

Petronet LNG Limited

ACCUMULATE

Sector: Oil, Gas & Consumable Fuels

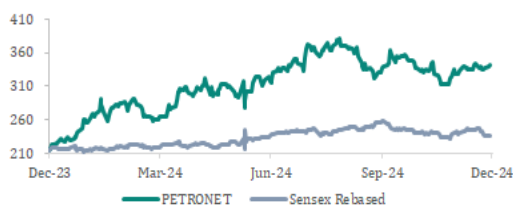
26th December 2024

| | | | | | |
|--------------------|-----------------|-----------------|-------------------|---------------|----------------|
| Key Changes | Target ▼ | Rating ● | Earnings ▼ | Target | Rs. 393 |
| Stock Type | Bloomberg Code | Sensex | NSE Code | BSE Code | Time Frame |
| Mid Cap | PLNG:IN | 78,472 | PETRONET | 532522 | 12 Months |
| | | | | CMP | Rs. 345 |
| | | | | Return | + 14% |

Data as of: 26-Dec-2024

| Company Data | | | |
|---------------------------|-----------|---------|--------|
| Market Cap (Rs. cr) | 51,728 | | |
| 52 Week High — Low (Rs.) | 385 - 215 | | |
| Enterprise Value (Rs. cr) | 46,610 | | |
| Outstanding Shares (cr) | 150.0 | | |
| Free Float (%) | 50 | | |
| Dividend Yield (%) | 2.9 | | |
| 6m average volume (lacs) | 38.8 | | |
| Beta | 0.7 | | |
| Face value (Rs.) | 10.0 | | |
| Shareholding (%) | Q4FY24 | Q1FY25 | Q2FY25 |
| Promoters | 50.0 | 50.0 | 50.0 |
| FII's | 26.2 | 25.6 | 27.3 |
| MFs/Insti | 11.4 | 12.9 | 11.8 |
| Public | 11.5 | 10.8 | 10.1 |
| Others | 1.0 | 0.8 | 0.8 |
| Total | 100.0 | 100.0 | 100.0 |
| Promoters' pledge | Nil | Nil | Nil |
| Price Performance | 3 Month | 6 Month | 1 Year |
| Absolute Return | 2.7% | 9.7% | 60.1% |
| Absolute Sensex | -8.6% | -0.3% | 10.0% |
| Relative Return | 11.3% | 10.0% | 50.1% |

*over or under performance to benchmark index



| Y.E March (cr) | FY24A | FY25E | FY26E |
|-------------------|--------|--------|--------|
| Sales | 52,729 | 54,575 | 57,713 |
| Growth (%) | -12.0 | 3.5 | 5.8 |
| EBITDA | 5,205 | 5,561 | 6,077 |
| EBITDA Margin (%) | 9.9 | 10.2 | 10.5 |
| PAT Adjusted | 3,652 | 3,893 | 4,180 |
| Growth (%) | 9.8 | 6.6 | 7.4 |
| Adjusted EPS | 24.4 | 26.0 | 27.9 |
| Growth (%) | 9.8 | 6.6 | 7.4 |
| P/E | 10.8 | 13.3 | 12.4 |
| P/B | 2.3 | 2.6 | 2.3 |
| EV/EBITDA | 6.7 | 8.4 | 7.6 |
| ROE (%) | 21.0 | 19.7 | 18.8 |
| D/E | 0.1 | 0.1 | 0.1 |

Resilient Performance; Outlook Intact

Petronet LNG Ltd (Petronet) is a public-sector company that imports liquefied natural gas (LNG) and establishes LNG terminals in India. It operates one regasification terminal each in Dahej (17.5 MMTPA installed capacity) and Kochi (5 MMTPA).

