Equity Research | India

GAURI ANAND
ganand@mfglobal.com

SAURABH RATHI
srathi@mfglobal.com

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MF Global Initiating Report

Petronet LNG

| A Promising growth story in an emerging gas market, BUY

OIL & GAS

PLNG IN: **BUY**

RS 77

- Gas market to be demand led from FY12E: We believe that the gas market is somewhat over supplied in FY11E given lower offtake, however, with rapid capacity expansions (gas infrastructure as also ramp up in capacity by gas consumers), the gas market would be demand led in FY12E & FY13E.
- PLL is expanding capacity in phases: The company's rated capacity is expected go up from 7.5mmt to 12.5 mmt in FY10-FY14E. It has firm LNG offtake agreements with its customers (for present and expanded capacities). Led by capacity expansions (Dahej and Kochi terminal) and increase in re-gasification tariffs, earnings are expected to compound 20% during FY10E-13E, despite a dry-up in the spot volumes. We believe that the assumption of a steep correction in re-gasification tariffs are overdone, however, we build in 10% correction in FY13E and beyond. Thus, a fall in re-gasification charge will partially offset the benefit of increase in volumes in FY13E. Led by assured offtake (~8.5mmt) and our assumption of a fall in spot volumes, we believe that there is limited downside to our earnings estimates.
- LNG's competitiveness to indigenous gas sources to improve: Given the grim outlook for the international gas price, led by higher supplies and evolving thrust in Shale gas by OECD, we expect competitiveness of imported LNG to improve. A move to market-led gas price for domestic gas produce also supports LNG's competitiveness over the long term.
- Key concerns: (1) LNG sourcing for upcoming projects, and (2) Viability of the Kochi project—given more than doubling of capex that would necessitate higher tariffs of Rs 80/mmbtu.
- The stock is available at an attractive valuation (considering the earnings growth), with a favourable risk-reward profile. We initiate coverage on the stock with a Buy rating and a price target of Rs 100 (upside 30%).

TARGET RS 100 (+30%)

SECTOR RATING

OW	N	UW

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA	
O/S SHARES :	750MN
MARKET CAP (RS) :	58BN
MARKET CAP (USD) :	1.3BN
52 - WK HI/LO (RS) :	87 / 55
AVG. DAILY VOL. (3MTH) :	2.4MN
FACE VALUE (RS) :	10

SHARE HOLDING PATTERN, %	
PROMOTERS :	50.0
FII / NRI :	20.9
FI / MF :	4.5
NON PROMOTER CORP. HOLDINGS :	3.0
PUBLIC & OTHERS :	21.6

PRICE PERFORMANCE, %

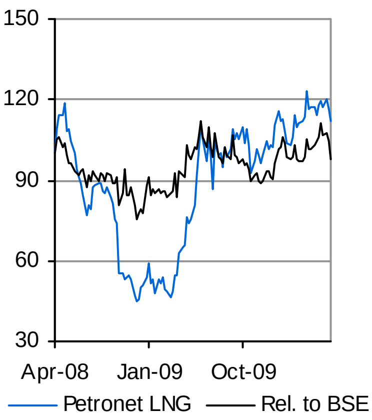
	1MTH	3MTH	1YR
ABS	-7.0	1.2	6.4
REL TO BSE	-15.0	-0.8	-17.5

VALUATION SUMMARY

Y/E MAR, RS MN	FY2009	FY2010	FY2011E	FY2012E	FY2013E
NET SALES	84,287	106,491	131,126	143,824	211,248
GROWTH, %	28.6	26.3	23.1	9.7	46.9
EBIDTA	9,013	8,465	10,758	11,975	16,053
EBIDTA MARGINS, %	10.7	7.9	8.2	8.3	7.6
CORE EBIDTA	9,013	8,465	10,758	11,975	16,053
NET PROFIT	5,184	4,045	4,937	5,339	6,931
NET PROFIT MARGIN, %	6.2	3.8	3.8	3.7	3.3
NET PROFIT (ADJUSTED)	5,184	4,045	4,937	5,339	6,931
EPS, RS	6.9	5.4	6.6	7.1	9.2
EPS GROWTH, %	9.2	(22.0)	22.0	8.1	29.8
PER, X	11.2	14.3	11.8	10.9	8.4
EV/EBIDTA, X	8.2	9.4	8.6	8.3	5.8
EV/NET SALES, X	0.9	0.7	0.7	0.7	0.4
PRICE/BOOK VALUE, X	2.9	2.6	2.3	2.0	1.7
ROIC, %	18.8	14.2	13.7	11.8	14.6
ROE, %	28.8	19.1	20.5	19.4	21.7

