

# Retail Equity Research

## Petronet LNG Limited

Oil, Gas & Consumable Fuels

BSE CODE: 532522 NSE CODE: PETRONET  
Bloomberg CODE: PLNG:IN SENSEX: 36,473

**BUY**

12M Investment period Rating as per Large Cap  
CMP Rs 239 TARGET Rs 267 RETURN 12% ↑  
(Closing: 22-08-19)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

### Subdued results

Petronet LNG was formed by the Indian government to import liquefied natural gas (LNG) and set up LNG terminals in India. The company operates two regasification terminals situated in Dahej (17.5 MMTPA installed capacity) and Kochi (5 MMTPA).

- Petronet LNG Limited registered a revenue decline of 6.1% in Q1FY20 reaching Rs 8,613 cr. Q1FY20 PAT came in at Rs 560 cr versus Rs 587 cr for the same period last year.
- EBITDA margin came in at 11.9% (+170bps YoY) helped by lower costs and improved product mix.
- LNG volume increased by 10.2% YoY to 226 TBTUs in Q1FY20 (vs. 205 TBTUs in Q1FY19).
- We reiterate our BUY rating on the stock with a target price of Rs 267 based on 14x FY21E adj. EPS.

### High growth in volumes

Revenue declined 6.1% y-o-y to Rs 8,613 cr in Q1FY20. Petronet LNG Limited reported 9.6% y-o-y increase in EBITDA in Q1FY20 to reach Rs 1,023.9 cr. EBITDA margin improved by 170bps y-o-y to 11.9% due to high margin product mix and lower costs. Operating profit for Q1FY20 has remained constant at Rs. 834 cr. primarily because of decrease in cost of sales, which stood at Rs 7,418 cr. (vs. Rs. 8,084 cr. in Q1FY19). During Q1FY20, Dahej terminal had capacity utilization of around 112% and processed around 217 TBTUs of LNG against 199 TBTUs in Q1FY20 and 214 TBTUs in Q4FY19. Overall LNG volume processed by the company in the current quarter is at 226 TBTUs (vs. 205 TBTUs in Q1FY19 and 220 TBTUs in Q4FY19). Profit before tax decreased by 7.0% YoY to Rs. 838 cr. in Q1FY20 (vs. Rs. 901 cr. in Q1FY19). Petronet LNG reported net profit of Rs. 560 cr. a 4.5% YoY de-growth from Rs. 587 cr. in Q1 FY19. Adoption of Ind AS 116 has resulted in decrease in Q1FY20 PBT by Rs. 52 cr. and Net profit (PAT) by Rs. 34 cr.

### Key concall highlights

- Petronet has declared highest-ever quantity of LNG in a quarter at 217 TBTUs after the expansion of plan from 15 to 17.5 MMTPA.
- Dahej LNG terminal achieved yet another milestone with its capacity expansion
- Company has adopted Ind AS 116 with effect from FY2019-20. They have recognized right to use assets and corresponding lease liability of Rs 3,829 cr. as on April, 2019.

### Valuation

With growing energy consumption in line with GDP growth rate of the country and as the GOI aims to significantly increase Natural Gas share in the market. Total demand of the gas across different sectors is expected to increase to 654 MMSCMD by FY2026-27. Also Dahej terminal in Gujarat, meets ~40% of India's gas requirements and around 75-80% of LNG import in the country. Hence, we estimate PAT to grow at 15.2% FY19-21E CAGR and EBITDA margin to improve to 9.8% by FY21E. We reiterate our BUY rating on the stock with a target price of Rs 267 based on 14x FY21E adj. EPS.

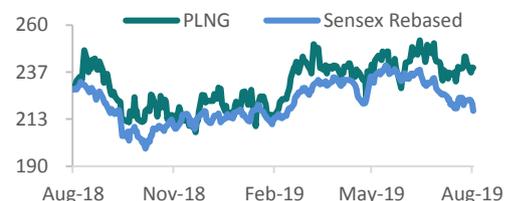
### Company Data

Market Cap (cr)	Rs.35,781
Enterprise Value (cr)	Rs.30,816
Outstanding Shares (cr)	149.8
Free Float	50.0%
Dividend Yield	4.2%
52 week high	Rs.255
52 week low	Rs.203
6m average volume	120,466
Beta	0.6
Face value	Rs.10

Shareholding %	Q3FY19	Q4FY19	Q1FY20
Promoters	50.0	50.0	50.0
FII's	23.4	25.7	27.0
MFs/Insti	12.1	11.0	10.3
Public	10.4	10.1	9.9
Others	4.1	3.3	2.9
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	0.8%	10.7%	4.7%
Absolute Sensex	-6.7%	1.7%	-4.7%
Relative Return*	7.5%	9.0%	9.4%

