

August 16, 2021

Q1FY22 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	351		351	
Sales (Rs. m)	3,11,015	3,64,931	3,11,015	3,64,931
% Chng.	-	-	-	-
EBITDA (Rs. m)	45,474	54,894	45,474	54,894
% Chng.	-	-	-	-
EPS (Rs.)	19.5	24.9	19.5	24.9
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	3,54,520	2,60,229	3,11,015	3,64,931
EBITDA (Rs. m)	39,895	24,913	45,474	54,894
Margin (%)	11.3	9.6	14.6	15.0
PAT (Rs. m)	27,698	7,410	29,201	37,314
EPS (Rs.)	18.5	4.9	19.5	24.9
Gr. (%)	28.5	(73.2)	294.1	27.8
DPS (Rs.)	12.5	11.5	14.6	18.7
Yield (%)	5.8	5.4	6.8	8.7
RoE (%)	28.4	6.8	24.7	29.5
RoCE (%)	32.9	15.8	31.0	35.6
EV/Sales (x)	0.8	1.1	0.8	0.7
EV/EBITDA (x)	7.3	11.1	5.7	4.3
PE (x)	11.6	43.4	11.0	8.6
P/BV (x)	3.2	2.8	2.6	2.5

Key Data

PLNG.BO | PLNG IN

52-W High / Low	Rs.275 / Rs.201
Sensex / Nifty	55,583 / 16,563
Market Cap	Rs.322bn/ \$ 4,334m
Shares Outstanding	1,500m
3M Avg. Daily Value	Rs.1919.23m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	31.06
Domestic Institution	5.11
Public & Others	13.83
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	(11.6)	(14.8)
Relative	(7.5)	(17.2)	(42.0)

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Capital allocation concerns largely addressed

Quick Pointers:

- Management tempered down their earlier aggressive capex plans to set up LNG stations and CBG plants, which is positive.
- PLNG's long term contract demand remains robust while spot LNG accounts for ~4% of volumes, unlikely to be hit by jump in prices.

We leave our FY22/23E estimates unchanged. PLNG reported lower than expected results with EBITDA/PAT of Rs10.5bn (-3%Q/Q; PLe Rs12.3bn) and Rs6.4bn (+2%Q/Q PLe Rs7.8bn), due to lower regas volumes. PLNG is a play on India's rising LNG imports and we like PLNG's business model, given high earnings visibility and see limited competition to its well-entrenched reach in LNG business. Management plans to gradually ramp up LNG stations and Compressed Biogas Plants depending on project IRRs. This removes an overhang on PLNG's capital allocation. Reiterate 'BUY' with a DCF based PT of Rs351 (unchanged).

- Lower than expected volumes impact Q1 earnings:** Petronet LNG (PLNG) reported Q1FY22 EBITDA and PAT of Rs10.5bn (-3% QoQ; PLe Rs 12.4bn) and Rs6.4bn (+2%QoQ; PLe Rs7.8bn), respectively.
- Lower offtake by downstream customers hit Dahej terminal performance:** During the quarter, regasification volumes were at 209tbtu (218 tbtu in Q4FY21; PLe 232). Dahej's degasified volumes were at 194tbtu (204tbtu in Q4), while Kochi volumes were at 15tbtu. PLNG's Q1 blended tariffs were at Rs60.2/tbtu against Rs59.3 in Q4FY21.
- Gradual ramp up in new capex to remove overhang:** Management clarified that they will go for gradual ramp up of LNG stations and Compressed Biogas Plants depending on demand and project IRRs. This removes an overhang of aggressive capex plan of Rs187bn over next five years that includes setting up 1,000LNG stations at a cost of Rs80bn along with 100 CBG plants for Rs40bn. Also demand assessment will be carried out before going ahead with the East Coast LNG terminal.
- Limited threat from rising domestic gas supplies:** PLNG remains well placed to grow, despite rising domestic gas supplies from RIL/ONGC. We believe new supplies are likely to impact LNG terminals like Mundra and H Energy which don't have any long term contracts. In addition, high growth opportunities from CGD and power sector ramp up will spur gas demand in the country, which will necessitate more infrastructure coming on stream.

Exhibit 1: Q1FY22 Result Overview (Rs mn)

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY22E	FY21	YoY gr. (%)
Sales	85,979	43,836	96.1	75,753	3,11,015	2,48,449	25.2
Regassification services	-	5,000		-		11,780	
Net sales	85,979	48,836	76.1	75,753	3,11,015	2,60,229	19.5
Total expenditure	75,436	39,736	89.8	64,842	2,65,541	2,13,233	24.5
Raw material	73,396	38,365	91.3	62,817	2,60,120	2,06,815	25.8
Staff cost	429	360	19.2	430	1,618	1,471	10.0
Other expenditure	1,612	1,011	59.4	1,596	3,803	4,947	(23.1)
Forex	-	-		-	-	-	
Operating profit	10,543	9,099	15.9	10,911	45,474	46,996	(3.2)
Other income	685	684	0.2	492	5,472	3,882	25.2
Interest	800	881	(9.2)	813	3,000	3,360	(10.7)
Depreciation	1,916	1,936	(1.0)	2,028	8,923	7,841	13.8
PBT	8,512	6,966	22.2	8,561	39,023	39,677	25.2
Tax	2,155	1,764	22.2	2,328	9,822	10,183	25.2
<i>Tax rate (%)</i>	<i>25.3</i>	<i>25.3</i>		<i>27.2</i>	<i>25.3</i>	<i>25.7</i>	
Net profit	6,357	5,202	22.2	6,234	29,201	29,494	25.2

