

November 10, 2021

Q2FY22 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	351		351	
Sales (Rs. m)	364,931	451,739	364,931	451,739
% Chng.	-	-	-	-
EBITDA (Rs. m)	54,894	63,094	54,894	63,094
% Chng.	-	-	-	-
EPS (Rs.)	24.9	29.5	24.9	29.5
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	260,229	311,015	364,931	451,739
EBITDA (Rs. m)	24,913	45,474	54,894	63,094
Margin (%)	9.6	14.6	15.0	14.0
PAT (Rs. m)	7,410	29,201	37,314	44,282
EPS (Rs.)	4.9	19.5	24.9	29.5
Gr. (%)	(73.2)	294.1	27.8	18.7
DPS (Rs.)	11.5	14.6	18.7	22.1
Yield (%)	4.9	6.2	7.9	9.4
RoE (%)	6.8	24.7	29.5	32.4
RoCE (%)	15.8	31.0	35.6	38.1
EV/Sales (x)	1.2	0.9	0.7	0.6
EV/EBITDA (x)	12.3	6.3	4.9	4.0
PE (x)	47.5	12.1	9.4	8.0
P/BV (x)	3.1	2.9	2.7	2.5

Key Data

PLNG.BO | PLNG IN

52-W High / Low	Rs.275 / Rs.211
Sensex / Nifty	60,353 / 18,017
Market Cap	Rs.352bn/ \$ 4,735m
Shares Outstanding	1,500m
3M Avg. Daily Value	Rs.1804.85m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	32.13
Domestic Institution	4.65
Public & Others	13.22
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.1	(2.7)	1.3
Relative	2.6	(20.2)	(27.3)

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Another strong operational performance

Quick Pointers:

- Volumes recovered with pickup in economic activity post pandemic restrictions.
- PLNG's long term contract demand remains robust, even as high spot prices to impact incremental demand.

We leave our FY22/23E estimates unchanged. PLNG reported better than expected results with EBIDTA/PAT of Rs12.9bn (+23%Q/Q; PLe Rs11.8bn) and Rs8.2bn (+29%Q/Q, PLe Rs7.3bn), due to higher regas volumes and margins. Management's plans on gradually ramping up LNG stations, removes an overhang on capital allocation. 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 Rs351 (unchanged).

- Improved volumes drive Q2 earnings:** Petronet LNG (PLNG) reported Q2FY22 EBITDA and PAT of Rs12.9bn (+23% QoQ; 2yr CAGR 6%; PLe Rs 11.8bn) and Rs8.2bn (+29%QoQ; 2 yr CAGR -16% due to tax write back in Sept 19; PLe Rs7.3bn).
- During the quarter, regasification volumes improved to 240tbtu (209 tbtu in Q1FY22; PLe 225). Higher volumes were due to improved offtake from downstream users as economic activity picked up. Dahej's degasified volumes were at 225tbtu (194tbtu in Q1) while Kochi volumes was steady at 15tbtu.
- Blended tariffs increase:** PLNG's Q2 blended tariffs were at Rs64.7/tbtu against Rs60.2 in Q1FY22.
- Gradual ramp up in new capex to remove overhang:** Management reiterated that it will go for gradual ramp up of LNG stations and Compressed Biogas Plants depending on demand and project IRRs. This removes an overhang of 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 demand assessment will be done before going ahead with the East Coast LNG terminal.
- 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. 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: Q2FY22 Result Overview (Rs mn)

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	H1FY22	H1FY21	YoY gr. (%)
Sales	108,131	55,578	94.6	85,979	194,110	99,414	95.3
Regassification services	-	6,780		-	-	11,780	
Net sales	108,131	62,358	73.4	85,979	194,110	111,194	74.6
Total expenditure	95,162	48,726	95.3	75,436	170,599	88,462	92.9
Raw material	92,602	47,199	96.2	73,396	165,997	85,565	94.0
Staff cost	561	338	65.8	429	990	698	41.7
Other expenditure	2,000	1,188	68.4	1,612	3,612	2,199	64.3
Forex	-	-		-	-	-	
Operating profit	12,969	13,633	(4.9)	10,543	23,511	22,732	3.4
Other income	816	1,596	(48.8)	685	1,502	2,280	(34.1)
Interest	794	850	(6.6)	800	1,595	1,732	(7.9)
Depreciation	1,936	1,952	(0.8)	1,916	3,852	3,888	(0.9)
PBT	11,055	12,426	(11.0)	8,512	19,566	19,392	0.9
Tax	2,825	3,153	(10.4)	2,155	4,980	4,916	1.3
<i>Tax rate (%)</i>	<i>25.6</i>	<i>25.4</i>		<i>25.3</i>	<i>25.4</i>	<i>25.4</i>	
Net profit	8,230	9,274	(11.3)	6,357	14,587	14,476	0.8

