

| | |
|-----------------|----|
| Estimate change | ↔↔ |
| TP change | ↔↔ |
| Rating change | ↔↔ |

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| | |
|-----------------------|-------------|
| Bloomberg | PLNG IN |
| Equity Shares (m) | 1,500 |
| M.Cap.(INRb)/(USDb) | 323.6 / 4.4 |
| 52-Week Range (INR) | 275 / 201 |
| 1, 6, 12 Rel. Per (%) | -8/-18/-63 |
| 12M Avg Val (INR M) | 1104 |

Financials & Valuations (INR b)

| Y/E March | 2021 | 2022E | 2023E |
|----------------|-------|-------|-------|
| Sales | 260.2 | 381.9 | 447.3 |
| EBITDA | 47.0 | 47.5 | 53.7 |
| Adj. PAT | 29.5 | 30.1 | 35.0 |
| Adj. EPS (INR) | 19.7 | 20.1 | 23.3 |
| EPS Gr. (%) | 6.5 | 2.0 | 16.4 |
| BV/Sh.(INR) | 77.7 | 85.7 | 95.0 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | -0.1 | -0.2 | -0.3 |
| RoE (%) | 26.1 | 24.6 | 25.8 |
| RoCE (%) | 21.6 | 21.2 | 23.3 |
| Payout (%) | 58.5 | 60.0 | 60.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 10.9 | 10.7 | 9.2 |
| P/BV (x) | 2.8 | 2.5 | 2.3 |
| EV/EBITDA (x) | 6.7 | 6.2 | 5.3 |
| Div. Yield (%) | 5.3 | 5.6 | 6.5 |
| FCF Yield (%) | 10.8 | 11.7 | 11.6 |

Shareholding pattern (%)

| As On | Jun-21 | Mar-21 | Jun-20 |
|----------|--------|--------|--------|
| Promoter | 50.0 | 50.0 | 50.0 |
| DII | 5.1 | 6.3 | 7.9 |
| FII | 31.1 | 30.5 | 29.2 |
| Others | 13.8 | 13.2 | 13.0 |

FII Includes depository receipts

CMP: INR216

TP: INR310 (+44%)

Buy

Volumes in-line; Dahej to recover

- Petronet LNG (PLNG)'s numbers were in line with our estimates, with volumes at 209btu and utilization rates at Dahej/Kochi at 88%/24% in 1QFY22.
- Kochi was largely unaffected, while Dahej was impacted by the second COVID wave. The management expects the utilization rate at Kochi to be ramped up by ~30% by end-FY22. On the other hand, Dahej would continue to operate at over 95% owing to tied-up contracts (16.5mmtpa of 17.5mmtpa).
- We remain positive on the gas story in India as the market share of gas in the primary energy mix is just 6%. It is expected to almost double by CY30 (growing at a CAGR of 6–8%, as per our gas demand-supply model), primarily on account of the development of new CGDs and an increase in consumption at fertilizer and refining/petchem plants.
- Dahej is expected to expand to 22.5mmtpa in two phases, while Kochi would see a utilization ramp-up from newly connected consumers. Factoring in the same, we build in an EBITDA/PAT CAGR of 6–8% over FY21–24E and maintain Buy on the stock.
- Apart from the committed capex plan of INR41b for the Dahej expansion over the next three years, the company had announced INR120b in investments in LNG retailing and compressed biogas in 4QFY21. The commentary has raised concerns on capital allocation and possible returns from the new investments, thereby keeping the stock under pressure.

