

Petronet LNG

Estimate change	↑
TP change	↔
Rating change	↔

CMP: INR223 **TP: INR271 (+22%)** **Buy**

Volumes dip but outlook remains intact

Bloomberg	PLNG IN
Equity Shares (m)	1500
M.Cap.(INRb)/(USDb)	334.2 / 4.1
52-Week Range (INR)	225 / 184
1, 6, 12 Rel. Per (%)	7/-10/2
12M Avg Val (INR M)	483

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	431.7	577.7	552.1
EBITDA	52.5	48.3	43.0
Adj. PAT	33.5	31.4	28.0
Adj. EPS (INR)	22.3	20.9	18.7
EPS Gr. (%)	13.7	-6.4	-10.7
BV/Sh.(INR)	89.5	99.7	108.7

Ratios

Net D:E	-0.3	-0.3	-0.4
RoE (%)	26.7	22.1	17.9
RoCE (%)	28.5	23.8	19.1
Payout (%)	51.5	51.5	51.5

Valuation

P/E (x)	10.0	10.6	11.9
P/BV (x)	2.5	2.2	2.0
EV/EBITDA (x)	5.5	5.9	6.3
Div. Yield (%)	5.2	4.8	4.3
FCF Yield (%)	10.2	7.5	9.1

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 estimate despite lower volumes, due to 'Use or Pay charges' of INR8.5b during the quarter.
- Dahej utilization declined to 70%, adversely impacted by lower off-take amidst high LNG prices, while utilization at Kochi stood at 21%.
- Spot LNG prices have dropped to ~USD15-20/mmBtu over the past couple of days, driving up utilization levels to ~81%. The management expects utilization levels to improve going forward, if spot LNG prices sustain at their current levels.
- Regasification charges at Dahej have been increased at the usual 5% annual rate to INR59.9/mmBtu from Jan'23 while charges at Kochi will be revised by 5% to INR85/mmBtu from April'23.
- 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.
- In addition to INR8.5b 'Use or Pay charges' recognized in 3QFY23, the company is yet to recover 'Use or Pay charges' of INR4.2b recognized during FY22.
- Factoring in the above, we revise our EBITDA estimates by 23%/5%/5% for FY23/24/25, respectively, reflecting improvement in EBITDA margins, on account of hikes in regasification charges. We **reiterate our Buy rating** on the stock.

Beat on EBITDA; volumes disappoint

- **Total volumes were 8% below our estimates at 167tbtu** (down 20% YoY, down 13% QoQ)
 - Dahej utilization stood at 70% (154tbtu)
 - Kochi utilization stood at 21% (13tbtu)
- EBITDA stood at INR15.9b (est. INR6.7b, down 3% YoY, up 43% QoQ) due to 'use or pay charges', on account of lower capacity utilization.
- PAT stood at INR11.8b (est. INR5b, up 3% YoY, up 59% QoQ)
- For 9MFY23, EBITDA stood at INR39.1b (down 4% YoY), with PAT at INR26.3b (up 1% YoY).
 - Dahej utilization stood at 80% (down 13% YoY), while Kochi utilization stood at 18% (down 4% YoY).

Valuation and view – reiterate Buy

- We remain positive on India's gas story, which is set to clock a CAGR of 6–8% as per our gas demand-supply model, led by a) the 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 plans to 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 CY24.

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

- A third jetty is coming up at Dahej at a capex of INR17b. FSRU on the East coast may cost the company INR15b along with brownfield expansion of 5mmtpa at the Dahej terminal at a cost of INR6b (to be done in phases by CY24 or early CY25).
- The stock currently trades at 5.2x FY24E EV/EBITDA. We value PLNG on a DCF basis to arrive at a fair value of INR285 and reiterate our Buy rating on the stock.

