

CESC Ltd

Renewables-Led Expansion, Distribution-Led Stability



May 24, 2026

Reco BUY

Industry	Utilities
LTP (May 22, 2026)	177.22
Entry Range	173-188
Add on Dips	145-155
Base Case Target	210
Bull Case Target	221
Time Horizon	4 Quarters

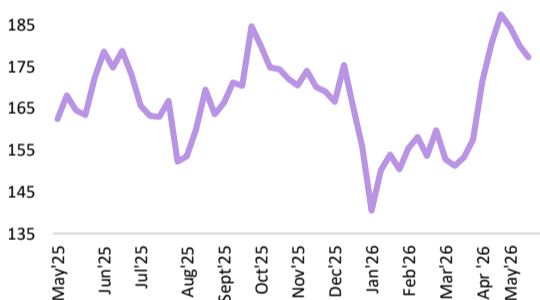
Stock Info

BSE Code	500084
NSE Code	CESC
Bloomberg	CESC IN
Equity Capital (Rs Cr)	132.6
Face Value (Rs)	1
Equity Share O/S (Cr)	132.6
Market Cap (Rs Cr)	23,490
Book Value (Rs)	94.5
Avg. 52 Wk Volumes	29,32,908
52 Week High	204
52 Week Low	138

Share Holding Pattern % (Mar'26)

Promoters	52.1
Institutions	37.9
Non Institutions	10.0
Total	100.0

One Year Price Chart



For details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Renewables-Led Expansion, Distribution-Led Stability

CESC Limited is the flagship company of RP-Sanjiv Goenka Group (RPSG), recognized as India's first fully integrated electrical utility company, operating since 1899 with its core activities in power generation and distribution in Kolkata and Howrah. The company features private sector participation across generation, transmission, and distribution, holding exclusivity as the sole distributor of electricity within a 567-square-kilometre area covering Kolkata, Howrah, and neighboring regions. The company has broadened its operations by acquiring distribution franchisee rights in several regions of Rajasthan and Maharashtra, serving as the distribution licensee through Noida Power Company, and securing a recently awarded distribution license for Chandigarh. CESC serves approximately 5.7 million consumers, which include domestic, industrial and commercial users. Within its licensed territory, CESC's portfolio consists of two key thermal power plants: Budge Budge Generating Station (750 MW) and Southern Generating Station (135 MW) for captive consumption. Additionally, the Haldia Thermal Plant (600 MW), a wholly owned subsidiary, supplies power exclusively to CESC. It also owns and operates the Chandrapur plant (600MW), which generates revenue through medium-term PPAs and power sale in merchant markets, as well as Crescent (40MW) thermal plant which supplies to the short-term merchant markets.

CESC is entering a growth phase, primarily driven by the planned expansion of renewable capacity to 2.9 GW by FY29 and 10 GW by FY32, which will cater to captive requirements as well as third-party markets. The adoption of captive renewable capacity is expected to substantially lower power procurement costs and enhance operating margins. This strategic expansion, alongside the company's existing regulatory ROE businesses, will result in a healthy mix of financial growth, operating margin improvement, and comfortable leverage

We recommend investors to BUY with a Base Case/Bull Case Target of Rs 210/221, as we expect CESC to deliver a Revenue/EBITDA/PAT CAGR of 10.7%/26.6%/11.4% over FY26-FY28E, backed by rapid renewable adoption and improving efficiency in distribution businesses.

Our Take

Integrating renewables will strengthen margins and instill growth

CESC is undertaking a large-scale renewable expansion, with capacity projected to rise from 300 MW as of 31 March, 2026 to 3,200 MW/10,000 MW in FY29/FY32. Within this pipeline, 2,400 MW is already under implementation, 3,800 MW of connectivity has been secured, and PPAs have been signed for 2,000 MW. The company plans to commission approximately 2,200 MW for captive consumption, which should reduce power procurement costs for its distribution business and promote margin expansion going ahead. The balance capacity is expected to be deployed largely for third-party sales via PPAs and merchant routes. Most of the company's capex will be allocated toward this renewable buildout, with outlay estimated at Rs 6,000-7,000 Cr in FY27, increasing to Rs 8,000-10,000 Cr in FY28. A higher mix of Hybrid/RTC projects should also improve round-the-clock supply visibility and support better asset utilization.

