

# Retail Equity Research

## Petronet LNG Limited

Oil, Gas & Consumable Fuels

BSE CODE: 532522

NSE CODE: PETRONET

Bloomberg CODE: PLNG:IN

SENSEX: 78,759

**ACCUMULATE**

12 Months Investment Period

Rating as per Mid Cap

CMP Rs. 355

TARGET Rs. 397

RETURN 12% ↑

(Closing: 05-08-24)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↑

**EARNINGS** ↑

### Excellent results on double-digit volume growth

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 Q1FY25, the consolidated revenue grew by 15.1% YoY to Rs. 13,415cr, supported by robust volume growth.
- EBITDA rose 32.2% YoY and the margin widened 150bps YoY to 11.6%, due to strong operational performance.
- Capacity expansion at Dahej and Kochi terminals, increased capital expenditure, improving utilisation, and robust volume growth are positive signs for its long-term performance. Therefore, we upgrade our rating to ACCUMULATE on the stock, with a revised target price of Rs. 397 based on 14x FY26E adjusted EPS.

### Volume growth fuels revenue

Petronet's consolidated revenue for Q1FY25 experienced a significant 15.1% YoY increase, reaching Rs. 13,415cr. This growth was primarily driven by robust volumes, fueled by moderate LNG prices and improved capacity utilisation. Notably, the company achieved its highest ever volume, with a 14% YoY increase to 262 TBTU in the quarter. The Dahej terminal played a key role, processing 248 TBTU of LNG, up from 219 TBTU in Q4FY24 and 217 TBTU in Q1FY24. Capacity utilisation at the terminal reached an impressive 109% during the quarter. As a result, EBITDA also saw a substantial increase, growing 32.2% YoY to Rs. 1,563cr, with margins expanding by 150bps YoY to 11.6%. As a result, the reported profit after tax (PAT) grew 34.9% YoY to Rs. 1,105cr, benefiting from lower interest costs and higher other income.

### Key concall highlights

- In Q1FY25, Petronet made a provision of approximately Rs. 1,300cr towards Unit of Production (UoP) charges dues. In addition, the company has written off UoP charges of Rs. 63cr.
- In Q1FY25, the company incurred a capital expenditure of Rs. 300cr. Looking ahead, it has budgeted a total capital expenditure of Rs. 3,500cr for FY25.
- For Q1FY25, the re-gasification service income amounted to Rs. 851cr.

### Progress on key projects to boost capacity and future growth

The expansion project at the Dahej terminal is slated for completion by March 2025, which will increase the capacity by 5 MMTPA at a relatively low capital expenditure of Rs. 570cr. This expansion is expected to have a payback period of merely 2-3 years. Meanwhile, the Kochi terminal is expected to achieve connectivity with Bangalore by March 2025. Following this connection, the terminal will be linked to the National Gas Grid, leading to a significant increase in utilisation rates, initially reaching 60% and potentially rising further. The primary customers for this expanded capacity are anticipated to be city gas distribution entities.

### Valuation

In Q1FY25, Petronet's volume and utilisation levels demonstrated significant improvement despite soft LNG prices. Looking ahead, the company's performance is expected to be driven by the expanded capacity at the Dahej terminal, pipeline connectivity of the Kochi terminal, progress on the PDHPP petrochemical project, and advancements in the floating storage regasification unit (FSRU) project. Improving utilisation at Dahej and Kochi terminals are also anticipated to support the margins. We remain confident of the company's volume growth, and therefore, we upgraded our rating to ACCUMULATE on the stock, with a revised target price of Rs. 397, based on 14x FY26E adjusted EPS.

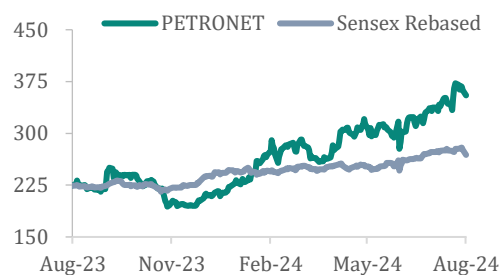
### Company Data

Market Cap (cr)	Rs. 53,280
Enterprise Value (cr)	Rs. 47,507
Outstanding Shares (cr)	150.0
Free Float	50.0%
Dividend Yield	0.8%
52 week high	Rs. 378
52 week low	Rs. 192
6m average volume (lacs)	68.9
Beta	1.1
Face value	Rs. 10

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	50.0	50.0	50.0
FII's	26.8	26.2	25.6
MFs/Insti	11.0	11.4	12.9
Public	11.9	11.7	11.2
Others	0.4	0.7	0.3
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	13.2%	29.8%	58.4%
Absolute Sensex	6.6%	9.8%	19.8%
Relative Return*	6.6%	20.0%	38.6%