In-line numbers for 1QFY22

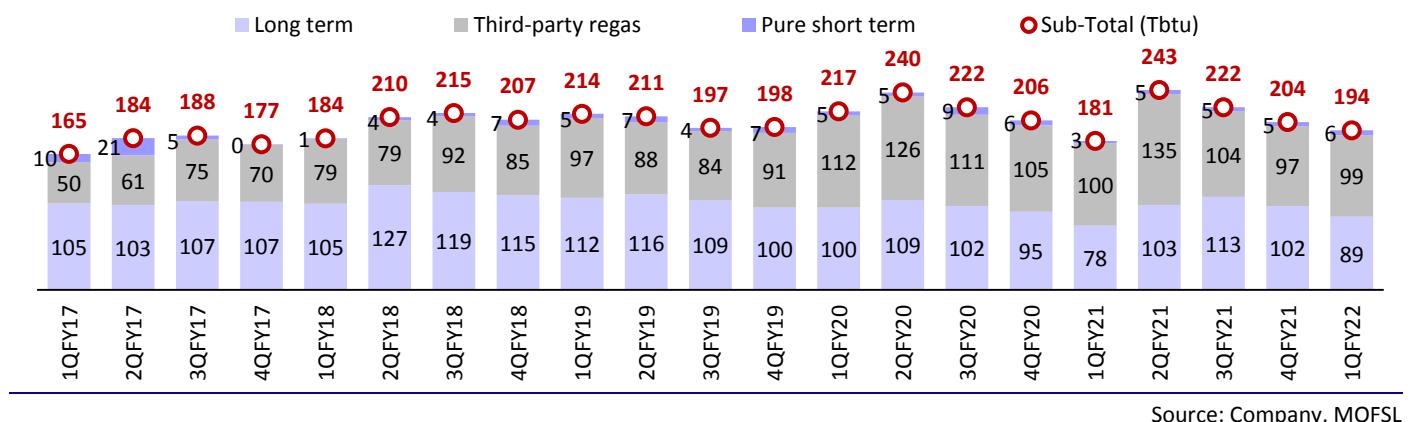
- Volumes were in line with estimates at 209btu (+10% YoY; -4% QoQ).
- Dahej volumes stood at 194btu (+7% YoY; -5% QoQ), with utilization at 88%.
- Kochi volumes stood at 15btu (+67% YoY; +7% QoQ), with utilization at 24%.
- EBITDA came in at INR10.5b (+16% YoY; -3% QoQ), with PAT at INR6.4b (+22% YoY; +2% QoQ).

Valuation and view – maintain Buy

- Of the capex plans announced by the company (such as setting up 1,000 LNG stations: INR80b, a biogas plant: INR40b, an additional tank in Kochi: INR7b, and an LNG terminal on the east coast: INR16b), we believe both LNG retailing and biogas are more futuristic in nature and may not see any significant capex over the next 2–3 years.
- Currently, ~0.8mmcmd of additional gas (~0.4mmcmd by MCFL and OMPL each) is flowing from the Kochi terminal. MRPL's peak volume offtake could be ~2mmcmd. The management expects the Kochi terminal to achieve utilization of ~50% over the next two years with the completion of the Kochi–Bangalore pipeline (9–11 CGDs and as other industrial units get connected).
- The stock trades at 9.2x FY23E EPS and 5.3x FY23E EV/EBITDA. We value PLNG on a DCF basis to arrive at a fair value of INR310. Maintain Buy.