Distribution businesses to fund renewable tale

CESC operates largely on a regulatory ROE framework, with the bulk of its business — including Kolkata, Haldia, Dhariwal, Noida Power, and Chandigarh — earning returns on a fixed-ROE basis. This model provides the company with stable returns and predictable cash flows, which are particularly valuable in a capital-intensive utility business. The company has a well-balanced distribution portfolio where Kolkata and Noida Power provide mature cash flows and earnings visibility, while the Chandigarh distribution licensee and franchise operations in Rajasthan and Malegaon offer growth opportunities through lower T&D losses and an expanding customer base. Taken together, these businesses give CESC a strong earnings base and a meaningful cash flow cushion to support its planned capex over the next few years. This should also help the company maintain debt at a comfortable level while continuing to invest in growth.

Valuation & Recommendation:

The regulated nature of a majority of CESC's thermal generation and power distribution assets provides long-term earnings visibility, with regulated returns in the range of 15.5% to 16.5% on equity. While these asset bases are in mature stages, the company's rapid renewable capacity addition over the next few years is expected to instill decent growth and improve operating margins through lower power costs. This is further supported by operational efficiency gains and a steady reduction in T&D losses across its distribution franchisees. In addition, a potential amendment to the UP DISCOM privatization framework and the Supreme Court's order on amortization of regulatory assets could serve as additional growth catalysts for the business.

We recommend investors to **BUY the stock with a Base Case/Bull Case Target of Rs 210/221** as we expect CESC to deliver a Revenue/EBITDA/PAT CAGR of 10.7%/26.6%/11.4% over FY26-FY28E, backed by rapid renewable adoption and improving efficiency in distribution businesses.

We value the regulatory businesses, Kolkata operations/Haldia/Chandigarh/Noida Power at 2x/2.5x/1.5x/2x FY28E Regulated equity, Renewables at 13x EV/EBITDA and Distribution Franchisees on a DCF Basis.

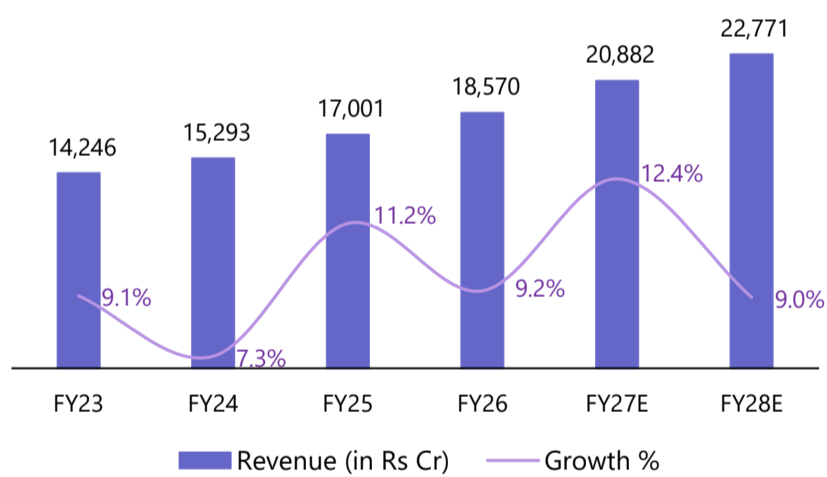
Financial Summary

Particulars (Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY23	FY24	FY25	FY26	FY27E	FY28E
Operating Income	4,096	3,877	5.6%	4,005	2.3%	14,246	15,293	17,001	18,570	20,882	22,771
EBITDA	743	812	-8.5%	779	-4.6%	2,149	2,125	2,689	3,447	4,629	5,527
APAT	440	361	21.9%	304	44.7%	1,343	1,375	1,369	1,542	1,578	1,867
Diluted EPS (Rs)	3.3	2.8	17.8%	2.2	54.0%	10.1	10.3	10.3	11.6	11.8	14.0
RoE-%						13.1	12.9	12.2	13.2	13.0	14.5
P/E (x)						18.1	17.7	17.8	15.8	15.5	13.1
EV/EBITDA (x)						16.6	16.9	14.1	11.6	9.6	9.0

