

January 30, 2012

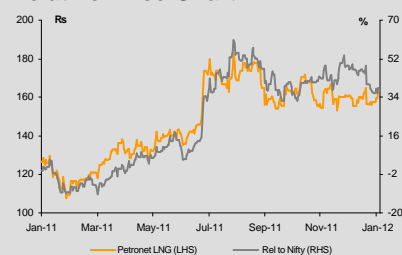
Reco	Previous Reco
Accumulate	Buy
CMP	Target Price
Rs.164	Rs.180
EPS change FY12E/13E (%)	10/15
Target Price change (%)	5.8
Nifty	5,205
Sensex	17,234

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	1	(5)	28
Rel. to Nifty	(7)	1	0	38

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Oil & Gas
Bloomberg	PLNG@IN
Equity Capital (Rs mn)	7500
Face Value (Rs)	10
No of shares o/s (mn)	750
52 Week H/L (Rs)	186/105
Market Cap (Rs bn/USD mn)	123/2,493
Daily Avg Vol (No of shares)	1738344
Daily Avg Turnover (US\$ mn)	5.7

Shareholding Pattern (%)

	Dec-11	Sep-11	Jun-11
Promoters	50.0	50.0	50.0
FII/NRI	25.0	25.2	22.9
Institutions	7.9	7.9	9.2
Private Corp	2.7	2.1	2.5
Public	14.4	14.8	15.5

Source: Capitaline

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- Results were above our and street estimates at bottom line, mainly due to higher volume growth of 7.3% to 144.9tbtu during the quarter
- EBIDTA margin declined marginally by 157bps YoY to 7.9% (-40.4bps QoQ), mainly on account of higher input cost and increase in other expenditure
- Company is planning to setup 3rd LNG terminal at Gangavaram port, Andhra Pradesh, with the total capacity of 5mntpa, While Kochi terminal will start from end of CY12
- The recent news on proposed cap on gas marketing margin which is to be decided by PNGRB would keep the stock under pressure until any clarity emerges. Maintain accumulate with TP of Rs.180

Highlights of the results

Petronet LNG reported results which were above our and street expectation. Revenue for the quarter was at Rs.63bn, growth of 18% QoQ, mainly due to higher offtake of both firm and spot volumes. EBITDA during the quarter was at Rs.5bn, growth of 12.2%, QoQ. EBIDTA margin declined marginally by 40bps QoQ to 7.9% (157.7bps YoY). During the quarter the company reported net profit of Rs2.9.bn, growth of 13.5% on QoQ basis.

Higher growth of both firm and spot volume drives the revenue and profitability in Q3FY12

Revenue has increased by 18% QoQ from Rs.53bn in Q2FY12 to Rs.63bn in Q3 FY12, due to higher growth of both firm (~98tbtu) and spot (~25.2tbtu) volume and higher regasification charges drives the revenue and profitability. During the quarter overall volumes (Firm + Spot + Regasification) have increased by 7.3% 144.93tbtu (+21% YoY), mainly on account of short fall of domestic gas source (KG D6 + PMT). We expect volume would further increase in the future as domestic natural gas supply continues to fall short to meet the growing demand.

Operating margin declined marginally by 40bps to 7.9%

EBIDTA margin declined marginally by 40bps QoQ to 7.9% (-157bps YoY), due to higher input cost and other expenditure during the quarter. Marketing margin for the quarter stood at ~\$0.8/mmbtu, growth 29% QoQ.

Expects capacity Utilization at 110% for FY12E and 114% for FY13E

First time in a history company has achieved 115% capacity utilization during the quarter. As per the management capacity utilization will improve further from current level. We expect 110% (11mntpa) capacity utilization for FY12E and 114% (11.4mntpa) for FY13E.

