

Petronet LNG

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↓ |
| Rating change | ↔ |

CMP: INR291

TP: INR330 (+14%)

Neutral

Dahej expansion and Kochi connectivity serve as medium-term catalysts

| | |
|-----------------------|-----------|
| Bloomberg | PLNG IN |
| Equity Shares (m) | 1500 |
| M.Cap.(INRb)/(USDb) | 435.8 / 5 |
| 52-Week Range (INR) | 385 / 253 |
| 1, 6, 12 Rel. Per (%) | -11/-14/6 |
| 12M Avg Val (INR M) | 1646 |

Financials & Valuations (INR b)

| Y/E March | FY25E | FY26E | FY27E |
|----------------|-------|-------|-------|
| Sales | 515.6 | 523.7 | 550.0 |
| EBITDA | 51.9 | 63.9 | 68.4 |
| Adj. PAT | 36.5 | 43.9 | 46.9 |
| Adj. EPS (INR) | 24.3 | 29.2 | 31.3 |
| EPS Gr. (%) | 3.1 | 20.3 | 7.0 |
| BV/Sh.(INR) | 126.1 | 141.8 | 158.6 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | -0.5 | -0.5 | -0.5 |
| RoE (%) | 20.3 | 21.8 | 20.8 |
| RoCE (%) | 21.4 | 22.9 | 21.8 |
| Payout (%) | 46.3 | 46.3 | 46.3 |

Valuation

| | | | |
|----------------|------|------|-----|
| P/E (x) | 12.0 | 10.0 | 9.3 |
| P/BV (x) | 2.3 | 2.1 | 1.8 |
| EV/EBITDA (x) | 6.7 | 5.1 | 4.5 |
| Div. Yield (%) | 3.9 | 4.7 | 5.0 |

Shareholding Pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 50.0 | 50.0 | 50.0 |
| DII | 11.1 | 11.8 | 11.0 |
| FII | 28.6 | 27.3 | 26.8 |
| Others | 10.3 | 10.9 | 12.2 |

FII includes depository receipts

- Petronet LNG's 3QFY25 revenue came in below our estimates, as total volumes stood below our estimates, primarily due to lower third-party cargos. While EBITDA was also marginally below estimates, higher-than-expected other income led to PAT coming in-line with our estimates. We believe that higher Spot LNG prices, averaging USD13.9/mmbtu in 3Q (up 7% QoQ), led to a decline in total volumes. Spot LNG prices continue to remain elevated in 4QFY25'td, averaging USD14.2/mmbtu.

- The Dahej terminal expansion from 17.5mmt to 22.5mmt is expected to be completed by Jun'25 (three months delay), after which it will be available for use. In 4Q, the management expects capacity utilization at Dahej to remain ~95%-100%. It believes that post connection to the National Gas Grid, Kochi terminal utilization could reach 50%. Management also stated that while Spot LNG is likely to remain in the range of USD12-USD14 per mmbtu, post FY27, these prices should be around USD7-USD8 per mmbtu due to the global supply glut.

- Going forward, the key catalysts will be: 1) the commissioning of the expanded Dahej capacity, and 2) pipeline connectivity for the Kochi terminal. While the PDH-PP project and Gopalpur FSRU can support the future volume trajectory, we believe that the economics of these projects are yet to be established and that they are longer-dated projects. As such, we maintain our **Neutral rating with a TP of INR330**.

Other key takeaways from the conference call

- The expected total capex for FY25 shall be INR14b-15b (INR9.8b has already been spent); total capex of INR40b-INR45b will be incurred in FY26.
- Petchem capex during 9MFY25 stood at INR3.4b (expected: INR4b by Mar'25). FY26 planned capex related to petchem amounts to INR30b-INR35b.
- A 5% tariff hike has been taken at Dahej from 1st Jan'25.
- During 3Q, inventory gains amounted to INR830m, while trading gains stood at INR260m. In 3Q, Regas revenues stood at INR8.4b (INR7.3b in 2QFY25).

PAT in line; Dahej utilization drops

- In 3QFY25, revenue came in below our estimate, as total volumes were below estimate.
- We note that Spot LNG prices were high in 3Q, averaging USD13.9/mmbtu (up 7% QoQ).
- EBITDA was 5% below our estimates at INR12.5b (-27% YoY), with employee expenses coming in above our estimate.
- Reported PAT stood in line with our est. at INR8.7b (-27% YoY), with other income coming in above our estimate.