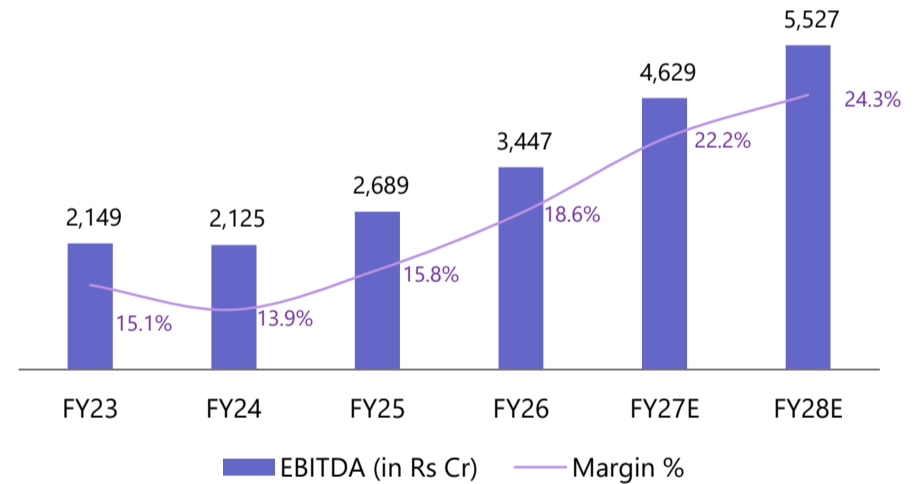
Source: (Company, HDFC Sec.)

Story in Charts

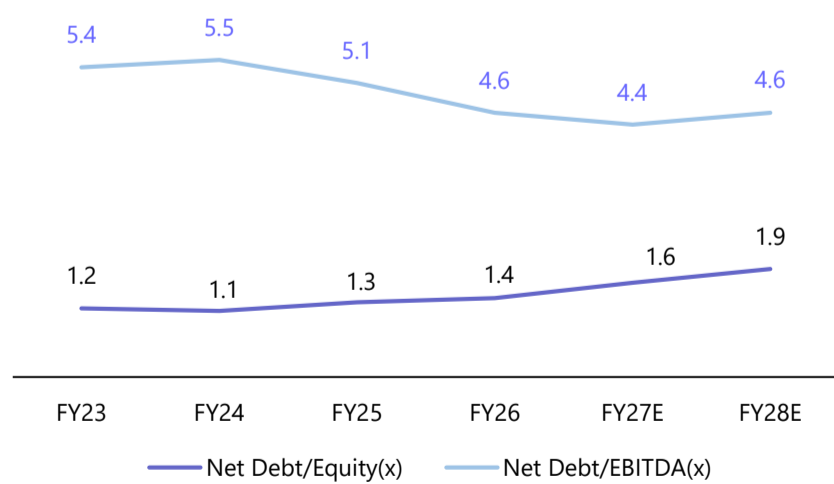
Renewables, DF and Chandigarh licensee to aid growth



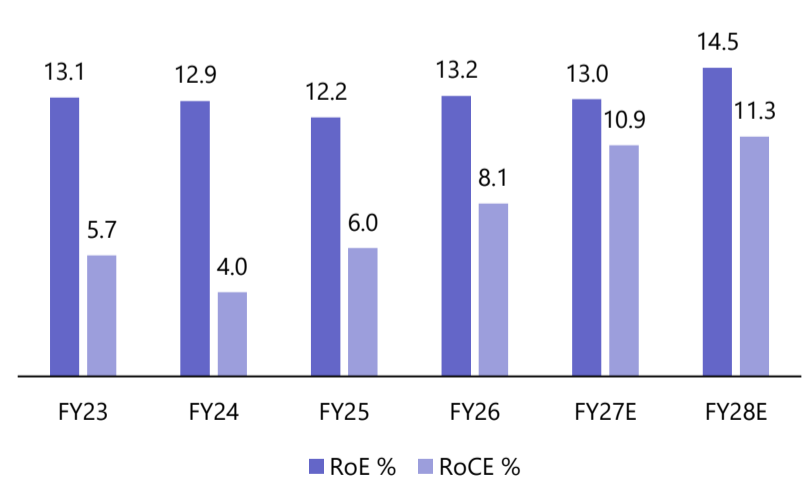
While captive renewable generation to boost margins



