



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

Petronet LNG

30 January 2024

Result below expectation barring one-offs

RESULT UPDATE

Sector: Natural Gas Rating: HOLD

CMP: Rs 268 Target Price: Rs 280

Stock Info

Sensex/Nifty	71,139 / 21,522
Bloomberg	PLNG IN
Equity shares (mn)	1,500
52-wk High/Low	Rs 284/192
Face value	Rs 10
M-Cap	Rs 401bn/ USD 4.8bn
3-m Avg turnover	USD 19mn

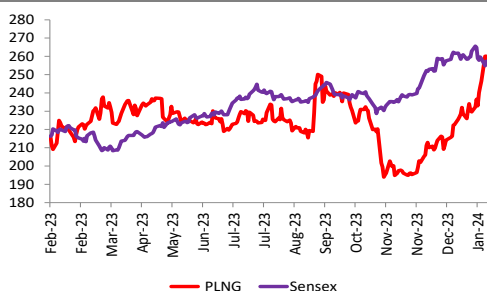
Financial Snapshot (Rs bn)

Y/E Mar	FY24E	FY25E	FY26E
Sales	539	571	595
EBITDA	54	56	62
PAT	35	35	35
EPS (Rs)	23.1	23.4	23.3
PE (x)	11.6	11.4	11.5
EV/EBITDA (x)	6.1	6.3	6.1
RoE (%)	21.3	19.8	18.3
RoCE (%)	20.8	17.7	15.4
Dividend yield (%)	4.3	4.4	4.4

Shareholding Pattern (%)

	Jun'23	Sep'23	Dec'23
Promoter	50.0	50.0	50.0
FII	34.3	33.3	26.8
DII	5.0	5.9	11.0
Others	10.7	10.8	12.2

Stock Performance (1-year)



Petronet LNG reported better than expected EBITDA/PAT owing to the one-off booking of Rs6.1 bn against Use-or-pay liability for CY23 while volume came in-line with our expectations. However, adjusting to one-off gain, EBITDA missed our estimates. Total volume stood at 232tbtu vs 167tbtu YoY and 223tbtu QoQ. Dahej and Kochi operated at 96%/21% utilization, respectively which is at the highest level in their last nine quarters. At Dahej, Long-term and tolling volumes were up 2%/8% QoQ to 104tbtu/110tbtu while total volumes came at 218tbtu. The company booked Rs6.1 bn under Use-or-Pay charges for CY23 while taking aggressive steps to recover older dues of Rs8.5 bn for CY22 and Rs4.3 bn for CY21. Dahej's expansion from 17.5mtpa to 22.5mtpa is well underway, aiming for completion by Mar'25 and operations starting in April-May 2025. For its petrochemical project, the board has approved a Rs207 bn investment, currently finalizing license selections for it. We are raising our EBITDA/ PAT estimates by 9.1%/10.7% for FY24E to factor in inventory gains and use or pay contractual obligations while keeps FY25E financials unchanged. We further introduce FY26E financials and forecast EBITDA/PAT CAGR of 8.3%/2.6% during FY23-FY26E on grounds of improving utilisation rate at both the terminals. Also, renewal of its long-term contract with RasGas would be a key trigger. We rolled over our TP to FY26E and raised our TP to Rs280 from earlier Rs222, based on 12x on FY26E. We maintain HOLD on the stock.

Confident on recovering contractual obligations

The BoD has approved a recovery mechanism for Use or pay charges recognised as other operating income, based on preliminary agreement with customers. Management is actively implementing this plan, including obtaining bank guarantees to secure the payments. The company capitalized on lower customer utilization in CY23 by generating Rs6.1 bn in "Use or Pay" revenue, recognized as other operating income under long-term regasification contracts. This marks a decrease compared to CY22 (Rs8.5 bn) and CY21 (Rs4.3 bn). They are confident in full recovery due to the contractual nature of the charges.

Forecast improvement in utilisation at both the terminals

While the long-term outlook for LNG demand remains strong with lower spot LNG prices, PLNG's underutilization of the Kochi terminal remains a concern. The Dahej terminal expansion to 22.5mtpa by FY25 would offer promising growth opportunities for the next few years. We project a flattish 2.3% CAGR in PLNG's PAT over FY23-FY26E owing to improvement in both Dahej's and Kochi's utilisation.

Maintain HOLD and revised TP of Rs 280

We have raised our EBITDA/PAT estimates for FY24E by 9.1%/10.7% to factor in one-off Use-or-Pay revenue while keeping FY25 estimates unchanged. We continue with our forecast of 890/984 tbtu in FY24/FY25 vs 742tbtu in FY23. Also, renewal of its long-term contract with RasGas would be a key trigger. We rolled over our TP to FY26E and raised our TP to Rs280 from earlier Rs222, based on 12x on FY26E. We maintain HOLD on the stock.

