

January 28, 2025

**RESULT REPORT Q3 FY25** | Sector: Energy

# Petronet LNG Ltd

**In line volumes; EBITDA marginally better on higher inventory gains**

## Our View

Petronet LNG's Q3FY25 revealed a strong performance with EBITDA and PAT experiencing an increase of 13.8% and 17.4% YoY on higher gains despite higher opex. The regas volumes saw a decline of 1.7% YoY to 228tbtu. Dahej terminal continued to play a crucial role in India's LNG imports, accounting for about ~67% of the total and having ~96% Dahej terminal utilization. The company has provisioned Rs 7.02bn of Use-or-Pay (UoP) charges as a matter of accounting prudence during Q3FY25. We upgrade the stock to an ADD rating due to the stock price correction, with a revised TP of Rs325, valuing the stock at 11x PER.

## Result Highlights

- **Performance:** Petronet's adjusted revenue was down 13.5% YoY and 6.1% QoQ, to Rs122.3bn; its EBITDA was up 13.8% YoY and 3.9% QoQ, to Rs12.5bn; its PAT was up 17.4% YoY and 2.3% QoQ, to Rs8.7bn. The other expenses at Rs 3.5bn; were down 5% YoY but up 6% QoQ. Overall volumes are in line to our estimate, EBITDA and PAT are higher than our estimates due to high than expected inventory and trading gains.
- **Volumes:** The total re-gasified volumes were down by 1.7% YoY and 4.6% QoQ, to 228tbtu, of which 213tbtu was from Dahej (at ~96% utilization), 15tbtu from Kochi (at 23.6% utilization). In terms of volume break-up, Dahej's 96tbtu is long-term, down 7.7% YoY and flat QoQ, spot 3tbtu and Service 14tbtu, down 2.3% YoY and 5.3% QoQ.
- **Market Share:** India imported ~340tbtu of LNG (as per PPAC volumes) in the quarter, improved sequentially on stronger gas demand across sectors, except power which declined. Petronet's share was at ~67% despite stronger Dahej terminal utilization (72% the quarter prior, 85% a year ago).
- **Provisions:** Total UoP charges stand at Rs16.66bn, with Rs7.02bn provisioned. Of the balance, Rs3.6bn for CY21 is due, Rs6.95bn for CY22 is outstanding, and Rs6.1bn for CY23 is recoverable by Dec'26 against guarantees. Rs1.17bn was recovered this quarter.
- The gross margin was Rs73/mmbtu; Opex was higher at Rs 18.3/mmbtu while EBITDA was Rs54.7/mmbtu (versus our expectations of 51.4).
- **9MFY25 performance:** Overall volumes was at 729tbtu vs 685tbtu in 9MFY24 was up 6.4% YoY. Dahej volumes at 686tbtu (at ~103% utilization) was up 6.4% YoY; Kochi at 43tbtu (at 22.6% utilization) up 7.5% YoY. EBITDA at Rs 40.1bn versus Rs 34.9bn in 9MFY24; PAT at Rs 28.6bn vs Rs 23.5bn in 9MFY24.

## Valuation

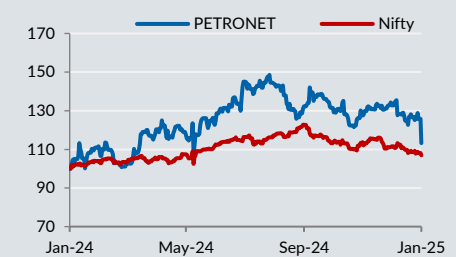
We believe earnings would record a ~7.8% CAGR over FY24-27e, driven by the Dahej utilization and a further ramp-up at Kochi. Large capex under way with Dahej expansion, a greenfield LNG terminal at Gopalpur and foray into petchem which would be the key to monitor as cash on books would be utilized for the same. Long term take-or-pay contracts end in 2036 and Rasgas sourcing contract in 2048, leading to stable long-term volumes. Kochi capacity ramp up was delayed due to lack of evacuation pipeline; however, it has been completed while Kochi-Bengaluru pipeline is still in progress. Dahej and Kochi terminals current capacities are 17.5/5mtpa and the contracted volumes at Dahej/Kochi Terminal are 15.75/1.44mtpa, would lend key support. We expect that petchem margins could be weak and would impact the returns. We upgrade the stock to an ADD rating due to the stock price correction, with a revised TP of Rs325, valuing the stock at 11x PER.