Leverage to remain in comfortable range

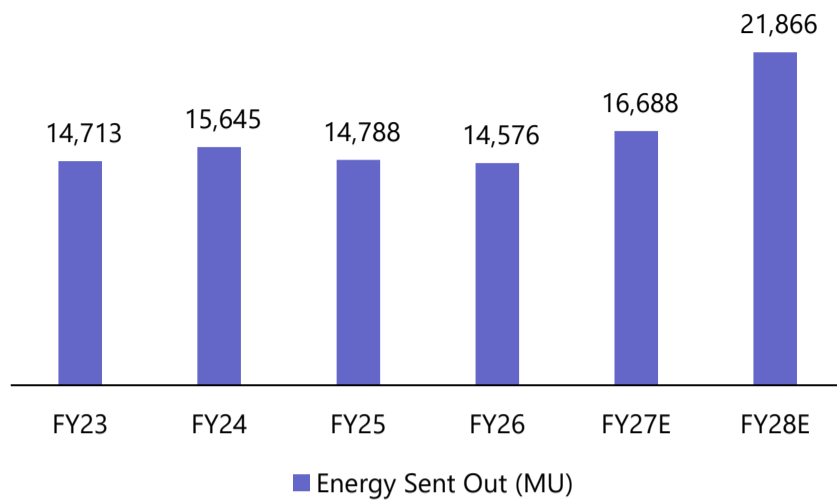


Whereas return ratios will strengthen from margin improvement

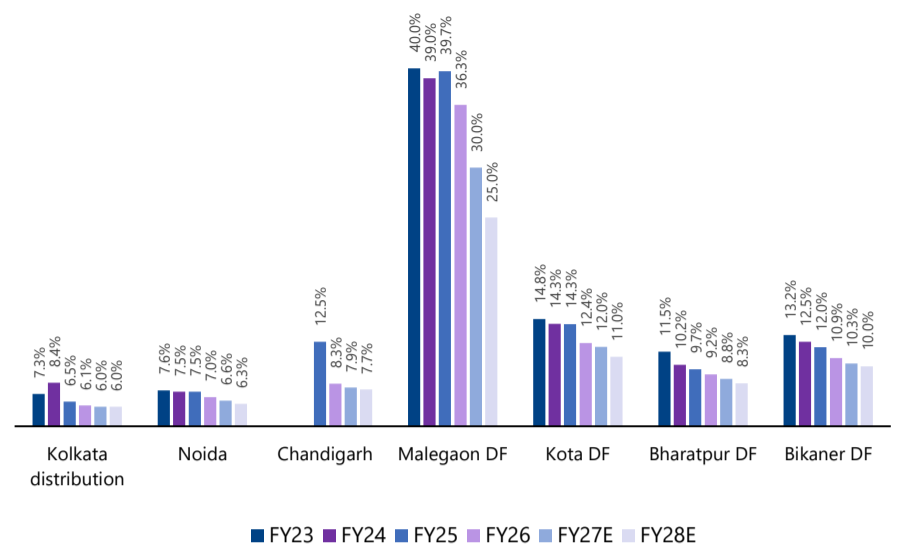


Source: (Company, HDFC Sec.)

Commissioning of renewables to improve net Generation by FY28



DF business to continue reporting lower T&D losses



Source: (Company, HDFC Sec.)

Q4FY26 Result Update

CESC reported revenue growth at 5.6%/2.3% YoY/QoQ at Rs. 4096 Cr from higher distribution sales (4,758 Mn units against 4,232 Mn Units in Q4FY25) supported by significant lowering in T&D Losses of distribution franchisee. EBITDA for Q4 came in at Rs. 743 Cr (-8.5%/-4.6% YoY/QoQ) led by higher cost of energy and fuel as well as rise in other expenses. EBITDA margin declined to 18.1% in Q4FY26 against 20.9% in Q4FY25. PAT came in at Rs 440 Cr, posting 19.2%/49.5% YoY/QoQ growth with margins at 11.2% (vs 9.9% in Q4FY25) led by higher regulatory deferral income of Rs 435 Cr.

Net generation was 3,591 MU v/s 3,513 MU (+2% YoY). Southern generation station reported improved generation, while Haldia TPP achieved a PLF of 94.9% in FY26 as against 91% in FY25. In FY26, CESC Kolkata distribution business T&D loss reduced to all time low of 6.11%. T&D losses for all franchises and licenses noticed improvement. Consolidated T&D loss for Rajasthan DF reduced to 11.4 % in FY26 from 12.9% in FY25. Malegaon DF T&D Losses reduced to 36.3% in FY26 from 39.7% in FY25. Nonetheless, per unit realisation for CESC Kolkata distribution and Noida Power came in relatively lower.

