

# Petronet LNG

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR339**

**TP: INR385 (+14%)**

**Neutral**

## Dahej expansion, Kochi connectivity medium-term catalysts

Bloomberg	PLNG IN
Equity Shares (m)	1500
M.Cap.(INRb)/(USD\$b)	507.8 / 6
52-Week Range (INR)	385 / 187
1, 6, 12 Rel. Per (%)	9/4/27
12M Avg Val (INR M)	1801

### Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	543.7	583.1	610.7
EBITDA	56.8	67.7	73.7
Adj. PAT	38.5	46.4	50.9
Adj. EPS (INR)	25.7	30.9	34.0
EPS Gr. (%)	8.9	20.4	9.9
BV/Sh.(INR)	126.9	143.5	161.7

### Ratios

Net D:E	-0.5	-0.5	-0.5
RoE (%)	21.4	22.9	22.3
RoCE (%)	22.4	23.9	23.2
Payout (%)	46.3	46.3	46.3

### Valuation

P/E (x)	13.2	10.9	10.0
P/BV (x)	2.7	2.4	2.1
EV/EBITDA (x)	7.3	5.9	5.1
Div. Yield (%)	3.5	4.2	4.6

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	50.0	50.0	50.0
DII	11.8	12.9	5.9
FII	27.3	25.6	33.3
Others	10.9	11.6	10.8

FII Includes depository receipts

- Petronet LNG (PLNG) 2QFY25 EBITDA came in 9% below our estimates at INR12b. Dahej utilization was down 9pp QoQ at 102%, while Kochi utilization stood at 22% (flat QoQ). Reported PAT at INR8.5b was in line with our estimate. In 2Q, the company booked additional provisions worth INR1.1b related to use-or-pay (UoP) charges.

- The Dahej terminal expansion from 17.5mmt to 22.5mmt is expected to be completed by Mar'25, after which it will be available for use. Management guided for a minimum throughput of 20mmtpa from Dahej terminal in FY26. However, until now, there has not been any material progress on signing anchor customers for the expanded capacity. In 2HFY25, the management expects capacity utilization at Dahej to remain ~95%-100%. Recently, two tanks were commissioned at Dahej (taking total number of tanks to 8), which will be beneficial for storing and processing more cargo.

- PAT came in line with our estimate. In 2HFY25, utilization trends may be sensitive to spot gas prices, which remain somewhat high currently (Asia JKM averaging USD13.2/mmbtu in Oct'24TD). 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 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 INR385**.

### PAT in line; capacity utilization remains robust

- 2Q revenue came in 7% below our estimate at INR130.2b (+4% YoY).
- EBITDA was 9% below our estimates at INR12b (-1% YoY).
- In 2Q, inventory gains stood at INR700b and trading gains stood at INR390m.
- Other income was INR2b (est. INR1.5b, INR1.6b in 2QFY24). As a result, reported PAT was INR8.5b (est. INR8.9b).

#### Operational performance:

- Total volumes stood at 239Tbtu (est. of 232.5Tbtu, +7% YoY).
- Dahej utilization stood at 101.7% (+7.7pp YoY), 4pp above our estimate. Kochi utilization at 22.2% (+7.7pp YoY) came in line with our estimate.

- In 2Q, PLNG provisioned INR1.1b for UoP dues. Additionally, PLNG has waived off UoP charges of INR706m.

- **As of Sep'24**, provisions on UoP dues stood at INR6b.

- UoP dues of INR17.2b (net provision INR11.2b) were included in trade receivables as of Sep'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 of recovering such charges.

- The board has declared an interim dividend of INR7/sh (FV of INR10).

