics reflect prudent financial management and strategic capital deployment.
Holdings	The ownership structure shows a strong promoter holding, indicating confidence in the company's prospects. Institutional holdings suggest market trust, while public shareholding provides liquidity. The number of shares indicates a broad investor base, supporting market stability and investor interest.
Leverage	The leverage metrics indicate a moderate debt level with a manageable debt-to-equity ratio, suggesting financial stability. The market cap and enterprise value reflect the company's market position, while cash equivalents provide liquidity. These figures highlight a balanced approach to leveraging growth opportunities.

Analyst viewpoint: CESC Limited stands as a formidable player in the utilities sector, displaying robust growth prospects from a short to mid-term perspective. The company's strategic emphasis on expanding its renewable energy portfolio, notably with its ambitious 3,200 MW wind and solar projects, solidifies its commitment to sustainability and growth. This strategy aligns with India's escalating demand for clean energy and the projected GDP growth exceeding 7%, presenting CESC as a well-positioned entity to capitalize on these dynamics. Our bullish stance is further reinforced by the company's effective capital allocation metrics, evidenced by a commendable RoE of 7.63% and a well-managed debt-to-equity ratio of 1.07. Despite a short-term decline in sales and profits QoQ, the positive QYoY growth and robust annual figures suggest resilient market demand and strategic resilience.

The competitive landscape shows CESC effectively competing with peers like NTPC and Adani Power, maintaining a healthy net margin and EBITDA indicative of operational efficiency. The recent concall highlights the deployment of Industry 4.0 technologies to enhance operational processes, underpinning future growth. However, a risk that demands attention is the quarter's declining profitability, which warrants strategic adjustments to address ongoing market fluctuations. By bolstering efforts in technological advancements and operational efficiency, CESC aims to uphold its market position and grow investor confidence.

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