

CESC (CESC)

Steady going, demerger to unlock value...

- CESC reported better-than-expected operating results, which were above our estimates on all accounts. Revenues were at ₹ 2184 crore down 15.7% (I-direct estimate: ₹ 1886.5 crore). Energy sold grew 3% YoY to 285 crore units whereas standalone generation was better than estimates with a decline of 9.2% YoY at 173 crore units
- During Q3FY17, Haldia TPP operated at a PLF of 85% and supplied 102.9 crore units to CESC licensed area. During the quarter, Chandrapur TPP operated at a PLF of 54% and supplied 65 crore units to Tangedco, NPCL and open market
- CESC reported EBITDA of ₹ 607 crore vs. our expectation of profit of ₹ 438.7 crore. The key reason for the beat was lower-than-expected fuel and employee costs in Q1FY18. Reported PAT came in at ₹ 178 crore, which was in line with our estimate on account of regulatory expenses charged vs. regulatory income earned in Q1FY17

Standalone variation better, Chandrapur PPA key monitorable

CESC, with an installed capacity of only 2,325 MW and a distribution license across Kolkata and Howrah, has been extremely slow in its capacity addition over the years (1897–2015). This, however, shielded the company from various sectoral woes like fuel supply constraints, delayed project clearances, cost overruns, etc, that impacted the earnings and balance sheet of many aggressive players who planned to increase their capacity manifold. While many private players struggled with a high D/E of over 3-4x, CESC's D/E remained below 2x over the years as its base business operates on a regulated business model (15.5% RoE) and provides stable cash flow of ~₹ 500 crore per annum.

Four verticals to list separate post demerger

CESC in Q4FY17 announced the demerger of its business across a) power generation, b) power distribution c) Spencer's (retail) and d) CESC ventures (First source, Property, FMCG). The listing of various entities will happen post October 2017. Existing shareholders will be entitled to one share of each business demerged for one share held in the pre demerger entity. This would lead to elimination of holding company discount and allow discovery of true worth of all the businesses, which we believe is higher than combined market cap of CESC.

Spencer's post demerger to be debt free, growth conducive

Though sales were muted in Q1FY18, store level profitability for the business was maintained as it reported store EBITDA of ₹ 94/sqft. Going ahead, with the transfer of debt to power business, Spencer's will have far enough leeway to scale up its area in a profitable business. We expect sales for FY18E and FY19E at ₹ 2448 crore and ₹ 2574 crore, respectively.

Demerger to unlock value; upgrade to BUY

We believe the ensuing demerger will unlock value for shareholders in the medium to long term as all the four business will get their fair share of valuation. We expect the retail business to get re-rated on the back of improved operational performance and improvement of balance sheet (zero leverage post demerger). On the other hand, cash flows of the power business will be further used to scale up that business given until now retail business was a drag on the formers cash flow. Hence, we upgrade the stock to **BUY** with a revised fair value of ₹ 1100/share.

Rating matrix		
Rating	:	Buy
Target	:	₹ 1100
Target Period	:	12 months
Potential Upside	:	19%

What's Changed?	
Target	Changed from ₹ 900 to ₹ 1100
EPS FY18E	Unchanged
EPS FY19E	Introduced at ₹87
Rating	Changed from Hold to Buy

Quarterly Performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	2184	1888	16	1572	39
EBITDA	607	387	57	204	198
EBITDA (%)	27.8	20.5	730 bps	13.0	1482 bps
PAT	178	174	2	295	(40)

Key Financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	11,899	12,522	13,304	13,810
EBITDA	2,848	2,550	2,823	2,946
Net Profit	367	600	834	909
EPS (₹)	37	56	81	87

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	33.6	20.5	13.4	12.3
Target P/E	24.1	16.0	11.1	10.3
EV / EBITDA	7.5	8.2	6.6	5.8
P/BV	2.2	2.0	1.6	1.4
RoNW (%)	5.7	8.4	10.4	10.1
RoCE (%)	12.8	12.1	13.6	14.1

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	12275
Total Debt (FY17) (₹ Crore)	10185
Cash and Investments (₹ Crore)	1210
EV (₹ Crore)	21250
52 week H/L (₹)	1037 / 412
Equity capital (₹ Crore)	133.22
Face value	₹ 10

Price performance (%)				
	1M	3M	6M	12M
CESC	(11.5)	(16.9)	(26.0)	(35.0)
NTPC	(10.6)	(5.1)	(4.9)	(9.0)
Tata Power	(13.8)	(12.9)	(14.4)	(27.2)

