

# CESC splits four ways to unlock value

AVISHEK RAKSHIT  
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In line with market expectations, Kolkata-based power utility CESC Ltd, RP-Sanjiv Goenka Group's flagship company, announced on Thursday the restructuring of its business verticals into four distinct companies, which will be listed on the country's bourses by October 1.

According to the demerger plan, the company's power business will be divided into two – generation and distribution – while its retail arm, led by Spencer's Retail, will become the third company. The rest of the company's business verticals, which include its BPO arm, Firstsource Solutions; sports division, New Rising Promoters; real estate wing, Quest Properties India; the FMCG division, Guiltfree; and others will form the fourth entity.

CESC Ltd will take over the distribution business, while the other three companies will be listed on the BSE, the NSE, and the Calcutta Stock Exchange.

The generation wing will be named Haldia Energy Ltd, and the retail division, RP-SG Retail Ltd. The entity, which will have the rest of the businesses, will be named RP-SG Business Process Services Ltd. However, these names can be changed at a later date.

The company's entire power generating capacity of 2,550 megawatts (Mw) will be brought under a single umbrella, while the distribution rights for Kolkata, Howrah, Greater Noida, Bikaner, Kota and Bharatpur will be bifurcated to form another entity. Currently, both these operations come within the direct scope of CESC Ltd.



**"IN THE STRICTEST SENSE, WE CANNOT CALL IT BONUS TO THE SHAREHOLDERS. CALL IT A GIFT OR RETURN ON INVESTMENT, BUT FURTHER SHARES OF ₹66 CRORE WILL BE ISSUED"**

SANJIV GOENKA, chairman, CESC

## THE BREAK-UP

Share capital of the four entities after the demerger

CESC Ltd – ₹66 crore, Haldia Energy – ₹66 crore

RP-SG Retail – ₹40 crore

RP-SG Business Process Services Ltd (includes BPO, sports, FMCG and real estate, among others) – ₹26 crore

RP-SG ENTITIES INVOLVED IN THE RESTRUCTURING (Figures in ₹ cr)

Entity	Total assets	Net worth	Turnover
CESC Infrastructure	3,820.58	2,902.63	7.84
Spencer's Retail	583.05	-1,695.99	2,021.27
Music World Retail	0.0001	-21.04	Nil
Spen Liq	472.16	472.11	Nil
New Rising Promoters	49.25	-64.29	51.13
CESC	26,254.64	13,323.75	7,220.07
Haldia Energy	5,964.24	1,642.52	2,032.47
RP-SG Retail	Nil	Nil	Nil
RP-SG Business Process Services	Nil	Nil	Nil
Crescent Power	437.71	256.97	167.12

Sources: CESC & PFI

The company's chairman, Sanjiv Goenka, termed the process as a mirror image demerger, stating that the current shareholders of CESC Ltd, the listed firm, would get the same proportion of shares in each of the four entities.

For every 10 shares of CESC Ltd, a shareholder will be getting five shares of ₹10 face value in the distribution and generation companies, two shares of ₹10 face value

in RP-SG Business Process Services Ltd, and six shares of ₹5 face value in RP-SG Retail Ltd.

The total share capital will also be increasing by 50 per cent from ₹132 crore to ₹198 crore as a result of this exercise. The face value of the company's shares will be halved from ₹10 to ₹5, which will reduce ₹66.28 crore from its existing share capital. This amount will be credited to the capital reserve account

of the firm. Subsequently, two shares of ₹5 each will be consolidated into one equity share of ₹10 each.

"In the strictest sense, we cannot call it bonus to the shareholders. Call it a gift or return on investment, but further shares of ₹66 crore will be issued," Goenka said.

Both CESC Ltd and Haldia Energy Ltd will have a share capital of ₹66 crore each, while RP-SG Retail Ltd ₹40 crore. RP-SG Business Process Services Ltd will have a share capital of ₹26 crore.

"There will not be any holding company in between following this restructuring, and whatever debt each current business entity is having will get into the books of the entity to be formed post the demerger," he said.

On a consolidated basis, CESC Ltd has a liability on ₹26,072 crore, of which the power sector comprises 22 per cent of the liability share. The consolidated assets account for ₹37,904 crore, of which the share of power and retail business is 88 per cent and 1.5 per cent, respectively.

The process also involves the amalgamation of its different subsidiaries like CESC Infrastructure Ltd, Spen Liq, New Rising Promoters and Crescent Power, among others. Goenka had indicated that the group wanted to reduce its emphasis on government-intervention intensive sectors, which includes power and captive mining, and focus on areas like retail and FMCG, which will become the group's future growth drivers.

In the next one year, the company plans to bag more power distribution rights and scale up Spencer's Retail's presence by another 2-3 lakh sq ft from the current 12 lakh sq ft in the eastern part of the country.