

# Petronet LNG

Estimate change

TP change

Rating change



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Bloomberg	PLNG IN
Equity Shares (m)	1,500
M.Cap.(INRb)/(USDb)	342.8 / 4.7
52-Week Range (INR)	275 / 201
1, 6, 12 Rel. Per (%)	-11/-24/-64
12M Avg Val (INR M)	1123

## Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	260.2	363.9	444.7
EBITDA	47.0	46.9	53.8
Adj. PAT	29.5	29.8	35.0
Adj. EPS (INR)	19.7	19.9	23.4
EPS Gr. (%)	6.5	1.2	17.4
BV/Sh.(INR)	77.7	85.6	95.0

## Ratios

Net D:E	-0.1	-0.2	-0.3
RoE (%)	26.1	24.4	25.9
RoCE (%)	21.6	21.0	23.3
Payout (%)	58.5	60.0	60.0

## Valuations

P/E (x)	11.6	11.5	9.8
P/BV (x)	2.9	2.7	2.4
EV/EBITDA (x)	7.1	6.7	5.6
Div. Yield (%)	5.0	5.2	6.1
FCF Yield (%)	10.2	10.9	10.9

## Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	50.0	50.0	50.0
DII	6.3	7.0	7.8
FII	30.5	29.5	29.3
Others	13.2	13.5	12.9

FII Includes depository receipts

**CMP: INR229**
**TP: INR310 (+36%)**
**Buy**

## Operational fundamentals remain unchanged; capex high on aspirations

- PLNG numbers were largely in line with our estimate, with volumes (at 218Tbtu) and utilization rates (Dahej/Kochi at 92%/22%) flat YoY in 4QFY21.
- The second COVID wave and higher spot LNG prices have proved to be a double whammy for the company, with spot cargoes being deferred due to lower consumption. **Dahej/Kochi is operating at a utilization rate of ~88%/~22% in 1QFY22 till date.**
- The management expects Kochi utilization rate to ramp up by ~30% by the end of FY22 (earlier guidance of ~40%), while Dahej would continue to operate at over 95% owing to tied up contracts (16.5mmtpa of 17.5mmtpa).
- **Factoring in the aforementioned, we lower our FY22E EPS by 8%, while keeping our FY23E EPS unchanged.** PLNG has raised tariffs by 5% at both Dahej and Kochi terminals (now at INR54.3/INR83.1 per mmbtu). Kochi tariff negotiations are still ongoing and tariffs may be reduced if commitment for commensurate offtake is provided by consumers.
- **Capex guidance for FY22/FY23 stands at INR5.3b/INR10b, with committed capex of INR41b over the next 3-4 years.** This committed capex is for the already announced plans at Dahej to set up two additional tanks (capex of INR13b), an additional jetty (INR17b), and capacity expansion by 5mmtpa (INR11b) to 22.5mmtpa.
- Apart from this, the management also spoke about various prospective capex plans, which are currently under evaluation like setting up of 1,000 LCNG stations (INR80b), a biogas plant (INR40b), an additional tank in Kochi (INR7b), and an LNG terminal on the east coast (INR16b).
- **Of the aforementioned prospective capex, the latter would still be possible in the near term. Both biogas and LNG retailing appear aspirational towards India's larger vision of a greener economy.**

## In line numbers for 4QFY21

- EBITDA came in line with our estimate at INR10.9b (+56% YoY – due to higher opex in 4QFY20). Other expense includes INR180m/INR560m on account of Ind AS losses/CSR provision, while trading loss stood at INR40m. PAT stood at INR6.2b (16% lower than our estimate due to lower other income).
- **Total volumes stood at 218Tbtu (flat YoY, -7% QoQ).**
  - Dahej volumes stood at 204Tbtu, with the utilization rate at 92% (flat YoY).
  - Kochi volumes stood at 14Tbtu, with the utilization rate at 22% (flat YoY).
- **Volumes were down a mere 3% at 897Tbtu in FY21, despite the impact from COVID-19.** Utilization in Dahej/Kochi stood at 96%/19% (v/s 104%/17% in FY20). EBITDA rose 18% YoY to INR47b due to one-offs (inventory and trading gains). PAT rose 9% YoY to INR29.5b.
- The company announced a final dividend of INR3.5/share (in addition to an interim dividend of INR8) – totaling INR11.5/share. **This translates to a dividend payout of ~60% and a dividend yield of 5% for FY21.** We expect the dividend payout to be in the current range (~60%) going forward.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

