PL Capital
PRABHUDAS LILLADHER

Petronet LNG (PLNG IN)

Rating: REDUCE | CMP: Rs291 | TP: Rs276

January 29, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	**REDUCE**		**SELL**	
Target Price	**276**		**268**	
Sales (Rs. bn)	518	520	517	520
% Chng.	-	-		
EBITDA (Rs. bn)	58	60	58	60
% Chng.	*0.1*	*0.1*		
EPS (Rs.)	26.9	27.6	26.8	27.5
% Chng.	*0.3*	*0.4*		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	558	526	518	520
EBITDA (Rs. bn)	52	51	58	60
Margin (%)	*9.3*	*9.8*	*11.2*	*11.5*
PAT (Rs. bn)	35	36	40	41
EPS (Rs.)	23.6	23.8	26.9	27.6
Gr. (%)	*9.1*	*1.0*	*12.8*	*2.8*
DPS (Rs.)	10.0	10.0	11.3	11.7
Yield (%)	*3.4*	*3.5*	*3.9*	*4.0*
RoE (%)	*22.2*	*19.9*	*20.0*	*18.4*
RoCE (%)	*27.8*	*24.0*	*24.5*	*22.2*
EV/Sales (x)	0.6	0.7	0.7	0.6
EV/EBITDA (x)	6.9	6.8	5.9	5.5
PE (x)	12.3	12.2	10.8	10.5
P/BV (x)	2.6	2.3	2.0	1.8

Key Data	PLNG.BO | PLNG IN
52-W High / Low	Rs.385 / Rs.253
Sensex / Nifty	75,901 / 22,957
Market Cap	Rs.436bn/ $ 5,037m
Shares Outstanding	1,500m
3M Avg. Daily Value	Rs.918.99m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	27.31
Domestic Institution	11.80
Public & Others	10.89
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.7)	(22.0)	13.2
Relative	(11.6)	(16.4)	5.5

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Muted growth outlook

Quick Pointers:

- Dahej utilization came in at 93%. As per the settlement agreement for use or pay (UoP) dues for CY21 and CY22, some customers brought LNG quantities. Correspondingly, PLNG has waived off UoP charges amounting to Rs0.48bn for Q3 by charging it to the P&L.

- The Board has approved the Sale & Purchase Agreements for sale of 250 kta of Propylene and 11kta of hydrogen from the PLL's Petrochemical Complex at Dahej to Deepak Phenolics Ltd for a period of 15 years from the date of first supply.

PLNG reported an EBITDA of Rs12.5bn (up 3.9% QoQ, PLe: Rs11.4bn, BBGe: Rs12.7bn) in Q3FY25, while PAT came in at Rs8.7bn (up 2.3% QoQ, PLe: Rs7.5bn, BBGe: Rs8.7bn). Total volume declined 4.6% QoQ to 228TBtu mainly due to lower regas volume. Dahej terminal's capacity utilization stood at 93% (vs 98% in Q2). The management expects the terminal to operate at 95-100% utilization going ahead. However, we believe PLNG is likely to face competition from upcoming LNG terminals. Increasing domestic gas supply and underutilization of its Kochi terminal remain other key challenges. Additionally, capex on its petrochemical project is likely to be margin dilutive (Link). We re-rate the stock from 'Sell' to 'Reduce' post correction in stock price with a TP of Rs276 based on 10x avg FY27 EPS.

- **Operating profit declines QoQ:** Petronet LNG's EBITDA increased 3.9% QoQ to Rs12.5bn. Similarly, PAT grew 2.3% QoQ to Rs8.7bn. On a YoY basis, EBITDA fell 26.9%, while PAT declined 27.2%.

- **Total volume falls 4.6% QoQ:** Total volume came in at 228TBtu, down 4.6% QoQ. Regas volume declined 7.3% QoQ to 114TBtu. Regas service income came in at Rs8.4bn. Sales volume fell 1.7% QoQ to 114TBtu. Trading gain stood at Rs260mn, while inventory gain for the quarter was Rs830mn. On a YoY basis, total volume fell 1.7%. For CY21 UoP charges, total provisioning of 87% has been done out of Rs3.6bn; this could improve the bottom-line if received. The Board has approved securing bank guarantees for CY23 UoP charges amounting to Rs6.1bn. Going ahead, we anticipate ~2% CAGR volume growth over FY24-27E with total volume reaching 976/980TBtu in FY26/27E.