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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Energy sales net	2,184.0	1,886.5	1,888.0	15.7	1,572.0	38.9	CESC's own generation was down 9.2% YoY, better than our estimate of 21% YoY decline. Realisations were in line with estimates
Fuel	390.0	339.6	442.0	(11.8)	294.0	32.7	Lower-than-expected fuel cost led to EBITDA beat
Power purchase cost	777.0	714.0	684.0	13.6	575.0	35.1	The demand for the license area was fulfilled by purchasing power from 600 MW Haldia project and also from external sources, thus leading to a rise in power purchase cost during the quarter
Employee expense	211.0	198.1	193.0	9.3	194.0	8.8	
Other cost	199.0	196.2	182.0	9.3	305.0	(34.8)	
Total expenses	1,577.0	1,447.8	1,501.0	5.1	1,368.0	15.3	
EBITDA	607.0	438.7	387.0	56.8	204.0	197.5	Higher energy sold, better realisations led to EBITDA beat
EBITDA Margin (%)	27.8	23.3	20.5	730 bps	13.0	1482 bps	
Depreciation	105.0	116.0	96.0	9.4	116.0	(9.5)	
Interest	121.0	109.0	115.0	5.2	109.0	11.0	
Other Income	-154.0	50.0	50.0	(408.0)	400.0	(138.5)	
PBT	227.0	263.7	226.0	0.4	379.0	(40.1)	
Extraordinary expenses	0.0	0.0	0.0	0.0	0.0	0.0	
Extraordinary Income	0.0	1.0	0.0	0.0	0.0	0.0	
Total Tax	49.0	84.0	52.0	(5.8)	84.0	(41.7)	
PAT	178.0	179.7	174.0	2.3	295.0	(39.7)	

Key Metrics

Generation (crore unit)	173.6	150.0	191.2	(9.2)	125.6	38.2	Standalone generation was higher than estimates
Sales (crore unit)	285.3	269.5	278.2	2.6	226.8	25.8	
Tariff rate (₹/Kwh)	7.7	7.0	6.8	12.7	7.0	10.2	

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E		
	Old	New	% Change	Old	New	% Change
Revenue	13,944.0	13,304.0	(4.6)	-	13,809.9	
EBITDA	2,704.0	2,822.6	4.4	-	2,945.7	
EBITDA Margin (%)	19.4	21.2	182 bps	-	21.3	
PAT	705.0	834.1	18.3	-	909.5	
EPS (₹)	71.0	81.3	14.4	-	87.5	

Source: Company, ICICIdirect.com Research

Assumptions (Standalone business)

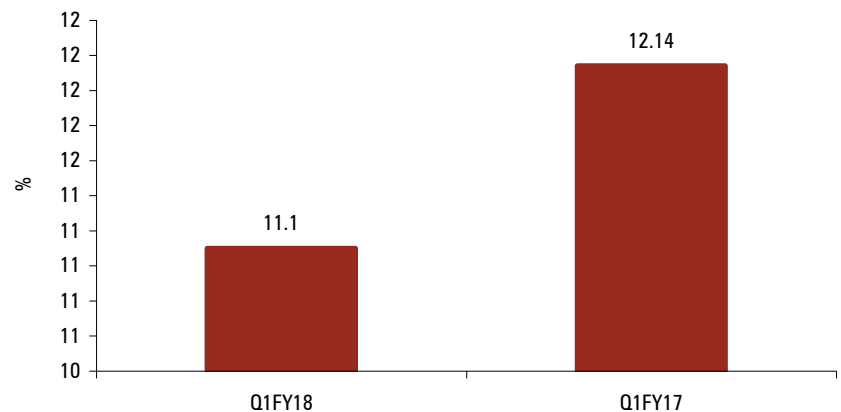
Standalone	Current				Earlier			Introduced
	FY16	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY19E
Generation	859.5	698.8	897.8	910.6	923.4	897.8	910.6	
Sales	885.5	734.3	847.9	848.7	869.4	847.9	848.7	
Tariff rate	6.0	6.5	6.7	6.9	6.7	6.7	6.9	