Source: Company, PL

Exhibit 2: PLNG quarterly volume and tariffs

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Volumes (tbtu)	250.0	233.0	226.6	190.0	254.0	235.0	218.0	209.0	240.0
Blended regas margins (Rs/tbtu)	53.5	55.4	49.9	55.1	59.7	63.2	59.3	60.2	64.7

Source: Company, PL

Conference Call Highlights:

- Current Kochi tariffs are at Rs87.1/tbtu; negotiations with offtakers to reduce tariff will be contingent to higher volume offtake.
- Current high spot LNG prices of \$30/mmbtu has dampened domestic demand, especially from power sectors but CGD and fertilizer demand remains robust.
- Kochi terminal utilization at 22% will increase to 30-35% once gas prices normalize.
- Dahej terminal utilization was at 99% and is likely to be strong despite high spot LNG prices.
- Company trying to procure additional 46 cargoes from Rasgas from earlier years.
- Inventory gains and trading gains for Q2 were at Rs280mn and Rs1.2bn.

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	260,229	311,015	364,931	451,739
YoY gr. (%)	(26.6)	19.5	17.3	23.8
Cost of Goods Sold	228,898	260,120	303,844	381,516
Gross Profit	31,331	50,895	61,087	70,223
Margin (%)	12.0	16.4	16.7	15.5
Employee Cost	1,471	1,618	1,780	1,958
Other Expenses	-	-	-	-
EBITDA	24,913	45,474	54,894	63,094
YoY gr. (%)	(37.6)	82.5	20.7	14.9
Margin (%)	9.6	14.6	15.0	14.0
Depreciation and Amortization	7,841	8,923	9,943	11,103
EBIT	17,072	36,551	44,950	51,990
Margin (%)	6.6	11.8	12.3	11.5
Net Interest	3,360	3,000	2,500	2,000
Other Income	3,882	5,472	7,414	9,186
Profit Before Tax	17,593	39,023	49,865	59,177
Margin (%)	6.8	12.5	13.7	13.1
Total Tax	10,183	9,822	12,551	14,895
Effective tax rate (%)	57.9	25.2	25.2	25.2
Profit after tax	7,410	29,201	37,314	44,282
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,410	29,201	37,314	44,282
YoY gr. (%)	(73.2)	294.1	27.8	18.7
Margin (%)	2.8	9.4	10.2	9.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,410	29,201	37,314	44,282
YoY gr. (%)	(73.2)	294.1	27.8	18.7
Margin (%)	2.8	9.4	10.2	9.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,410	29,201	37,314	44,282
Equity Shares O/s (m)	1,500	1,500	1,500	1,500
EPS (Rs)	4.9	19.5	24.9	29.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	104,284	106,284	108,284	120,284
Tangibles	104,284	106,284	108,284	120,284
Intangibles	-	-	-	-
Acc: Dep / Amortization	30,646	39,570	49,513	60,617
Tangibles	30,646	39,570	49,513	60,617
Intangibles	-	-	-	-
Net fixed assets	73,637	66,714	58,770	59,667
Tangibles	73,637	66,714	58,770	59,667
Intangibles	-	-	-	-
Capital Work In Progress	2,000	1,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(8,831)	(10,848)	(13,426)	(16,486)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	5,714	6,829	8,013	9,919
Trade receivables	12,800	15,298	17,950	22,220
Cash & Bank Balance	45,679	63,769	84,520	99,204
Other Current Assets	530	530	530	530
Total Assets	146,123	159,902	176,545	198,302
Equity				
Equity Share Capital	15,000	15,000	15,000	15,000
Other Equity	99,363	106,663	115,992	127,062
Total Network	114,363	121,663	130,992	142,062
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	22,863	27,325	32,062	39,688
Other current liabilities	66	66	66	66
Total Equity & Liabilities	146,123	159,902	176,545	198,302

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	39,676	39,023	49,865	59,177
Add. Depreciation	7,841	8,923	9,943	11,103
Add. Interest	3,360	3,000	2,500	2,000
Less Financial Other Income	3,882	5,472	7,414	9,186
Add. Other	-	-	-	-
Op. profit before WC changes	50,877	50,946	62,308	72,280
Net Changes-WC	(15,991)	(34,059)	(1,253)	(1,738)
Direct tax	(10,183)	(9,822)	(12,551)	(14,895)
Net cash from Op. activities	24,703	7,066	48,504	55,647
Capital expenditures	701	(5,922)	(7,000)	(23,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	701	(5,922)	(7,000)	(23,000)
Issue of share cap. / premium	(5,278)	-	-	-
Debt changes	(414)	(230)	-	-
Dividend paid	(17,250)	(21,901)	(27,985)	(33,211)
Interest paid	(3,360)	(3,000)	(2,500)	(2,000)
Others	-	-	-	-
Net cash from Fin. activities	(26,302)	(25,131)	(30,485)	(35,211)
Net change in cash	(897)	(23,987)	11,019	(2,564)
Free Cash Flow	25,405	1,144	41,504	32,647