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Investors are advised to refer disclosures made at the end of the research report.

Q3FY24 Concall highlights

Business Performance: The company reported its highest ever quarterly PBT and PAT of Rs16.0bn and Rs11.9bn respectively. Growth was primarily led by efficiency in operations along with higher capacity utilization levels in Dahej. Dahej utilization for the quarter stood at 96%. The company has re-gas contract with off-takers till 2036 for 8.25mtpa.

Volume Performance: Throughput for Dahej has been 218tbtu (vs 154tbtu in Q3FY23). Total throughput has been 232tbtu vs 223tbtu in Q2FY24 and 167tbtu in Q3FY23. Throughput for 9MFY24 stood at 685tbtu (vs 567tbtu in Q3FY23), a growth of 21% YoY.

Use or Pay charge: The company has receivables worth Rs4.2bn in CY21 and Rs8.5bn in CY22, against which the company has a bank guarantee which ensures no loss of revenue. If the off takers bring in additional volume over and above committed volume, the company will waive use or pay charges from CY21 and CY22 to that extent. The company is maintaining a total provision of Rs3.2bn against total receivables of Rs12.6bn and as a practice, will continue to maintain 20% as provisions.

Dahej Terminal: The expansion of Dahej terminal to add 5mtpa capacity to the existing 17.5mtpa is expected to be completed by March 2025. Government volumes in Dahej stood at 14.4tbtu.

Petrochemical Business: The company has received board approval and is in the process of finalizing all licenses. Total cost for the project is estimated to be Rs206.9bn

Kochi Terminal: A small stretch of 250kms between Coimbatore to Krishnagiri is pending. GAIL has committed to complete it by the year end. It is under review at the PMO office. On completion, this terminal will bring in additional volumes and help reduce unified tariff (~Rs40 from ~Rs100) due to better connectivity.

Other Projects: The company is putting up a terminal in Gopalpur and has already signed land lease and other agreements with Gopalpur Port Limited. The company has approval for FSRU based terminal but may consider land-based terminal for which it will require additional land. The company is finalizing details for Jetty where the cost is estimated to be Rs17bn. After being awarded it will take 36 months to be completed.

Exhibit 1: Actual vs Estimates

(Rs bn)	Actual	Estimates	% Variance
Net sales	147.5	121.3	21.6
EBITDA	17.1	12.4	37.8
EBITDA margin (%)	11.6	10.2	136
Adj net income	11.9	8.6	38.0
Adj. EPS (Rs)	7.9	5.8	38.0

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly Performance

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY	QoQ
Net revenues	1,57,759	1,38,739	1,16,561	1,25,320	1,47,472	-7%	18%
Raw material cost	1,38,567	1,26,371	1,03,009	1,11,069	1,26,179	-9%	14%
Employee cost	447	341	500	445	502	12%	13%
Other expenses	1,991	2,597	1,234	1,658	3,732	87%	125%
Total expenditure	1,41,005	1,29,309	1,04,743	1,13,173	1,30,412	-8%	15%
EBITDA	16,754	9,431	11,818	12,147	17,060	2%	40%
EBITDA margin (%)	10.6	6.8	10.1	9.7	11.6	9%	19%
Depreciation	1,923	1,886	1,919	1,948	1,955	2%	0%
EBIT	14,830	7,545	9,899	10,199	15,105	2%	48%
Interest cost	814	902	746	747	697	-14%	-7%
Other income	1,839	1,538	1,467	1,567	1,565	-15%	0%
PBT before exceptional items	15,856	8,180	10,621	11,020	15,973	1%	45%
Exceptional items	-	-	-	-	-	-	-
PBT	15,856	8,180	10,621	11,020	15,973	1%	45%
Current tax	4,240	2,360	2,750	2,970	4,760	12%	60%
Deferred tax	-190	-322	-27	-132	-694	-	-
Total tax	4,050	2,038	2,723	2,839	4,066	0%	43%
Effective tax rate	25.5	24.9	25.6	25.8	25.5	0%	-1%
Reported PAT	11,805	6,142	7,899	8,181	11,907	1%	46%
Net profit margin (%)	7.5	4.4	6.8	6.5	8.1	8%	24%
Reported EPS (Rs)	7.9	4.1	5.3	5.5	7.9	1%	46%
Adjusted PAT	11,805	6,142	7,899	8,181	11,907	1%	46%
Adj. EPS (Rs.)	7.9	4.1	5.3	5.5	7.9	1%	46%

