

Petronet LNG

Estimate change 

TP change 

Rating change 

CMP: INR268

TP: INR295 (+10%)

Neutral

Performance below expectations despite strong utilization

	PLNG IN
Bloomberg	
Equity Shares (m)	1500
M.Cap.(INRb)/(USD\$b)	401.3 / 4.8
52-Week Range (INR)	285 / 187
1, 6, 12 Rel. Per (%)	21/7/0
12M Avg Val (INR M)	830

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	531.3	568.9	599.3
EBITDA	51.6	52.3	56.4
Adj. PAT	34.1	34.6	37.6
Adj. EPS (INR)	22.7	23.1	25.1
EPS Gr. (%)	5.2	1.6	8.6
BV/Sh.(INR)	111.8	124.2	137.6

Ratios

Net D:E	-0.4	-0.4	-0.5
RoE (%)	21.5	19.6	19.2
RoCE (%)	23.0	20.8	20.3
Payout (%)	46.3	46.3	46.3

Valuation

P/E (x)	11.8	11.6	10.7
P/BV (x)	2.4	2.2	1.9
EV/EBITDA (x)	6.5	6.2	5.4
Div. Yield (%)	3.9	4.0	4.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	50.0	50.0	50.0
DII	11.0	5.9	4.1
FII	26.8	33.3	34.9
Others	12.2	10.8	11.0

FII Includes depository receipts

- Petronet LNG (PLNG) recorded lower-than-est. adj. EBITDA (ex of use or pay charges) of INR11b (our est. of INR12.5b) during the quarter. There was a sharp rise in 'other expenses' as the company allocated funds (amounting to INR2.3b) for certain provisions related to UoP in 3Q. Dahej utilization increased to 99% (vs. 70% in 3QFY23), while utilization at Kochi stood at 22% (up 160bp YoY).
- Management highlighted that it has successfully reached settlements with customers regarding UoP and has secured bank guarantees from them. Management also emphasized that if the target volumes for CY21 and CY22 are achieved by Dec'24 and Dec'25, respectively, PLNG would waive the UoP. However, if the targets are not met, the company would encash those bank guarantees received from the customers.
- The expansion of the Dahej terminal expansion from 17mmt to 22.5mmt is expected to be completed by Mar'25, after which it would be available for use. While there is no specific completion date for the petchem project, it has received board approval with a capex of INR207b. The management highlighted that the Coimbatore-Krishnagiri gas connectivity will be completed by the end of CY24.
- Volumes have improved substantially YoY in 9MFY24 amid cooling LNG prices. However, long-term volume growth prospects remain bleak for the company, due to intensifying competition from upcoming LNG terminals as well as increasing 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 INR295.**

Beat on volumes as utilization remains strong

- Total volumes stood at 232Tbtu (est. of 214.6Tbtu, up 39% YoY). Dahej Utilization stood at 99% (up 28.9pp YoY) and Kochi utilization stood at 22% (up 160bp YoY).
- Revenue stood at INR147.5b (up 7% YoY). EBITDA stood at INR17.1b (est. INR12.5b, up 2% YoY); adjusted EBITDA (ex of use-or pay charges) stood at INR 11b and was below our estimates.
- Reported PAT stood at INR11.9b (est. INR8.2b, up 1% YoY); adjusted PAT was below our expectations at INR 5.8b, partly due to strong 125% QoQ rise in other expenses.
 - The sharp rise in 'other expenses' was likely led by receivables related to provisioning.
- Income related to "Use or Pay charges" (UoP) amounting to INR6.1b for CY23 was recorded in 3QFY24 under 'other operating income'. This income was generated from lower capacity utilization by the company's customers.

