

## Steady performance; expansion plans moderated...

**About the stock:** Petronet LNG, a JV between leading PSU oil companies, is involved in LNG import and regasification.

- The company operates two LNG terminals at Dahej and Kochi
- Total nameplate capacity of the company is 22.5 MMTPA

**Q1FY22 Results:** Petronet LNG reported decent Q1FY22 numbers.

- Revenues increased 76.1% YoY to ₹ 8597.9 crore (our estimate: ₹ 7899.8 crore)
- Blended margins were above estimates. Hence, EBITDA came in at ₹ 1054.3 crore, up 15.9% YoY (our estimate: ₹ 985.1 crore)
- PAT was at ₹ 635.7 crore, up 22.2% YoY (our estimate: ₹ 593.7 crore)

**What should investors do?** With increase in domestic production, emergence of new terminals and lack of new big growth opportunities in the medium term; we expect limited upside in the stock price, going ahead.

- We retain our HOLD rating on the stock

**Target Price and Valuation:** We value Petronet LNG at ₹ 245 i.e. 11.5x P/E on FY23E EPS

### Key triggers for future price performance:

- Petronet LNG is India's leading play in import of LNG in the country and will be a beneficiary of the government's aim to increase the share of natural gas in the energy basket to 15% over the long term
- The 17.5 mmtpa Dahej terminal has been booked for 15.75 mmtpa under long term, thus providing visibility to long term volumes. Increase in Kochi terminal volumes on commissioning of Kochi-Mangalore pipeline

**Alternate Stock Idea:** Apart from Petronet LNG, in our oil & gas coverage we also like GSPL.

- It offers a play on India's increasing gas demand. Growing CGD sector and domestic output will lead to stable volumes in the near term. It also derives value from growing market value of its listed subsidiary, Gujarat Gas
- BUY with a target price of ₹ 415



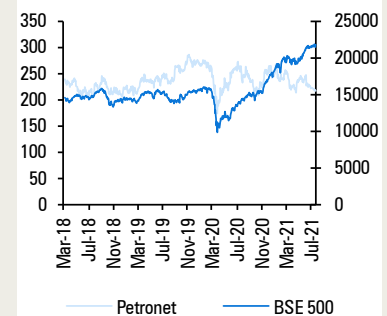
### Particulars

Particular	Amount
Market Capitalization (₹ Crore)	33,450.0
Total Debt (FY20) (₹ Crore)	3,440.2
Cash and Investments (FY20) (₹ Crore)	4,432.0
EV (₹ Crore)	32,458.2
52 week H/L	280/207
Equity capital (₹ Crore)	1,500.0
Face value (₹)	10.0

### Shareholding pattern

(in %)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	50.0	50.0	50.0	50.0	50.0
FII	29.2	28.1	29.5	30.5	31.1
DII	7.9	8.4	7.0	6.3	5.1
Others	13.0	13.5	13.5	13.2	13.8

### Price Chart



### Recent event & key risks

- Petronet has moderated its LNG retail network expansion plans
- **Key Risk:** (i) Faster pick-up in demand, (ii) Increased competition from new terminals, increase in domestic gas output can impact volume

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### Key Financial Summary

(Year-end March)	FY19	FY20	FY21E	5 year CAGR (FY16-21E)	FY22E	FY23E	2 year CAGR (FY21E-23E)
Revenues (₹ crore)	38,395.4	35,452.0	26,022.9	(0.8)	38,423.4	40,247.0	24.4
EBITDA (₹ crore)	3,293.4	3,989.5	4,699.5	24.2	4,609.2	5,026.8	3.4
Net Profit (₹ crore)	2,155.4	2,697.6	2,949.4	26.4	2,864.2	3,187.0	4.0
EPS (₹)	14.4	18.0	19.7		19.1	21.2	
P/E (x)	15.5	12.4	11.3		11.7	10.5	
Price / Book (x)	3.3	3.1	2.8		2.6	2.4	
EV/EBITDA (x)	9.5	8.1	6.8		6.7	5.9	
RoCE (%)	26.6	22.3	25.3		23.4	24.1	
RoE (%)	21.4	24.6	24.4		22.3	22.8	