Reco	: <b>ADD</b>
CMP	: Rs 291
Target Price	: Rs 325
Potential Return	: +11.7%

## Stock data (as on Jan 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	384 / 253
Market cap (Rs/USD mn)	466200 / 5387
Outstanding Shares (mn)	1,500
6m Avg t/o (Rs mn):	1,323
Div yield (%):	3.2
Bloomberg code:	PLNG IN
NSE code:	PETRONET

## Stock performance



	1M	3M	1Y
Absolute return	-14.7%	-12.3%	13.2%

## Shareholding pattern (As of Dec'24 end)

Promoter	50.0%
FII+DII	39.7%
Others	10.3%

## Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	325	371

## Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	24.0	26.4	29.5
EPS (Old)	24.6	26.9	29.7
% Change	(2.6)	(1.9)	(0.6)

## Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	463.5	475.0	504.6
YoY Growth	(12.1)	2.5	6.2
EBIDTA	52.8	58.0	64.7
OPM %	11.4	12.2	12.8
PAT	36.0	39.6	44.3
YoY Growth	1.8	10.2	11.8
ROE	20.1	19.8	19.9
EPS	24.0	26.4	29.5
P/E	12.1	11.0	9.9
BV	126.1	140.5	157.0
EV/EBITDA	6.7	6.4	5.8

## HARSHRAJ AGGARWAL

Lead Analyst

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Uvais Khatri, Associate

## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	122,269	112,180	131,890	8.99	-7.30	In line volumes; EBITDA marginally better on higher inventory and trading gains
EBITDA	12,477	11,667	12,334	6.94	1.16	
EBITDA Margin (%)	10.20	10.40	9.35	-20bps	85bps	
Adjusted PAT	8,670	8,262	8,287	4.93	4.62	

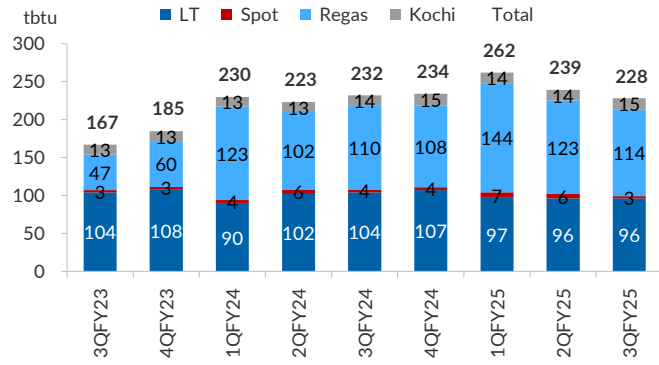
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
Revenue	141,372	137,932	134,151	130,218	122,269	(13.5)	(6.1)	383,253	386,638	0.9
Expenditure	130,412	126,891	118,521	118,213	109,792	(15.8)	(7.1)	348,328	346,526	(0.5)
-Raw Material	126,179	124,385	114,666	114,371	105,626	(16.3)	(7.6)	340,256	334,663	(1.6)
-Staff Cost	502	470	577	520	629	25.3	20.9	1,448	1,727	19.3
- Other expenses	3,732	2,037	3,278	3,322	3,537	(5.2)	6.5	6,624	10,137	53.0
Operating Profit	10,960	11,040	15,630	12,005	12,477	13.8	3.9	34,925	40,112	14.9
OPM(%)	7.8	8.0	11.7	9.2	10.2	31.6	10.7	27.6	31.1	349 bps
Other Income	1,565	1,568	2,181	2,016	1,961	25.3	(2.7)	4,599	6,158	33.9
Depreciation	1,955	1,944	1,946	1,963	2,096	7.2	6.8	5,821	6,004	3.1
Interest	697	708	667	654	651	(6.6)	(0.6)	2,189	1,972	(9.9)
Excpnl Loss/(Profit)	-	-	-	-	-	-	-	-	-	n.a.
PBT	9,873	9,957	15,199	11,404	11,691	18.4	2.5	31,514	38,294	21.5
Tax	2,485	2,581	3,783	2,928	3,021	21.6	3.2	8,046	9,732	20.9
PAT	7,388	7,376	11,416	8,476	8,670	17.4	2.3	23,468	28,562	21.7
Adj PAT	7,388	7,376	11,416	8,476	8,670	17.4	2.3	23,468	28,562	21.7

