

July 25, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL	
Target Price	266		258	
Sales (Rs. bn)	583	567	550	567
% Chng.	6.1	-		
EBITDA (Rs. bn)	56	58	53	58
% Chng.	4.4	(1.4)		
EPS (Rs.)	26.6	26.6	24.9	26.9
% Chng.	6.6	(1.1)		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	599	558	583	567
EBITDA (Rs. bn)	49	52	56	58
Margin (%)	8.1	9.3	9.6	10.2
PAT (Rs. bn)	32	35	40	40
EPS (Rs.)	21.6	23.6	26.6	26.6
Gr. (%)	(3.4)	9.1	12.8	0.0
DPS (Rs.)	10.0	10.0	9.4	10.8
Yield (%)	2.9	2.9	2.7	3.1
RoE (%)	22.8	22.2	22.3	20.0
RoCE (%)	28.8	27.8	26.4	24.5
EV/Sales (x)	0.8	0.8	0.8	0.8
EV/EBITDA (x)	9.7	8.7	8.0	7.6
PE (x)	16.2	14.9	13.2	13.2
P/BV (x)	3.5	3.1	2.8	2.5

Key Data

PLNG.BO | PLNG IN

52-W High / Low	Rs.359 / Rs.187
Sensex / Nifty	80,149 / 24,414
Market Cap	Rs.526bn / \$ 6,282m
Shares Outstanding	1,500m
3M Avg. Daily Value	Rs.1915.03m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	25.58
Domestic Institution	12.86
Public & Others	11.56
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.1	34.7	62.3
Relative	4.3	19.4	34.4

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Higher regas volume drives earnings

Quick Pointers:

- Regas volume increased 33.3% QoQ to 144 TBtu aided by LNG volume brought in by one of PLNG's customers to compensate for the shortfall in previous years
- Dahej utilization came in strong at 109%

Petronet LNG reported an EBITDA of Rs15.6bn (up 41.6% QoQ, PLe: Rs12.5bn) in Q1FY25, while PAT came in at Rs11.4bn (up 54.8% QoQ, PLe: Rs8.6bn). Beat in estimates was primarily due to inventory/trading gain of Rs3.2bn. Total volume increased 12%/14% QoQ/YoY to 262 TBtu. Dahej terminal's capacity utilization stood to 109%. The management expects the terminal to continue operating above 100% utilization in Q2 as well. However, we remain negative on the stock given the expensive valuations. The company is also likely to be impacted by competition from upcoming LNG terminals, rising domestic gas supply and underutilization of its Kochi terminal. Additionally, capex on its petrochemical project is likely to be margin dilutive ([Link](#)). We maintain 'Sell' rating with a TP of Rs266 based on 10x FY26 EPS.

- Operating profit improves 41.6% QoQ:** Petronet LNG's EBITDA increased significantly by 41.6% QoQ to Rs15.6bn. Similarly, PAT grew 54.8% QoQ to Rs11.4bn. The growth was mainly on account of regas volume brought in with regard to the use or pay agreement. On a YoY basis, EBITDA/PAT grew 32.3%/44.5%.
- Total volume grows 12% QoQ:** Total volume came in at 262 TBtu, up 12% QoQ. Regas volume grew remarkably by 33.3% QoQ to 144 TBtu. Around 11 TBtu of regas volume was brought in to compensate for the shortfall in previous years by one of the customers. Regas service income was Rs8.5bn in Q1. Increase in regas volume helped improve Dahej's capacity utilization to 109%. Sales volume fell 6.3% QoQ to 118 TBtu. Trading gain stood at Rs0.6bn, while inventory gain for the quarter was Rs2.6bn. Going ahead, we expect Dahej to operate at 103%/104% utilization in FY25/26E and anticipate 3% CAGR volume growth over FY24-26E with total volume reaching 958/976 TBtu in FY25/26E.
- Conference Call Highlights:**
 - 1) Dahej's capacity expansion to 22.5mtpa is likely to be completed by Mar'25 at a total project cost of Rs5.7bn.
 - 2) Capex guidance for FY25 stands at Rs35bn, while capex incurred in Q1 was Rs3bn.
 - 3) Other expenses increased by 61% QoQ to Rs3.3bn due to the waiving off of UoP charges amounting to Rs0.6bn and a provision of Rs1.3bn towards UoP dues.
 - 4) With the Dabhol terminal being shut till Sep'24, the company expects a good Q2FY25.
 - 5) With regard to its petrochemical project, licensor contracts have been awarded and clearances are in place. The company plans to incur 20% of the capex in year 1 and 30% in year 2; capex will increase from year 3 and the project will be funded by D/E of 70:30.