\*over or under performance to benchmark index



Standalone (cr)	FY19A	FY20E	FY21E
Sales	38,395	40,699	43,955
Growth (%)	25.5	6.0	8.0
EBITDA	3,293	3,766	4,322
EBITDA Margin (%)	8.6	9.3	9.8
Adj. PAT	2,155	2,453	2,860
Growth (%)	3.7	13.8	16.6
Adj. EPS	14.4	16.4	19.1
Growth (%)	3.8	13.8	16.6
P/E	17.0	14.6	12.5
P/B	3.6	3.0	2.6
EV/EBITDA	10.3	8.2	6.5
ROE (%)	21.4	20.7	20.4
D/E	0.0	0.0	0.0

## Quarterly Financials (Standalone)

### Profit & Loss Account

	Q1FY20	Q1FY19	YoY Growth %	Q4FY19	QoQ Growth %
Revenue	8,613	9,169	(6.1)	8,383	2.7
<b>EBITDA</b>	<b>1,024</b>	<b>934</b>	<b>9.6</b>	<b>627</b>	<b>63.2</b>
EBITDA margins	11.9	10.2	170bps	7.5	440bps
Depreciation	190	102	85.7	102	86.9
<b>EBIT</b>	<b>834</b>	<b>832</b>	<b>0.2</b>	<b>526</b>	<b>58.7</b>
Interest	101	30	235.4	23	346.4
Other Income	104	99	5.5	151	(31.0)
Exceptional Items	-	-	-	-	-
<b>PBT</b>	<b>838</b>	<b>901</b>	<b>(7.0)</b>	<b>655</b>	<b>28.0</b>
Tax	278	314	(11.6)	214	29.6
Share of profit from Associate	-	-	-	-	-
Minority Interest	-	-	-	-	-
<b>Reported PAT</b>	<b>560</b>	<b>587</b>	<b>(4.5)</b>	<b>440</b>	<b>27.3</b>
Adjustments	-	-	-	-	-
<b>Adjusted PAT</b>	<b>560</b>	<b>587</b>	<b>(4.5)</b>	<b>440</b>	<b>27.3</b>
No. of shares	149.8	150.1	(0.2)	150.0	(0.1)
<b>EPS (Rs)</b>	<b>3.7</b>	<b>3.9</b>	<b>(4.3)</b>	<b>2.9</b>	<b>27.4</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	41,890	-	40,699	43,955	(2.8)	-
EBITDA	4,018	-	3,766	4,322	(6.2)	-
Margins (%)	9.6	-	9.3	9.8	(30bps)	-
Adj. PAT	2,643	-	2,453	2,860	(7.1)	-
EPS	17.6	-	16.4	19.1	(6.8)	-



## PROFIT & LOSS

Y.E March (Rs cr)	FY17A	FY18A	FY19A	FY20E	FY21E
<b>Revenue</b>	<b>24,616</b>	<b>30,599</b>	<b>38,395</b>	<b>40,699</b>	<b>43,955</b>
% change	(9.3)	24.3	25.5	6.0	8.0
<b>EBITDA</b>	<b>2,592</b>	<b>3,312</b>	<b>3,293</b>	<b>3,766</b>	<b>4,322</b>
% change	63.0	27.8	(0.6)	14.3	14.8
Depreciation	369	412	411	393	381
<b>EBIT</b>	<b>2,223</b>	<b>2,901</b>	<b>2,882</b>	<b>3,373</b>	<b>3,940</b>
Interest	210	163	99	143	100
Other Income	364	317	450	450	450
<b>PBT</b>	<b>2,378</b>	<b>3,055</b>	<b>3,234</b>	<b>3,680</b>	<b>4,290</b>
% change	98.1	28.5	5.8	13.8	16.6
Tax	655	977	1,078	1,227	1,431
Tax Rate (%)	27.5	32.0	33.3	33.3	33.3
<b>Reported PAT</b>	<b>1,706</b>	<b>2,078</b>	<b>2,155</b>	<b>2,453</b>	<b>2,860</b>
Adj*	-	-	-	-	-
<b>Adj PAT</b>	<b>1,706</b>	<b>2,078</b>	<b>2,155</b>	<b>2,453</b>	<b>2,860</b>
% change	86.6	21.8	3.7	13.8	16.6
No. of shares (cr)	75.0	150.0	150.0	150.0	150.0
<b>Adj EPS (Rs)</b>	<b>22.7</b>	<b>13.8</b>	<b>14.4</b>	<b>16.4</b>	<b>19.1</b>
% change	86.5	(39.1)	3.8	13.8	16.6
DPS (Rs)	5.0	4.5	4.5	4.5	4.5
CEPS (Rs)	27.7	16.6	17.1	19.0	21.6

