MOTILAL OSWAL FINANCIAL SERVICES

31 July 2023

1QFY24 Result Update | Sector: Oil & Gas

Petronet LNG

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	PLNG IN
Equity Shares (m)	1500
M.Cap.(INRb)/(USDb)	350.7 / 4.3
52-Week Range (INR)	242 / 189
1, 6, 12 Rel. Per (%)	2/-4/-5
12M Avg Val (INR M)	446

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	599.0	521.8	554.1
EBITDA	48.6	46.0	43.8
Adj. PAT	32.4	29.8	28.1
Adj. EPS (INR)	21.6	19.9	18.7
EPS Gr. (%)	-3.4	-8.0	-5.7
BV/Sh.(INR)	99.6	110.2	120.3
Ratios			
Net D:E	-0.4	-0.4	-0.4
RoE (%)	22.8	18.9	16.3
RoCE (%)	24.6	20.5	17.6
Payout (%)	46.3	46.3	46.3
Valuation			
P/E (x)	10.8	11.7	12.4
P/BV (x)	2.3	2.1	1.9
EV/EBITDA (x)	6.0	6.2	6.3
Div. Yield (%)	4.3	3.9	3.7
FCF Yield (%)	599.0	521.8	554.1

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	50.0	50.0	50.0
DII	5.0	4.5	2.9
FII	34.3	34.8	34.8
Others	10.8	10.7	12.2

FII Includes depository receipts

CMP: INR233 TP: INR225 (-4%) Neutral

Utilization rebounds as LNG prices moderate

- Petronet LNG (PLNG) reported in-line EBITDA of INR11.4b in 1QFY24. Dahej utilization improved notably to 98%, while utilization at Kochi stood at 21%.
- The improvement in utilization levels was led by spot LNG price that dipped 29% QoQ to ~USD11/mmBtu. Management expects LNG prices to sustain at current levels over the next few months, which would aid near-term utilization to remain at present levels.
- The company may also consider construction of land-based terminal at the East coast, if FSRU market remains tight. Construction of land-based terminal may raise upfront capex to ~INR50b vs. ~INR23b for FSRU. However, operating cost of FSRU is higher than land-based terminal; hence, the total costs even out for both projects over a five-year period.
- Despite increase in volumes, PLNG's long-term volume growth prospects remain bleak due to intensifying competition from the upcoming LNG terminals as well as rising domestic gas supply.
- As highlighted in our previous report, sustainability of high return ratios also remains a key concern for PLNG as the ROCE for upcoming projects (Dahej expansion, Gopalpur FSRU and PDH-PP plant) is likely to be lower at 7-18%. **Hence, we reiterate our Neutral rating with a TP of INR225.**

EBITDA in line; beat on PAT

- PLNG's total volumes were in-line with our estimates at 230tbtu (+11% YoY, +25% QoQ) in 1QFY24.
  - Dahej utilization was at 98% (217tbtu).
  - Kochi utilization stood at 21% (13tbtu).
- Revenue was at INR116.6b (est. INR131.4b; -18% YoY, -16% QoQ) in 1QFY24.
- EBITDA stood at INR11.8b (est. INR11.4b; +11% YoY, +25% QoQ).
- PAT was at INR7.9b (est. INR7.5b; +13% YoY, +30% QoQ) in 1QFY24.
- The balance confirmation against payment due/advance adjusted is yet to be received by the company. Management is confident of recovering the balance due though.

Valuation and view

- PLNG not only suffers from sustainability issue of its EPS growth but also suffers from a classic Dutch Disease. The net cash of INR57b has become an eye sore for investors as growth opportunities in LNG terminalling have become bleaker and the company is forced to invest in more volatile areas such as gas-based petrochemicals, compressed bio-gas and LNG trucking.
- The company currently trades at 11.7x FY24E EPS of INR19.9. We value the stock at 12x FY25E EPS of 18.7 to arrive at our TP of INR225. **We reiterate our Neutral rating.**

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Standalone - Quarterly Earning Model **(INR b)**

