# CESC

INR 535

Edelweiss
Ideas create, values protect

## *Powered by mine allocation and retail*

BUY

### ✻ Huge expansion plan for power generation

CESC is currently in the process of adding 250 MW (Budge Budge expansion), which is expected to be completed by Q3FY09 end. It intends to add another 600 MW at Haldia by FY12, which will increase its installed capacity to 1,725 MW from 975 MW currently. The company has recently been awarded a coal block in Jharkhand with reserve of 110 mt, which it plans to use for setting up a 1,000 MW plant. Further, CESC has plans to set up 2,300 MW in Orissa and Haldia Phase II.

### ✻ Improving operational efficiency and performance incentive

The overall PLF for CESC has gone up from 76% to 90% in the last four years, despite New Cossipore (100 MW) running at 55% PLF. With the commissioning of the upcoming capacities and phasing out of New Cossipore, we expect the company to maintain high operational efficiency. The T&D losses have declined from 23% to 15.5% in the last five years. CESC is likely to receive performance incentives FY09 onwards, increasing its earnings by INR 300 mn.

### ✻ Foray into retail and real estate

CESC is planning to utilize the idle land bank in its license area. Its subsidiary CESC Properties is on track to build a 400,000 sq ft shopping arcade in Kolkata, which is scheduled to be operational by FY09 end. The company has a 35 acre of land at Mulajore, which it intends to utilize for building a township and an industrial park. The company also plans to develop the New Cossipore area, once the power plant retires in FY10. In addition, the company has recently merged Spencer's Retail with itself and plans to increase the retail space from 0.53 mn sq ft to 1.5 mn by FY08 and 3 mn by FY09.

### ✻ Outlook and valuation: Moving aggressively; initiating coverage with 'BUY'

We like CESC because of its improving operational parameters and large expansion plans. Our SOTP valuation of INR 665/share is ~24% higher than the CMP. We estimate license area power business NPV at INR 411/share, the Jharkhand plant at INR 114/share (1.5x P/B), retail business value at INR 112/share (1.1x Mcap/sales) and real estate NAV at INR 28/share. We initiate coverage with a **'BUY'** recommendation.

Financials

| Year to March | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|
| Revenue (INR mn) | 24,843 | 26,676 | 28,985 | 30,261 |
| *Rev. growth (%)* | *(1.2)* | *7.4* | *8.7* | *4.4* |
| EBITDA (INR mn) | 5,738 | 5,878 | 6,769 | 7,701 |
| Net profit (adjusted) (INR mn) | 3,026 | 3,401 | 3,717 | 4,302 |
| Shares outstanding (mn) | 85 | 126 | 126 | 126 |
| EPS (adjusted) (INR) | 35.6 | 27.1 | 29.6 | 34.2 |
| *EPS growth (%)* | *58.3* | *(24.0)* | *9.3* | *15.7* |
| P/E (x) | 15.0 | 19.8 | 18.1 | 15.6 |
| P/B (x) | 2.4 | 1.7 | 1.6 | 1.5 |
| ROAE (%) | 16.3 | 11.8 | 9.3 | 10.0 |
| ROACE (%) | 9.5 | 7.6 | 7.2 | 7.2 |

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| | | |
|---|---|---|
| Reuters | : | CESC.BO |
| Bloomberg | : | CESC IN |

Market Data

| | | |
|---|---|---|
| 52-week range (INR) | : | 715 / 291 |
| Share in issue (mn) | : | 124.9 |
| M cap (INR bn/USD mn) | : | 66.8 / 1,684.8 |
| Avg. Daily Vol. BSE/NSE ('000) | : | 480.6 |

Share Holding Pattern (%)

| | | |
|---|---|---|
| Promoters | : | 52.5 |
| MFs, FIs & Banks | : | 12.0 |
| FIIs | : | 25.3 |
| Others | : | 10.2 |

# Investment Rationale

## ✻ An integrated utility

CESC is engaged in power generation, transmission, and distribution businesses, which make it an integrated player in the sector. It has a total installed capacity of 975 MW, from which, it supplies power to its 567 sq km license area in Kolkata. Further, the company has a 26% stake in Integrated Coal Mines that meets ~50% of its coal requirement; the balance is either bought from Coal India or is imported. Imported coal with less ash content and high calorific value also helps attaining better plant performance.

Table 1: Power infrastructure

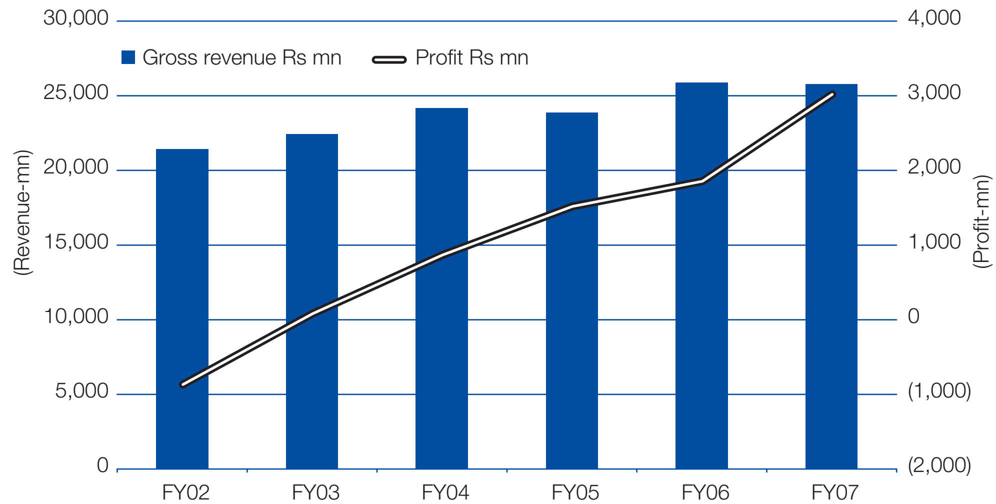
| Capacity | | |
|---|---|---|
| Generating Capacity | Budge Budge | 500 MW |
| | Titagarh | 240 MW |
| | Southern | 135 MW |
| | New Cossipore | 100 MW |
| | Total | 975 MW |
| 132/33 KV Substations | Installed Capacity | 1,802 MVA |
| Distribution Stations | Number of stations | 85 |
| | Transformation Capacity | 2,399 MVA |
| T&D Network | | |
| *Transmission lines* | | 1,474 Ckt Km |
| *HT Distribution* | | 3,858 Ckt Km |
| *LT Distribution* | | 9,867 Ckt Km |

*Source: Company, Edelweiss research*

### A turnaround story

CESC reported net profit of above INR 3000 mn in FY07, which reflects its remarkable turnaround, especially considering that it made losses of INR 880 mn till FY02.

**Chart 1: Revenue and profit over years**




*Source: Company, Edelweiss research*

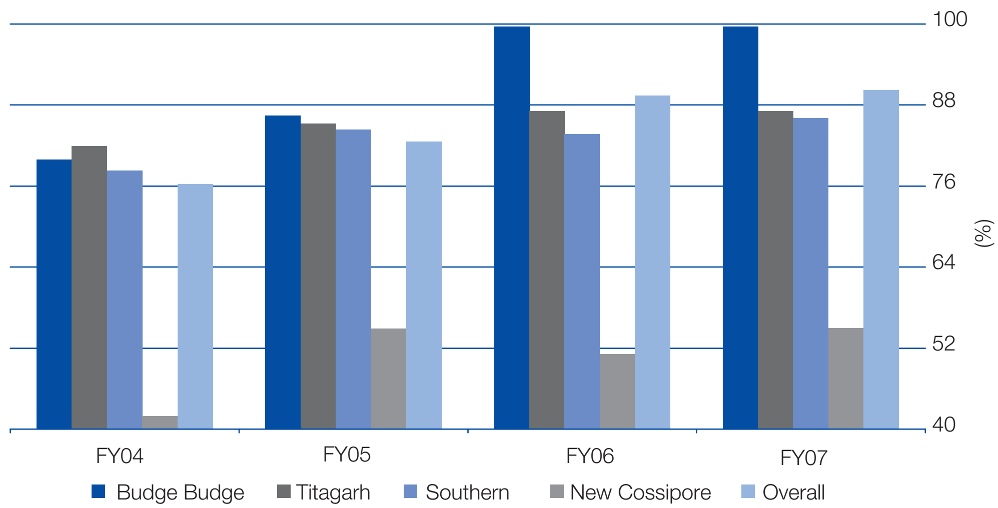
### Key drivers

Robust increase in CESC's bottom line has been on account higher sales and consistent improvement in its operational parameters for the generation as well as distribution assets. By improving its plant load factor, auxiliary consumption and T&D losses, the company has successfully reduced its license area's tariff, and upgraded the quality and reliability of the power generated.