Key Con-Call Takeaways

- The management has guided for a CAPEX of over Rs 6,000 Cr for Distribution business, Rs 22,000 Cr for renewable expansion and Rs 3,000 Cr for establishment of module manufacturing unit.
- The yearly CAPEX spend on distribution vertical will be close to Rs 1,200 Cr, where Kolkata Distribution (~Rs 600 Cr), Noida Power (~Rs 400 Cr) and Chandigarh Power (~Rs 200 Cr) will be the primary beneficiary.
- The company has envisaged a 3.2GW/10GW renewable capacity by FY29/FY32, where ~2.2GW will be utilised for captive consumption and remaining capacity will be allotted for third-party sales.
- Renewable CAPEX of Rs 6,000-7,000 Cr is expected in FY27, which would further increase to Rs 8,000-10,000 Cr in FY28.
- Rajasthan DF T&D Losses % are expected to come down to sub-10% in years to come.
- Malegaon DF is expected to notice a gradual decrease in T&D losses, from 36.3% in FY26 to 30-25% over the next 2-3 years. The management is keen on achieving breakeven on this franchisee in the next few years.
- The privatization of the UP DISCOM remains on hold in light of the upcoming state elections. However, the government continues to demonstrate a strong commitment to pursuing the privatization of these distribution lines.

Strong CAPEX plans across verticals

DF are likely to report better efficiency, supported by lower T&D losses

Key Drivers

Earning Stability and cash accrual

Regulatory assets ensure financial visibility

- CESC Limited's regulated electricity distribution operations in the Kolkata region operate under cost-plus tariff principles, ensuring stable earnings and robust cash accruals. The company's coal-based generation assets are primarily sourced from captive coal mine (~25-30% of coal usage) and long-term fuel supply agreements with Coal India, which significantly reduces risks associated with fuel availability. This framework, combined with the superior operational efficiency of its own generation plants – which fulfils 80-90% of its own power demand – enables CESC to achieve competitive power generation costs and maintain financial stability.
- In accordance with regulatory provisions, CESC Limited is permitted to realize a return of 15.5% on regulated equity invested in its generation segment and 16.5% on regulated equity in its distribution operations. The company's power distribution license in Kolkata has been extended until FY2039, providing substantial earnings visibility over the long term. The regulated return-on-equity model is also applicable on their recently acquired Chandigarh Licensee, ensuring continued earnings stability and moderate growth prospects for both operations.

Adoption of renewables creates headroom for growth

Renewable adoption will substantially improve return

- CESC has set out an ambitious renewable expansion plan, targeting 3.2 GW/10 GW by FY29/FY32, with average annual capex of close to Rs 7,000 Cr over the next six fiscals. A large share of this pipeline is expected to be in Hybrid/FRDE/RTC projects, which should enable round-the-clock power supply and improve asset utilization. Of the planned capacity, around 2.2 GW is expected to be deployed for captive consumption, which should lower power procurement costs for the distribution business and support margin improvement.
- The remaining capacity is likely to be monetized through long-term PPAs, bilateral contracts, and merchant sales on power exchanges. This should help CESC build a more meaningful revenue stream from renewables by FY28, with a better margin profile than its existing businesses. Over time, this could also improve the company's overall return profile and add a stronger growth engine to its regulated utility base.

Risks & Concerns

Slowdown in DF loss recoveries could clog cash flows

- The Rajasthan and Malegaon franchisees have shown meaningful improvement in operating efficiency over the past few years, where T&D Losses % for Rajasthan/Malegaon DF have come down from 16.6%/38.7% in FY22 to 11.4%/36.3% in FY26, which records meaningful efficiency build-up through various loss reduction initiatives. All Rajasthan DFs have turned profitable in FY26, with Malegaon still posting reducing but heavy losses.
- While we believe these franchisees can achieve normative T&D loss levels over time through consistent execution, any slippage in improvement could weaken cash flows and dilute the returns on capital allocated to the business.

