



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022)

## Management Meet @ Dalal&Broacha

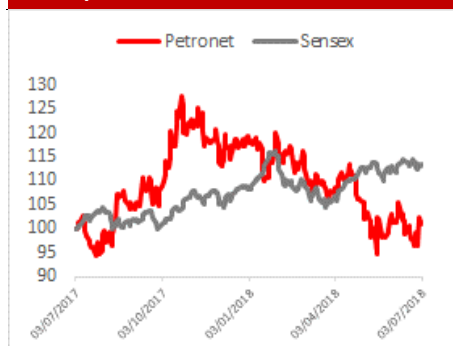
### Not Rated

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
<b>Total</b>	<b>100</b>	<b>100</b>

### 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.



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022)

## Management Meet @ Dalal&Broacha

### Disclaimer

**Dalal&Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B** (CIN\_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022)

**Management Meet @ Dalal&Broacha**

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	<a href="mailto:kunal.bhatia@dalal-broacha.com">kunal.bhatia@dalal-broacha.com</a>	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	<a href="mailto:charulata.gaidhani@dalal-broacha.com">charulata.gaidhani@dalal-broacha.com</a>	022 67141446	Pharma /Healthcare
Mr. AvinashKumar	<a href="mailto:avinash.kumar@dalal-broacha.com">avinash.kumar@dalal-broacha.com</a>	022 67141441	Capital Goods
Ms. Abhilasha Satale	<a href="mailto:Abhilasha.satale@dalal-broacha.com">Abhilasha.satale@dalal-broacha.com</a>	022 67141439	Mid Cap
Mr. Mayank Babla	<a href="mailto:Mayank.babla@dalal-broacha.com">Mayank.babla@dalal-broacha.com</a>	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	<a href="mailto:richa.singh@dalal-broacha.com">richa.singh@dalal-broacha.com</a>	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092  
E-mail: [research@dalalbroachaindia.com](mailto:research@dalalbroachaindia.com), [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)