Abhishek Nigam – Research Analyst (Abhishek.Nigam@MotilalOswal.com)

Research Analyst – Aman Chowdhary (Aman.Chowdhary@MotilalOswal.com) / **Rohit Thorat** (Rohit.Thorat@MotilalOswal.com)

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- Balance confirmation against UoP dues of INR8.5b for CY22 and INR4.2b for CY21 is yet to be received. PLNG has approved a recovery mechanism of UoP dues for CY21 and CY22, pursuant to in-principle agreement with the customers.
- The management is in the process of implementing the same with the customers, including obtaining bank guarantees to secure the UoP dues.
- **For 9MFY24**, revenue stood at INR389b (up 15% YoY) with EBITDA at INR41b (up 5% YoY). PAT stood at INR28b (up 7% YoY). 9MFY24 EBITDA stood at 79% of our FY24 estimate.

Valuation and view

- Sustainability of EPS growth and high return ratios remain a concern for PLNG amid rising competitive environment. The net cash of INR57b (as of FY23) indicates that the deployment of cash may be an issue as growth opportunities in LNG terminalling have become bleaker and the company had to diversify from its core business to invest in more volatile areas such as gas-based petrochemicals, compressed biogas, as well as LNG trucking.
- The company currently trades at 11.6x FY25E EPS of INR23.1. We value the stock at 12x Dec'25E EPS to arrive at our TP of INR295. **We reiterate our Neutral rating on the stock.**