### Improvement in generation efficiency

CESC has been able to improve its PLF over the years from 76% in FY04 to 87% in FY07, including the PLF of its New Cossipore plant (more than 58 years old). Its Budge Budge unit has attained a record 99.6 % PLF in FY06. The trend in plant load factor for the various generating plants of CESC over the last four years is shown in the graph below:

**Chart 2: Plant load factor**



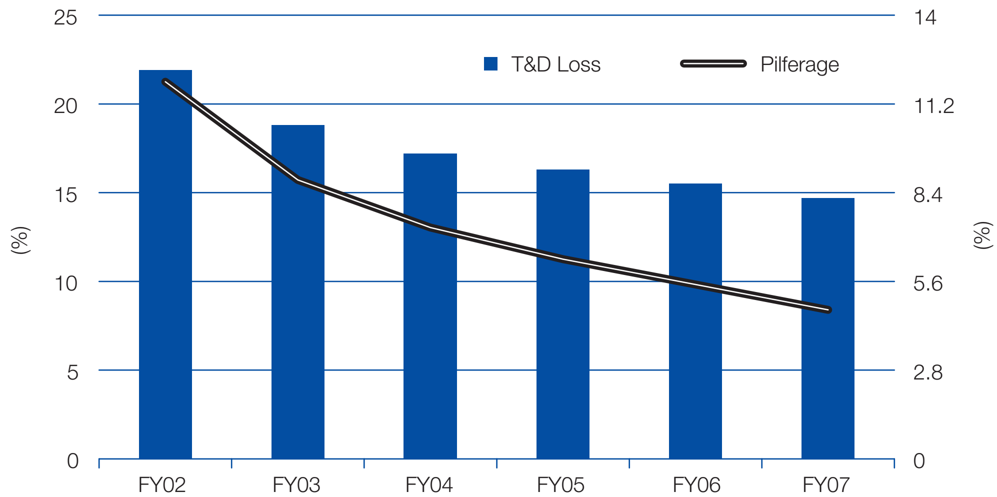

*Source: Company, Edelweiss research*

Simultaneously, the company has also been able to decrease its auxiliary power consumption from ~9.1% in FY04 to 8.5% in FY07. Improvement in both these parameters has eventually led to generation and dispatch of more units from the same installed capacity, enabling CESC to meet the peak demand with minimal power purchase.

### Transmission and distribution

In the recent past, CESC has successfully reduced its T&D losses and pilferage, as shown below:

**Chart 3: T&D loss and pilferage**




*Source: Company, Edelweiss research*

In order to reduce the T&D loss, the company has constantly ungraded its distribution system through annual planned capital expenditure in the past. Improvement in efficiency, in turn, has led to sale of more power to the consumers.

### Consumer satisfaction: Supply improvement and tariff rationalisation

Various drivers of CESC's turnaround have eventually led to better supply of power with negligible power cuts in its license area and better customer satisfaction.

Over the last decade, the company has increased its consumer base from 1.6 mn consumers to 2.2 mn consumers in FY07. In the same period, the number of units sold has increased from 5,016 MUs to 6,424 MUs.

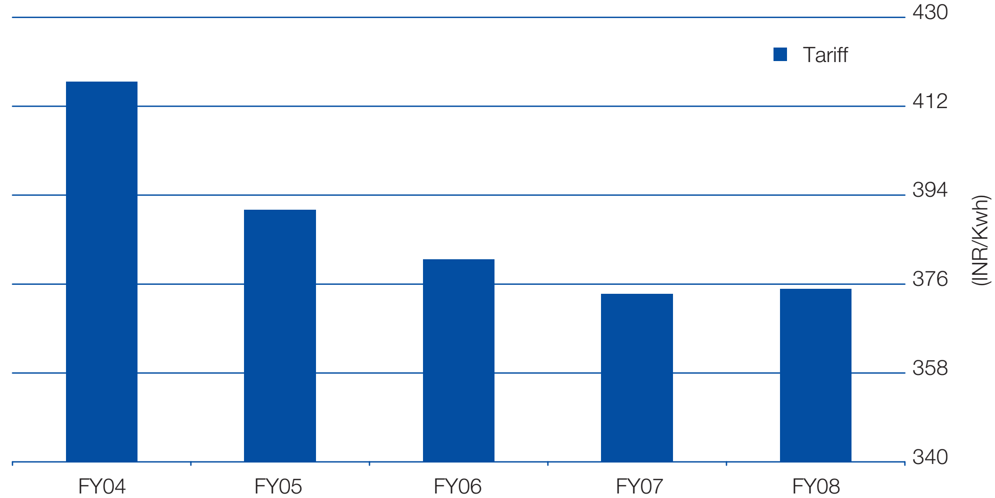
**Table 2: Ten year performance**

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| No. of Consumers (Mn) | 1.6 | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | 1.9 | 2.0 | 2.1 | 2.2 |
| System Maximum Demand (MW) | 1,160 | 1,183 | 1,195 | 1,238 | 1,280 | 1,281 | 1,281 | 1,253 | 1,343 | 1,359 |
| Units sold (MU) | 5,019 | 5,071 | 4,937 | 5,165 | 5,333 | 5,557 | 5,711 | 5,864 | 6,251 | 6,424 |
| Units exported (MU) | – | – | – | – | – | – | 7 | 160 | 418 | 458 |
| Gross Revenue (Mn) | 15,160 | 17,010 | 17,810 | 20,890 | 21,430 | 22,430 | 24,160 | 23,870 | 25,870 | 25,770 |
| Profit after Taxation (Mn) | (1,150) | (1,280) | (710) | 130 | (880) | 70 | 860 | 1,500 | 1,840 | 3,010 |

*Source: Company, Edelweiss research*

Tariff in the license area has come down from INR 417/Kwh to INR 375/Kwh in the last 5 years.

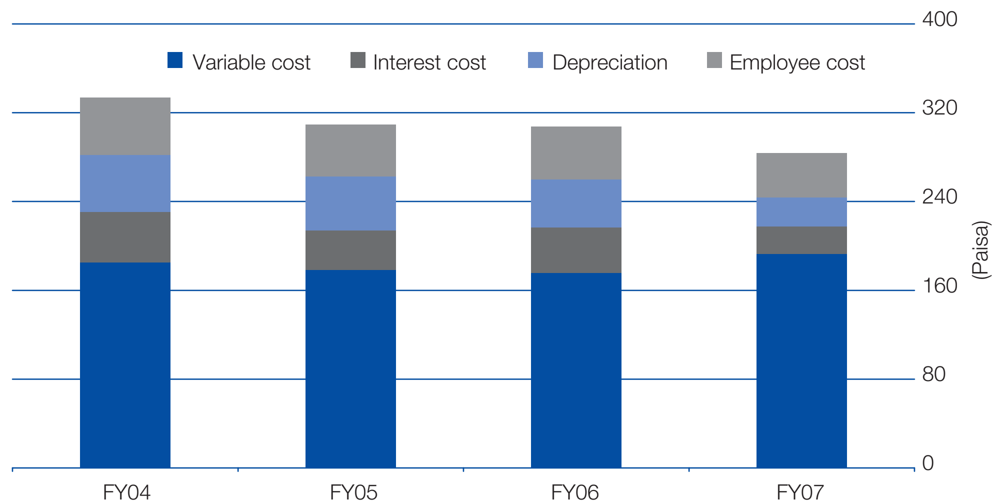
**Chart 4: Tariff**




*Source: Company, Edelweiss research*

The cost structure of the power supplied clearly shows that CESC has been able to reduce its per unit employee cost through efficient manpower structuring in the company and greater sales. Depreciation cost has also declined significantly on account of a large proportion of old assets and changes in depreciation rates for certain fixed assets. Loans of higher interest rates have been duly repaid, and hence, the interest burden has significantly declined.