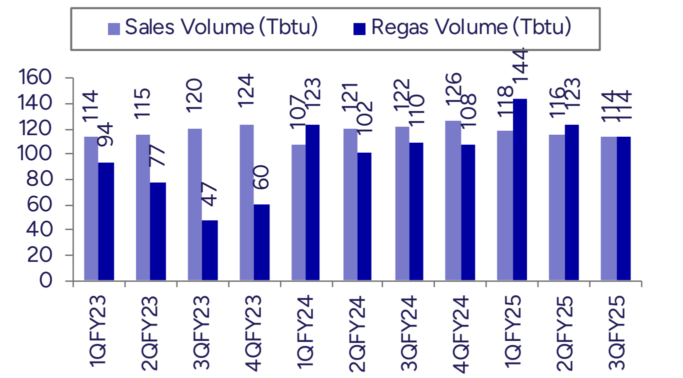
- **Conference Call Highlights: 1)** Capex: Rs15bn for FY25; Rs3.4bn spent on petrochem in 9M out of Rs9.8bn; Rs30-35bn for FY26 on petrochem, and maximum Rs10bn for non-petrochem. **2)** Dahej regas tariff has been increased from 1st Jan'25 by 5%. **3)** Kochi terminal utilization is likely to rise to 40-50% post completion of Coimbatore-Bengaluru pipeline by Jun'25. **4)** Long lead items for the petrochem project have been identified, and orders are expected to be placed soon post tendering. 70:30 D:E; financial closure is likely next year. Capex: 15% for 1st yr, 30-35% for 2nd year.**5)** Spot LNG to remain in US$12-14/mmBtu in next 6months; likely to come down to US$7-8/mmBtu once new liquefaction capacities come up by 2027-28.

Exhibit 1: Petronet's Quarterly and 9MFY25 Financials

(Rs bn)	Q3FY25	Q2FY25	QoQ gr.	Q3FY25E	% Var	Q3FY24	YoY gr.	9MFY25	9MFY24	YoY gr.
Net Sales	**122.3**	**130.2**	***-6.1%***	**135.6**	***-9.8%***	**147.5**	***-17.1%***	**386.6**	**389.4**	***-0.7%***
YoY Change (%)	*-17.1*	*3.9*		*-8.0*		*-6.5*				
Total Expenditure	109.8	118.2	*-7.1%*	124.3	*-11.6%*	130.4	*-15.8%*	346.5	348.3	*-0.5%*
EBITDA	**12.5**	**12.0**	***3.9%***	**11.4**	***9.9%***	**17.1**	***-26.9%***	**40.1**	**41.0**	***-2.2%***
Margins (%)	*10.2*	*9.2*		*8.4*		*11.6*		*10.4*	*10.5*	
Depreciation	2.1	2.0	*6.8%*	2.1	*1.2%*	2.0	*7.2%*	6.0	5.8	*3.1%*
Interest	0.7	0.7	*-0.6%*	0.6	*0.2%*	0.7	*-6.6%*	2.0	2.2	*-9.9%*
Other Income	2.0	2.0	*-2.7%*	1.5	*35.1%*	1.6	*25.3%*	6.2	4.6	*33.9%*
PBT	**11.7**	**11.4**	***2.5%***	**10.1**	***15.9%***	**16.0**	***-26.8%***	**38.3**	**37.6**	***1.8%***
Tax	3.0	2.9	*3.2%*	2.5	*18.8%*	4.1	*-25.7%*	9.7	9.6	*1.1%*
Rate (%)	*25.8*	*25.7*		*25.2*		*25.5*		*25.4*	*25.6*	
Reported PAT	**8.7**	**8.5**	***2.3%***	**7.5**	***14.9%***	**11.9**	***-27.2%***	**28.6**	**28.0**	***2.1%***
Margins (%)	*7.1*	*6.5*		*5.6*		*8.1*		*7.4*	*7.2*	
Sales volume (Tbtu)										
Regas volume (Tbtu)	114.0	123.0	*-7.3%*	99.0	*15.2%*	110.0	*3.6%*	381.0	335.0	*13.7%*
Sales volume (Tbtu)	114.0	116.0	*-1.7%*	126.8	*-10.1%*	122.0	*-6.6%*	348.0	350.0	*-0.6%*
Total Volumes (Tbtu)	**228.0**	**239.0**	***-4.6%***	**225.7**	***1.0%***	**232.0**	***-1.7%***	**729.0**	**685.0**	***6.4%***