## Exhibit 3: Operating highlights

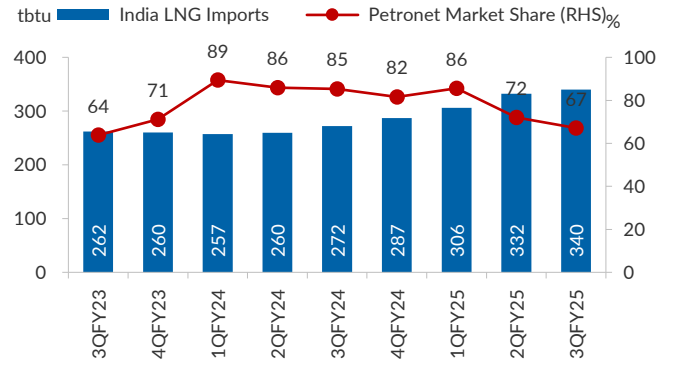
Particulars	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
<b>Volumes (tbtu)</b>										
Long term	104.0	107.0	97.0	96.0	96.0	(7.7)	-	296	289	(2.4)
Spot	4.0	4.0	7.0	6.0	3.0	(25.0)	(50.0)	14.0	16.0	14.3
Service	110.0	108.0	144.0	123.0	114.0	3.6	(7.3)	335.0	381.0	13.7
Total	218.0	219.0	248.0	225.0	213.0	(2.3)	(5.3)	645.0	686.0	6.4
Kochi	14.0	15.0	14.0	14.0	15.0	7.1	7.1	40.0	43.0	7.5
Total	232.0	234.0	262.0	239.0	228.0	(1.7)	(4.6)	685.0	729.0	6.4
<b>Market Share</b>										
India LNG Imports (tbtu)	271.9	286.8	306.3	332.1	340.0	25.0	2.4	788.7	978.4	24.0
Petronet Mkt Shr	85.3	81.6	85.5	72.0	67.1	(21.4)	(6.8)	86.9	74.9	(13.8)
<b>Utilization %</b>										
Dahej	98.0	98.5	111.5	101.2	95.8	(2.3)	(5.3)	96.7	102.8	6.4
Kochi	22.0	23.6	22.0	22.0	23.6	7.1	7.1	21.0	22.6	7.5
<b>Rs/tbtu</b>										
Gross margin	65.5	57.9	74.4	66.3	73.0	11.5	10.1	62.8	71.3	13.6
Opex	18.2	10.7	14.7	16.1	18.3	0.1	13.7	11.8	16.3	38.1
EBITDA	47.2	47.2	59.7	50.2	54.7	15.8	8.9	51.0	55.0	7.9