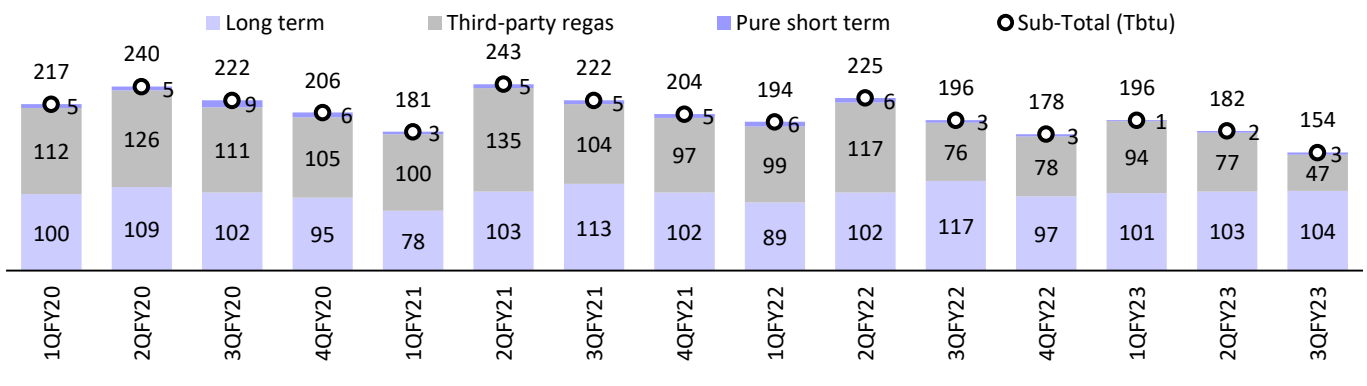
Standalone - Quarterly Earning Model

Y/E March	FY22				FY23				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	85,979	1,08,131	1,25,972	1,11,604	1,42,638	1,59,857	1,57,759	1,17,421	4,31,686	5,77,675	1,46,888	7%
YoY Change (%)	76.1	73.4	71.9	47.3	65.9	47.8	25.2	5.2	65.9	33.8	16.6	
EBITDA	10,543	12,969	17,322	11,691	10,644	11,730	16,754	9,187	52,523	48,314	8,293	102%
Margins (%)	12.3	12.0	13.8	10.5	7.5	7.3	10.6	7.8	12.2	8.4	5.6	
Depreciation	1,916	1,936	1,936	1,896	1,912	1,922	1,923	2,289	7,685	8,047	2,052	
Interest	800	794	776	803	779	811	814	857	3,173	3,260	765	
Other Income	685	816	719	852	1,418	942	1,839	812	3,073	5,011	1,244	
PBT	8,512	11,055	15,328	9,844	9,371	9,939	15,856	6,852	44,738	42,017	6,720	136%
Tax	2,155	2,825	3,893	2,342	2,362	2,496	4,050	1,727	11,215	10,635	1,693	139%
Rate (%)	25.3	25.6	25.4	23.8	25.2	25.1	25.5	25.2	25.1	25.3	25.2	
Reported PAT	6,357	8,230	11,435	7,501	7,009	7,443	11,805	5,126	33,524	31,383	5,026	135%
Adj PAT	6,357	8,230	11,435	7,501	7,009	7,443	11,805	5,126	33,524	31,383	5,026	135%
YoY Change (%)	22.2	-11.2	30.2	20.3	10.3	-9.6	3.2	-31.7	13.7	-6.4	-56.0	
Margins (%)	7.4	7.6	9.1	6.7	4.9	4.7	7.5	4.4	7.8	5.4	3.4	
Key Assumptions												
Total Volumes (TBtu)	209.0	240.0	208.0	190.0	208.0	192.0	167.0	193.1	847.0	760.1	183.7	-9%
Dahej utilization (%)	88%	102%	89%	80%	89%	82%	70%	81%	90%	81%	78%	-11%
Kochi utilization (%)	24%	24%	19%	19%	19%	16%	21%	21%	21%	19%	18%	14%