Source: Company, ICICIdirect.com Research

Q1FY18 result highlights

- Generation declined 9.2% YoY to 173 crore unit on account of better demand during summer season. While demand remained steady, energy sales increased 3% YoY to 285.3 crore unit. Consequently, power purchases unit was at 102.9 crore units in order to meet power demand in the license area. During Q1FY18, Haldia TPP achieved a plant load factor (PLF) of 85.36%
- During Q1FY18, Chandrapur TPP achieved a PLF of 54.10% and supplied 65 crore units to Tangedco, NPCL and in open market. Supply of full contracted capacity of 187 MW power from Chandrapur TPP to NPCL has commenced from March 29, 2017
- Average sales have declined from ₹ 1578/sqft per month in Q1FY17 to ₹ 1530/sqft per month in Q1FY18. Same stores sales have increased from ₹ 1584/sqft per month in Q1FY17 to ₹ 1615/sqft in Q1FY18, growth of 2%
- Spencer's Retail has made a store level EBITDA of ₹ 94/sqft per month in Q1 FY18 against a store level EBITDA of ₹ 97/sqft per month in Q1FY17. Same store EBIDTA was at ₹ 105/sqft per month in Q1FY18, compared to ₹ 99/sqft per month in Q1FY17
- Spencer's added one new store in Q1FY18 while it added around 1.25 lakh sq ft on a YoY basis

Exhibit 1: Trend in T&D loss



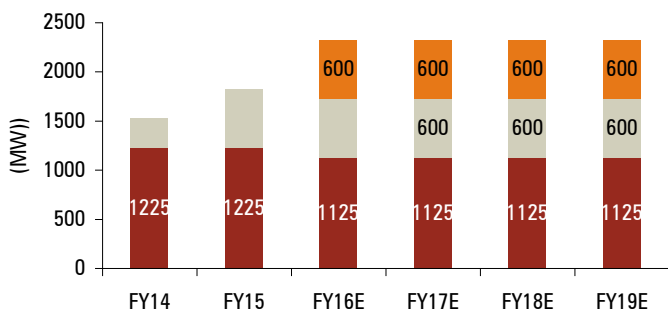
Source: Company, ICICIdirect.com Research

Company Analysis

Consolidated generation to grow at ~2% CAGR

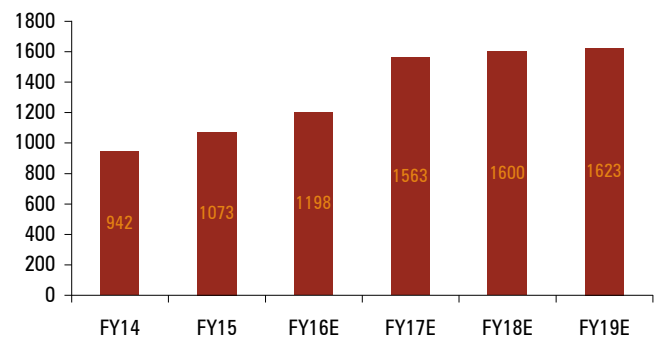
CESC, the flagship company of the RP-Sanjiv Goenka Group, is engaged in the generation and distribution of electricity across 567 sq km of licensed area in Kolkata since 1897 serving 27 lakh consumers. This includes domestic, industrial and commercial users. Currently, on a standalone basis, CESC owns and operates four thermal power plants generating 1,125 MW power. These are the Budge Budge generating station (750 MW), southern generating station (135 MW) and Titagarh generating station (240 MW). On a consolidated basis, CESC owns a total capacity of 2,325 MW as it added 1200 MW capacity (viz. 600 MW Chandrapur plant - Dhariwal Infrastructure and 600 MW Haldia project) to its standalone capacity in FY15. More than 80% of its customer's electricity requirement is met from its own generating plants while the balance electricity is purchased from third parties. About 50% of the coal requirement is sourced from captive mines. CESC owns and operates the T&D system, which comprises 474 km circuit of transmission and 85 distribution stations. Besides power generation and distribution, the company has a presence in retail, properties and BPO as well. We expect CESC's consolidated generation and electricity revenue to grow at a CAGR of 2% and 5.1% over FY17-19E.

Exhibit 2: Capacity increases to 2,325 MW in FY16



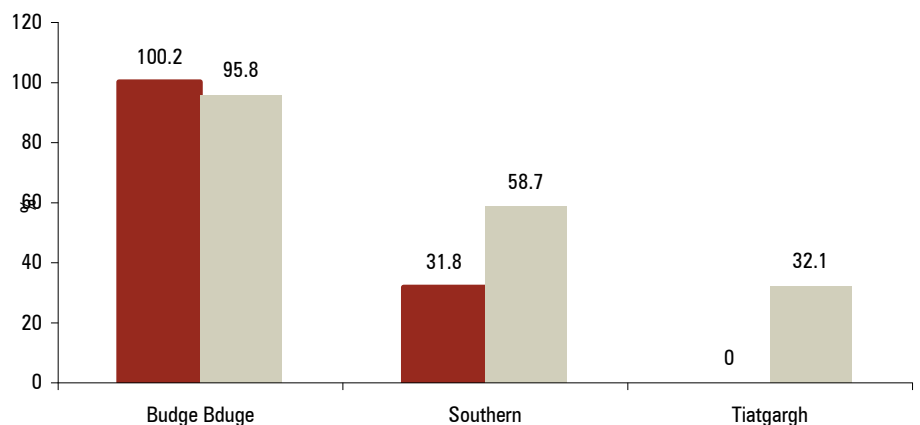
Source: Company, ICICIdirect.com Research

