

February 12, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	403		399	
Sales (Rs. m)	4,46,087	4,58,850	4,45,445	4,58,199
% Chng.	0.1	0.1		
EBITDA (Rs. m)	51,563	55,434	50,084	53,896
% Chng.	3.0	2.9		
EPS (Rs.)	22.6	25.3	21.8	24.4
% Chng.	3.5	3.4		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	3,54,520	3,84,943	4,46,087	4,58,850
EBITDA (Rs. m)	39,895	46,675	51,563	55,434
Margin (%)	11.3	12.1	11.6	12.1
PAT (Rs. m)	26,417	29,253	33,858	37,895
EPS (Rs.)	17.6	19.5	22.6	25.3
Gr. (%)	22.6	10.7	15.7	11.9
DPS (Rs.)	12.5	15.6	16.9	18.9
Yield (%)	5.2	6.4	7.0	7.8
RoE (%)	27.2	28.2	30.5	31.6
RoCE (%)	33.1	37.1	38.2	37.7
EV/Sales (x)	0.9	0.8	0.7	0.6
EV/EBITDA (x)	8.3	6.7	5.7	4.9
PE (x)	13.8	12.4	10.7	9.6
P/BV (x)	3.6	3.4	3.2	2.9

Key Data

PLNG.BO | PLNG IN

52-W High / Low	Rs.275 / Rs.165
Sensex / Nifty	51,544 / 15,163
Market Cap	Rs.363bn/ \$ 4,993m
Shares Outstanding	1,500m
3M Av g. Daily Value	Rs.2612.23m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	29.49
Domestic Institution	7.00
Public & Others	13.51
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.5)	(3.2)	(5.4)
Relative	(14.0)	(27.9)	(23.7)

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Another strong performance

Quick Pointers:

- Record tariffs, inventory and trading gains along with stable volumes drive Q3 earnings.
- Lowest tariffs, superb pipeline network and well-entrenched reach in the domestic LNG markets to help PLNG compete with new terminals.

We increase our FY21E estimates by 7% to factor in strong 9M performance and FY22/23E by 3.5/3.4% as we increase spot margins. We believe PLNG 1) is a play on India's rising LNG imports supported by benign spot LNG prices 2) possess solid business model given high earnings visibility 3) has limited competition to PLNG's well-entrenched reach in the LNG business. Reiterate BUY with a DCF based PT of Rs403 (Rs399).

- Record margins, inventory gains, stable volumes drive earnings:** Petronet LNG (PLNG) reported Q3FY21 EBITDA and PAT of Rs13.4bn (+21% YoY; PLe Rs 11.1bn;) and Rs8.8bn (+30%YoY; PLe Rs7.0bn), respectively. For 9MFY21, EBITDA/PAT was at Rs36.0bn (+10%YoY) and Rs23.2bn (-4%YoY). Operationally better results were due to better than expected blended tariffs.
- Dahej terminal remains the star:** During the quarter, regasification volumes were at 235tbtu (254 tbtu in Q2FY21; PLe 227). Dahej degasified volumes were at 222tbtu (243tbtu in Q2) while Kochi volumes were at 13tbtu. PLNG's Q3 blended tariffs were at Rs63.2/tbtu against Rs55.4 in Q3FY20 and Rs59.7 in Q2FY21.
- The Kochi-Mangalore pipeline was commissioned by January 21 wherein utilization levels are expected to increase over 30%.
- Multiple projects at exploratory stage:** Management clarified that they are exploring multiple capex options like the Sri Lanka FSRU LNG terminal along with opportunities on East Coast of India. With new gas supplies from KGD6 coming on stream, PLNG is likely to revisit demand opportunities before deciding on capex commitment.
- 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. Additionally, high growth opportunities from CGD and power sector rampup will spur demand for gas in the country, which will necessitate more infrastructure coming on stream.

Exhibit 1: Q3FY21 Result Overview (Rs mn)

Y/e March	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
Sales	73,282	82,832	(11.5)	55,578	1,72,696	2,50,749	(31.1)
Regassification services	-	6,270		6,780	11,780	18,100	(34.9)
Net sales	73,282	89,102	(17.8)	62,358	1,84,476	2,68,849	(31.4)
Total expenditure	59,929	78,027	(23.2)	48,726	1,48,391	2,35,929	(37.1)
Raw material	58,434	76,189	(23.3)	47,199	1,43,998	2,30,600	(37.6)
Staff cost	343	407	(15.7)	338	1,042	968	7.6
Other expenditure	1,152	1,431	(19.4)	1,188	3,351	4,361	(23.1)
Forex	-	-		-	-	-	
Operating profit	13,353	11,076	20.6	13,633	36,085	32,920	9.6
Other income	1,111	842	32.0	1,596	3,390	2,861	18.5
Interest	815	940	(13.3)	850	2,547	2,997	(15.0)
Depreciation	1,925	1,960	(1.8)	1,952	5,813	5,819	(0.1)
PBT	11,724	9,017	30.0	12,426	31,116	26,965	15.4
Tax	2,939	2,265	29.7	3,153	7,855	2,858	174.8
<i>Tax rate (%)</i>	<i>25.1</i>	<i>25.1</i>		<i>25.4</i>	<i>25.2</i>	<i>10.6</i>	
Net profit	8,785	6,752	30.1	9,274	23,260	24,107	(3.5)

