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SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

Petronet LNG

17 November 2025

Expansion on track; Upgrade to a BUY

We attended the Dahej Plant visit organized by Petronet LNG and interacted with the top management of Petronet LNG. Key takeaways are:

Synergies from LNG terminal to cut capex and opex in upcoming petrochemicals:

PLNG is investing Rs207 bn in setting up 750KTA of PDH, 500KTA of PP, Ethane and Propane handling capacity of 1.2mtpa each. The company's existing cold-energy would help eliminate the refrigeration and cooling tower requirement which would reduce capex by nearly Rs3.5-4 bn. Further, it would help cut power cost of Rs1.2 bn (19MW savings). Despite higher cash balance, PLNG has finalized rupee-denominated debt at an attractive RoI (D:E - 70:30) and expect financial closure to happen soon. The company keeps optimism for the reversal of petchem margins as they expect demand to exceed supply by over 5mtpa in India.

3rd Jetty to have propane, ethane unloading facilities: The company is investing Rs20 bn on the 2.5km stretched 3rd jetty which is likely to be commissioned by Mar'27. With the increment capex of just Rs1-1.5bn, this will be equipped with propane and Ethane unloading arms. PLNG is eyeing to sale 0.3mtpa of propane (captive consumption of 0.9mtpa) and 1.2mtpa of ethane which would add to its growth.

Dahej expansion is on track: The management reiterated its 16% IRR margin for all projects and guided for timely commission of all the ongoing projects. The company highlighted to complete the Dahej expansion from 17.5mtpa to 22.5mtpa by Mar'26 with just one-tenth of a greenfield capex. Total evacuation capacity if 35mtpa and as Dahej is connected to all five major pipelines, competitiveness would remain strong as other LNG terminals are facing connectivity issues. Further, tariff negotiations with offtakers are still going on for RasGas volume beyond 2028, and they are not in hurry to close it.

Our view: Recently, Indian companies like GAIL and IOC have entered into a LT contract of ~7mtpa which is likely to be delivered from FY27. Further, last stretch of Mangalore-Bangalore pipeline is expected to commission by end-FY26 which would augment the volume at Kochi. Also the company is looking for bunkering option over there. Overall, based on the competition we may not see a sharp cut in tariff and may be boosted by higher tie-ups at Dahej. The stock is trading very reasonable at 9.5x on FY27 with RoE/RoCE of 18%/17%. We raise our PER multiple to 12x from earlier 11x on the back of better visibility on projects. Therefore, we raise our TP to Rs 348 from earlier Rs 319 on unchanged earnings estimates. We upgrade the stock to BUY from earlier HOLD.

PLANT VISIT UPDATE

Sector: Natural Gas

Rating: BUY

CMP: Rs 274

Target Price: Rs 348

Stock Info

Sensex/Nifty	84,655/25,931
Bloomberg	PLNG IN
Equity shares (mn)	1,500
52-wk High/Low	Rs 349/266
Face value	Rs 10
M-Cap	Rs 410bn/ USD 4.6bn
3-m Avg turnover	USD 12mn

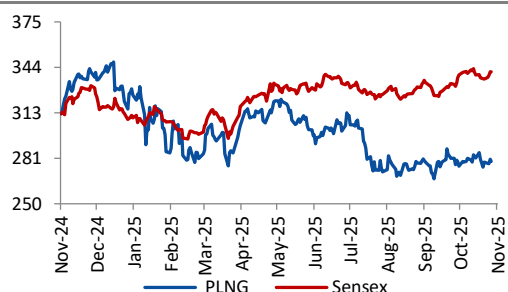
Financial Snapshot (Rs bn)

Y/E Mar	FY25	FY26E	FY27E
Sales	510	501	584
EBITDA	58	59	69
PAT	37	39	44
EPS (Rs)	24.7	26.1	29.0
PE (x)	11.2	10.6	9.5
EV/EBITDA (x)	5.4	5.8	5.2
RoE (%)	20.3	18.2	18.3
RoCE (%)	22.0	17.1	16.8
Dividend yield (%)	3.6	3.6	4.0

