

June 9, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	351		406	
Sales (Rs. m)	3,11,015	3,64,931	4,47,179	4,59,997
% Chng.	(30.4)	(20.7)		
EBITDA (Rs. m)	45,474	54,894	52,655	56,581
% Chng.	(13.6)	(3.0)		
EPS (Rs.)	19.5	24.9	23.1	25.9
% Chng.	(15.9)	(3.9)		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	3,54,520	2,60,229	3,11,015	3,64,931
EBITDA (Rs. m)	39,895	24,913	45,474	54,894
Margin (%)	11.3	9.6	14.6	15.0
PAT (Rs. m)	27,698	7,410	29,201	37,314
EPS (Rs.)	18.5	4.9	19.5	24.9
Gr. (%)	28.5	(73.2)	294.1	27.8
DPS (Rs.)	12.5	11.5	14.6	18.7
Yield (%)	5.5	5.0	6.4	8.2
RoE (%)	28.4	6.8	24.7	29.5
RoCE (%)	32.9	15.8	31.0	35.6
EV/Sales (x)	0.9	1.1	0.9	0.7
EV/EBITDA (x)	7.9	11.9	6.1	4.7
PE (x)	12.4	46.2	11.7	9.2
P/BV (x)	3.4	3.0	2.8	2.6

Key Data

PLNG.BO | PLNG IN

52-W High / Low	Rs.275 / Rs.201
Sensex / Nifty	51,942 / 15,635
Market Cap	Rs.342bn/ \$ 4,693m
Shares Outstanding	1,500m
3M Avg. Daily Value	Rs.1797.9m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	30.49
Domestic Institution	6.33
Public & Others	13.18
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.0)	(11.4)	(8.6)
Relative	(11.0)	(21.4)	(40.2)

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Capital allocation concerns back in focus

Quick Pointers:

- Change of investment strategy to set up 1,000 LNG stations and 100 CBG plants at a capex of Rs120bn over five years, is a dampener.
- Rising domestic supplies from RIL/ONGC are unlikely to impact PLNG but new LNG terminals without any LT contracts, in our view.

We lower our FY22/23E estimates by 16%/4% to factor volume dip from high spot LNG prices and lockdown restrictions. PLNG is a play on India's rising LNG imports supported by soft spot LNG prices. We like PLNG's business model given high earnings visibility and see limited competition to its well-entrenched reach in the LNG business. However, recent change in their business strategy to set up 1,000 LNG stations along with investment in Compressed Bio Gas (CBG) plant is a dampener, as returns are likely to be back ended. Reiterate BUY with a DCF based PT of Rs351 (Rs406).

- Lower than expected volumes, margins impact Q4 earnings:** Petronet LNG (PLNG) reported Q4FY21 EBITDA and PAT of Rs10.9bn (-18% QoQ; PLe Rs 12.5bn;) and Rs6.3bn (-29%QoQ; PLe Rs7.8bn), respectively.
- Solid performance in a difficult year:** For FY21, EBITDA/PBT was at Rs46.9bn (+18%YoY) and Rs39.6bn (+25%YoY). PAT was up 6%YoY to Rs29.4bn due to lower tax rate of 13% in FY20 vs 25.7% in FY21. Overall regasification volumes were at 897tbtu (-3%YoY) as pandemic restrictions impacted volumes in Q1.
- In FY21, while Dahej operated at 93.4% (97% in FY20) the Kochi terminal operated at 18% vs 16.4% in FY20. Commissioning of the Kochi-Mangalore pipeline will likely boost volumes going ahead. Blended regas margins for FY21 was at Rs59.6 (+12%YoY).
- Dahej terminal remains the star:** During the quarter, regasification volumes were at 218tbtu (235 tbtu in Q3FY21; PLe 232). Dahej regasified volumes were at 204tbtu (222tbtu in Q3) while Kochi volumes were at 14tbtu. PLNG's Q4 blended tariffs were at Rs59.3/tbtu against Rs63.2 in Q3FY21.
- Change in strategy on investment:** Management lined up an aggressive capex plan of Rs187bn over next five years that includes setting up 1,000LNG stations at a cost of Rs80bn along with 100 CBG plant for Rs40bn. Also, they plan to set up more tanks, new jetty at Dahej as well as expand Dahej by 5MTPA and set up LNG station in the East Coast.
- Limited threat from rising domestic gas supplies:** PLNG remains well placed to grow, despite rising domestic gas supplies from RIL/ONGC. We believe new supplies are likely to impact LNG terminals like Mundra and H Energy which don't have any long term contracts. In addition, high growth opportunities from CGD and power sector rampup will spur gas demand in the country, which will necessitate more infrastructure coming on stream.

