

Bloomberg Code	PLNG.IN
No of share O/S (Cr)	150.0
Market Cap (Rs Cr)	38,700
Face Value (Rs)	10.0
Dividend Yield (%)	4.84
52 Wk High/Low (Rs)	302/171

## Reported better than expected LNG volumes during lockdown, strong revival expected in Q2FY21

### Key result highlights

#### ***Managed to control volume decline during lockdown***

Petronet LNG's (PLNG) revenue declined at a QoQ and YoY rate of 43.0% and 43.3%, respectively, to Rs.4,884 cr in Q1FY21 on account of a substantial decline in global LNG prices. Total volumes processed declined at a QoQ and YoY rate of 13.2% and 15.9%, respectively, to 3.9 MT in Q1FY21 – Dahej volumes declined at a QoQ and YoY rate of 12.1% and 16.6%, respectively, to 3.7 MT, while Kochi volumes declined at a QoQ rate of 30.8% to 0.2 MT (volumes remained flat YoY). Capacity utilization at Dahej declined from 96.9% in Q4FY20 and 119.1% in Q1FY20 to 85.1% in Q1FY21, while utilization at Kochi declined from 21.4% in Q4FY20 to 14.8% in Q1FY21 (YoY capacity utilization remained flat).

#### ***Cheaper sourcing of LNG aided profitability***

Gross profit declined at a QoQ and YoY rate of 22.1% and 18.6%, respectively, to Rs.1,047 cr in Q1FY21. Gross profit per MT grew at a QoQ and YoY rate of 6.7% and 4.2%, respectively, to Rs.268/MT. Similarly, EBITDA grew at a QoQ rate of 14.1% to Rs.910 cr (declined by 11.1% YoY), while EBITDA per MT increased at a QoQ and YoY rate of 31.5% and 5.7%, respectively, to Rs.233/MT. Lower gas sourcing cost improved gross profit performance (global natural gas prices declined from \$2.8/mmbtu to \$1.7/mmbtu in past 12 months and the current prices are at \$1.9/mmbtu)

PLNG reported CSR expense of Rs.100 cr in Q4FY20, which significantly impacted its PBT in that quarter. As a result, the company reported QoQ of growth of 43.3% in PBT to Rs.697 cr (a YoY decline of 16.9%), while PBT margins improved at a QoQ and YoY rate of 859bps and 454bps, respectively, to 14.3% in Q1FY21. Also, PLNG opted for the new tax regime of lower corporate tax, which aided the bottom-line. As a result, net profit clocked a YoY decline of 11.1% (better than PBT) to Rs.500 cr, while net margins improved by 371bps YoY to 10.2% in Q1FY21.

Shareholding (%)	
Promoters	50.00
Institutional	37.01
Public	12.99
Total	100

## ***Concall Highlights***

- Dahej terminal utilization declined from 96.9% in Q4FY20 and 119.1% in Q1FY20 to 85.1%, while Kochi terminal utilization declined from 21.4% in Q4FY20 to 14.8% in Q1FY21 (YoY capacity utilization remained flat). Currently (in Jul-Aug 2020), Dahej is operating at 104-105% utilization while Kochi is operating at 18-20% utilization.
- Gas consumer sectors are gradually shifting towards spot markets and avoiding Brent-linked long term contracts. IGX is expected to improve the demand for spot LNG which is expected to trigger volumes. Power, Fertilizers and CGD are driving the LNG demand.
- Kochi Mangalore pipeline is likely to be commissioned by the end of Aug 2020. Work restrictions due to lockdown and the local containment area related issues delayed the project by 1 month
- Management has planned a capex of Rs.3,000 cr for the next 3 years (excluding Sri Lanka and Bangladesh, which is still at the proposed stage). This capex would be mainly spent on expansion of the Dahej terminal by 2.0 MTPA to 19.5 MTPA and additional jetties at the Kochi terminal. Capex in FY21 would be in the range of Rs.345-350 cr. The Company is also planning to set up a new terminal on the east coast, as there are only two terminals in that region – Dhamra and Ennore. The management will announce it in the next 6-7 months.
- The management is planning to re-evaluate the \$2.5 billion Tellurian deal, which is expected to significantly reduce the deal value.

## ***Valuation***

PLNG is currently trading at a FY21 forwarded EV/EBITDA of 8.3x

## Financial Summary

EBITDA margins at 18.6% (QoQ +932bps and YoY +675bps) was higher due to cheap sourcing of LNG on account of global slump in natural gas prices

Management has planned a capex of Rs.3,000 cr for the next 3 years (excluding Sri Lanka and Bangladesh, which is still at the proposed stage)

As the company adjusts to the revised tax structure, the management has guided a 25% tax rate.