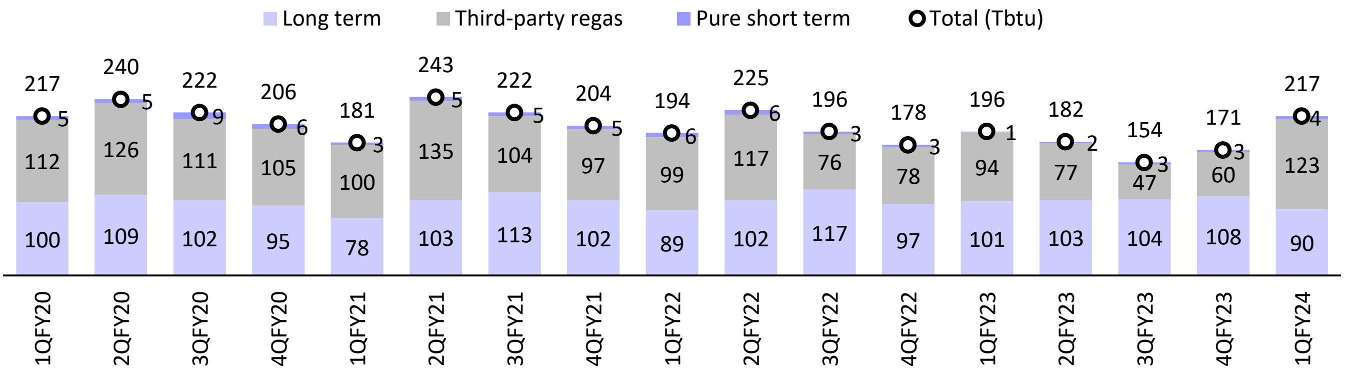
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**142.6**	**159.9**	**157.8**	**138.7**	**116.6**	**128.8**	**120.8**	**154.1**	**599.0**	**520.2**	**131.4**	**-11**
YoY Change (%)	65.9	47.8	25.2	24.3	-18.3	-19.4	-23.4	11.1	38.8	-13.1	-7.9	
EBITDA	**10.6**	**11.7**	**16.8***	**9.4**	**11.8**	**11.8**	**10.6**	**10.1**	**48.6**	**44.4**	**11.4**	**4**
Margins (%)	7.5	7.3	10.6	6.8	10.1	9.2	8.8	6.6	8.1	8.5	8.7	
Depreciation	1.9	1.9	1.9	1.9	1.9	2.1	2.1	2.3	7.6	8.4	2.0	
Interest	0.8	0.8	0.8	0.9	0.7	0.8	0.8	0.9	3.3	3.3	0.8	
Other Income	1.4	0.9	1.8	1.5	1.5	1.4	1.4	1.3	5.7	5.5	1.4	
PBT	**9.4**	**9.9**	**15.9**	**8.2**	**10.6**	**10.3**	**9.1**	**8.3**	**43.3**	**38.3**	**10.0**	**6**
Tax	2.4	2.5	4.1	2.0	2.7	2.6	2.3	2.1	10.9	9.7	2.5	
Rate (%)	25.2	25.1	25.5	24.9	25.6	25.2	25.2	25.2	25.3	25.4	25.2	
Reported PAT	**7.0**	**7.4**	**11.8**	**6.1**	**7.9**	**7.7**	**6.8**	**6.2**	**32.4**	**28.6**	**7.5**	**6**
Adj PAT	**7.0**	**7.4**	**11.8**	**6.1**	**7.9**	**7.7**	**6.8**	**6.2**	**32.4**	**28.6**	**7.5**	**6**
YoY Change (%)	10.3	-9.6	3.2	-18.1	12.7	3.5	-42.4	0.5	(3.4)	-11.9	6.4	
Margins (%)	4.9	4.7	7.5	4.4	6.8	6.0	5.6	4.0	5.4	5.5	5.7	
Key Assumptions												
Total Volumes (TBtu)	208.0	192.0	167.0	184.0	230.0	229.7	206.6	227.2	751.0	893.5	222.8	3
Dahej utilization (%)	89	82	70	77	98	98	87	97	79	95	95	3
Kochi utilization (%)	19	16	21	21	21	21	21	21	19	21	21	0