Executorial efficiency a must for desired growth

Timely commissioning and executorial proficiency key for growth

- The management has guided for CapEx of over Rs 6,000 Cr for the distribution business, Rs 22,000 Cr for renewable expansion and Rs 3,000 Cr for setting up a module manufacturing unit. This investment programme is expected to be funded through a combination of existing cash balances, capital contributions, and proposed debt, with a majority of the Rs 22,000 Cr renewable capex likely to be financed through ~80% debt. Hence, persistent curtailment and power evacuation risk, delays in commissioning and grid availability risks could lead to deferment of revenues, increase in finance costs and significant compression of margins.
- While these investments are expected to be value-accretive over the long term by enabling CESC to reduce its regulatory asset base through savings in power purchase costs (PPC), the company's leverage ratios are likely to moderate in the near to medium term (Debt/Equity to rise from 1.7x in FY26 to 2.2x FY28E). The business will be facing lump sum repayments of debt and large O&M cost commitments, which if not managed efficiently, could further slump margins and freeze cash flows.

Regulatory backlogs create an overhang on cash

Regulatory asset accumulation impedes cash flows

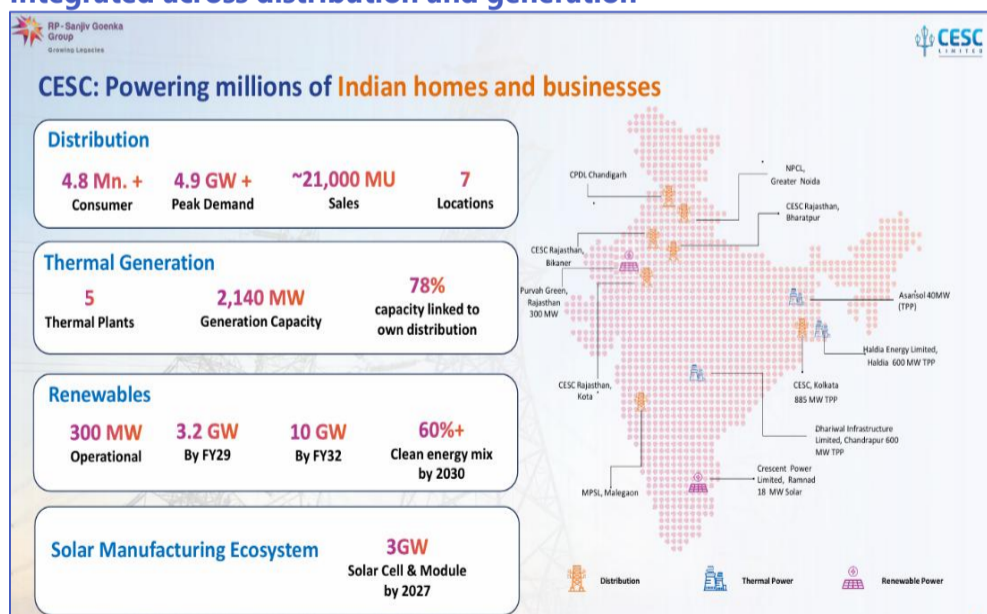
- CESC's regulated businesses are constrained by delayed tariff revisions and the accumulation of regulatory assets, which defer cash recovery and reduce near-term cash flow efficiency. As a result, while the business remains regulated in nature, the timing mismatch between cost recognition and tariff pass-through makes it less compelling from a cash generation perspective.
- However, the Supreme Court's recent ruling on regulatory assets is positive for CESC, as it requires delayed tariff recoveries to be amortized over a fixed period, improving cash realization and reducing balance-sheet strain in its regulated distribution business.

