

Petronet LNG

Stellar quarter

Our BUY recommendation on PLNG with a price target of INR 294 is premised on robust volume offtake in FY21/22E as (1) benign LNG prices will ensure its high imports, in turn allowing full utilisation at Dahej on its expanded capacity, and (2) completion of the Kochi-Mangalore pipeline in 2HFY21 would subsequently raise utilisation at the Kochi terminal. 2Q EBITDA was 43% above our estimates, led by a 19% beat on total volumes and higher-than-anticipated marketing margin. APAT was 69% above our estimates mainly owing to the trickle-down effect of the beat in EBITDA and higher-than-anticipated other income.

- **Financial performance:** 2Q EBITDA came to INR 14bn, a jump of 50/18% QoQ/YoY, clocking in an outstanding EBITDA margin of 22% (+323/946bps QoQ/YoY). It is mainly on account of higher volumes, higher tariff realisations, the positive impact of inventory revaluations, and impact of Ind AS 116. Calculated marketing margin was INR 2.4bn (HSIE INR 0.5bn).
- **Terminal-wise performance:** Utilisation at Dahej/Kochi stood at 109/17% in 2QFY21 vs 81/14% in 1QFY21 and 108/16% in 2QFY20. Services volumes at Dahej grew 35/7% QoQ/YoY to 2.7mmt (135tbu), indicating a recovery in demand post lockdown. Kochi terminal utilisation is expected to rise from current level post commissioning of the Kochi-Mangalore pipeline in 2HFY21.
- **Call takeaways:** (1) Capex incurred in 1HFY21 is INR 0.15bn, and the plan for 2HFY21 is of INR 1.05bn. PLNG has three main ongoing projects: Additional tanks at Dahej (Capex of INR 12bn), the third jetty at Dahej (INR 13bn) and Regasification Terminal in Sri Lanka (USD 300mn). PLNG plans to set up a terminal on the East coast of India with an estimated Capex of INR 20bn in the next 4-5 years. (2) The Kochi-Koottanad-Bangalore-Mangalore Pipeline Project is to be commissioned by Nov-20 end, and this will aid in volume growth in the Kochi terminal of PLNG. (3) Current Dahej tariff is at INR 51.75 which will be hiked by 5% from Jan-21.
- **DCF-based valuation:** Our target price is INR 294, based on Sept-22E cash flows (WACC 11%, terminal growth rate 3%). The stock is trading at 11.8x FY22E EPS.

Financial summary

YE Mar (INR bn)	2Q FY21	1Q FY21	QoQ (%)	2Q FY20	YoY (%)	FY20	FY21E	FY22E	FY23E
Net Sales	62	49	27.7	94	(33.4)	355	242	335	405
EBITDA	14	9	49.8	12	17.5	40	40	49	52
APAT	9	5	78.2	11	(15.9)	28	23	31	33
Adj. EPS (INR/sh)	6.2	3.5	78.2	7.4	(15.9)	18.3	15.4	20.5	22.1
P/E (x)						13.2	15.7	11.8	11.0
EV/EBITDA(x)						8.0	7.8	6.1	5.7
RoE (%)						26.2	20.7	26.3	26.9

Source: Company, HSIE Research

BUY

CMP (as on 12 Nov 2020)	INR 243
Target Price	INR 294
NIFTY	12,691

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 294	INR 294
EPS %	FY21E	FY22E
	0.0%	0.0%

KEY STOCK DATA

Bloomberg code	PLNG IN
No. of Shares (mn)	1,500
MCap (Rs bn) / (\$ mn)	365/4,897
6m avg traded value (Rs mn)	985
52 Week high / low	Rs 285/170

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.6)	5.4	(13.9)
Relative (%)	(18.6)	(32.8)	(21.4)

SHAREHOLDING PATTERN (%)

	Jun-20	Sept-20
Promoters	50.00	50.00
FIs & Local MFs	7.85	8.42
FPIs	28.15	28.07
Public & Others	13.00	13.51
Pledged Shares	0.00	0.00

Source : BSE

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Disclosure:

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