*includes 'Use or Pay charges' of INR8.5b

Operational highlights

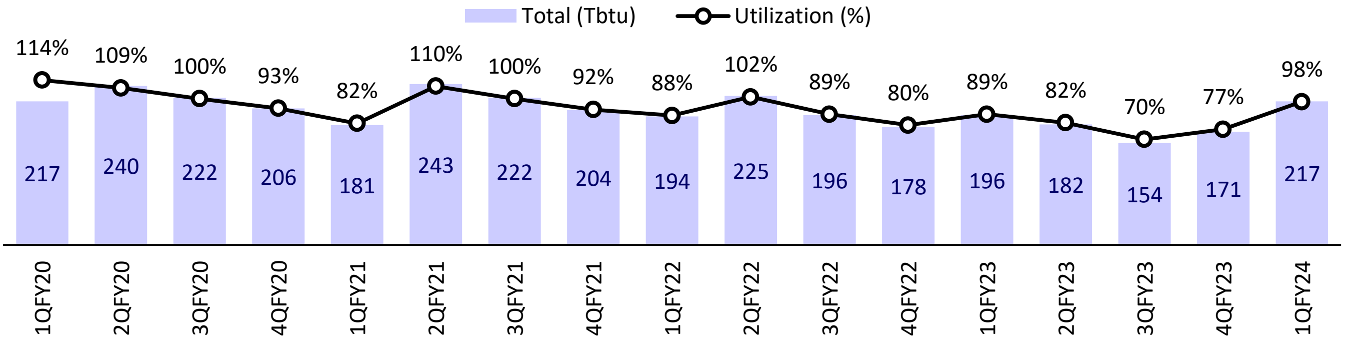
Particulars	FY22				FY23				FY24	1QFY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	% YoY	% QoQ
Dahej Sales Volume (TBtu)											
Long term	89.0	102.0	117.0	97.0	101.0	103.0	104.0	108.0	90.0	-11	-17
Third-party regas	99.0	117.0	76.0	78.0	94.0	77.0	47.0	60.0	123.0	31	105
Pure short term	6.0	6.0	3.0	3.0	1.0	2.0	3.0	3.0	4.0	300	33
Sub-total (TBtu)	**194.0**	**225.0**	**196.0**	**178.0**	**196.0**	**182.0**	**154.0**	**171.0**	**217.0**	**11**	**27**
Kochi Sales Volume (TBtu)											
Long term	11.0	14.0	12.0	12.0	12.0	10.0	13.0	13.0	13.0	8	0
Third-party regas	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Pure short term	2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sub-total (TBtu)	**15.0**	**15.0**	**12.0**	**12.0**	**12.0**	**10.0**	**13.0**	**13.0**	**13.0**	**8**	**0**
Total (TBtu)	**209.0**	**240.0**	**208.0**	**190.0**	**208.0**	**192.0**	**167.0**	**184.0**	**230.0**	**11**	**25**