Exhibit 3: Generation trend



Source: Company, ICICIdirect.com Research

Exhibit 4: Trend in PLF of CESC's power stations



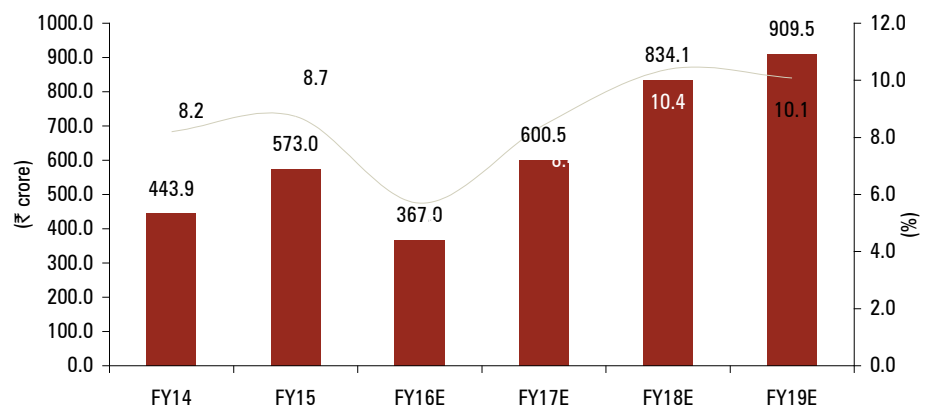
Source: Company, ICICIdirect.com Research

Chandrapur visibility emerging while Haldia plant running as per schedule

The Chandrapur project has till date signed a 280 MW PPA with Tangedco and started supplying power at tariff of ₹4.9/unit. The Standing Linkage Committee has recommended approving the change in name of Dhariwal Power Ltd subject to statutory & other compliances. This shall enable the company to sign the fuel supply agreement (FSA) with Coal India. Currently, the project is incurring a quarterly cash loss of ₹ 90 crore. In Q3FY17, CESC has further signed a PAP of 200 MW with Noida, which will convert into a firm PPA within five to six months after getting the necessary approval from the regulator. Hence, with almost 80% of the capacity tied up, we believe the fortune of the asset will turn for good and is expected to turn profitable by FY19E. **During Q1FY18, Chandrapur TPP operated at a PLF of 54.3% and supplied 65 crore units power to Tangedco, NPCL and in the open market.**

In case of Haldia, both units got commissioned in Q4FY15 and are supplying power to the Kolkata license area under PPA arrangement with CESC's distribution arm. Considering the project's risk adverse regulatory business model, Haldia will contribute positively to CESC's cash flow. During Q1FY18, Haldia TPP achieved a PLF of 85.36% whereby it supplied 102.9 crore units to Kolkata distribution franchisee.

Exhibit 5: PAT and RoE trend

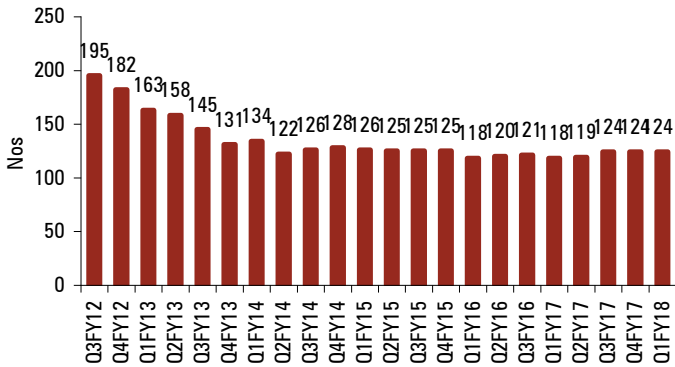


Source: Company, ICICIdirect.com Research

Spencer's post demerger to be debt free and growth conducive

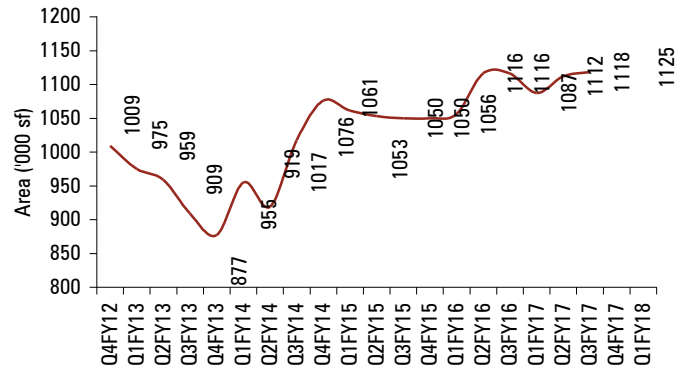
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Exhibit 6: Spencer's adds three hyper stores over past two quarters