**Chart 5: Cost per unit**




*Source: Company, Edelweiss research*

### ✻ Huge expansion plan for power generation

Near-term plan: FY08 to FY12

To meet the ever increasing demand in its license area in Kolkata, CESC is putting up the Budge Budge expansion unit of 250 MW. The expansion is also targeted at reducing the company's power purchase burden. We expect the plant to be operational from September 2009. Besides, the company is also in the process of setting up a 600 MW unit at Haldia; financial closure for the same is expected by the end of this financial year. CESC will phase out its New Cossipore plant of 100 MW by FY10 end as the plant in more than 55 years old and runs at around 55% plant load factor.

Further, the company intends to strengthen its present T&D system for handling the peak demand in the area and also for power evacuation from the Budge Budge expansion unit. CESC's current capex plan is outlined below:

Table 3: Near term projects

| Project | Capacity | Cost (INR bn) | Expected completion | Status as on date |
|---|---|---|---|---|
| Budge budge expansion | 250 MW | 11.75 | September'09 | Under Construction<br>BHEL as EPC Contractor |
| Haldia phase-I | 600 MW | 26 | FY12E | Coal linakge in place<br>Majority of land acquired<br>Selection of EPC underway |
| System strengthening | | 3.5 | FY11E | Procurement of Equipment under process for Peak load |
| Annual maintenance | | 10 | FY08E-12E | |
| Total capital expenditure | | 51.25 | | Spread over the next 5 years |

*Source: Company, Edelweiss research*

### Long-term strategy: FY12 onwards

CESC intends to enter into the merchant power space over the long term. It has recently been allocated a coal block in Mahuagarhi; CESC's share in this block is 110 mt, which it intends to use as fuel for setting up a power plant in Jharkhand. The coal from this block will be sufficient to fuel a 750 MW of power plant. The company has plans to set up a 1000 MW, and hence it is looking for linkage for the additional 250 MW. Around 40% power generated from this unit will be sold on a merchant basis.

Apart from this, there are two other plants i.e Haldia Phase II (1,300 MW) and Orissa plant (1,000 MW) which the management is considering for development subject to availability of coal and land.

Table 4: Long term plan

| Project | Capacity | Status | Remarks |
|---|---|---|---|
| Jharkhand | 1000 MW | 110 mt Mahuagarhi block<br>MoU with Government | 60% PPA<br>40% Merchant |
| Haldia-II | 1300 MW | Apllied of Coal linkage | |
| Orissa | 1000 MW | MoU with Government | |

*Source: Company, Edelweiss research*

## ✻ Leveraging the real estate boom

### Utilising the land bank

CESC has more than 50 acres of idle land in its license area, which it intends to utilise, considering the high demand in the real estate sector. The company has floated a 100% subsidiary, CESC Properties, in April 2007. As this land is in the distribution license area, the company needs to pass on a portion of profits from these areas to the consumers, which will reflect as a reduction in its tariff levels for the consumers.

As of now, the company has identified the following three properties for conversion into mall, residential apartment and industrial parks.

- Park Circus mall
- Mulajore plant area
- New Cossipore plant area

## * The retail venture

Pathik Foods Pvt Ltd, which owned 94.7% in Spencer's Retail, was merged with CESC with effect from April 17, 2007. Around 31.1 mn fully-paid equity shares of CESC were issued to the promoters. Spencer's Retail is India's largest super market chain and second largest in the hyper market segment.

The broad verticals in Spencer's Retail are:

- Spencer's Food Stores - convenience, pure play grocery format
- Spencer's Super - food stores plus convenience store
- Spencer's Hyper - destination store

The present area and number of stores in various verticals are indicated below:

**Table 5: Retail expansion**

| Spencer's Retail | Hyper | Super | Daily | Express | Total |
|---|---|---|---|---|---|
| FY06-Area ('000) Sq ft | | | | | 235 |
| FY07-Area ('000) Sq ft | | | | | 560 |
| Stores-Mar'07 | 6 | 5 | 98 | 15 | 124 |
| Stores-Oct'07 | 11 | 12 | 166 | 120 | 309 |
| Oct'07 Area ('000) Sq ft | 296 | 100 | 423 | 144 | 963 |

*Source: Company, Edelweiss research*

The company expects 18 hyper stores to be operational by the end of FY08. It also plans to have pan-India presence in the hyper market segment.

**Table 6: Regional mix**

| Region | | Area('000sq ft) |
|---|---|---|
| North | Delhi,Gurgaon, Lucknow, Ghaziabad Jaipur, Ambala | 150 |
| West | Mumbai,Baroda Aurangabad | 150 |
| South | Hyderabad, Vizag Vijaywada, Calicut Kakinada | 120 |
| East | Kolkata, Durgapur | 100 |

*Source: Company, Edelweiss research*

### Aggressive expansion plans

The company intends to expand big time in its retail vertical. The expected retail space, sales, and number of stores that the company plans to add over the next two years is shown in the table below. The company had an operating loss of INR 450 mn in FY07 and we expect the retail business to breakeven by early FY10.

**Table 7: Expansion plan**

| Spencer's retail | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| Sales (mn) | 2,799 | 5,200 | 9,000 | 20,000 | 35,000 |
| Stores (No.) | | 121 | 500 | 1,000 | 2,000 |
| Area (mn sqft) | 0.23 | 0.53 | 1.5 | 2.5 | 4 |
| Operating profit (INR mn) | | (450) | (1,000) | (500) | 0 |

*Source: Company, Edelweiss research*

## Valuation

The SOTP value for CESC comes out to be INR 665. The company's existing power business along with Budge Budge expansion and Haldia Phase I have been valued at INR 411/share, while the retail and real estate businesses are valued at INR 112/share and INR 27/share respectively. The Jharkhand plant, based on the present coal allocation, is valued at INR 114/share.

Table 8: Valuation

| | | INR/Share |
|---|---|---|
| Power busniess | Existing business<br>Budge Budge Exp<br>Haldia Phase I | 411 |
| | Jharkhand Plant | 114 |
| Retail | | 112 |
| Real Estate | | 27 |
| **SOTP** | | **665** |

*Source: Edelweiss research*

### ✻ Valuation: Power business

We have used NPV to value CESC's power business. Currently, the 975 MW of installed capacity is used to supply power to the company's license area in Kolkata. The Budge Budge expansion (250 MW) and a part of Haldia Phase I (600 MW) will be used to meet the growing demand of the license area. We expect the Budge Budge expansion unit to get commissioned by September FY09 and the Haldia Phase I by FY12. Based on the NPV, present debt and cash we have valued the licensed area power business at INR 411/share.

Table 9: Power business - License area

| | | |
|---|---|---|
| NPV | mn | 59,646 |
| Debt outstanding | mn | 18,000 |
| Cash | mn | 10,000 |
| Total equity value | mn | 51,646 |
| Number of shares | mn | 126 |
| Value/share | INR | 411 |

*Source: Edelweiss research*

The 1,000 MW Jharkhand plant, which is to be built out of the coal recently allocated to the company, has been valued on a price/book value of 1.5. The coal reserve is sufficient for operating 750 MW for 25 years and the company is looking at getting a linkage for another 250 MW. Our valuation shows that this unit will add another INR 114/share to the SOTP value.

Table 10: Jharkhand plant

| | |
|---|---|
| MW-Based on coal reserves | 750 |
| Project cost (INR mn) | 31,875 |
| Equity (mn) | 9,563 |
| P/B | 1.5 |
| Number of shares (mn) | 126 |
| INR/share | 114 |

*Source: Edelweiss research*

## Overall and Power returns

CESC is an integrated utility player and gets 14% return on its regulated equity. At the end of FY07, its regulated equity was INR 13,640 mn for both generation and distribution business. Presently CESC makes around 15.3% on the regulated business without incentives of higher PLF. The higher than 14% return is on account of benefits from export of power to other parts of the country after supplying to its license area. This will further increase once incentives on PLF and T&D losses are given from the next year.

