

Estimate change	↓
TP change	↔
Rating change	↔

CMP: INR212 **TP: INR297 (+40%)** **Buy**

Volumes dip but outlook remains intact

Bloomberg	PLNG IN
Equity Shares (m)	1,500
M.Cap.(INRb)/(USDb)	318.5 / 3.9
52-Week Range (INR)	233 / 190
1, 6, 12 Rel. Per (%)	0/-12/-10
12M Avg Val (INR M)	493

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	431.7	537.1	527.9
EBITDA	52.5	45.1	47.1
Adj. PAT	33.5	31.5	33.1
Adj. EPS (INR)	22.3	21.0	22.1
EPS Gr. (%)	13.7	-6.0	5.1
BV/Sh.(INR)	89.5	99.7	110.4

Ratios

Net D:E	-0.3	-0.3	-0.4
RoE (%)	26.7	22.2	21.0
RoCE (%)	28.5	22.2	21.0
Payout (%)	51.5	51.5	51.5

Valuation

P/E (x)	9.5	10.1	9.6
P/BV (x)	2.4	2.1	1.9
EV/EBITDA (x)	5.2	5.9	5.4
Div. Yield (%)	5.4	5.1	5.3
FCF Yield (%)	10.7	7.5	10.1

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	50.0	50.0	50.0
DII	4.1	2.9	4.7
FII	34.8	34.8	32.1
Others	11.1	12.2	13.2

FII Includes depository receipts

- Petronet LNG (PLNG) reported a beat on our EBITDA despite lower volumes due to trading gains of INR2.7b during the quarter.
- Dahej utilization stood at 82% while utilization at Kochi was at 16%, hurt by lower off-take amidst high LNG price.
- Spot LNG price has come down to ~USD25/mmBtu and is expected to soften further in 4QFY23, which should lead to improvement in utilization rates during 2HFY23. Utilizations are likely to remain muted in the near term, although take-or-pay revenue may originate during 3QFY23.
- The Board has recently approved a budget of INR23b for the 4mmtpa FSRU project in Gopalpur. The project aims to establish PLNG's presence in the eastern coast of India by addressing the increasing gas demand in the region.
- Lack of clarity on capital allocation and possible returns from the new investments such as biogas projects and PDH-PP continue to remain key concerns that might keep the stock under pressure.
- Factoring in the above, we revised our Revenue/EBITDA estimates in FY24 by -12%/-20%, respectively, reflecting low volume off-take expectations in FY24 led by increased competition. **Reiterate BUY** due to healthy long-term volume trajectory of the company.

Beat on EBITDA; volumes disappoint

- PLNG's total volumes were 8% below our estimates at 192TBtu (down 20% YoY and 8% QoQ) in 2QFY23.
- Dahej utilization was at 82% (182TBtu) during the quarter.
- Kochi utilization was at 16% (12TBtu) during the quarter.
- EBITDA delivered a 12% beat on our estimate at INR11.7b (down 10% YoY, up 10% QoQ), with PAT at INR7.4b (13% above estimate, down 10% YoY, up 6% QoQ) in 2QFY23.
- **For 1HFY23**, EBITDA stood at INR22.4b (down 5% YoY), with PAT at INR14.5b (down 1% YoY).
- Dahej utilization stood at 85% (down 9% YoY), while Kochi utilization stood at 17% (down 6% YoY) in 1HFY23.
- The company has declared an interim dividend of INR7 during the quarter.

Valuation and view – maintain BUY

- We remain positive on the gas story in India, which is set to clock a CAGR of 6–8% as per our gas demand-supply model, led by: a) development of new CGDs and b) higher consumption at fertilizer and refining/petchem plants.
- Total capex guidance for FY23-24 is at INR42.5b. The company would set up a petrochemical project wherein it would produce PDH-PP (capacity of 500ktpa) and another product as already guided. It is also setting up two new tanks at Dahej at a capex of INR12.5b by CY24E. About 39% of the project has been completed.

- A third jetty is coming up at Dahej with a capex of INR17b. FSRU on the East coast may cost the company INR15b along with a brownfield expansion of 5mmtpa at the Dahej terminal at a cost of INR6b (to be completed in phases by CY24E or early CY25E).
- The stock trades at 5.4x FY24E EV/EBITDA. We value PLNG on a DCF basis to arrive at a fair value of INR297; **maintain BUY**.