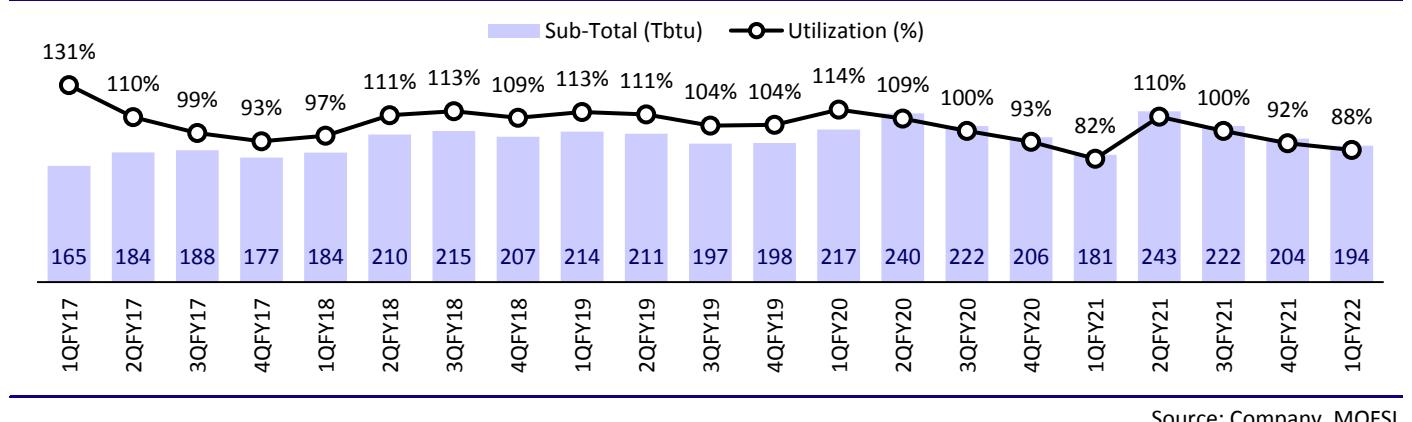
| Standalone - Quarterly Earnings Model | | | | | | | | | | (INR m) | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|-----------------|-----------------|---------------|--------------------|
| Y/E March | FY21 | | | | | FY22 | | | | FY21 | FY22E | FY21 Var. v/s Est. |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | |
| Net Sales | 48,836 | 62,358 | 73,282 | 75,753 | 85,979 | 98,741 | 1,00,918 | 96,220 | 2,60,229 | 3,81,859 | 85,540 | 1% |
| YoY Change (%) | -43.3 | -33.4 | -17.8 | -11.6 | 76.1 | 58.3 | 37.7 | 27.0 | -26.6 | 46.7 | 75.2 | |
| EBITDA | 9,099 | 13,632 | 13,353 | 10,911 | 10,543 | 11,500 | 12,536 | 12,893 | 46,995 | 47,472 | 10,007 | 5% |
| Margins (%) | 18.6 | 21.9 | 18.2 | 14.4 | 12.3 | 11.6 | 12.4 | 13.4 | 18.1 | 12.4 | 11.7 | |
| Depreciation | 1,936 | 1,952 | 1,925 | 2,028 | 1,916 | 2,022 | 2,062 | 2,087 | 7,841 | 8,087 | 2,022 | -5% |
| Interest | 881 | 850 | 815 | 813 | 800 | 760 | 753 | 697 | 3,360 | 3,010 | 753 | 6% |
| Other Income | 684 | 1,596 | 1,111 | 492 | 685 | 1,667 | 1,014 | 689 | 3,882 | 4,054 | 714 | -4% |
| PBT | 6,966 | 12,426 | 11,724 | 8,561 | 8,512 | 10,384 | 10,735 | 10,797 | 39,677 | 40,429 | 7,947 | 7% |
| Rate (%) | 25.3 | 25.4 | 25.1 | 27.2 | 25.3 | 25.2 | 25.2 | 25.1 | 25.7 | 25.6 | 25.2 | |
| Reported PAT | 5,202 | 9,273 | 8,785 | 6,234 | 6,357 | 7,767 | 8,030 | 8,090 | 29,494 | 30,079 | 5,944 | 7% |
| Adj PAT | 5,202 | 9,273 | 8,785 | 6,234 | 6,357 | 7,767 | 8,030 | 8,090 | 29,494 | 30,079 | 5,944 | 7% |
| YoY Change (%) | -7.1 | -21.1 | 30.1 | 73.6 | 22.2 | -16.2 | -8.6 | 29.8 | 6.5 | 2.0 | 14.3 | |
| Margins (%) | 10.7 | 14.9 | 12.0 | 8.2 | 7.4 | 7.9 | 8.0 | 8.4 | 11.3 | 7.9 | 6.9 | |
| Key Assumptions | | | | | | | | | | | | |
| Total Volumes (Tbtu) | 190.0 | 254.0 | 235.0 | 218.0 | 209.0 | 237.0 | 259.1 | 242.8 | 897.0 | 947.8 | 203.8 | 3% |
| Dahej utilization (%) | 82% | 110% | 100% | 92% | 88% | 100% | 110% | 102% | | | 85% | 3% |
| Kochi utilization (%) | 14% | 17% | 21% | 22% | 24% | 25% | 25% | 26% | | | 25% | -5% |