## Key takeaways of recent quarter

### Q1FY22 Results: Robust performance continues

- Petronet LNG reported an increase of 76.1% YoY in revenues to ₹ 8597.9 crore (our estimate: ₹ 7899.8 crore) as revenues were impacted due to lower prices as well as volumes during the base quarter
- Total volume were at 209 tbtu, up 10% YoY but down 4.1% QoQ (our estimate: 205 tbtu). While regas volumes were better than estimates, sales volume were lesser than expected
- Blended margins were above estimates at ₹ 60.2/mmbtu. Subsequently, EBITDA was at ₹ 1054.3 crore, up 15.9% YoY (our estimate: ₹ 985.1 crore)
- Other income of ₹ 68.5 crore was lower than expectation of ₹ 99.8 crore. Subsequently, PAT was at ₹ 635.7 crore, up 22.2% YoY (our estimate: ₹ 593.7 crore)

## Peer comparison

### Exhibit 1: Peer Comparison

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
GAIL (India) (GAIL)	139	180	Hold	61,721	11.0	16.4	17.7	12.6	8.5	7.9	10.3	6.4	6.3	8.7	14.4	13.6	10.6	14.4	14.1
Gujarat Gas (GUJGA)	722	735	Hold	49,702	18.5	24.9	26.3	39.0	29.0	27.5	24.1	18.7	17.4	33.0	36.5	32.8	29.0	29.6	25.4
Indraprastha Gas (INDGAS)	535	585	Hold	37,450	14.4	18.0	21.5	37.2	29.7	24.9	24.5	19.8	16.5	20.7	23.1	23.3	17.4	18.9	19.3
Mahanaqar Gas (MAHGAS)	1167	1340	Buy	11,527	62.7	95.6	107.2	18.6	12.2	10.9	11.9	7.9	6.6	22.6	29.7	28.1	18.7	23.9	22.5
Petronet LNG (PETLNG)	223	245	Hold	33,450	19.7	19.1	21.2	11.3	11.7	10.5	6.8	6.7	5.9	25.3	23.4	24.1	24.4	22.3	22.8

Source: Company, ICICI Direct Research

**Exhibit 2: Variance Analysis**

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Total Revenues	8,597.9	7,899.8	4,883.6	76.1	7,575.3	13.5	
Raw materials costs	7,339.6	6,721.4	3,836.5	91.3	6,281.7	16.8	
Employees Cost	42.9	43.2	36.0	19.1	43.0	-0.1	
Other Expenses	161.2	150.1	101.1	59.4	159.6	1.0	
Total Expenditure	7,543.6	6,914.7	3,973.6	89.8	6,484.2	16.3	
EBITDA	1,054.3	985.1	909.9	15.9	1,091.1	-3.4	Above estimates as both volumes and blended margins were marginally above expectations
EBITDA margins (%)	12.3	12.5	18.6	-637 bps	14.4	-214 bps	
Depreciation	191.6	203.8	193.6	-1.0	202.8	-5.5	
EBIT	862.7	781.3	716.4	20.4	888.3	-2.9	
Interest	80.0	85.2	88.1	-9.2	81.3	-1.6	
Other Income	68.5	99.8	68.4	0.2	49.2	39.4	Lower than expected
Extra Ordinary Item	0.0	0.0	0.0	NA	0.0	NA	
PBT	851.2	795.9	696.6	22.2	856.1	-0.6	
Total Tax	215.5	202.2	176.4	22.2	232.8	-7.4	
PAT	635.7	593.7	520.2	22.2	623.4	2.0	

**Key Metrics**

Sales volume (tbtu)	108.0	118.5	90.0	20.0	120.0	-10.0	
Regasification vol (tbtu)	101.0	86.5	100.0	1.0	98.0	3.1	
Total Volumes (tbtu)	209.0	205.0	190.0	10.0	218.0	-4.1	Marginally better than estimates
Blended margin ₹/mmbtu	60.2	57.5	55.1	9.3	59.3	1.5	