Financial Snapshot

(Rs.mn)

YE-	Net	EBITDA	EPS	EPS	RoE	EV/				
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY10A	106491	8465	7.9	4045	5.4	-22.0	19.2	30.2	16.4	5.5
FY11	131973	12163	9.2	6196	8.3	53.2	25.1	19.7	11.9	4.5
FY12E	228719	18461	8.1	10788	14.4	74.1	34.2	11.3	7.8	3.4
FY13E	299910	19634	6.5	10856	14.5	0.6	26.6	11.3	7.3	2.7

Financial Snapshot

Rs mn	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	YoY (%)	QoQ (%)	9M FY12	9M FY11	YoY (%)
Revenue	36276.4	39859.7	46233.9	53668.7	63302.5	74.5	18.0	163205.1	92113.2	77.2
Expenditure	32820.3	36346.6	41851.7	49185.2	58270.0	77.5	18.5	149306.9	83463.5	78.9
as % of sales	90.5%	91.2%	90.5%	91.6%	92.1%			91.5%	90.6%	
Consumption of RM	32389.1	35743.0	41330.6	48138.0	57005.8	76.0	18.4	146474.4	82269.1	78.0
as % of sales	89.3%	89.7%	89.4%	89.7%	90.1%			89.7%	89.3%	
Employee Cost	57.3	122.1	64.1	61.6	64.0	11.8	4.0	189.7	183.6	3.3
as % of sales	0.2%	0.3%	0.1%	0.1%	0.1%			0.1%	0.2%	
Other expenditure	373.9	481.6	457.0	985.7	1200.2	221.0	21.8	2642.9	1010.9	161.4
as % of sales	1.0%	1.2%	1.0%	1.8%	1.9%			1.6%	1.1%	
EBITDA	3456.1	3513.0	4382.2	4483.5	5032.5	45.6	12.2	13898.2	8649.6	60.7
Depreciation	464.8	454.5	457.0	463.0	462.8			1382.8	1392.3	
EBIT	2991.3	3058.5	3925.2	4020.5	4569.7	52.8	13.7	12515.4	7257.4	72.5
Other Income	54.1	313.6	262.5	201.1	163.9			627.5	366.0	
Interest	507.0	431.4	463.8	458.3	344.6			1266.8	1499.9	
PBT	2538.4	2940.8	3723.9	3763.3	4389.0	72.9	16.6	11876.2	6123.4	93.9
Total Tax	830.0	878.0	1155.0	1160.0	1435.0			3750.0	1990.0	
Adjusted PAT	1708.4	2062.8	2568.9	2603.3	2954.0	72.9	13.5	8126.2	4133.4	96.6
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0.0	0.0	
APAT after MI	1708.4	2062.8	2568.9	2603.3	2954.0	72.9	13.5	8126.2	4133.4	
Extra ordinary items	0	0	0	0	0			0.0	0.0	
Reported PAT	1708.4	2062.8	2568.9	2603.3	2954.0	72.9	13.5	8126.2	4133.4	
Reported EPS	2.28	2.75	3.42	3.47	3.94	73.0	13.5	10.8	5.5	96.5

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	9.5	8.8	9.5	8.4	7.9	-157.7	-40.4	8.5	9.4	-87.4
EBIT	8.2	7.7	8.5	7.5	7.2	-102.7	-27.3	7.7	7.9	-21.0
EBT	7.0	7.4	8.1	7.0	6.9	-6.4	-7.9	7.3	6.6	62.9
PAT	4.7	5.2	5.6	4.9	4.7	-4.3	-18.4	5.0	4.5	49.2
Effective Tax rate	32.7	29.9	31.0	30.8	32.7	-0.2	187.2	31.6	32.5	-92.2

Revised Estimates

We have tweaked/adjusted our estimates for FY12E & FY13E based on the recent volume growth and guidance given by the management.

