

RESEARCH

Petronet LNG | Target: Rs 400 | +40% | BUY

Volumes and margins surge

SUMMARY

Petronet LNG

Petronet LNG's (PLNG) Q2FY20 EBITDA surged to Rs 11.6bn (+31% YoY), as volumes rose to 250tbtu (+15% YoY, +11% QoQ). Despite capacity expansion, Dahej terminal utilisation has scaled up to 108%. EBITDA/mmbtu increased to Rs 46.4 (+14% YoY, 2.5% QoQ) on advantages of scale, trending well above estimates. We upgrade FY21/FY22 EPS by 18%/3% on higher margins and volumes. Our FY20 earnings upgrade (+23%) is driven by tax adjustments. Maintain BUY with a revised Sep'20 TP of Rs 400 (vs. Rs 380).

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	555
GAIL	Buy	200
HPCL	Buy	400
ONGC	Buy	200
TCS	Add	2,230

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,230
Future Supply	Buy	730
Greenply Industries	Buy	200
Laurus Labs	Buy	480
PNC Infratech	Buy	250

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.84	0bps	16bps	(128bps)
India 10Y yield (%)*	6.69	1bps	(4bps)	(114bps)
USD/INR	70.84	0.1	(0.4)	3.8
Brent Crude (US\$/bbl)	61.59	0	(0.5)	(18.9)
Dow	27,071	(0.1)	0.9	8.8
Shanghai	2,954	(0.9)	0.8	15.0
Sensex	39,832	2.0	2.6	17.5
India FII (US\$ mn)	25 Oct	MTD	CYTD	FYTD
FII-D	202.2	211.6	4,185.0	3,640.4
FII-E	(57.5)	496.4	8,657.2	1,812.0

Source: Bank of Baroda Economics Research | *7.26% GS 2029

BOBCAPS Research

research@bobcaps.in



BUY

TP: Rs 400 | ▲ 40%

PETRONET LNG

Oil & Gas

30 October 2019

Volumes and margins surge

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Rohit Ahuja | Harleen Manglani

research@bobcaps.in

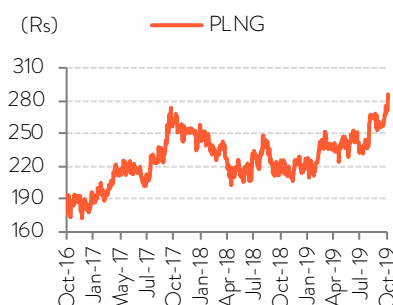
Buoyant volume outlook: PLNG's Q2 volumes beat estimates following a surge in service volumes (129tbtu, +47% YoY), while spot LNG offtake remained muted at 7tbtu. Management clarified that long-term volume offtake remains stable (both from Qatar and Australia), despite the wide price gap between spot and long-term contracts. Management expects to sustain Dahej terminal utilisation at >100% levels, while the Kochi terminal could ramp up from Q4FY20 after commissioning of the Kochi-Mangalore pipeline by GAIL.

Ticker/Price	PLNG IN/Rs 286
Market cap	US\$ 6.0bn
Shares o/s	1,500mn
3M ADV	US\$ 13.6mn
52wk high/low	Rs 299/Rs 203
Promoter/FPI/DII	50%/27%/23%

Source: NSE

EBITDA margins improve on high utilisation: EBITDA/ mmbtu swelled 14% YoY to Rs 46.4 led by a surge in utilisation levels at Dahej and lower operating costs following a crash in spot LNG prices. However, margins may reduce or at best stay at current levels in H2FY20 as there could be some volume loss to the Dabhol terminal (which resumes post monsoon). Management indicated that Kochi tariffs could be revised down by ~25% from FY21 on assurance of higher offtake (~40% as per our analysis).

STOCK PERFORMANCE



Source: NSE

Maintain BUY: PLNG's earnings visibility remains buoyant backed by >100% utilisation at Dahej, while the company will continue to expand capacity (by ~2mmtpa) through the addition of storage tanks by FY23.

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	305,986	383,954	405,806	491,243	494,655
EBITDA (Rs mn)	33,124	32,935	45,420	51,364	53,226
Adj. net profit (Rs mn)	20,779	21,554	32,617	35,664	37,994
Adj. EPS (Rs)	13.9	14.4	21.7	23.8	25.3
Adj. EPS growth (%)	21.8	3.7	51.3	9.3	6.5
Adj. ROAE (%)	23.3	21.6	29.9	28.9	27.0
Adj. P/E (x)	20.6	19.9	13.1	12.0	11.3
EV/EBITDA (x)	13.5	13.2	9.0	7.7	7.2

Source: Company, BOBCAPS Research



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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