Shareholding Pattern (%)

	Mar'25	Jun'25	Sep'25
Promoter	50.0	50.0	50.0
FII	28.8	29.0	28.0
DII	11.2	10.9	11.7
Others	10.0	10.1	10.3

Stock Performance (1-year)



Sudeep Anand

sudeepanand@systematixgroup.in
+91 22 6704 8085

Prathmesh Kamath

prathmeshkamath@systematixgroup.in
+91 22 6704 8022

Vidhi Shah

vidhishah@systematixgroup.in
+91 22 6704 8040

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FINANCIALS (STANDALONE)

Profit & Loss Statement

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net revenue	5,98,994	5,27,284	5,09,796	5,01,324	5,83,593
Raw Material cost	5,39,524	4,64,641	4,42,979	4,33,049	5,04,394
Gross Profit	59,470	62,643	66,817	68,276	79,199
Employee cost	1,675	1,917	2,194	2,369	2,559
Other expenses	9,237	6,024	6,434	7,077	7,785
EBITDA	48,558	54,702	58,189	58,829	68,856
Depreciation	7,644	7,766	8,062	11,178	13,106
EBIT	40,914	46,936	50,127	47,651	55,750
Interest Cost	3,305	2,897	2,580	2,809	4,592
Other Income	5,736	6,167	8,153	7,746	7,358
PBT Before Exceptionals	43,345	50,207	55,700	52,588	58,516
Exceptional Items	0	2,637	2,948	0	0
PBT	43,345	52,844	58,649	52,588	58,516
Tax	10,946	12,208	13,488	13,446	14,962
Reported PAT	32,399	40,636	45,161	39,141	43,554
Adjusted PAT	32,399	33,402	37,069	39,141	43,554
Reported EPS (Rs)	21.6	23.6	26.2	26.1	29.0
Adjusted EPS (Rs)	21.6	22.3	24.7	26.1	29.0

Source: Company, Systematix Research

Cash Flow

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Pre-Tax Profit	43,345	47,570	52,752	52,588	58,516
Depreciation	7,643	7,766	8,062	11,178	13,106
Change in Working Capital	-15,943	5,654	-1,730	-915	-3,344
Tax Paid	-12,380	-12,373	-13,383	-13,651	-15,169
Other Operating Activities	2,533	109	-1,724	-4,936	-2,766
Operating Cash Flow	25,199	48,725	43,977	44,263	50,342
Capital Expenditure	-10,577	-8,408	-14,568	-56,571	-55,073
Change in Investments	-3,742	-7,314	-23,317	-104	-105
Other Investing Activities	2,952	5,107	5,991	7,746	7,358
Investing Cash Flow	-11,367	-10,615	-31,893	-48,930	-47,820
Free Cash Flow	13,832	38,110	12,084	-4,667	2,523
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	-230	0	0	29,880	28,900
Other Financing Activities	-23,451	-21,545	-21,516	-20,753	-24,559
Financing Cash Flow	-23,681	-21,545	-21,516	9,127	4,341
Change in Cash	-9,849	16,565	-9,433	4,460	6,864
Opening Cash Balance	66,649	57,532	1,00,422	90,990	95,450
Closing Cash Balance	56,800	74,097	90,990	95,450	1,02,313

Source: Company, Systematix Research

Key Assumptions

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Total volumes (mmt)	14.6	17.9	18.1	19.2	21.1
Dahej Volume (mmt)	13.7	16.8	17.0	18.1	19.5
Dahej Utilisation	78%	96%	97%	80%	87%
Kochi volume (mmt)	0.9	1.1	1.1	1.1	1.6
Kochi Utilisation	19%	21%	22%	22%	33%

