

PETRONET LNG (Buy, Target Rs.185)

- PLNG has undertaken a brownfield expansion at Dahej and plans to increase its capacity to 18mntpa by FY14 and 20mntpa by FY16 by commissioning the second LNG berth. It is setting up a greenfield 5mntpa terminal at Kochi, commissioning of which is expected in Q3FY13 and has finalized the location of its proposed third 5mntpa LNG terminal at Gangavaram in Andhra Pradesh.
- The Kochi terminal will give access to PLNG in the virgin markets in South. Demand for Kochi LNG is expected from the BPCL refinery at Kochi and MRPL, both of which are undergoing capacity expansion to 15mmt. The fertilizer plants in Kochi and Mangalore (FACT and MCF) would also benefit replacing costly fuel with LNG from PLNG's Kochi terminal. We expect Kochi terminal's tariff at Rs50/mmbtu to achieve 16% IRR.
- PLNG has entered into a long term contract with Rasgas for 7.5mntpa for its Dahej terminal while for its Kochi terminal, PLNG has entered into a long-term contract with ExxonMobil to source 1.44mntpa of LNG from its Gorgon fields (Australia) and with Gazprom (Russia) for 2.5mnntpa. PLNG has entered into long term contracts with its key customers for off-take of LNG (7.5mntpa), thus relieving itself of finding customers for its long term gas supplies. **BUY PLNG trading at 10x estimated one-year forward earnings with a price target of Rs185**

BSE / NSE Code	532522 / PETRONET
Current Market Price (Rs.)	168
BSE Sensex / CNX Nifty	18000 / 5431
Market Cap (Rs crore)	12630
52-Week Range (Rs)	183 / 122

Shareholding Pattern

Promoters (%)	50
FII Holding (%)	15
DII Holding (%)	6
Public & Others Holding (%)	29

TECHNICAL VIEW

- Petronet has shown a strong rally from its extreme lows of 120 levels in early 2012. Charts indicate that the momentum is still strong, and with the stock above 200 DMA it has found renewed momentum.
- Fibonacci retracements indicate that on weekly charts, stock has retraced the move from 100 to 180 at exactly 78.6% and has now moved up decisively. The momentum indicators are continuing to show strength. There is a good probability that the stock might consolidate at current levels, before giving a breakout in the direction of the trend.



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