Exhibit 1: Quarterly Income Statement

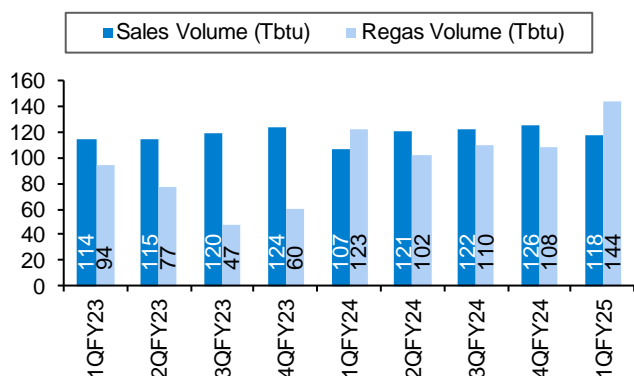
(Rs bn)	Q1FY25	Q4FY24	QoQ gr.	Q1FY25E	% Var	Q1FY24	YoY gr.
Net Sales	134.2	137.9	-2.7%	134.3	-0.1%	116.6	15.1%
<i>YoY Change (%)</i>	<i>15.1</i>	<i>-0.6</i>		<i>15.2</i>		<i>-18.3</i>	
Total Expenditure	118.5	126.9	-6.6%	121.8	-2.7%	104.7	13.2%
EBITDA	15.6	11.0	41.6%	12.5	24.9%	11.8	32.3%
<i>Margins (%)</i>	<i>11.7</i>	<i>8.0</i>		<i>9.3</i>		<i>10.1</i>	
Depreciation	1.9	1.9	0.1%	2.0	-3.1%	1.9	1.4%
Interest	0.7	0.7	-5.7%	0.6	2.7%	0.7	-10.5%
Other Income	2.2	1.6	39.1%	1.7	29.6%	1.5	48.7%
PBT	15.2	10.0	52.7%	11.5	31.7%	10.6	43.1%
Tax	3.8	2.6	46.6%	2.9	30.0%	2.7	38.9%
<i>Rate (%)</i>	<i>24.9</i>	<i>25.9</i>		<i>25.2</i>		<i>25.6</i>	
Reported PAT	11.4	7.4	54.8%	8.6	32.2%	7.9	44.5%
<i>Margins (%)</i>	<i>8.5</i>	<i>5.3</i>		<i>6.4</i>		<i>6.8</i>	