Company Description

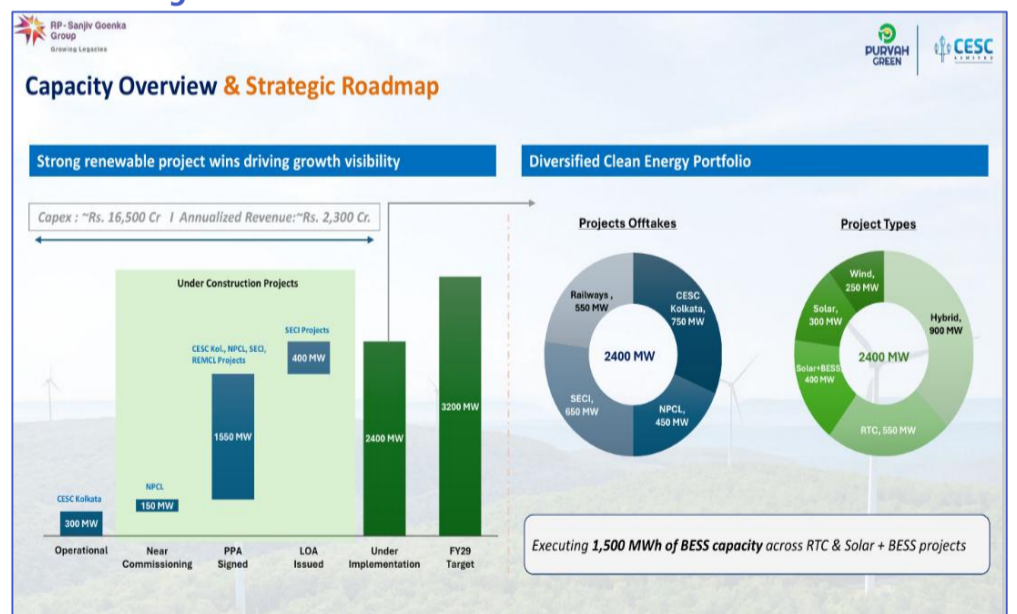
CESC Limited is one of India's oldest and most prominent integrated electrical utility companies, established in 1899 and headquartered in Kolkata. It operates primarily in the power generation and distribution sectors, serving over 4.8+ million customers across 7 Locations handling 4.4GW+ power spanning across 1,454 sq.km area.

CESC Limited's consolidated portfolio encompasses a wide range of power generation, transmission, and distribution assets across India. The company operates thermal power plants, including the Budge Budge Generating Station (750 MW), Southern Generating Station (135 MW), Haldia Thermal Plant (600 MW), and the Dhariwal power station (600 MW). CESC's renewable energy footprint includes solar power plants primarily located in Gujarat and Tamil Nadu, with an expanding pipeline of hybrid renewable projects targeting 3.2 GW/10 GW capacity by FY29/FY32 and a planned 3 GW solar cell and module manufacturing facility expected to be commissioned by FY28. On the distribution front, CESC holds exclusive electricity distribution rights for Kolkata, Howrah, and nearby areas, serving around 3.4 million consumers over a 567 square kilometre region. It also operates as a distribution licensee in the Noida region through Noida Power Company Limited and recently acquired the distribution license for Chandigarh. Additionally, CESC manages distribution franchises in parts of Rajasthan and Maharashtra, thereby broadening its market presence. CESC has repeatedly reported reduction in Transmission & Distribution Losses over quarters and the management has shown confidence in continuing this trend in the years to come.

Integrated across distribution and generation



Undertaking the renewable transition



Source: (Company, HDFC Sec.)

Financial Statements

Income Statement

Particulars (in Rs Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue From Operations	14,246	15,293	17,001	18,570	20,882	22,771
<i>Growth %</i>	<i>9.1%</i>	<i>7.3%</i>	<i>11.2%</i>	<i>9.2%</i>	<i>12.4%</i>	<i>9.0%</i>
Cost of Electricity Purchased	5,164	5,588	6,988	7,622	7,733	7,911
Cost of Fuel	3,967	4,379	4,017	3,731	4,427	4,552
Employee Cost	1,189	1,214	1,221	1,478	1,629	1,867
Other Expenses	1,777	1,987	2,086	2,292	2,464	2,915
EBITDA	2,149	2,125	2,689	3,447	4,629	5,527
<i>Margin %</i>	<i>15.1%</i>	<i>13.9%</i>	<i>15.8%</i>	<i>18.6%</i>	<i>22.2%</i>	<i>24.3%</i>
Depreciation	878	1,217	1,205	1,228	1,249	1,399
EBIT	1,271	908	1,484	2,219	3,380	4,128
<i>Margin %</i>	<i>8.9%</i>	<i>5.9%</i>	<i>8.7%</i>	<i>11.9%</i>	<i>16.2%</i>	<i>18.1%</i>
Other Income	309	251	374	357	324	349
Finance Cost	1,117	1,234	1,324	1,360	1,559	1,978
Earnings Before Tax	1,739	1,682	1,782	2,119	2,145	2,499
Tax Expense	342	236	354	501	462	492
Profit After Tax	1,397	1,446	1,428	1,618	1,683	2,007
<i>Profit Margin %</i>	<i>9.8%</i>	<i>9.5%</i>	<i>8.4%</i>	<i>8.7%</i>	<i>8.1%</i>	<i>8.8%</i>
Minority Interest	54	71	59	76	105	140
Shareholders PAT	1,343	1,375	1,369	1,542	1,578	1,867
Earnings Per Share	10.1	10.3	10.3	11.6	11.8	14.0
Dividend Per Share	4.6	4.5	4.5	6.0	6.0	6.0