Rs. Mn	FY12E			FY13E		
	Old	New	% Change	Old	New	% Change
Net Sales	187331	228719	22.1	207608	299910	44.5
EBIDTA	17500	18461	5.5	18592	19634	5.6
EBIDTA %	9.3	8.1	-127bps	9.0	6.5	-240.9
PAT	9749	10788	10.7	9480	10856	14.5
EPS	13	14.4	10.6	12.6	14.5	14.9
Volume mtpa	10.6	10.96	3.3	10.8	11.4	5.5

Outlook and Valuations

Dec11 Qtr results were above our and market expectations mainly supported by higher volume growth on sequential basis. Our revised EPS estimate of Rs14.4 and Rs14.5 for FY12E and FY13E respectively, imply earning CAGR of 32.4% over FY11-13E. However the recent news on proposed cap on gas marketing margin which is to be decided by PNGRB would keep the stock under pressure until any clarity emerges. Currently, stock trades at 11.3x FY13E EPS and 2.7x P/BV. Based on the recent run up in the stock price we changed our rating from Buy to Accumulate looking at the limited upside from current level. Also revised our TP upward to Rs.180. (Rs.170 earlier)

Petronet LNG Concall:- Key takeaway**Dahej Terminal**

- Capacity Utilization at 115% for Dec11Qtr and expected to deliver same volume in next quarter.
- Interest cost lower on the back of Rs.5bn repayment during the quarter. No further clarity on repayment schedule.
- Based on the set formula for regasification charges, company has increased 5% regasification charges to Rs.35/mmbtu from current month.

Kochi Terminal

- Till date 95% terminal completed with the total spending of Rs.29bn
- Company expects commencement of Kochi terminal from Q3FY13.
- LNG volumes from Gorgon project for Kochi terminal will start from 2014. Till then company expects to be dependant on spot volumes. Volume will be moderate for 1.5-2 years before volume ramp up takes place.
- Kochi regasification charges are at Rs.80/mmbtu
- GAIL pipeline is already under construction and will be synchronized with commencement of terminal.
- Pipeline for Bangalore/Mangalore would be set up by July 2013.

Proposed LNG terminal at Gangavaram – Andhra Pradesh

- Looking at the growing domestic demand for natural gas, company is planning to setup 3rd LNG terminal at Gangavaram port, Andhra Pradesh, with the total capacity of 5mntpa.
- Post the approval of the project by the board, company has started work on detailed feasibility report.
- As of now it has identifies HPCL refinery at Vizag and Vizag Steel plant as major anchor customers for offtake of LNG.
- The DFR is likely to be submitted by April 2012.
- After the approval of DFR, company will take about 48 months to complete the terminal.

Marketing margin issue

- Company was of the view that since imported gas prices are not regulated there should not be cap on marketing margin for LNG.

Key Financials

Income statement

Y/E Mar (Rsmn)	FY10	FY11	FY12E	FY13E
Net Sales	106491	131973	228719	299910
<i>Growth (%)</i>	26.3	23.9	73.3	31.1
Expenditure	98026	119810	210258	280276
Materials Consumed	96648	118012	206324	275645
Employee Cost	204	306	308	432
Other Exp	1174	1493	3626	4199
EBITDA	8465	12163	18461	19634
<i>Growth (%)</i>	-6.1	43.7	51.8	6.4
EBITDA margin (%)	7.9	9.2	8.1	6.5
Depreciation	1609	1847	1853	2542
EBIT	6856	10316	16608	17093
EBIT margin (%)	7.4	8.4	7.7	6.0
Other Income	978	680	859	754
Interest expenses	1839	1931	1617	1643
PBT	5995	9064	15850	16203
Tax	1950	2868	5061	5347
<i>Effective tax rate (%)</i>	32.5	31.6	31.9	33.0
Adjusted PAT	4045	6196	10788	10856
<i>Growth (%)</i>	-22.0	53.2	74.1	0.6
Net Margin (%)	3.8	4.7	4.8	3.6
(Profit)/loss from JVs/Ass/MI	0.0	0.0	0.0	0.0
Adjusted PAT AfterJV/ MI	4045	6196	10788	10856
E/O items	0.0	0.0	0.0	0.0
Reported PAT	4045	6196	10788	10856
PAT after MI	4045	6196	10788	10856
<i>Growth (%)</i>	-22.0	53.2	74.1	0.6