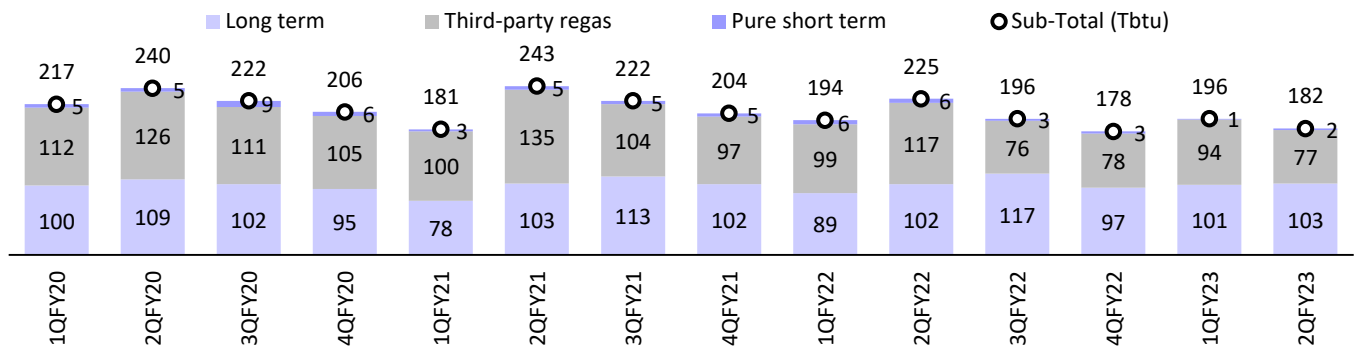
Standalone - Quarterly Earnings Model

Y/E March	FY22				FY23				FY22		FY23E		Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY22	FY23E	FY23	2QE	
Net Sales	85,979	1,08,131	1,25,972	1,11,604	1,42,638	1,59,857	2,17,470	17,162	4,31,686	5,37,128	1,48,720	7%	
YoY Change (%)	76.1	73.4	71.9	47.3	65.9	47.8	72.6	-84.6	65.9	24.4	37.5		
EBITDA	10,543	12,969	17,322	11,691	10,644	11,730	9,759	12,973	52,523	45,105	10,431	12%	
Margins (%)	12.3	12.0	13.8	10.5	7.5	7.3	4.5	75.6	12.2	8.4	7.0		
Depreciation	1,916	1,936	1,936	1,896	1,912	1,922	2,052	2,160	7,685	8,047	2,032		
Interest	800	794	776	803	779	811	6	-1,571	3,173	25	861		
Other Income	685	816	719	852	1,418	942	1,282	1,435	3,073	5,077	1,241		
PBT	8,512	11,055	15,328	9,844	9,371	9,939	8,982	13,819	44,738	42,111	8,779	13%	
Tax	2,155	2,825	3,893	2,342	2,362	2,496	2,264	2,728	11,215	10,612	2,212	13%	
Rate (%)	25.3	25.6	25.4	23.8	25.2	25.1	25.2	19.7	25.1	25.2	25.2		
Reported PAT	6,357	8,230	11,435	7,501	7,009	7,443	6,719	11,091	33,524	31,499	6,567	13%	
Adj PAT	6,357	8,230	11,435	7,501	7,009	7,443	6,719	11,091	33,524	31,499	6,567	13%	
YoY Change (%)	22.2	-11.2	30.2	20.3	10.3	-9.6	-41.2	47.8	13.7	-6.0	-20.2		
Margins (%)	7.4	7.6	9.1	6.7	4.9	4.7	3.1	64.6	7.8	5.9	4.4		
Key Assumptions													
Total Volumes (TBtu)	209.0	240.0	208.0	190.0	208.0	192.0	194.2	221.0	847.0	815.1	208.0	-8%	
Dahej utilization (%)	88%	102%	89%	80%	89%	82%	83%	94%	90%	87%	89%	-7%	
Kochi utilization (%)	24%	24%	19%	19%	19%	16%	18%	19%	21%	18%	19%	-17%	