- In Q2FY25, consolidated revenue rose 3.9% YoY to Rs. 13,024cr, supported by robust volume growth, primarily from its Dahej terminal.
- In Q2FY25, Petronet's Dahej terminal processed 225 trillion British thermal units (TBTU) of LNG, a 7.1% YoY increase, compared to 210 TBTU processed in Q2FY24. However, this represents a 9.3% decrease from the 248 TBTU processed in Q1FY25.
- On a consolidated basis, Petronet processed a total of 239 TBTU of LNG in Q2FY25, up 7.2% from the 223 TBTU processed in Q2FY24, but down 8.8% from the 262 TBTU processed in Q1FY25.
- EBITDA declined a marginal 1.0% YoY to Rs. 1,202cr, while the EBITDA margin narrowed 50bps YoY to 9.2% owing to lower utilisation.
- The Dahej terminal's utilisation stood at 98% in Q2FY25, down from 109% in Q1FY25, but up from 92% in Q2FY24. The company expects utilisation could be in the range of 95%-100% at Dahej in the near term. Meanwhile, the Kochi terminal is currently at 22% utilisation.

Valuation

Petronet delivered a resilient performance in Q2FY25, driven by strong volume growth and solid utilisation levels. The expansion project at the Dahej terminal, slated for completion by March 2025, would increase its capacity by 5 MMTPA. Meanwhile, the resolution of the Kochi terminal's pipeline connectivity issue, expected by March/April 2025, is expected to boost its utilisation levels and drive demand from city gas distribution projects in southern Indian cities. Furthermore, progress on the petrochemical project and the expected improving utilisation at both terminals should support margins. Hence, we reiterate ACCUMULATE rating on the stock, with a revised target price of Rs. 393, based on 14.1x FY26E adjusted EPS.

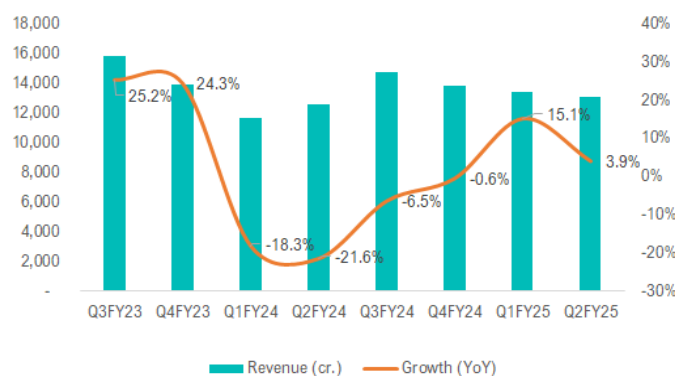
Quarterly Financials Consol.

| Rs.cr | Q2FY25 | Q2FY24 | YoY (%) | Q1FY25 | QoQ (%) | H1FY25 | H1FY24 | YoY (%) |
|------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Sales | 13,024 | 12,533 | 3.9 | 13,415 | -2.9 | 26,439 | 24,189 | 9.3 |
| EBITDA | 1,202 | 1,215 | -1.0 | 1,563 | -23.1 | 2,765 | 2,396 | 15.4 |
| Margin (%) | 9.2 | 9.7 | -50bps | 11.6 | -240bps | 10.5 | 9.9 | 60bps |
| EBIT | 1,006 | 1,020 | -1.4 | 1,368 | -26.5 | 2,374 | 2,010 | 18.1 |
| PBT | 1,164 | 1,140 | 2.1 | 1,484 | -21.6 | 2,648 | 2,231 | 18.7 |
| Rep. PAT | 871 | 856 | 1.7 | 1,105 | -21.2 | 1,976 | 1,675 | 18.0 |
| Adj PAT | 871 | 856 | 1.7 | 1,105 | -21.2 | 1,976 | 1,675 | 18.0 |
| EPS (Rs) | 5.8 | 5.7 | 1.7 | 7.4 | -21.2 | 13.2 | 11.2 | 18.0 |