Source: Company, Systematix Institutional Research

Exhibit 3: Change in estimates

Key Parameters (Rs mn)	FY24E			FY25E		
	Old	New	%Chg	Old	New	%Chg
Revenue	5,41,678	5,39,308	(0.4)	5,64,163	5,71,325	1.3
EBITDA	49,169	53,655	9.1	55,609	55,701	0.2
Net Profit	31,340	34,697	10.7	35,017	35,085	0.2
EPS (Rs)	20.9	23.1	10.7	23.3	23.4	0.2

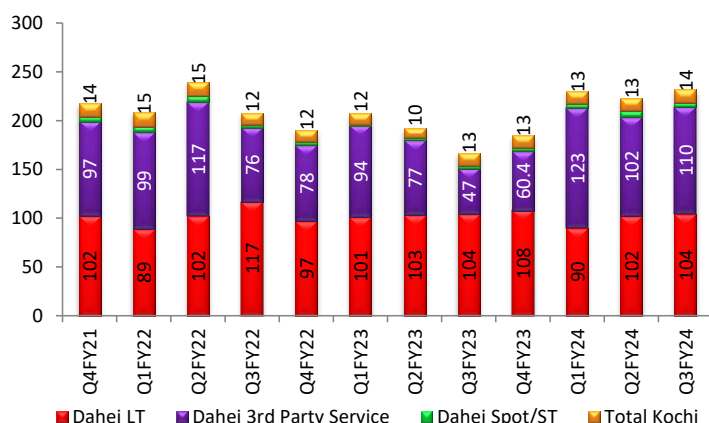
Source: Company, Systematix Institutional Research

Exhibit 4: Operational Highlights

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY	QoQ
Dahej Utilisation	69%	77%	96%	93%	96%	40%	4%
Dahej Volumes (tbtu)	154	172	217	210	218	42%	4%
Long Term (tbtu)	104	108	90	102	104	0%	2%
Services volume (tbtu)	47	60	123	102	110	134%	8%
Spot/short term LNG (tbtu)	3	3	4	6	4	33%	-33%
Kochi Utilisation	20%	20%	20%	20%	21%	5%	8%
Kochi Volumes (mmt)	13	13	13	13	14	8%	8%
Long Term (tbtu)	13	13	13	13	14	8%	8%
Services volume (tbtu)	-	-	-	-	-	-	-
Spot/short term LNG (tbtu)	-	-	-	-	-	-	-
Total Volumes (tbtu)	167	185	230	223	232	39%	4%
Regas Tariff (Rs./mmbtu)							
Dahej	57	60	60	60	60	5%	0%
Kochi	81	81	85	85	85	5%	0%
Calc. mkt margin on spot (\$/mmbtu)	41.7	6.4	1.0	2.6	23.9	-43%	802%
Opex/mmbtu (Rs)	14.6	15.9	7.5	9.4	18.2	25%	93%
EBITDA/mmbtu (Rs.)	100.3	51.0	51.4	54.5	73.5	-27%	35%
Avg. realisation (US\$/mmbtu)	15.7	13.2	12.4	11.9	13.9	-12%	17%

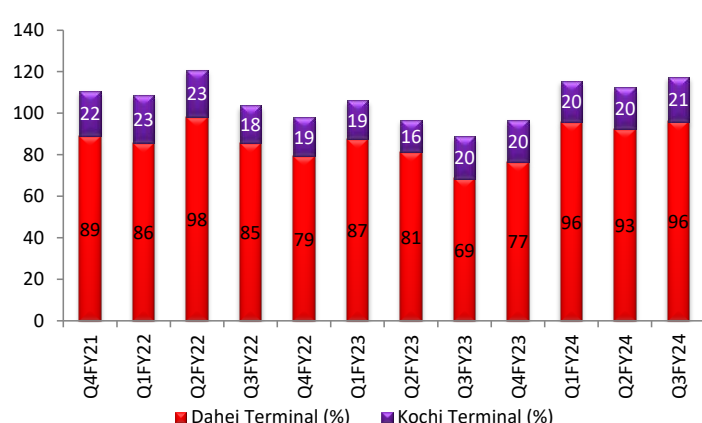
Source: Company, Systematix Institutional Research

Exhibit 5: Quarterly Volume Trend (tbtu)