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Valuation and view

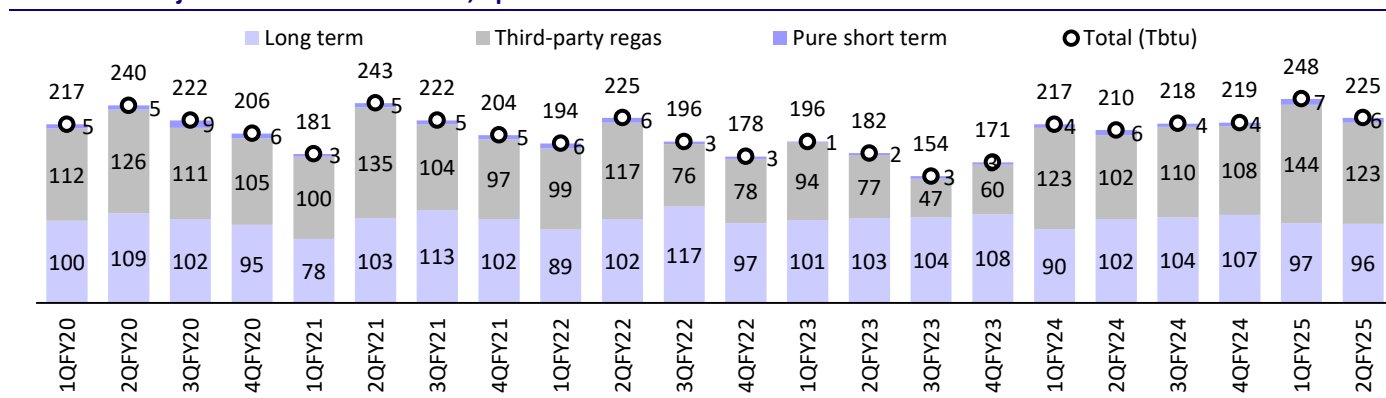
- PLNG's volume utilization improved substantially in 1HFY25 amid moderate spot LNG prices and robust demand. While we remain positive about volume growth, we believe ongoing uncertainty around UoP provisioning and rising competition will prevent further re-rating.
- We value PLNG at 12x Dec'26E EPS to arrive at a TP of INR385. **We reiterate our Neutral rating on the stock.**

## Standalone - Quarterly Earning Model

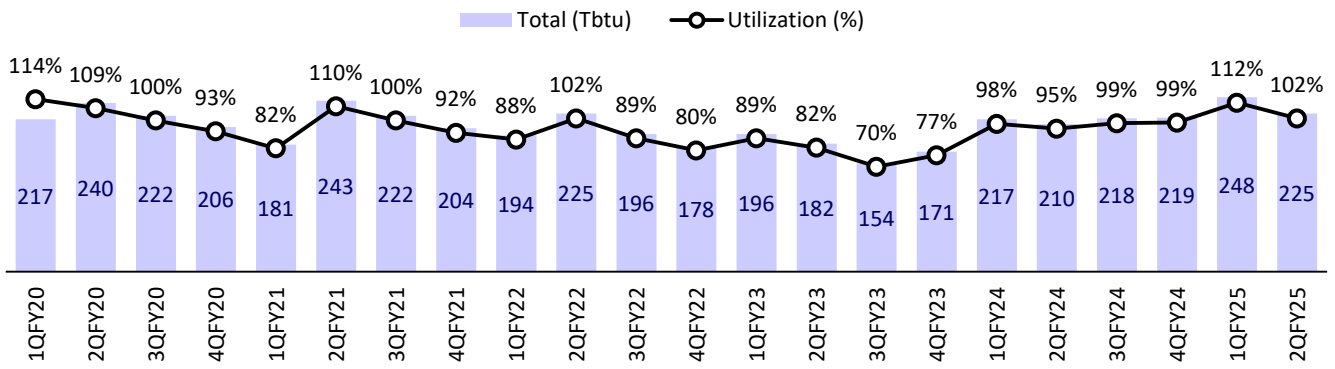
(INR b)