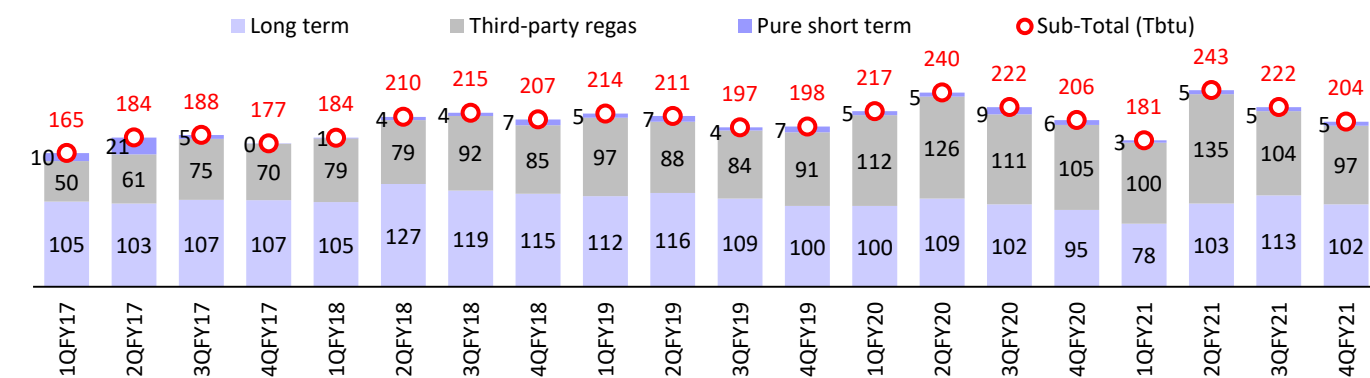
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

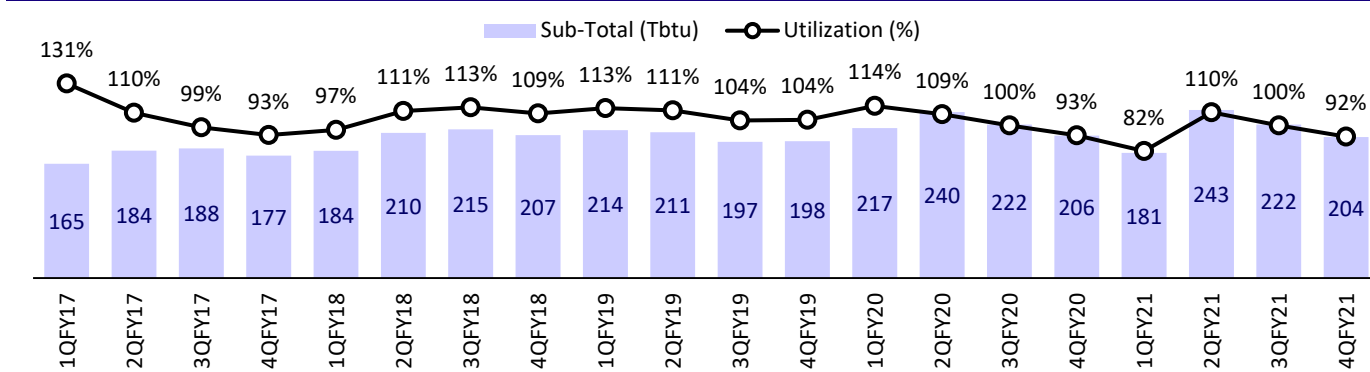
- Gas consumption in India is expected to rise by 8-10% CAGR over the next five years as gas availability increases. Upcoming pipelines like Jagdishpur-Haldia, North East grid, and Mehsana-Bhatinda pipeline will connect more consumers, thereby supporting consumption. **We are positive on the company as the market share of gas in the primary energy mix is a meager 6% and is expected to double by CY30 (primarily from development of new CGDs and increased consumption by Fertilizer and refining/petchem plants).**
- Upcoming LNG terminals like that of H-Energy and Swan, or even incremental domestic gas, is not expected to impact Dahej utilization as most of its capacity is tied up for the long term. **Dahej remains the cheapest import terminal in India, with a tariff of ~INR54/mmBtu. Its capacity is expanding to 22.5mmtpa over the next 3-4 years, assuaging long-term growth concerns.**
- Currently, ~0.8mmcmd of additional gas (~0.4mmcmd each by MCFL/OMPL) is flowing from the Kochi terminal. MRPL's peak volume offtake could be ~2mmcmd. **The management expects the Kochi terminal to achieve utilization of ~30%/~50% in FY22/over the next two years, with the completion of Kochi-Bengaluru pipeline (9-11 CGDs and as other industrial units get connected).**
- The aforementioned calculation for volume growth would translate to 7-9% EBITDA/PAT CAGR over FY21-23E. The stock trades at 9.8x FY23E EPS of INR23.4 and 5.6x FY23E EV/EBITDA. **We value PLNG on a DCF basis to arrive at a fair value of INR310. Reiterate Buy.**