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

(₹ Crore)	FY22E			FY23E			
	Old	New	% Change	Old	New	% Change	
Revenue	33213.1	38423.4	15.7	34827.9	40,247.0	15.6	Revised LNG prices upwards due to higher oil prices
EBITDA	4,534.5	4,609.2	1.6	5128.0	5,026.8	-2.0	
EBITDA Margin (%)	13.7	12.0	-166 bps	14.7	12.5	-223 bps	
PAT	2,818.1	2,864.2	1.6	3253.6	3,187.0	-2.0	
EPS (₹)	18.8	19.1	1.6	21.7	21.2	-2.0	

Source: ICICI Direct Research

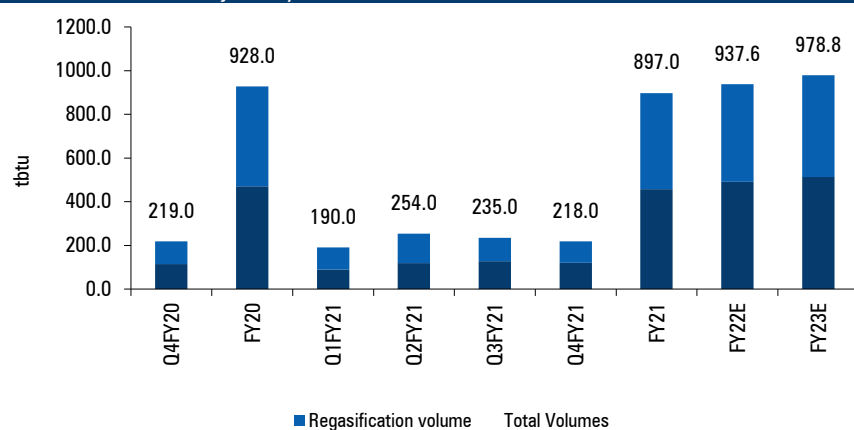
**Exhibit 4: Assumptions**

	Current				Earlier	
	FY20	FY21	FY22E	FY23E	FY22E	FY23E
Sales volume (tbtu)	470.0	457.0	490.6	512.8	500.6	520.8
Regasification vol (tbtu)	458.0	440.0	447.0	466.0	431.0	476.0
Total Volumes (tbtu)	928.0	897.0	937.6	978.8	931.6	996.8
Blended Margin ₹/mmbtu	53.4	59.5	58.8	61.3	57.3	60.2

Source: ICICI Direct Research

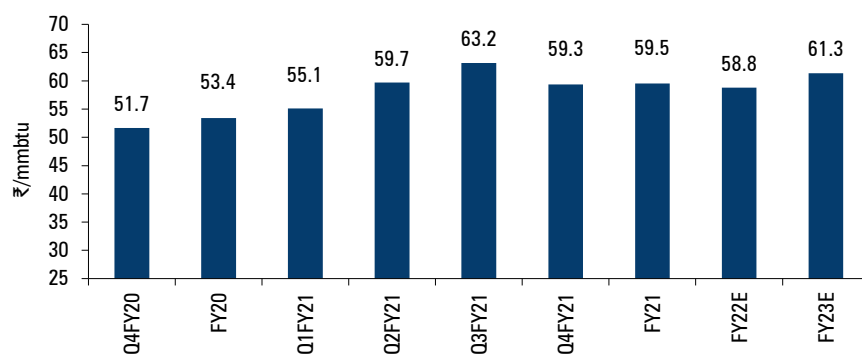
## Story in charts

Exhibit 5: Volume trajectory



Source: Company, ICICI Direct Research

Exhibit 6: Margin trend



Source: Company, ICICI Direct Research

Exhibit 7: Booked capacity

Booked capacity (mmtpa)	
GAIL	7.00
IOCL	3.75
BPCL	1.75
GSPC	2.25
Torrent Power	1.00
<b>Total</b>	<b>15.75</b>