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Operational performance

- Volumes came in below our estimates, primarily due to lower third-party cargos.
- Dahej utilization was below estimates, while Kochi utilization stood in line.
- In 3Q, PLNG provisioned INR1b for UoP dues. Additionally, PLNG has waived off UoP charges of INR489m (INR1.8b in 9mFY25).
- **In 9MFY25**, net sales/EBITDA/PAT were similar YoY at INR387b/ INR40b/ INR29b. **In 4QFY25**, we estimate EBITDA/PAT to grow 14%/19% YoY.
- **As of Dec'24**, provisions on UoP dues stood at INR7b.
- UoP dues of INR16.7b (net provision INR9.6b) were included in trade receivables as of Dec'24. The company has obtained bank guarantees from customers to recover UoP charges for FY22 and FY23. The customers have not given balance confirmations toward these dues. However, the management is confident about recovering these charges.

Valuation and view

- PLNG's volume utilization improved substantially in 9MFY25 amid moderate spot LNG prices in 1HFY25 and robust demand. While we remain positive about the volume growth, we believe the ongoing uncertainty around UoP provisioning and rising competition will prevent a further re-rating.
- We value PLNG at 11x Dec'26E EPS to arrive at a TP of INR330. **We reiterate our Neutral rating** on the stock.

Standalone - Quarterly Earning Model

(INR b)

| Y/E March | FY24 | | | FY25 | | | | FY24 | FY25 | FY25 | Var. (%) | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | | | | | 4QE |
| Net Sales | 116.6 | 125.3 | 147.5 | 137.9 | 134.2 | 130.2 | 122.3 | 129.8 | 527.3 | 516.5 | 133.9 | -9% |
| YoY Change (%) | -18.3 | -21.6 | -6.5 | -0.6 | 15.1 | 3.9 | -17.1 | -5.9 | -12.0 | -2.1 | -9.2 | |
| EBITDA | 11.8 | 12.1 | 17.1 | 11.0 | 15.6 | 12.0 | 12.5 | 12.6 | 52.1 | 52.7 | 13.2 | -5% |
| Margin (%) | 10.1 | 9.7 | 11.6 | 8.0 | 11.7 | 9.2 | 10.2 | 9.7 | 9.9 | 10.2 | 9.9 | |
| Depreciation | 1.9 | 1.9 | 2.0 | 1.9 | 1.9 | 2.0 | 2.1 | 2.1 | 7.8 | 8.1 | 2.0 | |
| Interest | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 2.9 | 2.6 | 0.7 | |
| Other Income | 1.5 | 1.6 | 1.6 | 1.6 | 2.2 | 2.0 | 2.0 | 1.7 | 6.2 | 7.9 | 1.5 | |
| PBT | 10.6 | 11.0 | 16.0 | 10.0 | 15.2 | 11.4 | 11.7 | 11.6 | 47.6 | 49.9 | 12.0 | -2% |
| Tax | 2.7 | 2.8 | 4.1 | 2.6 | 3.8 | 2.9 | 3.0 | 2.9 | 12.2 | 12.6 | 3.0 | |
| Rate (%) | 25.6 | 25.8 | 25.5 | 25.9 | 24.9 | 25.7 | 25.8 | 24.6 | 25.7 | 25.2 | 25.2 | |
| Reported PAT | 7.9 | 8.2 | 11.9 | 7.4 | 11.4 | 8.5 | 8.7 | 8.7 | 35.4 | 37.3 | 9.0 | -3% |
| Adj PAT | 7.9 | 8.2 | 11.9 | 7.4 | 11.4 | 8.5 | 8.7 | 8.7 | 35.4 | 37.3 | 9.0 | -3% |
| YoY Change (%) | 12.7 | 9.9 | 0.9 | 20.1 | 44.5 | 3.6 | -27.2 | 18.6 | 9.1 | 5.5 | -24.8 | |
| Margin (%) | 6.8 | 6.5 | 8.1 | 5.3 | 8.5 | 6.5 | 7.1 | 6.7 | 6.7 | 7.2 | 6.7 | |
| Key Assumptions | | | | | | | | | | | | |
| Total Volumes (TBtu) | 230.0 | 223.0 | 232.0 | 234.0 | 262.0 | 239.0 | 228.0 | 231.5 | 919.0 | 960.5 | 249.0 | -8% |
| Dahej utilization (%) | 98% | 95% | 99% | 99% | 112% | 102% | 96% | 98% | 98% | 102% | 106% | -9% |
| Kochi utilization (%) | 21% | 21% | 22% | 24% | 22% | 22% | 24% | 24% | 22% | 23% | 23% | 3% |