Exhibit 1: Dahej total volumes at 217Tbtu, up 11% YoY and 27% QoQ



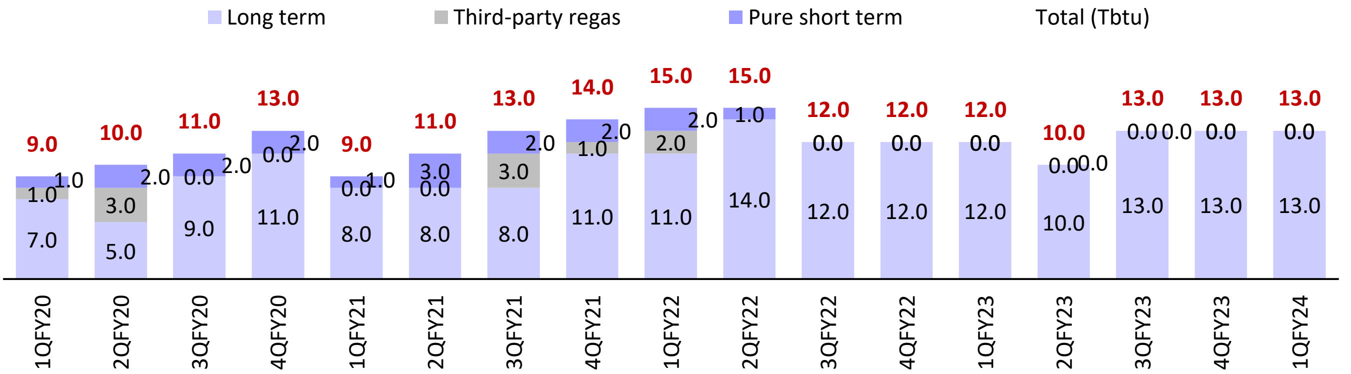
Source: Company, MOFSL

Exhibit 2: Dahej terminal utilization at 98% in 1QFY24



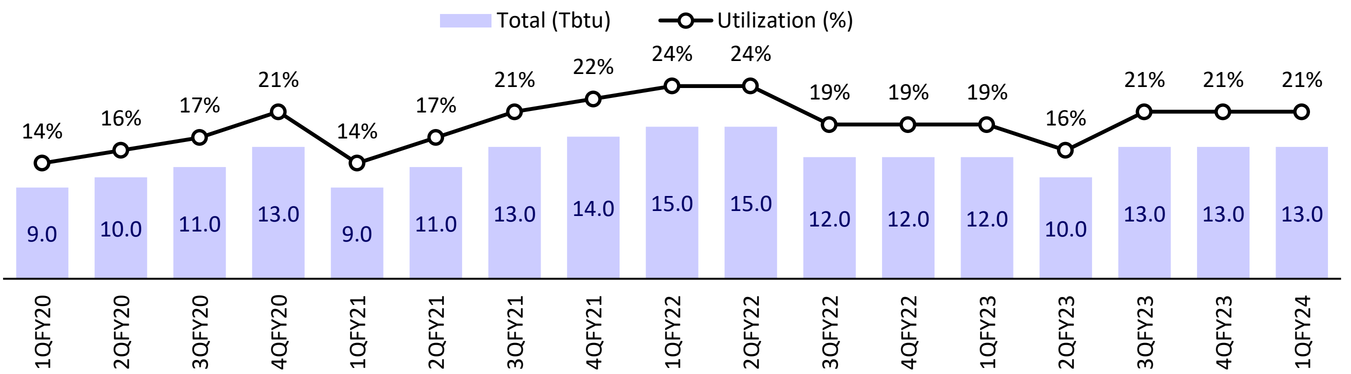
Source: Company, MOFSL

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



Source: Company, MOFSL

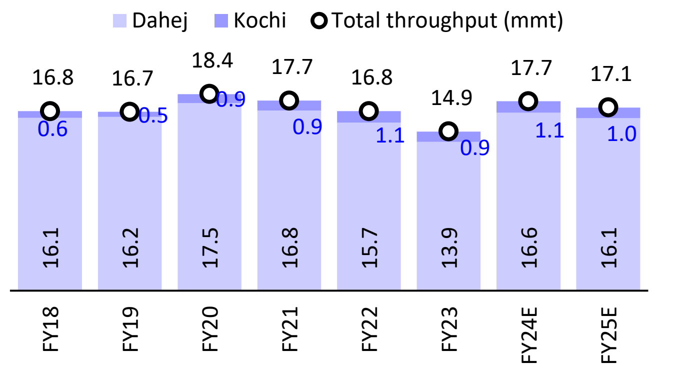
Exhibit 4: Kochi terminal utilization at 21% in 1QFY24



