

August 18, 2020

Q1FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	384		384	
Sales (Rs. m)	4,45,445	4,58,199	4,45,445	4,58,199
% Chng.	-	-	-	-
EBITDA (Rs. m)	48,656	52,390	48,656	52,390
% Chng.	-	-	-	-
EPS (Rs.)	21.0	23.9	21.0	23.9
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	3,54,520	3,81,681	4,45,445	4,58,199
EBITDA (Rs. m)	39,895	41,472	48,656	52,390
Margin (%)	11.3	10.9	10.9	11.4
PAT (Rs. m)	26,417	25,182	31,511	35,840
EPS (Rs.)	17.6	16.8	21.0	23.9
Gr. (%)	22.6	(4.7)	25.1	13.7
DPS (Rs.)	12.5	10.1	12.6	14.3
Yield (%)	4.9	4.0	5.0	5.6
RoE (%)	27.2	23.8	26.9	27.4
RoCE (%)	33.1	31.0	32.9	31.6
EV/Sales (x)	1.0	0.9	0.7	0.6
EV/EBITDA (x)	8.7	7.9	6.2	5.3
PE (x)	14.4	15.1	12.1	10.6
P/BV (x)	3.8	3.4	3.1	2.8

Key Data

PLNG.BO | PLNG IN

52-W High / Low	Rs.296 / Rs.170
Sensex / Nifty	38,051 / 11,247
Market Cap	Rs.381bn/ \$ 5,094m
Shares Outstanding	1,500m
3M Avg. Daily Value	Rs.1950.26m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	29.15
Domestic Institution	7.86
Public & Others	12.99
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.4)	(0.6)	7.4
Relative	(6.0)	7.3	5.5

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Robust performance

Quick Pointers:

- Exploring multiple opportunities to source long term gas at spot prices; Tellurian deal is one of them.
- Lowest tariffs, excellent pipeline network and well-entrenched reach in domestic LNG markets to help PLNG compete with new terminals.

We leave our estimates for FY21-23E unchanged. Petronet LNG (PLNG) is a play on India's rising LNG imports supported by soft spot LNG prices. We like PLNG's business model given high earnings visibility. We see limited competition to PLNG's well-entrenched reach in the LNG business. Reiterate BUY with a DCF based PT of Rs384.

- Another strong performance in challenging times:** In Q1FY21 PLNG reported EBITDA and PAT of Rs9.1bn (PLe Rs 7.5bn; -11% YoY) and Rs5.2bn (PLe Rs4.0bn; -7% YoY), respectively. Operationally results looked good due to minimal volume impact despite pandemic related lockdown. Also, shutdown of competing Dabhol LNG terminal due to monsoon, helped PLNG to perform better.
- Dahej terminal remains the star:** During the quarter, regassification volumes were at 190tbtu (227 tbtu in Q4; PLe 178). Dahej regassified volumes were at 181tbtu (214tbtu in Q4). PLNG's Q1 blended tariffs were at Rs55.1/tbtu against Rs49.9 in Q4 and Rs52.9 in Q1FY20.
- The Kochi-Mangalore pipeline will be commissioned by August 2020 and utilization levels are expected to double from current 17%. Accordingly, Kochi tariffs have been fixed at Rs83.1 for FY21. At this rate there will be no impairment of the Kochi terminal value.
- Multiple projects at exploratory stage:** Management clarified that they are exploring multiple capex options like the Sri Lanka FSRU LNG terminal alongwith opportunities on the East Coast of India. While PLNG has signed a nonbinding agreement with Tellurian, project economics will decide any investment.
- Limited threat from new terminals:** PLNG management seems quite confident of maintaining their pre dominant stature despite start of competing Mundra and Ennore LNG terminals given their low cost operations. In addition, high growth opportunities from CGD and power sector ramp up will spur demand for gas in the country, which will necessitate more infrastructure coming on stream.