Y/E March	FY24				FY25				FY24	FY25	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Net Sales</b>	<b>116.6</b>	<b>125.3</b>	<b>147.5</b>	<b>137.9</b>	<b>134.2</b>	<b>130.2</b>	<b>129.5</b>	<b>149.6</b>	<b>527.3</b>	<b>543.5</b>	<b>140.2</b>	<b>-7%</b>
YoY Change (%)	-18.3	-21.6	-6.5	-0.6	15.1	3.9	-12.2	8.5	-12.0	3.1	11.9	
<b>EBITDA</b>	<b>11.8</b>	<b>12.1</b>	<b>17.1</b>	<b>11.0</b>	<b>15.6</b>	<b>12.0</b>	<b>12.4</b>	<b>16.4</b>	<b>52.1</b>	<b>56.5</b>	<b>13.1</b>	<b>-9%</b>
Margin (%)	10.1	9.7	11.6	8.0	11.7	9.2	9.6	11.0	9.9	10.4	9.4	
Depreciation	1.9	1.9	2.0	1.9	1.9	2.0	2.1	2.4	7.8	8.5	2.1	
Interest	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	2.9	2.5	0.6	
Other Income	1.5	1.6	1.6	1.6	2.2	2.0	1.5	0.3	6.2	6.0	1.5	
<b>PBT</b>	<b>10.6</b>	<b>11.0</b>	<b>16.0</b>	<b>10.0</b>	<b>15.2</b>	<b>11.4</b>	<b>11.2</b>	<b>13.7</b>	<b>47.6</b>	<b>51.5</b>	<b>11.9</b>	<b>-4%</b>
Tax	2.7	2.8	4.1	2.6	3.8	2.9	2.8	3.0	12.2	13.3	3.0	
Rate (%)	25.6	25.8	25.5	25.9	24.9	25.7	25.2	21.7	25.7	25.8	25.2	
<b>Reported PAT</b>	<b>7.9</b>	<b>8.2</b>	<b>11.9</b>	<b>7.4</b>	<b>11.4</b>	<b>8.5</b>	<b>8.4</b>	<b>10.8</b>	<b>35.4</b>	<b>38.2</b>	<b>8.9</b>	<b>-5%</b>
<b>Adj PAT</b>	<b>7.9</b>	<b>8.2</b>	<b>11.9</b>	<b>7.4</b>	<b>11.4</b>	<b>8.5</b>	<b>8.4</b>	<b>10.8</b>	<b>35.4</b>	<b>38.2</b>	<b>8.9</b>	<b>-5%</b>
YoY Change (%)	12.7	9.9	0.9	20.1	44.5	3.6	-29.6	45.9	9.1	8.2	8.6	
Margin (%)	6.8	6.5	8.1	5.3	8.5	6.5	6.5	7.2	6.7	7.0	6.3	
<b>Key Assumptions</b>												
Total Volumes (TBtu)	230.0	223.0	232.0	234.0	262.0	239.0	230.3	216.5	919.0	947.8	232.5	3%
Dahej utilization (%)	98%	95%	99%	99%	112%	102%	97%	89%	98%	100%	98%	4%
Kochi utilization (%)	21%	21%	22%	24%	22%	22%	25%	31%	22%	25%	25%	-11%

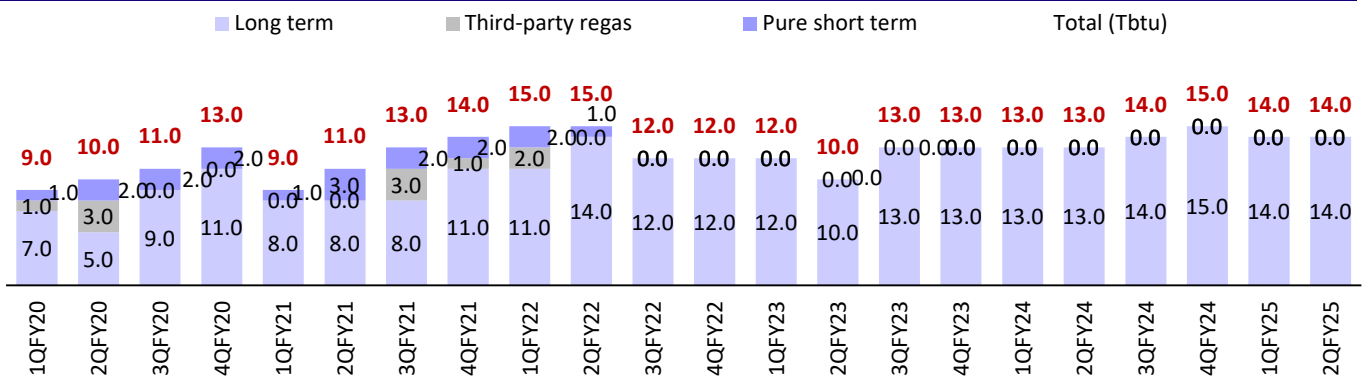
## Exhibit 1: Dahej total volumes at 225Tbtu, up 7% YoY