Exhibit 1: Dahej total volumes at 213Tbtu, down 2% YoY

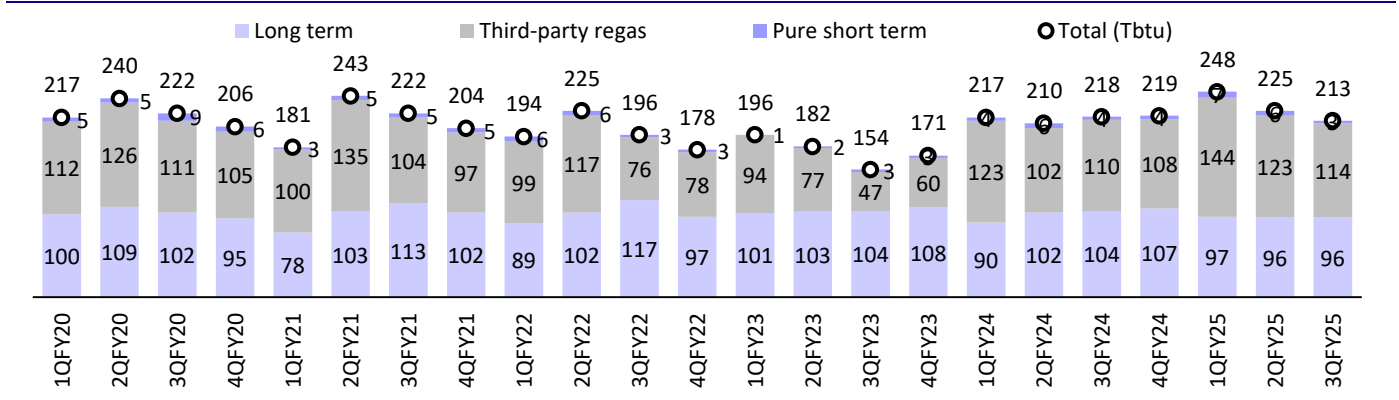


Exhibit 2: Dahej terminal utilization at 96% in 3QFY25

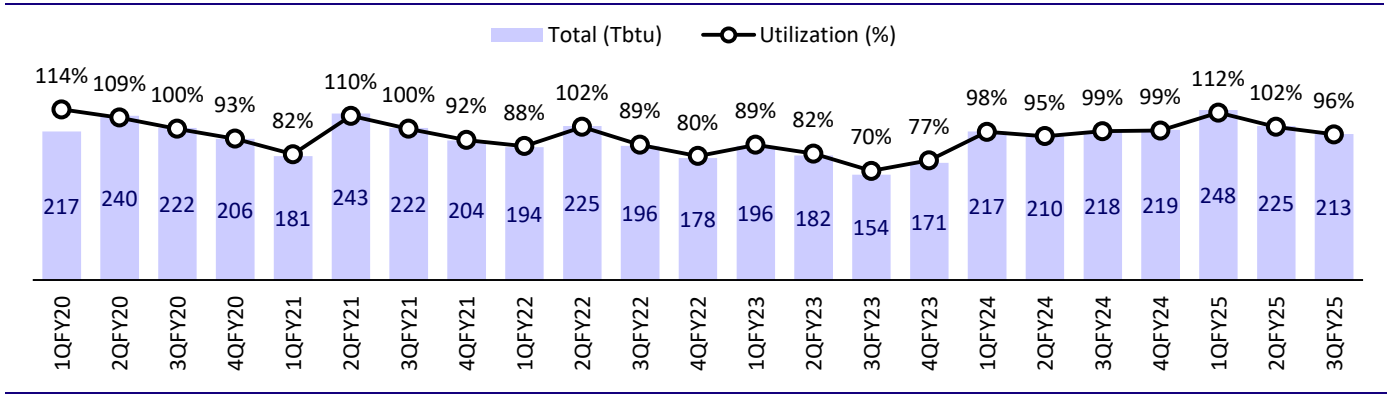


Exhibit 3: Kochi volumes at 15Tbtu, up 7% YoY

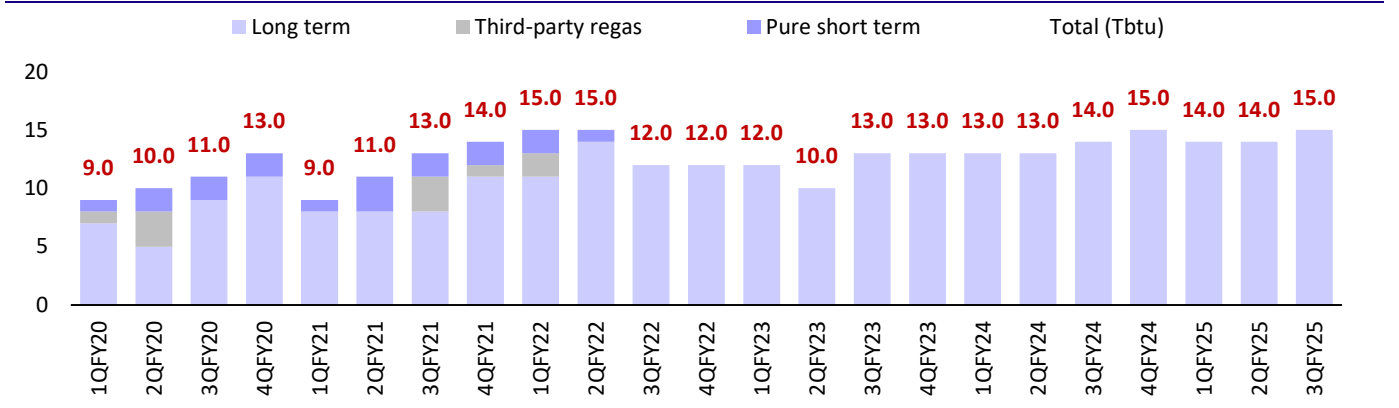
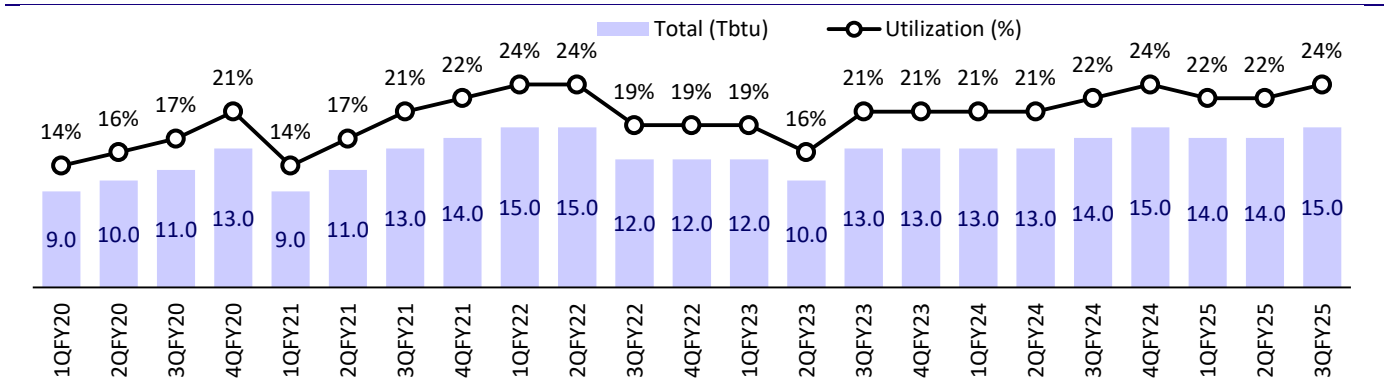


Exhibit 4: Kochi terminal utilization at 24% in 3QFY25



Source: Company, MOFSL



Highlights from the management commentary

Volumes

- Lower long-term volumes at Dahej (below 100Tbtu): These are scheduled cargoes and the company does not foresee any risk.
- Spot and services cargoes are affected due to higher Spot LNG prices.