**Exhibit 4: Volume break-up**

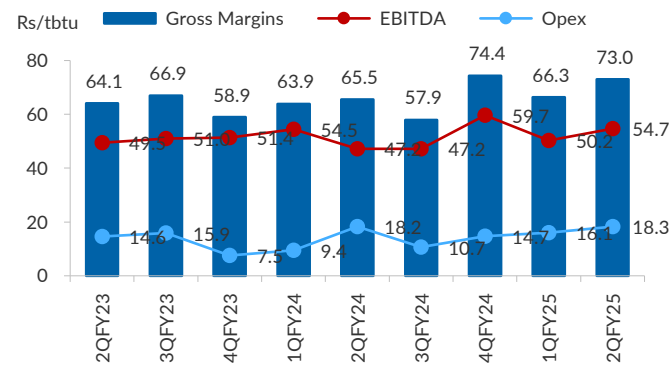


Source: Company, YES Sec

**Exhibit 5: Petronet's market share in India**

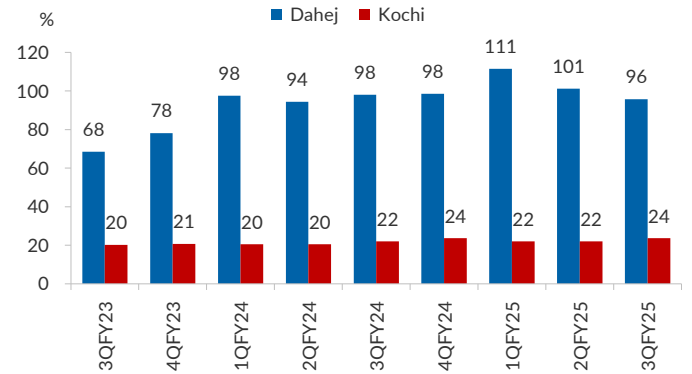


**Exhibit 6: Margin and Opex trends**



Source: Company, YES Sec

**Exhibit 7: Capacity utilisation**



## CONCALL HIGHLIGHTS

- **Utilization and Volume Trends:** Dahej terminal operated at ~93% utilization, supported by the upcoming 5mtpa capacity expansion, which is expected by Jun'25. Long-term cargo volumes remained below 100tbtu for three consecutive quarters but are aligned with the Annual Delivery Plan (ADP). Spot and service cargoes were impacted by price dynamics, though no decline is anticipated for long-term volumes. The company expects additional volumes from new contracts signed by GAIL, IOCL, and GSPC, with ~50% of these volumes likely directed to Dahej.
- **Regas volumes:** Regas service charges were Rs 8.4bn for service cargoes.
- **Inventory and trading gains:** Inventory gains were Rs830mn while trading gains at Rs260mn.
- **Regas Tariff and Revenues:** Dahej's annual 5% tariff hike, effective Jan'25, supports robust revenue growth. Management noted no marketing margin on long-term contracts, with regas charges alone applied.
- **Petrochemical Project:** The project, scheduled for commissioning by Nov'27, remains on track, with financial closure (70:30 debt-equity ratio) expected in 4-5 months. Orders for long-lead items are underway, with ~15-20% of the capex planned for FY25.
- **Use-or-Pay Charges:** Total UoP charges to date are Rs16.66bn, with Rs7.02bn provisioned. Of the remaining Rs9.64bn, Rs3.6bn pertains to CY21 (Rs3.15bn provisioned) and is due for payment. For CY22, Rs6.95bn is outstanding (with Rs2.95bn provisioned), and for CY23, Rs6.10bn is outstanding with a mechanism in place for realization by Dec'26 against bank guarantees and indemnity bonds. Defaulters have reduced significantly, with only one case (BPCL) in Q3FY25. UoP recovery efforts are robust, and Rs1.17bn was realized this quarter. A one-time waiver of Rs1.84bn (including Rs0.59bn in Q3FY25) was issued for certain cases.
- **Gorgon Volumes and Financial Performance:** 9MFY25 Gorgon volumes were 13tbtu, contributing Rs1.6bn in gross margin. Forex losses of Rs0.53bn, Rs0.82bn in depreciation, and Rs0.64bn in interest costs offset gains, resulting in a net positive outcome under Ind-AS.
- **Capex Plans:** Capex for 9MFY25 was Rs9.76bn, including Rs3.4bn for the petrochemical project (which may reach Rs5bn by FY25-end). FY25 capex guidance is Rs14-15bn, and FY26 capex is estimated at Rs40-45bn, with Rs3000-35bn allocated for petrochemicals, Rs10bn towards non-petrochemical projects like Gopalpur LNG terminal.
- **Long-term Contracts and Future Expansion:** Post-2028, Qatar will not supply rich gas, prompting efforts to secure alternate sources. The Dahej jetty expansion, capable of handling C2/C3 hydrocarbons (ethane/propane), positions PLNG for revenue diversification. The management expects LNG spot prices to decline to USD7-8/mmbtu by 2030 amid a global supply glut. For the immediate term, spot prices are projected in the USD13-15/mmbtu range.
- **Taxation Challenges and GST Inclusion:** VAT at 15% in Gujarat is a significant issue, leading to cascading tax impacts for gas transported to other states. Inclusion of natural gas under GST is crucial for enabling ITC, reducing costs, and benefiting consumers. Kerala's lower VAT rate (5%) minimizes challenges there.
- **Kochi Terminal and Pipeline Connectivity:** The Kochi terminal is connected to Coimbatore, with the pipeline to Bangalore expected by Jun'25. Integration with the national gas grid will significantly enhance Kochi's utilization and allow gas supply nationwide boosting utilization to ~40-50% over the next two years. Unified tariff benefits are expected to make Kochi gas more competitive.