Cash Flow

Y/E Mar (Rsmn)	FY10A	FY11E	FY12E	FY13E
PBT (Ex-Other income)	5995	9064	15850	16203
Depreciation	1609	1847	1853	2542
Interest Provided	1740	1931	1617	1643
Other Non-Cash items	0	0	0	1
Chg in working cap	3026	-1088	1108	-2447
Tax paid	1640	2868	5061	5347
Operating Cashflow	10279	8886	15367	12595
Capital expenditure	-10472	-11500	-12500	-8000
Free Cash Flow	-193	-2614	2867	4595
Other income	0	0	0	0
Investments	-855	0	0	0
Investing Cashflow				
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	4000	5541	4515	-4342
Interest Paid	-1739	-1931	-1617	-1643
Dividend paid (incl tax)	-1536	-1580	-1580	-1580
Income from investments				
Others	-1819	0	0	0
Financing Cashflow	-1094	2030	1318	-7565
Net chg in cash	-3173	-584	4185	-2971
Opening cash position	6578	3405	2821	7006
Closing cash position	3405	2821	7006	4035

Balance Sheet

Y/E Mar (Rsmn)	FY10	FY11	FY12E	FY13E
Equity share capital	7500	7500	7500	7500
Reserves & surplus	14850	19466	28675	37952
Net worth	22350	26966	36175	45452
Minority Interest	0	0	0	0
Secured Loans	22997	28537	33052	28710
Unsecured Loans	2000	2000	2000	2000
Loan Funds	24997	30538	35053	30710
Net deferred tax liability	3261	3261	3261	3261
Total Liabilities	50608	60765	74489	79423
Gross Block	35495	35595	35695	67695
Less: Depreciation	6667	8513	10367	12908
Net block	28829	27082	25329	54787
Capital work in progress	13183	24583	36983	12983
Investment	5386	5386	5386	5386
Current Assets	12216	16392	28449	32549
Inventories	2223	2844	2852	4136
Sundry debtors	5035	8798	15248	19994
Cash & bank balance	3405	2821	7006	4035
Loans & advances	1523	1885	3267	4284
Other current assets	31	44	76	100
Current lia & Prov	9006	12678	21658	26282
Current liabilities	7449	10243	17420	20643
Provisions	1557	2435	4237	5638
Net current assets	3211	3715	6792	6268
Misc. exp	0	0	0	0
Total Assets	50608	60765	74489	79423

Key Ratios

Y/E Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
EBITDA Margin	7.9	9.2	8.1	6.5
Net Margin	3.8	4.7	4.8	3.6
ROCE	16.3	19.7	25.8	23.2
ROE	19.2	25.1	34.2	26.6
RoIC	29.9	36.4	62.6	41.6
Per Share Data (Rs)				
EPS	5.4	8.3	14.4	14.5
CEPS	7.5	10.7	16.9	17.9
BVPS	29.8	36.0	48.2	60.6
DPS	1.8	1.8	1.8	1.8
Valuations (x)				
PER	30.2	19.7	11.3	11.3
P/CEPS	21.6	15.2	9.7	9.1
P/BV	5.5	4.5	3.4	2.7
EV / Sales	1.3	1.1	0.6	0.5
EV / EBITDA	16.4	11.9	7.8	7.3
Dividend Yield (%)	1.1	1.1	1.1	1.1
Gearing Ratio (x)				
Net Debt/ Equity	1.1	1.1	1.0	0.7
Net Debt/EBIDTA	0.7	0.8	0.6	0.5
Working Cap Cycle (days)	-0.7	3.9	1.1	4.2

Recommendation History: Petronet LNG Ltd. – PLNG IN

Date	Reports	Reco	CMP	Target
18/10/2011	Petronet LNG Q2FY12 Result Update	Buy	161	170
21/07/2011	Petronet LNG Q1FY12 Result Update	Buy	153	170
27/04/2011	Petronet LNG Q4FY11 Result Update	Buy	137	164
19/01/2011	Petronet LNG Q3FY11 Result Update	Buy	132	156

Recent Research Reports

Date	Reports	Reco	CMP	Target
30/11/2011	Oil and Gas Sector Update			
24/01/2012	Indraprastha Gas Q3FY12 Result Update	Accumulate	336	401
24/01/2012	GAIL Q3FY12 Result Update	Accumulate	368	449
23/01/2012	Reliance Industries Q3FY12 Result Update	Accumulate	792	913

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