**Standalone quarterly earnings model**

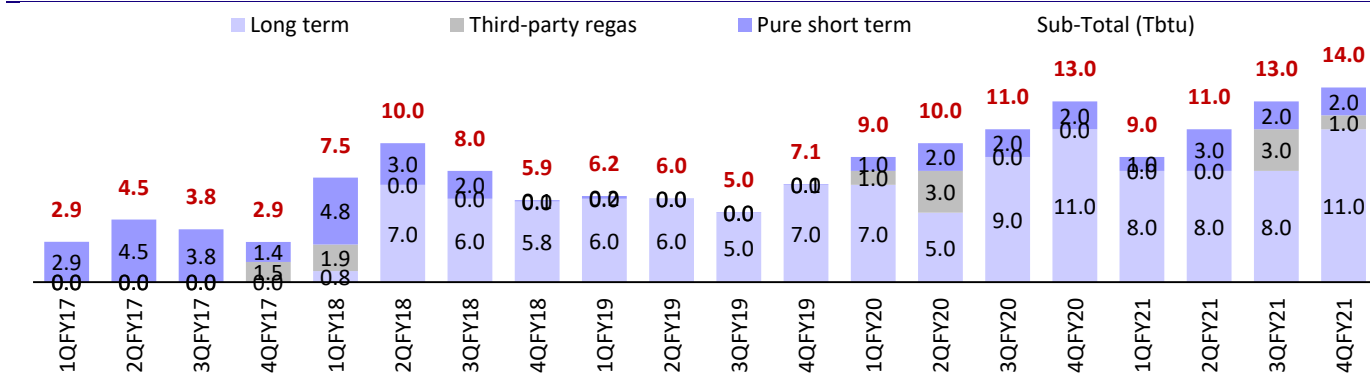
Y/E March	(INR m)											
	FY20				FY21				FY20	FY21	FY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
<b>Net Sales</b>	<b>86,134</b>	<b>93,612</b>	<b>89,102</b>	<b>85,672</b>	<b>48,836</b>	<b>62,358</b>	<b>73,282</b>	<b>75,753</b>	<b>3,54,520</b>	<b>2,60,229</b>	<b>1,02,416</b>	<b>-26%</b>
YoY Change (%)	-6.1	-12.9	-11.8	2.2	-43.3	-33.4	-17.8	-11.6	-7.7	-26.6	19.5	
<b>EBITDA</b>	<b>10,239</b>	<b>11,605</b>	<b>11,076</b>	<b>6,975</b>	<b>9,099</b>	<b>13,632</b>	<b>13,353</b>	<b>10,911</b>	<b>39,895</b>	<b>46,995</b>	<b>11,495</b>	<b>-5%</b>
Margin (%)	11.9	12.4	12.4	8.1	18.6	21.9	18.2	14.4	11.3	18.1	11.2	
Depreciation	1,899	1,960	1,960	1,942	1,936	1,952	1,925	2,028	7,761	7,841	1,986	2%
Interest	1,005	1,051	940	1,035	881	850	815	813	4,032	3,360	823	-1%
Other Income	1,044	975	842	865	684	1,596	1,111	492	3,726	3,882	1,213	-59%
Extra-Ord. expense	0	721	0	0	0	0	0	0	721	0	0	
<b>PBT</b>	<b>8,379</b>	<b>8,848</b>	<b>9,017</b>	<b>4,863</b>	<b>6,966</b>	<b>12,426</b>	<b>11,724</b>	<b>8,561</b>	<b>31,107</b>	<b>39,677</b>	<b>9,899</b>	<b>-14%</b>
Rate (%)	33.1	-24.7	25.1	26.2	25.3	25.4	25.1	27.2	13.3	25.7	25.1	
<b>Reported PAT</b>	<b>5,603</b>	<b>11,031</b>	<b>6,752</b>	<b>3,590</b>	<b>5,202</b>	<b>9,273</b>	<b>8,785</b>	<b>6,234</b>	<b>26,976</b>	<b>29,494</b>	<b>7,418</b>	<b>-16%</b>
<b>Adj. PAT</b>	<b>5,603</b>	<b>11,752</b>	<b>6,752</b>	<b>3,590</b>	<b>5,202</b>	<b>9,273</b>	<b>8,785</b>	<b>6,234</b>	<b>27,697</b>	<b>29,494</b>	<b>7,418</b>	<b>-16%</b>
YoY Change (%)	-4.5	108.8	19.4	-18.4	-7.1	-21.1	30.1	73.6	28.5	6.5	106.6	
Margin (%)	6.5	12.6	7.6	4.2	10.7	14.9	12.0	8.2	7.8	11.3	7.2	
<b>Key Assumptions</b>												
Total Volumes (Tbtu)	226.0	250.0	233.0	219.0	190.0	254.0	235.0	218.0	928.0	897.0	231.5	-6%
Dahej utilization (%)	114%	109%	100%	93%	82%	110%	100%	92%			98%	
Kochi utilization (%)	14%	16%	17%	21%	14%	17%	21%	22%			24%	