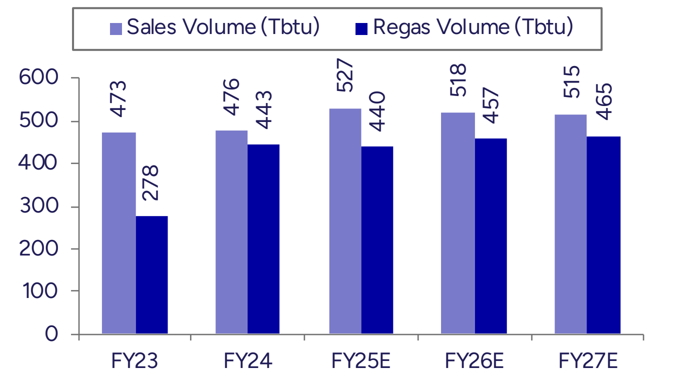
Source: Company, PL

Exhibit 2: Regas volume fell 14.6% QoQ



Source: Company, PL

Exhibit 3: Total volume to reach 980TBtu by FY27E



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**558**	**526**	**518**	**520**
YoY gr. (%)	*(6.9)*	*(5.7)*	*(1.5)*	*0.5*
Cost of Goods Sold	495	461	446	447
Gross Profit	63	65	71	73
Margin (%)	*11.2*	*12.3*	*13.8*	*14.0*
Employee Cost	2	2	2	2
Other Expenses	9	11	11	11
EBITDA	**52**	**51**	**58**	**60**
YoY gr. (%)	*7.2*	*(1.2)*	*13.1*	*2.6*
Margin (%)	*9.3*	*9.8*	*11.2*	*11.5*
Depreciation and Amortization	8	8	9	10
EBIT	**44**	**43**	**49**	**50**
Margin (%)	*7.9*	*8.2*	*9.6*	*9.6*
Net Interest	3	3	3	3
Other Income	6	7	7	9
Profit Before Tax	**48**	**48**	**54**	**56**
Margin (%)	*8.5*	*9.1*	*10.4*	*10.7*
Total Tax	11	12	14	14
Effective tax rate (%)	*25.7*	*25.2*	*25.2*	*25.7*
Profit after tax	**35**	**36**	**40**	**41**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**35**	**36**	**40**	**41**
YoY gr. (%)	*9.1*	*1.0*	*12.8*	*2.8*
Margin (%)	*6.3*	*6.8*	*7.8*	*8.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**35**	**36**	**40**	**41**
YoY gr. (%)	*9.1*	*1.0*	*12.8*	*2.8*
Margin (%)	*6.3*	*6.8*	*7.8*	*8.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	35	36	40	41
Equity Shares O/s (bn)	**2**	**2**	**2**	**2**
EPS (Rs)	**23.6**	**23.8**	**26.9**	**27.6**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**115**	**131**	**147**	**163**
Tangibles	115	131	147	163
Intangibles	-	-	-	-
Acc: Dep / Amortization	**54**	**62**	**71**	**81**
Tangibles	54	62	71	81
Intangibles	-	-	-	-
Net fixed assets	**62**	**69**	**76**	**83**
Tangibles	62	69	76	83
Intangibles	-	-	-	-
Capital Work In Progress	16	15	16	17
Goodwill	-	-	-	-
Non-Current Investments	22	22	22	22
Net Deferred tax assets	(6)	(6)	(6)	(6)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	15	15	14	14
Trade receivables	36	40	43	48
Cash & Bank Balance	74	84	96	108
Other Current Assets	-	-	-	-
Total Assets	**251**	**271**	**293**	**317**
Equity				
Equity Share Capital	15	15	15	15
Other Equity	155	175	198	222
Total Networth	**170**	**190**	**213**	**237**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	29	29	28	28
Other current liabilities	46	46	46	46
Total Equity & Liabilities	**251**	**271**	**293**	**317**

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	48	48	54	56
Add. Depreciation	8	8	9	10
Add. Interest	3	3	3	3
Less Financial Other Income	6	7	7	9
Add. Other	(3)	(7)	(7)	(9)
Op. profit before WC changes	55	51	58	60
Net Changes-WC	6	(4)	(3)	(5)
Direct tax	(12)	(12)	(14)	(14)
Net cash from Op. activities	**49**	**36**	**41**	**41**
Capital expenditures	(8)	(15)	(17)	(17)
Interest / Dividend Income	-	-	-	-
Others	(2)	-	-	-
Net Cash from Invt. activities	**(11)**	**(15)**	**(17)**	**(17)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(15)	(15)	(17)	(18)
Interest paid	0	(3)	(3)	(3)
Others	(6)	-	-	-
Net cash from Fin. activities	**(22)**	**(18)**	**(20)**	**(21)**
Net change in cash	**17**	**3**	**4**	**3**
Free Cash Flow	40	21	24	24

