RESULT UPDATE

CESC

During 3QFY13, CESC reported revenue growth of Rs. 1022 cr, up by 5% YoY and down 23% QoQ versus expectation of Rs.1295 cr. Lower than expected revenue was due to lower generation along with lower average realization. The company's all four operational units were reported lower PLF in Year-on Year and Quarter-on Quarter as well couple with lower realization in sequential basis led revenue miss. However lower fuel cost and lower purchase cost mitigated to some extent in profit.

CESC reported total generation of 2067 million units (MUs) in 3QFY13 versus 2426 MUs in 2QFY13 and 2197 MUs in 3QFY12. Overall PLF (%) declined to 81.1 %(excluding New Cossipore) as against 86.5% in 3QFY12. Budge- Budge and New Cossipore reported flat PLF (%) while Southern (74.1% in 3QFY13 vs 87.5% in 3QFY12) and Titagarh(63% in 3QFY13 vs 74.2% in 3QFY12) reported sharp declined in PLF(%). Average realization stood at Rs.5.2/kwh in 3QFY13 up by 18% YoY and -6.9% QoQ. YoY jumps in realization reflect tariff hike happened in March 2012. Further CESC obtained tariff hike order from WB electricity board in December 2012 which altogether worked out average tariff of Rs.6.1/kwh.

This quarter fuel cost was lower by 9% YoY and 12% QoQ to Rs.401 cr reflecting fuel cost per unit of Rs.1.9/kwh (-3% YoY, 3% QoQ). Lower fuel cost was likely due to increase of captive capacity. Roughly CESC used 45-50% of coal from its own subsidiary company and for rest depended on Coal India and imported coal.

Average power purchase cost of power was also declined sharply by 15% YoY and 33% QoQ to Rs.3.7/kwh . CESC purchase 287 MUs in 3QFY13 as against 525 MUs in preceding quarter same year and 253 MUs in corresponding quarter last year.

Lower purchase cost and lower fuel cost led EBITDA growth of 25% YoY to Rs 266 cr. Consequently EBITDA margin expand to 26% in 3QFY13 from 22% in 3QFY12 and 23.5% in 2QFY13. CESC reported other income of Rs24 cr versus Rs.20 cr in last year same year and interest cost of Rs.86 cr, almost flat in sequential basis and 30% up in YoY.

Lower than expected other income and higher interest cost led net profit growth of 36% YoY and -26% QoQ to Rs.101 cr against expectation of Rs.165 cr. According to management there are some pending annual performance revisions which are likely to adjust with 4QFY13. Moreover company will take full benefit of recent tariff hike and we believe Spencer would reduce losses in going forward.

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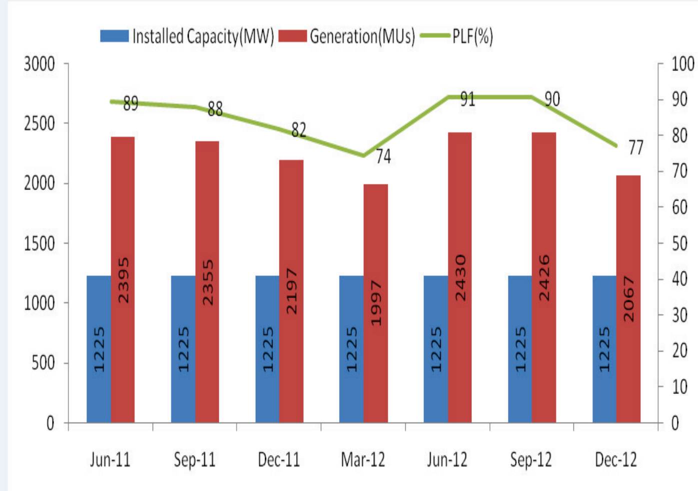
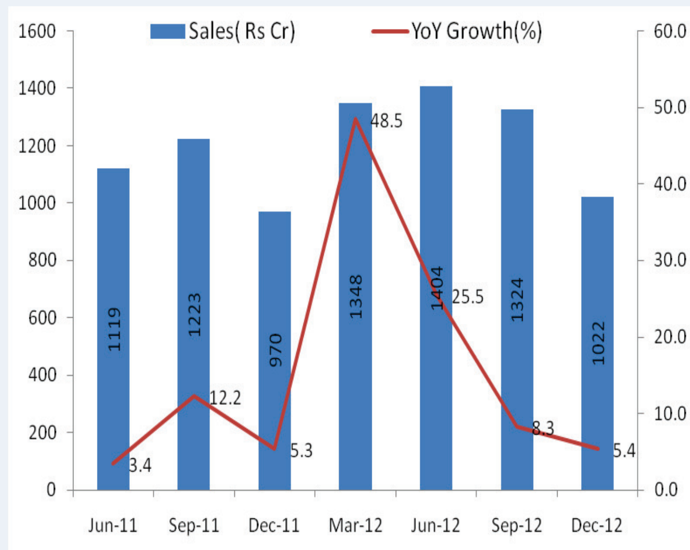
At the price of Rs.300, stock is trading at 0.6 times of expected earnings for FY14E. Despite of attractive valuation we have neutral view on the stock owing to uncertainly over the Spencer profitability and diversification into different vertical



(Source: Company/Eastwind)



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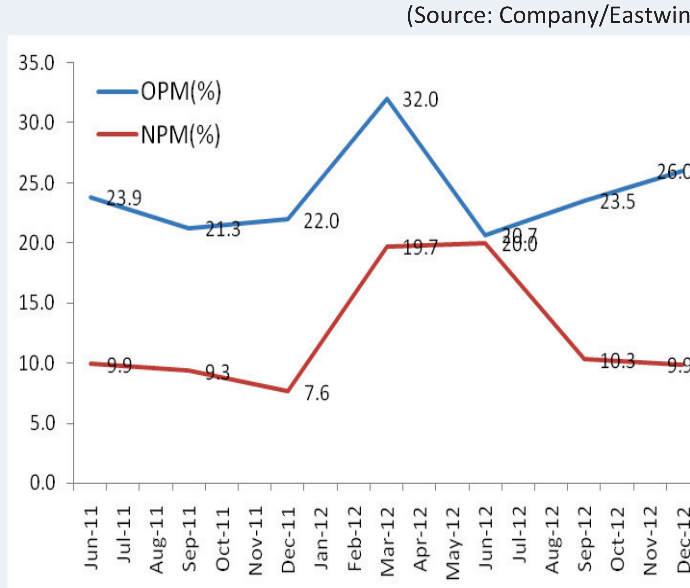

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