**Exhibit 1: Dahej total volume at 204Tbtu, flat YoY, but down 7% QoQ**

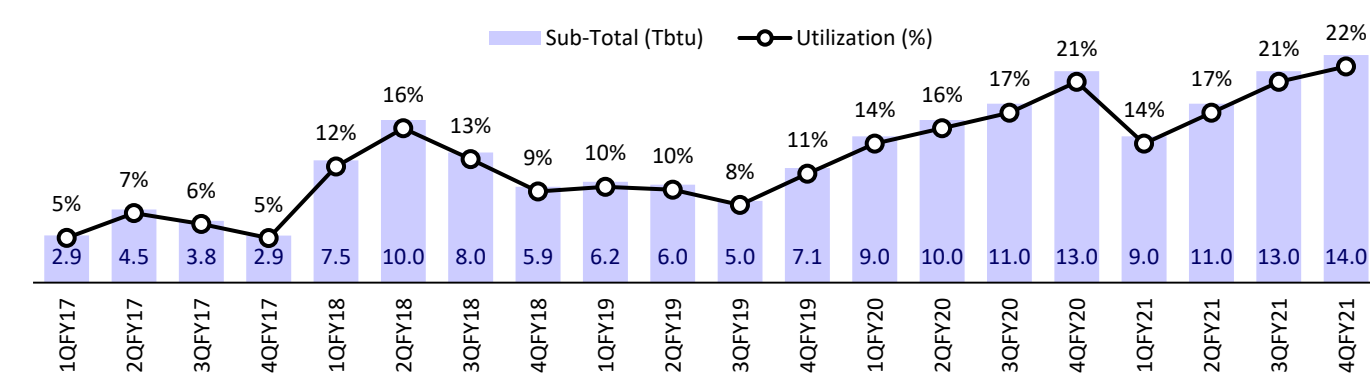
Source: Company, MOFSL

**Exhibit 2: Dahej terminal utilization at 92% in 4QFY21**

Source: Company, MOFSL

**Exhibit 3: Kochi volume at 14Tbtu, up 8% each YoY/QoQ**

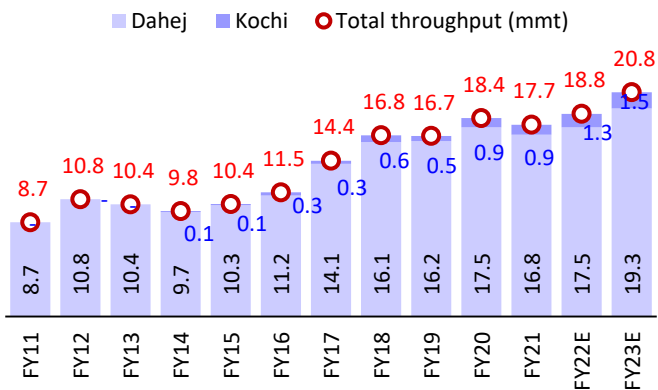
Source: Company, MOFSL

**Exhibit 4: Kochi terminal utilization at 22% in 4QFY21**

Source: Company, MOFSL

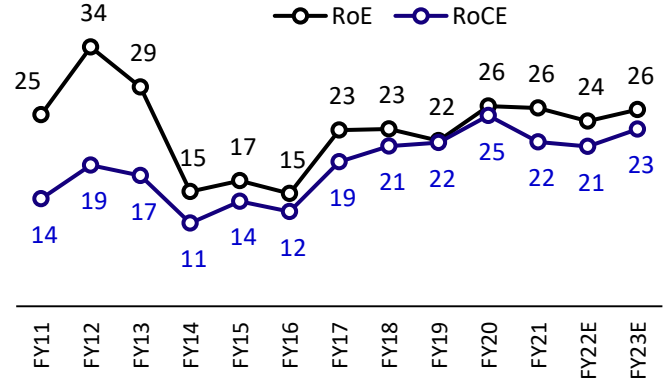
## Story in charts

**Exhibit 5: Volume growth led by capacity ramp-up**



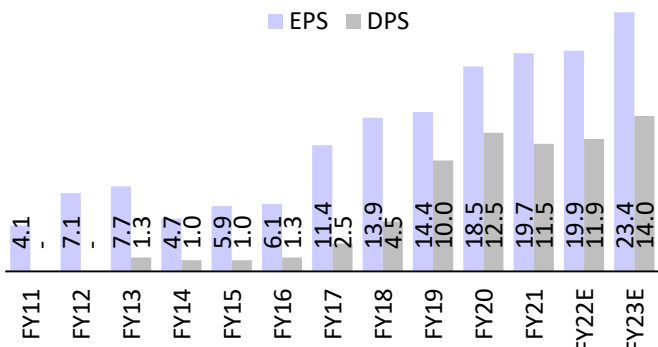
Source: Company, MOFSL

**Exhibit 6: Return ratios stable**



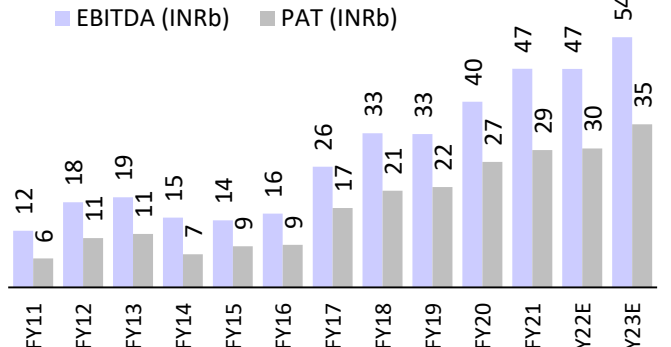
Source: Company, MOFSL

**Exhibit 7: Payout to remain strong (60%) over FY22-23E**



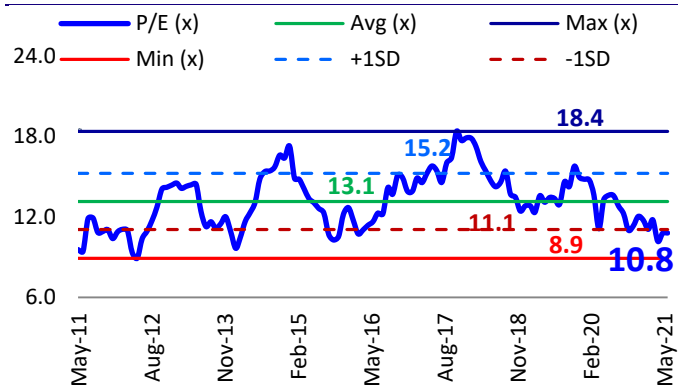
Source: Company, MOFSL

**Exhibit 8: EBITDA/PAT CAGR of 7-9% over FY21-23E**



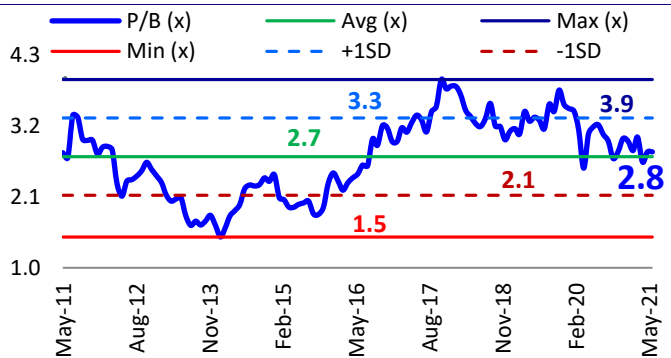