Operational highlights

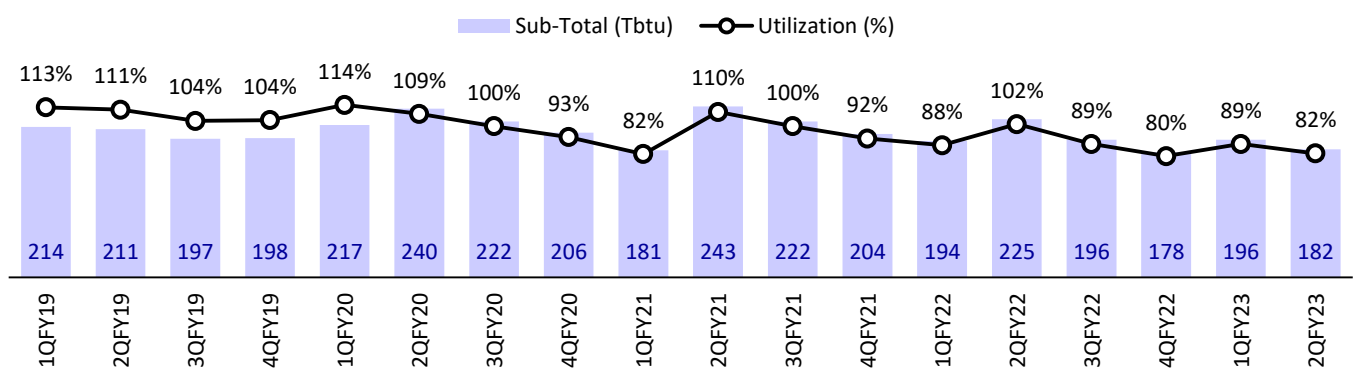
Particulars	FY21				FY22				FY23		2QFY23	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	% YoY	% QoQ
Dahej Sales Volume (TBtu)												
Long term	78.0	103.0	113.0	102.0	89.0	102.0	117.0	97.0	101.0	103.0	1%	2%
Third-party regas	100.0	135.0	104.0	97.0	99.0	117.0	76.0	78.0	94.0	77.0	-34%	-18%
Pure short term	3.0	5.0	5.0	5.0	6.0	6.0	3.0	3.0	1.0	2.0	-67%	100%
Sub-total (TBtu)	181.0	243.0	222.0	204.0	194.0	225.0	196.0	178.0	196.0	182.0	-19%	-7%
Kochi Sales Volume (TBtu)												
Long term	8.0	8.0	8.0	11.0	11.0	14.0	12.0	12.0	12.0	10.0	-29%	-17%
Third-party regas	0.0	0.0	3.0	1.0	2.0	0.0	0.0	0.0	0.0	0.0		
Pure short term	1.0	3.0	2.0	2.0	2.0	1.0	0.0	0.0	0.0	0.0	-100%	
Sub-total (TBtu)	9.0	11.0	13.0	14.0	15.0	15.0	12.0	12.0	12.0	10.0	-33%	-17%
Total (TBtu)	190.0	254.0	235.0	218.0	209.0	240.0	208.0	190.0	208.0	192.0	-20%	-8%