Source: Company, MF Global India Research Estimates

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

Report CMP as of 22 June 2010

INVESTMENT OVERVIEW

SUSTAINABLE COMPETITIVE ADVANTAGE	BEING INDIA'S LEADING COMPANY FOR LNG RE-GASSIFICATION AND WITH AGGRESSIVE CAPACITY EXPANSION PLANS, PLL PLANS TO CAPITALISE ON THE RISING DEMAND FOR NATURAL GAS IN THE COUNTRY.
FINANCIAL STRUCTURE	HIGH FINANCIAL LEVERAGE DUE TO AN ONGOING CAPACITY EXPANSION AND CAPITAL COST-INTENSIVE NATURE OF BUSINESS. D/E RATIO AT FY10 END AT 1.1X.
SHAREHOLDER VALUE CREATION	RETURN ON CAPITAL AND ASSETS TO IMPROVE WITH A RAMP-UP IN UTILISATION RATES. HIGH RETURN RATIOS IS NOT SUSTAINABLE DUE TO POSSIBLE REGULATORY INTERVENTION, BUT THE POSSIBILITY IS REMOTE IN THE INTERIM.
EARNINGS VISIBILITY	REASONABLY HIGH VISIBILITY (GIVEN FIRM OFFTAKE AGREEMENTS AND OUR ASSUMPTION OF A GRADUAL FALL IN SPOT LNG IMPORTS). EARNINGS GROWTH TO BE EXCELLENT DUE TO THE PHASED INCREASE IN CAPACITY AND EXPECTED 5% ANNUAL INCREASE IN ITS KEY EARNINGS VARIABLE, THAT IS, REGAS CHARGES TILL FY12E. WE ASSUME A 10% CORRECTION IN REGAS TARIFFS FROM FY13E.
VALUATION	WE ESTIMATE A DCF-BASED TARGET PRICE AT RS 100 PER SHARE. AT CMP, THE STOCK IS VALUED INEXPENSIVE AT 10.9X PER AND OF 8.3X EV/EBIDTA ON FY12E.
MF VS. CONSENSUS	OUR EPS ESTIMATES ARE LOWER BY 8.4% AND 15.7% FOR FY11E/ FY12E COMPARED TO CONSENSUS.
FUTURE EVENT TRIGGERS	OVER 1.7X INCREASE IN CAPACITY. TIE-UP FOR LNG SUPPLY.
EXPECTED PRICE MOMENTUM	WE EXPECT THE STOCK TO OUTPERFORM THE MARKET OVER THE MEDIUM TERM.

Source: MF Global India Research

Risks

» Higher-than-expected pressure on re-gas charges will reduce our DCF-based fair value.

» Inability to procure LNG at competitive rates will make it difficult to market re-gassified LNG. Any increase in domestic gas supply than already assumed could result in a low utilisation rate for PLL, however, both these possibilities remains remote, given the firm offtake agreement with clients.

Rating and price target

We hold a positive view on PLL, given its initiatives and the promising business opportunity that it presents. On our estimates, the stock is available at FY12E PER of 10.9x, PBR of 2.0x and EV/EBITDA of 8.3x. We initiate coverage with a BUY rating on the stock and with a DCF-based 12-month price target of Rs 100.

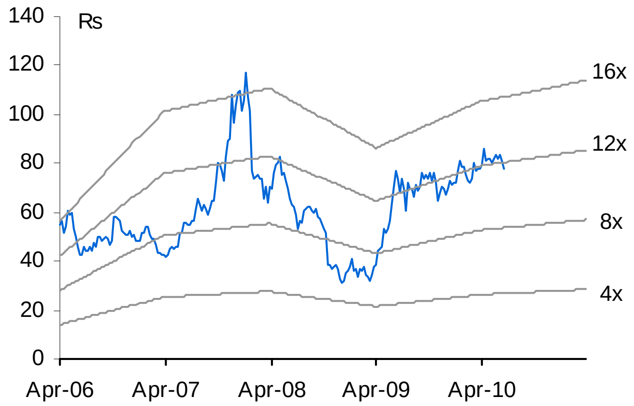
PRICE PERFORMANCE

RS, %	CMP CLOSE	1M	3M	6M	1YEAR	YTD
BSE SENSEX	17,750	7.9	1.9	6.3	23.9	1.6
NIFTY	5,317	7.8	2.1	6.6	25.5	2.2
PETRONET LNG	77	-7.0	1.2	10.7	6.4	8.0
GSPL	97	6.7	13.1	2.0	99.7	0.9
GUJARAT GAS	297	4.0	9.5	28.8	94.9	28.9
GAIL	471	4.0	15.4	16.2	67.1	13.9
IGL	255	15.7	14.0	32.0	95.6	28.5