## CASH FLOW

Y.E March (Rs cr)	FY17A	FY18A	FY19A	FY20E	FY21E
<b>Net inc. + Depn.</b>	<b>2,075</b>	<b>2,490</b>	<b>2,567</b>	<b>2,846</b>	<b>3,241</b>
Non-cash adj.	370	271	(286)	199	272
Changes in W.C	(377)	235	(135)	(45)	(61)
<b>C.F. Operation</b>	<b>2,068</b>	<b>2,996</b>	<b>2,146</b>	<b>3,000</b>	<b>3,453</b>
Capital exp.	(546)	(175)	(163)	(172)	(186)
Change in inv.	(2,649)	(951)	3,462	-	-
Other invest.CF	20	(1)	(3,375)	-	-
<b>C.F - Investment</b>	<b>(3,175)</b>	<b>(1,127)</b>	<b>(76)</b>	<b>(172)</b>	<b>(186)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	(313)	(705)	(620)	-	-
Dividends paid	(226)	(451)	(1,808)	(675)	(675)
Other finance.CF	(210)	(178)	(119)	-	-
<b>C.F - Finance</b>	<b>(748)</b>	<b>(1,335)</b>	<b>(2,548)</b>	<b>(675)</b>	<b>(675)</b>
Chg. in cash	(1,856)	534	(478)	2,152	2,591
Closing cash	327	863	2,960	5,113	7,704

## BALANCE SHEET

Y.E March (Rs cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	327	863	2,960	5,113	7,704
Accounts Receivable	1,211	1,651	1,382	1,465	1,583
Inventories	541	491	569	599	644
Other Cur. Assets	2,824	4,023	1,050	1,060	1,075
Investments	164	164	164	164	164
Gross Fixed Assets	9,100	9,108	9,152	9,325	9,511
Net Fixed Assets	8,370	7,807	7,316	7,096	6,901
CWIP	49	220	348	348	348
Intangible Assets	5	2	1	1	1
Def. Tax (Net)	-	-	33	38	44
Other Assets	339	433	1,260	1,260	1,260
<b>Total Assets</b>	<b>13,829</b>	<b>15,654</b>	<b>15,085</b>	<b>17,145</b>	<b>19,724</b>
Current Liabilities	2,163	2,860	2,484	2,582	2,724
Provisions	7	8	11	11	11
Debt Funds	1,450	733	101	101	101
Other Liabilities	2,116	2,332	2,422	2,607	2,859
Equity Capital	750	1,500	1,500	1,500	1,500
Reserves & Surplus	7,344	8,220	8,566	10,344	12,529
Shareholder's Fund	8,094	9,720	10,066	11,844	14,029
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>13,829</b>	<b>15,654</b>	<b>15,085</b>	<b>17,145</b>	<b>19,724</b>
<b>BVPS (Rs)</b>	<b>107.9</b>	<b>64.8</b>	<b>67.1</b>	<b>79.0</b>	<b>93.5</b>

## RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	10.5	10.8	8.6	9.3	9.8
EBIT margin (%)	9.0	9.5	7.5	8.3	9.0
Net profit mgn.(%)	6.9	6.8	5.6	6.0	6.5
ROE (%)	21.1	21.4	21.4	20.7	20.4
ROCE (%)	23.3	27.7	28.3	28.2	27.9
<b>W.C &amp; Liquidity</b>					
Receivables (days)	17.7	19.4	13.0	13.0	13.0
Inventory (days)	9.1	6.6	6.0	6.0	6.0
Payables (days)	15.9	21.2	13.5	13.5	13.5
Current ratio (x)	2.3	2.5	2.4	3.2	4.0
Quick ratio (x)	2.0	2.3	2.1	2.9	3.7
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	5.4	3.4	4.2	4.4	4.7
Total asset T.O (x)	1.9	2.1	2.5	2.5	2.4
Int. covge. ratio (x)	10.6	17.8	29.1	23.6	39.3
Adj. debt/equity (x)	0.2	0.1	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	0.6	1.1	0.9	0.8	0.6
EV/EBITDA (x)	6.0	10.0	10.3	8.2	6.5
P/E (x)	8.4	16.0	17.0	14.6	12.5
P/BV (x)	1.8	3.4	3.6	3.0	2.6



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