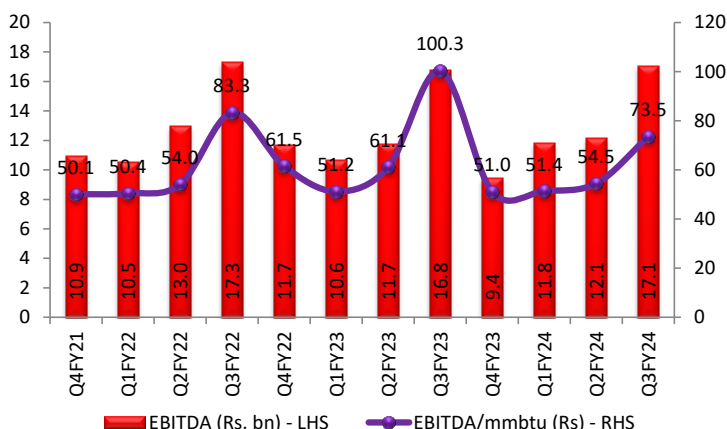
Source: Company, Systematix Institutional Research

Exhibit 6: Dahej & Kochi Terminal Utilization (%)



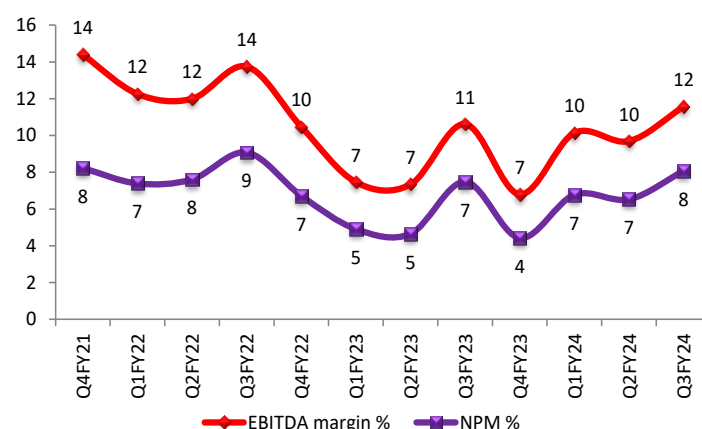
Source: Company, Systematix Institutional Research

Exhibit 7: EBITDA trend and EBITDA/mmbtu (Rs)



Source: Company, Systematix Institutional Research

Exhibit 8: EBITDA margin (%) and Net Profit margin (%)



Source: Company, Systematix Institutional Research

FINANCIALS (STANDALONE)

Profit & Loss Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenue	4,31,686	5,98,994	5,39,308	5,71,325	5,95,383
Raw Material cost	3,70,775	5,39,524	4,74,355	5,03,382	5,20,270
Gross Profit	60,911	59,470	64,954	67,943	75,113
Employee cost	1,771	1,675	2,008	2,209	2,385
Other expenses	6,617	9,237	9,290	10,033	11,037
EBITDA	52,523	48,558	53,655	55,701	61,691
Depreciation	7,685	7,643	10,189	10,931	15,363
EBIT	44,839	40,914	43,466	44,770	46,328
Interest Cost	3,173	3,305	2,668	3,684	5,745
Other Income	3,073	5,736	5,569	5,801	6,220
PBT Before Exceptionals	44,738	43,345	46,367	46,887	46,802
Exceptional Items	0	0	0	0	0
PBT	44,738	43,345	46,367	46,887	46,802
Tax	11,215	10,946	11,671	11,801	11,780
Reported PAT	33,524	32,399	34,697	35,085	35,022
Adjusted PAT	33,524	32,399	34,697	35,085	35,022
Reported EPS (Rs)	22.3	21.6	23.1	23.4	23.3
Adjusted EPS (Rs)	22.3	21.6	23.1	23.4	23.3

Source: Company, Systematix Institutional Research

Cash Flow

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Pre-Tax Profit	44,738	43,345	46,367	46,887	46,802
Depreciation	7,685	7,643	10,189	10,931	15,363
Change in Working Capital	-6,340	-15,943	1,849	-1,653	-1,686
Tax Paid	-12,642	-12,380	-12,957	-13,101	-13,093
Other Operating Activities	1,280	2,533	-2,901	-2,117	-474
Operating Cash Flow	34,721	25,199	42,547	40,947	46,912
Capital Expenditure	-723	-10,577	-14,484	-46,086	-51,988
Change in Investments	-12,096	-3,742	-87	-88	-89
Other Investing Activities	-21	2,952	5,569	5,801	6,220
Investing Cash Flow	-12,840	-11,367	-9,002	-40,373	-45,857
Free Cash Flow	21,881	13,832	33,545	575	1,055
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	-3,186	-230	480	31,595	35,225
Other Financing Activities	-18,923	-23,451	-23,486	-24,735	-26,759
Financing Cash Flow	-22,109	-23,681	-23,006	6,860	8,466
Change in Cash	-228	-9,849	10,539	7,434	9,522
Opening Cash Balance	43,423	66,649	56,800	67,339	74,774
Closing Cash Balance	43,196	56,800	67,339	74,774	84,295