Exhibit 1: Dahej volumes at 194Tbtu, up 7% YoY and down 5% QoQ



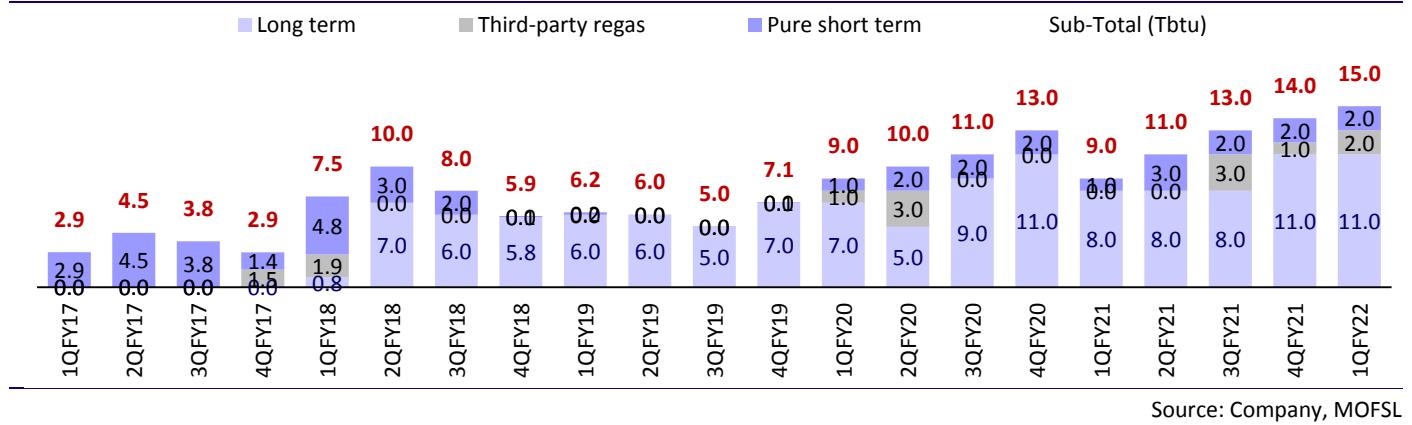
Source: Company, MOFSL

Exhibit 2: Dahej terminal utilization at 88% in 1QFY22



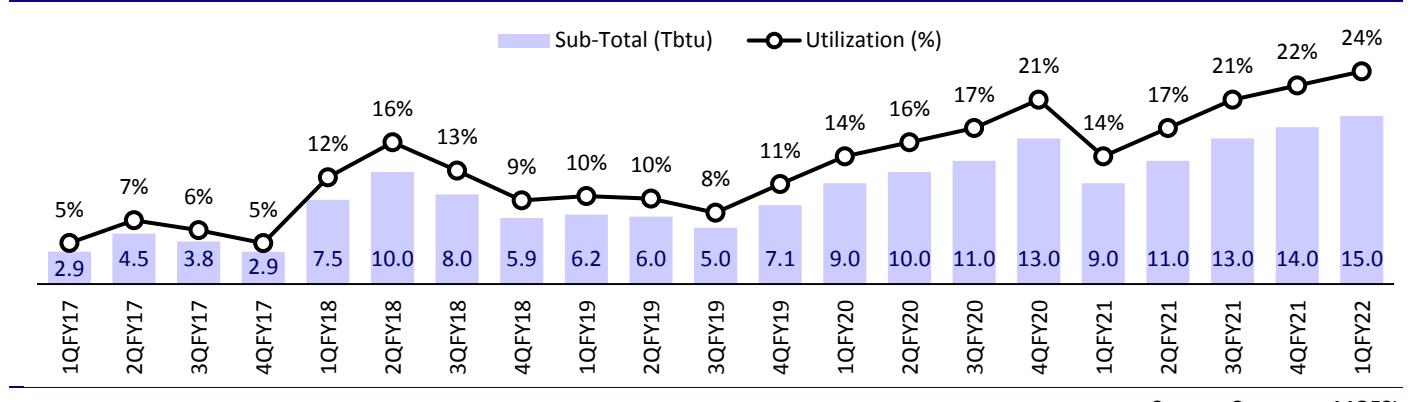
Source: Company, MOFSL

Exhibit 3: Kochi volumes at 15tbtu, up 67% YoY and 7% QoQ



Source: Company, MOFSL

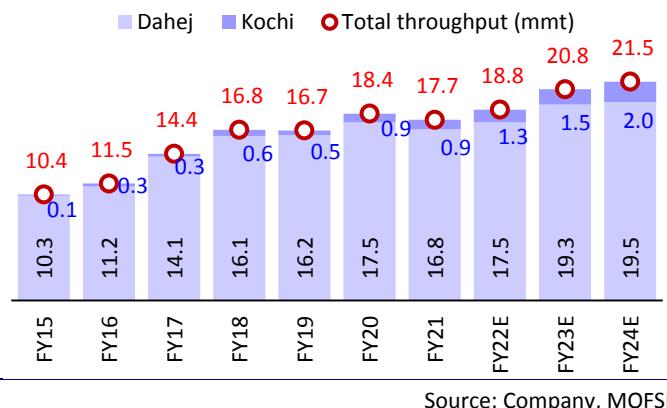
Exhibit 4: Kochi terminal utilization at 24% in 1QFY22