Operational Highlights

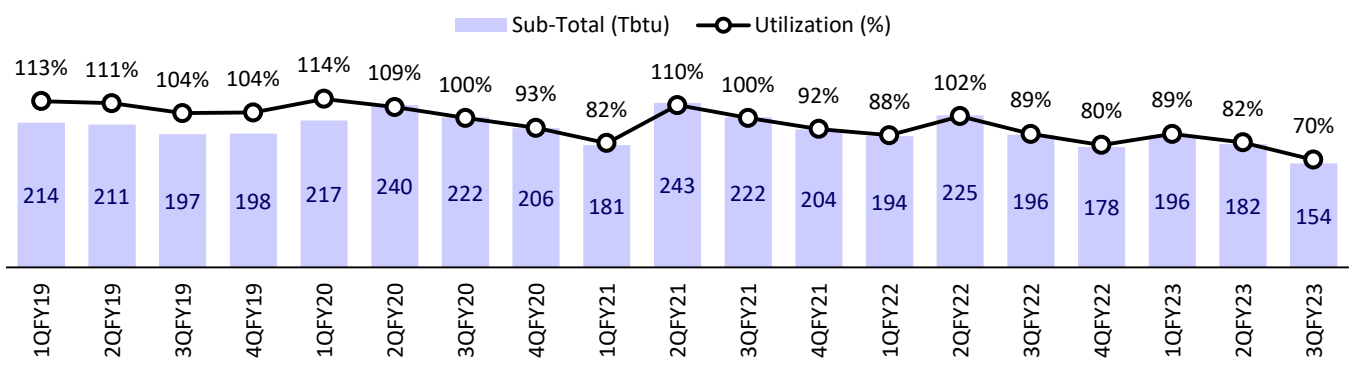
Particulars	FY21				FY22				FY23			3QFY23	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY (%)	QoQ (%)
Dahej Sales Volume (TBtu)													
Long term	78.0	103.0	113.0	102.0	89.0	102.0	117.0	97.0	101.0	103.0	104.0	-11	1
Third-party regas	100.0	135.0	104.0	97.0	99.0	117.0	76.0	78.0	94.0	77.0	47.0	-38	-39
Pure short term	3.0	5.0	5.0	5.0	6.0	6.0	3.0	3.0	1.0	2.0	3.0	0	50
Sub-total (TBtu)	181.0	243.0	222.0	204.0	194.0	225.0	196.0	178.0	196.0	182.0	154.0	-21	-15
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	13.0	8	30
Third-party regas	0.0	0.0	3.0	1.0	2.0	0.0	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	0.0		
Sub-total (TBtu)	9.0	11.0	13.0	14.0	15.0	15.0	12.0	12.0	12.0	10.0	13.0	8	30
Total (TBtu)	190.0	254.0	235.0	218.0	209.0	240.0	208.0	190.0	208.0	192.0	167.0	-20	-13