Tax structure

- PLNG is pursuing MoPNG to include NG under GST.
- Gujarat/Kerala VAT rate: 15%/5% levied on off-takers while selling R-LNG & LNG.
- No ITC is availed when this gas is consumed outside the state where it is sold.

UoP charges

- BG is in place and all the off-takers are informed. The off-takers are expected to reply by 31st Mar'25. CY21 dues are expected to be paid by Mar'25.
- CY21: ~85% is already provisioned. Any excess recovery by Mar'25 will be beneficial for the company.
- CY23: PLNG shall receive BGs for FY23 and aims to recover these charges by Dec'26.
- Only INR1.2b defaulted in the current year.

Capex

- FY25 expected total capex: INR14-15b (INR9.8b already spent); INR40b-INR45b total capex shall be incurred in FY26.
- Petchem capex: In 9MFY25, INR3.4b has been incurred (INR4b by Mar'25); FY26 planned capex: INR30b-INR35b.

Update on Dahej Terminal

- Dahej expansion is expected to be completed by Jun'25 (Mar'25 previously), increasing the capacity by 5mmtpa to 22.5mmtpa, available from FY26. Utilization will be 95%-100% in 4QFY25.
- Though capacity utilization may not reach 100%, it is expected to be ~40%-50%, which is good enough. Utilization will increase if prices soften.
- The company is already in talks with off-takers. The management is not worried about any under-utilization amid increasing volumes, robust demand growth, and range-bound LNG prices. The Dahej Terminal will play a key role in increasing consumption volumes in the country.
- The construction of the third jetty is already underway and will be capable of handling all three kinds of hydrocarbons.
- A 5% tariff hike has been taken at Dahej from 1st Jan'25.

Update on Kochi Terminal

- Post connection to the National Gas Grid, utilization could reach 50%.

Petchem expansion

- Most of the long-lead items have been finalized and important orders will be placed.

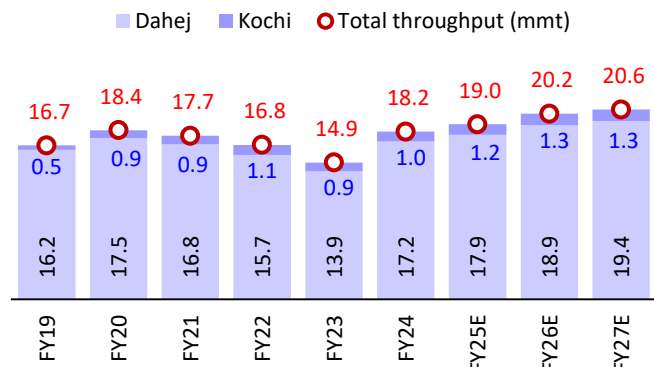
- Petchem capex: In 9MFY25, INR3.4b has been incurred (INR4b by Mar'25); FY26 planned capex: INR30b-INR35b.
- Capex will be ~15%/~30%/~35% in FY26/FY27/FY28.
- The debt:equity ratio will be 70:30.
- Ethane/Propane long-term contracts: Rigorous follow-up on contracting is going on. However, long-term contracts for ethane still need to be finalized.
- The project will be commissioned by Nov'27.

Other KTAs

- During 3Q, inventory gains amounted to INR830m, while trading gains stood at INR260m.
- In 3Q, Regas revenues stood at INR8.4b (INR7.3b in 2QFY25).
- No marketing margin is charged on long-term contracts.
- Spot LNG is likely to remain in the range of USD12-USD14 per mmbtu. Post FY27, these prices will be around USD7-USD8 per mmbtu as supply glut is expected.
- There is no forex risk to the company w.r.t. LNG, as it is passed on to consumers.