Exhibit 1: Dahej's total volumes at 182Tbtu, down 19% YoY and 7% QoQ



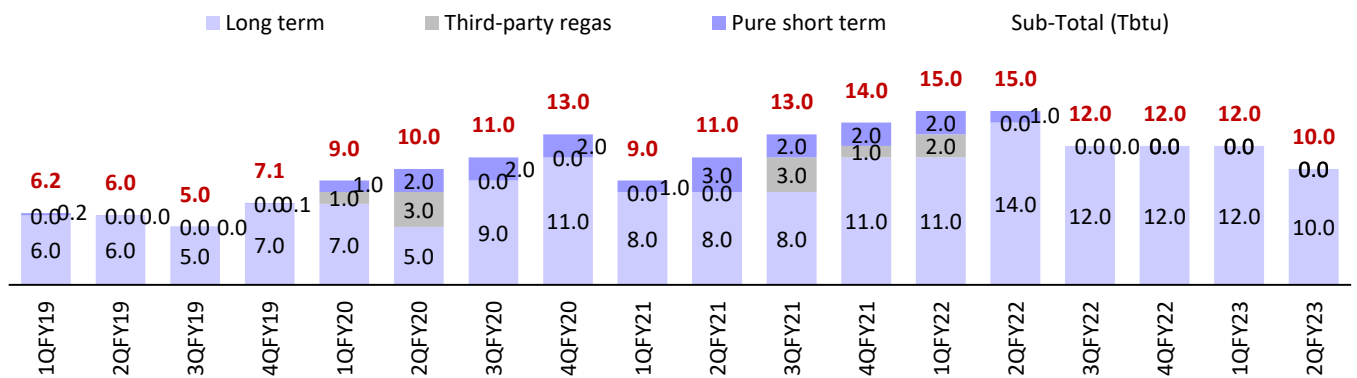
Source: Company, MOFSL

Exhibit 2: Dahej terminal's utilization at 82% in 2QFY23



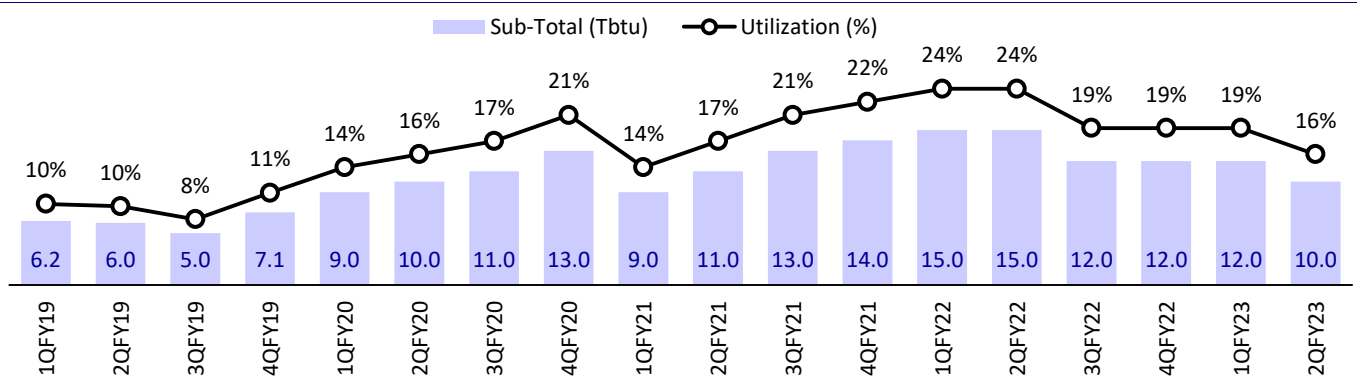
Source: Company, MOFSL

Exhibit 3: Kochi volumes at 10Tbtu, down 33% YoY and 17% QoQ



Source: Company, MOFSL

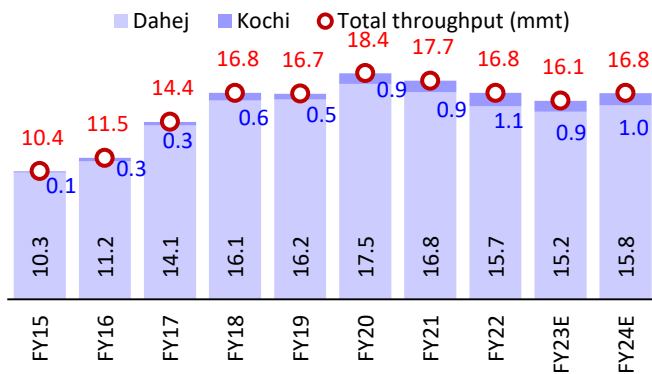
Exhibit 4: Kochi terminal utilization at 16% in 2QFY23



