

May 12, 2022

Q4FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	315		356	
Sales (Rs. m)	5,02,741	5,59,653	3,44,249	4,31,080
% Chng.	46.0	29.8		
EBITDA (Rs. m)	58,244	63,140	55,986	64,814
% Chng.	4.0	(2.6)		
EPS (Rs.)	25.8	28.4	25.4	30.3
% Chng.	1.6	(6.0)		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	2,60,229	4,42,583	5,02,741	5,59,653
EBITDA (Rs. m)	46,992	52,521	58,244	63,140
Margin (%)	18.1	11.9	11.6	11.3
PAT (Rs. m)	29,489	33,521	38,674	42,666
EPS (Rs.)	19.7	22.3	25.8	28.4
Gr. (%)	6.5	13.7	15.4	10.3
DPS (Rs.)	11.5	0.1	15.5	17.1
Yield (%)	5.5	0.1	7.4	8.2
RoE (%)	27.2	25.6	24.9	24.8
RoCE (%)	36.2	34.2	31.6	30.8
EV/Sales (x)	1.0	0.5	0.4	0.3
EV/EBITDA (x)	5.7	4.3	3.4	2.9
PE (x)	10.6	9.4	8.1	7.4
P/BV (x)	2.7	2.1	1.9	1.7

Key Data

PLNG.BO | PLNG IN

52-W High / Low	Rs.245 / Rs.190
Sensex / Nifty	52,930 / 15,808
Market Cap	Rs.314bn/ \$ 4,054m
Shares Outstanding	1,500m
3M Avg. Daily Value	Rs.643.93m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	33.60
Domestic Institution	3.38
Public & Others	13.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.2	(9.0)	(13.0)
Relative	14.2	4.4	(20.0)

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Petronet LNG (PLNG IN)

Rating: BUY | CMP: Rs209 | TP: Rs315

Impressive performance in turbulent times

Quick Pointers:

- High spot LNG prices impact volumes, however, high margins partly make up for volume loss.
- Long term contract demand remains robust, even as high spot prices impact incremental demand.

We change our FY23/24E estimates by +2%/-6% as we tweak our regas volumes and margins in a high gas cost environment. PLNG reported lower than expected results with EBITDA and PAT of Rs11.7bn (-33%Q/Q; PLe Rs12.6bn) and Rs7.5bn (-34%Q/Q, PLe Rs8.0bn) due to higher regas margins. This included take or pay charges of Rs832mn for lower offtake by customers.

PLNG is a play on India's rising LNG imports, despite rising domestic gas production. We like the business model given 1) high earnings visibility and 2) limited competition to its well-entrenched reach in LNG business. Reiterate 'BUY' with a DCF based PT of Rs315 (Rs356 earlier).