Exhibit 1: Dahej total volumes at 154Tbtu, down 21% YoY and 15% QoQ



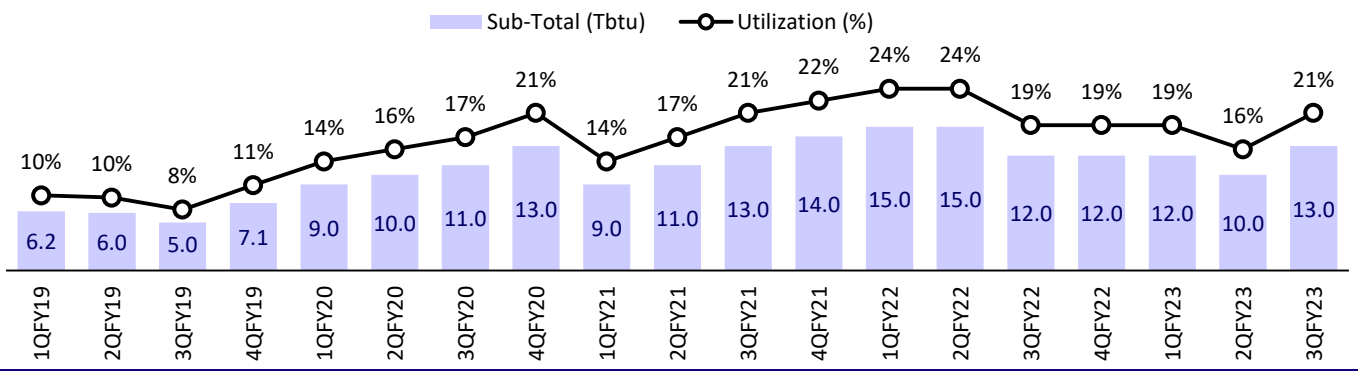
Source: Company, MOFSL

Exhibit 2: Dahej terminal utilization at 70% in 3QFY23



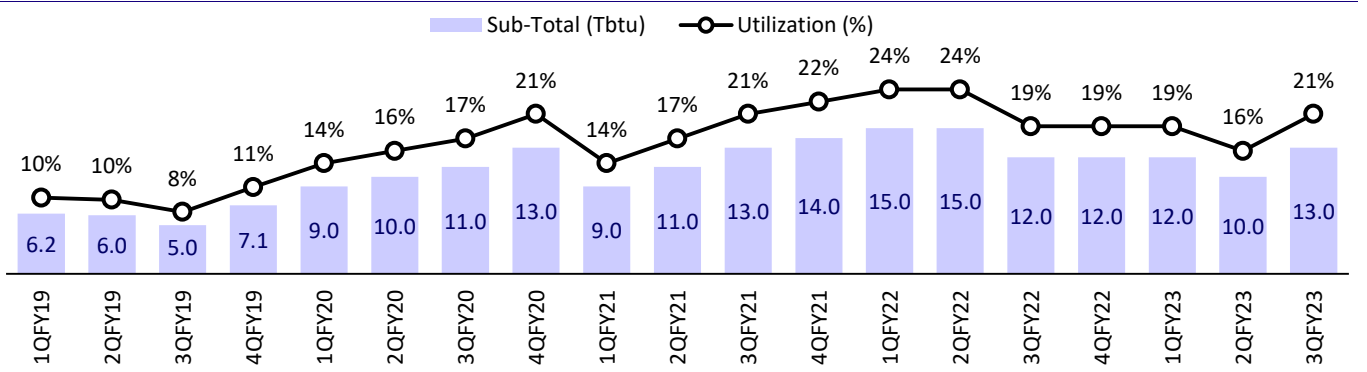
Source: Company, MOFSL

Exhibit 3: Kochi volumes at 13Tbtu, up 8% YoY and 30% QoQ



Source: Company, MOFSL

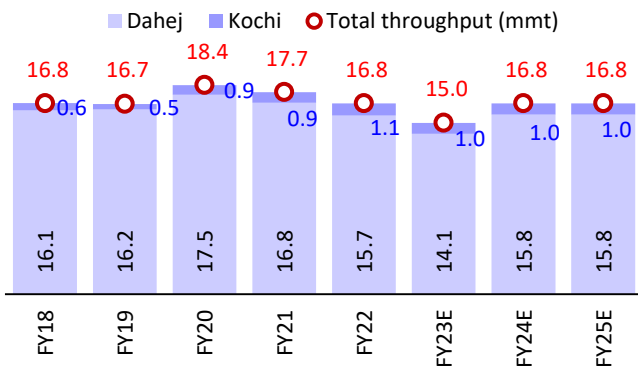
Exhibit 4: Kochi terminal utilization at 21% in 3QFY23