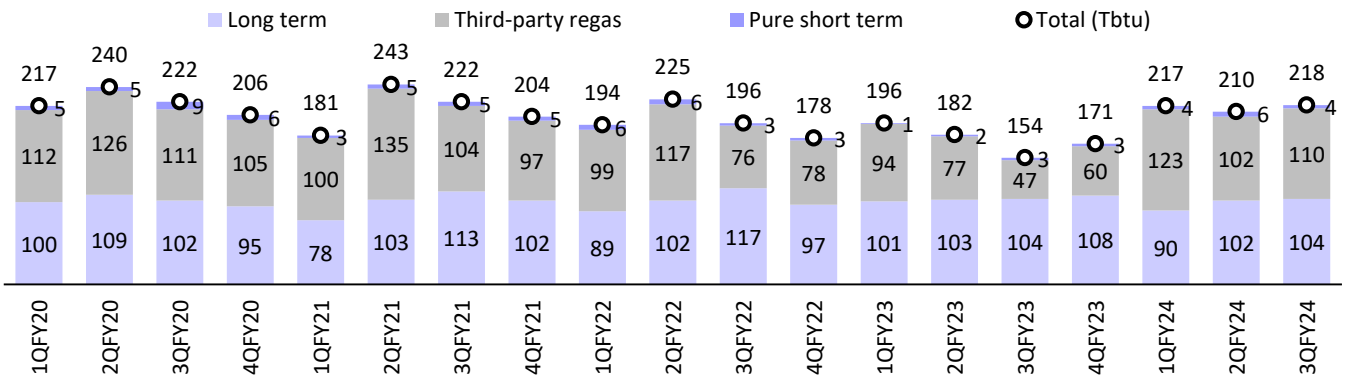
Standalone - Quarterly Earning

Y/E March	(INR b)											
	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	142.6	159.9	157.8	138.7	116.6	125.3	147.5	145.4	599.0	534.8	132.3	11%
YoY Change (%)	65.9	47.8	25.2	24.3	-18.3	-21.6	-6.5	4.8	38.8	-10.7	-16.1	
EBITDA	10.6	11.7	16.8	9.4	11.8	12.1	17.1	14.0	48.6	55.1	12.5	36%
Margin (%)	7.5	7.3	10.6	6.8	10.1	9.7	11.6	9.7	8.1	10.3	9.5	
Depreciation	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.6	7.6	8.4	2.1	
Interest	0.8	0.8	0.8	0.9	0.7	0.7	0.7	1.1	3.3	3.3	0.8	
Other Income	1.4	0.9	1.8	1.5	1.5	1.6	1.6	1.0	5.7	5.6	1.4	
PBT	9.4	9.9	15.9	8.2	10.6	11.0	16.0	11.4	43.3	49.0	11.0	45%
Tax	2.4	2.5	4.1	2.0	2.7	2.8	4.1	2.9	10.9	13.4	2.8	
Rate (%)	25.2	25.1	25.5	24.9	25.6	25.8	25.5	25.2	25.3	27.2	25.2	
Reported PAT	7.0	7.4	11.8	6.1	7.9	8.2	11.9	8.5	32.4	35.7	8.2	45%
Adj PAT	7.0	7.4	11.8	6.1	7.9	8.2	11.9	8.5	32.4	35.7	8.2	45%
YoY Change (%)	10.3	-9.6	3.2	-18.1	12.7	9.9	0.9	38.8	(3.4)	10.1	-30.2	
Margin (%)	4.9	4.7	7.5	4.4	6.8	6.5	8.1	5.9	5.4	6.7	6.2	
Key Assumptions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	