Source: Company, MOFSL

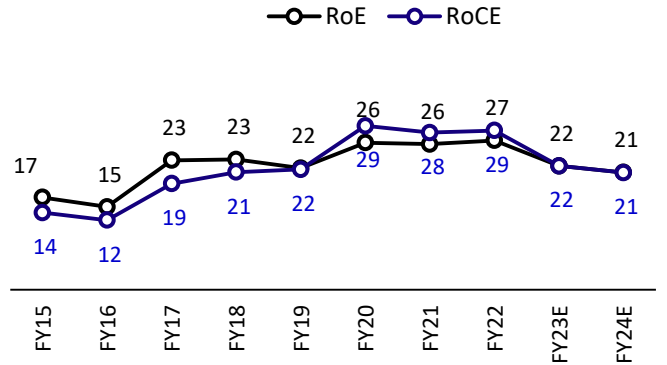
Story in charts

Exhibit 5: Volume snapshot for PLNG



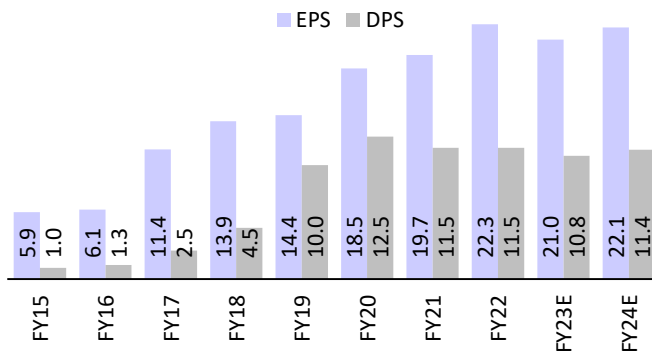
Source: Company, MOFSL

Exhibit 6: Return ratios profile



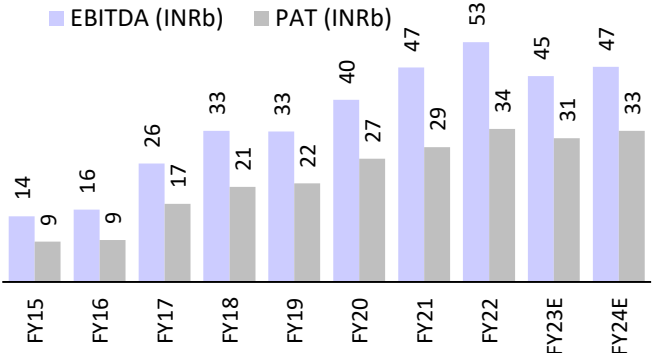
Source: Company, MOFSL

Exhibit 7: Payout ratios for PLNG



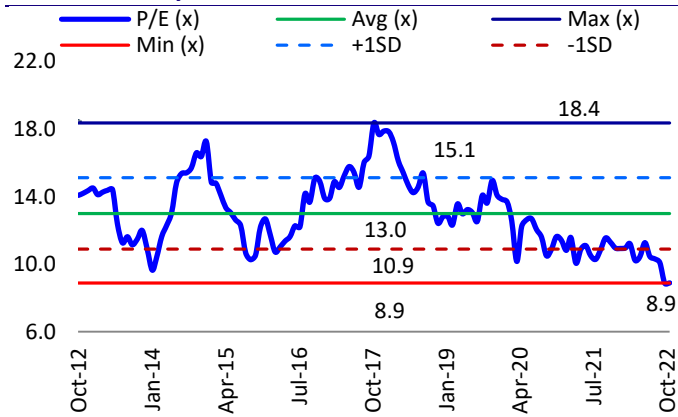
Source: Company, MOFSL

Exhibit 8: EBITDA/PAT snapshot for PLNG



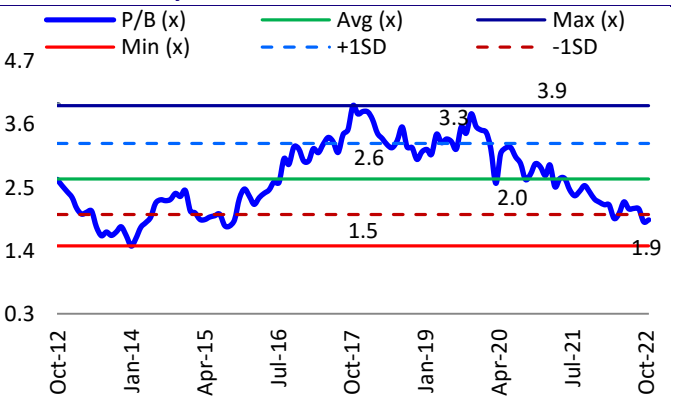
Source: Company, MOFSL

Exhibit 9: One-year forward P/E – trades at 10.1x



Source: Company, MOFSL

Exhibit 10: One-year forward PB – trades at 2.1x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	2,46,160	3,05,986	3,83,954	3,54,520	2,60,229	4,31,686	5,37,128	5,27,916
Change (%)	-9.3	24.3	25.5	-7.7	-26.6	65.9	24.4	-1.7
EBITDA	25,923	33,124	32,935	39,895	46,995	52,523	45,105	47,130
Margin (%)	10.5	10.8	8.6	11.3	18.1	12.2	8.4	8.9
Depreciation	3,691	4,117	4,112	7,761	7,841	7,685	8,047	8,625
EBIT	22,232	29,007	28,822	32,134	39,155	44,839	37,059	38,505
Int. and Finance Charges	2,097	1,630	989	4,032	3,360	3,173	25	22
Other Income	3,466	3,174	4,503	3,726	3,882	3,073	5,077	5,762
PBT bef. EO Exp.	23,602	30,551	32,336	31,827	39,677	44,738	42,111	44,245
EO Items	0	0	0	-721	0	0	0	0
PBT after EO Exp.	23,602	30,551	32,336	31,107	39,677	44,738	42,111	44,245
Total Tax	6,545	9,773	10,782	4,131	10,183	11,215	10,612	11,150
Tax Rate (%)	27.7	32.0	33.3	13.3	25.7	25.1	25.2	25.2
Reported PAT	17,057	20,779	21,554	26,976	29,494	33,524	31,499	33,095
Adjusted PAT	17,057	20,779	21,554	27,697	29,494	33,524	31,499	33,095
Change (%)	86.8	21.8	3.7	28.5	6.5	13.7	-6.0	5.1
Margin (%)	6.9	6.8	5.6	7.8	11.3	7.8	5.9	6.3