## VIEW & VALUATION

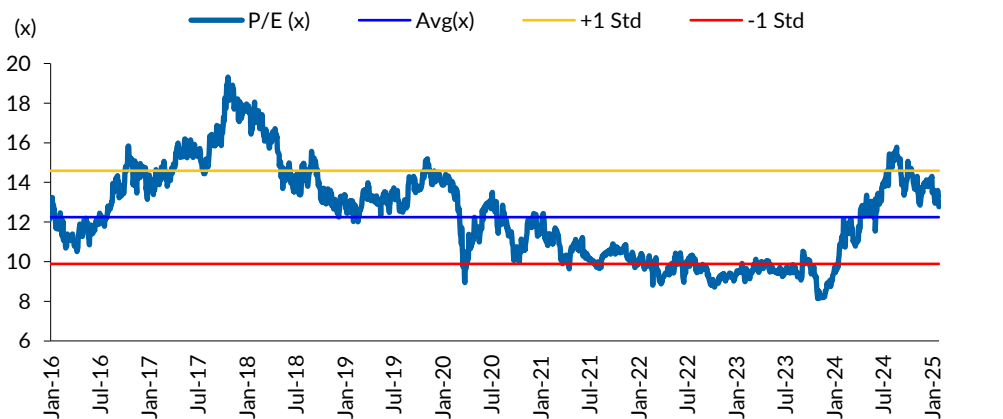
### ADD with a TP of Rs 325/sh

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### Exhibit 8: Valuation table

Valuation	FY27E
EPS (Rs)	29.5
PER (x)	11.0
Target (PER based)	325

### Exhibit 9: PER (x) band, one-year-forward



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	431,686	598,994	527,284	463,469	474,957	504,588
Total Expense	379,162	550,436	475,219	410,650	416,952	439,919
<b>Operating Profit</b>	<b>52,523</b>	<b>48,558</b>	<b>52,065</b>	<b>52,819</b>	<b>58,005</b>	<b>64,668</b>
Other Income	3,073	5,736	6,167	6,167	6,167	6,167
Depreciation	7,685	7,643	7,766	7,999	8,239	8,609
EBIT	47,911	46,651	50,467	50,988	55,934	62,227
Interest	3,173	3,305	2,897	2,897	2,955	3,014
Extraordinary Item	-	-	-	-	-	-
<b>PBT</b>	<b>44,738</b>	<b>43,345</b>	<b>47,570</b>	<b>48,091</b>	<b>52,980</b>	<b>59,213</b>
Tax	11,215	10,946	12,208	12,105	13,335	14,904
<b>PAT</b>	<b>33,524</b>	<b>32,399</b>	<b>35,362</b>	<b>35,987</b>	<b>39,645</b>	<b>44,309</b>
Adj. PAT	33,524	32,399	35,362	35,987	39,645	44,309
Eps	22.3	21.6	23.6	24.0	26.4	29.5