Total Volumes (TBtu)	208.0	192.0	167.0	184.0	230.0	223.0	232.0	211.6	751.0	896.6	214.6	8%
Dahej utilization (%)	89%	82%	70%	77%	98%	95%	99%	90%	0.8	96%	91%	7%
Kochi utilization (%)	19%	16%	21%	21%	21%	21%	22%	19%	0.2	21%	21%	2%

Operational highlights

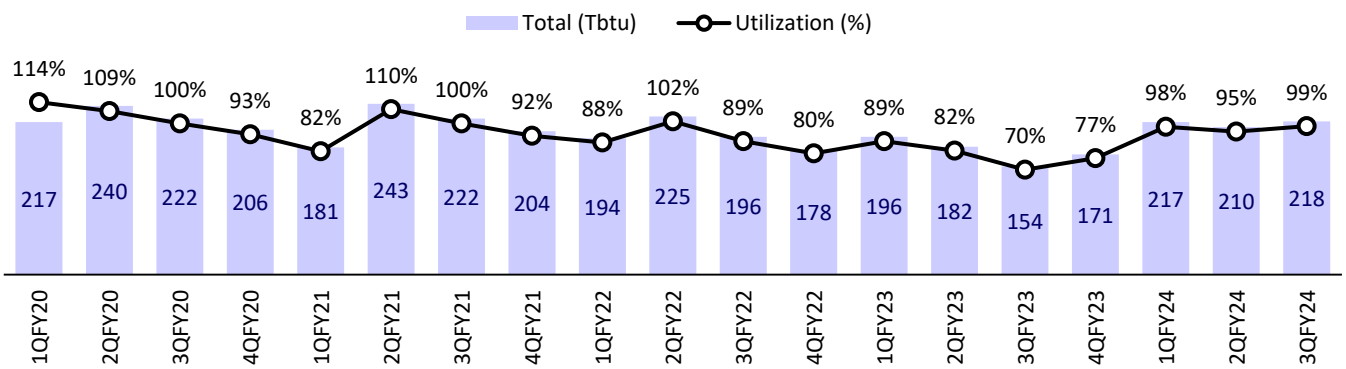
Particulars	FY22				FY23				FY24			3QFY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	% YoY	% QoQ
Dahej Sales Volume (TBtu)													
Long term	89.0	102.0	117.0	97.0	101.0	103.0	104.0	108.0	90.0	102.0	104.0	0%	2%
Third-party regas	99.0	117.0	76.0	78.0	94.0	77.0	47.0	60.0	123.0	102.0	110.0	134%	8%
Pure short term	6.0	6.0	3.0	3.0	1.0	2.0	3.0	3.0	4.0	6.0	4.0	33%	-33%
Sub-total (TBtu)	194.0	225.0	196.0	178.0	196.0	182.0	154.0	171.0	217.0	210.0	218.0	42%	4%
Kochi Sales Volume (TBtu)													
Long term	11.0	14.0	12.0	12.0	12.0	10.0	13.0	13.0	13.0	13.0	14.0	8%	8%
Third-party regas	2.0	0.0	0.0	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	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	13.0	14.0	8%	8%
Total (TBtu)	209.0	240.0	208.0	190.0	208.0	192.0	167.0	184.0	230.0	223.0	232.0	39%	4%