Source: Company, MOFSL

**Exhibit 9: One-year forward P/E – trades at 10.8x**



Source: Company, MOFSL

**Exhibit 10: One-year forward P/B – trades at 2.8x**



Source: Company, MOFSL

## Financials and valuations

### Standalone Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Total Income from Operations</b>	<b>2,71,334</b>	<b>2,46,160</b>	<b>3,05,986</b>	<b>3,83,954</b>	<b>3,54,520</b>	<b>2,60,229</b>	<b>3,63,856</b>	<b>4,44,664</b>
Change (%)	-31.3	-9.3	24.3	25.5	-7.7	-26.6	39.8	22.2
<b>EBITDA</b>	<b>15,863</b>	<b>25,923</b>	<b>33,124</b>	<b>32,935</b>	<b>39,895</b>	<b>46,995</b>	<b>46,947</b>	<b>53,763</b>
Margin (%)	5.8	10.5	10.8	8.6	11.3	18.1	12.9	12.1
Depreciation	3,216	3,691	4,117	4,112	7,761	7,841	8,087	8,463
<b>EBIT</b>	<b>12,647</b>	<b>22,232</b>	<b>29,007</b>	<b>28,822</b>	<b>32,134</b>	<b>39,155</b>	<b>38,860</b>	<b>45,300</b>