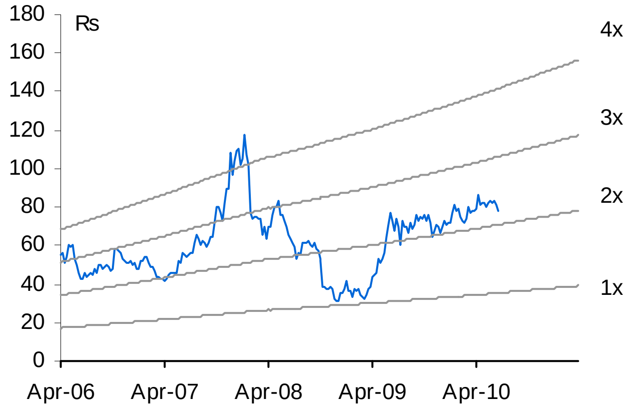
Source: Bloomberg

ABSOLUTE ROLLING VALUATION BAND CHARTS

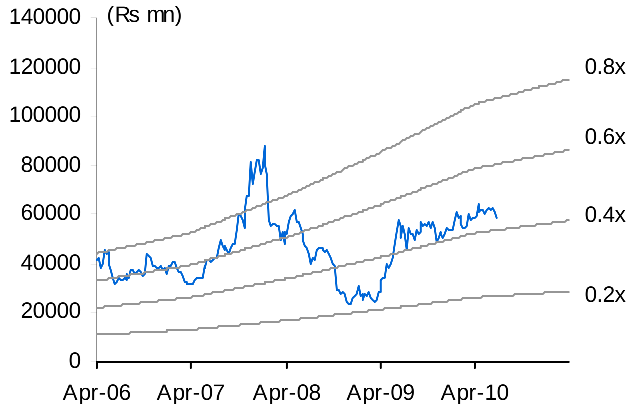
PE BAND



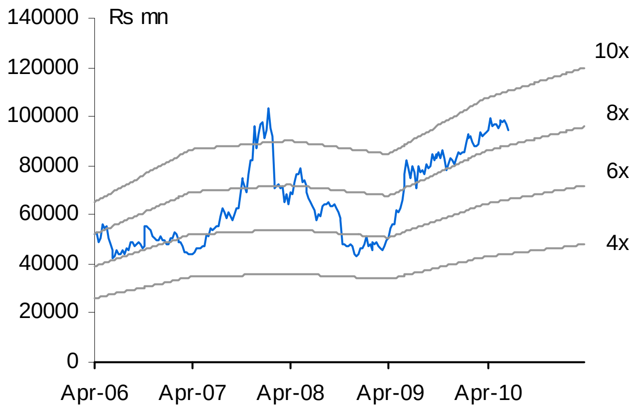
PBV BAND



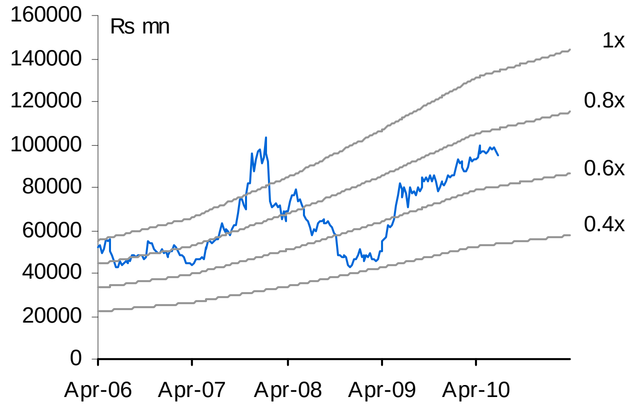
MCAP/SALES BAND



EV/EBIDTA BAND



EV/SALES BAND

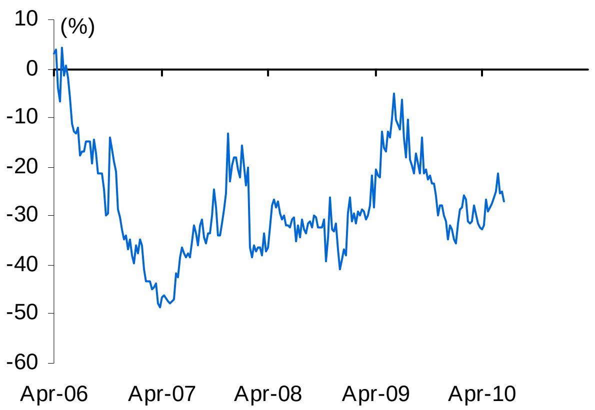


Source: MF Global India Research

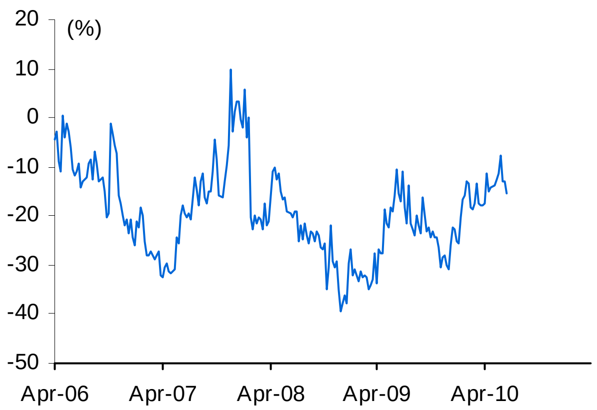
» Valuation multiples have risen from all-time low levels during April '09. However, the stock has underperformed due to concerns on competition (increase in domestic gas supply by 45% in FY10) and viability of future projects, given more than doubling of project costs. However, with significant capacity additions (pipeline & city gas networks), we expect better connectivity to lead to higher gas demand. In a gas deficit scenario (domestic) and given a subdued international gas price, we expect PLL to outperform from hereon.

PREMIUM/DISCOUNT TO SENSEX

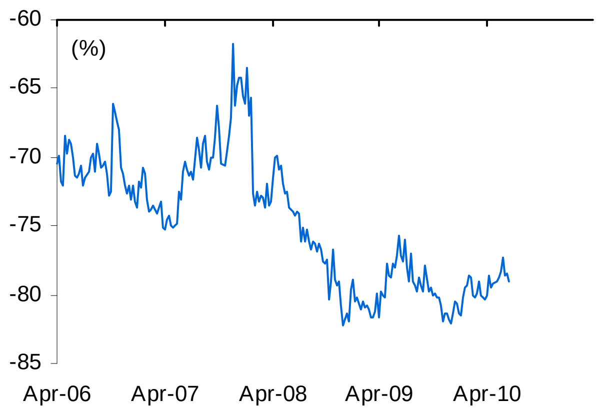
PE



PBV



MCAP/SALES



Source: MF Global India Research

KEY DOWNSIDE RISKS

- Oversupply of natural gas in India led by ramp-up in KG Basin/others.
  - Any sooner-than-expected ramp-up in RIL's gas production from KG fields (assumed 80mcm/d in FY12E), could lead to oversupply of inexpensive gas.
  - Any sooner-than-expected ramp up in gas production from the eastern coast of ONGC/GSPC could lower demand for spot LNG imports.