Source: Company, PL

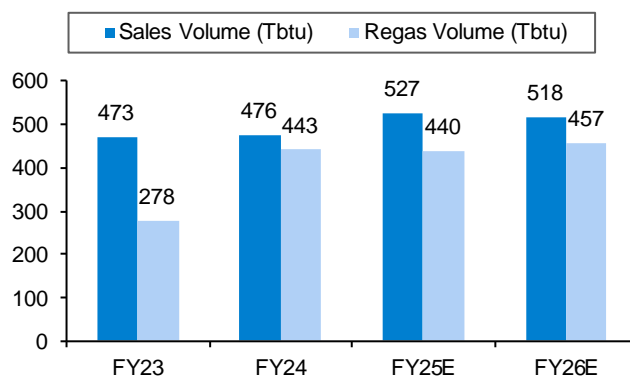
Exhibit 2: Total volume grows 12% QoQ

Sales volume (Tbtu)	Q1FY25	Q4FY24	QoQ gr.	Q1FY25E	% Var	Q4FY24	YoY gr.
Regas volume (Tbtu)	144.0	108.0	33.3%	109.9	31.0%	123.0	17.1%
Sales volume (Tbtu)	118.0	126.0	-6.3%	129.5	-8.9%	107.0	10.3%
Total Volumes (Tbtu)	262.0	234.0	12.0%	239.5	9.4%	230.0	13.9%

Source: Company, PL

Exhibit 3: Regas volume increases 33% QoQ


Source: Company, PL

Exhibit 4: Total volume to reach 976 TBtu by FY26E


Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	599	558	583	567
YoY gr. (%)	38.8	(6.9)	4.5	(2.6)
Cost of Goods Sold	540	495	515	496
Gross Profit	59	63	68	71
Margin (%)	9.9	11.2	11.7	12.6
Employee Cost	2	2	2	4
Other Expenses	9	9	10	9
EBITDA	49	52	56	58
YoY gr. (%)	(7.6)	7.2	6.9	3.6
Margin (%)	8.1	9.3	9.6	10.2
Depreciation and Amortization	8	8	8	9
EBIT	41	44	47	49
Margin (%)	6.8	7.9	8.1	8.6
Net Interest	3	3	3	3
Other Income	6	6	7	7
Profit Before Tax	43	48	51	53
Margin (%)	7.2	8.5	8.8	9.4
Total Tax	11	11	11	13
Effective tax rate (%)	25.3	25.7	22.3	24.8
Profit after tax	32	35	40	40
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	32	35	40	40
YoY gr. (%)	(3.4)	9.1	12.8	0.0
Margin (%)	5.4	6.3	6.8	7.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	32	35	40	40
YoY gr. (%)	(3.4)	9.1	12.8	0.0
Margin (%)	5.4	6.3	6.8	7.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	32	35	40	40
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	21.6	23.6	26.6	26.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	111	115	131	147
Tangibles	111	115	131	147
Intangibles	-	-	-	-
Acc: Dep / Amortization	46	54	62	71
Tangibles	46	54	62	71
Intangibles	-	-	-	-
Net fixed assets	65	62	69	76
Tangibles	65	62	69	76
Intangibles	-	-	-	-
Capital Work In Progress	11	16	15	16
Goodwill	-	-	-	-
Non-Current Investments	34	22	22	22
Net Deferred tax assets	(7)	(6)	(6)	(6)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	12	15	16	16
Trade receivables	38	36	42	47
Cash & Bank Balance	57	74	81	90
Other Current Assets	-	-	-	-
Total Assets	224	251	273	295
Equity				
Equity Share Capital	15	15	15	15
Other Equity	134	155	174	196
Total Networkth	149	170	189	211
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	16	29	30	31
Other current liabilities	51	46	48	48
Total Equity & Liabilities	224	251	273	295

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	43	48	45	51
Add. Depreciation	8	8	8	9
Add. Interest	3	3	3	3
Less Financial Other Income	6	6	7	7
Add. Other	(1)	(3)	(7)	(7)
Op. profit before WC changes	54	55	49	56
Net Changes-WC	(16)	6	(6)	(5)
Direct tax	(12)	(12)	(11)	(13)
Net cash from Op. activities	25	49	32	38
Capital expenditures	(11)	(8)	(15)	(17)
Interest / Dividend Income	-	-	-	-
Others	(1)	(2)	-	-
Net Cash from Inv. activities	(11)	(11)	(15)	(17)
Issue of share cap. / premium	-	-	-	-
Debt changes	0	-	-	-
Dividend paid	(17)	(15)	(14)	(16)
Interest paid	0	0	(3)	(3)
Others	(6)	(6)	-	-
Net cash from Fin. activities	(24)	(22)	(17)	(19)
Net change in cash	(10)	17	0	2
Free Cash Flow	15	40	17	21