Int. and Finance Charges	2,388	2,097	1,630	989	4,032	3,360	3,010	2,890
Other Income	1,733	3,466	3,174	4,503	3,726	3,882	4,047	4,434
<b>PBT bef. EO Exp.</b>	<b>11,992</b>	<b>23,602</b>	<b>30,551</b>	<b>32,336</b>	<b>31,827</b>	<b>39,677</b>	<b>39,896</b>	<b>46,844</b>
EO Items	0	0	0	0	-721	0	0	0
<b>PBT after EO Exp.</b>	<b>11,992</b>	<b>23,602</b>	<b>30,551</b>	<b>32,336</b>	<b>31,107</b>	<b>39,677</b>	<b>39,896</b>	<b>46,844</b>
Total Tax	2,860	6,545	9,773	10,782	4,131	10,183	10,054	11,805
Tax Rate (%)	23.8	27.7	32.0	33.3	13.3	25.7	25.2	25.2
<b>Reported PAT</b>	<b>9,133</b>	<b>17,057</b>	<b>20,779</b>	<b>21,554</b>	<b>26,976</b>	<b>29,494</b>	<b>29,843</b>	<b>35,039</b>
<b>Adjusted PAT</b>	<b>9,133</b>	<b>17,057</b>	<b>20,779</b>	<b>21,554</b>	<b>27,697</b>	<b>29,494</b>	<b>29,843</b>	<b>35,039</b>
Change (%)	3.5	86.8	21.8	3.7	28.5	6.5	1.2	17.4
Margin (%)	3.4	6.9	6.8	5.6	7.8	11.3	8.2	7.9