Standalone - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	7,500	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Reserves	73,439	82,205	85,661	94,530	1,01,495	1,19,255	1,34,545	1,50,611
Net Worth	80,939	97,205	1,00,661	1,09,530	1,16,495	1,34,255	1,49,545	1,65,611
Total Loans	22,180	7,334	1,012	644	644	230	184	147
Deferred Tax Liabilities	7,302	10,482	13,360	8,883	8,806	8,324	8,324	8,324
Capital Employed	1,10,421	1,15,021	1,15,033	1,19,057	1,25,945	1,42,809	1,58,053	1,74,082
Gross Block	91,134	91,316	91,783	99,860	1,03,544	1,06,915	1,13,456	1,22,764
Less: Accum. Deprn.	6,903	11,020	15,132	22,894	30,734	38,419	46,466	55,091
Net Fixed Assets	84,230	80,296	76,651	76,967	72,810	68,496	66,991	67,674
Capital WIP	486	2,203	3,482	47	255	1,926	5,385	6,077
Total Investments	29,351	41,223	9,893	38,406	45,817	37,578	37,578	37,578
Curr. Assets, Loans&Adv.	24,224	32,815	60,823	71,570	70,082	1,03,191	1,25,531	1,39,395
Inventory	5,405	4,911	5,694	4,809	3,372	5,767	7,175	7,052
Account Receivables	12,108	16,505	14,335	16,427	18,745	26,844	33,401	32,829
Cash and Bank Balance	3,273	8,625	29,603	44,320	43,423	43,196	50,882	66,026
Cash	3,210	7,043	2,266	9,760	8,493	10,472	18,159	33,302
Bank Balance	64	1,582	27,337	34,560	34,930	32,724	32,724	32,724
Loans and Advances	3,438	2,774	11,190	6,014	4,541	27,384	34,073	33,488
Curr. Liability & Prov.	27,870	41,517	35,815	32,048	29,802	37,050	46,100	45,310
Account Payables	9,952	15,699	12,952	11,661	10,355	15,265	18,993	18,667
Other Current Liabilities	17,758	25,619	22,585	20,057	18,464	20,583	25,610	25,171
Provisions	160	199	278	330	983	1,203	1,497	1,471
Net Current Assets	-3,646	-8,702	25,007	39,522	40,280	66,140	79,431	94,085
Appl. of Funds	1,10,421	1,15,021	1,15,033	1,54,942	1,59,162	1,74,141	1,89,385	2,05,414