Source: Company, MOFSL

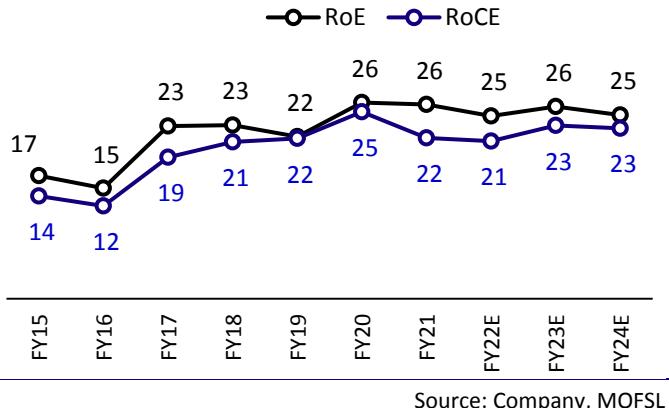
Story in charts

Exhibit 5: Volume growth led by capacity ramp-up



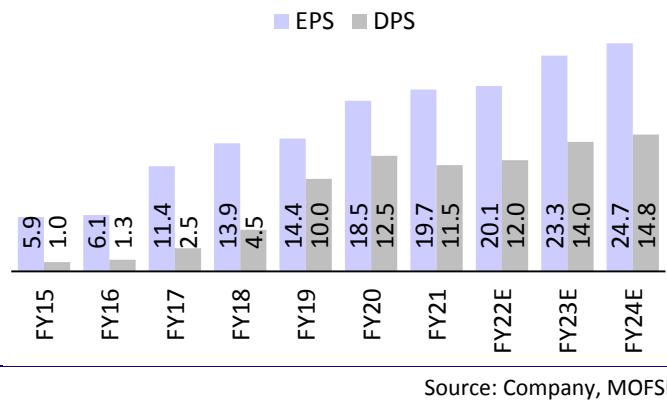
Source: Company, MOFSL

Exhibit 6: Stable return ratios



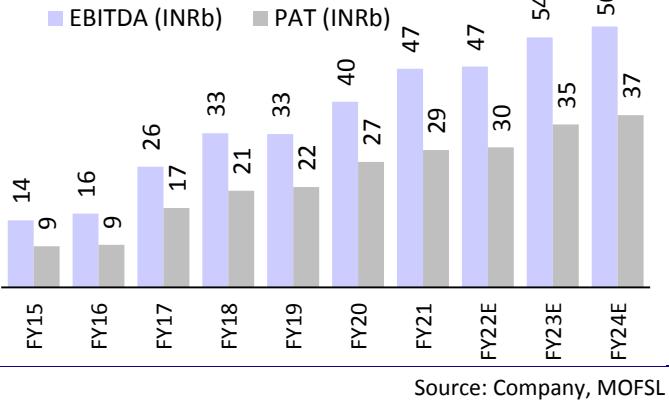
Source: Company, MOFSL

Exhibit 7: Payout to remain strong (FY22–24E at 60%)