Source: Company, Systematix Institutional Research

Key Assumptions

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
Total volumes (mmt)	16.5	14.5	17.5	19.3	20.6
Dahej Volume (mmt)	15.4	13.6	16.3	17.8	18.4
Dahej Utilisation	88%	78%	93%	102%	92%
Kochi volume (mmt)	1.1	0.9	1.2	1.5	2.2
Kochi Utilisation	21%	19%	23%	30%	45%

Source: Company, Systematix Institutional Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	15,000	15,000	15,000	15,000	15,000
Reserves & Surplus	1,19,255	1,34,347	1,48,226	1,62,260	1,76,269
Networth	1,34,255	1,49,347	1,63,226	1,77,260	1,91,269
Short + Long Term Debt	230	0	980	33,075	68,800
Deferred Tax Liabilities	8,324	7,031	5,744	4,445	3,132
Other Long Term Liabilities	41,248	38,849	38,692	38,540	38,393
Capital Employed	1,84,057	1,95,228	2,08,643	2,53,320	3,01,595
Gross Block	1,03,230	1,06,918	1,08,343	1,26,683	2,29,527
Accumulated Depreciation	34,733	42,377	52,566	63,497	78,860
Net Block	68,496	64,541	55,777	63,186	1,50,667
Capital WIP	1,926	11,259	24,084	51,594	500
Total Fixed Assets	70,422	75,800	79,861	1,14,779	1,51,167
Long Term Invest. & Others	51,729	27,900	27,856	28,241	28,591
Current Assets	89,040	1,20,526	1,26,426	1,37,360	1,49,807
Short Term Investments	8,758	8,697	8,784	8,872	8,961
Inventories	5,767	11,531	10,382	10,998	11,461
Sundry Debtors	26,844	38,397	34,571	36,623	38,166
Cash & Bank Balance	43,196	56,800	67,339	74,774	84,295
Short Term Loans & Adv	1,852	2,525	3,030	3,637	4,364
Others	2,622	2,576	2,319	2,457	2,560
Current Liabilities & Provi.	27,134	28,998	25,499	27,060	27,970
Creditors	15,265	16,440	14,454	15,338	15,853
Other Current Liabilities	11,869	12,559	11,045	11,722	12,117
Net Current Assets	61,906	91,528	1,00,926	1,10,300	1,21,837
Total Assets	1,84,057	1,95,228	2,08,643	2,53,320	3,01,595

Source: Company, Systematix Institutional Research

Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth					
Revenue growth	65.9%	38.8%	-10.0%	5.9%	4.2%
EBITDA growth	11.8%	-7.6%	10.5%	3.8%	10.8%
Adjusted PAT growth	13.7%	-3.4%	7.1%	1.1%	-0.2%
Margins					
Gross margin	14.1%	9.9%	12.0%	11.9%	12.6%
EBITDA margin	12.2%	8.1%	9.9%	9.7%	10.4%
PBT margin	10.4%	7.2%	8.6%	8.2%	7.9%
Effective Tax rate	25.1%	25.3%	25.2%	25.2%	25.2%
Adjusted PAT margin	7.8%	5.4%	6.4%	6.1%	5.9%
Operating Cycle					
Inventory days	5	7	7	7	7
Debtor days	24	24	24	25	25
Creditor days	15	11	11	11	11
Working Capital Cycle	14	20	20	21	21
Return Ratios					
ROE	25.0%	21.7%	21.3%	19.8%	18.3%
Pre-tax ROCE	24.4%	21.0%	20.8%	17.7%	15.4%
Capex/revenue	1.2%	2.2%	2.6%	8.0%	8.7%
Net debt / Equity	-0.4	-0.4	-0.5	-0.3	-0.1
Yield Analysis					
CFO Yield	11.8%	9.4%	13.8%	13.5%	14.9%
FCF Yield	7.4%	2.3%	7.6%	-0.8%	-0.8%
Dividend Yield	4.3%	3.7%	4.3%	4.4%	4.4%
Valuation					
P/E (x)	12.0	12.4	11.6	11.4	11.5
P/B (x)	3.0	2.7	2.5	2.3	2.1
EV/Sales (x)	0.8	0.6	0.6	0.6	0.6
EV/EBITDA (x)	6.7	6.9	6.1	6.3	6.1

Source: Company, Systematix Institutional Research

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