Exhibit 1: Dahej total volumes at 218Tbtu, up 42% YoY



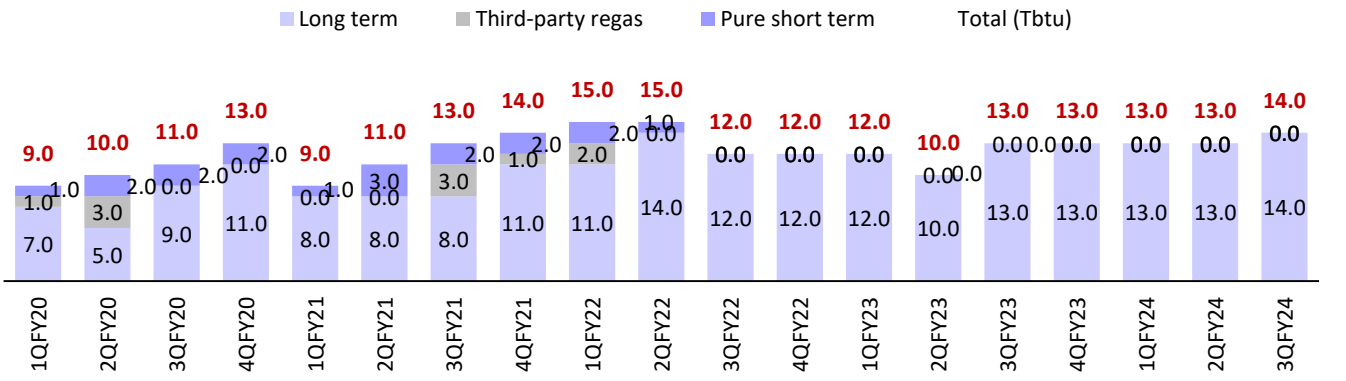
Source: Company, MOFSL

Exhibit 2: Dahej terminal utilization at 99% in 3QFY24



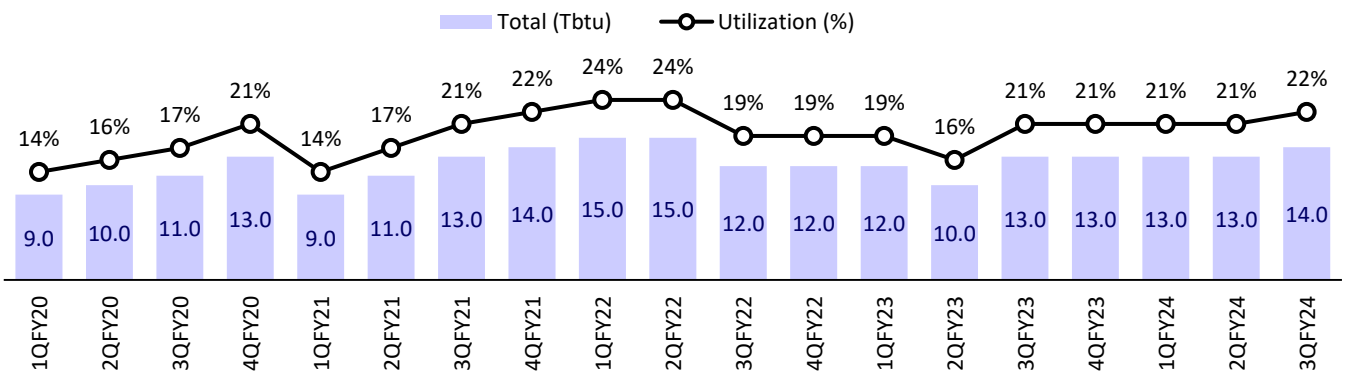
Source: Company, MOFSL

Exhibit 3: Kochi volumes at 14Tbtu, up 8% YoY



Source: Company, MOFSL

Exhibit 4: Kochi terminal utilization at 22% in 3QFY24



Source: Company, MOFSL

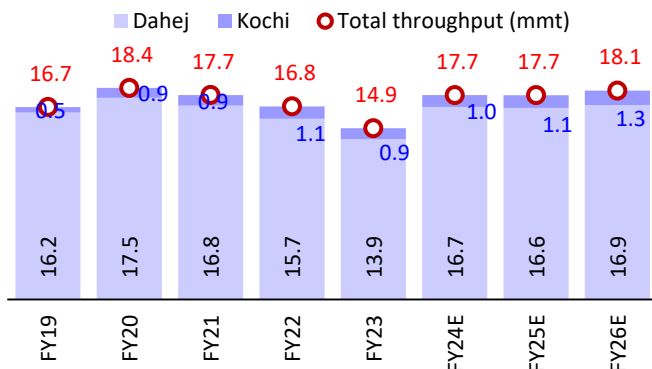


Highlights from the management commentary

- Efficiency in operations and higher utilization led to decent performance in the quarter.
- Long-term contracts: Cargoes coming from Qatar does not have any threat from Red Sea
 - Contracts originating from the US may face challenges due to the Red Sea issue, but the management does not foresee any threat to PLNG ports
- UoP settlement reached by the customers
 - PLNG provided customers with a three-year window to bring volumes to their terminal
- ✓ If the target volumes for CY21 and CY22 are achieved by Dec'24 and Dec'25, respectively, PLNG would waive the UoP
 - In the meanwhile, they have to give bank guarantees to PLNG for the UoP charges (principally agreed between parties)
- Provision of INR2.3b has been made as opex for UoP charges. Last year, the provision stood at INR900m
- Service revenue stood at INR6.2b
 - There is a INR1.4b-impact on gross margins; a forex loss of INR10m and a reversal of rent expenses of INR80m; depreciation of INR840m; and a finance cost of INR690m
- Gorgon volumes in Dahej FY24'YTD stood at 14.4Tbtu
- Trading gains stood at INR400m in 3Q (INR190m in 2QFY24) and inventory gains at INR147crs in 3Q
- Update on expansion projects
 - Dahej terminal expansion is expected to be completed by Mar'25, and would be available for use after that
 - While there is no specific completion date for the petchem project, it has received board approval with a capex of INR207b
 - Coimbatore to Krishnagiri gas connectivity will be completed by the end of CY24
- Rasgas contract price has increased by 5% from 01 Jan'24 onwards.
- Kochi regasification charges will also increase by 5% from 01 Apr'24 onwards.