Source: Company, MOFSL

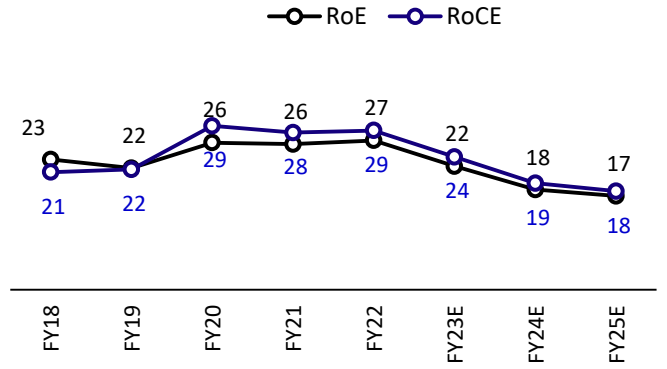
Story in charts

Exhibit 5: Volume snapshot for PLNG



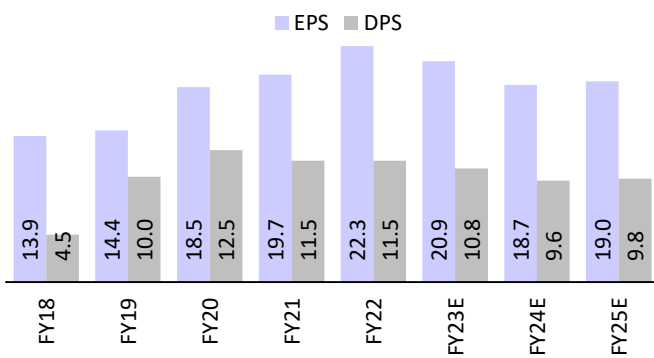
Source: Company, MOFSL

Exhibit 6: Return ratios profile



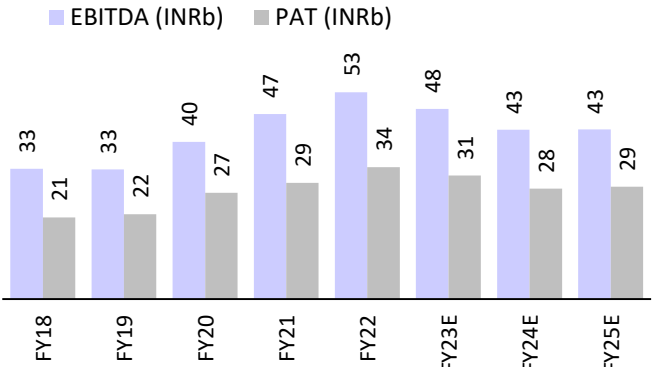
Source: Company, MOFSL

Exhibit 7: Payout ratios for PLNG



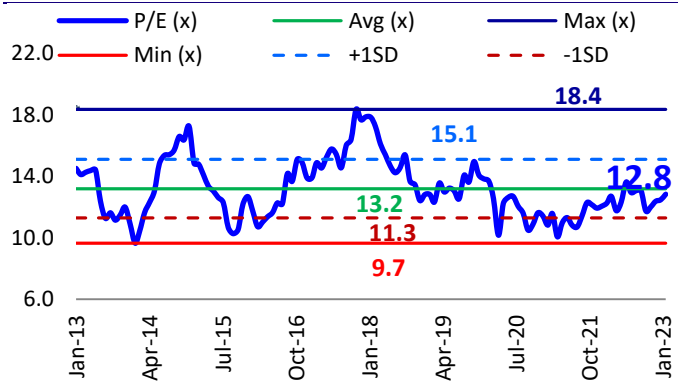
Source: Company, MOFSL

Exhibit 8: EBITDA/PAT snapshot for PLNG



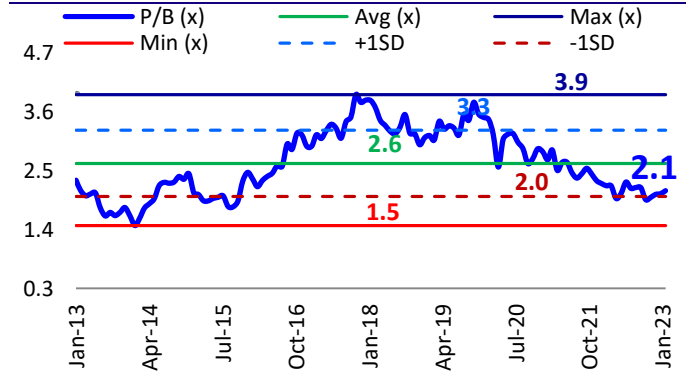
Source: Company, MOFSL

Exhibit 9: One-year forward P/E – trades at 12.8x



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	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	3,05,986	3,83,954	3,54,520	2,60,229	4,31,686	5,77,675	5,52,060	5,45,583
Change (%)	24.3	25.5	-7.7	-26.6	65.9	33.8	-4.4	-1.2
EBITDA	33,124	32,935	39,895	46,995	52,523	48,314	42,992	43,092
Margin (%)	10.8	8.6	11.3	18.1	12.2	8.4	7.8	7.9
Depreciation	4,117	4,112	7,761	7,841	7,685	8,047	8,625	9,325
EBIT	29,007	28,822	32,134	39,155	44,839	40,267	34,367	33,767
Int. and Finance Charges	1,630	989	4,032	3,360	3,173	3,260	2,484	1,987
Other Income	3,174	4,503	3,726	3,882	3,073	5,011	5,582	6,393
PBT bef. EO Exp.	30,551	32,336	31,827	39,677	44,738	42,017	37,465	38,173
EO Items	0	0	-721	0	0	0	0	0
PBT after EO Exp.	30,551	32,336	31,107	39,677	44,738	42,017	37,465	38,173
Total Tax	9,773	10,782	4,131	10,183	11,215	10,635	9,441	9,620
Tax Rate (%)	32.0	33.3	13.3	25.7	25.1	25.3	25.2	25.2
Reported PAT	20,779	21,554	26,976	29,494	33,524	31,383	28,024	28,553
Adjusted PAT	20,779	21,554	27,697	29,494	33,524	31,383	28,024	28,553
Change (%)	21.8	3.7	28.5	6.5	13.7	-6.4	-10.7	1.9
Margin (%)	6.8	5.6	7.8	11.3	7.8	5.4	5.1	5.2