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>35452.0</b>	<b>26022.9</b>	<b>38423.4</b>	<b>40247.0</b>
Growth (%)	-7.7	-26.6	47.7	4.7
(Inc.) / Dec stock in trade	0.0	0.0	0.0	0.0
Raw material Costs	30495.9	20681.5	32910.1	34244.1
Purchase of trading goods	0.0	0.0	0.0	0.0
Employee Costs	125.8	147.1	176.2	211.5
Other Expenditure	840.8	494.8	727.9	764.7
Op. Expenditure	31462.5	21323.4	33814.2	35220.2
<b>EBITDA</b>	<b>3989.5</b>	<b>4699.5</b>	<b>4609.2</b>	<b>5026.8</b>
Growth (%)	21.1	17.8	-1.9	9.1
Depreciation	776.1	784.1	803.0	845.0
EBIT	3213.4	3915.5	3806.2	4181.8
Interest	403.2	336.0	335.5	340.7
Other Income	300.5	388.2	367.8	431.0
PBT	3110.7	3967.7	3838.5	4272.2
Growth (%)	-3.8	27.6	-3.3	11.3
Tax	413.1	1018.3	974.3	1085.1
<b>Reported PAT</b>	<b>2697.6</b>	<b>2949.4</b>	<b>2864.2</b>	<b>3187.0</b>
Growth (%)	25.2	9.3	-2.9	11.3
<b>EPS</b>	<b>18.0</b>	<b>19.7</b>	<b>19.1</b>	<b>21.2</b>

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	2,697.6	2,949.4	2,864.2	3,187.0
Add: Depreciation	776.1	784.1	803.0	845.0
Add: Others	-447.7	-7.7	100.0	100.0
Cash Profit	3,026.0	3,725.8	3,767.2	4,132.0
Increase/(Decrease) in CL	491.4	-182.1	602.4	180.4
(Increase)/Decrease in CA	1,037.2	-1,206.1	-98.9	-129.9
<b>CF from Operating Activiti</b>	<b>4554.6</b>	<b>2337.5</b>	<b>4270.7</b>	<b>4182.5</b>
Purchase of Fixed Assets	3,955.7	164.0	1,035.5	1,000.0
(Inc)/Dec in Investments	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
<b>CF from Investing Activiti</b>	<b>-3,955.7</b>	<b>-164.0</b>	<b>-1,035.5</b>	<b>-1,000.0</b>
Inc/(Dec) in Loan Funds	2,683.5	-33.5	0.0	0.0
Inc/(Dec) in Sh. Cap. & Res	368.0	200.0	0.0	0.0
Less: Dividend Paid	2,178.8	2,004.5	2,091.6	2,091.6
Others	0.0	0.0	0.0	0.0
<b>CF from financing activiti</b>	<b>504.8</b>	<b>-2,038.0</b>	<b>-2,091.6</b>	<b>-2,091.6</b>
Change in cash Eq.	1,471.7	335.6	1,143.6	1,090.9
Op. Cash and cash Eq.	2,960.3	4,432.0	4,767.6	5,911.2
<b>Cl. Cash and cash Eq.</b>	<b>4,432.0</b>	<b>4,767.6</b>	<b>5,911.2</b>	<b>7,002.1</b>

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Source of Funds</b>				
Equity Capital	1,500.0	1,500.0	1,500.0	1,500.0
Preference capital	0.0	0.0	0.0	0.0
Reserves & Surplus	9,453.0	10,597.9	11,370.5	12,465.9
Shareholder's Fund	10,953.0	12,097.9	12,870.5	13,965.9
Loan Funds	3,440.2	3,406.7	3,406.7	3,406.7
Deferred Tax Liability	888.3	880.6	980.6	1,080.6
Minority Interest	0.0	0.0	0.0	0.0
<b>Source of Funds</b>	<b>15281.5</b>	<b>16385.2</b>	<b>17257.8</b>	<b>18453.3</b>
<b>Application of Funds</b>				
Gross Block	13,460.6	13,610.6	14,110.6	14,860.6
Less: Acc. Depreciation	2,272.4	3,063.3	3,878.5	4,723.5
Net Block	11,188.2	10,547.3	10,232.0	10,137.1
Capital WIP	4.7	25.5	573.2	823.2
Total Fixed Assets	11,192.9	10,572.7	10,805.3	10,960.3
Investments	164.4	164.4	164.4	164.4
Inventories	480.9	337.2	842.2	882.1
Debtor	1,602.6	1,874.5	1,894.9	1,984.8
Cash	4,432.0	4,767.6	5,911.2	7,002.1
Loan & Advance, Other CA	826.2	1904.1	1477.7	1477.7
Total Current assets	7341.7	8883.4	10125.9	11346.8
Current Liabilities	3384.5	3137.0	3684.4	3859.3
Provisions	33.0	98.3	153.3	158.8
Total CL and Provisions	3417.5	3235.3	3837.7	4018.1
Net Working Capital	3924.3	5648.1	6288.2	7328.6
Miscellaneous expense	0.0	0.0	0.0	0.0
<b>Application of Funds</b>	<b>15281.5</b>	<b>16385.2</b>	<b>17257.8</b>	<b>18453.3</b>