\*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	52,729	62,484	73,107
Growth (%)	(12.0)	18.5	17.0
EBITDA	5,205	5,930	6,406
EBITDA Margin (%)	9.9	9.5	8.8
Adj. PAT	3,652	3,921	4,248
Growth (%)	9.8	7.3	8.4
Adj. EPS	24.4	26.1	28.3
Growth (%)	9.8	7.3	8.4
P/E	10.8	13.6	12.5
P/B	2.3	2.7	2.4
EV/EBITDA	6.7	8.0	7.3
ROE (%)	21.0	20.0	19.4
D/E	0.1	0.1	0.1

## Quarterly Financials (Standalone)

### Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	13,415	11,656	15.1	13,793	(2.7)
<b>EBITDA</b>	<b>1,563</b>	<b>1,182</b>	<b>32.2</b>	<b>1,104</b>	<b>41.6</b>
EBITDA margins	11.6	10.1	150bps	8.0	360bps
Depreciation	195	192	1.4	194	0.1
<b>EBIT</b>	<b>1,368</b>	<b>990</b>	<b>38.2</b>	<b>909</b>	<b>50.5</b>
Interest	67	75	(10.5)	71	(5.7)
Other Income	178	145	22.8	154	15.6
Exceptional Items	-	-	-	-	-
Share of profit from Associate	5	32	(85.1)	30	(84.5)
<b>PBT</b>	<b>1,484</b>	<b>1,092</b>	<b>35.9</b>	<b>1,022</b>	<b>45.1</b>
Tax	378	272	38.9	258	46.6
<b>Reported PAT</b>	<b>1,105</b>	<b>819</b>	<b>34.9</b>	<b>764</b>	<b>44.6</b>
Minority Interest	-	-	-	-	-
<b>PAT att. to shareholders</b>	<b>1,105</b>	<b>819</b>	<b>34.9</b>	<b>764</b>	<b>44.6</b>
Adjustments	-	-	-	-	-
<b>Adj. PAT</b>	<b>1,105</b>	<b>819</b>	<b>34.9</b>	<b>764</b>	<b>44.6</b>
No. of shares	150.0	150.0	-	150.0	-
<b>Adj. EPS (Rs.)</b>	<b>7.4</b>	<b>5.5</b>	<b>34.9</b>	<b>5.1</b>	<b>44.6</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	56,532	60,263	62,484	73,107	10.5	21.3
EBITDA	5,308	5,833	5,930	6,406	11.7	9.8
Margins (%)	9.4	9.7	9.5	8.8	10bps	(90bps)
Adj. PAT	3,511	3,789	3,921	4,248	11.7	12.1
Adj. EPS	23.4	25.3	26.1	28.3	11.7	12.1

## PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>43,169</b>	<b>59,899</b>	<b>52,729</b>	<b>62,484</b>	<b>73,107</b>
% change	65.9	38.8	(12.0)	18.5	17.0
<b>EBITDA</b>	<b>5,249</b>	<b>4,854</b>	<b>5,205</b>	<b>5,930</b>	<b>6,406</b>
% change	11.7	(7.5)	7.2	13.9	8.0
Depreciation	768	764	777	785	829
<b>EBIT</b>	<b>4,480</b>	<b>4,090</b>	<b>4,429</b>	<b>5,145</b>	<b>5,577</b>
Interest	317	331	290	289	275
Other Income	396	661	734	536	541
<b>PBT</b>	<b>4,559</b>	<b>4,420</b>	<b>4,873</b>	<b>5,392</b>	<b>5,843</b>
% change	15.2	(3.1)	10.2	10.6	8.4
Tax	1,121	1,094	1,221	1,471	1,595
Tax Rate (%)	24.6	24.8	25.0	27.3	27.3
<b>Reported PAT</b>	<b>3,438</b>	<b>3,326</b>	<b>3,652</b>	<b>3,921</b>	<b>4,248</b>
<b>PAT att. to common shareholders</b>	<b>3,438</b>	<b>3,326</b>	<b>3,652</b>	<b>3,921</b>	<b>4,248</b>
Adjustments	-	-	-	-	-
<b>Adj PAT</b>	<b>3,438</b>	<b>3,326</b>	<b>3,652</b>	<b>3,921</b>	<b>4,248</b>
% change	17.0	(3.3)	9.8	7.3	8.4
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>26.1</b>	<b>28.3</b>
% change	17.0	(3.3)	9.8	7.3	8.4
DPS (Rs.)	11.5	10.0	3.0	11.8	12.7

## CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>4,207</b>	<b>4,090</b>	<b>4,429</b>	<b>4,705</b>	<b>5,078</b>
Non-cash adj.	(140)	133	(400)	346	436
Changes in W.C	(588)	(1,705)	842	(437)	(583)
<b>C.F. Operation</b>	<b>3,479</b>	<b>2,519</b>	<b>4,871</b>	<b>4,614</b>	<b>4,931</b>
Capital exp.	(72)	(1,058)	(841)	(1,999)	(2,376)
Change in inv.	562	43	922	(62)	(68)
Other invest.CF	(1,553)	(127)	(1,138)	453	458
<b>C.F - Investment</b>	<b>(1,063)</b>	<b>(1,142)</b>	<b>(1,056)</b>	<b>(1,608)</b>	<b>(1,986)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	(41)	(23)	-	(22)	(24)
Dividends paid	(1,575)	(1,725)	(1,500)	(1,764)	(1,912)
Other finance.CF	(611)	(620)	(654)	(289)	(275)
<b>C.F - Finance</b>	<b>(2,227)</b>	<b>(2,368)</b>	<b>(2,154)</b>	<b>(2,075)</b>	<b>(2,211)</b>
Chg. in cash	188	(991)	1,661	931	734
Closing cash	4,326	5,686	7,414	8,345	9,079

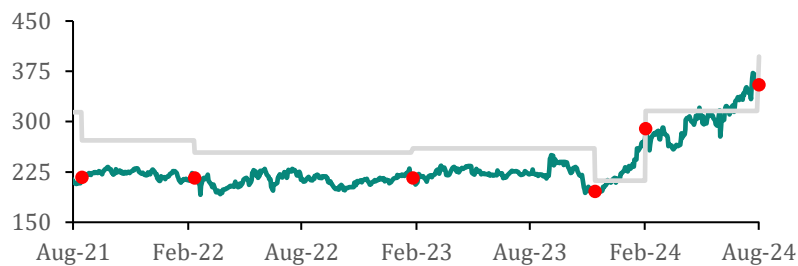
## BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	4,326	5,686	7,414	8,345	9,079
Accounts Receivable	2,684	3,844	3,626	4,374	5,264
Inventories	577	1,153	1,465	1,766	2,213
Other Cur. Assets	1,128	1,210	388	391	503
Investments	410	499	617	678	746
Gross Fixed Assets	9,589	9,616	10,456	12,456	14,832
Net Fixed Assets	6,657	5,325	5,026	4,999	5,552
CWIP	193	1,126	1,126	2,368	3,361
Intangible Assets	0	3	2	2	2
Def. Tax (Net)	196	212	145	175	191
Other Assets	5,191	3,741	5,713	5,449	5,300
<b>Total Assets</b>	<b>21,362</b>	<b>22,798</b>	<b>25,523</b>	<b>28,546</b>	<b>32,211</b>
Current Liabilities	2,737	2,946	4,158	4,917	6,182
Provisions	58	72	97	99	101
Debt Funds	3,133	3,070	2,596	2,574	2,550
Other Liabilities	1,766	1,445	1,261	1,381	1,458
Equity Capital	1,500	1,500	1,500	1,500	1,500
Reserves & Surplus	12,168	13,765	15,910	18,075	20,420
Shareholder's Fund	13,668	15,265	17,410	19,575	21,920
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>21,362</b>	<b>22,798</b>	<b>25,523</b>	<b>28,546</b>	<b>32,211</b>
<b>BVPS (Rs.)</b>	<b>91</b>	<b>102</b>	<b>116</b>	<b>131</b>	<b>146</b>

## RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	12.2	8.1	9.9	9.5	8.8
EBIT margin (%)	10.4	6.8	8.4	8.2	7.6
Net profit mgn.(%)	8.0	5.6	6.9	6.3	5.8
ROE (%)	25.2	21.8	21.0	20.0	19.4
ROCE (%)	26.7	22.3	22.1	23.2	22.8
<b>W.C &amp; Liquidity</b>					
Receivables (days)	22.4	23.1	24.8	25.2	25.9
Inventory (days)	5.6	7.7	11.4	11.5	12.2
Payables (days)	14.8	11.3	22.2	22.7	23.4
Current ratio (x)	3.2	4.0	3.1	3.0	2.8
Quick ratio (x)	2.9	3.5	2.7	2.6	2.3
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	4.5	6.2	5.3	5.5	5.4
Total asset T.O (x)	2.1	2.7	2.2	2.3	2.4
Int. coverage ratio (x)	14.1	12.4	15.3	17.8	20.3
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	0.8	0.6
EV/EBITDA (x)	5.3	6.4	6.7	8.0	7.3
P/E (x)	8.4	10.2	10.8	13.6	12.5
P/BV (x)	2.1	2.2	2.3	2.7	2.4

## Recommendation Summary (Last 3 Years)



Dates	Rating	Target
20-Nov-20	BUY	327
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

Source: Bloomberg, Geojit research

### Investment 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.

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

### DISCLAIMER & DISCLOSURES

**Certification:** I, Arun Kailasan, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

#### Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd ( a company incorporated under IFSC Regulations (yet to start operations)), Qurum Business Group Geojit Securities LLC ( a joint venture in Oman engaged in Financial Services ), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services ). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual/beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

#### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

#### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Arun Kailasan, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

#### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

#### 7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing. Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com). **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