Exhibit 1: Q4FY21 Result Overview (Rs mn)

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Sales	75,753	80,442	(5.8)	73,282	2,48,449	3,31,190	(25.0)
Regassification services	-	5,230		-	11,780	23,330	(49.5)
Net sales	75,753	85,672	(11.6)	73,282	2,60,229	3,54,520	(26.6)
Total expenditure	64,842	78,696	(17.6)	59,929	2,13,233	3,14,625	(32.2)
Raw material	62,817	74,360	(15.5)	58,434	2,06,815	3,04,959	(32.2)
Staff cost	430	289	48.6	343	1,471	1,258	17.0
Other expenditure	1,596	4,048	(60.6)	1,152	4,947	8,408	(41.2)
Forex	-	-		-	-	-	
Operating profit	10,911	6,975	56.4	13,353	46,996	39,895	17.8
Other income	492	865	(43.2)	1,111	3,882	3,726	4.2
Interest	813	1,035	(21.5)	815	3,360	4,032	(16.7)
Depreciation	2,028	1,942	4.4	1,925	7,841	7,761	1.0
PBT	8,561	4,863	76.1	11,724	39,677	31,827	24.7
Tax	2,328	1,272	82.9	2,939	10,183	4,131	146.5
<i>Tax rate (%)</i>	<i>27.2</i>	<i>26.2</i>	<i>3.9</i>	<i>25.1</i>	<i>25.7</i>	<i>13.0</i>	
Net profit	6,234	3,590	73.6	8,785	29,494	27,697	6.5

Source: Company, PL

Exhibit 2: PLNG quarterly volume and tariffs

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Volumes (tbtu)	205.1	226.0	250.0	233.0	226.6	190.0	254.0	235.0	218.0
Blended regas margins (Rs/tbtu)	41.2	52.9	53.5	55.4	49.9	55.1	59.7	63.2	59.3

Source: Company, PL

Conference Call Highlights:

- Current Kochi tariffs are at Rs83.1/tbtu, and negotiations with offtakers to reduce tariff will be contingent to higher volume offtake.
- Current high spot LNG prices of \$10.5/mmbtu has dampened domestic demand, especially from power and fertilizer sectors.
- Q1FY22 regassification volumes were impacted by lockdown restrictions along with high spot LNG prices.
- PLNG has lined up capex of Rs187bn over next five years and includes two more tanks at Dahej having capex of Rs12.4bn, Jetty for Rs17bn, Dahej expansion to 22.5MTPA in two phase of Rs2.2bn and Rs8.9bn respectively. Also, PLNG plans to set up 1,000LNG stations at a capex of Rs80bn, 100 CGD plants at a capex of Rs40bn, LNG terminal at East coast at Rs15.4bn and new tank at Kochi for Rs7bn.
- Company plans to invest Rs5.3bn/Rs10bn for FY22/23E.
- For CBG plant while feedstock availability remains a concern, government has assured offtake at Rs46/kg.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	3,54,520	2,60,229	3,11,015	3,64,931
YoY gr. (%)	(7.7)	(26.6)	19.5	17.3
Cost of Goods Sold	3,04,959	2,28,898	2,60,120	3,03,844
Gross Profit	49,561	31,331	50,895	61,087
Margin (%)	14.0	12.0	16.4	16.7
Employee Cost	1,258	1,471	1,618	1,780
Other Expenses	-	-	-	-
EBITDA	39,895	24,913	45,474	54,894
YoY gr. (%)	21.1	(37.6)	82.5	20.7
Margin (%)	11.3	9.6	14.6	15.0
Depreciation and Amortization	7,761	7,841	8,923	9,943
EBIT	32,134	17,072	36,551	44,950
Margin (%)	9.1	6.6	11.8	12.3
Net Interest	4,032	3,360	3,000	2,500
Other Income	3,726	3,882	5,472	7,414
Profit Before Tax	31,828	17,593	39,023	49,865
Margin (%)	9.0	6.8	12.5	13.7
Total Tax	4,130	10,183	9,822	12,551
Effective tax rate (%)	13.0	57.9	25.2	25.2
Profit after tax	27,698	7,410	29,201	37,314
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	27,698	7,410	29,201	37,314
YoY gr. (%)	28.5	(73.2)	294.1	27.8
Margin (%)	7.8	2.8	9.4	10.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	27,698	7,410	29,201	37,314
YoY gr. (%)	28.5	(73.2)	294.1	27.8
Margin (%)	7.8	2.8	9.4	10.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	27,698	7,410	29,201	37,314
Equity Shares O/s (m)	1,500	1,500	1,500	1,500
EPS (Rs)	18.5	4.9	19.5	24.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	1,02,284	1,04,284	1,06,284	1,08,284
Tangibles	1,02,284	1,04,284	1,06,284	1,08,284
Intangibles	-	-	-	-
Acc: Dep / Amortization	22,805	30,646	39,570	49,513
Tangibles	22,805	30,646	39,570	49,513
Intangibles	-	-	-	-
Net fixed assets	79,478	73,637	66,714	58,770
Tangibles	79,478	73,637	66,714	58,770
Intangibles	-	-	-	-
Capital Work In Progress	2,000	2,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(8,898)	(8,831)	(10,848)	(13,426)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	7,785	5,714	6,829	8,013
Trade receivables	17,438	12,800	15,298	17,950
Cash & Bank Balance	29,238	45,679	63,769	84,520
Other Current Assets	530	530	530	530
Total Assets	1,42,231	1,46,123	1,59,902	1,76,545
Equity				
Equity Share Capital	15,000	15,000	15,000	15,000
Other Equity	87,120	99,363	1,06,663	1,15,992
Total Network	1,02,120	1,14,363	1,21,663	1,30,992
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	31,147	22,863	27,325	32,062
Other current liabilities	66	66	66	66
Total Equity & Liabilities	1,42,231	1,46,123	1,59,902	1,76,545

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	31,828	39,676	39,023	49,865
Add. Depreciation	7,761	7,841	8,923	9,943
Add. Interest	4,032	3,360	3,000	2,500
Less Financial Other Income	3,726	3,882	5,472	7,414
Add. Other	-	-	-	-
Op. profit before WC changes	43,621	50,877	50,946	62,308
Net Changes-WC	38,012	(15,991)	(34,059)	(1,253)
Direct tax	(4,130)	(10,183)	(9,822)	(12,551)
Net cash from Op. activities	77,503	24,703	7,066	48,504
Capital expenditures	(39,557)	701	(5,922)	(7,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(39,557)	701	(5,922)	(7,000)
Issue of share cap. / premium	(78)	(5,278)	-	-
Debt changes	(368)	(414)	(230)	-
Dividend paid	(18,750)	(17,250)	(21,901)	(27,985)
Interest paid	(4,032)	(3,360)	(3,000)	(2,500)
Others	-	-	-	-
Net cash from Fin. activities	(23,228)	(26,302)	(25,131)	(30,485)
Net change in cash	14,718	(897)	(23,987)	11,019
Free Cash Flow	37,946	25,405	1,144	41,504