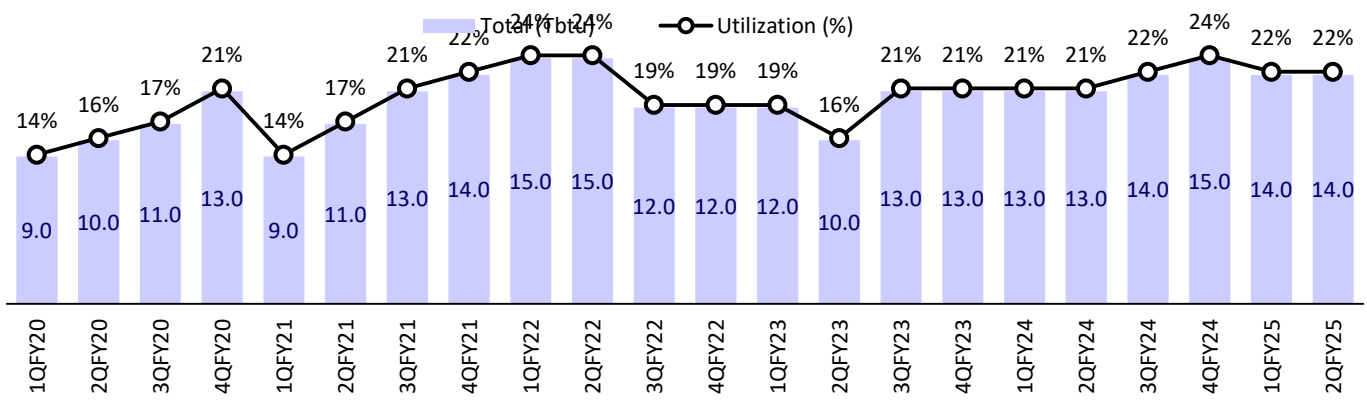
**Exhibit 2: Dahej terminal utilization at 102% in 2QFY25**



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



**Exhibit 4: Kochi terminal utilization at 22% in 2QFY25**



Source: Company, MOFSL



**Highlights from the management commentary**

**Performance:**

- Dahej throughput was 225Tbtu (vs. 210Tbtu in 2QFY24, 248Tbtu in 1QFY25). Total volume came in at 239Tbtu.
- The board has declared an interim dividend of INR7/share.

**Capacity utilization and spot LNG prices:**

- The management remains positive in terms of capacity utilization amid healthy power demand. Utilization should be 95%-100% in 2HFY25.
- Spot LNG prices should remain moderate in the future but might dip even below the current levels.

- Minimum throughput of 20mmtpa is expected from Dahej terminal in FY26.

#### **Update on Dahej Terminal**

- Dahej expansion is expected to complete in Mar'25, increasing the capacity by 5mmtpa to 22.5mmtpa available from FY26. The payback period will be not more than 2-3 years.
- Jetty construction is expected to be completed by FY27. It will be able to handle all three kinds of hydrocarbons.
- 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. Dahej terminal will have a substantial share in increasing consumption volumes in the country.
- The management will not book the entire capacity via long-term contracts.
- 5% YoY re-gasification tariff increment at Dahej is contracted until FY36.

#### **Update on Kochi Terminal**

- Multiple CDG projects will be completed in next 2-4 years, which will increase volumes at Kochi.
- Robust utilization growth is expected after connectivity to National Gas Grid. CGD entities to be the key customers.

#### **Petchem expansion**

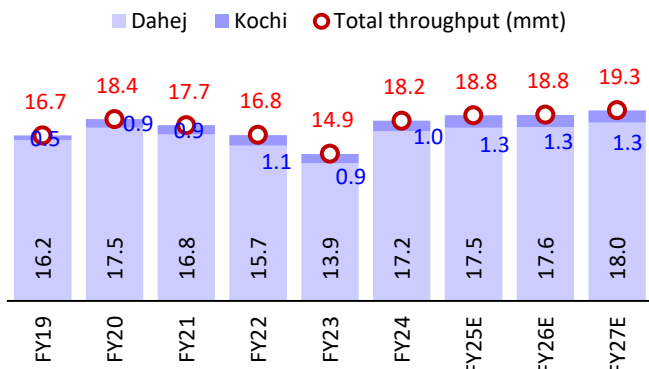
- The company has awarded the PDH, PP and PMC contracts. Most of the contracts should be awarded this year. However, capex shall not be incurred this year. The debt:equity ratio shall be 70:30.

#### **Update on ongoing projects:**

- During 2Q, inventory gains amounted to INR700m, while trading gains stood at INR390m.
- Re-gas service revenue stood at INR7.3b.
- Off-taking contracts for Qatar gas should be signed shortly (within six months). The volumes are guaranteed, hence there is no revenue risk to PLNG.
- No further downward risk to Kochi tariffs.