### Exhibit 11: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	15,000	15,000	15,000	15,000	15,000	15,000
Reserves	119,255	134,347	154,628	174,115	195,759	220,568
<b>Net worth</b>	<b>134,255</b>	<b>149,347</b>	<b>169,628</b>	<b>189,115</b>	<b>210,759</b>	<b>235,568</b>
Debt	230	-	-	-	-	-
Deferred tax liab (net)	8,324	7,031	6,172	6,172	6,172	6,172
<b>Capital Employed</b>	<b>142,809</b>	<b>156,378</b>	<b>175,800</b>	<b>195,287</b>	<b>216,931</b>	<b>241,740</b>
Fixed assets	97,498	99,162	96,994	103,953	140,705	167,932
Investments	10,502	10,445	1,748	1,644	1,644	1,644
Net working capital	34,808	46,773	77,058	89,690	74,583	72,165
Inventories	5,767	11,531	14,654	13,755	14,096	14,975
Sundry debtors	26,844	38,436	36,261	31,744	32,531	34,561
Cash & Bank Balance	43,196	56,801	74,097	81,937	65,969	61,719
Other current assets	27,384	8,311	27,005	27,005	27,005	27,005
Sundry creditors	15,265	16,897	28,646	19,723	19,990	21,067
Other liabilities	53,117	51,408	46,313	45,027	45,027	45,027
<b>Application of Funds</b>	<b>142,809</b>	<b>156,380</b>	<b>175,800</b>	<b>195,287</b>	<b>216,931</b>	<b>241,740</b>

## Exhibit 12: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	44,738	43,345	47,570	48,091	52,980	59,213
Depreciation & amortization	7,685	7,644	7,766	7,999	8,239	8,609
Interest expense	3,173	3,305	2,897	2,897	2,955	3,014
(Inc)/Dec in working capital	(2,261)	(3,873)	(5,314)	-	-	-
Tax paid	(6,641)	(15,943)	5,909	(4,792)	(860)	(1,832)
Less: Interest/Dividend Income Received	(12,642)	(12,386)	(12,373)	(12,105)	(13,335)	(14,904)
Other operating Cash Flow	670	3,100	2,270	-	-	-
<b>Cash flow from operating activities</b>	<b>34,721</b>	<b>25,193</b>	<b>48,725</b>	<b>42,090</b>	<b>49,978</b>	<b>54,100</b>
Capital expenditure	(723)	(10,560)	(8,413)	(14,958)	(44,990)	(35,837)
Inc/(Dec) in investments	2,186	508	86	-	-	-
Add: Interest/Dividend Income Received	(12,096)	(1,309)	(2,288)	104	-	-
<b>Cash flow from investing activities</b>	<b>(10,633)</b>	<b>(11,361)</b>	<b>(10,615)</b>	<b>(14,854)</b>	<b>(44,990)</b>	<b>(35,837)</b>
Inc/(Dec) in share capital	-	-	-	-	-	-
Inc/(Dec) in debt	(6,271)	(6,177)	(6,429)	-	-	-
Interest Paid	(88)	(253)	(116)	(2,897)	(2,955)	(3,014)
Dividend Paid	(15,750)	(17,250)	(15,000)	(16,500)	(18,000)	(19,500)
Others	-	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(22,109)</b>	<b>(23,681)</b>	<b>(21,545)</b>	<b>(19,397)</b>	<b>(20,955)</b>	<b>(22,514)</b>
<b>Net cash flow</b>	<b>1,979</b>	<b>(9,848)</b>	<b>16,565</b>	<b>7,839</b>	<b>(15,967)</b>	<b>(4,251)</b>