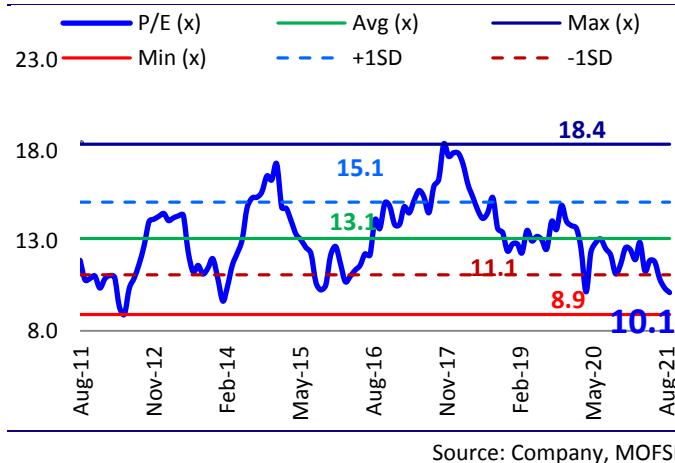
Source: Company, MOFSL

Exhibit 8: EBITDA/PAT CAGR of 6–8% over FY21–24E



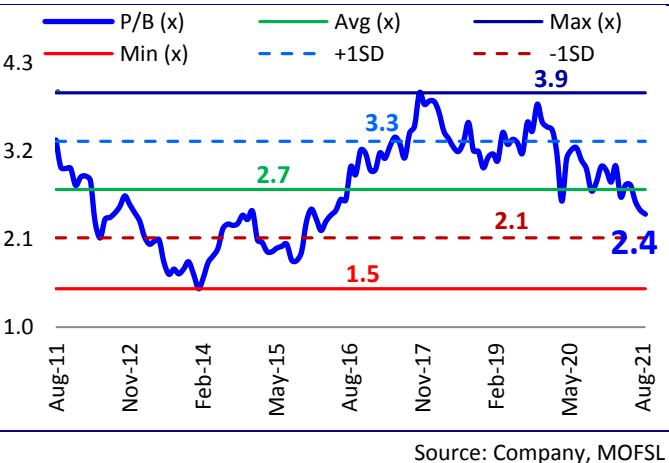
Source: Company, MOFSL

Exhibit 9: One-year forward P/E – trades at 10.1x



Source: Company, MOFSL

Exhibit 10: One-year forward PB – trades at 2.4x



Source: Company, MOFSL

Financials and valuations

| Standalone – Income Statement | | | | | | | | | (INR m) |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E | |
| Total Income from Operations | 2,46,160 | 3,05,986 | 3,83,954 | 3,54,520 | 2,60,229 | 3,81,859 | 4,47,274 | 4,89,714 | |
| Change (%) | -9.3 | 24.3 | 25.5 | -7.7 | -26.6 | 46.7 | 17.1 | 9.5 | |
| EBITDA | 25,923 | 33,124 | 32,935 | 39,895 | 46,995 | 47,472 | 53,722 | 56,067 | |
| Margin (%) | 10.5 | 10.8 | 8.6 | 11.3 | 18.1 | 12.4 | 12.0 | 11.4 | |
| Depreciation | 3,691 | 4,117 | 4,112 | 7,761 | 7,841 | 8,087 | 8,463 | 9,097 | |
| EBIT | 22,232 | 29,007 | 28,822 | 32,134 | 39,155 | 39,384 | 45,259 | 46,971 | |
| Int. and Finance Charges | 2,097 | 1,630 | 989 | 4,032 | 3,360 | 3,010 | 2,890 | 2,312 | |
| Other Income | 3,466 | 3,174 | 4,503 | 3,726 | 3,882 | 4,054 | 4,444 | 4,835 | |
| PBT bef. EO Exp. | 23,602 | 30,551 | 32,336 | 31,827 | 39,677 | 40,429 | 46,813 | 49,494 | |
| EO Items | 0 | 0 | 0 | -721 | 0 | 0 | 0 | 0 | |
| PBT after EO Exp. | 23,602 | 30,551 | 32,336 | 31,107 | 39,677 | 40,429 | 46,813 | 49,494 | |
| Total Tax | 6,545 | 9,773 | 10,782 | 4,131 | 10,183 | 10,350 | 11,797 | 12,472 | |
| Tax Rate (%) | 27.7 | 32.0 | 33.3 | 13.3 | 25.7 | 25.6 | 25.2 | 25.2 | |
| Reported PAT | 17,057 | 20,779 | 21,554 | 26,976 | 29,494 | 30,079 | 35,016 | 37,021 | |
| Adjusted PAT | 17,057 | 20,779 | 21,554 | 27,697 | 29,494 | 30,079 | 35,016 | 37,021 | |
| Change (%) | 86.8 | 21.8 | 3.7 | 28.5 | 6.5 | 2.0 | 16.4 | 5.7 | |
| Margin (%) | 6.9 | 6.8 | 5.6 | 7.8 | 11.3 | 7.9 | 7.8 | 7.6 | |