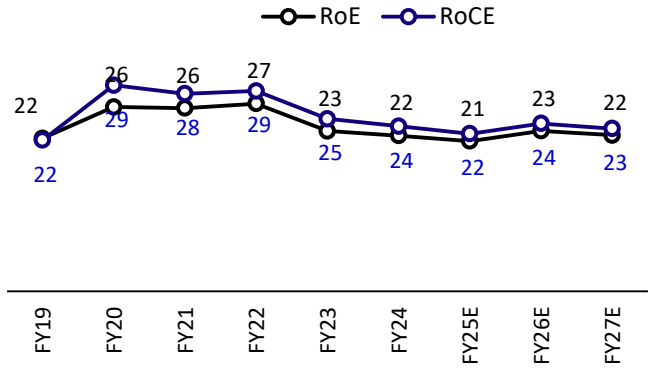
# Story in charts

**Exhibit 5: Volume snapshot for PLNG**



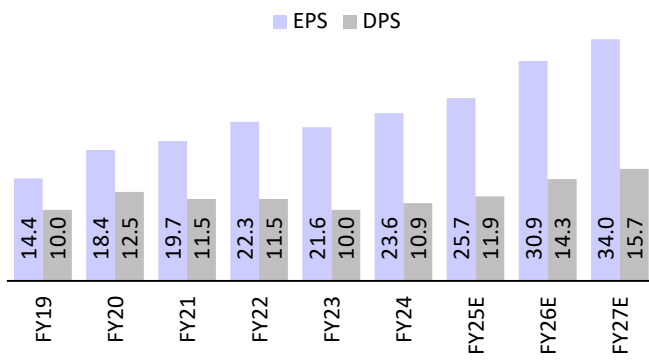
Source: Company, MOFSL

**Exhibit 6: Return ratios profile**



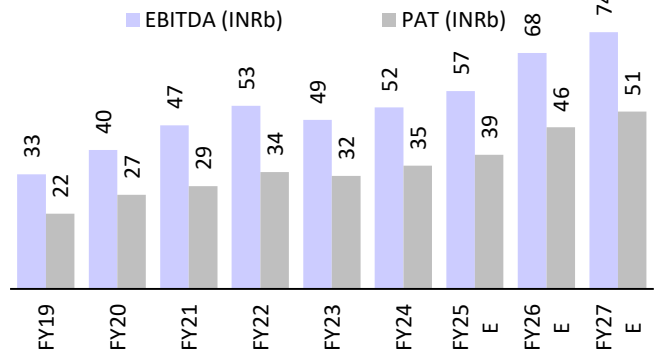
Source: Company, MOFSL

**Exhibit 7: Payout ratios**



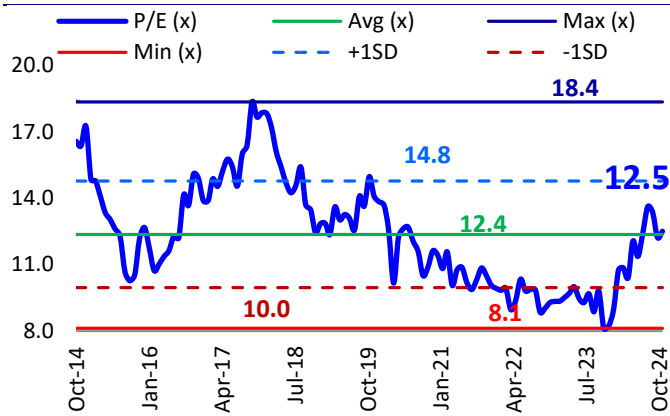
Source: Company, MOFSL

**Exhibit 8: EBITDA/PAT snapshot**



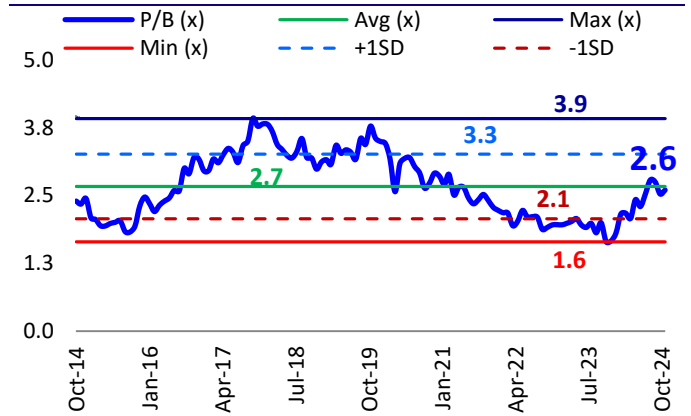
Source: Company, MOFSL

**Exhibit 9: One-year forward P/E – trades at 12.5x**



Source: Company, MOFSL

**Exhibit 10: One-year forward PB – trades at 2.5x**



Source: Company, MOFSL

## Financials and valuations

### Standalone - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>3,83,954</b>	<b>3,54,520</b>	<b>2,60,229</b>	<b>4,31,686</b>	<b>5,98,994</b>	<b>5,27,284</b>	<b>5,43,710</b>	<b>5,83,119</b>	<b>6,10,688</b>
Change (%)	25.5	-7.7	-26.6	65.9	38.8	-12.0	3.1	7.2	4.7
<b>EBITDA</b>	<b>32,935</b>	<b>39,895</b>	<b>46,995</b>	<b>52,523</b>	<b>48,558</b>	<b>52,065</b>	<b>56,782</b>	<b>67,680</b>	<b>73,718</b>
Margin (%)	8.6	11.3	18.1	12.2	8.1	9.9	10.4	11.6	12.1
Depreciation	4,112	7,761	7,841	7,685	7,643	7,766	8,471	9,459	10,455