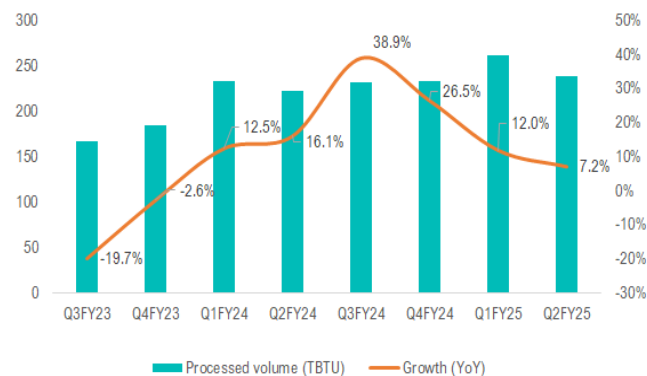
Key concall highlights

- The Dahej terminal is undergoing an expansion project to increase its capacity by 5 MMTPA. It is expected to be completed by March 2025, raising the total capacity to 22.5 MMTPA. This project has a CAPEX of Rs. 570cr, just 10% of the cost of a greenfield terminal, and a short payback period of around 1-2 years.
- Two tanks in Dahej have been commissioned, increasing the total number of tanks to eight, allowing for more cargo storage and flexibility to process more gas
- The Kochi terminal's pipeline connectivity issue is expected to be resolved by March/April 2025. Once connected to the national gas grid, the terminal would enable gas supply to any area, increasing its consumption level and driving demand from city gas distribution projects in the southern Indian cities.
- The petrochemical project made progress with the awarding of contracts for project management consultancy (PMC) and licensors. The CAPEX is expected to be lower this year and higher next year, with a debt-to-equity ratio of 70:30.
- An interim dividend of Rs. 7 per share has been declared, consistent with the previous year.
- The company reported an inventory gain of ~Rs. 70cr in Q2FY25, compared with Rs. 261cr in Q1FY25.

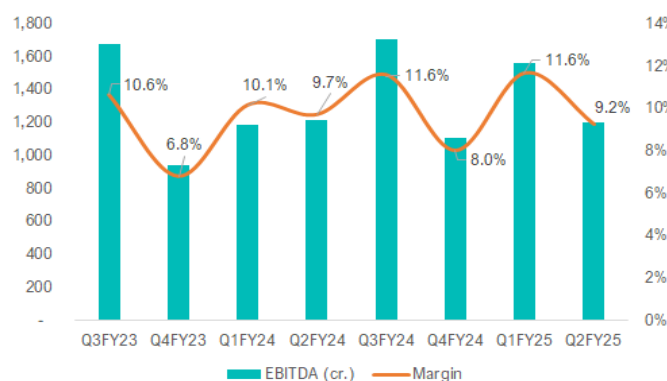
Revenue



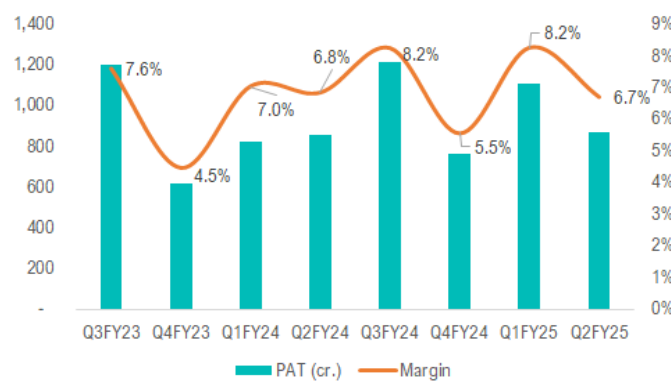
Processed Volume



EBITDA



PAT



Change in Estimates

| Year / Rs cr | Old estimates | | New estimates | | Change (%) | |
|--------------|---------------|--------|---------------|--------|------------|--------|
| | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E |
| Revenue | 62,484 | 73,107 | 54,575 | 57,713 | -12.7 | -21.1 |
| EBITDA | 5,930 | 6,406 | 5,561 | 6,077 | -6.2 | -5.1 |
| Margins (%) | 9.5 | 8.8 | 10.2 | 10.5 | 70bps | 170bps |
| Adj. PAT | 3,921 | 4,248 | 3,893 | 4,180 | -0.7 | -1.6 |
| EPS | 26.1 | 28.3 | 26.0 | 27.9 | -0.7 | -1.6 |