Source: Company, MOFSL

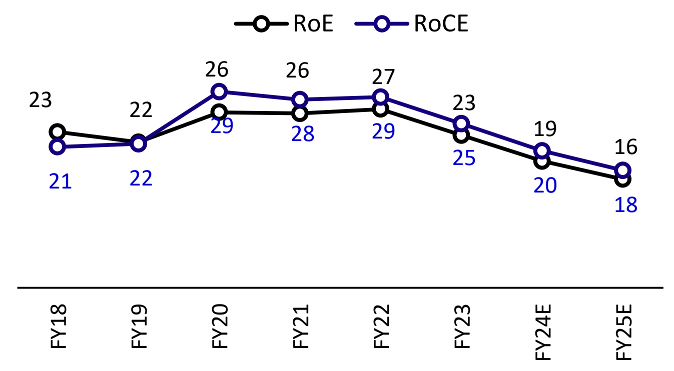
Story in charts

Exhibit 5: Volume snapshot for PLNG



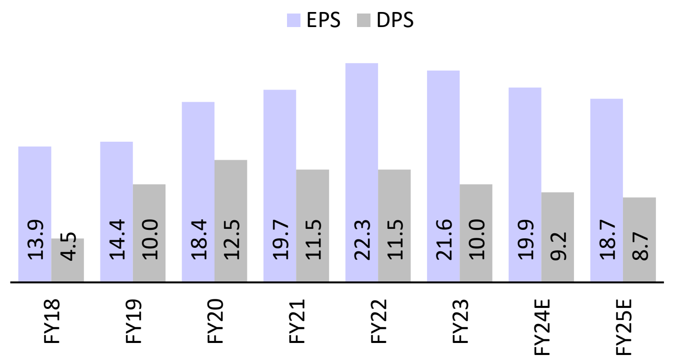
Source: Company, MOFSL

Exhibit 6: Return ratios profile



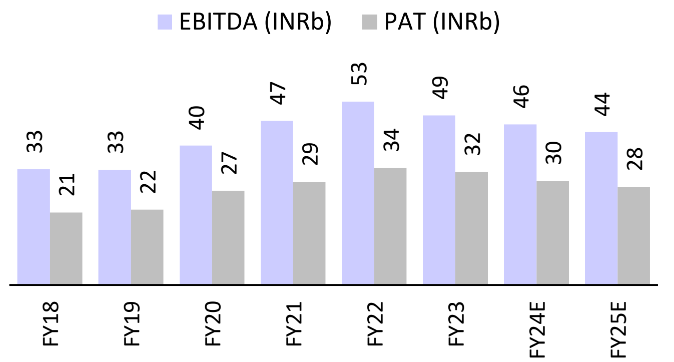
Source: Company, MOFSL

Exhibit 7: Payout ratios



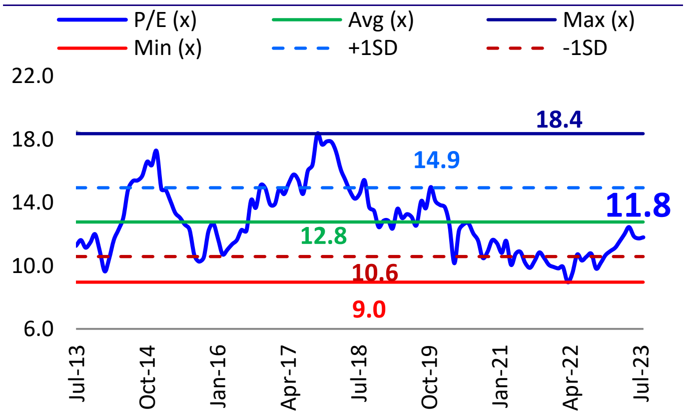
Source: Company, MOFSL

Exhibit 8: EBITDA/PAT snapshot



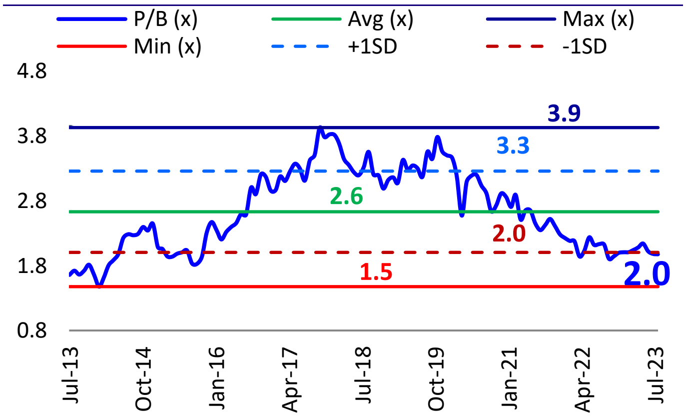
Source: Company, MOFSL

Exhibit 9: One-year forward P/E – trades at 11.8x



Source: Company, MOFSL

Exhibit 10: One-year forward PB – trades at 2x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	**306.0**	**384.0**	**354.5**	**260.2**	**431.7**	**599.0**	**521.8**	**554.1**
Change (%)	24.3	25.5	-7.7	-26.6	65.9	38.8	-12.9	6.2
EBITDA	**33.1**	**32.9**	**39.9**	**47.0**	**52.5**	**48.6**	**46.0**	**43.8**
Margin (%)	10.8	8.6	11.3	18.1	12.2	8.1	8.8	7.9
Depreciation	4.1	4.1	7.8	7.8	7.7	7.6	8.4	9.3
EBIT	**29.0**	**28.8**	**32.1**	**39.2**	**44.8**	**40.9**	**37.6**	**34.5**
Int. and Finance Charges	1.6	1.0	4.0	3.4	3.2	3.3	3.3	3.0
Other Income	3.2	4.5	3.7	3.9	3.1	5.7	5.5	6.1
PBT bef. EO Exp.	**30.6**	**32.3**	**31.8**	**39.7**	**44.7**	**43.3**	**39.9**	**37.6**
EO Items	0.0	0.0	-0.7	0.0	0.0	0.0	0.0	0.0
PBT after EO Exp.	**30.6**	**32.3**	**31.1**	**39.7**	**44.7**	**43.3**	**39.9**	**37.6**
Total Tax	9.8	10.8	4.1	10.2	11.2	10.9	10.0	9.5
Tax Rate (%)	32.0	33.3	13.3	25.7	25.1	25.3	25.2	25.2
Reported PAT	**20.8**	**21.6**	**27.0**	**29.5**	**33.5**	**32.4**	**29.8**	**28.1**
Adjusted PAT	**20.8**	**21.6**	**27.6**	**29.5**	**33.5**	**32.4**	**29.8**	**28.1**
Change (%)	21.8	3.7	28.1	6.9	13.7	-3.4	-8.0	-5.7
Margin (%)	6.8	5.6	7.8	11.3	7.8	5.4	5.7	5.1