Balance Sheet

Particulars (in Rs Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	133	133	133	133	133	133
Reserves and Surplus	11,312	11,877	12,397	13,172	14,235	19,426
Minority Interest	479	540	593	659	764	904
Shareholders Fund	10,910	11,445	12,010	12,530	13,305	14,369
Borrowings	14,096	14,363	17,719	21,319	24,133	31,473
Trade Payables	2,007	2,158	2,416	2,600	2,808	3,033
Other Liabilities & Provisions	10,732	9,202	8,865	10,021	10,976	11,253
Equity + Liabilities	37,745	37,168	41,010	46,470	51,222	60,127
Net Fixed Assets	22,763	22,068	22,695	22,687	30,650	37,875
CWIP	140	174	403	2,905	2,905	2,905
Other Non-current Assets	63	68	63	63	63	63
Total non-current Assets	23,502	22,973	24,800	27,907	35,870	42,496
Inventories	880	878	724	698	800	854
Cash & Bank Balances	2,588	2,711	4,042	5,572	4,146	6,621
Debtors	2,192	2,256	2,425	2,416	2,466	2,668
Other Current Assets	8,484	8,280	8,864	9,622	9,622	9,622
Total Assets	37,745	37,168	41,010	46,470	51,222	60,127

Cash Flow Statement

Particulars (in Rs Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E
Earnings Before Tax	1,739	1,683	1,782	2,119	2,250	2,639
Depreciation	878	1,217	1,205	1,228	1,249	1,399
Others	1,117	1,234	1,324	1,360	1,559	1,978
Inc. (-)/Dec (+) in work cap.	(117)	(126)	(197)	(244)	-	-
Taxes Paid	(1,341)	(1,205)	(1,153)	43	904	(753)
Cash Flow From Operations	(298)	(450)	(380)	(449)	(462)	(492)
Capex	1,978	2,353	2,581	4,057	5,500	4,771
Free Cash Flow	(691)	(765)	(1,852)	(3,916)	(7,895)	(7,225)
Others	(281)	127	(1,223)	681	142	142
Cash Flow from Investing	(545)	(564)	(3,013)	(3,235)	(7,753)	(7,083)
Share Capital Issuance	-	-	-	-	-	-
Debt Issued /(Repaid)	(724)	239	3,312	3,611	2,814	7,340
Dividend Paid	(604)	(606)	(603)	(803)	(803)	(803)
Interest Paid	(1,129)	(1,275)	(1,372)	(1,555)	(1,559)	(1,978)
Cash Flow from Financing	(2,457)	(1,642)	1,337	1,205	661	4,769
Net Cash Generated	(1,024)	145	906	2,027	(1,591)	2,458
Closing Cash & Bank Balances	1,129	1,274	2,180	4,207	2,616	5,074

Key Ratios

Particulars	FY23	FY24	FY25	FY26	FY27E	FY28E
Per Share Data (Rs)						
Earnings Per Share (EPS)	10.1	10.3	10.3	11.6	11.8	14.0
Dividend Per Share (DPS)	4.6	4.5	4.5	6.0	6.0	6.0
Book Value Per Share (BVPS)	82.3	86.3	90.6	94.5	100.4	108.4
Profitability Ratios (%)						
EBITDA Margin	15.1	13.9	15.8	18.6	22.2	24.3
EBIT Margin	8.9	5.9	8.7	11.9	16.2	18.1
PAT Margin	9.8	9.5	8.4	8.7	8.1	8.8
RoE	13.1	12.9	12.2	13.2	13.0	14.5
RoCE	5.7	4.0	6.0	8.1	10.9	11.3
Solvency Ratios (x)						
Net Debt/EBITDA	5.4	5.5	5.1	4.6	4.4	4.6
Net Debt/Equity	1.2	1.1	1.3	1.4	1.6	1.9
Valuation (x)						
P/E	18.1	17.7	17.8	15.8	15.5	13.1
P/B	2.2	2.1	2.0	1.9	1.8	1.7
EV/EBITDA	16.6	16.9	14.1	11.6	9.6	9.0
P/Sales	1.7	1.6	1.4	1.3	1.2	1.1

(Source: Company, HDFC sec.)

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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Any holding in stock – **No**

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