NTPC has been able to make high returns (22%) from its power business based on the regulated equity. The company has been able to have higher returns from gains through better PLF and lower O&M costs. Similarly GIPCL has been able to make better returns than the regulated 14% on account of incentives provided to it.

Table 11: Returns

| FY07 | NTPC | GIPCL | CESC |
|---|---|---|---|
| Overall reported- ROE (%) | 14 | 12.5 | 15.8 |
| Power sector - ROE (%) | 22.0 | 16.0 | 16.2 |

*Source: Company, Edelweiss research*

## Valuation: Real estate

### Property 1: Park Circus mall

CESC Properties plans to develop a 0.4 mn sq ft mall in Park Circus, Kolkata. The land for the mall has been leased to CESC Properties and CESC will, in turn, receive rental income from the same. Work on the proposed site is expected to begin January 2008 onwards and is likely to accomplish over the next 18 months.

Development cost for the mall is expected to be ~INR 1,500 mn. We have assumed a rate of INR 100/ sq ft/month of rental income from the mall once it is complete in FY10. As per the regulatory norms, a part of this income will go for tariff rationalization. Our basic assumption for valuing the property is mentioned below:

Table 12: CESC Properties at Park Circus

| | | Cost |
|---|---|---|
| Period | 18 months | |
| FY08 | 3 months | 250 mn |
| FY09 | 12 months | 1,000 mn |
| FY10 | 3 months | 250 mn |
| Rental income (INR) | 100 sqft/month | |
| Rental increase (%) | 5 | |
| A&G expense (%) | 5 | |

*Source: Company, Edelweiss research*

Table 13: Valuation

| (INR mn) | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 |
|---|---|---|---|---|---|---|---|---|---|---|
| Development cost | (250) | (1000) | (250) | | | | | | | |
| Rental Income | | | 360 | 504 | 529 | 556 | 583 | 613 | 643 | 675 |
| A&G expense | | | 18 | 25 | 26 | 28 | 29 | 31 | 32 | 34 |
| Net Income | | | 342 | 479 | 503 | 528 | 554 | 582 | 611 | 642 |
| Consumer share for Tariff reduction | | | 68 | 96 | 101 | 106 | 111 | 116 | 122 | 128 |
| CESC's share | | | 274 | 383 | 402 | 422 | 443 | 466 | 489 | 513 |
| Tax rate | | | 91 | 128 | 134 | 141 | 148 | 155 | 163 | 171 |
| Post tax CESC's share | | | 182 | 255 | 268 | 282 | 296 | 310 | 326 | 342 |
| Cash flow for the business | (250) | (1000) | (68) | 255 | 268 | 282 | 296 | 310 | 326 | 342 |
| Terminal value | | | | | | | | | | 5496 |
| **Discounting rate** | | | | | | | | | | |
| Total Cash flow | (250) | (1000) | (68) | 255 | 268 | 282 | 296 | 310 | 326 | 5838 |
| Discounted CF | (228) | (835) | (52) | 178 | 171 | 164 | 157 | 151 | 145 | 2374 |
| Value | 2226 | | | | | | | | | |
| **Value per share (INR)** | **18** | | | | | | | | | |

*Source: Company, Edelweiss research*

### Property 2: Mulajore plant area

Mulajore plant, which was shut recently, is spread over 43 acres of land. Of this, 30 acres will be residential, whereas another 5 acres will be developed as an industrial park. As the land is located more than 30 km away from the main city, we have assigned it a value of INR 20 mn/acre.

Table 14: Mulajore plant

| Development expected | FY11 |
|---|---|
| Area | 43 acre |
| Development area | 30 acre |
| Rate | 20 mn/acre |
| Value total | 600 mn |
| Value (INR/Share) | 5 |

*Source: Company, Edelweiss research*

### Property 3: New Cossipore plant area

This plant is going to be shut in FY10, once the Budge Budge expansion unit is commissioned. Based on the plant's proximity to the main city, we have assigned it a value of INR 30 mn/acre.

Table 15: New Cossipore Plant

| Development expected | FY13 |
|---|---|
| Area | 27 acre |
| Development area | 20 acre |
| Rate | 30 mn/acre |
| Valule total | 600 mn |
| Value (INR/Share) | 5 |

*Source: Company, Edelweiss research*

## Valuation: Retail

We have used Mcap/sales to value CESC's retail business.

Table 16: Major retail players

| | FY07 | FY08E | FY09E |
|---|---|---|---|
| **Area (mn sq.ft)** | | | |
| Pantaloon | 5.7 | 9.6 | 14.2 |
| Shoppers Stop | 1.2 | 1.6 | 2.6 |
| Vishal Retail | 1.3 | 1.8 | 2.4 |
| Koutons | 0.5 | 0.9 | 1.3 |
| **Revenues-mn** | | | |
| Pantaloon | 32,367 | 57,031 | 88,210 |
| Shoppers Stop | 8,895 | 11,158 | 16,076 |
| Vishal Retail | 6,027 | 10,247 | 14,346 |
| Koutons | 4,024 | 7,034 | 9,870 |
| **Mcap/Sales** | | | |
| Pantaloon | 2.8 | 1.6 | 1.0 |
| Shoppers Stop | 2.1 | 1.6 | 1.1 |
| Vishal Retail | 3.2 | 1.9 | 1.3 |
| Koutons | 6.1 | 3.5 | 2.5 |

*Source: Company, Edelweiss research*

The above analysis of the key competitors in the retail industry shows that Mcap/sales for the core retailing in FY09 for the key players are in the range of 1 to 1.2. We have used 1.1 for the valuation of Spencer's Retail. The value per share comes out to be INR 112/share.

Table 17: Market cap/Sales

| | | | |
|---|---|---|---|
| Industry average | 1.0 | 1.1 | 1.2 |
| Discount@ 20% | 0.8 | 0.9 | 1.0 |
| Holding company | 0.6 | 0.7 | 0.8 |
| Market cap/Sales for Spencer's | 0.6 | 0.7 | 0.8 |
| FY09 sales (mn) | 20,000 | 20,000 | 20,000 |
| Value(mn) | 12,800 | 14,080 | 15,360 |
| O/S (mn) | 125.6 | 125.6 | 125.6 |
| INR | 101.9 | **112.1** | 122.3 |

*Source: Company, Edelweiss research*

At the time of merger, INR 31.3 mn shares of CESC were issued to the promoters of Pathik Foods at INR 354. Pathik Foods owns 94.7% in Spencer's Retail, which assigns a value of INR 83/share to CESC's retail business.

Table 18: Merger value

| **94.7% stake in Pathik Foods** | |
|---|---|
| Shares issued (mn) | 31.1 |
| Issue price (INR) | 354 |
| Value (mn) | 11,009 |
| Vaule@94.7% (mn) | 10,426 |
| O/S (mn) | 126 |
| INR/Share | 83 |

*Source: Company, Edelweiss research*

We feel that the value of INR 112 is appropriate, as it considers performance of the key players in the retail industry.

## Key Risks

HT consumers in CESC's license area can switch over to captive power or power from open access, once West Bengal State Electricity Regulatory Commission allows the same. This is a serious issue, considering that the nearby states like Jharkhand and Orissa are coal rich and possibility of power transmission from these states cannot be overruled. CESC had faced a similar threat in the past, but had overcome the same by bringing down its tariff continuously in the past 3-4 years.

While CESC has been allotted a 110 mt coal reserve, it still needs to have linkage for its 2,300 MW capacity in pipeline to fulfill its long-term plan.

Till date, WBERC has not given CESC PLF incentives for generation above 80%. If the same trend continues non receipt of efficiency gains and lowering of tariffs could have a negative impact on the earnings.

As CESC has an aggressive plan, its runs the risk of delays in execution and cost over run in its projects. Similarly although it has been able to have a high PLF in the past, sustaining the same in future will need consistent effort.