Source: Company, PL

Exhibit 2: PLNG quarterly volume and tariffs

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Volumes (tbtu)	226.0	250.0	233.0	226.6	190.0	254.0	235.0	218.0	209.0
Blended regas margins (Rs/tbtu)	52.9	53.5	55.4	49.9	55.1	59.7	63.2	59.3	60.2

Source: Company, PL

Conference Call Highlights:

- Current Kochi tariffs are at Rs87.1/tbtu, and negotiations with offtakers to reduce tariff will be contingent to higher volume offtake.
- Current high spot LNG prices of \$16.5/mmbtu has dampened domestic demand, especially from power sectors but CGD, fertilizer demand remains robust.
- Q1FY22 regasification volumes were impacted by lockdown restrictions along with high spot LNG prices.
- Company plans to invest Rs7bn/Rs10bn for FY22/23E.
- For CBG plant while feedstock availability remains a concern, government has assured an offtake at Rs46/kg.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	3,54,520	2,60,229	3,11,015	3,64,931
YoY gr. (%)	(7.7)	(26.6)	19.5	17.3
Cost of Goods Sold	3,04,959	2,28,898	2,60,120	3,03,844
Gross Profit	49,561	31,331	50,895	61,087
Margin (%)	14.0	12.0	16.4	16.7
Employee Cost	1,258	1,471	1,618	1,780
Other Expenses	-	-	-	-
EBITDA	39,895	24,913	45,474	54,894
YoY gr. (%)	21.1	(37.6)	82.5	20.7
Margin (%)	11.3	9.6	14.6	15.0
Depreciation and Amortization	7,761	7,841	8,923	9,943
EBIT	32,134	17,072	36,551	44,950
Margin (%)	9.1	6.6	11.8	12.3
Net Interest	4,032	3,360	3,000	2,500
Other Income	3,726	3,882	5,472	7,414
Profit Before Tax	31,828	17,593	39,023	49,865
Margin (%)	9.0	6.8	12.5	13.7
Total Tax	4,130	10,183	9,822	12,551
Effective tax rate (%)	13.0	57.9	25.2	25.2
Profit after tax	27,698	7,410	29,201	37,314
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	27,698	7,410	29,201	37,314
YoY gr. (%)	28.5	(73.2)	294.1	27.8
Margin (%)	7.8	2.8	9.4	10.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	27,698	7,410	29,201	37,314
YoY gr. (%)	28.5	(73.2)	294.1	27.8
Margin (%)	7.8	2.8	9.4	10.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	27,698	7,410	29,201	37,314
Equity Shares O/s (m)	1,500	1,500	1,500	1,500
EPS (Rs)	18.5	4.9	19.5	24.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	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	30,646	39,570	49,513
Tangibles	22,805	30,646	39,570	49,513
Intangibles	-	-	-	-
Net fixed assets	79,478	73,637	66,714	58,770
Tangibles	79,478	73,637	66,714	58,770
Intangibles	-	-	-	-
Capital Work In Progress	2,000	2,000	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(8,898)	(8,831)	(10,848)	(13,426)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	7,785	5,714	6,829	8,013
Trade receivables	17,438	12,800	15,298	17,950
Cash & Bank Balance	29,238	45,679	63,769	84,520
Other Current Assets	530	530	530	530
Total Assets	1,42,231	1,46,123	1,59,902	1,76,545
Equity				
Equity Share Capital	15,000	15,000	15,000	15,000
Other Equity	87,120	99,363	1,06,663	1,15,992
Total Network	1,02,120	1,14,363	1,21,663	1,30,992
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	31,147	22,863	27,325	32,062
Other current liabilities	66	66	66	66
Total Equity & Liabilities	1,42,231	1,46,123	1,59,902	1,76,545

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	31,828	39,676	39,023	49,865
Add. Depreciation	7,761	7,841	8,923	9,943
Add. Interest	4,032	3,360	3,000	2,500
Less Financial Other Income	3,726	3,882	5,472	7,414
Add. Other	-	-	-	-
Op. profit before WC changes	43,621	50,877	50,946	62,308
Net Changes-WC	38,012	(15,991)	(34,059)	(1,253)
Direct tax	(4,130)	(10,183)	(9,822)	(12,551)
Net cash from Op. activities	77,503	24,703	7,066	48,504
Capital expenditures	(39,557)	701	(5,922)	(7,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(39,557)	701	(5,922)	(7,000)
Issue of share cap. / premium	(78)	(5,278)	-	-
Debt changes	(368)	(414)	(230)	-
Dividend paid	(18,750)	(17,250)	(21,901)	(27,985)
Interest paid	(4,032)	(3,360)	(3,000)	(2,500)
Others	-	-	-	-
Net cash from Fin. activities	(23,228)	(26,302)	(25,131)	(30,485)
Net change in cash	14,718	(897)	(23,987)	11,019
Free Cash Flow	37,946	25,405	1,144	41,504