Standalone - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Reserves	82,205	85,661	94,530	1,01,495	1,19,255	1,34,489	1,48,093	1,61,953
Net Worth	97,205	1,00,661	1,09,530	1,16,495	1,34,255	1,49,489	1,63,093	1,76,953
Total Loans	7,334	1,012	644	644	230	184	147	118
Deferred Tax Liabilities	10,482	13,360	8,883	8,806	8,324	8,324	8,324	8,324
Capital Employed	1,15,021	1,15,033	1,19,057	1,25,945	1,42,809	1,57,997	1,71,564	1,85,395
Gross Block	91,316	91,783	99,860	1,03,544	1,06,915	1,13,456	1,22,764	1,32,626
Less: Accum. Deprn.	11,020	15,132	22,894	30,734	38,419	46,466	55,091	64,416
Net Fixed Assets	80,296	76,651	76,967	72,810	68,496	66,991	67,674	68,210
Capital WIP	2,203	3,482	47	255	1,926	5,385	6,077	6,215
Total Investments	41,223	9,893	38,406	45,817	37,578	37,578	37,578	37,578
Lease Liabilities			35,885	33,217	31,332	31,332	31,332	31,332
Curr. Assets, Loans&Adv.	32,815	60,823	71,570	70,082	1,03,191	1,28,955	1,38,949	1,51,549
Inventory	4,911	5,694	4,809	3,372	5,767	7,717	7,375	7,288
Account Receivables	16,505	14,335	16,427	18,745	26,844	35,923	34,330	33,927
Cash and Bank Balance	8,625	29,603	44,320	43,423	43,196	48,670	62,224	75,725
Cash	7,043	2,266	9,760	8,493	10,472	15,947	29,501	43,001
Bank Balance	1,582	27,337	34,560	34,930	32,724	32,724	32,724	32,724
Loans and Advances	2,774	11,190	6,014	4,541	27,384	36,645	35,020	34,609
Curr. Liability & Prov.	41,517	35,815	32,048	29,802	37,050	49,580	47,382	46,826
Account Payables	15,699	12,952	11,661	10,355	15,265	20,427	19,521	19,292
Other Current Liabilities	25,619	22,585	20,057	18,464	20,583	27,543	26,322	26,013
Provisions	199	278	330	983	1,203	1,610	1,538	1,520
Net Current Assets	-8,702	25,007	39,522	40,280	66,140	79,375	91,567	1,04,723
Appl. of Funds	1,15,021	1,15,033	1,54,942	1,59,162	1,74,141	1,89,329	2,02,895	2,16,727

