

# Petronet LNG Limited

## ACCUMULATE

Sector: Oil, Gas &amp; Consumable Fuels

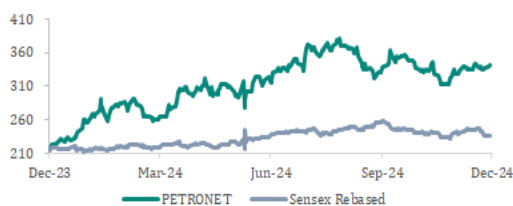
26<sup>th</sup> December 2024

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

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.

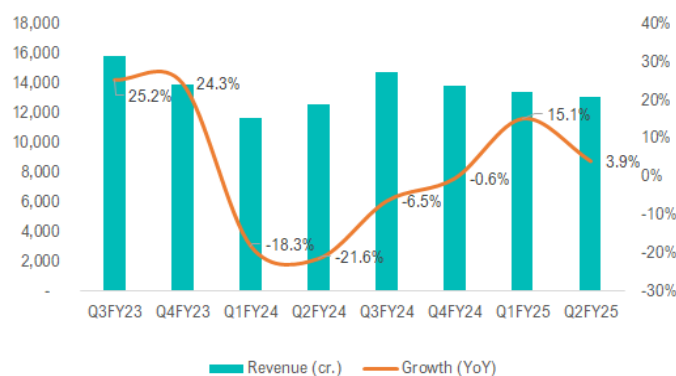
## Quarterly Financials Consol.

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

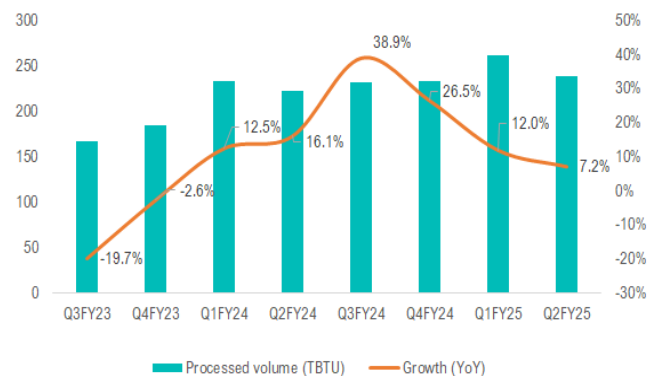
## Key concall highlights

- 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.

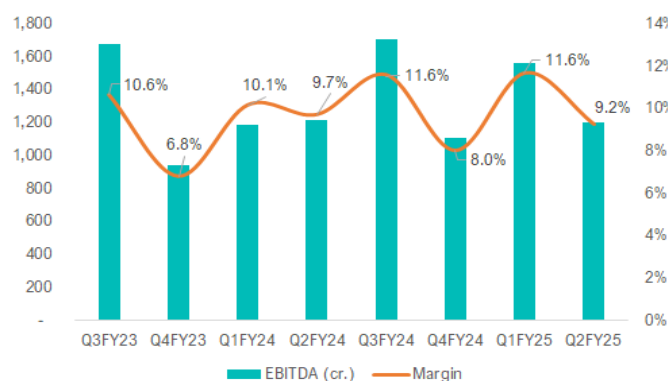
## Revenue



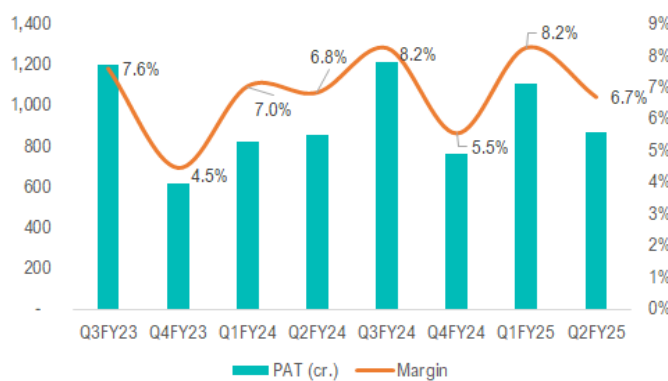
## Processed Volume



## 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
<b>Sales</b>	<b>43,169</b>	<b>59,899</b>	<b>52,729</b>	<b>54,575</b>	<b>57,713</b>
% change	65.9	38.8	-12.0	3.5	5.8
<b>EBITDA</b>	<b>5,249</b>	<b>4,854</b>	<b>5,205</b>	<b>5,561</b>	<b>6,077</b>
% change	11.7	-7.5	7.2	6.8	9.3
Depreciation	768	764	777	785	804
<b>EBIT</b>	<b>4,480</b>	<b>4,090</b>	<b>4,429</b>	<b>4,777</b>	<b>5,274</b>
Interest	317	331	290	278	265
Other Income	396	661	734	692	565
<b>PBT</b>	<b>4,559</b>	<b>4,420</b>	<b>4,873</b>	<b>5,190</b>	<b>5,573</b>
% change	15.2	-3.1	10.2	6.5	7.4
Tax	1,121	1,094	1,221	1,298	1,393
<b>Tax Rate (%)</b>	<b>24.6</b>	<b>24.8</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>
<b>Reported PAT</b>	<b>3,438</b>	<b>3,326</b>	<b>3,652</b>	<b>3,893</b>	<b>4,180</b>
Adjustment	-	-	-	-	-
<b>Adj PAT</b>	<b>3,438</b>	<b>3,326</b>	<b>3,652</b>	<b>3,893</b>	<b>4,180</b>
% 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
<b>Adj EPS (Rs.)</b>	<b>22.9</b>	<b>22.2</b>	<b>24.4</b>	<b>26.0</b>	<b>27.9</b>
% 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
<b>C.F. Operation</b>	<b>3,479</b>	<b>2,519</b>	<b>4,871</b>	<b>4,783</b>	<b>5,147</b>
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
<b>C.F – Investment</b>	<b>-1,063</b>	<b>-1,142</b>	<b>-1,056</b>	<b>-2,649</b>	<b>-2,928</b>
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
<b>C.F – Finance</b>	<b>-2,227</b>	<b>-2,368</b>	<b>-2,154</b>	<b>-2,175</b>	<b>-2,294</b>
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
<b>Gross Fixed Assets</b>	<b>9,589</b>	<b>9,616</b>	<b>10,456</b>	<b>12,230</b>	<b>14,112</b>
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
<b>Total Assets</b>	<b>21,362</b>	<b>22,798</b>	<b>25,523</b>	<b>26,586</b>	<b>29,356</b>
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
<b>Total Liabilities</b>	<b>21,362</b>	<b>22,798</b>	<b>25,523</b>	<b>26,586</b>	<b>29,356</b>
BVPS (Rs.)	91.1	101.8	116.1	131.7	148.5

### Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
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
<b>W.C &amp; Liquidity</b>					
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
<b>Turnover &amp; Leverage</b>					
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
<b>Valuation</b>					
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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