We have assumed re-gasified volumes to be flat in FY11E/12E,

Besides, RLNG offtake for ~8mmt is contracted by GAIL, IOC, BPCL.

- Lower-than-expected regas charges
  - Severe cut in regas tariffs may occur due to competition or regulatory pressures.

We have factored in a 25% correction in Kochi terminal tariffs compared to our assessment of tariffs of Rs 80/mmbtu, which thus lowers our long-term weighted average tariffs to Rs 33/mmbtu. For every 5% change in regas tariffs, the EPS could change by 9.1%

- Inability to source LNG at competitive prices
  - Liquefaction capacity of ~60 MMTPA under construction, 50% of which is in the Asia Pacific region.
  - LNG supply to be abundant as incremental import capacity under construction measures ~40 MMTPA.
  - Pricing to be key as LNG prices are pegged to crude oil prices that could stay firm.

Although LNG supply deals are under negotiations, we expect supply agreements to be in place ahead of commissioning of new plants. Recent indication from Australia and Qatar to supply additional LNG supports our argument.

- Delay in project completion and cost overruns will strain cashflows
  - Timely tie-up of LNG necessary for the viability of the project.

All the projects are currently moving according to schedule.

- Decline in crude oil prices
  - Fall in delivered prices of alternative fuels will reduce competitiveness of gas against liquid fuels.