Source: Company, PL

Exhibit 2: PLNG quarterly volume and tariffs

	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Volumes (tbtu)	202.0	205.1	226.0	250.0	233.0	226.6	190.0	254.0	235.0
Blended regas margins (Rs/tbtu)	49.4	41.2	52.9	53.5	55.4	49.9	55.1	59.7	63.2

Source: Company, PL

Conference Call Highlights

- PLNG is exploring multiple opportunities to source cheapest gas source. They are eyeing LT contract at spot prices, for way forward.
- Tariff negotiation for the Kochi terminal is likely to be finalized in Q4FY21, which will decide any asset impairment going ahead.
- Management remains confident of steady gas demand growth going ahead and next tariff hikes will be in January 2021.
- Capex for 9M was at Rs650m against target of Rs3.5bn for FY22, PLNG targeted capex of Rs5.3bn.
- High spot LNG prices in January impacted volumes, but with prices coming down volumes will pick up.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	3,54,520	3,84,943	4,46,087	4,58,850
YoY gr. (%)	(7.7)	8.6	15.9	2.9
Cost of Goods Sold	3,04,959	3,33,194	3,88,679	3,97,184
Gross Profit	49,561	51,750	57,408	61,666
Margin (%)	14.0	13.4	12.9	13.4
Employee Cost	1,258	1,320	1,453	1,598
Other Expenses	-	-	-	-
EBITDA	39,895	46,675	51,563	55,434
YoY gr. (%)	21.1	17.0	10.5	7.5
Margin (%)	11.3	12.1	11.6	12.1
Depreciation and Amortization	7,761	8,213	9,178	10,178
EBIT	32,134	38,462	42,385	45,256
Margin (%)	9.1	10.0	9.5	9.9
Net Interest	4,032	3,500	3,000	2,500
Other Income	3,726	4,132	5,861	7,886
Profit Before Tax	31,828	39,093	45,247	50,642
Margin (%)	9.0	10.2	10.1	11.0
Total Tax	5,411	9,840	11,389	12,747
Effective tax rate (%)	17.0	25.2	25.2	25.2
Profit after tax	26,417	29,253	33,858	37,895
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	26,417	29,253	33,858	37,895
YoY gr. (%)	22.6	10.7	15.7	11.9
Margin (%)	7.5	7.6	7.6	8.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	26,417	29,253	33,858	37,895
YoY gr. (%)	22.6	10.7	15.7	11.9
Margin (%)	7.5	7.6	7.6	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26,417	29,253	33,858	37,895
Equity Shares O/s (m)	1,500	1,500	1,500	1,500
EPS (Rs)	17.6	19.5	22.6	25.3

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	31,019	40,197	50,375
Tangibles	22,805	31,019	40,197	50,375
Intangibles	-	-	-	-
Net fixed assets	79,478	73,265	66,087	57,909
Tangibles	79,478	73,265	66,087	57,909
Intangibles	-	-	-	-
Capital Work In Progress	2,000	2,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(14,959)	(16,980)	(19,320)	(21,938)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	7,785	8,453	9,795	10,075
Trade receivables	17,438	18,934	21,942	22,569
Cash & Bank Balance	34,019	48,612	68,616	89,099
Other Current Assets	530	530	530	530
Total Assets	1,47,011	1,57,556	1,73,732	1,86,945
Equity				
Equity Share Capital	15,000	15,000	15,000	15,000
Other Equity	85,839	91,690	1,00,155	1,09,629
Total Network	1,00,839	1,06,690	1,15,155	1,24,629
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	31,147	33,820	39,192	40,313
Other current liabilities	66	66	66	66
Total Equity & Liabilities	1,47,011	1,57,556	1,73,732	1,86,945

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	31,828	39,093	45,247	50,642
Add. Depreciation	7,761	8,213	9,178	10,178
Add. Interest	4,032	3,500	3,000	2,500
Less Financial Other Income	3,726	4,132	5,861	7,886
Add. Other	-	-	-	-
Op. profit before WC changes	43,621	50,806	57,425	63,320
Net Changes-WC	38,012	(12,892)	(34,863)	(21)
Direct tax	(5,411)	(9,840)	(11,389)	(12,747)
Net cash from Op. activities	76,222	28,074	11,173	50,553
Capital expenditures	(39,557)	(3,768)	(5,384)	(5,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(39,557)	(3,768)	(5,384)	(5,000)
Issue of share cap. / premium	1,202	(1,876)	-	-
Debt changes	(368)	(184)	(460)	-
Dividend paid	(18,750)	(23,403)	(25,394)	(28,422)
Interest paid	(4,032)	(3,500)	(3,000)	(2,500)
Others	-	-	-	-
Net cash from Fin. activities	(21,948)	(28,962)	(28,854)	(30,922)
Net change in cash	14,718	(4,656)	(23,065)	14,631
Free Cash Flow	36,665	24,306	5,789	45,553