RPG group has 11 listed companies, including CESC, with presence in 6 different business segments with some overlap of businesses in some of the companies which creates some possibilities of conflicts of interest. However, over the last few years as part of restructuring some of the companies were hived off, cross holdings phased out and professionals inducted on the Board with an aim to improve corporate governance. The management has indicated CESC's current diversification into realty and retail is largely to de-risk the business and encashing on the opportunity provided by surplus land leading to unlocking of value at an opportune moment in future.

## Company Description

CESC is an RPG group company with registered office at CESC House, Chowringhee Square, Kolkata. It was commissioned in 1899 and since then the company has been offering power to consumers in its Kolkata license area that has expanded from 5.64 sq miles to 567 sq km over the years. The number of consumers has grown from 6000 to 2.1 mn over time.

CESC has total installed capacity of 945 MW from four generating units at Budge Budge (500 MW), Southern (135 MW), Titagarh (240 MW) and New Cossipore (100 MW). Budge Budge achieved a plant load factor of 99.77%, which is among the best ever achieved by any thermal power station in India. In recognition of its Budge Budge power station's impeccable record, the company received National Award for meritorious performance in the power sector for 2005-06 from the prime minister of India on March 21, 2007. Budge Budge has been acknowledged by the United Nations as a clean development mechanism (CDM) project, a rare recognition earned by any thermal power station. In the past, Budge Budge has won the National Award for better fly ash utilisation too.

### Board of directors

Rama Prasad Goenka, chairman

Sanjiv Goenka, vice chairman

Pradip Kumar Khaitan

Brij Mohan Khaitan

Bhagwati Prasad Bajoria

Pradip Roy (nominee of IDBI)

Birenjit Kumar Paul (nominee of Govt. of West Bengal)

Ajay Saraf (nominee of ICICI Bank)

Sumantra Banerjee, managing director

# Industry Overview

## ✻ Power business

### The increasing demand supply gap -Need for more generating assets

Over the years, the requirement of power has outpaced its availability and the demand-supply gap seems to be widening.

Table 19: April-November'07

| | Demand-MU | Supply-MU | Deficit(-) | Deficit(%) |
|---|---|---|---|---|
| Northern Region | 147,720 | 135,962 | (11,758) | (8.0) |
| Western Region | 155,108 | 134,701 | (20,407) | (13.2) |
| Southern Region | 122,152 | 119,075 | (3,077) | (2.5) |
| Eastern Region | 50,494 | 48,503 | (1,991) | (3.9) |
| North-Eastern | 5,932 | 5,285 | (647) | (10.9) |
| All India | 481,406 | 443,526 | (37,880) | (7.9) |

*Source: CEA, Edelweiss research*

It is evident from the above table that there is a need to enhance the generating capacity to meet this demand. With the per capita expected to grow from 600 units/year to 1,000 units by 2010, this gap is likely to increase further. Thus, there is ample opportunity for the generating companies to increase their base as quickly as possible, to cater to this rising demand.

## ✻ Inter-regional export of power

The western and northern parts of India have been two major regions of deficit in the past and remain so in the current fiscal too. East India, where the demand has been relatively less, has been the major exporter of power off late. The table below summarises the inter regional power transfer from April'07 to October '07.

Table 20: April-October'07

| From | NR | WR | SR | ER | NER | Total (MU) |
|---|---|---|---|---|---|---|
| NR | | 406 | 298 | | | 703 |
| WR | 794 | | 55 | 13 | | 861 |
| SR | 1635 | 1158 | | 89 | | 2882 |
| ER | 3638 | 1918 | 690 | | 172 | 6418 |
| NER | 333 | 54 | 7 | 32 | | 426 |

*Source: CEA, Edelweiss research*

CESC, being the key private player in the east and well-positioned to generate surplus power with the addition of Budge Budge expansion and Haldia Phase I, has an opportunity to utilise its assets more efficiently.

## ✻ Key players and their plans

### NTPC

NTPC has 26,350 MW (21% of national installed capacity) of generation under operation and accounts for more than 27% of the energy generated in the country. It has a market cap of ~INR 1,655 bn with revenues and profit of INR 325 bn and INR 68 bn, respectively, in FY07. The operating parameters of the plants i.e. PLF and SHR have been of very high standard. The company plans to add ~23,000 MW in the Eleventh Plan and ~25,000 MW in the Twelfth Plan. Currently, it has coal and gas-based power plants under its asset base, but has recently diversified into hydro projects as well.

Further, NTPC has trading, hydro, and supply subsidiaries. It plans to have 12,000 MW of capacity from hydel, nuclear, and non-conventional energy by 2017. It has been allocated seven coal mines, out of which, two will be developed under a JV with Coal India. The estimated mineable reserve of these mines is 2810 MT and the company hopes to have production capacity of 47 MTPA by 2017. The company has signed MoUs with the Government of Sri Lanka and Nigeria for setting up power plants in these countries.

### Tata Power

Tata Power is an integrated power utility with a generation installed capacity of 2,368 MW and is the distribution licensee in Mumbai and Delhi. In generation, it has thermal, hydel, wind, and solar power capacities. The company owns 51% in Power Links Transmission, which is a JV with Power Grid, for wheeling power from Bhutan to north India. Tata Projects Limited is an associate company of Tata power, which carries out the company's EPC business. It has a strategic electronics division for executing defense projects and also has a 100% power trading company. It has a market cap of ~INR 252 bn with revenues and profit of INR 47 bn and INR 7 bn, respectively, in FY07. It has plans to add another 5,700 MW in the next 4-5 years, including the 4,000 MW Mundra UMPP that is expected to be commissioned by FY12. The company has acquired 30% stake in Bumi mines for fuel security. The company has another 4,700 MW of capacity in the pipeline.

### Reliance Energy

Like Tata power and CESC, Reliance Energy is also an integrated player in the utility space, supplying power to more than 4.5 mn customers in Mumbai and Delhi. It has a total installed capacity of 941 MW operating on coal, gas, naphtha, and wind power plants. The company's power plant at Dahanu (500 MW) has been operating at around PLF of 97-100% in the last few years. The company has bagged two UMPPs (Sasan and Krishnapattam), which will be executed by Reliance Power. It plans to add total ~29,000 MW in the next 7-8 years, all of which will be under Reliance Power.

Reliance Energy is one of the leading private players in the transmission space. In JV with Power Grid, the company is building transmission lines for Parbati and Koldam projects. It has EPC order book of more than INR 800 bn. The company is also involved in road and infrastructure projects along with power trading. In the infrastructure space the company is involved in building roads, urban infrastructure, specialty real estate, and SEZs. It has a market cap of ~INR 390 bn with revenues and profit of INR 57 bn and INR 8 bn, respectively, in FY07.

In the table below, we have outlined the key financials of the major utilities:

Table 21: Key comparables

| P/B(x) | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| NTPC | 27.5 | 24.3 | 20.5 | 18.1 | 15.8 |
| Tata Power | 43.2 | 35.6 | 43.0 | 35.4 | 31.6 |
| Reliance Energy | 58.2 | 59.8 | 40.6 | 27.4 | 20.8 |
| CESC | 23.8 | 15.0 | 19.8 | 18.1 | 15.6 |
| **P/B(x)** | | | | | |
| NTPC | 3.7 | 3.4 | 3.1 | 2.9 | 2.6 |
| Tata Power | 5.1 | 4.6 | 3.9 | 3.2 | 3.0 |
| Reliance Energy | 4.6 | 4.2 | 3.7 | 2.3 | 2.2 |
| CESC | 2.5 | 2.4 | 1.7 | 1.6 | 1.5 |
| **EPS(INR)** | | | | | |
| NTPC | 7.3 | 8.3 | 9.8 | 11.1 | 12.7 |
| Tata Power | 29.6 | 35.8 | 29.7 | 36.1 | 40.4 |
| Reliance Energy | 29.3 | 28.5 | 42.0 | 62.3 | 82.3 |
| CESC | 22.5 | 35.6 | 27.1 | 29.6 | 34.2 |
| **EV/EBITDA** | | | | | |
| NTPC | 19.9 | 16.0 | 16.7 | 15.3 | 14.2 |
| Tata Power | 27.5 | 32.6 | 26.9 | 20.4 | 18.4 |
| Reliance Energy | 45.1 | 80.9 | 78.2 | 18.4 | 13.7 |
| CESC | 10.3 | 10.7 | 11.8 | 11.1 | 10.7 |