Our long-term crude oil forecast is US$ 80/bbl, thus at this price, LNG would remain competitive.

FAIR VALUE CALCULATION

We use DCF methodology for calculation of a fair value price target for PLL's business. The DCF is run on existing LNG terminals and planned capacity additions for a period till FY27E. PLL operates a 7.5mmt (rated capacity) regassifying LNG terminal at Dahej. However, the present facilities could regasify ~10mmt of imported LNG. PLL has initiated work on setting up a green field 2.5mmt LNG terminal in Kochi to be operational by Jan-Mar '12 (with provision to double it over next three years) and phase III expansions at Dahej that would take Dahej's tolling capacity to 12.5mmt by FY14E. With capacity expansions in a phased manner, PLL could handle volumes of 15mmt in FY14E (doubling of capacity at Kochi not considered). We assume that PLL could regasify peak volumes of 13.5mmt in FY17E and thereafter, fall ~20% in subsequent years. Given more than doubling of capex for Kochi terminal (compared to Dahej), we expect the project to be viable at more than double re-gasification tariffs. We have assumed tariffs for the Kochi terminal at Rs 80/mmbtu in the first year that would fall by 25% afterwards. This, thus, leads to a tariff of Rs 33/mmbtu on a blended basis. On the said assumptions, we arrive at a price target of Rs 100 (upside of 30%) on FY12E. On our fair price, the stock could trade at 14.6xPER, 9.5xEV/Ebitda and 2.6xPBR.

TARGET PRICE COMPUTATION

	FY11E	FY12E
NPV OF FCF (RS MN) - FY11E-FY27E	81,014	94,187
TERMINAL VALUE (RS MN)	18,014	17,125
TERMINAL GROWTH RATE, %	2	2
ENTERPRISE VALUE (RS MN)	99,028	111,312
LESS: NET DEBT (RS MN) – FY11E	29,293	36,096
EQUITY VALUE (RS MN)	69,736	75,216
DCF VALUE PER SHARE (RS)	93	100
UPSIDE	20%	30%

Source: MF Global India Research Estimates

DCF ASSUMPTIONS

WEIGHTED AVERAGE COST OF CAPITAL (A+B)	11.63
AFTER TAX COST OF DEBT, %	10.00
TOTAL DEBT/CAPITAL EMPLOYED	0.5
WEIGHTED COST OF DEBT (A)	5.20
COST OF EQUITY	13.40
RISK-FREE RATE	8.00
MARKET PREMIUM	6.00
BETA	0.90
TOTAL EQUITY/ CAPITAL EMPLOYED	0.5
WEIGHTED COST OF EQUITY (B)	6.43

SOURCE: MF GLOBAL INDIA RESEARCH ESTIMATES

SENSITIVITY OF TARGET PRICE TO WACC AND TERMINAL GROWTH RATE ASSUMPTIONS

	TERMINAL GROWTH, %				
WACC	1%	2%	3%	4%	5%
10.00%	129	135	142	152	166
11.00%	111	115	120	127	136
11.63%	99	100	109	114	121
12.00%	97	100	103	108	113
13.00%	85	87	89	92	96

Source: MF Global India Research Estimates

Investment Rationale

Gas market over supplied marginally in FY11E

- Led by an increase in gas supply mainly from RIL-operated KG D6 fields, we expect the gas market to be over supplied in FY11E. However, beyond FY11E, demand will chase supply, leading to a gas deficit scenario. We have assumed KG D6 production to be at 68/80/90 mcm/d in FY11E/12E/13E against 40mcm/d in FY10. Any sooner-than-expected ramp-up of KG D6 production to 120 mcm/d, as reports suggest, is a major risk to our estimate. However, we believe that the excess gas could be allocated to the upcoming projects of RNRL/NTPC.
- Power and fertilisers that account for nearly 64% of total demand see a slower capex execution than announced, thus limiting gas offtake in FY11E. Urea switchover projects, (major demand driver ~9.21mcm/d) could be fully operational only by FY13E.
- Infrastructure bottlenecks, that is, delay in laying gas pipelines and limitations of transporting LNG via road, have pushed away demand for gas. Thus, we believe that higher offtake would follow a well-developed infrastructure and not before. However, Gail's (Gas Authority of India) phased investments in doubling the present gas pipeline infrastructure of 7200km by FY13E could connect to the new gas demand centres, thus leading to higher gas demand beyond FY11E.