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	**138**	**134**	**130**	**122**
YoY gr. (%)	*(0.6)*	*15.1*	*3.9*	*(17.1)*
Raw Material Expenses	124	115	114	106
Gross Profit	14	19	16	17
Margin (%)	*9.8*	*14.5*	*12.2*	*13.6*
EBITDA	**11**	**16**	**12**	**12**
YoY gr. (%)	*17.1*	*32.3*	*(1.2)*	*(26.9)*
Margin (%)	*8.0*	*11.7*	*9.2*	*10.2*
Depreciation / Depletion	2	2	2	2
EBIT	**9**	**14**	**10**	**10**
Margin (%)	*6.6*	*10.2*	*7.7*	*8.5*
Net Interest	1	1	1	1
Other Income	2	2	2	2
Profit before Tax	**10**	**15**	**11**	**12**
Margin (%)	*7.2*	*11.3*	*8.8*	*9.6*
Total Tax	3	4	3	3
Effective tax rate (%)	*25.9*	*24.9*	*25.7*	*25.8*
Profit after Tax	**7**	**11**	**8**	**9**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**7**	**11**	**8**	**9**
YoY gr. (%)	*20.1*	*44.5*	*3.6*	*(27.2)*
Margin (%)	*5.3*	*8.5*	*6.5*	*7.1*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**7**	**11**	**8**	**9**
YoY gr. (%)	*20.1*	*44.5*	*3.6*	*(27.2)*
Margin (%)	*5.3*	*8.5*	*6.5*	*7.1*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**7**	**11**	**8**	**9**
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	**4.9**	**7.6**	**5.7**	**5.8**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	23.6	23.8	26.9	27.6
CEPS	28.8	29.3	32.6	34.1
BVPS	113.1	126.7	142.1	158.0
FCF	26.9	13.8	15.9	15.9
DPS	10.0	10.0	11.3	11.7
Return Ratio(%)				
RoCE	27.8	24.0	24.5	22.2
ROIC	25.1	23.1	25.0	23.8
RoE	22.2	19.9	20.0	18.4
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.5)
Net Working Capital (Days)	(1)	1	4	7
Valuation(x)				
PER	12.3	12.2	10.8	10.5
P/B	2.6	2.3	2.0	1.8
P/CEPS	28.1	28.7	31.9	33.3
EV/EBITDA	6.9	6.8	5.9	5.5
EV/Sales	0.6	0.7	0.7	0.6
Dividend Yield (%)	3.4	3.5	3.9	4.0

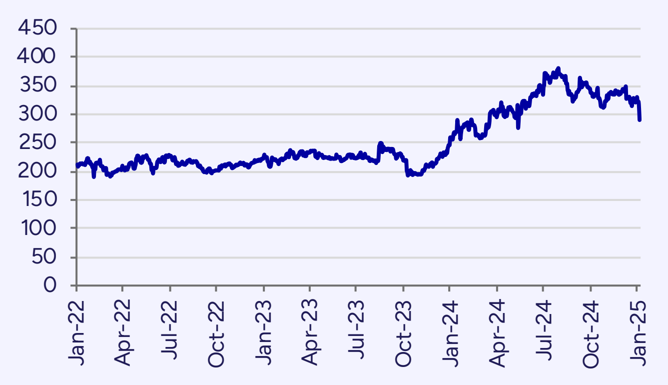
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales Volume (TBtu)	476.0	527.0	518.1	515.0
Regas Volume (TBtu)	443.0	439.8	457.5	465.1
Dahej Tariff (Rs/mmBtu)	60.6	63.7	66.9	69.3
Kochi Tariff (Rs/mmBtu)	84.0	89.3	89.3	89.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Sell	268	330
2	24-Oct-24	Sell	272	339
3	07-Oct-24	Sell	272	348
4	25-Jul-24	Sell	266	351
5	07-Jul-24	Sell	258	337
6	23-May-24	Sell	259	308
7	09-Apr-24	Sell	212	282
8	30-Jan-24	Sell	212	268

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	381	405
2	Bharat Petroleum Corporation	Hold	286	271
3	Bharti Airtel	Accumulate	1,783	1,599
4	Clean Science and Technology	Hold	1,471	1,449
5	Deepak Nitrite	Reduce	2,295	2,460
6	Fine Organic Industries	BUY	5,765	4,474
7	GAIL (India)	Hold	203	186
8	Gujarat Fluorochemicals	Reduce	3,724	3,926
9	Gujarat Gas	Sell	362	508
10	Gujarat State Petronet	Hold	351	359
11	Hindustan Petroleum Corporation	Hold	373	353
12	Indian Oil Corporation	Hold	152	134
13	Indraprastha Gas	Sell	315	431
14	Jubilant Ingrevia	Reduce	731	837
15	Laxmi Organic Industries	Hold	237	226
16	Mahanagar Gas	Sell	984	1,245
17	Mangalore Refinery & Petrochemicals	Accumulate	168	145
18	Navin Fluorine International	Accumulate	3,672	3,478
19	NOCIL	Reduce	226	247
20	Oil & Natural Gas Corporation	BUY	300	260
21	Oil India	BUY	714	465
22	Petronet LNG	Sell	268	330
23	Reliance Industries	Accumulate	1,472	1,266
24	SRF	Reduce	2,018	2,308
25	Vinati Organics	Accumulate	1,925	1,707

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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