Consolidated Financials

Profit & Loss

| Y.E March (Rs cr) | FY22A | FY23A | FY24A | FY25E | FY26E |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 43,169 | 59,899 | 52,729 | 54,575 | 57,713 |
| % change | 65.9 | 38.8 | -12.0 | 3.5 | 5.8 |
| EBITDA | 5,249 | 4,854 | 5,205 | 5,561 | 6,077 |
| % change | 11.7 | -7.5 | 7.2 | 6.8 | 9.3 |
| Depreciation | 768 | 764 | 777 | 785 | 804 |
| EBIT | 4,480 | 4,090 | 4,429 | 4,777 | 5,274 |
| Interest | 317 | 331 | 290 | 278 | 265 |
| Other Income | 396 | 661 | 734 | 692 | 565 |
| PBT | 4,559 | 4,420 | 4,873 | 5,190 | 5,573 |
| % change | 15.2 | -3.1 | 10.2 | 6.5 | 7.4 |
| Tax | 1,121 | 1,094 | 1,221 | 1,298 | 1,393 |
| Tax Rate (%) | 24.6 | 24.8 | 25.0 | 25.0 | 25.0 |
| Reported PAT | 3,438 | 3,326 | 3,652 | 3,893 | 4,180 |
| Adjustment | - | - | - | - | - |
| Adj PAT | 3,438 | 3,326 | 3,652 | 3,893 | 4,180 |
| % change | 17.0 | -3.3 | 9.8 | 6.6 | 7.4 |
| No. of shares (cr) | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| Adj EPS (Rs.) | 22.9 | 22.2 | 24.4 | 26.0 | 27.9 |
| % change | 17.0 | -3.3 | 9.8 | 6.6 | 7.4 |
| DPS (Rs.) | 11.5 | 10.0 | 3.0 | 10.4 | 11.1 |

Cash flow

| Y.E March | FY22A | FY23A | FY24A | FY25E | FY26E |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Net inc. + Depn. | 4,207 | 4,090 | 4,429 | 4,677 | 4,983 |
| Non-cash adj. | -140 | 133 | -400 | 98 | 404 |
| Changes in W.C | -588 | -1,705 | 842 | 8 | -240 |
| C.F. Operation | 3,479 | 2,519 | 4,871 | 4,783 | 5,147 |
| Capital exp. | -72 | -1,058 | -841 | -1,774 | -1,881 |
| Change in inv. | 562 | 43 | 922 | -31 | -65 |
| Other invest.CF | -1,553 | -127 | -1,138 | -844 | -982 |
| C.F – Investment | -1,063 | -1,142 | -1,056 | -2,649 | -2,928 |
| Issue of equity | - | - | - | - | - |
| Issue/repay debt | -41 | -23 | - | -340 | -357 |
| Dividends paid | -1,575 | -1,725 | -1,500 | -1,557 | -1,672 |
| Other finance.CF | -611 | -620 | -654 | -278 | -265 |
| C.F – Finance | -2,227 | -2,368 | -2,154 | -2,175 | -2,294 |
| Chg. in cash | 188 | -991 | 1,661 | -41 | -76 |
| Closing cash | 4,326 | 5,686 | 7,414 | 7,374 | 7,298 |

Balance Sheet

| Y.E March (Rs cr) | FY22A | FY23A | FY24A | FY25E | FY26E |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash | 4,326 | 5,686 | 7,414 | 7,374 | 7,298 |
| Accounts Receivable | 2,684 | 3,844 | 3,626 | 3,220 | 3,463 |
| Inventories | 577 | 1,153 | 1,465 | 835 | 1,004 |
| Other Cur. Assets | 1,128 | 1,210 | 388 | 813 | 885 |
| Investments | 410 | 499 | 617 | 648 | 712 |
| Gross Fixed Assets | 9,589 | 9,616 | 10,456 | 12,230 | 14,112 |
| Net Fixed Assets | 6,657 | 5,325 | 5,026 | 4,074 | 3,600 |
| CWIP | 193 | 1,126 | 1,126 | 3,066 | 4,619 |
| Intangible Assets | 0 | 3 | 2 | 2 | 2 |
| Def. Tax -Net | 196 | 212 | 145 | 42 | 70 |
| Other Assets | 5,191 | 3,741 | 5,713 | 6,512 | 7,703 |
| Total Assets | 21,362 | 22,798 | 25,523 | 26,586 | 29,356 |
| Current Liabilities | 2,737 | 2,946 | 4,158 | 3,183 | 3,729 |
| Provisions | 58 | 72 | 97 | 99 | 101 |
| Debt Funds | 3,133 | 3,070 | 2,596 | 2,256 | 1,899 |
| Other Liabilities | 1,766 | 1,445 | 1,261 | 1,294 | 1,355 |
| Equity Capital | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Reserves & Surplus | 12,168 | 13,765 | 15,910 | 18,254 | 20,771 |
| Shareholder's Fund | 13,668 | 15,265 | 17,410 | 19,754 | 22,271 |
| Total Liabilities | 21,362 | 22,798 | 25,523 | 26,586 | 29,356 |
| BVPS (Rs.) | 91.1 | 101.8 | 116.1 | 131.7 | 148.5 |