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	62,358	73,282	75,753	85,979
YoY gr. (%)	(33.4)	(17.8)	(11.6)	76.1
Raw Material Expenses	47,199	58,434	62,817	73,396
Gross Profit	15,159	14,849	12,937	12,584
Margin (%)	24.3	20.3	17.1	14.6
EBITDA	13,633	13,353	10,911	10,543
YoY gr. (%)	17.5	20.6	56.4	15.9
Margin (%)	21.9	18.2	14.4	12.3
Depreciation / Depletion	1,952	1,925	2,028	1,916
EBIT	11,681	11,428	8,883	8,627
Margin (%)	18.7	15.6	11.7	10.0
Net Interest	850	815	813	800
Other Income	1,596	1,111	492	685
Profit before Tax	12,426	11,724	8,561	8,512
Margin (%)	19.9	16.0	11.3	9.9
Total Tax	3,153	2,939	2,328	2,155
Effective tax rate (%)	25.4	25.1	27.2	25.3
Profit after Tax	9,274	8,785	6,234	6,357
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	9,274	8,785	6,234	6,357
YoY gr. (%)	(15.9)	30.1	73.6	22.2
Margin (%)	14.9	12.0	8.2	7.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	9,274	8,785	6,234	6,357
YoY gr. (%)	(15.9)	30.1	73.6	22.2
Margin (%)	14.9	12.0	8.2	7.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

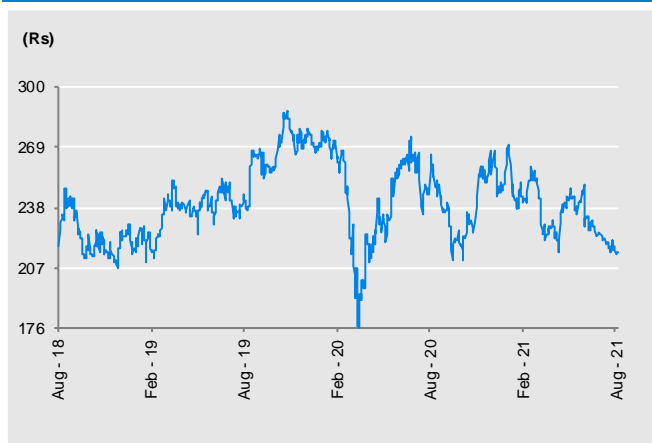
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	18.5	4.9	19.5	24.9
CEPS	23.6	10.2	25.4	31.5
BVPS	68.1	76.2	81.1	87.3
FCF	25.3	16.9	0.8	27.7
DPS	12.5	11.5	14.6	18.7
Return Ratio(%)				
RoCE	32.9	15.8	31.0	35.6
ROIC	28.4	17.0	38.0	48.8
RoE	28.4	6.8	24.7	29.5
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.5)	(0.6)
Net Working Capital (Days)	(6)	(6)	(6)	(6)
Valuation(x)				
PER	11.6	43.4	11.0	8.6
P/B	3.2	2.8	2.6	2.5
P/CEPS	23.6	10.2	25.4	31.4
EV/EBITDA	7.3	11.1	5.7	4.3
EV/Sales	0.8	1.1	0.8	0.7
Dividend Yield (%)	5.8	5.4	6.8	8.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Dahej contract volume (MTPA)	16.5	16.0	15.5	16.5
Dahej spot volume (MTPA)	0.5	0.3	0.8	1.0
Kochi contract volume (MTPA)	0.7	0.8	1.0	1.5
Kochi spot volume (MTPA)	0.1	0.2	0.5	1.0
Dahej contract tariff (Rs/tbtu)	49.9	52.4	55.0	57.7
Dahej spot tariff (Rs/tbtu)	25.0	100.0	25.0	25.0
Kochi contract tariff (Rs/tbtu)	72.9	100.0	105.0	110.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jul-21	BUY	351	223
2	09-Jun-21	BUY	351	228
3	05-Apr-21	BUY	406	227
4	12-Feb-21	BUY	403	242
5	08-Jan-21	BUY	399	260
6	12-Nov-20	BUY	399	241
7	07-Oct-20	BUY	384	219
8	18-Aug-20	BUY	384	254

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	985	952
2	Bharat Petroleum Corporation	BUY	581	448
3	GAIL (India)	BUY	184	143
4	Gujarat Gas	BUY	896	772
5	Hindustan Petroleum Corporation	BUY	404	265
6	Indian Oil Corporation	BUY	135	106
7	Indraprastha Gas	BUY	662	535
8	Mahanagar Gas	BUY	1,370	1,109
9	NOCIL	BUY	393	283
10	Oil & Natural Gas Corporation	BUY	155	116
11	Oil India	UR	-	169
12	Petronet LNG	BUY	351	223
13	Reliance Industries	BUY	2,416	2,106

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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