GAS DEMAND—SUPPLY ESTIMATES AS PUT ACROSS BY VARIOUS AGENCIES VIS-À-VIS OUR ESTIMATES

FIGS IN MCM/D	FY09	FY10	FY11E	FY12E	FY13E
POWER	43.99	60.00	66.00	70.00	75.00
FERTILIZERS	24.88	43.00	46.00	52.58	66.35
CAPTIVE POWER	11.80	18.30	18.30	22.00	24.00
CITY GAS	5.30	5.00	10.30	14.00	17.00
OTHERS *(REFINERY, PETCHEM, SPONGE IRON)*	33.00	35.00	38.00	42.00	48.00
TOTAL DEMAND	118.97	161.30	178.60	200.58	230.35
DOMESTIC GAS *(APM, PMT, KG D6)*	87.04	126.81	148.69	162.63	172.58
LNG	31.13	34.17	36.55	36.14	49.03
TOTAL SUPPLY	118.17	160.98	185.24	198.77	221.60
DEMAND/(SUPPLY) GAP %			-3.6	0.9	3.9

Source: MF Global India Research

GAS DEMAND-SUPPLY (SOURCE INFRALINE ENERGY)

SECTOR (MMSCMD)	FY08	FY09	FY10	FY11E	FY12E
POWER	79.7	91.2	102.7	114.2	126.6
FERTILIZER	41.0	42.9	55.9	76.3	76.3
CITY GAS	12.1	12.9	13.8	14.8	15.8
PETROCHEMICAL / REFINERIES / INTERNAL CONSUMPTION	25.4	27.2	29.1	31.1	33.3
INDUSTRIAL	15.0	16.1	17.2	18.4	19.7
SPONGE IRON / STEEL	6.0	6.4	6.9	7.4	7.9
TOTAL DEMAND	179.2	196.6	225.5	262.1	279.4
TOTAL SUPPLY	80.5	120.0	190.0	197.1	202.3

Source: Infraline Energy

LONG-TERM GAS DEMAND SEEN FAR EXCEEDING SUPPLY

IN MCM/D	FY09	FY13E	FY20E	FY25E	FY30E
FERTILISER	33	67	67	67	67
POWER	67	147	181	208	232
INDUSTRY	49	120	135	146	157
CGD	10	22	44	52	60
TOTAL DEMAND	159	356	427	473	516
TOTAL SUPPLIES	95	200	210	220	230
DEFICIT	64	156	217	253	286

Source: Crisil

However, gas demand prospects look strong beyond FY12E

Gas supply glut unlikely beyond FY11E as no major discovery so far: Beyond FY12E, gas supply could increase (although not significant) from domestic sources, thus, a glut-like situation is not likely to occur as demand will chase supply in the long term.

Urea/City gas and power projects could chase incremental gas supplies—together, they require at least 71mcm/d of supplies over the next three years:

» Urea: With an increase in capacity addition locally, urea import dependence of ~6mmt could go down to 3mmt by FY14E. To replace imports, firm gas supplies of ~6.6mcm/d would be required.

» City gas: Presently, city gas penetration is in about 35 geographical areas in India and about 20 areas have been awarded in the latest two bidding rounds, where construction is underway. About 200+ geographical areas (Source: PNGRB) are poised for CGD connections in the next 5 years. Even if 50 cities are at a flow rate of 0.5mcm/d commission, the incremental gas demand could be ~25 mcm/d in the next 3 to 5 years.

» Power projects: In the immediate near term, clarity is expected on gas supplies to two mega projects conceived by RNRL and NTPC that would seek about 40mcm/d of gas allocation. Switchover of naphtha-based power plants to gas would augment further demand.

UREA CAPACITY ADDITIONS TO LAG CONSUMPTION GROWTH. REPLACEMENT OF IMPORTS SEEK GAS ALLOCATION OF ~6.6MCM/D

	UREA CAPACITY	FY10	FY11E	FY12E	FY13E	FY14E
TOTAL CAPACITY	19.46	21.09	21.34	24.03	25.19	26.34
TOTAL PRODUCTION		21.27	21.51	24.20	25.92	27.31
UTILISATION RATE (%)		100.8	100.8	100.7	102.9	103.7
UREA CONSUMPTION	27	26.93	27.74	28.57	29.42	30.31
CONSUMPTION GROWTH RATE (%)			3	3	3	3

Source: MF Global India Research

INCREMENTAL GAS DEMAND	MCM/D	MF GLOBAL COMMENTS
REPLACEMENT OF UREA IMPORTS	6.6	3 MMT OF UREA IMPORTS ASSUMED
RNRL, DADRI	28	NOT FIRMED UP, STILL LITIGATED
NTPC, KAWAS/GANDHAR	12	NOT FIRMED UP, STILL LITIGATED
CITY GAS	25	~50 CITIES AT A FLOW RATE OF 0.5MCM/D
TOTAL	71.6	ANOTHER PROLIFIC FIND AS OF KGD6 REQUIRED

Source: MF Global India Research

Developed infrastructure to enable further gas connectivity: Domestic finds have stimulated infrastructure investment in transmission network. New pipelines could connect new demand centres.