### Standalone Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	7,500	7,500	15,000	15,000	15,000	15,000	15,000	15,000
Total Reserves	58,640	73,439	82,205	85,661	94,530	1,01,495	1,13,432	1,27,448
<b>Net Worth</b>	<b>66,140</b>	<b>80,939</b>	<b>97,205</b>	<b>1,00,661</b>	<b>1,09,530</b>	<b>1,16,495</b>	<b>1,28,432</b>	<b>1,42,448</b>
Total Loans	26,146	22,180	7,334	1,012	36,529	33,447	26,757	21,406
Deferred Tax Liabilities	5,886	7,302	10,482	13,360	8,883	8,806	8,806	8,806
<b>Capital Employed</b>	<b>98,171</b>	<b>1,10,421</b>	<b>1,15,021</b>	<b>1,15,033</b>	<b>1,54,942</b>	<b>1,58,747</b>	<b>1,63,995</b>	<b>1,72,659</b>
Gross Block	71,321	91,134	91,316	91,783	99,860	1,03,544	1,06,248	1,13,289
Less: Accum. Deprn.	3,216	6,903	11,020	15,132	22,894	30,734	38,822	47,284
<b>Net Fixed Assets</b>	<b>68,105</b>	<b>84,230</b>	<b>80,296</b>	<b>76,651</b>	<b>76,967</b>	<b>72,810</b>	<b>67,427</b>	<b>66,005</b>
Capital WIP	15,505	486	2,203	3,482	47	255	2,551	5,510
<b>Total Investments</b>	<b>900</b>	<b>29,351</b>	<b>41,223</b>	<b>9,893</b>	<b>38,406</b>	<b>45,817</b>	<b>45,817</b>	<b>45,817</b>
<b>Curr. Assets, Loans and Adv.</b>	<b>39,751</b>	<b>24,224</b>	<b>32,815</b>	<b>60,823</b>	<b>71,570</b>	<b>70,445</b>	<b>90,956</b>	<b>1,07,579</b>
Inventory	2,461	5,405	4,911	5,694	4,809	3,372	4,715	5,762
Account Receivables	9,885	12,108	16,505	14,335	16,427	19,108	26,717	32,650
Cash and Bank Balance	21,829	3,273	8,625	29,603	44,320	43,423	53,175	61,407
Cash	21,767	3,210	7,043	2,266	9,760	8,483	18,235	26,467
Bank Balance	62	64	1,582	27,337	34,560	34,930	34,930	34,930
Loans and Advances	5,576	3,438	2,774	11,190	6,014	4,541	6,350	7,760
<b>Curr. Liability and Prov.</b>	<b>26,090</b>	<b>27,870</b>	<b>41,517</b>	<b>35,815</b>	<b>32,048</b>	<b>30,579</b>	<b>42,756</b>	<b>52,252</b>
Account Payables	8,695	9,952	15,699	12,952	11,661	10,355	14,478	17,693
Other Current Liabilities	17,241	17,758	25,619	22,585	20,057	19,241	26,904	32,879
Provisions	155	160	199	278	330	983	1,375	1,680
<b>Net Current Assets</b>	<b>13,661</b>	<b>-3,646</b>	<b>-8,702</b>	<b>25,007</b>	<b>39,522</b>	<b>39,866</b>	<b>48,200</b>	<b>55,327</b>
<b>Appl. of Funds</b>	<b>98,171</b>	<b>1,10,421</b>	<b>1,15,021</b>	<b>1,15,033</b>	<b>1,54,942</b>	<b>1,58,747</b>	<b>1,63,995</b>	<b>1,72,659</b>