Ratio

| Y.E March | FY22A | FY23A | FY24A | FY25E | FY26E |
|--------------------------------|-------|-------|-------|-------|-------|
| Profitab. & Return | | | | | |
| EBITDA margin (%) | 12.2 | 8.1 | 9.9 | 10.2 | 10.5 |
| EBIT margin (%) | 10.4 | 6.8 | 8.4 | 8.8 | 9.1 |
| Net profit mgn.(%) | 8.0 | 5.6 | 6.9 | 7.1 | 7.2 |
| ROE (%) | 25.2 | 21.8 | 21.0 | 19.7 | 18.8 |
| ROCE (%) | 26.7 | 22.3 | 22.1 | 21.7 | 21.8 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 22.4 | 23.1 | 24.8 | 21.2 | 21.6 |
| Inventory (days) | 5.6 | 7.7 | 11.4 | 6.3 | 7.2 |
| Payables (days) | 14.8 | 11.3 | 22.2 | 13.9 | 14.4 |
| Current ratio (x) | 3.2 | 4.0 | 3.1 | 3.8 | 3.4 |
| Quick ratio (x) | 2.9 | 3.5 | 2.7 | 3.4 | 3.0 |
| Turnover & Leverage | | | | | |
| Gross asset T.O (x) | 4.5 | 6.2 | 5.3 | 4.8 | 4.4 |
| Total asset T.O (x) | 2.1 | 2.7 | 2.2 | 2.1 | 2.1 |
| Int. coverage ratio (x) | 14.1 | 12.4 | 15.3 | 17.2 | 19.9 |
| Adj. debt/equity (x) | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Valuation | | | | | |
| EV/Sales (x) | 0.6 | 0.5 | 0.7 | 0.9 | 0.8 |
| EV/EBITDA (x) | 5.3 | 6.4 | 6.7 | 8.4 | 7.6 |
| P/E (x) | 8.4 | 10.2 | 10.8 | 13.3 | 12.4 |
| P/BV (x) | 2.1 | 2.2 | 2.3 | 2.6 | 2.3 |



Recommendation Summary (last 3 years)



| Dates | Rating | Target |
|-----------|------------|--------|
| 16-Feb-21 | BUY | 314 |
| 19-Aug-21 | BUY | 272 |
| 15-Feb-22 | BUY | 254 |
| 30-Jan-23 | BUY | 260 |
| 17-Nov-23 | HOLD | 212 |
| 6-Feb-24 | HOLD | 316 |
| 6-Aug-24 | ACCUMULATE | 397 |
| 26-Dec-24 | ACCUMULATE | 393 |

Rating Criteria

| Ratings | Large caps | Midcaps | Small Caps |
|-------------|----------------------------|---------------------------|---------------------------|
| Buy | Upside is above 10% | Upside is above 15% | Upside is above 20% |
| Accumulate | - | Upside is between 10%-15% | Upside is between 10%-20% |
| Hold | Upside is between 0% - 10% | Upside is between 0%-10% | Upside is between 0%-10% |
| Reduce/sell | Downside is more than 0% | Downside is more than 0% | Downside is more than 0% |

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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