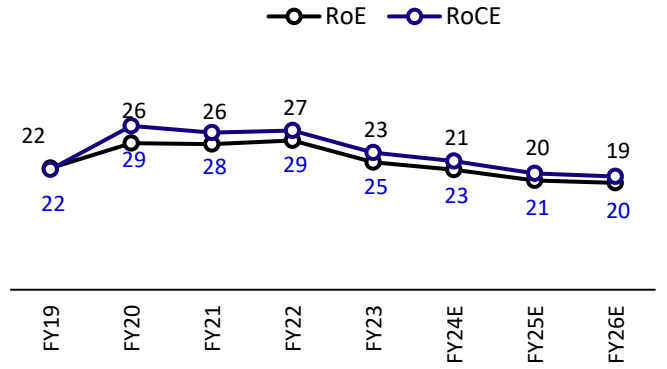
Story in charts

Exhibit 5: Volume snapshot for PLNG



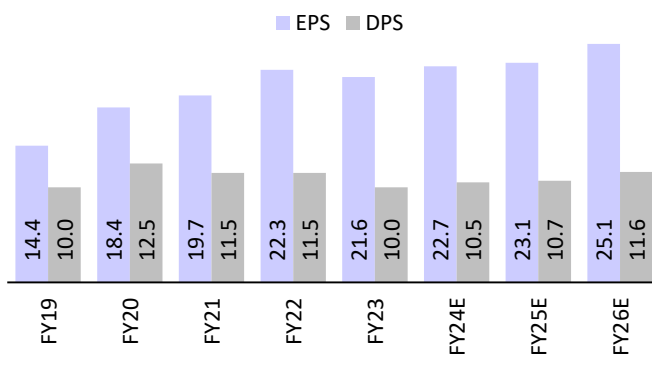
Source: Company, MOFSL

Exhibit 6: Return ratios profile



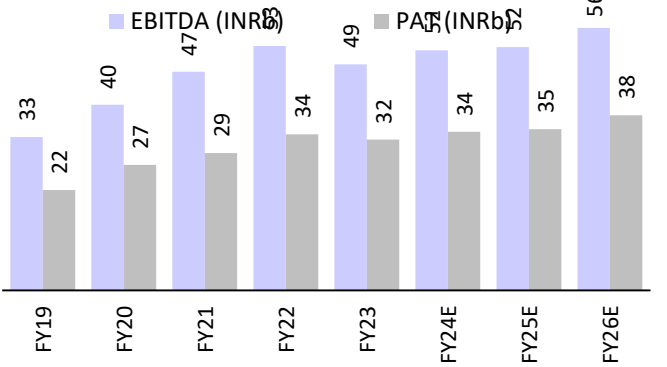
Source: Company, MOFSL

Exhibit 7: Payout ratios



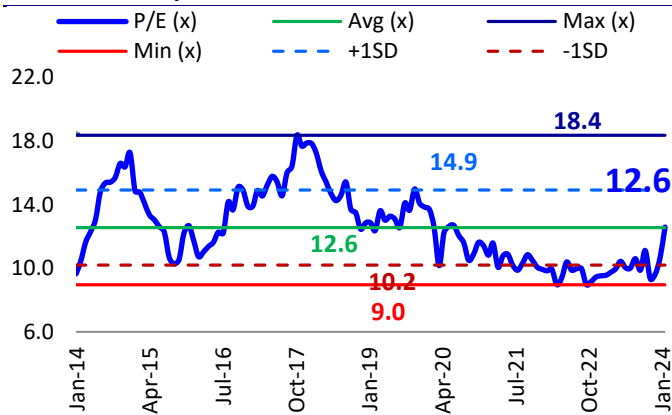
Source: Company, MOFSL

Exhibit 8: EBITDA/PAT snapshot



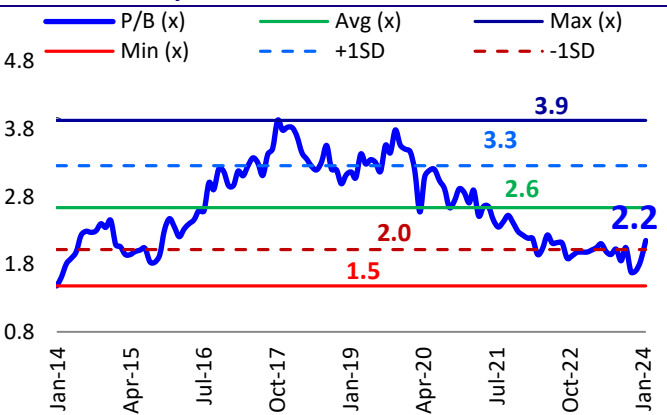
Source: Company, MOFSL

Exhibit 9: One-year forward P/E – trades at 12.6x



Source: Company, MOFSL

Exhibit 10: One-year forward PB – trades at 2.2x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	384.0	354.5	260.2	431.7	599.0	531.3	568.9	599.3
Change (%)	25.5	-7.7	-26.6	65.9	38.8	-11.3	7.1	5.3
EBITDA	32.9	39.9	47.0	52.5	48.6	51.6	52.3	56.4
Margin (%)	8.6	11.3	18.1	12.2	8.1	9.7	9.2	9.4
Depreciation	4.1	7.8	7.8	7.7	7.6	8.4	9.3	10.2
EBIT	28.8	32.1	39.2	44.8	40.9	43.2	43.0	46.3
Int. and Finance Charges	1.0	4.0	3.4	3.2	3.3	3.3	3.0	3.0
Other Income	4.5	3.7	3.9	3.1	5.7	5.6	6.3	7.0
PBT bef. EO Exp.	32.3	31.8	39.7	44.7	43.3	45.5	46.3	50.3
EO Items	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
PBT after EO Exp.	32.3	31.1	39.7	44.7	43.3	45.5	46.3	50.3
Total Tax	10.8	4.1	10.2	11.2	10.9	11.5	11.7	12.7
Tax Rate (%)	33.3	13.3	25.7	25.1	25.3	25.2	25.2	25.2
Reported PAT	21.6	27.0	29.5	33.5	32.4	34.1	34.6	37.6
Adjusted PAT	21.6	27.6	29.5	33.5	32.4	34.1	34.6	37.6
Change (%)	3.7	28.1	6.9	13.7	-3.4	5.2	1.6	8.6