<b>EBIT</b>	<b>28,822</b>	<b>32,134</b>	<b>39,155</b>	<b>44,839</b>	<b>40,914</b>	<b>44,300</b>	<b>48,310</b>	<b>58,221</b>	<b>63,262</b>
Int. and Finance Charges	989	4,032	3,360	3,173	3,305	2,897	2,544	2,856	2,856
Other Income	4,503	3,726	3,882	3,073	5,736	6,167	6,026	6,996	8,112
<b>PBT bef. EO Exp.</b>	<b>32,336</b>	<b>31,827</b>	<b>39,677</b>	<b>44,738</b>	<b>43,345</b>	<b>47,570</b>	<b>51,792</b>	<b>62,361</b>	<b>68,518</b>
EO Items	0	-721	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>32,336</b>	<b>31,107</b>	<b>39,677</b>	<b>44,738</b>	<b>43,345</b>	<b>47,570</b>	<b>51,792</b>	<b>62,361</b>	<b>68,518</b>
Total Tax	10,782	4,131	10,183	11,215	10,946	12,208	13,292	16,004	17,584
Tax Rate (%)	33.3	13.3	25.7	25.1	25.3	25.7	25.7	25.7	25.7
<b>Reported PAT</b>	<b>21,554</b>	<b>26,976</b>	<b>29,494</b>	<b>33,524</b>	<b>32,399</b>	<b>35,362</b>	<b>38,500</b>	<b>46,357</b>	<b>50,934</b>
<b>Adjusted PAT</b>	<b>21,554</b>	<b>27,601</b>	<b>29,494</b>	<b>33,524</b>	<b>32,399</b>	<b>35,362</b>	<b>38,500</b>	<b>46,357</b>	<b>50,934</b>
Change (%)	3.7	28.1	6.9	13.7	-3.4	9.1	8.9	20.4	9.9
Margin (%)	5.6	7.8	11.3	7.8	5.4	6.7	7.1	7.9	8.3

### Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Reserves	85,661	94,530	1,01,495	1,19,255	1,34,347	1,54,628	1,75,304	2,00,199	2,27,552
<b>Net Worth</b>	<b>1,00,661</b>	<b>1,09,530</b>	<b>1,16,495</b>	<b>1,34,255</b>	<b>1,49,347</b>	<b>1,69,628</b>	<b>1,90,304</b>	<b>2,15,199</b>	<b>2,42,552</b>
Total Loans	1,012	644	644	230	0	0	0	0	0
Deferred Tax Liabilities	13,360	8,883	8,806	8,324	7,031	6,172	6,172	6,172	6,172
<b>Capital Employed</b>	<b>1,15,033</b>	<b>1,19,057</b>	<b>1,25,945</b>	<b>1,42,809</b>	<b>1,56,378</b>	<b>1,75,800</b>	<b>1,96,476</b>	<b>2,21,371</b>	<b>2,48,724</b>
Gross Block	91,783	99,860	1,03,544	1,06,915	1,10,603	1,15,369	1,33,788	1,48,572	1,63,529
Less: Accum. Deprn.	15,132	22,894	30,734	38,419	46,062	53,828	62,299	71,758	82,214
<b>Net Fixed Assets</b>	<b>76,651</b>	<b>76,967</b>	<b>72,810</b>	<b>68,496</b>	<b>64,541</b>	<b>61,541</b>	<b>71,489</b>	<b>76,814</b>	<b>81,315</b>
Capital WIP	3,482	47	255	1,926	11,259	15,524	9,105	9,321	9,364
<b>Total Investments</b>	<b>9,893</b>	<b>38,406</b>	<b>45,817</b>	<b>37,578</b>	<b>33,807</b>	<b>21,677</b>	<b>21,677</b>	<b>21,677</b>	<b>21,677</b>
Lease Liabilities		35,885	33,217	31,332	30,705	25,964	25,964	25,964	25,964
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>60,823</b>	<b>71,570</b>	<b>70,082</b>	<b>1,03,191</b>	<b>1,14,619</b>	<b>1,52,017</b>	<b>1,70,690</b>	<b>1,93,706</b>	<b>2,19,076</b>
Inventory	5,694	4,809	3,372	5,767	11,531	14,654	15,111	16,206	16,972
Account Receivables	14,335	16,427	18,745	26,844	38,397	36,261	37,390	40,100	41,996
Cash and Bank Balance	29,603	44,320	43,423	43,196	56,800	74,097	90,343	1,07,535	1,28,831
Cash	2,266	9,760	8,493	10,472	623	17,189	27,409	37,605	50,789
Bank Balance	27,337	34,560	34,930	32,724	56,177	56,908	56,908	56,908	56,908
Loans and Advances	11,190	6,014	4,541	27,384	7,891	27,005	27,846	29,864	31,276
<b>Curr. Liability &amp; Prov.</b>	<b>35,815</b>	<b>32,048</b>	<b>29,802</b>	<b>37,050</b>	<b>37,143</b>	<b>48,994</b>	<b>50,521</b>	<b>54,182</b>	<b>56,744</b>
Account Payables	12,952	11,661	10,355	15,265	16,440	28,646	29,538	31,679	33,177
Other Current Liabilities	22,585	20,057	18,464	20,583	18,777	17,912	18,470	19,809	20,745
Provisions	278	330	983	1,203	1,926	2,437	2,513	2,695	2,822
<b>Net Current Assets</b>	<b>25,007</b>	<b>39,522</b>	<b>40,280</b>	<b>66,140</b>	<b>77,476</b>	<b>1,03,022</b>	<b>1,20,170</b>	<b>1,39,524</b>	<b>1,62,332</b>
<b>Appl. of Funds</b>	<b>1,15,033</b>	<b>1,54,942</b>	<b>1,59,162</b>	<b>1,74,141</b>	<b>1,87,083</b>	<b>2,01,764</b>	<b>2,22,440</b>	<b>2,47,335</b>	<b>2,74,688</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>14.4</b>	<b>18.4</b>	<b>19.7</b>	<b>22.3</b>	<b>21.6</b>	<b>23.6</b>	<b>25.7</b>	<b>30.9</b>	<b>34.0</b>
Cash EPS	17.1	23.6	24.9	27.5	26.7	28.8	31.3	37.2	40.9
BV/Share	67.1	73.0	77.7	89.5	99.6	113.1	126.9	143.5	161.7
DPS	10.0	12.5	11.5	11.5	10.0	10.9	11.9	14.3	15.7
Payout (%)	74.9	73.8	58.5	51.5	46.3	46.3	46.3	46.3	46.3
<b>Valuation (x)</b>									
P/E	23.5	18.4	17.2	15.1	15.7	14.3	13.2	10.9	10.0
Cash P/E	19.8	14.3	13.6	12.3	12.7	11.8	10.8	9.1	8.3
P/BV	5.0	4.6	4.4	3.8	3.4	3.0	2.7	2.4	2.1
EV/Sales	1.2	1.3	1.8	1.1	0.8	0.8	0.8	0.7	0.6
EV/EBITDA	14.5	11.6	9.9	8.8	9.3	8.3	7.3	5.9	5.1
Dividend Yield (%)	3.0	3.7	3.4	3.4	3.0	3.2	3.5	4.2	4.6
FCF per share	13.2	21.7	23.2	22.7	9.7	26.9	20.4	23.0	26.4
<b>Return Ratios (%)</b>									
RoE	21.8	26.3	26.1	26.7	22.8	22.2	21.4	22.9	22.3
RoCE	21.5	29.4	28.1	28.5	24.6	23.5	22.4	23.9	23.2
RoIC	28.5	51.4	80.0	69.6	53.4	55.3	51.4	54.7	54.8
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	4.2	3.6	2.5	4.0	5.4	4.6	4.1	3.9	3.7
Asset Turnover (x)	3.3	2.3	1.6	2.5	3.2	2.6	2.4	2.4	2.2
Inventory (Days)	5	5	5	5	7	10	10	10	10
Debtor (Days)	14	17	26	23	23	25	25	25	25
Creditor (Days)	12	12	15	13	10	20	20	20	20
<b>Leverage Ratio (x)</b>									
Current Ratio	1.7	2.2	2.4	2.8	3.1	3.1	3.4	3.6	3.9
Interest Cover Ratio	29.1	8.0	11.7	14.1	12.4	15.3	19.0	20.4	22.2
Net Debt/Equity	-0.3	-0.4	-0.4	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5