## Exhibit 13: Du-pont analysis

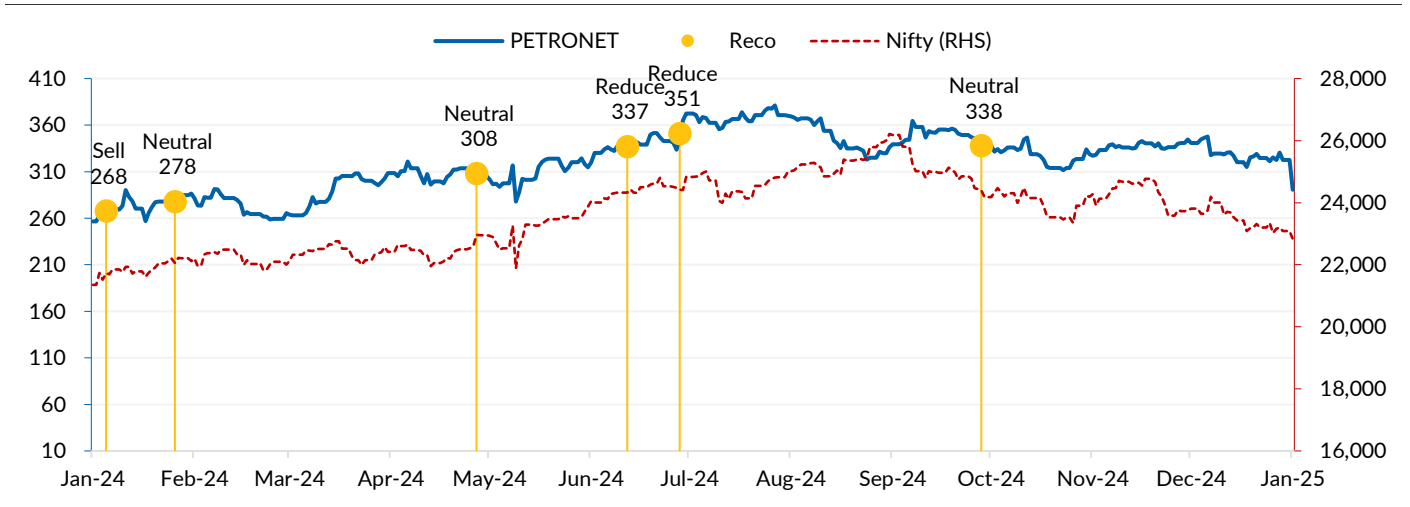
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.7	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	0.9	0.9	0.9	0.9	0.9	1.0
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	5.1	5.8	4.3	3.6	3.8	4.4
Financial leverage (x)	0.7	0.7	0.8	0.7	0.6	0.5
RoE (%)	26.7	22.8	22.2	20.1	19.8	19.9

## Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>						
Revenue growth	65.9	38.8	(12.0)	(12.1)	2.5	6.2
Op profit growth	11.8	(7.6)	7.2	1.4	9.8	11.5
EBIT growth	11.3	(2.6)	8.2	1.0	9.7	11.2
Net profit growth	13.7	(3.4)	9.1	1.8	10.2	11.8
<b>Profitability ratios (%)</b>						
OPM	12.2	8.1	9.9	11.4	12.2	12.8
EBIT margin	11.1	7.8	9.6	11.0	11.8	12.3
Net profit margin	7.8	5.4	6.7	7.8	8.3	8.8
RoCE	35.7	31.2	30.4	27.5	27.1	27.1
RoE	26.7	22.8	22.2	20.1	19.8	19.9
RoA	39.7	31.5	28.5	27.7	32.0	38.3
<b>Per share ratios</b>						
EPS	22.3	21.6	23.6	24.0	26.4	29.5
Dividend per share	10.5	11.5	10.0	11.0	12.0	13.0
Cash EPS	27.5	26.7	28.8	29.3	31.9	35.3
Book value per share	89.5	99.6	113.1	126.1	140.5	157.0
<b>Valuation ratios</b>						
P/E	10.6	12.3	12.1	11.0	9.9	10.6
P/CEPS	8.6	10.1	9.9	9.1	8.2	8.6
P/B	2.3	2.6	2.3	2.1	1.9	2.3
EV/EBIDTA	5.9	7.0	6.7	6.4	5.8	5.9
<b>Payout (%)</b>						
Dividend payout	53.2	42.4	45.9	45.4	44.0	53.2
Tax payout	25.3	25.7	25.2	25.2	25.2	25.3
<b>Liquidity ratios</b>						
Debtor days	23.42	25.10	25.00	25.00	25.00	23.42
Inventory days	5.7	10.1	12.6	12.2	12.1	5.7
Creditor days	10.7	17.5	21.5	17.4	17.0	10.7



## Recommendation Tracker



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Analyst signature

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