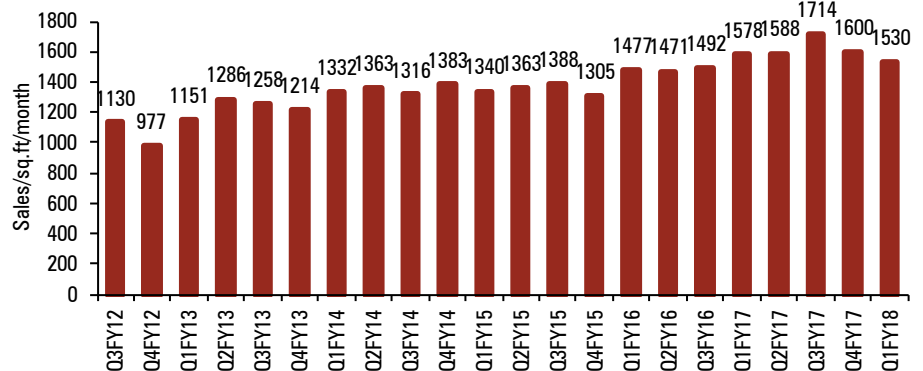
Source: Company, ICICIdirect.com Research

Exhibit 7: Store area trend...



Source: Company, ICICIdirect.com Research

Exhibit 8: Sales per sq ft per month declines YoY



Source: Company, ICICIdirect.com Research

Demerger - CESC to split into four listed entities

CESC board has approved the demerger of its business focused on four business verticals — Haldia Energy Ltd - power generation (standalone, Haldia & Chandrapur), CESC Ltd – power distribution (Kolkata Licence, Noida Power & distribution franchisee business), Retail - Spencer, and CESC Ventures – FSL, IPL and Quest. The move is aimed at unlocking values for its distinct businesses verticals.

Under the demerger, three subsidiaries - CESC Infra (holding company of Haldia and Dhariwal), Spencer's Retail and Music Retail will be merged with the parent company. The entity will be demerged into a) generation undertaking 1 under Haldia energy b) RP- SG Retail Ltd constituting Retail Undertaking 1 (Spencer Brand) and Retail Undertaking 2 (Spencer Business) c) RP- SG BPO Ltd - IT undertaking (will also own IPL along with First Source).

Spen Liq Pvt Ltd, holding company of Firstsource (65%) and subsidiary of CESC, will be amalgamated with RP- SG BPO Ltd and New Rising Promoters Pvt Ltd, which owns IPL franchises, will get amalgamated with Crescent Power (51% owned by CESC Ltd).

How will demerger work?

For every 10 shares of CESC a) five shares of Haldia Energy will be issued b) five shares of CESC Ltd, c) six shares of FV – ₹ 5 of RP-SG Retail Ltd (which would later be consolidated to ₹ 10 face value and converted to three shares) and d) 2 shares of RP- SG BPO Ltd. will be issued. CESC, Haldia Energy, RP- SG Retail and RP- SG BPO all four will be listed entities and the appointed date of demerger is October 1, 2017 subject to approval by National Company Law Appellate Tribunal (NCLT).

Other highlights of demerger:

- The new distribution entity i.e. CESC Ltd will continue to hold 49.5% stake in Noida Power valued at ₹ 30 crore on ₹ 10 FV
- Spencer has become debt free as the related party debt of ₹ 280 crore (as on FY16) has been taken over by the parent entity
- The current paid up capital of CESC Ltd is ₹ 132 crore which would increase to ₹ 198 crore by way of gift (cannot be termed as bonus). Shareholders will get additional value worth ₹ 66 crore when they get fresh shares of the four demerged entities In the demerged entities paid up capital in CESC Ltd (distribution) will be ₹ 66 crore, Haldia Energy will be ₹ 66 crore, Spencer's will have ₹ 40 crore and the entity for all other ventures will be ₹ 26 crore