### Standalone - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	32,336	31,107	39,677	44,738	43,345	47,570	51,792	62,361	68,518
Depreciation	4,112	7,761	7,841	7,685	7,643	7,766	8,471	9,459	10,455
Interest and Finance charges	989	4,032	3,360	3,173	3,305	2,897	2,544	2,856	2,856
Direct Taxes Paid	-8,133	-4,745	-9,949	-12,642	-12,380	-12,373	-13,292	-16,004	-17,584
(Inc)/Dec in Wkg. Capital	-4,522	-3,964	-1,746	-6,339	-15,943	5,909	-901	-2,162	-1,512
Others	-3,368	-729	-3,590	-1,893	-772	-3,044	-6,026	-6,996	-8,112
<b>CF from Op. Activity</b>	<b>21,414</b>	<b>33,462</b>	<b>35,593</b>	<b>34,721</b>	<b>25,199</b>	<b>48,725</b>	<b>42,589</b>	<b>49,514</b>	<b>54,621</b>
(Inc)/Dec in FA & CWIP	-1,628	-889	-730	-723	-10,577	-8,413	-12,000	-15,000	-15,000
<b>Free Cash Flow</b>	<b>19,787</b>	<b>32,573</b>	<b>34,862</b>	<b>33,998</b>	<b>14,622</b>	<b>40,312</b>	<b>30,589</b>	<b>34,514</b>	<b>39,621</b>
(Pur)/Sale of Investments	33,167	-3,273	-11,586	5,521	424	9,223	0	0	0
Others	-32,255	944	3,043	-15,431	-1,214	-11,425	0	0	0
<b>CF from Inv. Activity</b>	<b>-716</b>	<b>-3,218</b>	<b>-9,273</b>	<b>-10,633</b>	<b>-11,367</b>	<b>-10,615</b>	<b>-12,000</b>	<b>-15,000</b>	<b>-15,000</b>
Inc / (Dec) in Debt	-6,202	-138	-368	-414	-230	0	0	0	0
Interest paid	-1,191	-1,785	-3,360	-3,173	-253	-116	-2,544	-2,856	-2,856
Dividends Paid (incl.tax)	-18,083	-8,138	-22,452	-15,750	-17,250	-15,000	-17,825	-21,462	-23,581
<b>CF from Fin. Activity</b>	<b>-25,476</b>	<b>-22,749</b>	<b>-27,586</b>	<b>-22,109</b>	<b>-23,681</b>	<b>-21,545</b>	<b>-20,369</b>	<b>-24,318</b>	<b>-26,437</b>
<b>Inc / (Dec) in Cash</b>	<b>-4,778</b>	<b>7,495</b>	<b>-1,267</b>	<b>1,979</b>	<b>-9,849</b>	<b>16,565</b>	<b>10,220</b>	<b>10,196</b>	<b>13,184</b>
Add: Opening Balance	7,043	2,266	9,760	8,493	10,472	623	17,189	27,409	37,605
<b>Closing Balance</b>	<b>2,265</b>	<b>9,760</b>	<b>8,494</b>	<b>10,472</b>	<b>623</b>	<b>17,189</b>	<b>27,409</b>	<b>37,605</b>	<b>50,789</b>

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NOTES



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NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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