*Source: Company, Edelweiss research*

### Retail

*Key players and their plans*

Pantaloon Retail India (PRIL) is a leading retail company in India with presence across most sectors of organised retail. The company entered modern retail in 1997 with the opening up of its department store format Pantaloons. In 2001, PRIL launched Big Bazaar, a hypermarket chain, followed by Food Bazaar, a supermarket chain. A five format company, two years back, it is now operating over 20 formats. These formats include Central (seamless malls located in city-centers), Collection i (home improvement products), E-Zone (consumer electronics), Depot (books, music, gifts, and stationeries), aLL (fashion apparel for plus-size individuals), Shoe Factory (footwear), and Blue Sky (fashion accessories). It has recently launched its e-tailing venture, futurebazaar.com. Its retail operations are spread over 6 mn sq ft and it plans to take it to 3.0 mn sq ft by FY11. With a view to capitalise on this advantage, the company has started incubating allied businesses that either derive their origin from the retailing business or provide support to the core business. It has incorporated subsidiaries like Future Media, Future Logistics, Future Bazaar, Future Capital, Future ventures among others whose business models are designed to capitalise on the 30 mn sq ft of retail space that PRIL will have by FY11E.

Shoppers Stop Limited (SSL) is India's dominant player in the department store segment. It began operations in 1991 as a retailer of men's wear through a single store in Mumbai. Within a year's time, it added several other product categories such as apparels for women and children and a non-apparels section. SSL has grown rapidly and has also added a host of specialty formats to enhance its product mix such as home solutions through Crossword- the books and music format, Home Stop, infant care through Mothercare, cosmetics through MAC Clinique, and also hospitality through its two restaurants Café Brio and Desi Café. It also has the option to enter the value retailing segment by buying 51% stake in promoter-held hypermarket chain, HyperCITY, by December 2008. In addition to these, the company has formed JVs with global players like Argos and Nuance to enter the niche segments of catalogue retailing and airport retailing. As of FY07, it has 20 Shoppers Stop stores, 2 Home Stop stores, 11 Mothercare stores, 1 M.A.C. store, 43 Crossword stores, 17 F&B outlets, and 1 hypermarket in the group company occupying a total space of 1.2 mn sq ft. It has plans to take its total space under operations to over 6 mn sq ft by FY11E.

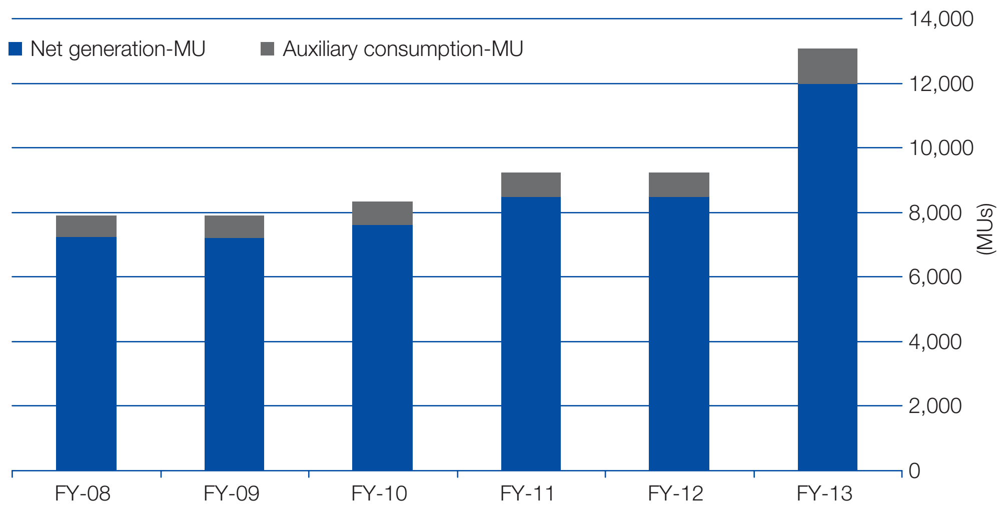
Vishal Retail (VRL) began operations as a retailer of ready-made apparels in Kolkata in 2001. In 2003, it acquired the manufacturing facilities from Vishal Fashions Private Limited and Vishal Apparels and then focused its efforts on setting up a pan-India retail chain. VRL's business is modeled on the 'value for money' retailing concept and enjoys an established customer connect with the middle and lower-middle income consumer groups. The company's key strategy is to offer quality products at the minimum possible cost, with a focus on private and quasi-private label products at affordable prices. The discount store format is expected to be highly successful in the long run, as it provides the retailer with quicker stock turns and economies of scale, and the consumer reaps the benefits of variety and convenience. VRL is looking to set up 32 stores in FY08 to take its store tally to 80 from 50 in FY07. With the addition of 34 stores, the company's retail space will stand at 2.1 mn sq ft.

## Financial Outlook

### Generation to grow substantially over the next 5-6 years

As CESC is adding 250 MW in FY10 and another 600 MW by FY12, its power generation is expected to grow ~80% by FY13. With the commissioning of the Budge Budge unit, we expect the company's dependence on purchased power to reduce further; and by the time the Haldia Phase I is commissioned, CESC's own generation will be self-sufficient for its license area. We expect substantial transfer of power FY13 onwards. This generation will further increase due to upcoming projects in Jharkhand, Orissa, and Haldia Phase II. As the coal block for the Jharkhand plant has already been allotted, at least this 1000 MW is expected to be commissioned smoothly. The table below shows the net generation and auxiliary consumption level over the next few years.

**Chart 6: Power generation**

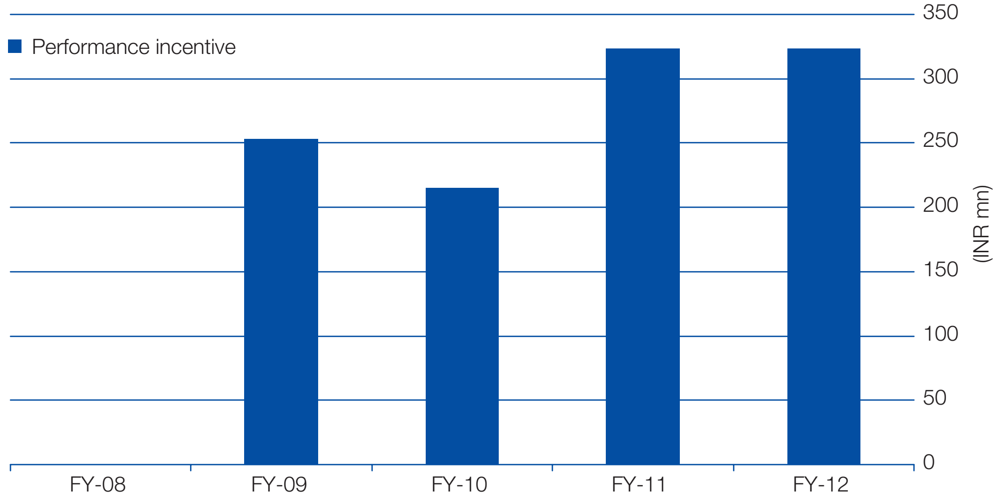



*Source: Company, Edelweiss research*

### Incentive to further boost the bottom line

WBERC has not been allowing CESC performance incentive on account of higher than normative PLF, though the company has been consistently improving its performance. They have agreed to award CESC with such incentives FY09 onwards. The company's overall plant load has been ~85-87% in the recent past; it is expected to increase further with the commissioning of new capacities and the retrial of New Cossipore that is currently operating at a PLF of ~50-55%.