Standalone - Balance Sheet (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total Reserves	82.2	85.7	94.5	101.5	119.3	134.3	150.4	165.5
Net Worth	**97.2**	**100.7**	**109.5**	**116.5**	**134.3**	**149.3**	**165.4**	**180.5**
Total Loans	7.3	1.0	0.6	0.6	0.2	0.0	0.0	0.0
Deferred Tax Liabilities	10.5	13.4	8.9	8.8	8.3	7.0	7.0	7.0
Capital Employed	**115.0**	**115.0**	**119.1**	**125.9**	**142.8**	**156.4**	**172.4**	**187.5**
Gross Block	91.3	91.8	99.9	103.5	106.9	110.6	128.1	144.2
Less: Accum. Deprn.	11.0	15.1	22.9	30.7	38.4	46.1	54.5	63.7
Net Fixed Assets	**80.3**	**76.7**	**77.0**	**72.8**	**68.5**	**64.5**	**73.7**	**80.5**
Capital WIP	2.2	3.5	0.0	0.3	1.9	11.3	10.8	9.7
Total Investments	**41.2**	**9.9**	**38.4**	**45.8**	**37.6**	**33.8**	**33.8**	**33.8**
Lease Liabilities			35.9	33.2	31.3	30.7	30.7	30.7
Curr. Assets, Loans&Adv.	**32.8**	**60.8**	**71.6**	**70.1**	**103.2**	**114.6**	**117.2**	**128.6**
Inventory	4.9	5.7	4.8	3.4	5.8	11.5	10.0	10.7
Account Receivables	16.5	14.3	16.4	18.7	26.8	38.4	33.5	35.5
Cash and Bank Balance	8.6	29.6	44.3	43.4	43.2	56.8	66.9	75.1
Cash	7.0	2.3	9.8	8.5	10.5	0.6	5.1	7.3
Bank Balance	1.6	27.3	34.6	34.9	32.7	56.2	56.2	56.2
Loans and Advances	2.8	11.2	6.0	4.5	27.4	7.9	6.9	7.3
Curr. Liability & Prov.	**41.5**	**35.8**	**32.0**	**29.8**	**37.1**	**37.1**	**32.4**	**34.4**
Account Payables	15.7	13.0	11.7	10.4	15.3	16.4	14.3	15.2
Other Current Liabilities	25.6	22.6	20.1	18.5	20.6	18.8	16.4	17.4
Provisions	0.2	0.3	0.3	1.0	1.2	1.9	1.7	1.8
Net Current Assets	**-8.7**	**25.0**	**39.5**	**40.3**	**66.1**	**77.5**	**84.9**	**94.2**
Appl. of Funds	**115.0**	**115.0**	**154.9**	**159.2**	**174.1**	**187.1**	**203.1**	**218.2**