Exhibit 1: Q1FY21 Result Overview (Rs mn)

Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Sales	48,836	80,614	(39.4)	80,442	3,81,681	3,54,520	(7.1)
Regassification services	-	5,520		5,230	-	-	
Net sales	48,836	86,134	(43.3)	85,672	3,81,681	3,54,520	(7.1)
Total expenditure	39,736	75,895	(47.6)	78,696	3,40,209	3,14,625	(7.5)
Raw material	38,365	74,182	(48.3)	74,360	3,33,194	3,04,959	(8.5)
Staff cost	360	293	22.8	289	1,383	1,258	(9.1)
Other expenditure	1,011	1,421	(28.8)	4,048	5,632	8,408	49.3
Forex	-	-		-	-	-	
Operating profit	9,099	10,239	(11.1)	6,975	41,472	39,895	(3.8)
Other income	684	1,044	(34.5)	865	4,349	3,726	(14.3)
Interest	881	1,005	(12.3)	1,035	3,500	4,032	15.2
Depreciation	1,936	1,899	1.9	1,942	8,669	7,761	(10.5)
PBT	6,966	8,379	(16.9)	4,863	33,652	31,828	(5.4)
Tax	1,764	2,777	(36.5)	1,272	8,470	5,411	(36.1)
<i>Tax rate (%)</i>	<i>25.3</i>	<i>33.1</i>		<i>26.2</i>	<i>25.2</i>	<i>17.0</i>	
Net profit	5,202	5,603	(7.1)	3,590	25,182	26,417	4.9

Source: Company, PL

Exhibit 2: PLNG quarterly volume and tariffs

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Volumes (tbtu)	220.2	217.0	202.0	205.1	226.0	250.0	233.0	226.6	190.0
Blended regas margins (Rs/tbtu)	49.3	48.4	49.4	41.2	52.9	53.5	55.4	49.9	55.1

Source: Company, PL

Conference Call Highlights

- Dahej terminal operated at 81% capacity utilization in Q1 and for Q2 is operating at 100%.
- PLNG is exploring multiple opportunities to source the cheapest gas source. They are eyeing LT contract at spot prices going forward.
- Management seems extremely confident that demand is unlikely to be hit by commissioning of the Mundra LNG terminal.
- PLNG expects strong demand from CGD, Power and other sectors.
- Management clarified that they had issued force majeure for 9 cargoes in Q4. In the event it doesn't materializes, PLNG has to take the volumes over the rest of contract period.
- FY21 capex is likely at Rs3.48bn and their long term capex plans include setting up two storage tanks for Rs12bn, a jetty at Dahej for Rs13bn. Srilanka FSRU project is likely to cost USD300m