Source: Company, Systematix Research

Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share Capital	15,000	15,000	15,000	15,000	15,000
Reserves & Surplus	1,34,347	1,54,628	1,78,824	2,00,021	2,23,609
Networth	1,49,347	1,69,628	1,93,824	2,15,021	2,38,609
Short + Long Term Debt	0	0	0	30,380	59,780
Deferred Tax Liabilities	7,031	6,172	5,938	5,733	5,526
Other Long Term Liabilities	38,849	33,382	27,653	27,412	27,176
Capital Employed	1,95,228	2,09,182	2,27,415	2,78,547	3,31,090
Gross Block	1,06,918	1,11,030	1,29,433	2,01,750	2,56,650
Accumulated Depreciation	42,377	50,143	58,205	69,383	82,488
Net Block	64,541	60,888	71,228	1,32,368	1,74,162
Capital WIP	11,259	15,524	16,418	500	500
Total Fixed Assets	75,800	76,412	87,646	1,32,868	1,74,662
Long Term Invest. & Others	27,900	44,004	27,261	27,294	28,810
Current Assets	1,20,526	1,30,343	1,53,102	1,58,073	1,73,843
Short Term Investments	8,697	0	10,419	10,523	10,628
Inventories	11,531	14,654	12,044	11,844	13,788
Sundry Debtors	38,397	36,261	32,669	32,126	37,398
Cash & Bank Balance	56,800	74,097	90,990	95,450	1,02,313
Short Term Loans & Advances	2,525	3,881	5,840	7,007	8,409
Others	2,576	1,450	1,141	1,122	1,306
Current Liab. & Provisions	28,998	41,577	40,595	39,688	46,224
Creditors	16,440	28,646	25,620	25,046	29,172
Other Current Liabilities	12,559	12,931	14,974	14,642	17,052
Net Current Assets	91,528	88,767	1,12,508	1,18,384	1,27,618
Total Assets	1,95,228	2,09,182	2,27,415	2,78,547	3,31,090

Source: Company, Systematix Research

Ratios (Consolidated)

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Growth					
Revenue growth	38.8%	-12.0%	-3.3%	-1.7%	16.4%
EBITDA growth	-7.6%	12.7%	6.4%	1.1%	17.0%
Adjusted PAT growth	-3.4%	3.1%	11.0%	5.6%	11.3%
Margins					
Gross margin	9.9%	11.9%	13.1%	13.6%	13.6%
EBITDA margin	8.1%	10.4%	11.4%	11.7%	11.8%
PBT margin	7.2%	9.5%	10.9%	10.5%	10.0%
Effective Tax rate	25.3%	23.1%	23.0%	25.6%	25.6%
Adjusted PAT margin	5.4%	6.3%	7.3%	7.8%	7.5%
Operating Cycle					
Inventory days	7	10	9	9	9
Debtor days	24	26	25	25	25
Creditor days	11	23	21	21	21
Working Capital Cycle	20	14	12	12	12
Return Ratios					
ROE	21.7%	20.8%	20.3%	18.2%	18.3%
Pre-tax ROCE	21.0%	22.4%	22.0%	17.1%	16.8%
Capex/revenue	2.2%	1.6%	3.8%	11.3%	9.4%
Net debt / Equity	-0.4	-0.4	-0.5	-0.4	-0.2
Yield Analysis					
CFO Yield	9.1%	14.8%	13.9%	14.0%	15.8%
FCF Yield	2.2%	9.7%	5.9%	-2.5%	-0.8%
Dividend Yield	3.6%	3.6%	3.6%	3.6%	4.0%
Valuation					
P/E (x)	12.8	12.4	11.2	10.6	9.5
P/B (x)	2.8	2.4	2.1	1.9	1.7
EV/Sales (x)	0.6	0.6	0.6	0.7	0.6
EV/EBITDA (x)	7.2	6.2	5.4	5.8	5.2

Source: Company, Systematix Research

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Systematix Shares and Stocks (India) Limited:

Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in

Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in

Details of Email id grievance redressal cell : grievance@systematixgroup.in

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