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	11.4	13.9	14.4	18.5	19.7	22.3	21.0	22.1
Cash EPS	13.8	16.6	17.1	23.6	24.9	27.5	26.4	27.8
BV/Share	54.0	64.8	67.1	73.0	77.7	89.5	99.7	110.4
DPS	2.5	4.5	10.0	12.5	11.5	11.5	10.8	11.4
Payout (%)	25.7	38.0	74.9	73.8	58.5	51.5	51.5	51.5
Valuation (x)								
P/E	18.7	15.3	14.8	11.5	10.8	9.5	10.1	9.6
Cash P/E	15.4	12.8	12.4	9.0	8.5	7.7	8.1	7.6
P/BV	3.9	3.3	3.2	2.9	2.7	2.4	2.1	1.9
EV/Sales	1.4	1.0	0.8	0.8	1.1	0.6	0.5	0.5
EV/EBITDA	13.0	9.6	8.8	6.9	5.9	5.2	5.9	5.4
Dividend Yield (%)	1.2	2.1	4.7	5.9	5.4	5.4	5.1	5.3
FCF per share	10.1	18.8	13.2	21.7	23.2	22.7	16.0	21.5
Return Ratios (%)								
RoE	23.2	23.3	21.8	26.4	26.1	26.7	22.2	21.0
RoCE	19.0	21.1	21.5	29.4	28.1	28.5	22.2	21.0
RoIC	23.4	28.1	28.5	51.4	80.0	69.6	44.6	44.8
Working Capital Ratios								
Fixed Asset Turnover (x)	2.7	3.4	4.2	3.6	2.5	4.0	4.7	4.3
Asset Turnover (x)	2.2	2.7	3.3	2.3	1.6	2.5	2.8	2.6
Inventory (Days)	8	6	5	5	5	5	5	5
Debtor (Days)	18	20	14	17	26	23	23	23
Creditor (Days)	15	19	12	12	15	13	13	13
Leverage Ratio (x)								
Current Ratio	0.9	0.8	1.7	2.2	2.4	2.8	2.7	3.1
Interest Cover Ratio	10.6	17.8	29.1	8.0	11.7	14.1	1,491.9	1,788.6
Net Debt/Equity	0.2	0.0	-0.3	-0.4	-0.4	-0.3	-0.3	-0.4

Standalone - Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
(INR m)								
OP/(Loss) before Tax	23,602	30,551	32,336	31,107	39,677	44,738	42,111	44,245
Depreciation	3,691	4,117	4,112	7,761	7,841	7,685	8,047	8,625
Interest and Finance charges	2,097	1,630	989	4,032	3,360	3,173	25	22
Direct Taxes Paid	-3,780	-6,968	-8,133	-4,745	-9,949	-12,642	-10,612	-11,150
(Inc)/Dec in Wkg. Capital	-3,273	2,947	-4,522	-3,964	-1,746	-6,339	-5,604	490
Others	-1,661	-2,320	-3,368	-729	-3,590	-1,893	-5,077	-5,762
CF from Op. Activity	20,675	29,956	21,414	33,462	35,593	34,721	33,966	42,232
(Inc)/Dec in FA & CWIP	-5,460	-1,753	-1,628	-889	-730	-723	-10,000	-10,000
Free Cash Flow	15,216	28,204	19,787	32,573	34,862	33,998	23,966	32,232
(Pur)/Sale of Investments	-25,745	-9,508	33,167	-3,273	-11,586	5,521	0	0
Others	-547	-1,515	-32,255	944	3,043	-15,431	0	0
CF from Inv. Activity	-31,751	-12,776	-716	-3,218	-9,273	-10,633	-10,000	-10,000
Inc / (Dec) in Debt	-3,128	-7,052	-6,202	-138	-368	-414	-46	-37
Interest paid	-2,097	-1,782	-1,191	-1,785	-3,360	-3,173	-25	-22
Dividends Paid (incl.tax)	-2,256	-4,513	-18,083	-8,138	-22,452	-15,750	-16,208	-17,030
CF from Fin. Activity	-7,481	-13,347	-25,476	-22,749	-27,586	-22,109	-16,279	-17,088
Inc / (Dec) in Cash	-18,557	3,834	-4,778	7,495	-1,267	1,979	7,687	15,144
Add: Opening Balance	21,767	3,210	7,043	2,266	9,760	8,493	10,472	18,159
Closing Balance	3,210	7,043	2,265	9,760	8,494	10,472	18,159	33,302

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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