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	3,54,520	3,81,681	4,45,445	4,58,199
YoY gr. (%)	(7.7)	7.7	16.7	2.9
Cost of Goods Sold	3,04,959	3,33,194	3,88,679	3,97,184
Gross Profit	49,561	48,487	56,766	61,015
Margin (%)	14.0	12.7	12.7	13.3
Employee Cost	1,258	1,383	1,522	1,674
Other Expenses	-	-	-	-
EBITDA	39,895	41,472	48,656	52,390
YoY gr. (%)	21.1	4.0	17.3	7.7
Margin (%)	11.3	10.9	10.9	11.4
Depreciation and Amortization	7,761	8,669	10,089	11,089
EBIT	32,134	32,804	38,568	41,301
Margin (%)	9.1	8.6	8.7	9.0
Net Interest	4,032	3,500	3,000	2,500
Other Income	3,726	4,349	6,542	9,095
Profit Before Tax	31,828	33,652	42,110	47,896
Margin (%)	9.0	8.8	9.5	10.5
Total Tax	5,411	8,470	10,599	12,055
Effective tax rate (%)	17.0	25.2	25.2	25.2
Profit after tax	26,417	25,182	31,511	35,840
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	26,417	25,182	31,511	35,840
YoY gr. (%)	22.6	(4.7)	25.1	13.7
Margin (%)	7.5	6.6	7.1	7.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	26,417	25,182	31,511	35,840
YoY gr. (%)	22.6	(4.7)	25.1	13.7
Margin (%)	7.5	6.6	7.1	7.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26,417	25,182	31,511	35,840
Equity Shares O/s (m)	1,500	1,500	1,500	1,500
EPS (Rs)	17.6	16.8	21.0	23.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	1,02,284	1,04,284	1,06,284	1,08,284
Tangibles	1,02,284	1,04,284	1,06,284	1,08,284
Intangibles	-	-	-	-
Acc: Dep / Amortization	22,805	31,474	41,563	52,651
Tangibles	22,805	31,474	41,563	52,651
Intangibles	-	-	-	-
Net fixed assets	79,478	72,809	64,721	55,632
Tangibles	79,478	72,809	64,721	55,632
Intangibles	-	-	-	-
Capital Work In Progress	2,000	2,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(14,959)	(16,699)	(18,876)	(21,352)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	7,785	8,381	9,781	10,061
Trade receivables	17,438	18,774	21,910	22,537
Cash & Bank Balance	34,019	52,954	77,890	1,04,004
Other Current Assets	530	530	530	530
Total Assets	1,47,011	1,61,210	1,81,594	1,99,527
Equity				
Equity Share Capital	15,000	15,000	15,000	15,000
Other Equity	85,839	95,912	1,08,517	1,22,853
Total Network	1,00,839	1,10,912	1,23,517	1,37,853
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	31,147	33,533	39,135	40,256
Other current liabilities	66	66	66	66
Total Equity & Liabilities	1,47,011	1,61,210	1,81,594	1,99,527

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	31,828	33,652	42,110	47,896
Add. Depreciation	7,761	8,669	10,089	11,089
Add. Interest	4,032	3,500	3,000	2,500
Less Financial Other Income	3,726	4,349	6,542	9,095
Add. Other	-	-	-	-
Op. profit before WC changes	43,621	45,821	55,199	61,485
Net Changes-WC	38,012	(31,735)	610	1,783
Direct tax	(5,411)	(8,470)	(10,599)	(12,055)
Net cash from Op. activities	76,222	5,616	45,210	51,212
Capital expenditures	(39,557)	(3,536)	(4,000)	(6,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(39,557)	(3,536)	(4,000)	(6,000)
Issue of share cap. / premium	1,202	-	-	-
Debt changes	(368)	(644)	-	-
Dividend paid	(18,750)	(15,109)	(18,906)	(21,504)
Interest paid	(4,032)	(3,500)	(3,000)	(2,500)
Others	-	-	-	-
Net cash from Fin. activities	(21,948)	(19,253)	(21,906)	(24,004)
Net change in cash	14,718	(17,174)	19,303	21,208
Free Cash Flow	36,665	2,080	41,210	45,212

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	93,612	89,102	85,672	48,836
YoY gr. (%)	(12.9)	(11.8)	2.2	(43.3)
Raw Material Expenses	80,229	76,189	74,360	38,365
Gross Profit	13,383	12,913	11,312	10,470
Margin (%)	14.3	14.5	13.2	21.4
EBITDA	11,605	11,076	6,975	9,099
YoY gr. (%)	31.3	30.6	11.2	(11.1)
Margin (%)	12.4	12.4	8.1	18.6
Depreciation / Depletion	1,960	1,960	1,942	1,936
EBIT	9,645	9,116	5,033	7,164
Margin (%)	10.3	10.2	5.9	14.7
Net Interest	1,051	940	1,035	881
Other Income	975	842	865	684
Profit before Tax	8,848	9,017	4,863	6,966
Margin (%)	9.5	10.1	5.7	14.3
Total Tax	(2,184)	2,265	1,272	1,764
Effective tax rate (%)	(24.7)	25.1	26.2	25.3
Profit after Tax	11,031	6,752	3,590	5,202
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	11,031	6,752	3,590	5,202
YoY gr. (%)	96.0	19.4	(18.4)	(7.1)
Margin (%)	11.8	7.6	4.2	10.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,031	6,752	3,590	5,202
YoY gr. (%)	96.0	19.4	(18.4)	(7.1)
Margin (%)	11.8	7.6	4.2	10.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