| Standalone – Balance Sheet | | | | | | | | | (INR m) |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E | |
| Equity Share Capital | 7,500 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | |
| Total Reserves | 73,439 | 82,205 | 85,661 | 94,530 | 1,01,495 | 1,13,527 | 1,27,533 | 1,42,341 | |
| Net Worth | 80,939 | 97,205 | 1,00,661 | 1,09,530 | 1,16,495 | 1,28,527 | 1,42,533 | 1,57,341 | |
| Total Loans | 22,180 | 7,334 | 1,012 | 36,529 | 33,447 | 26,757 | 21,406 | 17,125 | |
| Deferred Tax Liabilities | 7,302 | 10,482 | 13,360 | 8,883 | 8,806 | 8,806 | 8,806 | 8,806 | |
| Capital Employed | 1,10,421 | 1,15,021 | 1,15,033 | 1,54,942 | 1,58,747 | 1,64,090 | 1,72,745 | 1,83,272 | |
| Gross Block | 91,134 | 91,316 | 91,783 | 99,860 | 1,03,544 | 1,06,248 | 1,13,289 | 1,22,697 | |
| Less: Accum. Deprn. | 6,903 | 11,020 | 15,132 | 22,894 | 30,734 | 38,822 | 47,284 | 56,381 | |
| Net Fixed Assets | 84,230 | 80,296 | 76,651 | 76,967 | 72,810 | 67,427 | 66,005 | 66,316 | |
| Capital WIP | 486 | 2,203 | 3,482 | 47 | 255 | 2,551 | 5,510 | 6,102 | |
| Total Investments | 29,351 | 41,223 | 9,893 | 38,406 | 45,817 | 45,817 | 45,817 | 45,817 | |
| Curr. Assets, Loans&Adv. | 24,224 | 32,815 | 60,823 | 71,570 | 70,445 | 93,166 | 1,07,971 | 1,22,582 | |
| Inventory | 5,405 | 4,911 | 5,694 | 4,809 | 3,372 | 4,948 | 5,795 | 6,345 | |
| Account Receivables | 12,108 | 16,505 | 14,335 | 16,427 | 19,108 | 28,039 | 32,842 | 35,958 | |
| Cash and Bank Balance | 3,273 | 8,625 | 29,603 | 44,320 | 43,423 | 53,516 | 61,528 | 71,732 | |
| Cash | 3,210 | 7,043 | 2,266 | 9,760 | 8,483 | 18,576 | 26,588 | 36,792 | |
| Bank Balance | 64 | 1,582 | 27,337 | 34,560 | 34,930 | 34,930 | 34,930 | 34,930 | |
| Loans and Advances | 3,438 | 2,774 | 11,190 | 6,014 | 4,541 | 6,664 | 7,806 | 8,546 | |
| Curr. Liability & Prov. | 27,870 | 41,517 | 35,815 | 32,048 | 30,579 | 44,871 | 52,558 | 57,545 | |
| Account Payables | 9,952 | 15,699 | 12,952 | 11,661 | 10,355 | 15,194 | 17,797 | 19,486 | |
| Other Current Liabilities | 17,758 | 25,619 | 22,585 | 20,057 | 19,241 | 28,235 | 33,072 | 36,210 | |
| Provisions | 160 | 199 | 278 | 330 | 983 | 1,443 | 1,690 | 1,850 | |
| Net Current Assets | -3,646 | -8,702 | 25,007 | 39,522 | 39,866 | 48,295 | 55,413 | 65,037 | |
| Appl. of Funds | 1,10,421 | 1,15,021 | 1,15,033 | 1,54,942 | 1,58,747 | 1,64,090 | 1,72,745 | 1,83,272 | |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EPS | 11.4 | 13.9 | 14.4 | 18.5 | 19.7 | 20.1 | 23.3 | 24.7 |
| Cash EPS | 13.8 | 16.6 | 17.1 | 23.6 | 24.9 | 25.4 | 29.0 | 30.7 |
| BV/Share | 54.0 | 64.8 | 67.1 | 73.0 | 77.7 | 85.7 | 95.0 | 104.9 |
| DPS | 2.5 | 4.5 | 10.0 | 12.5 | 11.5 | 12.0 | 14.0 | 14.8 |
| Payout (%) | 25.7 | 38.0 | 74.9 | 73.8 | 58.5 | 60.0 | 60.0 | 60.0 |
| Valuation (x) | | | | | | | | |
| P/E | 18.9 | 15.5 | 15.0 | 11.6 | 10.9 | 10.7 | 9.2 | 8.7 |
| Cash P/E | 15.5 | 13.0 | 12.6 | 9.1 | 8.6 | 8.4 | 7.4 | 7.0 |
| P/BV | 4.0 | 3.3 | 3.2 | 2.9 | 2.8 | 2.5 | 2.3 | 2.0 |
| EV/Sales | 1.4 | 1.0 | 0.8 | 0.9 | 1.2 | 0.8 | 0.6 | 0.5 |
| EV/EBITDA | 13.2 | 9.7 | 8.9 | 7.9 | 6.7 | 6.2 | 5.3 | 4.8 |
| Dividend Yield (%) | 1.2 | 2.1 | 4.7 | 5.8 | 5.3 | 5.6 | 6.5 | 6.9 |
| FCF per share | 10.1 | 18.8 | 13.2 | 21.7 | 23.2 | 25.2 | 24.8 | 26.0 |
| Return Ratios (%) | | | | | | | | |
| RoE | 23.2 | 23.3 | 21.8 | 26.4 | 26.1 | 24.6 | 25.8 | 24.7 |
| RoCE | 19.0 | 21.1 | 21.5 | 25.1 | 21.6 | 21.2 | 23.3 | 22.9 |
| RoIC | 23.4 | 28.1 | 28.5 | 38.6 | 41.2 | 44.6 | 55.5 | 58.8 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 2.7 | 3.4 | 4.2 | 3.6 | 2.5 | 3.6 | 3.9 | 4.0 |
| Asset Turnover (x) | 2.2 | 2.7 | 3.3 | 2.3 | 1.6 | 2.3 | 2.6 | 2.7 |
| Inventory (Days) | 8 | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| Debtor (Days) | 18 | 20 | 14 | 17 | 27 | 27 | 27 | 27 |
| Creditor (Days) | 15 | 19 | 12 | 12 | 15 | 15 | 15 | 15 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 0.9 | 0.8 | 1.7 | 2.2 | 2.3 | 2.1 | 2.1 | 2.1 |
| Interest Cover Ratio | 10.6 | 17.8 | 29.1 | 8.0 | 11.7 | 13.1 | 15.7 | 20.3 |
| Net Debt/Equity | 0.2 | 0.0 | -0.3 | -0.1 | -0.1 | -0.2 | -0.3 | -0.3 |