Margin (%)	5.6	7.8	11.3	7.8	5.4	6.4	6.1	6.3

Standalone - Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total Reserves	85.7	94.5	101.5	119.3	134.3	152.6	171.2	191.4
Net Worth	100.7	109.5	116.5	134.3	149.3	167.6	186.2	206.4
Total Loans	1.0	0.6	0.6	0.2	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	13.4	8.9	8.8	8.3	7.0	7.0	7.0	7.0
Capital Employed	115.0	119.1	125.9	142.8	156.4	174.7	193.3	213.5
Gross Block	91.8	99.9	103.5	106.9	110.6	128.1	144.2	159.4
Less: Accum. Deprn.	15.1	22.9	30.7	38.4	46.1	54.5	63.7	73.9
Net Fixed Assets	76.7	77.0	72.8	68.5	64.5	73.7	80.5	85.6
Capital WIP	3.5	0.0	0.3	1.9	11.3	10.8	9.7	9.4
Total Investments	9.9	38.4	45.8	37.6	33.8	33.8	33.8	33.8
Lease Liabilities		35.9	33.2	31.3	30.7	30.7	30.7	30.7
Curr. Assets, Loans&Adv.	60.8	71.6	70.1	103.2	114.6	120.1	135.3	152.6
Inventory	5.7	4.8	3.4	5.8	11.5	10.2	11.0	11.5
Account Receivables	14.3	16.4	18.7	26.8	38.4	34.1	36.5	38.4
Cash and Bank Balance	29.6	44.3	43.4	43.2	56.8	68.8	80.4	94.7
Cash	2.3	9.8	8.5	10.5	0.6	7.0	12.3	19.6
Bank Balance	27.3	34.6	34.9	32.7	56.2	56.2	56.2	56.2
Loans and Advances	11.2	6.0	4.5	27.4	7.9	7.0	7.5	7.9
Curr. Liability & Prov.	35.8	32.0	29.8	37.1	37.1	32.9	35.3	37.2
Account Payables	13.0	11.7	10.4	15.3	16.4	14.6	15.6	16.4
Other Current Liabilities	22.6	20.1	18.5	20.6	18.8	16.7	17.8	18.8
Provisions	0.3	0.3	1.0	1.2	1.9	1.7	1.8	1.9
Net Current Assets	25.0	39.5	40.3	66.1	77.5	87.2	100.0	115.4
Appl. of Funds	115.0	154.9	159.2	174.1	187.1	205.4	224.0	244.2