Outlook & Valuation

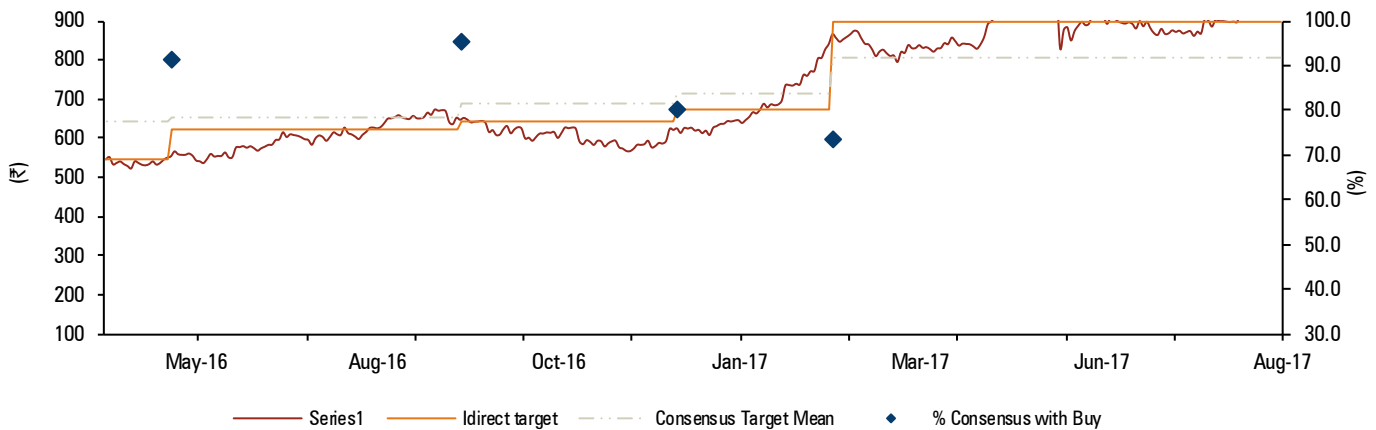
We believe the ensuing demerger will unlock value for the shareholders in the medium to long term as all the four business will get their fair share of valuation. We expect retail business to get re-rated on the back of improved operational performance and improvement of balance sheet (zero leverage post demerger). On the other hand, cash flows of the power business will be further used to scale up that business given until now retail business was a drag on the formers cash flow. Hence, we upgrade the stock to **BUY** with a revised fair value of ₹ 1100/share.

Exhibit 9: Base case - Valuation of CESC

	Value	No of o/s shares	Value per share	Valuation Methodology
Kolkata Distribution	7810	13.3	710	FCFF with WACC of 12.7%
Chandrapur Power plant (600MW)	57	13.3	5	1x amount of invested equity capital (book value)
Haldia Power plant (600MW)	380	13.3	43	1.5x amount of invested equity capital (book value)
Retail	3346	13.3	252	The company has shown a marked improvement in the last 12 quarters in same store sales, sales per sq ft, trimming losses at store EBITDA level (positive in the last seven quarters); though at the corporate level it is making losses. The management now expects to break even by FY17. Factoring in the same, we now assign a positive value to Spencers' at 0.8x FY18 EV/sales
CESC Ventures (FSL + Property)	1239	13.3	93	Valuing at current market capitalisation with Holdco discount
Total value			1104	

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Aug-09	Acquires 51% stake in Dhariwal Infrastructure Pvt Ltd, a Manikchand group company, for ₹ 200 crore
Feb-11	Initiates talks to sell a stake in a unit to a PE firm to raise part of the \$7.7 billion it plans to spend on 7000 MW planned capacity by 2017
Jun-11	Inks a deal to pick up a 4.8% stake in an Australia-listed mining company Resource Generation (RG) for \$10 million. Following this acquisition, the RPG Group will have an interest of 11.6% in RG
May-12	Reports robust 138% YoY rise in PAT to ₹ 266 crore (vs. estimate of ₹ 208 crore) driven by tariff hike approval by WBERC during the quarter
Oct-12	CESC announces acquisition of ~58% stake in FSL for sum of ₹ 454 crore at ₹ 12.15/share
Jan-13	Completes acquisition of FSL
Sep-13	Synchronises first 300 MW thermal plant unit of (2x300 MW) Dhariwal Infrastructure project at Chandrapur (Maharashtra)
Nov-13	Commissions 300 MW capacity of Dhariwal Infrastructure project. Company in early stage to sign PPA for 100 MW capacity with TNSEB
Feb-14	Commissions first 300 MW of Dhariwal Infrastructure project
Aug-14	Commissions entire 600 MW of Dhariwal project
Sep-14	The company loses its Sarisatolli captive coal blocks post Supreme courts verdict which termed entire allocation process of coal mines between 1993 - 2010 as illegal
Nov-14	CESC raises \$80 mn via QIP at a price ₹ 644/share so as to fund its future project
Feb-15	CESC wins back its Sarisatolli captive mine by quoting a negative bid of ₹ 470/tonne amounting to total cost of ₹ 2397 crore for the block
Mar-15	CESC makes a payment of ₹ 998 crore as a levy on usage of Sarisatolli coal since its inception till March 2015