» In the recent budget presentation, the Finance Minister has proposed setting up of gas pipelines along the national highways that would result in increase in connectivity and access to natural gas.

» India's existing pipeline infrastructure is about 10,900 kms with a design capacity of 271mcm/d and present gas flow rate of 145 mcm/d.

» There has been uneven consumption of gas and infrastructure. Imbalances in the present gas pipeline infrastructure have led to no/low access to gas for some states like Goa, Punjab, J&K, HP, Uttarakhand, Chhattisgarh, Kerala, Karnataka, Bihar, WB, Jharkhand, Orissa and North Eastern states.

» **About 8500 kms of pipelines have been authorised by MOPNG (Gail: 5500 kms & RTGIL: 2800 kms).** Gujarat State Petronet has also submitted EOI for four pipelines, of which some have been approved and converted into bids.

EXISTING PIPELINE INFRASTRUCTURE—SUMMARY

PLAYER	TYPE OF NETWORK	DESIGN CAPACITY (MMSCMD)	LENGTH(KMS) INCLUDING SPURLINE	AVG PRESENT FLOW (MMSCMD)
GAIL	TRUNK LINE & REGIONAL	155	7000	110
GSPL	REGIONAL	28	2000	24
AGCL/OIL	REGIONAL	8	500	5
RGTIL	EWPL TRUNKLINE	80	1400	28
TOTAL		271	10,900	145

Source: GAIL

GAIL'S PIPELINES ADDITION WHERE WORK HAS BEEN PARTIALLY COMMENCED

PIPELINE PROJECT	CAPACITY (MCM/D)	LENGTH (KM)	STATUS/ COMPLETION BY YEAR
GAIL UPGRADATION OF DVPL PIPELINES	24 TO 60	610	2009(PHASE I)
			2011(PHASE II)
GAIL-UPGRADATION OF GREP PIPELINES	20 TO 62	505	2009(PHASE I)
			2011(PHASE II)
GAIL- DADRI-BAWANA-NANGAL PIPELINE	25	610	2009(UP TO BAWANA)
			2011(BAWANA TO NANGAL)
GAIL - CHAINSA-GURGAON- JHAJJAR- HISSAR PIPELINE	25	310	2009(UP TO CHAISANA)
			2011(UP TO HISSAR)
GAIL - JAGDISHPUR-HALDIA PIPELINE	12	876	2012-13
GAIL- DHABOL-BANGALORE PIPELINE	12	730	2011-12
GAIL- KOCHI-KANJIRKKOD-MANGALORE / BANGALORE	12	840	2012-13