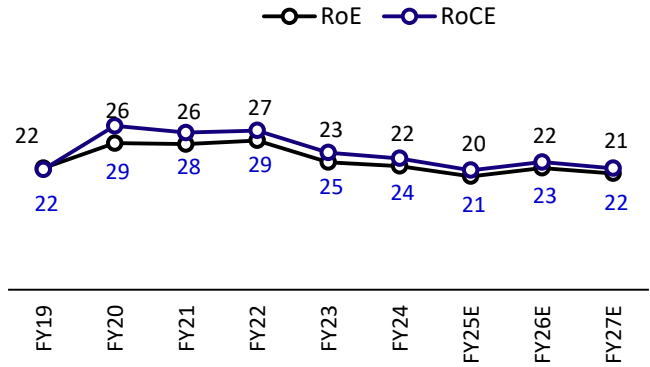
Story in charts

Exhibit 5: Volume snapshot for PLNG



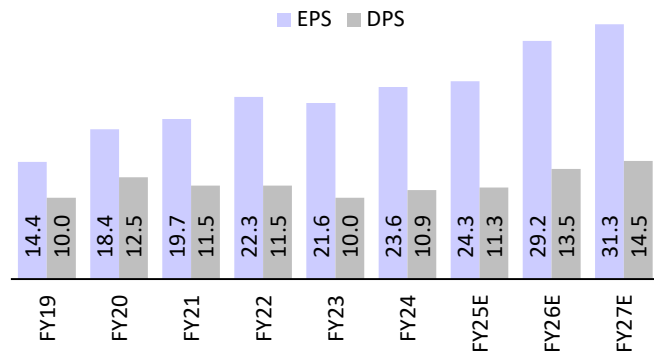
Source: Company, MOFSL

Exhibit 6: Return ratios profile



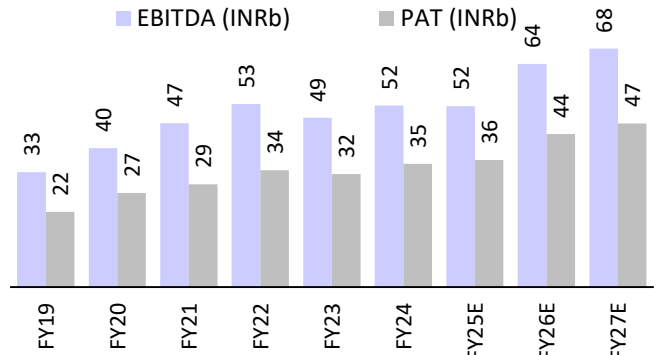
Source: Company, MOFSL

Exhibit 7: Payout ratios



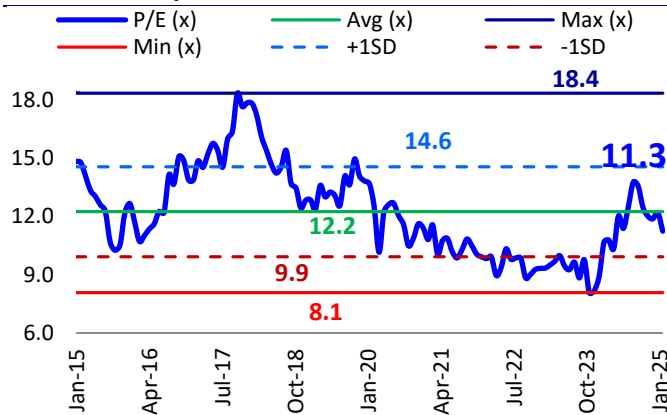
Source: Company, MOFSL

Exhibit 8: EBITDA/PAT snapshot



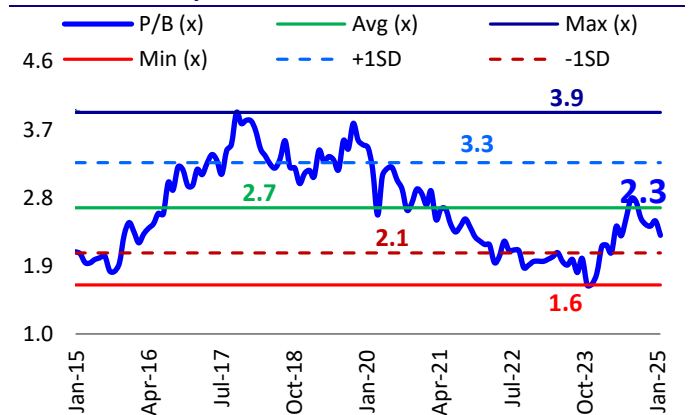
Source: Company, MOFSL

Exhibit 9: One-year forward P/E – trades at 11.3x



Source: Company, MOFSL

Exhibit 10: One-year forward PB – trades at 2.3x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR b)