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>EPS</b>	<b>6.1</b>	<b>11.4</b>	<b>13.9</b>	<b>14.4</b>	<b>18.5</b>	<b>19.7</b>	<b>19.9</b>	<b>23.4</b>
Cash EPS	8.2	13.8	16.6	17.1	23.6	24.9	25.3	29.0
BV/Share	44.1	54.0	64.8	67.1	73.0	77.7	85.6	95.0
DPS	1.3	2.5	4.5	10.0	12.5	11.5	11.9	14.0
Payout (%)	23.9	25.7	38.0	74.9	73.8	58.5	60.0	60.0
<b>Valuation (x)</b>								
P/E	37.5	20.1	16.5	15.9	12.4	11.6	11.5	9.8
Cash P/E	27.8	16.5	13.8	13.4	9.7	9.2	9.0	7.9
P/BV	5.2	4.2	3.5	3.4	3.1	2.9	2.7	2.4
EV/Sales	1.3	1.5	1.1	0.8	0.9	1.3	0.9	0.7
EV/EBITDA	21.9	14.0	10.3	9.5	8.4	7.1	6.7	5.6
Dividend Yield (%)	0.5	1.1	2.0	4.4	5.5	5.0	5.2	6.1
FCF per share	16.0	10.1	18.8	13.2	21.7	23.2	24.9	25.0
<b>Return Ratios (%)</b>								
RoE	14.8	23.2	23.3	21.8	26.4	26.1	24.4	25.9
RoCE	12.5	19.0	21.1	21.5	25.1	21.6	21.0	23.3
RoIC	13.9	23.4	28.1	28.5	38.6	41.2	44.1	55.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	3.8	2.7	3.4	4.2	3.6	2.5	3.4	3.9
Asset Turnover (x)	2.8	2.2	2.7	3.3	2.3	1.6	2.2	2.6
Inventory (Days)	3	8	6	5	5	5	5	5
Debtor (Days)	13	18	20	14	17	27	27	27
Creditor (Days)	12	15	19	12	12	15	15	15
<b>Leverage Ratio (x)</b>								
Current Ratio	1.5	0.9	0.8	1.7	2.2	2.3	2.1	2.1
Interest Coverage Ratio	5.3	10.6	17.8	29.1	8.0	11.7	12.9	15.7
Net Debt/Equity	0.1	0.2	0.0	-0.3	-0.1	-0.1	-0.2	-0.3

### Standalone Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	11,992	23,602	30,551	32,336	31,107	39,677	39,896	46,844
Depreciation	3,216	3,691	4,117	4,112	7,761	7,841	8,087	8,463
Direct Taxes Paid	-1,997	-3,780	-6,968	-8,133	-4,745	-9,949	-10,054	-11,805
(Inc.)/Dec. in Wkg. Capital	19,340	-3,273	2,947	-4,522	-3,964	-1,746	1,417	1,105
Others	-1,198	-1,661	-2,320	-3,368	-729	-3,590	-4,047	-4,434
<b>CF from Op. Activity</b>	<b>33,740</b>	<b>20,675</b>	<b>29,956</b>	<b>21,414</b>	<b>33,462</b>	<b>35,592</b>	<b>42,357</b>	<b>47,496</b>
(Inc.)/Dec. in FA and CWIP	-9,724	-5,460	-1,753	-1,628	-889	-728	-5,000	-10,000
<b>Free Cash Flow</b>	<b>24,016</b>	<b>15,216</b>	<b>28,204</b>	<b>19,787</b>	<b>32,573</b>	<b>34,864</b>	<b>37,357</b>	<b>37,496</b>
(Pur.)/Sale of Investments	941	-25,745	-9,508	33,167	-3,273	-11,586	0	0
Others	246	-547	-1,515	-32,255	944	3,041	0	0
<b>CF from Inv. Activity</b>	<b>-8,538</b>	<b>-31,751</b>	<b>-12,776</b>	<b>-716</b>	<b>-3,218</b>	<b>-9,273</b>	<b>-5,000</b>	<b>-10,000</b>
Inc./(Dec.) in Debt	-2,803	-3,128	-7,052	-6,202	-138	-368	-6,689	-5,351
Dividends Paid (incl. tax)	-1,805	-2,256	-4,513	-18,083	-8,138	-22,452	-17,906	-21,023
<b>CF from Fin. Activity</b>	<b>-6,994</b>	<b>-7,481</b>	<b>-13,347</b>	<b>-25,476</b>	<b>-22,749</b>	<b>-27,596</b>	<b>-27,605</b>	<b>-29,265</b>
<b>Inc. /(Dec.) in Cash</b>	<b>18,209</b>	<b>-18,557</b>	<b>3,834</b>	<b>-4,778</b>	<b>7,495</b>	<b>-1,277</b>	<b>9,752</b>	<b>8,232</b>
Add: Opening Balance	3,558	21,767	3,210	7,043	2,266	9,760	8,483	18,235
<b>Closing Balance</b>	<b>21,767</b>	<b>3,210</b>	<b>7,043</b>	<b>2,265</b>	<b>9,760</b>	<b>8,483</b>	<b>18,235</b>	<b>26,467</b>

E: MOFSL estimates



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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