Financials and valuations

Ratios								
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**	**FY25E**
Basic (INR)								
EPS	**13.9**	**14.4**	**18.4**	**19.7**	**22.3**	**21.6**	**19.9**	**18.7**
Cash EPS	16.6	17.1	23.6	24.9	27.5	26.7	25.5	24.9
BV/Share	64.8	67.1	73.0	77.7	89.5	99.6	110.2	120.3
DPS	4.5	10.0	12.5	11.5	11.5	10.0	9.9	9.4
Payout (%)	38.0	74.9	73.8	58.5	51.5	46.3	50.0	50.0
Valuation (x)								
P/E	16.8	16.2	12.7	11.9	10.4	10.8	11.7	12.4
Cash P/E	14.0	13.6	9.9	9.4	8.5	8.7	9.2	9.4
P/BV	3.6	3.5	3.2	3.0	2.6	2.3	2.1	1.9
EV/Sales	1.1	0.8	0.9	1.2	0.7	0.5	0.5	0.5
EV/EBITDA	10.5	9.7	7.7	6.5	5.8	6.0	6.2	6.3
Dividend Yield (%)	1.9	4.3	5.4	4.9	4.9	4.3	4.3	4.0
FCF per share	18.8	13.2	21.7	23.2	22.7	9.7	14.4	12.1
Return Ratios (%)								
RoE	23.3	21.8	26.3	26.1	26.7	22.8	18.9	16.3
RoCE	21.1	21.5	29.4	28.1	28.5	24.6	20.5	17.6
RoIC	28.1	28.5	51.4	80.0	69.6	53.4	48.7	39.8
Working Capital Ratios								
Fixed Asset Turnover (x)	3.4	4.2	3.6	2.5	4.0	5.4	4.1	3.8
Asset Turnover (x)	2.7	3.3	2.3	1.6	2.5	3.2	2.6	2.5
Inventory (Days)	6	5	5	5	5	7	7	7
Debtor (Days)	20	14	17	26	23	23	23	23
Creditor (Days)	19	12	12	15	13	10	10	10
Leverage Ratio (x)								
Current Ratio	0.8	1.7	2.2	2.4	2.8	3.1	3.6	3.7
Interest Cover Ratio	17.8	29.1	8.0	11.7	14.1	12.4	11.5	11.5
Net Debt/Equity	0.0	-0.3	-0.4	-0.4	-0.3	-0.4	-0.4	-0.4

Standalone - Cash Flow Statement								(INR b)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**	**FY25E**
OP/(Loss) before Tax	30.6	32.3	31.1	39.7	44.7	43.3	39.9	37.6
Depreciation	4.1	4.1	7.8	7.8	7.7	7.6	8.4	9.3
Interest and Finance charges	1.6	1.0	4.0	3.4	3.2	3.3	3.3	3.0
Direct Taxes Paid	-7.0	-8.1	-4.7	-9.9	-12.6	-12.4	-10.0	-9.5
(Inc)/Dec in Wkg. Capital	2.9	-4.5	-4.0	-1.7	-6.3	-15.9	2.7	-1.1
Others	-2.3	-3.4	-0.7	-3.6	-1.9	-0.8	-5.5	-6.1
CF from Op. Activity	**30.0**	**21.4**	**33.5**	**35.6**	**34.7**	**25.2**	**38.6**	**33.2**
(Inc)/Dec in FA & CWIP	-1.8	-1.6	-0.9	-0.7	-0.7	-10.6	-17.0	-15.0
Free Cash Flow	**28.2**	**19.8**	**32.6**	**34.9**	**34.0**	**14.6**	**21.6**	**18.2**
(Pur)/Sale of Investments	-9.5	33.2	-3.3	-11.6	5.5	0.4	0.0	0.0
Others	-1.5	-32.3	0.9	3.0	-15.4	-1.2	0.0	0.0
CF from Inv. Activity	**-12.8**	**-0.7**	**-3.2**	**-9.3**	**-10.6**	**-11.4**	**-17.0**	**-15.0**
Inc / (Dec) in Debt	-7.1	-6.2	-0.1	-0.4	-0.4	-0.2	0.0	0.0
Interest paid	-1.8	-1.2	-1.8	-3.4	-3.2	-0.3	-3.3	-3.0
Dividends Paid (incl. tax)	-4.5	-18.1	-8.1	-22.5	-15.8	-17.3	-13.8	-13.0
CF from Fin. Activity	**-13.3**	**-25.5**	**-22.7**	**-27.6**	**-22.1**	**-23.7**	**-17.1**	**-16.0**
Inc / (Dec) in Cash	**3.8**	**-4.8**	**7.5**	**-1.3**	**2.0**	**-9.8**	**4.5**	**2.2**
Add: Opening Balance	3.2	7.0	2.3	9.8	8.5	10.5	0.6	5.1
Closing Balance	7.0	2.3	9.8	8.5	10.5	0.6	5.1	7.3

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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