| Y/E March | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Income from Operations | 599.0 | 527.3 | 515.6 | 523.7 | 550.0 |
| Change (%) | 38.8 | -12.0 | -2.2 | 1.6 | 5.0 |
| EBITDA | 48.6 | 52.1 | 51.9 | 63.9 | 68.4 |
| Margin (%) | 8.1 | 9.9 | 10.1 | 12.2 | 12.4 |
| Depreciation | 7.6 | 7.8 | 8.1 | 9.5 | 10.5 |
| EBIT | 40.9 | 44.3 | 43.8 | 54.5 | 57.9 |
| Int. and Finance Charges | 3.3 | 2.9 | 2.6 | 2.9 | 2.9 |
| Other Income | 5.7 | 6.2 | 7.9 | 7.4 | 8.1 |
| PBT bef. EO Exp. | 43.3 | 47.6 | 49.0 | 59.0 | 63.1 |
| EO Items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PBT after EO Exp. | 43.3 | 47.6 | 49.0 | 59.0 | 63.1 |
| Total Tax | 10.9 | 12.2 | 12.6 | 15.1 | 16.2 |
| Tax Rate (%) | 25.3 | 25.7 | 25.7 | 25.7 | 25.7 |
| Reported PAT | 32.4 | 35.4 | 36.5 | 43.9 | 46.9 |
| Adjusted PAT | 32.4 | 35.4 | 36.5 | 43.9 | 46.9 |
| Change (%) | -3.4 | 9.1 | 3.1 | 20.3 | 7.0 |
| Margin (%) | 5.4 | 6.7 | 7.1 | 8.4 | 8.5 |

Standalone - Balance Sheet

(INR b)

| Y/E March | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Equity Share Capital | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Total Reserves | 134.3 | 154.6 | 174.2 | 197.8 | 223.0 |
| Net Worth | 149.3 | 169.6 | 189.2 | 212.8 | 238.0 |
| Total Loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred Tax Liabilities | 7.0 | 6.2 | 6.2 | 6.2 | 6.2 |
| Capital Employed | 156.4 | 175.8 | 195.4 | 218.9 | 244.1 |
| Gross Block | 110.6 | 115.4 | 133.8 | 148.6 | 163.5 |
| Less: Accum. Deprn. | 46.1 | 53.8 | 61.9 | 71.4 | 81.8 |
| Net Fixed Assets | 64.5 | 61.5 | 71.9 | 77.2 | 81.7 |
| Capital WIP | 11.3 | 15.5 | 9.1 | 9.3 | 9.4 |
| Total Investments | 33.8 | 21.7 | 21.7 | 21.7 | 21.7 |
| Lease Liabilities | 30.7 | 26.0 | 26.0 | 26.0 | 26.0 |
| Curr. Assets, Loans&Adv. | 114.6 | 152.0 | 166.6 | 185.4 | 208.5 |
| Inventory | 11.5 | 14.7 | 14.3 | 14.6 | 15.3 |
| Account Receivables | 38.4 | 36.3 | 35.5 | 36.0 | 37.8 |
| Cash and Bank Balance | 56.8 | 74.1 | 90.4 | 108.0 | 127.2 |
| Cash | 0.6 | 17.2 | 25.6 | 35.8 | 46.9 |
| Bank Balance | 56.2 | 56.9 | 56.9 | 56.9 | 56.9 |
| Loans and Advances | 7.9 | 27.0 | 26.4 | 26.8 | 28.2 |
| Curr. Liability & Prov. | 37.1 | 49.0 | 47.9 | 48.7 | 51.1 |
| Account Payables | 16.4 | 28.6 | 28.0 | 28.5 | 29.9 |
| Other Current Liabilities | 18.8 | 17.9 | 17.5 | 17.8 | 18.7 |
| Provisions | 1.9 | 2.4 | 2.4 | 2.4 | 2.5 |
| Net Current Assets | 77.5 | 103.0 | 118.7 | 136.7 | 157.4 |
| Appl. of Funds | 187.1 | 201.8 | 221.3 | 244.9 | 270.1 |