- Lower volumes drag Q4 earnings:** PLNG reported lower than expected Q4FY22 EBITDA and PAT of Rs11.7bn (-33% QoQ; PLe Rs 12.6bn) and Rs7.5bn (-34%QoQ; PLe Rs8.0bn). In Q4 it booked for use or pay charges of Rs832mn for lower offtake by customers. For FY22, PLNG has booked Rs4.16bn towards take or pay charges for lower offtake in CY21. Based on regas tariff of Rs54.3/tbtu for CY21, lower offtake volume amounted to 1.47MT.
- During the quarter, regasification volumes were lower at 190tbtu (208 tbtu in Q3FY22; PLe 212) due to high spot LNG prices. Dahej's regasified volumes were at 178tbtu (196tbtu in Q3) while Kochi volumes were at 12tbtu (Q3:12).
- Impressive performance for the year:** For FY22, PLNG EBITDA/PAT was at Rs52.5bn (+12%YoY) and Rs33.5bn (+14%YoY). Regas volumes were at 847tbtu (-6%YoY) and blended regas margins were at 71.9tbtu and included take or pay charges of Rs4.16bn. adjusted for the same, blended regas margins were at Rs66.8/tbtu vs Rs59.5/tbtu in FY21.
- Blended tariffs increase:** PLNG's Q4 blended tariffs adjusted for use or pay charges were at Rs68.1/tbtu against Rs74.7 in Q3FY22.
- 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 new LNG terminals like Mundra and H Energy which don't have any long term contracts. Additionally, high growth opportunities from CGD and power sector ramp up will spur gas demand in the country, which will necessitate more infrastructure coming on stream.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Sales	1,11,604	75,753	47.3	1,18,422	4,24,136	2,48,449	70.7
Regassification services	-	-		-	7,550	11,780	
Net sales	1,11,604	75,753	47.3	1,25,972	4,31,686	2,60,229	65.9
Total expenditure	99,913	64,842	54.1	1,08,651	3,79,162	2,13,233	77.8
Raw material	97,828	62,817	55.7	1,06,950	3,70,775	2,06,815	79.3
Staff cost	428	430	(0.3)	353	1,771	1,471	20.4
Other expenditure	1,657	1,596	3.8	1,348	6,617	4,947	33.7
Forex	-	-		-	-	-	
Operating profit	11,691	10,911	7.1	17,322	52,523	46,996	11.8
Other income	852	492	73.4	719	3,073	3,882	(20.8)
Interest	803	813	(1.2)	776	3,173	3,360	(5.5)
Depreciation	1,896	2,028	(6.5)	1,936	7,685	7,841	(2.0)
PBT	9,844	8,561	15.0	15,328	44,738	39,677	12.8
Tax	2,342	2,328	0.6	3,893	11,215	10,183	10.1
<i>Tax rate (%)</i>	<i>23.8</i>	<i>27.2</i>		<i>25.4</i>	<i>25.1</i>	<i>25.7</i>	
Net profit	7,501	6,234	20.3	11,435	33,524	29,494	13.7

Source: Company, PL

Exhibit 2: PLNG quarterly volume and tariffs

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Volumes (tbtu)	226.6	190.0	254.0	235.0	218.0	209.0	240.0	208.0	190.0
Blended regas margins (Rs/tbtu)	49.9	55.1	59.7	63.2	59.3	60.2	64.7	74.7	68.1

Source: Company, PL

Conference Call Highlights:

- Q4 volumes were hit due to high spot LNG prices.
- Q4 Dahej terminal utilisation was at 79%.
- Major capex includes Rs12bn for two tanks, Rs18bn for jetty and Rs6 bn for expansion of Dahej capacity by 5MTPA. Most of the capex will be commissioned by CY25.
- Kochi contract renegotiation hit revenues by Rs2.14bn. For FY22 there was revenue hit of Rs650m from BPCL. Current Kochi tariffs are at Rs81.0./tbtu after factoring in 5% escalation.
- Kochi Bangalore pipeline has come issues due to disruptions by farmers. However GAIL expect to complete over next 2 yrs.
- PLNG plans to finalise plan to extend Rashad contract by Dec 23. Also company remains hopeful of more long term contract due to recent discussions to mix LNG with domestic gas for the City Gas players.

