

## Petronet LNG Ltd (Q4 FY08)

April 17, 2008

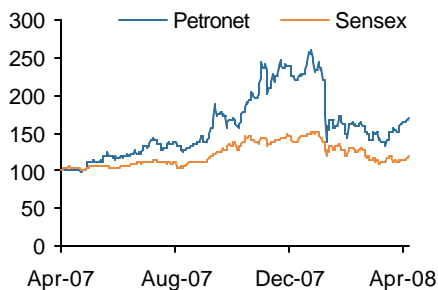
### Stock data

Sensex:	16,466
CMP (Rs):	78
Target price (Rs):	80
Upside (%):	2.4
52 Week h/l (Rs):	122/45
Market cap (Rs cr)	5,861
6m Avg vol BSE&NSE ('000 nos):	7,932
No of o/s shares (mn):	750
FV (Rs):	10
Bloomberg code:	PLNG IN
Reuters code:	PLNG.BO
BSE code:	532522
NSE code:	PETRONET

### Shareholding pattern

<b>December 2007</b>	<b>(%)</b>
Promoters	50.0
FII & institutions	13.6
Non promoter corp hold	4.1
Others	32.3

### Share price trend



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- Net sales up 13.9% on higher volumes and realizations
- OPM down 50bps qoq and 240bps yoy
- Recommend Market Performer with a target of Rs80

### Result table

	Q4 FY08	Q4 FY07	Growth yoy (%)
Net sales	17,527	15,388	13.9
Total Expenditure	(15,378)	(13,397)	14.8
Operating Profit	2,148	1,991	7.9
Other Income	179	148	20.5
Interest	(250)	(259)	(3.4)
Depreciation	(254)	(252)	0.7
PBT	1,824	1,629	11.9
Tax	(623)	(569)	9.6
PAT	1,200	1,060	13.2
Equity	7,500	7,500	-
OPM(%)	12.3	12.9	-
NPM(%)	6.8	6.9	-
EPS Annualized Rs	6.4	5.7	-
CMP (Rs)	80.0	51.0	-
P/E (x)	12.5	9.0	-

Source: Company

### Net sales up on higher volumes

During Q4 FY08, Petronet LNG Ltd (PLL) reported a growth of 13.9% yoy in net sales to Rs17.5bn driven by 8.8% yoy rise in sales volumes to 79.9TBTUs and 4.7% higher realizations. Net sales were higher 10.8% qoq primarily driven by 11.4% higher realizations as volumes declined marginally by 0.5% qoq. Higher gas prices across the globe have resulted in higher realizations.

### Operational parameters

	Q1 FY07	Q2 FY07	Q3 FY07	Q4 FY07	Q1 FY08	Q2 FY08	Q3 FY08	Q4 FY08
Sales Qty (TBTUs)	63.2	71.0	79.5	73.4	78.6	83.2	80.3	79.9
Regasified Qty (TBTUs)	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	66.4	71.0	79.5	73.4	78.6	83.2	80.3	79.9
Realization (Rs)	153.6	193.6	198.3	209.7	197.3	200.8	197.0	219.5
Realization (\$)	3.5	4.4	4.4	4.7	4.9	5.0	4.9	5.5
Cost (Rs)	128.7	169.6	172.1	179.8	167.3	171.8	164.3	188.1
Cost (\$)	2.9	3.8	3.8	4.1	4.2	4.3	4.1	4.7

Source: Company, India Infoline Research

### Higher staff costs and overheads dent margins

OPM was down 60bps on a yoy basis and 240bps on a qoq basis to 12.3%. The margins were down yoy primarily on account of higher staff costs and overheads. On a qoq basis, the margins were down as cost of purchases shot up by 14.4% as compared to 11.4% rise in realizations.

### Cost analysis

As % of Sales	Q1 FY07	Q2 FY07	Q3 FY07	Q4 FY07	Q1 FY08	Q2 FY08	Q3 FY08	Q4 FY08
Raw Material	83.8	87.6	86.8	85.8	84.8	85.6	83.4	85.7
Staff Cost	0.4	0.2	0.2	0.2	0.4	0.3	0.2	0.4
Other Expenditure	3.0	1.6	2.1	1.1	1.6	1.3	1.7	1.6
Total Expenditure	87.2	89.5	89.0	87.1	86.8	87.2	85.3	87.7

Source: Company, India Infoline Research

### Lower operating profit and higher tax rate cause decline in PAT qoq

PLL reported a PAT of Rs1.2bn for Q4 FY08 which was down 8.4% qoq and up 13.2% yoy. The qoq decline was on account of 7.4% drop in operating profit and 219bps increase in effective tax rate. 20.5% yoy increase in other income and 7.9% yoy increase in operating profit were the prime reasons for 13.2% yoy increase in PAT. The company has recommended a dividend of 15% (Rs1.5 per share).

### Outlook remains bleak

Although PLL is increasing its capacity at Dahej to 10mmtpa and Kochi terminal commences operations by FY11, the global outlook remains bleak for LNG players. The regasification capacity across the globe is likely to be three times that of liquefaction capacity over the next ten years. This would lead to a sharp rise in LNG prices removing the cost benefits for the end users. The company is planning to set up a power plant on LNG supplies but tying a long term contract on affordable prices for gas supplies is very difficult in the current global scenario. We recommend a Market Performer rating with a target price of Rs80, with an upside of 2.4%.

### Financials

y/e Mar, Rs m	FY06	FY07	FY08E	FY09E	FY10E
Revenues	38,372	55,090	65,553	85,372	106,715
yoy growth (%)		43.6	19.0	30.2	25.0
Operating profit	4,882	6,481	8,661	7,477	9,346
OPM (%)	12.7	11.8	13.2	8.8	8.8
PAT	1,949	3,133	4,474	3,575	5,013
yoy growth (%)		60.7	42.8	(20.1)	40.2
EPS (Rs)	2.6	4.2	6.0	4.8	6.7
P/E (x)	29.5	18.4	12.9	16.1	11.5
P/BV (x)	5.4	4.5	3.3	2.8	2.2
EV/EBITDA (x)	13.9	10.5	8.1	9.1	6.6
ROE (%)	18.2	24.6	26.0	17.2	19.4
ROCE (%)	19.0	25.0	29.3	18.9	23.7

Source: Company, India Infoline Research

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