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	14.4	18.4	19.7	22.3	21.6	22.7	23.1	25.1
Cash EPS	17.1	23.6	24.9	27.5	26.7	28.3	29.3	31.9
BV/Share	67.1	73.0	77.7	89.5	99.6	111.8	124.2	137.6
DPS	10.0	12.5	11.5	11.5	10.0	11.4	11.5	12.5
Payout (%)	74.9	73.8	58.5	51.5	46.3	50.0	50.0	50.0
Valuation (x)								
P/E	18.7	14.6	13.6	12.0	12.4	11.8	11.6	10.7
Cash P/E	15.7	11.4	10.8	9.8	10.0	9.5	9.2	8.4
P/BV	4.0	3.7	3.5	3.0	2.7	2.4	2.2	1.9
EV/Sales	1.0	1.0	1.4	0.8	0.6	0.6	0.6	0.5
EV/EBITDA	11.3	9.0	7.6	6.8	7.1	6.5	6.2	5.4
Dividend Yield (%)	3.7	4.7	4.3	4.3	3.7	4.2	4.3	4.7
FCF per share	13.2	21.7	23.2	22.7	9.7	17.0	16.2	18.5
Return Ratios (%)								
RoE	21.8	26.3	26.1	26.7	22.8	21.5	19.6	19.2
RoCE	21.5	29.4	28.1	28.5	24.6	23.0	20.8	20.3
RoIC	28.5	51.4	80.0	69.6	53.4	55.8	49.2	47.7
Working Capital Ratios								
Fixed Asset Turnover (x)	4.2	3.6	2.5	4.0	5.4	4.1	3.9	3.8
Asset Turnover (x)	3.3	2.3	1.6	2.5	3.2	2.6	2.5	2.5
Inventory (Days)	5	5	5	5	7	7	7	7
Debtor (Days)	14	17	26	23	23	23	23	23
Creditor (Days)	12	12	15	13	10	10	10	10
Leverage Ratio (x)								
Current Ratio	1.7	2.2	2.4	2.8	3.1	3.6	3.8	4.1
Interest Cover Ratio	29.1	8.0	11.7	14.1	12.4	13.3	14.3	15.4
Net Debt/Equity	-0.3	-0.4	-0.4	-0.3	-0.4	-0.4	-0.4	-0.5

Standalone - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR b)								
OP/(Loss) before Tax	32.3	31.1	39.7	44.7	43.3	45.5	46.3	50.3
Depreciation	4.1	7.8	7.8	7.7	7.6	8.4	9.3	10.2
Interest and Finance charges	1.0	4.0	3.4	3.2	3.3	3.3	3.0	3.0
Direct Taxes Paid	-8.1	-4.7	-9.9	-12.6	-12.4	-11.5	-11.7	-12.7
(Inc)/Dec in Wkg. Capital	-4.5	-4.0	-1.7	-6.3	-15.9	2.3	-1.3	-1.0
Others	-3.4	-0.7	-3.6	-1.9	-0.8	-5.6	-6.3	-7.0
CF from Op. Activity	21.4	33.5	35.6	34.7	25.2	42.5	39.3	42.7
(Inc)/Dec in FA & CWIP	-1.6	-0.9	-0.7	-0.7	-10.6	-17.0	-15.0	-15.0
Free Cash Flow	19.8	32.6	34.9	34.0	14.6	25.5	24.3	27.7
(Pur)/Sale of Investments	33.2	-3.3	-11.6	5.5	0.4	0.0	0.0	0.0
Others	-32.3	0.9	3.0	-15.4	-1.2	0.0	0.0	0.0
CF from Inv. Activity	-0.7	-3.2	-9.3	-10.6	-11.4	-17.0	-15.0	-15.0
Inc / (Dec) in Debt	-6.2	-0.1	-0.4	-0.4	-0.2	0.0	0.0	0.0
Interest paid	-1.2	-1.8	-3.4	-3.2	-0.3	-3.3	-3.0	-3.0
Dividends Paid (incl.tax)	-18.1	-8.1	-22.5	-15.8	-17.3	-15.8	-16.0	-17.4
CF from Fin. Activity	-25.5	-22.7	-27.6	-22.1	-23.7	-19.0	-19.0	-20.4
Inc / (Dec) in Cash	-4.8	7.5	-1.3	2.0	-9.8	6.4	5.3	7.3
Add: Opening Balance	7.0	2.3	9.8	8.5	10.5	0.6	7.0	12.3
Closing Balance	2.3	9.8	8.5	10.5	0.6	7.0	12.3	19.6

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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