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	2,60,229	4,42,583	5,02,741	5,59,653
YoY gr. (%)	(26.6)	70.1	13.6	11.3
Cost of Goods Sold	2,06,819	3,81,674	4,34,791	4,85,623
Gross Profit	53,410	60,909	67,951	74,030
Margin (%)	20.5	13.8	13.5	13.2
Employee Cost	1,471	1,771	1,948	2,142
Other Expenses	-	-	-	-
EBITDA	46,992	52,521	58,244	63,140
YoY gr. (%)	17.8	11.8	10.9	8.4
Margin (%)	18.1	11.9	11.6	11.3
Depreciation and Amortization	7,841	7,685	9,133	10,333
EBIT	39,151	44,836	49,111	52,806
Margin (%)	15.0	10.1	9.8	9.4
Net Interest	3,360	3,173	2,500	2,000
Other Income	3,882	3,073	5,071	6,210
Profit Before Tax	39,672	44,736	51,682	57,017
Margin (%)	15.2	10.1	10.3	10.2
Total Tax	10,183	11,215	13,008	14,351
Effective tax rate (%)	25.7	25.1	25.2	25.2
Profit after tax	29,489	33,521	38,674	42,666
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	29,489	33,521	38,674	42,666
YoY gr. (%)	6.5	13.7	15.4	10.3
Margin (%)	11.3	7.6	7.7	7.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	29,489	33,521	38,674	42,666
YoY gr. (%)	6.5	13.7	15.4	10.3
Margin (%)	11.3	7.6	7.7	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,489	33,521	38,674	42,666
Equity Shares O/s (m)	1,500	1,500	1,500	1,500
EPS (Rs)	19.7	22.3	25.8	28.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	1,04,284	1,06,284	1,08,284	1,20,284
Tangibles	1,04,284	1,06,284	1,08,284	1,20,284
Intangibles	-	-	-	-
Acc: Dep / Amortization	30,646	38,331	47,464	57,798
Tangibles	30,646	38,331	47,464	57,798
Intangibles	-	-	-	-
Net fixed assets	73,637	67,952	60,819	62,486
Tangibles	73,637	67,952	60,819	62,486
Intangibles	-	-	-	-
Capital Work In Progress	2,000	1,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(8,831)	(8,354)	(11,026)	(13,973)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	5,714	9,718	11,039	12,289
Trade receivables	12,800	21,769	24,728	27,528
Cash & Bank Balance	45,676	88,280	1,14,559	1,33,858
Other Current Assets	530	530	530	530
Total Assets	1,46,119	1,95,011	2,18,438	2,43,452
Equity				
Equity Share Capital	15,000	15,000	15,000	15,000
Other Equity	99,360	1,32,708	1,48,177	1,65,244
Total Network	1,14,360	1,47,708	1,63,177	1,80,244
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	22,863	38,884	44,169	49,169
Other current liabilities	66	66	66	66
Total Equity & Liabilities	1,46,119	1,95,011	2,18,438	2,43,452

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	39,672	44,736	51,682	57,017
Add. Depreciation	7,841	7,685	9,133	10,333
Add. Interest	3,360	3,173	2,500	2,000
Less Financial Other Income	3,882	3,073	5,071	6,210
Add. Other	-	-	-	-
Op. profit before WC changes	50,873	55,594	63,315	69,350
Net Changes-WC	(15,991)	(23,776)	(35,261)	(2,767)
Direct tax	(10,183)	(11,215)	(13,008)	(14,351)
Net cash from Op. activities	24,700	20,604	15,046	52,232
Capital expenditures	701	(1,797)	(3,996)	(18,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	701	(1,797)	(3,996)	(18,000)
Issue of share cap. / premium	(5,274)	(15,589)	-	-
Debt changes	(414)	-	(230)	-
Dividend paid	(17,250)	(173)	(23,204)	(25,599)
Interest paid	(3,360)	(3,173)	(2,500)	(2,000)
Others	-	-	-	-
Net cash from Fin. activities	(26,298)	(18,935)	(25,934)	(27,599)
Net change in cash	(897)	(128)	(14,884)	6,632
Free Cash Flow	25,401	18,807	11,050	34,232

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	85,979	1,08,131	1,25,972	1,11,604
YoY gr. (%)	76.1	73.4	71.9	47.3
Raw Material Expenses	73,396	92,602	1,06,950	97,828
Gross Profit	12,584	15,529	19,023	13,776
Margin (%)	14.6	14.4	15.1	12.3
EBITDA	10,543	12,969	17,322	11,691
YoY gr. (%)	15.9	(4.9)	29.7	7.1
Margin (%)	12.3	12.0	13.8	10.5
Depreciation / Depletion	1,916	1,936	1,936	1,896
EBIT	8,627	11,033	15,385	9,794
Margin (%)	10.0	10.2	12.2	8.8
Net Interest	800	794	776	803
Other Income	685	816	719	852
Profit before Tax	8,512	11,055	15,328	9,844
Margin (%)	9.9	10.2	12.2	8.8
Total Tax	2,155	2,825	3,893	2,342
Effective tax rate (%)	25.3	25.6	25.4	23.8
Profit after Tax	6,357	8,230	11,435	7,501
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	6,357	8,230	11,435	7,501
YoY gr. (%)	22.2	(11.3)	30.2	20.3
Margin (%)	7.4	7.6	9.1	6.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,357	8,230	11,435	7,501
YoY gr. (%)	22.2	(11.3)	30.2	20.3
Margin (%)	7.4	7.6	9.1	6.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