Financials and valuations

Ratios								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	13.9	14.4	18.5	19.7	22.3	20.9	18.7	19.0
Cash EPS	16.6	17.1	23.6	24.9	27.5	26.3	24.4	25.3
BV/Share	64.8	67.1	73.0	77.7	89.5	99.7	108.7	118.0
DPS	4.5	10.0	12.5	11.5	11.5	10.8	9.6	9.8
Payout (%)	38.0	74.9	73.8	58.5	51.5	51.5	51.5	51.5
Valuation (x)								
P/E	16.1	15.5	12.1	11.3	10.0	10.6	11.9	11.7
Cash P/E	13.4	13.0	9.4	8.9	8.1	8.5	9.1	8.8
P/BV	3.4	3.3	3.0	2.9	2.5	2.2	2.0	1.9
EV/Sales	1.1	0.8	0.8	1.1	0.7	0.5	0.5	0.5
EV/EBITDA	10.0	9.3	7.3	6.2	5.5	5.9	6.3	6.0
Dividend Yield (%)	2.0	4.5	5.6	5.2	5.2	4.8	4.3	4.4
FCF per share	18.8	13.2	21.7	23.2	22.7	16.6	20.3	20.1
Return Ratios (%)								
RoE	23.3	21.8	26.4	26.1	26.7	22.1	17.9	16.8
RoCE	21.1	21.5	29.4	28.1	28.5	23.8	19.1	17.7
RoIC	28.1	28.5	51.4	80.0	69.6	47.6	38.9	38.4
Working Capital Ratios								
Fixed Asset Turnover (x)	3.4	4.2	3.6	2.5	4.0	5.1	4.5	4.1
Asset Turnover (x)	2.7	3.3	2.3	1.6	2.5	3.1	2.7	2.5
Inventory (Days)	6	5	5	5	5	5	5	5
Debtor (Days)	20	14	17	26	23	23	23	23
Creditor (Days)	19	12	12	15	13	13	13	13
Leverage Ratio (x)								
Current Ratio	0.8	1.7	2.2	2.4	2.8	2.6	2.9	3.2
Interest Cover Ratio	17.8	29.1	8.0	11.7	14.1	12.4	13.8	17.0
Net Debt/Equity	0.0	-0.3	-0.4	-0.4	-0.3	-0.3	-0.4	-0.4

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	30,551	32,336	31,107	39,677	44,738	42,017	37,465	38,173
Depreciation	4,117	4,112	7,761	7,841	7,685	8,047	8,625	9,325
Interest and Finance charges	1,630	989	4,032	3,360	3,173	3,260	2,484	1,987
Direct Taxes Paid	-6,968	-8,133	-4,745	-9,949	-12,642	-10,635	-9,441	-9,620
(Inc)/Dec in Wkg. Capital	2,947	-4,522	-3,964	-1,746	-6,339	-7,760	1,361	344
Others	-2,320	-3,368	-729	-3,590	-1,893	-5,011	-5,582	-6,393
CF from Op. Activity	29,956	21,414	33,462	35,593	34,721	34,930	40,494	40,210
(Inc)/Dec in FA & CWIP	-1,753	-1,628	-889	-730	-723	-10,000	-10,000	-10,000
Free Cash Flow	28,204	19,787	32,573	34,862	33,998	24,930	30,494	30,210
(Pur)/Sale of Investments	-9,508	33,167	-3,273	-11,586	5,521	0	0	0
Others	-1,515	-32,255	944	3,043	-15,431	0	0	0
CF from Inv. Activity	-12,776	-716	-3,218	-9,273	-10,633	-10,000	-10,000	-10,000
Inc / (Dec) in Debt	-7,052	-6,202	-138	-368	-414	-46	-37	-29
Interest paid	-1,782	-1,191	-1,785	-3,360	-3,173	-3,260	-2,484	-1,987
Dividends Paid (incl.tax)	-4,513	-18,083	-8,138	-22,452	-15,750	-16,148	-14,420	-14,692
CF from Fin. Activity	-13,347	-25,476	-22,749	-27,586	-22,109	-19,455	-16,941	-16,709
Inc / (Dec) in Cash	3,834	-4,778	7,495	-1,267	1,979	5,475	13,554	13,501
Add: Opening Balance	3,210	7,043	2,266	9,760	8,493	10,472	15,947	29,501
Closing Balance	7,043	2,265	9,760	8,494	10,472	15,947	29,501	43,001

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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