**Chart 7: Performance incentive**

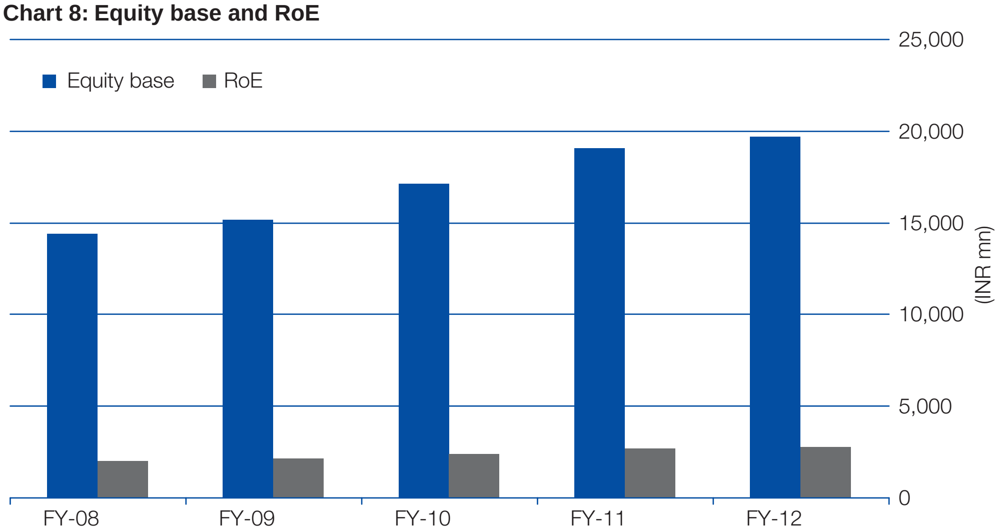



*Source: Company, Edelweiss research*

### Equity base expected to grow further

With capacity addition in generation, system strengthening for power evacuation, and handling of peak load, huge amount of capital expenditure is expected. Over the next five years, capital expenditure of INR 51.25 bn is likely. All these projects will be done on a debt:equity ratio of 70:30, and hence, we expect an equity infusion of ~INR 15.5 bn. CESC, in turn, will receive a 14% return on the equity base. The figure below shows the expected equity base and RoE.

**Chart 8: Equity base and RoE**

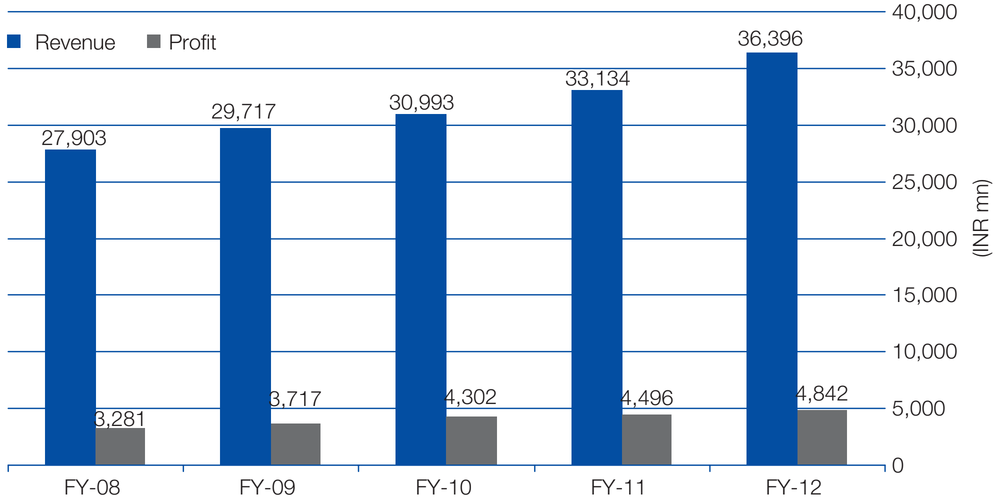



*Source: Company, Edelweiss research*

### Capacity expansion to drive revenues and net profit

We expect a consistent increase in CESC's revenues and profit for CESC in the next 4-5 years. These figures will further increase in FY13, once the company starts realising benefits from the Haldia Phase I. Over the long term, we expect the profit to increase on account of merchant sale from the company's Jharkhand plant.

**Chart 9: Revenue and profit**




*Source: Company, Edelweiss research*

## Standalone Outlook

CESC achieved a return an average equity of 16.3% in FY07, but this figure is expected to drastically come down to 11.95% by FY08E and 10.1% by FY09E. This is mainly due to the fact that the shareholders fund has increased by around INR 16,900 mn on account of issue of 31.1 mn shares to the promoters of Pathik foods and QIP of 9.56 mn shares. A similar trend is expected in ROACE figures going forward.

Table 22: Average returns

| | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|
| ROAE (%) | 16.3 | 11.9 | 10.1 | 11.6 |
| ROACE (%) | 9.5 | 7.6 | 7.5 | 7.9 |

*Source: Company, Edelweiss research*

## Consolidated Financial Outlook

CESC has diversified into retail and real estate businesses through subsidiaries and intends to expand the retail presence all over the country in a very aggressive manner. In the process we expect CESC will provide the initial funding for retail, which in a year down the line will start funding for future expansion on its own balance sheet. We expect CESC to invest around INR 2,000 mn in the next one year as initial funding.

The consolidated figure for CESC would have a negative impact in the earning as the retail business is expected to have operating loss till FY09.

Table 23: Consolidated income sheet

| (INR mn) | FY08E | FY09E | FY10E |
|---|---|---|---|
| Income | | | |
| Power business | 27,903 | 29,969 | 31,207 |
| Retail | 9,000 | 20,000 | 35,000 |
| Real Estate | 0 | 0 | 360 |
| Total | 36,903 | 49,969 | 66,567 |
| Expenditure | 30,798 | 42,717 | 57,321 |
| EBITDA | 6,105 | 7,252 | 9,246 |

*Source: Company, Edelweiss research*

We expect CESC would start getting the rental form CESC properties from FY10E. On a consolidated basis the EBITDA margin will be affected because of the operating loss from the retail business till FY10E.

Also the consolidated balance sheet will have a larger debt value as we expect that Spencer's will raise debt on its own balance sheet for future expansion.

**Table 24: Consolidated balance sheet**

| (INR mn) | FY08E | FY09E | FY10E |
|---|---|---|---|
| **Sources of funds :** | | | |
| Shareholders funds | 39,731 | 42,400 | 47,873 |
| Total debt | 28,256 | 34,515 | 41,322 |
| Total liabilities | 67,986 | 76,914 | 89,196 |
| **Application of funds:** | | | |
| Net block | 36,120 | 38,655 | 53,278 |
| Capital work in progress | 6,406 | 13,283 | 9,818 |
| Net current assets | 13,046 | 12,563 | 13,686 |
| Investments | 12,414 | 12,414 | 12,414 |
| Total assets | 67,986 | 76,914 | 8,9196 |

*Source: Company, Edelweiss research*

# Financial Statements

**Income statement** (INR mn)

| Year to March | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| Income from operations | 25,141 | 24,843 | 26,676 | 28,985 | 30,261 |
| Direct costs | 10,909 | 11,106 | 12,344 | 13,787 | 14,001 |
| Employee costs | 2,924 | 3,078 | 3,140 | 3,202 | 3,367 |
| Other expenses | 5,333 | 4,921 | 5,315 | 5,227 | 5,191 |
| Total operating expenses | 19,166 | 19,105 | 20,798 | 22,217 | 22,559 |
| EBITDA | 5,975 | 5,738 | 5,878 | 6,769 | 7,701 |
| Depreciation and amortisation | 2,544 | 1,579 | 1,677 | 1,824 | 2,119 |
| EBIT | 3,430 | 4,159 | 4,201 | 4,945 | 5,582 |
| Interest expenses | 2,124 | 1,679 | 1,563 | 1,453 | 1,426 |
| Other income | 732 | 927 | 1,227 | 732 | 732 |
| Profit before tax | 2,038 | 3,407 | 3,865 | 4,224 | 4,888 |
| Provision for tax | 173 | 381 | 464 | 507 | 587 |
| Reported profit | 1,866 | 3,026 | 3,401 | 3,717 | 4,302 |
| Adjusted net profit | 1,866 | 3,026 | 3,401 | 3,717 | 4,302 |
| Basic shares outstanding (mn) | 83 | 85 | 126 | 126 | 126 |
| Dividend per share | 2.8 | 4.1 | 4.9 | 5.9 | 6.8 |
| Dividend payout (%) | 12.6 | 11.4 | 18.0 | 20.0 | 20.0 |

