

CMP: INR 220

Rating: BUY

Target Price: 307

Stock Info

BSE	532522
NSE	PETRONET
Bloomberg	PLNG:IN
Sector	Oil Gas & Consumable Fuels
Face Value (INR)	10
Equity Capital (INR Mn)	15000
Mkt Cap (INR Mn)	329780
52w H/L (INR)	242/196
Avg Yearly Volume (in 000')	1935

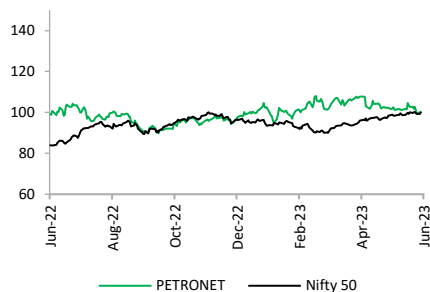
Shareholding Pattern %

(As on Jun, 2023)

Promoters	50
Public & Others	50

Stock Performance (%)	3m	6m	12m
PETRONET	5.0%	2.8%	-2.0%
NIFTY	-8.5%	-12.0%	-15.8%

PETRONET vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

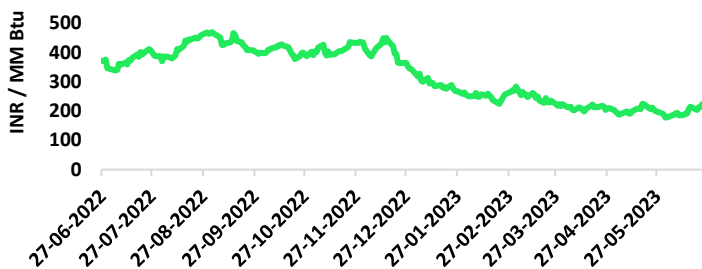
Jill Gosrani

Investment Rationale

1. Fall In LNG Prices Signaling Improved Margins

Petronet engages in the importation of LNG from Qatar, followed by repackaging and distribution within India. The pricing of LNG is determined on the past one-year average, ensuring that sudden and steep fluctuations do not have a knee-jerk impact. However, the recent decline in LNG futures over the past six months is expected to have a notable positive impact on the company's margins. Also, Petronet has experienced a sequential growth in volumes in Q4FY23.

LNG Prices for Past 1 Year



2. Aggressive Expansion Plan

Reiterating FY24 capex, estimated to be INR 17Bn (vs. INR 9.5Bn in FY23). Dahej plant has placed an order for 2 LNG tankers scheduled for completion by Dec'24 and initiated the contract process for constructing a 3rd jetty. Dahej will expand in 2 phases, first from 17.5 to 20 mmtpa by Dec'24 and second from 20 to 22.5 mmtpa by Mar'25. Kochi facility is planning to construct one more tank for ~INR 6 Bn, in the near term the Kochi terminal utilization can rise to 25-30% (from current 20%). The company plans to set up 4mmtpa Gopalpur FSRU for a total capex of INR 23 Bn. They are also in the process of selecting the licensor for the Petchem plant with a capex of INR 140 Bn (70:30 Debt to equity ratio).

3. Improving Operational Efficiency at Terminals

Utilization at the Dahej facility jumped to 97% in Apr'23 from 77% in FY23, and volumes at Dahej were 172tbtu (up 11.6% QoQ but still down 3.5% YoY) hence it can be seen that growth is underway showing that the sales have started to pick up. Gorgon volume currently at 1.425 mmtpa, will increase by 1.2mmtpa from 2028 to reach 2.625mmtpa. Kochi terminal utilization is expected to improve, reaching 25% after Nov 24 from its current 20%.

4. Financials

FY23 revenues came at INR 599 Bn (+38.8% Vs FY22) while EBITDA margins came in at 8.1% in FY23 (Vs 12.16% in FY22). In Q4FY23, there was a trading gain of INR 730 million and an inventory gain of INR 220 million. This is in comparison to a trading and inventory gain of INR 9.5 billion in Q3FY23, INR 1.5 billion in Q2FY23, and INR 1.45 billion in Q1FY23.

OUTLOOK

The company is smoothly and quickly expanding its capex to cater to the needs in the upcoming time, and with QoQ increasing the demand is starting to rise. Also, the Dahej terminal will witness some boost during the monsoon as the Dhabhol LNG terminal will not be available for 6 months. **We are positive on the company. At CMP, company trades 7.2x FY26EEPS of INR 30.7.**

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880