Standalone – Cash Flow Statement

(INR m)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| OP/(Loss) before Tax | 23,602 | 30,551 | 32,336 | 31,107 | 39,677 | 40,429 | 46,813 | 49,494 |
| Depreciation | 3,691 | 4,117 | 4,112 | 7,761 | 7,841 | 8,087 | 8,463 | 9,097 |
| Direct Taxes Paid | -3,780 | -6,968 | -8,133 | -4,745 | -9,949 | -10,350 | -11,797 | -12,472 |
| (Inc)/Dec in Wkg. Capital | -3,273 | 2,947 | -4,522 | -3,964 | -1,746 | 1,663 | 894 | 580 |
| Others | -1,661 | -2,320 | -3,368 | -729 | -3,590 | -4,054 | -4,444 | -4,835 |
| CF from Op. Activity | 20,675 | 29,956 | 21,414 | 33,462 | 35,592 | 42,839 | 47,263 | 49,010 |
| (Inc)/Dec in FA & CWIP | -5,460 | -1,753 | -1,628 | -889 | -728 | -5,000 | -10,000 | -10,000 |
| Free Cash Flow | 15,216 | 28,204 | 19,787 | 32,573 | 34,864 | 37,839 | 37,263 | 39,010 |
| (Pur)/Sale of Investments | -25,745 | -9,508 | 33,167 | -3,273 | -11,586 | 0 | 0 | 0 |
| Others | -547 | -1,515 | -32,255 | 944 | 3,041 | 0 | 0 | 0 |
| CF from Inv. Activity | -31,751 | -12,776 | -716 | -3,218 | -9,273 | -5,000 | -10,000 | -10,000 |
| Inc / (Dec) in Debt | -3,128 | -7,052 | -6,202 | -138 | -368 | -6,689 | -5,351 | -4,281 |
| Dividends Paid (incl.tax) | -2,256 | -4,513 | -18,083 | -8,138 | -22,452 | -18,047 | -21,010 | -22,213 |
| CF from Fin. Activity | -7,481 | -13,347 | -25,476 | -22,749 | -27,596 | -27,747 | -29,251 | -28,806 |
| Inc / (Dec) in Cash | -18,557 | 3,834 | -4,778 | 7,495 | -1,277 | 10,092 | 8,012 | 10,205 |
| Add: Opening Balance | 21,767 | 3,210 | 7,043 | 2,266 | 9,760 | 8,483 | 18,576 | 26,588 |
| Closing Balance | | 3,210 | 7,043 | 2,265 | 9,760 | 8,483 | 18,576 | 36,792 |

E: MOFSL Estimates

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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