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	85,672	48,836	62,358	73,282
YoY gr. (%)	2.2	(43.3)	(33.4)	(17.8)
Raw Material Expenses	74,360	38,365	47,199	58,434
Gross Profit	11,312	10,470	15,159	14,849
Margin (%)	13.2	21.4	24.3	20.3
EBITDA	6,975	9,099	13,633	13,353
YoY gr. (%)	11.2	(11.1)	17.5	20.6
Margin (%)	8.1	18.6	21.9	18.2
Depreciation / Depletion	1,942	1,936	1,952	1,925
EBIT	5,033	7,164	11,681	11,428
Margin (%)	5.9	14.7	18.7	15.6
Net Interest	1,035	881	850	815
Other Income	865	684	1,596	1,111
Profit before Tax	4,863	6,966	12,426	11,724
Margin (%)	5.7	14.3	19.9	16.0
Total Tax	1,272	1,764	3,153	2,939
Effective tax rate (%)	26.2	25.3	25.4	25.1
Profit after Tax	3,590	5,202	9,274	8,785
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,590	5,202	9,274	8,785
YoY gr. (%)	(18.4)	(7.1)	(15.9)	30.1
Margin (%)	4.2	10.7	14.9	12.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,590	5,202	9,274	8,785
YoY gr. (%)	(18.4)	(7.1)	(15.9)	30.1
Margin (%)	4.2	10.7	14.9	12.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

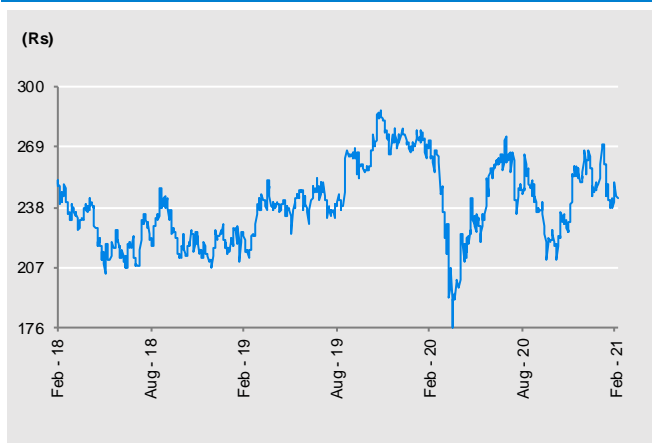
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	17.6	19.5	22.6	25.3
CEPS	22.8	25.0	28.7	32.0
BVPS	67.2	71.1	76.8	83.1
FCF	24.4	16.2	3.9	30.4
DPS	12.5	15.6	16.9	18.9
Return Ratio(%)				
RoCE	33.1	37.1	38.2	37.7
ROIC	28.4	35.3	40.3	46.3
RoE	27.2	28.2	30.5	31.6
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.5)	(0.6)	(0.7)
Net Working Capital (Days)	(6)	(6)	(6)	(6)
Valuation(x)				
PER	13.8	12.4	10.7	9.6
P/B	3.6	3.4	3.2	2.9
P/CEPS	22.7	25.0	28.7	32.1
EV/EBITDA	8.3	6.7	5.7	4.9
EV/Sales	0.9	0.8	0.7	0.6
Dividend Yield (%)	5.2	6.4	7.0	7.8

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	80.0	25.0	25.0
Kochi contract tariff (Rs/tbtu)	72.9	80.0	84.0	88.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-21	BUY	399	260
2	12-Nov-20	BUY	399	241
3	07-Oct-20	BUY	384	219
4	18-Aug-20	BUY	384	254
5	07-Jul-20	BUY	384	261
6	30-Jun-20	BUY	384	260
7	08-Apr-20	BUY	378	215

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	BUY	1,314	1,159
2	Bharat Petroleum Corporation	BUY	505	422
3	GAIL (India)	Accumulate	139	134
4	Gujarat Gas	BUY	528	380
5	Hindustan Petroleum Corporation	BUY	315	230
6	Indian Oil Corporation	BUY	124	96
7	Indraprastha Gas	BUY	662	557
8	Mahanagar Gas	BUY	1,313	1,129
9	NOCIL	BUY	182	143
10	Oil & Natural Gas Corporation	BUY	114	98
11	Oil India	Accumulate	117	113
12	Petronet LNG	BUY	399	260
13	Reliance Industries	BUY	2,232	2,050

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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