

Pick of the week



CESC Ltd

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 605

Target Price

₹ 800

Potential Upside

32.2%

Investment Argument

- CESC reported consolidated profits of Rs. 379 cr (+1.6% yoy) as demand remained weak in 2QFY21 due to Covid-19. Improvement in Chadrapur and Noida distribution business compensated for the decline in standalone earnings.
- Haldia reported a PAT of Rs. 110 cr (+21% yoy) as the plant operated at a PLF of 91.3% in 2QFY21. Dhariwal reported profit of Rs. 23 cr compared to losses of Rs. 25 cr in 2QFY20 with reported PAT in 1HFY21 of Rs. 47 cr from loss of Rs. 49 cr in 1HFY20.
- Driven by operational improvements, Crescent Power along with Noida distribution reported PAT of Rs. 7 cr (Rs. 12 cr in 1QFY20) and Rs. 30 cr, respectively. Distribution circles in Rajasthan reported profit of Rs. 1 cr (loss of Rs. 33 cr in 1QFY21 and Rs. 3 cr in 2QFY20).
- Dhariwal has tied up 270 MW of Unit -2 under long term PPA while Unit-1 has signed a PPA (185 MW) with MERC starting November 2019 currently up to January 2021.
- Valuations offer increased comfort at 5X P/E on FY22E and 0.65X P/B on FY22E. and We maintain our BUY rating on CESC with FV of Rs. 800/share, with the results for 2QFY21 further strengthening our investment thesis—(1) stability of regulated business, (2) moderating losses from new distribution circles and (3) improving utilization for Dhariwal.