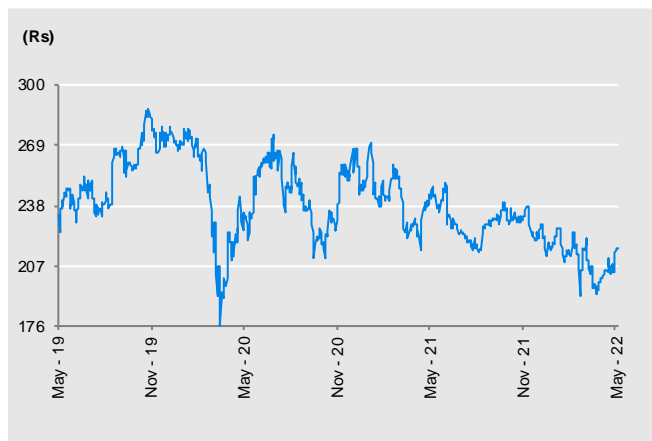
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	19.7	22.3	25.8	28.4
CEPS	24.9	27.5	31.9	35.3
BVPS	76.2	98.5	108.8	120.2
FCF	16.9	12.5	7.4	22.8
DPS	11.5	0.1	15.5	17.1
Return Ratio(%)				
RoCE	36.2	34.2	31.6	30.8
ROIC	39.0	42.0	47.3	48.2
RoE	27.2	25.6	24.9	24.8
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.6)	(0.7)	(0.7)
Net Working Capital (Days)	(6)	(6)	(6)	(6)
Valuation(x)				
PER	10.6	9.4	8.1	7.4
P/B	2.7	2.1	1.9	1.7
P/CEPS	24.3	26.8	31.1	34.5
EV/EBITDA	5.7	4.3	3.4	2.9
EV/Sales	1.0	0.5	0.4	0.3
Dividend Yield (%)	5.5	0.1	7.4	8.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Dahej contract volume (MTPA)	16.0	14.9	15.5	16.0
Dahej spot volume (MTPA)	0.3	0.4	1.0	1.8
Kochi contract volume (MTPA)	0.8	0.9	1.5	1.5
Kochi spot volume (MTPA)	0.2	0.1	0.5	1.0
Dahej contract tariff (Rs/tbtu)	52.4	55.0	57.7	60.6
Dahej spot tariff (Rs/tbtu)	100.0	800.0	250.0	150.0
Kochi contract tariff (Rs/tbtu)	100.0	223.3	150.0	100.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Apr-22	BUY	356	198
2	10-Feb-22	BUY	356	220
3	06-Jan-22	BUY	351	219
4	10-Nov-21	BUY	351	235
5	05-Oct-21	BUY	351	236
6	16-Aug-21	BUY	351	215
7	02-Jul-21	BUY	351	223
8	09-Jun-21	BUY	351	228

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	416	380
2	GAIL (India)	BUY	205	162
3	Gujarat Gas	BUY	650	507
4	Hindustan Petroleum Corporation	BUY	349	280
5	Indian Oil Corporation	BUY	150	122
6	Indraprastha Gas	BUY	660	392
7	Mahanagar Gas	BUY	1,103	765
8	Oil & Natural Gas Corporation	BUY	240	168
9	Oil India	BUY	360	237
10	Petronet LNG	BUY	356	198
11	Reliance Industries	BUY	3,000	2,621

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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