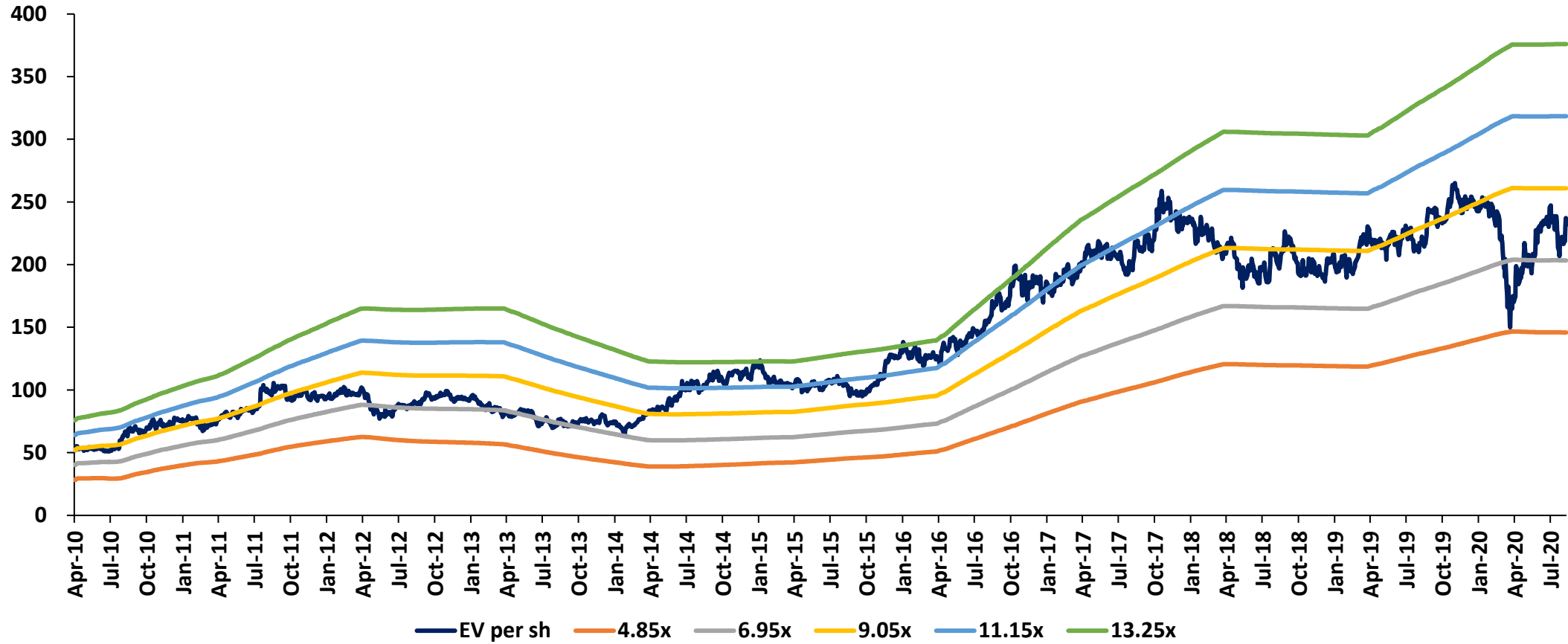
Figures are in Rs Cr	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	FY19	FY20	YoY (%)
Net Sales	4,884	8,613	(43.3)	8,567	(43.0)	38,395	35,452	(7.7)
Raw Material Cost	3,837	7,418	(48.3)	7,436	(48.4)	34,417	30,496	(11.4)
<b>RM Cost to Sales (%)</b>	<b>78.6</b>	<b>86.1</b>		<b>86.8</b>		<b>89.6</b>	<b>86.0</b>	<b>(4.0)</b>
Employee Cost	36	29	22.8	29	24.5	126	126	(0.1)
<b>Employee Cost to Sales (%)</b>	<b>0.7</b>	<b>0.3</b>		<b>0.3</b>		<b>0.3</b>	<b>0.4</b>	
Other Expenses	101	142	(28.8)	305	(66.8)	559	841	50.4
<b>Other Exp to Sales (%)</b>	<b>2.1</b>	<b>1.6</b>		<b>3.6</b>		<b>1.5</b>	<b>2.4</b>	
EBITDA	910	1,024	(11.1)	798	14.1	3,293	3,989	21.1
<b>EBITDA Margin (%)</b>	<b>18.6</b>	<b>11.9</b>	<b>6.75</b>	<b>9.3</b>	<b>9.32</b>	<b>8.6</b>	<b>11.3</b>	
Depreciation	194	190	1.9	194	(0.3)	411	776	88.7
Interest	88	101	(12.3)	104	(14.9)	99	403	307.6
TTM Interest Coverage	8.1	8.3		5.8		29.1	8.0	
Other Income (incl Excep)	68	104	(34.5)	(14)	(605.8)	450	301	(33.3)
<b>Other Income to Sales (%)</b>	<b>1.4</b>	<b>1.2</b>		<b>(0.2)</b>		<b>1.2</b>	<b>0.8</b>	
Profit Before Tax	697	838	(16.9)	486	43.3	3,234	3,111	(3.8)
<b>Tax Rate (%)</b>	<b>25.3</b>	<b>33.1</b>	<b>7.82</b>	<b>26.2</b>		<b>33.3</b>	<b>13.3</b>	
Profit After Tax	520	560	(7.1)	359	44.9	2,155	2,698	25.2
<b>PAT Margin (%)</b>	<b>10.7</b>	<b>6.5</b>	<b>4.1</b>	<b>4.2</b>	<b>6.5</b>	<b>5.6</b>	<b>7.6</b>	
Share of Assoc / Minority Int	(20)	2		0		0	0	
Net Profit	500	562	(11.1)	359	39.2	2,155	2,698	25.2
<b>Net Margin (%)</b>	<b>10.2</b>	<b>6.5</b>	<b>3.71</b>	<b>4.2</b>	<b>6.04</b>	<b>5.6</b>	<b>7.6</b>	
Adjusted EPS	3.3	3.7	(11.1)	2.4	39.2	14.4	18.0	25.2
Shareholder's Funds						10,066	10,953	8.8
BV per share						67.1	73.0	8.8
Net Debt						(3,684)	(4,552)	23.6
Net Debt to Equity						(0.4)	(0.4)	
Net Debt to EBITDA						(1.1)	(1.1)	
RoE						21.4	24.6	
RoIC						30.1	43.5	
P/E						18.3	14.6	
EV/EBITDA						10.9	8.8	