**Common size metrics as % of net revenues**

| Year to March | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| Operating expenses | 76.2 | 76.9 | 78.0 | 76.6 | 74.6 |
| Depreciation | 10.1 | 6.4 | 6.3 | 6.3 | 7.0 |
| Interest expenditure | 8.4 | 6.8 | 5.9 | 5.0 | 4.7 |
| EBITDA margins | 23.8 | 23.1 | 22.0 | 23.4 | 25.4 |
| Net profit margins (adjusted) | 7.4 | 12.2 | 12.8 | 12.8 | 14.2 |

**Growth metrics (%)**

| Year to March | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| Revenues | 8.3 | (1.2) | 7.4 | 8.7 | 4.4 |
| EBITDA | (7.4) | (4.0) | 2.4 | 15.2 | 13.8 |
| PBT | 24.6 | 67.1 | 13.5 | 9.3 | 15.7 |
| Net profit (adjusted) | 23.8 | 62.2 | 12.4 | 9.3 | 15.7 |
| EPS | 12.0 | 58.3 | (24.0) | 9.3 | 15.7 |

**Cash flow statement** (INR mn)

| Year to March | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| Net profit | 1,866 | 3,026 | 3,521 | 3,717 | 4,302 |
| Add: Depreciation | 2,544 | 1,579 | 1,677 | 1,824 | 2,119 |
| Add: Deferred tax | 681 | (230) | 0 | 0 | 0 |
| Gross cash flow | 5,091 | 4,375 | 5,198 | 5,541 | 6,421 |
| Less: Dividends | 235 | 345 | 612 | 743 | 860 |
| Less: Changes in W. C. | (65) | (3,087) | 1,044 | 347 | 192 |
| Operating cash flow | 4,922 | 7,117 | 3,541 | 4,450 | 5,368 |
| Less: Change in investments | (1) | 2,100 | 10,000 | 0 | 0 |
| Less: Capex | 1,888 | 3,431 | 6,525 | 10,163 | 11,725 |
| **Free cash flow** | **3,034** | **1,586** | **(12,984)** | **(5,712)** | **(6,357)** |

Balance sheet (INR mn)

| As on 31st March | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| Equity capital | 830 | 850 | 1,256 | 1,256 | 1,256 |
| Reserves & surplus | 17,101 | 18,302 | 37,474 | 40,143 | 43,117 |
| Shareholders funds | 17,931 | 19,152 | 38,731 | 41,400 | 44,373 |
| Secured loans | 16,644 | 15,467 | 16,964 | 21,078 | 27,285 |
| Unsecured loans | 8,046 | 10,042 | 10,042 | 10,042 | 10,037 |
| Borrowings | 24,690 | 25,508 | 27,006 | 31,120 | 37,322 |
| Sources of funds | 42,621 | 44,660 | 65,736 | 72,519 | 81,696 |
| Gross block | 63,602 | 65,687 | 68,687 | 72,187 | 86,937 |
| Depreciation | 28,261 | 31,790 | 33,467 | 35,291 | 37,409 |
| Net block | 35,342 | 33,897 | 35,220 | 36,897 | 49,528 |
| Capital work in progress | 1,310 | 2,656 | 6,181 | 12,843 | 9,818 |
| Total fixed assets | 36,652 | 36,553 | 41,401 | 49,740 | 59,346 |
| Investments | 314 | 2,414 | 12,414 | 12,414 | 12,414 |
| Inventories | 1,713 | 1,673 | 1,797 | 1,952 | 2,038 |
| Sundry debtors | 5,224 | 4,151 | 4,458 | 4,844 | 5,057 |
| Cash and equivalents | 3,959 | 7,314 | 12,498 | 10,595 | 9,973 |
| Loans and advances | 1,398 | 1,770 | 1,770 | 1,770 | 1,770 |
| Other current assets | 100 | 93 | 0 | 0 | 0 |
| Total current assets | 12,395 | 15,002 | 20,522 | 19,160 | 18,838 |
| Sundry creditors and others | 6,761 | 8,967 | 9,121 | 9,315 | 9,422 |
| Provisions | 729 | 862 | 0 | 0 | 0 |
| Total CL & provisions | 7,490 | 9,829 | 9,121 | 9,315 | 9,422 |
| Net current assets | 4,905 | 5,174 | 11,401 | 9,846 | 9,416 |
| Net deferred tax | 750 | 520 | 520 | 520 | 520 |
| Uses of funds | 42,621 | 44,660 | 65,736 | 72,519 | 81,696 |
| BV per sh adj for stk split & bonus (INR) | 216 | 225 | 308 | 330 | 353 |

Ratios

| Year to March | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| ROAE (%) (on adjusted profits) | 11.2 | 16.3 | 11.8 | 9.3 | 10.0 |
| ROACE (%) | 8.2 | 9.5 | 7.6 | 7.2 | 7.2 |
| Current ratio | 1.7 | 1.5 | 2.3 | 2.1 | 2.0 |
| Debtors (days) | 76 | 61 | 61 | 61 | 61 |
| Fixed assets t/o (x) | 0.7 | 0.7 | 0.6 | 0.6 | 0.5 |
| Average working capital turnover (x) | 17.3 | (14.9) | (12.3) | (22.3) | (32.5) |
| Average capital employed t/o. | 0.6 | 0.6 | 0.5 | 0.4 | 0.4 |
| Net debt/equity | 1.1 | 0.8 | 0.1 | 0.2 | 0.3 |
| Gross debt/equity | 1.4 | 1.3 | 0.7 | 0.8 | 0.8 |

Valuation parameters

| Year to March | FY06 | FY07 | FY08E | FY09E | FY10E |
|---|---|---|---|---|---|
| Basic EPS (INR) | 22.5 | 35.6 | 27.1 | 29.6 | 34.2 |
| *Y-o-Y growth (%)* | *12.0* | *58.3* | *(24.0)* | *9.3* | *15.7* |
| CEPS (INR) | 53.2 | 54.2 | 40.4 | 44.1 | 51.1 |
| P/E (x) | 23.8 | 15.0 | 19.8 | 18.1 | 15.6 |
| Price/BV(x) | 2.5 | 2.4 | 1.7 | 1.6 | 1.5 |
| EV/Sales (x) | 2.4 | 2.5 | 2.6 | 2.6 | 2.7 |
| EV/EBITDA (x) | 10.3 | 10.7 | 11.8 | 11.1 | 10.7 |

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## *Coverage group(s) of stocks by primary analyst(s): Power*

GIPCL, NTPC, Power Grid Corporation, Reliance Energy and Tata Power

## CESC


## Recent Research

| Date | Company | Reports | Price | Recos |
|---|---|---|---|---|
| 7-Feb-08 | Power Grid Corporation | Leveraging tower value; *Result Update* | 110 | Accumulate |
| 31-Jan-08 | NTPC | Burning bright; *Result Update* | 198 | Accumulate |
| 31-Jan-08 | Power Grid Corporation | Uphill task; *Result Update* | 110 | Reduce |
| 25-Jan-08 | Gujarat Ind. Power | Steady growth, expansion on track, *Result Update* | 113 | Buy |

## Distribution of Ratings / Market Cap

**Edelweiss Research Coverage Universe**

| | Buy | Accumulate | Reduce | Sell | Total |
|---|---|---|---|---|---|
| Rating Distribution | 112 | 44 | 11 | 1 | 188 |

* 14 stocks under review / 6 rating withheld

| | > 50bn | Between 10bn and 50 bn | < 10bn |
|---|---|---|---|
| Market Cap (INR) | 88 | 74 | 26 |

## Rating Interpretation

| Rating | Expected to |
|---|---|
| **Buy** | appreciate more than 20% over a 12-month period |
| **Accumulate** | appreciate up to 20% over a 12-month period |
| **Reduce** | depreciate up to 10% over a 12-month period |
| **Sell** | depreciate more than 10% over a 12-month period |