



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022)

Management Meet @ Dalal&Broacha

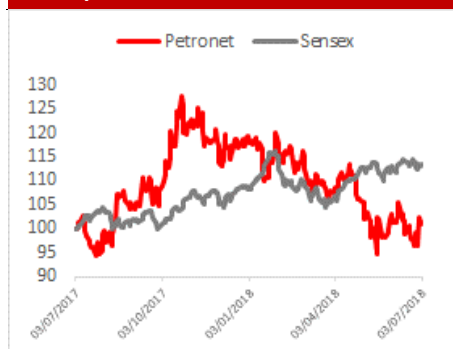
Not Rated

| | |
|---------------|-----------|
| Current Price | 216 |
| Target Price | Not Rated |
| Upside | NA |
| 52 Week Range | 198/276 |

Key Share Data

| | |
|-------------------------|-------------|
| Market Cap (Rs.bn) | 326.47 |
| Market Cap (US\$ mn) | 4766 |
| No of o/s shares (mn) | 1500 |
| Face Value | 10 |
| Monthly Avg. | |
| Vol(BSE+NSE) Nos ('000) | 3105 |
| BSE Code | 532522 |
| NSE Code | PETRONET |
| Bloomberg | PETRONET:IN |

Price performance



% Shareholding

| | Mar-18 | Dec-17 |
|--------------|------------|------------|
| Promoters | 50.00 | 50.00 |
| Public | 34.93 | 34.93 |
| Others | 15.07 | 15.07 |
| Total | 100 | 100 |

Consolidated Financials (In INR Mn)

| Rs. Mns | Net Sales | % growth | EBITDA | OPM (%) | PAT | % Growth | EPS | PE (x) | ROE(%) |
|---------|-----------|----------|--------|---------|-------|----------|-----|--------|--------|
| FY15 | 395009 | 5% | 15937 | 4% | 8825 | 24% | 11 | 19 | 17 |
| FY16 | 271334 | -31% | 17595 | 6% | 9132 | 3% | 12 | 18 | 15 |
| FY17 | 246160 | -9% | 29389 | 12% | 17057 | 87% | 22 | 9 | 23 |
| FY18 | 305986 | 24% | 36298 | 12% | 20779 | 22% | 14 | 15 | 21 |

We met management of Petronet LNG Ltd. Following are key takeaways:

Petronet LNG Limited (PLNG), has set up the country's first LNG receiving and regasification terminal at Dahej, Gujarat, and another terminal at Kochi, Kerala. While the Dahej terminal has a nominal capacity of 15 MMTPA, the Kochi terminal has a capacity of 5 MMTPA.

Dahej volume to increase from 15mmtpa to 17.5mmtpa: Petronet has current capacity of 15mmtpa which will be increased to 17.5mmtpa by H2FY19E. Of the incremental capacity 1.5mmtpa has been contracted while 1mmtpa will be sold in open market. Management expects better margin in open trade.

Kochi-Mangalore pipeline to improve utilization of Kochi refinery: Petronet has 5mmtpa capacity at Kochi which is utilized at 10-12%. As Kochi-Mangalore pipeline is likely to commence by December 18 utilisaiton of this refinery will be increased to 35%. Offtake from this refinery will be increased to 1.5mnt in FY20E and further to 1.9mnt in FY21E as against current offtake of 0.25mnt. The offtake is likely to be catered by MRPL, OMPL and BPCL.

Overseas projects to add value: Petronet has signed a MOU in Dec 2016 with Petrobanga to set up a 7.5mt LNG terminal for US\$950m. It has also been chosen by PowerCell in mid-2017 as one of the four preferred bidders for a 60% stake in a 4mt onshore terminal. Petronet (in a JV with Japanese and Sri Lankan firms) could spend US\$250m (Rs16bn) to set up a 2mtpa FSRU in Sri Lanka. Management indicated that depending on the viability of the project the company will go ahead with investment. If these initiatives do not materialize then dividend payout could increase.

Industry Dynamics: LNG import capacity is expected to rise from 30mmtpa in FY17-end to 46.5mmtpa by FY22-end. Domestic gas production is expected to grow at best at a CAGR of 10.5% during FY17-22, primarily due to production growth from ONGC. Considering both domestic and import LNG supply is likely to increase at a CAGR of 11% over FY17-22E. Overall LNG demand is likely to grow at a CAGR of 6-7% over the same period. Higher availability of gas with non-commensurate increase in pipeline network may lead to poor utilization of LNG import terminals in future.

Valuation: Petronet is likely to post volume growth of 9% over FY18-21E. Increased utilization at Kochi refinery is likely to improve margin from 11% to 13% by FY21E and Dahej facility to run at 100% utilization. With operating leverage kicking in for Kochi refinery EBITDA % likely to increase from 11% in FY18 to 13% by FY20E. Over FY18-20E PAT is likely to increase at a CAGR of 15%. The company earns high ROE and ROCE of 23% and 21% respectively. Petronet holds cash of Rs31bn (10% of MCAP) in its balancesheet and is likely to post FCF of Rs25bn in FY20E. Petronet likely to post EPS of 14 and Rs17 in FY19E and FY20E respectively. At current price the stock is trading at 14x FY19E and 12.4x FY20E estimates. EV/EBITDA is at 8.5x FY19E and 7.6x FY20E EBITDA which is undervalued.



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