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	73,282	75,753	85,979	108,131
YoY gr. (%)	(17.8)	(11.6)	76.1	73.4
Raw Material Expenses	58,434	62,817	73,396	92,602
Gross Profit	14,849	12,937	12,584	15,529
Margin (%)	20.3	17.1	14.6	14.4
EBITDA	13,353	10,911	10,543	12,969
YoY gr. (%)	20.6	56.4	15.9	(4.9)
Margin (%)	18.2	14.4	12.3	12.0
Depreciation / Depletion	1,925	2,028	1,916	1,936
EBIT	11,428	8,883	8,627	11,033
Margin (%)	15.6	11.7	10.0	10.2
Net Interest	815	813	800	800
Other Income	1,111	492	685	816
Profit before Tax	11,724	8,561	8,512	11,049
Margin (%)	16.0	11.3	9.9	10.2
Total Tax	2,939	2,328	2,155	2,825
Effective tax rate (%)	25.1	27.2	25.3	25.6
Profit after Tax	8,785	6,234	6,357	8,225
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	8,785	6,234	6,357	8,225
YoY gr. (%)	30.1	73.6	22.2	(11.3)
Margin (%)	12.0	8.2	7.4	7.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,785	6,234	6,357	8,225
YoY gr. (%)	30.1	73.6	22.2	(11.3)
Margin (%)	12.0	8.2	7.4	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

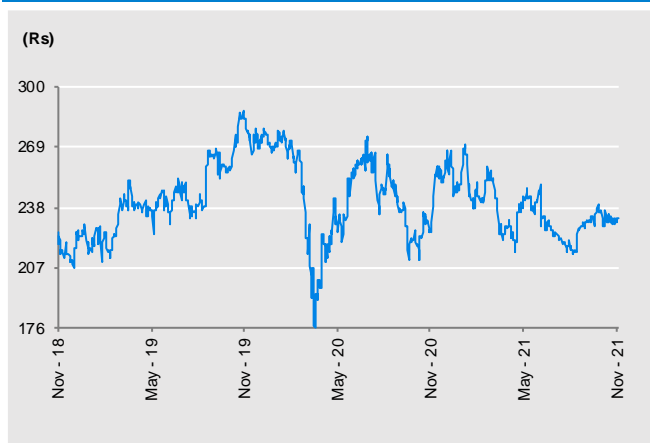
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	4.9	19.5	24.9	29.5
CEPS	10.2	25.4	31.5	36.9
BVPS	76.2	81.1	87.3	94.7
FCF	16.9	0.8	27.7	21.8
DPS	11.5	14.6	18.7	22.1
Return Ratio(%)				
RoCE	15.8	31.0	35.6	38.1
ROIC	17.0	38.0	48.8	52.5
RoE	6.8	24.7	29.5	32.4
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.6)	(0.7)
Net Working Capital (Days)	(6)	(6)	(6)	(6)
Valuation(x)				
PER	47.5	12.1	9.4	8.0
P/B	3.1	2.9	2.7	2.5
P/CEPS	10.2	25.4	31.5	36.9
EV/EBITDA	12.3	6.3	4.9	4.0
EV/Sales	1.2	0.9	0.7	0.6
Dividend Yield (%)	4.9	6.2	7.9	9.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Dahej contract volume (MTPA)	16.0	15.5	16.5	16.5
Dahej spot volume (MTPA)	0.3	0.8	1.0	2.8
Kochi contract volume (MTPA)	0.8	1.0	1.5	2.0
Kochi spot volume (MTPA)	0.2	0.5	1.0	1.5
Dahej contract tariff (Rs/tbtu)	52.4	55.0	57.7	60.6
Dahej spot tariff (Rs/tbtu)	100.0	25.0	25.0	20.0
Kochi contract tariff (Rs/tbtu)	100.0	105.0	110.3	115.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Oct-21	BUY	351	236
2	16-Aug-21	BUY	351	215
3	2-Jul-21	BUY	351	223
4	9-Jun-21	BUY	351	228
5	5-Apr-21	BUY	406	227
6	12-Feb-21	BUY	403	242
7	8-Jan-21	BUY	399	260
8	12-Nov-20	BUY	399	241

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	589	418
2	Burger King India	BUY	250	168
3	GAIL (India)	BUY	184	149
4	Gujarat Gas	BUY	845	594
5	Hindustan Petroleum Corporation	BUY	445	303
6	Indian Oil Corporation	BUY	205	132
7	Indraprastha Gas	BUY	662	494
8	Mahanagar Gas	BUY	1,345	997
9	Oil & Natural Gas Corporation	UR	-	148
10	Oil India	BUY	351	222
11	Petronet LNG	BUY	351	236
12	Reliance Industries	BUY	2,955	2,627

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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