kotak Securities

Dated: 20 Oct 2025

CESC (CESC) – REDUCE

Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.170	**Rs.165**

Rationale:

- Well-rounded performance aids profit growth for the quarter.
- Reported a healthy 20% yoy growth in consolidated PAT in Q2FY26.
- Losses at Malegaon reduced due to lower T&D losses.
- CESC has signed the PPAs for 1.2 GW of renewable capacities, (commissioning by Q4FY27); it is targeting 3.2 GW capacity by FY29 and 10 GW by FY32.
- An improved focus on growth is encouraging, although execution will be key.
- Maintain REDUCE with a revised FV of Rs165 (from Rs160).

Positives:

- Reported revenue of Rs5335 cr (+11% yoy, (-)2% qoq), EBITDA of Rs1129 cr (+11% yoy, +3% qoq) and PAT of Rs425 cr (+20% yoy, +10%qoq).
- Profitability was aided by the distribution businesses at Kolkata and Noida, along with contribution from the generation assets.
- Healthy utilization for both Haldia and Dhariwal in Q2FY26.
- CESC plans to double its profit from ~Rs1400cr in 2025 to Rs2800cr in 2030E.

Negatives:

- Standalone revenue of Rs2730 cr ((-)1% yoy, (-)8% qoq) on the back of unit sales of 3,242 MU ((-)0.8% yoy, (-)5.8% qoq), with flat tariff of Rs8.4/kwh (+0.1% yoy, (-)2% qoq).
- CESC continues to see modest growth in its standalone business.
- CESC still needs to secure PPAs for the balance of 2 GW of renewable projects in the near term.

(GW: Giga Watt, MW: Mega Watt, PAT: Profit after tax, PPA: Power purchase agreement, MU: Million Units, T&D: Transmission & Distribution, EBITDA: Earnings before interest, tax, depreciation & amortization)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto/Auto Ancillary, Building Material
Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Associate
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

K. Kathirvelu
Support Executive
k.kathirvelu@kotak.com
+91 22 6218 6427

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 6434

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350

Sayed Haider
sayed.haider@kotak.com
+91 22 62185458

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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