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)	Shareholding Pattern					
						(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
1	RPG Ventures	30-Jun-17	46.2	61.3	0.0	Promoter	49.92	49.92	49.92	49.92	49.92
2	HDFC Asset Management Co., Ltd.	30-Jun-17	6.7	8.9	-1.3	FII	23.47	23.17	21.76	21.08	19.71
3	BNK Capital Group	30-Jun-17	1.9	2.5	0.0	DII	16.29	17.21	20.04	20.19	19.94
4	SBI Funds Management Pvt. Ltd.	30-Jun-17	1.7	2.2	1.4	Others	10.32	9.70	8.28	8.81	10.43
5	Life Insurance Corporation of India	30-Jun-17	1.7	2.2	0.0						
6	Jupiter Asset Management Ltd.	30-Jun-17	1.6	2.1	-1.5						
7	ICICI Prudential Asset Management Co. Ltd.	30-Jun-17	1.5	2.0	0.0						
8	Mirae Asset Global Investments (India) Pvt. Ltd.	30-Jun-17	1.4	1.9	0.0						
9	The Vanguard Group, Inc.	30-Jun-17	1.4	1.9	0.1						
10	Goodluck Delcom Pvt. Ltd.	30-Jun-17	1.3	1.7	0.0						

Source: Reuters, ICICIdirect.com Research

Recent Activity

Investor name			Investor name		
Investor name	Value	Shares	Investor name	Value	Shares
Morgan Stanley Investment Management (Japan) Co., Ltd.	21.9	1.6	Jupiter Asset Management Ltd.	-20.2	-1.5
SBI Funds Management Pvt. Ltd.	18.5	1.4	HDFC Asset Management Co., Ltd.	-17.5	-1.3
Florida State Board of Administration	17.5	1.3	MFS Investment Management	-10.4	-0.8
Sundaram Asset Management Company Limited	3.0	0.2	Aberdeen Asset Managers Ltd.	-8.3	-0.6
India Infoline Asset Management Company Limited	1.6	0.1	Acadian Asset Management LLC	-4.0	-0.3

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Total operating Income	11,899.0	12,522.3	13,304.0	13,809.9	
Growth (%)	17.7	5.2	6.2	3.8	
Raw Material Expenses	3,667.0	5,646.4	6,044.8	6,272.7	
Cost of Power Purchased	335.0	564.8	489.5	416.1	
Marketing Expenses	0.0	0.0	0.0	0.0	
Administrative Expenses	0.0	0.0	0.0	0.0	
Other expenses	5,049.0	3,761.5	3,947.1	4,175.4	
Total Operating Expenditure	9,051.0	9,972.7	10,481.4	10,864.2	
EBITDA	2,848.0	2,549.6	2,822.6	2,945.7	
Growth (%)	50.4	(10.5)	10.7	4.4	
Depreciation	772.0	622.8	655.7	687.9	
Interest	1,486.0	1,136.1	1,075.6	1,064.0	
Other Income	219.0	200.0	200.0	200.0	
PBT	809.0	990.8	1,291.4	1,393.8	
Others					
Total Tax	312.0	240.3	307.3	334.4	
PAT	367.0	600.5	834.1	909.5	
Growth (%)	66.2	51.0	31.1	7.7	
EPS (₹)	37.3	56.3	81.3	87.5	