# Segmental Performance

Segmental Performance	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	FY16	FY17	FY18	FY19	FY20
<b>Dahej Terminal</b>														
Capacity (MT)	15.0	15.0	15.0	15.0	15.0	17.5	17.5	17.5	17.5	10.0	15.0	15.0	15.0	17.5
Volumes Processed (MT)	4.4	4.3	4.1	4.0	4.5	4.9	4.6	4.2	3.7	11.6	14.7	16.8	16.7	18.2
<i>YoY Growth</i>	<i>16.3%</i>	<i>0.5%</i>	<i>-8.4%</i>	<i>-7.2%</i>	<i>1.4%</i>	<i>13.7%</i>	<i>12.7%</i>	<i>7.3%</i>	<i>-16.6%</i>		<i>26.3%</i>	<i>14.1%</i>	<i>-0.2%</i>	<i>8.7%</i>
<i>Capacity Utilization</i>	<i>117.4%</i>	<i>115.8%</i>	<i>108.1%</i>	<i>105.3%</i>	<i>119.1%</i>	<i>112.9%</i>	<i>104.4%</i>	<i>96.9%</i>	<i>85.1%</i>	<i>116.5%</i>	<i>98.1%</i>	<i>111.9%</i>	<i>111.7%</i>	<i>104.1%</i>
Regasification Charge (Rs/mmbtu)	48	48	48	48	50	50	50	50	52	41	43	45	48	50
Regasification Revenue (Rs Cr)	1,019	1,004	938	914	1,085	1,200	1,110	1,030	950	2,321	3,082	3,696	3,875	4,423
<b>Kochi Terminal</b>														
Capacity (MT)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Volumes Processed (MT)	0.13	0.12	0.10	0.15	0.19	0.20	0.23	0.27	0.19	0.30	0.29	0.65	0.50	0.88
<i>YoY Growth</i>	<i>-17.3%</i>	<i>-40.0%</i>	<i>-37.5%</i>	<i>20.3%</i>	<i>45.2%</i>	<i>62.7%</i>	<i>120.0%</i>	<i>83.1%</i>	<i>0.0%</i>		<i>-2.8%</i>	<i>122.7%</i>	<i>-22.6%</i>	<i>76.0%</i>
<i>Capacity Utilization</i>	<i>10.2%</i>	<i>9.9%</i>	<i>8.2%</i>	<i>11.7%</i>	<i>14.8%</i>	<i>16.1%</i>	<i>18.1%</i>	<i>21.4%</i>	<i>14.8%</i>	<i>6.0%</i>	<i>5.8%</i>	<i>12.9%</i>	<i>10.0%</i>	<i>17.6%</i>
Regasification Charge (Rs/mmbtu)	80	80	80	80	84	84	84	84	79	68	73	76	80	84
Regasification Revenue (Rs Cr)	50	48	40	57	76	82	92	109	71	99	102	239	194	359
<b>Total Capacity (MT)</b>														
<b>Total Capacity (MT)</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>22.5</b>	<b>22.5</b>	<b>22.5</b>	<b>22.5</b>	<b>15.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>22.5</b>
<b>Total Volumes Processed (MT)</b>														
<b>Total Volumes Processed (MT)</b>	<b>4.5</b>	<b>4.5</b>	<b>4.2</b>	<b>4.1</b>	<b>4.7</b>	<b>5.1</b>	<b>4.8</b>	<b>4.5</b>	<b>3.9</b>	<b>11.9</b>	<b>15.0</b>	<b>17.4</b>	<b>17.2</b>	<b>19.1</b>
