

**CMP : Rs.163**

**Reco : ACCUMULATE**

#### STOCK INFO

BSE	532898
NSE	PETRONET
Bloomberg	PLNG.IN
Reuters	PLNG.BO
Sector	Oil&GAS
Face Value (Rs)	10
Equity Capital (Rs Mn)	7500
Mkt Cap (Rs Mn)	121,500
52w H/L (Rs)	185.85/105
Avg Daily Vol (BSE+NSE)	2,517,228

#### SHAREHOLDING PATTERN

%

(as on 30th Sep. 2011)

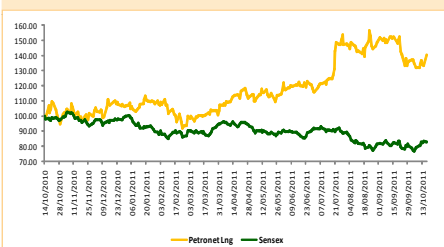
Institutions	22.66
Others, Incl Public	27.34
Promoters	50

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
Petronet LNG	-7	14	40
Sensex	2	-9	-17

Source: IndiaNivesh Research

#### PETRONET LNG v/s BSE SENSEX



Source: IndiaNivesh Research, Capitaline

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## Continued robust performance in Q2FY12, Higher volume led growth

Petronet LNG reported better than expected numbers with a massive 74% increase in top line y-o-y to Rs 53.09, beating street expectations of Rs.50.52 bn. Net profit rose significantly 98.6% y-o-y and 1.4% q-o-q to Rs 2.6 bn in Q2FY12 (Street expectation was 2.36 bn). During the quarter the company has operated at a capacity utilization of 106%. Sales quantity during the quarter rose smartly by 35% to 135.08 TBTUs on a y-o-y basis. Sequentially rise in volumes was 1.25%. Increase in volumes was mainly due to short fall of domestic gas source (KG D6 gas).

## EBITDA margin contracted due to lower marketing margin

EBITDA margins of the company fell 53 bps to 8.4 % y-o-y due to lower marketing margin on short term /spot cargos due to sharp rise in LNG prices in Asia. Cost of raw material consumed as a percentage to net sales rose 54 bps to 90.66% from 90.12% in corresponding previous quarter. Staff cost as a percentage to net sales fell to 0.11% and other expenses increased significantly 100 bps to 1.85% y-o-y basis.

## Lower interest expenses and depreciation helped to maintain NPM

In Q2FY12 net profit margin of company was 4.9% vs. 4.3% in Q1FY12. Other income rose 8.28% y-o-y while down 23.40% q-o-q to Rs 201 mn. Depreciation fell marginally by 0.7% y-o-y to Rs 463 mn while interest expenses fell significantly 7.4% y-o-y. The resultant PBT almost doubled to Rs 3.76 bn. The effective rate of tax fell to 160 bps to 30.80% from 32.40% resulting 98% rise in PAT to Rs 2.63 bn.

## Valuation

Petronet LNG Ltd is the biggest beneficiary of the increasing gas scarcity in India and has taken benefit from decline in K-G D6 gas output over the last 3 to 4 quarters. The company's utilization rate improved from below 80% in H1FY11 to 106% by Q2FY12. Petronet's re-gasification charge is higher on spot and short-term volumes than on long-term volumes. Thus, any decline in spot volumes would hit its volumes as well as re-gasification charge. We see risk in coming quarter's volumes and earnings from rising spot LNG prices. However, with growing volumes, increased revenue visibility (through capacity expansions at Dahej and new capacities coming up at Kochi) makes Petronet as an attractive long term investment opportunity. At CMP Rs. 163 stock is trading 8.6X and 7.5X of its FY12E and FY13E EV/EBITDA which looks expensive. We advise investors to accumulate the stock at lower level near Rs. 140 -150.

Quick Fundamentals (Rs. Mn)					
	Q2FY12	Q1FY12	Q2FY11	Q-o-Q %	Y-o-Y %
<b>Sales</b>	<b>53,094</b>	<b>45,608</b>	<b>30,567</b>	<b>16.4</b>	<b>73.7</b>
Regasification Services	575	624	10	-8.0	5,746.4
<b>Total Revenue</b>	<b>53,669</b>	<b>46,232</b>	<b>30,577</b>	<b>16.1</b>	<b>75.5</b>
Cost of Revenues	49,185	41,851	27,861	17.5	76.5
Consumption of raw material	48,138	41,330	27,547	16.5	74.7
Employees Cost	62	64	53	-4.0	16.3
Other Expenditure	986	457	261	115.6	278.0
<b>EBIDTA</b>	<b>4,484</b>	<b>4,381</b>	<b>2,716</b>	<b>2.3</b>	<b>65.1</b>
Depreciation	463	458	466	1.1	-0.7
EBIT	4,021	3,923	2,250	2.5	78.7
Interest Expense	458	464	495	-1.2	-7.4
Other income	201	263	186	-23.4	8.2
PBT	3,763	3,722	1,941	1.1	93.9
Exceptional Item					
Provision for taxation	1,160	1,155	630	0.4	84.1
<b>PAT</b>	<b>2,603</b>	<b>2,567</b>	<b>1,311</b>	<b>1.4</b>	<b>98.6</b>
EPS (RS.)	3.5	3.4	1.7	1.4	98.6
	Margin %	Margin %	Margin %	Basis Points (BPS)	
<b>EBITDA %</b>	<b>8.4</b>	<b>9.5</b>	<b>8.9</b>	<b>-112</b>	<b>-53</b>
<b>EBIT %</b>	<b>7.5</b>	<b>8.5</b>	<b>7.4</b>	<b>-99</b>	<b>13</b>
<b>PBT %</b>	<b>7.0</b>	<b>8.1</b>	<b>6.3</b>	<b>-104</b>	<b>66</b>
<b>PAT %</b>	<b>4.9</b>	<b>5.6</b>	<b>4.3</b>	<b>-70</b>	<b>56</b>

Source: Company Filings; IndiaNivesh Research; BL- Bloomberg



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