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	21.6	23.6	26.6	26.6
CEPS	26.7	28.8	32.1	32.4
BVPS	99.6	113.1	125.8	140.5
FCF	9.7	26.9	11.2	14.2
DPS	10.0	10.0	9.4	10.8
Return Ratio(%)				
RoCE	28.8	27.8	26.4	24.5
ROIC	24.4	25.1	24.7	23.9
RoE	22.8	22.2	22.3	20.0
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	2	(1)	2	5
Valuation(x)				
PER	16.2	14.9	13.2	13.2
P/B	3.5	3.1	2.8	2.5
P/CEPS	26.9	29.0	32.4	32.6
EV/EBITDA	9.7	8.7	8.0	7.6
EV/Sales	0.8	0.8	0.8	0.8
Dividend Yield (%)	2.9	2.9	2.7	3.1

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	125	147	138	134
YoY gr. (%)	(21.6)	(6.5)	(0.6)	15.1
Raw Material Expenses	111	126	124	115
Gross Profit	14	21	14	19
Margin (%)	11.4	14.4	9.8	14.5
EBITDA	12	17	11	16
YoY gr. (%)	3.6	1.8	17.1	32.3
Margin (%)	9.7	11.6	8.0	11.7
Depreciation / Depletion	2	2	2	2
EBIT	10	15	9	14
Margin (%)	8.1	10.2	6.6	10.2
Net Interest	1	1	1	1
Other Income	2	2	2	2
Profit before Tax	11	16	10	15
Margin (%)	8.8	10.8	7.2	11.3
Total Tax	3	4	3	4
Effective tax rate (%)	25.8	25.5	25.9	24.9
Profit after Tax	8	12	7	11
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	8	12	7	11
YoY gr. (%)	9.9	0.9	20.1	44.5
Margin (%)	6.5	8.1	5.3	8.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8	12	7	11
YoY gr. (%)	9.9	0.9	20.1	44.5
Margin (%)	6.5	8.1	5.3	8.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8	12	7	11
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	5.5	7.9	4.9	7.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales Volume (TBtu)	473.0	476.0	527.0	518.1
Regas Volume (TBtu)	278.0	443.0	439.8	457.5
Dahej Tariff (Rs/mmBtu)	57.7	60.6	63.7	66.9
Kochi Tariff (Rs/mmBtu)	81.0	84.0	89.3	89.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Sell	258	337
2	23-May-24	Sell	259	308
3	09-Apr-24	Sell	212	282
4	30-Jan-24	Sell	212	268
5	08-Jan-24	Reduce	208	229
6	03-Nov-23	Hold	208	196
7	31-Oct-23	Hold	208	202
8	06-Oct-23	BUY	225	230

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	634	718
2	Ashok Leyland	Accumulate	249	230
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Hold	1,615	1,672
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,618	1,430
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,489	1,482
9	Deepak Nitrite	Reduce	2,268	2,677
10	Divgi Torqtransfer Systems	Accumulate	831	742
11	Eicher Motors	BUY	5,335	4,737
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	568
14	Fine Organic Industries	Accumulate	5,685	5,337
15	GAIL (India)	Sell	170	223
16	Gujarat Fluorochemicals	Reduce	2,775	3,250
17	Gujarat Gas	Accumulate	623	645
18	Gujarat State Petronet	BUY	409	311
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	280	332
21	Indian Oil Corporation	Reduce	151	171
22	Indraprastha Gas	Sell	374	522
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	264
25	Mahanagar Gas	Sell	1,303	1,685
26	Mahindra & Mahindra	BUY	3,250	2,881
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	14,432	12,104
29	Navin Fluorine International	Accumulate	3,883	3,659

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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