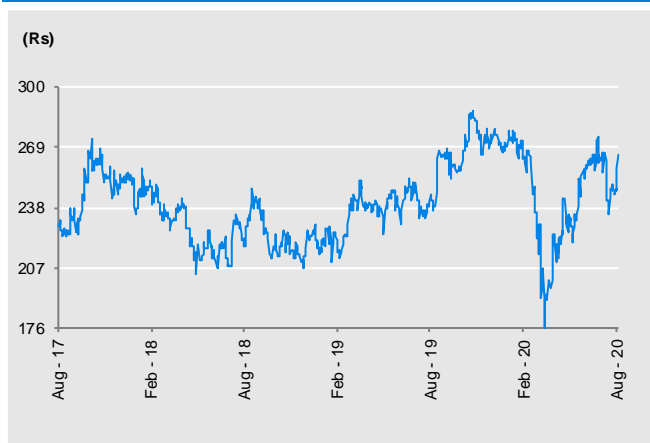
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	17.6	16.8	21.0	23.9
CEPS	22.8	22.6	27.7	31.3
BVPS	67.2	73.9	82.3	91.9
FCF	24.4	1.4	27.5	30.1
DPS	12.5	10.1	12.6	14.3
Return Ratio(%)				
RoCE	33.1	31.0	32.9	31.6
ROIC	28.4	30.3	37.2	43.2
RoE	27.2	23.8	26.9	27.4
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.5)	(0.6)	(0.8)
Net Working Capital (Days)	(6)	(6)	(6)	(6)
Valuation(x)				
PER	14.4	15.1	12.1	10.6
P/B	3.8	3.4	3.1	2.8
P/CEPS	24.8	24.6	30.2	34.1
EV/EBITDA	8.7	7.9	6.2	5.3
EV/Sales	1.0	0.9	0.7	0.6
Dividend Yield (%)	4.9	4.0	5.0	5.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Dahej contract volume (MTPA)	16.5	16.0	16.8	16.8
Dahej spot volume (MTPA)	0.5	1.0	1.8	1.8
Kochi contract volume (MTPA)	0.7	0.3	1.0	1.5
Kochi spot volume (MTPA)	0.1	0.8	1.0	1.0
Dahej contract tariff (Rs/tbtu)	49.9	52.4	55.0	57.7
Dahej spot tariff (Rs/tbtu)	25.0	20.0	20.0	20.0
Kochi contract tariff (Rs/tbtu)	72.9	76.6	80.4	84.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-20	BUY	384	261
2	30-Jun-20	BUY	384	260
3	08-Apr-20	BUY	378	215
4	11-Feb-20	BUY	388	271
5	03-Jan-20	BUY	352	269
6	30-Oct-19	BUY	352	279
7	03-Oct-19	BUY	338	258

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	1,024	1,000
2	Bharat Petroleum Corporation	BUY	515	413
3	GAIL (India)	Accumulate	107	97
4	Hindustan Petroleum Corporation	BUY	280	214
5	Indian Oil Corporation	BUY	114	87
6	Indraprastha Gas	BUY	597	412
7	Mahanagar Gas	BUY	1,226	968
8	Manappuram Finance	BUY	1,279	994
9	NOCIL	BUY	96	98
10	Oil & Natural Gas Corporation	BUY	96	82
11	Oil India	Accumulate	117	99
12	Petronet LNG	BUY	384	261
13	Reliance Industries	BUY	2,170	2,102

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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