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Book Value	73.0	80.7	85.8	93.1
Cash per share	29.5	31.8	39.4	46.7
EPS	18.0	19.7	19.1	21.2
Cash EPS	23.2	24.9	24.4	26.9
DPS	12.5	11.5	12.0	12.0
<b>Profitability &amp; Operating Ratios</b>				
EBITDA Marqin (%)	11.3	18.1	12.0	12.5
PAT Marqin (%)	7.6	11.3	7.5	7.9
Fixed Asset Turnover (x)	3.2	2.5	3.6	3.7
Inventory Turnover (Days)	5.0	8.0	8.0	8.0
Debtor (Days)	16.5	18.0	18.0	18.0
Current Liabilities (Days)	34.8	44.0	35.0	35.0
<b>Return Ratios (%)</b>				
RoE	24.6	24.4	22.3	22.8
RoCE	22.3	25.3	23.4	24.1
RoIC	32.3	36.5	36.7	40.3
<b>Valuation Ratios (x)</b>				
PE	12.4	11.3	11.7	10.5
Price to Book Value	3.1	2.8	2.6	2.4
EV/EBITDA	8.1	6.8	6.7	5.9
EV/Sales	0.9	1.2	0.8	0.7
<b>Leverage &amp; Solvency Ratios</b>				
Debt to equity (x)	0.3	0.3	0.3	0.2
Interest Coverage (x)	8.0	11.7	11.3	12.3
Debt to EBITDA (x)	0.9	0.7	0.7	0.7
Current Ratio	2.1	2.7	2.6	2.8
Quick ratio	2.0	2.6	2.4	2.6

Source: Company, ICICI Direct Research

**Exhibit 12: ICICI Direct coverage universe (Oil & gas)**

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
BPCL (BHAPET)	465	520	Hold	97,320	91.0	31.9	38.9	5.1	14.6	12.0	7.4	9.9	8.3	14.3	10.1	11.8	33.8	14.2	15.9
GAIL (India) (GAIL)	139	180	Hold	61,721	11.0	16.4	17.7	12.6	8.5	7.9	10.3	6.4	6.3	8.7	14.4	13.6	10.6	14.4	14.1
Gujarat Gas (GUJGA)	722	735	Hold	49,702	18.5	24.9	26.3	39.0	29.0	27.5	24.1	18.7	17.4	33.0	36.5	32.8	29.0	29.6	25.4
HPCL (HINPET)	264	265	Hold	38,344	70.6	34.3	29.0	3.7	7.7	9.1	5.3	7.6	7.4	14.9	7.4	6.1	29.5	13.0	10.6
Indian Oil Corp (INDOIL)	104	120	Buy	95,483	23.8	15.8	15.6	4.4	6.6	6.7	2.5	2.9	2.9	13.3	10.0	9.5	19.8	12.2	11.5
Indraprastha Gas (INDGAS)	535	585	Hold	37,450	14.4	18.0	21.5	37.2	29.7	24.9	24.5	19.8	16.5	20.7	23.1	23.3	17.4	18.9	19.3
Mahanagar Gas (MAHGAS)	1167	1340	Buy	11,527	62.7	95.6	107.2	18.6	12.2	10.9	11.9	7.9	6.6	22.6	29.7	28.1	18.7	23.9	22.5
ONGC (ONGC)	114	110	Hold	1,46,300	9.0	19.1	20.7	12.6	6.0	5.5	5.2	3.3	3.0	4.4	11.6	11.4	5.6	10.9	10.9
Petronet LNG (PETLNG)	223	245	Hold	33,450	19.7	19.1	21.2	11.3	11.7	10.5	6.8	6.7	5.9	25.3	23.4	24.1	24.4	22.3	22.8

Source: Bloomberg, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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