Source: Company, ICICIdirect.com Research,

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Profit before Tax	809.0	990.8	1,291.4	1,393.8	
Add: Depreciation	772.0	622.8	655.7	687.9	
(Inc)/dec in Current Assets	313.7	(480.7)	(164.9)	(28.1)	
Inc/(dec) in CL and Provisions	126.5	3.3	45.6	29.5	
Others	(312.0)	(240.3)	(307.3)	(334.4)	
CF from operating activities	1,709.2	895.9	1,520.5	1,748.8	
(Inc)/dec in Investments	0.0	0.0	0.0	0.0	
(Inc)/dec in Fixed Assets	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	
Others	(45.0)	(55.0)	0.0	0.0	
CF from investing activities	(1,045.0)	(1,055.0)	(1,000.0)	(1,000.0)	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	(635.5)	(1,000.0)	(1,000.0)	(1,000.0)	
Dividend paid & dividend tax	(77.9)	(77.9)	(70.8)	(70.8)	
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0	
Others	140.8	154.8	170.3	187.4	
CF from financing activities	(572.7)	(923.1)	(900.5)	(883.5)	
Net Cash flow	1,214.1	(453.0)	231.4	603.4	
Opening Cash	1,049.2	2,263.2	1,810.2	2,041.6	
Closing Cash	2,263.2	1,810.2	2,041.6	2,644.9	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Liabilities					
Equity Capital	133.2	133.2	133.2	133.2	
Reserve and Surplus	5,895.8	6,314.9	6,987.4	7,900.7	
Total Shareholders funds	6,029.0	6,448.1	7,120.7	8,033.9	
Total Debt	12,058.1	11,422.5	10,422.5	9,422.5	
Deferred Tax Liability					
Minority Interest / Others	3,267.7	3,451.5	3,651.4	3,869.1	
Total Liabilities	21,354.8	21,322.1	21,194.6	21,325.5	
Assets					
Gross Block	26,642.7	27,642.7	28,642.7	29,642.7	
Less: Acc Depreciation	7,759.6	8,382.4	9,038.1	9,726.1	
Net Block	18,883.1	19,260.3	19,604.5	19,916.6	
Capital WIP	410.2	410.2	410.2	410.2	
Total Fixed Assets	21,506.9	21,884.1	22,228.3	22,540.4	
Deferred Tax asset	310.5	310.5	310.5	310.5	
Investments	669.6	669.6	669.6	669.6	
Inventory	662.5	505.3	886.1	901.0	
Debtors	1,706.6	1,550.0	1,650.0	1,800.0	
Loans and Advances	731.0	832.9	876.6	1,064.3	
Other Current Assets	784.6	784.6	784.6	784.6	
Cash	1,049.2	2,263.2	1,810.2	2,041.6	
Total Current Assets	4,933.8	5,936.1	6,007.4	6,591.5	
Creditors	727.2	730.5	776.1	805.6	
Provisions	7,119.1	7,691.8	8,443.6	9,172.4	
Total Current Liabilities	7,846.3	8,422.3	9,219.7	9,978.0	
Net Current Assets	(2,912.5)	(2,486.2)	(3,212.3)	(3,386.5)	
Others Assets	745.3	745.3	745.3	745.3	
Application of Funds	21,354.8	21,322.1	21,194.6	21,325.5	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17	FY18E	FY19E	
Per share data (₹)					
EPS	27.5	45.1	68.9	75.1	
Cash EPS	85.5	91.8	123.0	131.9	
BV	420.2	470.7	593.1	674.8	
DPS	5.0	5.0	5.0	5.0	
Cash Per Share	169.9	135.9	168.6	218.4	
Operating Ratios (%)					
EBITDA Margin	23.9	20.4	21.2	21.3	
PBT / Total Operating income	6.8	7.9	9.7	10.1	
PAT Margin	4.2	6.0	7.4	7.7	
Inventory days	85.0	80.0	80.0	80.0	
Debtor days	47.5	48.1	49.4	47.6	
Creditor days	22.0	21.0	21.0	21.0	
Return Ratios (%)					
RoE	5.7	8.4	10.4	10.1	
RoCE	12.8	12.1	13.6	14.1	
RoIC	1.6	3.0	4.4	4.8	
Valuation Ratios (x)					
P/E	33.6	20.5	13.4	12.3	
EV / EBITDA	7.5	8.2	6.6	5.8	
EV / Net Sales	1.8	1.7	1.4	1.2	
Market Cap / Sales	1.0	0.9	0.9	0.8	
Price to adjusted Book Value	2.2	2.0	1.6	1.4	
Solvency Ratios					
Debt/EBITDA	4.0	4.1	3.3	2.9	
Debt / Equity	1.8	1.5	1.2	0.9	
Current Ratio	0.8	0.8	0.8	0.9	
Quick Ratio	0.3	0.2	0.3	0.3	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Utilities)

Sector / Company	CMP (₹)	Target TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY16	FY17	FY18E	FY16	FY17	FY18E	FY16	FY17	FY18E	FY16	FY17	FY18E	FY16	FY17	FY18E
CESC (CESC)	925	1100	Buy	12,256	27.5	45.2	58.2	29.6	18.0	14.0	7.0	7.4	6.3	12.8	12.0	12.7	5.7	8.5	8.9
NTPC (NTPC)	168	176	Hold	131,268	12.5	13.0	14.4	13.5	12.9	11.7	11.7	10.2	10.0	8.0	7.7	8.1	12.9	11.0	11.1
Power Grid (POWGRI)	220	255	Buy	115,095	11.5	14.0	17.3	17.7	14.6	12.8	10.9	10.2	9.3	7.1	7.4	7.7	14.1	15.3	15.9

Source: Company, ICICIdirect.com Research

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