Financials and valuations

Ratios

| Y/E March | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | |
| EPS | 21.6 | 23.6 | 24.3 | 29.2 | 31.3 |
| Cash EPS | 26.7 | 28.8 | 29.7 | 35.5 | 38.3 |
| BV/Share | 99.6 | 113.1 | 126.1 | 141.8 | 158.6 |
| DPS | 10.0 | 10.0 | 10.3 | 12.4 | 13.3 |
| Payout (%) | 46.3 | 42.4 | 42.4 | 42.4 | 42.4 |
| Valuation (x) | | | | | |
| P/E | 13.5 | 12.3 | 12.0 | 10.0 | 9.3 |
| Cash P/E | 10.9 | 10.1 | 9.8 | 8.2 | 7.6 |
| P/BV | 2.9 | 2.6 | 2.3 | 2.1 | 1.8 |
| EV/Sales | 0.6 | 0.7 | 0.7 | 0.6 | 0.6 |
| EV/EBITDA | 7.8 | 7.0 | 6.7 | 5.1 | 4.5 |
| Dividend Yield (%) | 3.4 | 3.4 | 3.5 | 4.3 | 4.6 |
| FCF per share | 9.7 | 26.9 | 18.6 | 22.2 | 23.8 |
| Return Ratios (%) | | | | | |
| RoE | 22.8 | 22.2 | 20.3 | 21.8 | 20.8 |
| RoCE | 24.6 | 23.5 | 21.4 | 22.9 | 21.8 |
| RoIC | 53.4 | 55.3 | 46.9 | 52.6 | 51.9 |
| Working Capital Ratios | | | | | |
| Fixed Asset Turnover (x) | 5.4 | 4.6 | 3.9 | 3.5 | 3.4 |
| Asset Turnover (x) | 3.2 | 2.6 | 2.3 | 2.1 | 2.0 |
| Inventory (Days) | 7 | 10 | 10 | 10 | 10 |
| Debtor (Days) | 23 | 25 | 25 | 25 | 25 |
| Creditor (Days) | 10 | 20 | 20 | 20 | 20 |
| Leverage Ratio (x) | | | | | |
| Current Ratio | 3.1 | 3.1 | 3.5 | 3.8 | 4.1 |
| Interest Cover Ratio | 12.4 | 15.3 | 16.5 | 19.1 | 20.3 |
| Net Debt/Equity | -0.4 | -0.4 | -0.5 | -0.5 | -0.5 |

Standalone - Cash Flow Statement

| Y/E March | FY23 | FY24 | FY25E | FY26E | FY27E |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| (INR b) | | | | | |
| OP/(Loss) before Tax | 43.3 | 47.6 | 49.0 | 59.0 | 63.1 |
| Depreciation | 7.6 | 7.8 | 8.1 | 9.5 | 10.5 |
| Interest and Finance charges | 3.3 | 2.9 | 2.6 | 2.9 | 2.9 |
| Direct Taxes Paid | -12.4 | -12.4 | -12.6 | -15.1 | -16.2 |
| (Inc)/Dec in Wkg. Capital | -15.9 | 5.9 | 0.6 | -0.4 | -1.4 |
| Others | -0.8 | -3.0 | -7.9 | -7.4 | -8.1 |
| CF from Op. Activity | 25.2 | 48.7 | 39.9 | 48.4 | 50.7 |
| (Inc)/Dec in FA & CWIP | -10.6 | -8.4 | -12.0 | -15.0 | -15.0 |
| Free Cash Flow | 14.6 | 40.3 | 27.9 | 33.4 | 35.7 |
| (Pur)/Sale of Investments | 0.4 | 9.2 | 0.0 | 0.0 | 0.0 |
| Others | -1.2 | -11.4 | 0.0 | 0.0 | 0.0 |
| CF from Inv. Activity | -11.4 | -10.6 | -12.0 | -15.0 | -15.0 |
| Inc / (Dec) in Debt | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest paid | -0.3 | -0.1 | -2.6 | -2.9 | -2.9 |
| Dividends Paid (incl.tax) | -17.3 | -15.0 | -16.9 | -20.3 | -21.7 |
| CF from Fin. Activity | -23.7 | -21.5 | -19.5 | -23.2 | -24.6 |
| Inc / (Dec) in Cash | -9.8 | 16.6 | 8.4 | 10.2 | 11.1 |
| Add: Opening Balance | 10.5 | 0.6 | 17.2 | 25.6 | 35.8 |
| Closing Balance | 0.6 | 17.2 | 25.6 | 35.8 | 46.9 |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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