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	48,836	62,358	73,282	75,753
YoY gr. (%)	(43.3)	(33.4)	(17.8)	(11.6)
Raw Material Expenses	38,365	47,199	58,434	62,817
Gross Profit	10,470	15,159	14,849	12,937
Margin (%)	21.4	24.3	20.3	17.1
EBITDA	9,099	13,633	13,353	10,911
YoY gr. (%)	(11.1)	17.5	20.6	56.4
Margin (%)	18.6	21.9	18.2	14.4
Depreciation / Depletion	1,936	1,952	1,925	2,028
EBIT	7,164	11,681	11,428	8,883
Margin (%)	14.7	18.7	15.6	11.7
Net Interest	881	850	815	813
Other Income	684	1,596	1,111	492
Profit before Tax	6,966	12,426	11,724	8,561
Margin (%)	14.3	19.9	16.0	11.3
Total Tax	1,764	3,153	2,939	2,328
Effective tax rate (%)	25.3	25.4	25.1	27.2
Profit after Tax	5,202	9,274	8,785	6,234
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,202	9,274	8,785	6,234
YoY gr. (%)	(7.1)	(15.9)	30.1	73.6
Margin (%)	10.7	14.9	12.0	8.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,202	9,274	8,785	6,234
YoY gr. (%)	(7.1)	(15.9)	30.1	73.6
Margin (%)	10.7	14.9	12.0	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

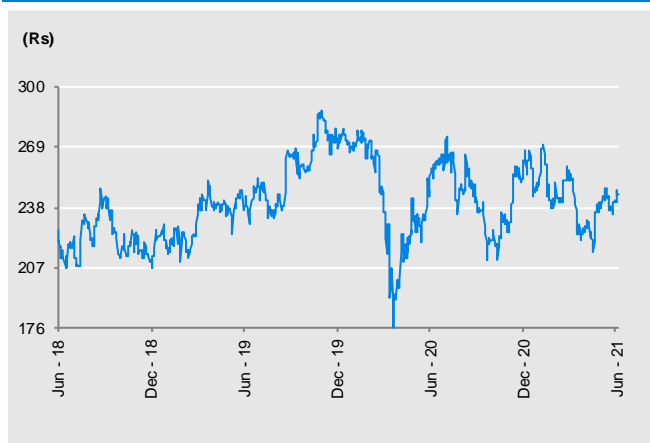
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	18.5	4.9	19.5	24.9
CEPS	23.6	10.2	25.4	31.5
BVPS	68.1	76.2	81.1	87.3
FCF	25.3	16.9	0.8	27.7
DPS	12.5	11.5	14.6	18.7
Return Ratio(%)				
RoCE	32.9	15.8	31.0	35.6
ROIC	28.4	17.0	38.0	48.8
RoE	28.4	6.8	24.7	29.5
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.5)	(0.6)
Net Working Capital (Days)	(6)	(6)	(6)	(6)
Valuation(x)				
PER	12.4	46.2	11.7	9.2
P/B	3.4	3.0	2.8	2.6
P/CEPS	22.3	9.6	24.0	29.7
EV/EBITDA	7.9	11.9	6.1	4.7
EV/Sales	0.9	1.1	0.9	0.7
Dividend Yield (%)	5.5	5.0	6.4	8.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Dahej contract volume (MTPA)	16.5	16.0	15.5	16.5
Dahej spot volume (MTPA)	0.5	0.3	0.8	1.0
Kochi contract volume (MTPA)	0.7	0.8	1.0	1.5
Kochi spot volume (MTPA)	0.1	0.2	0.5	1.0
Dahej contract tariff (Rs/tbtu)	49.9	52.4	55.0	57.7
Dahej spot tariff (Rs/tbtu)	25.0	100.0	25.0	25.0
Kochi contract tariff (Rs/tbtu)	72.9	100.0	105.0	110.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Apr-21	BUY	406	227
2	12-Feb-21	BUY	403	242
3	8-Jan-21	BUY	399	260
4	12-Nov-20	BUY	399	241
5	7-Oct-20	BUY	384	219
6	18-Aug-20	BUY	384	254
7	7-Jul-20	BUY	384	261
8	30-Jun-20	BUY	384	260

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	1,628	1,666
2	Bharat Petroleum Corporation	BUY	581	472
3	GAIL (India)	UR	-	135
4	Gujarat Gas	BUY	666	540
5	Hindustan Petroleum Corporation	BUY	404	276
6	Indian Oil Corporation	BUY	135	105
7	Indraprastha Gas	BUY	662	505
8	Mahanagar Gas	BUY	1,296	1,139
9	NOCIL	BUY	251	209
10	Oil & Natural Gas Corporation	BUY	114	103
11	Oil India	UR	-	122
12	Petronet LNG	BUY	406	227
13	Reliance Industries	BUY	2,256	1,995

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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