<i>YoY Growth</i>	<i>15.0%</i>	<i>-1.4%</i>	<i>-9.4%</i>	<i>-6.5%</i>	<i>2.6%</i>	<i>15.1%</i>	<i>15.3%</i>	<i>10.0%</i>	<i>-15.9%</i>		<i>25.6%</i>	<i>16.2%</i>	<i>-1.1%</i>	<i>10.7%</i>
<i>Total Capacity Utilization</i>	<i>90.6%</i>	<i>89.3%</i>	<i>83.1%</i>	<i>81.9%</i>	<i>93.0%</i>	<i>91.4%</i>	<i>85.2%</i>	<i>80.1%</i>	<i>69.5%</i>	<i>79.6%</i>	<i>75.0%</i>	<i>87.2%</i>	<i>86.2%</i>	<i>84.8%</i>
Average Regas Charge (Rs/mmbtu)	49	48	48	49	51	51	52	52	54	42	44	46	49	52
Total Regasification Revenue (Rs Cr)	1,068	1,052	978	971	1,160	1,282	1,202	1,139	1,021	2,420	3,184	3,936	4,069	4,782
Revenue from sale of gas (Rs Cr)	8,101	9,693	9,120	7,412	7,453	8,080	7,708	7,428	3,862	24,714	21,432	26,663	34,326	30,670
<b>Gross Revenue (Rs Cr)</b>														
<b>Gross Revenue (Rs Cr)</b>	<b>9,169</b>	<b>10,745</b>	<b>10,098</b>	<b>8,383</b>	<b>8,613</b>	<b>9,361</b>	<b>8,910</b>	<b>8,567</b>	<b>4,884</b>	<b>27,133</b>	<b>24,616</b>	<b>30,599</b>	<b>38,395</b>	<b>35,452</b>
<i>YoY Growth</i>	<i>42.5%</i>	<i>38.3%</i>	<i>30.2%</i>	<i>-2.9%</i>	<i>-6.1%</i>	<i>-12.9%</i>	<i>-11.8%</i>	<i>2.2%</i>	<i>-43.3%</i>		<i>-9.3%</i>	<i>24.3%</i>	<i>25.5%</i>	<i>-7.7%</i>
<b>Gross Profit (Rs Cr)</b>														
<b>Gross Profit (Rs Cr)</b>	<b>1,085</b>	<b>1,050</b>	<b>999</b>	<b>845</b>	<b>1,195</b>	<b>1,338</b>	<b>1,291</b>	<b>1,131</b>	<b>1,047</b>	<b>2,058</b>	<b>3,199</b>	<b>3,908</b>	<b>3,978</b>	<b>4,956</b>
Gross Profit per MT (Rs Cr)	239	235	240	206	257	260	269	251	268	172	213	224	231	260
<i>YoY Growth</i>	<i>6.2%</i>	<i>3.6%</i>	<i>10.1%</i>	<i>-8.9%</i>	<i>7.4%</i>	<i>10.7%</i>	<i>12.1%</i>	<i>21.8%</i>	<i>4.2%</i>		<i>23.8%</i>	<i>5.1%</i>	<i>2.9%</i>	<i>12.6%</i>
<b>EBITDA (Rs Cr)</b>														
<b>EBITDA (Rs Cr)</b>	<b>934</b>	<b>884</b>	<b>848</b>	<b>627</b>	<b>1,024</b>	<b>1,160</b>	<b>1,108</b>	<b>798</b>	<b>910</b>	<b>1,608</b>	<b>2,592</b>	<b>3,312</b>	<b>3,293</b>	<b>4,089</b>
EBITDA per MT (Rs Cr)	206	198	204	153	220	226	231	177	233	135	173	190	191	214
<i>YoY Growth</i>	<i>9.2%</i>	<i>-0.3%</i>	<i>10.5%</i>	<i>-18.4%</i>	<i>6.8%</i>	<i>14.1%</i>	<i>13.2%</i>	<i>15.6%</i>	<i>5.7%</i>		<i>28.4%</i>	<i>9.9%</i>	<i>0.5%</i>	<i>12.2%</i>

# 1 year forwarded valuation band chart

### 1 year forwarded EV/EBITDA band chart



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