Source: GAIL

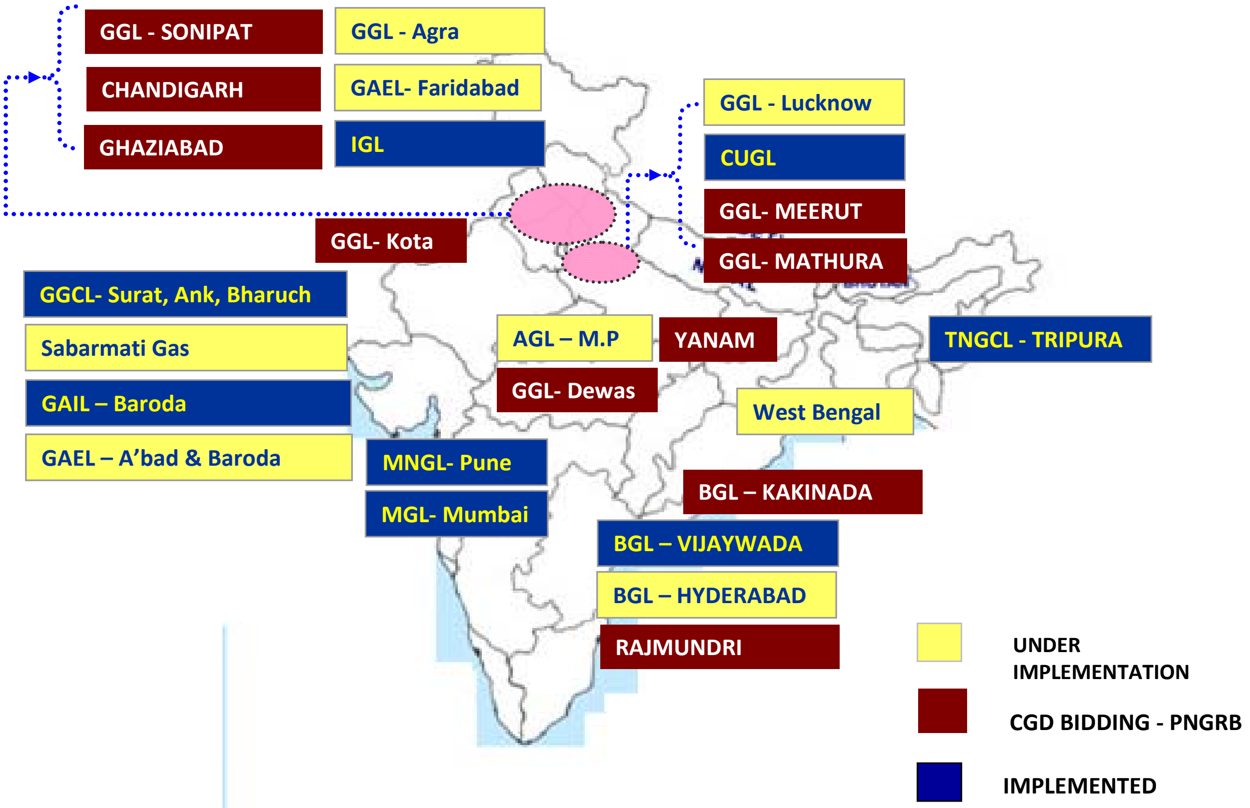
For the following pipelines EOI, route, capacity of pipeline has been finalised and now bids have been invited.

» GAIL: Central India Pipeline (Vijayawada to Vijaipur, about 1100 kms).
» GSPL: Kakinada-Bhilwara (on a similar route to GAIL's proposed pipeline).
» GSPL: Mehsana-Bhatinda (about 1000 kms), Bhatinda-J&K, Surat-Paradeep.
» Total pipeline length required to be laid may exceed 6000 kms (including the EOI pipelines), which could need capex of Rs 300bn.

City gas projects

» Presently, city gas penetration is in about 35 geographical areas in India and about 20 areas have been awarded in the latest two bidding rounds, where construction is underway.
» About 0.9mn households on PNG and about 0.85mn vehicles on CNG.
» About 7mcm/d of RIL KG D6 allocated, of which 5mcm/d on a firm basis and 2 mcm/d on fall-back basis.
» Bidding for cities has been done after considering availability of pipeline infrastructure. Cities which are near existing pipeline infrastructure have been the first to receive the attention of entities and PNGRB for development of CGD networks.
» About 200+ geographical areas poised for CGD connections and about Rs 800bn (US$ 18bn) expected in the next five years.

NUMEROUS DOWNSTREAM DISTRIBUTION PROJECTS BEING IMPLEMENTED IN THE COUNTRY



Source: Crisil

PLL's capacity to grow 1.7x to 12.5mmt by FY12E

» **Dahej Phase I Project (5mmt)**
- Nameplate re-gassification capacity of 5mmt at Rs 19.10bn.
- LNG supply contracted with RasGas for 25 years for 5mmt.

» **Dahej Phase II & Phase III Projects (2.5mmt in Phase II and another 2.5 by FY14E)**
- Increased capacity by another 2.5mmt in Dec '09; Option to ramp up by another 2.5mmt.
- Low incremental cost of Rs 15.90bn, further ramp up could be at ~Rs 9bn.
- The increased capacity is expected to be fully operational in FY11E.
- LNG supply contracted for yet another 2.5mmt with RasGas on almost similar terms.

» **Kochi Project (2.5mmt to be increased to 5mmt)**
- Green field re-gassification capacity of 2.5mmt at Kochi in Kerala. Capex of ~Rs 34.26bn (double the capital cost of Dahej Phase I).
- Commissioning expected by Q4FY12E.
- Agreements for intent of LNG supply in place for 1.5mmt of LNG with Gorgon Projects in Australia.
- Given that the Indian government and PLNG are in talks with Qatar and other countries to source more cargo, we expect confirmations about term and spot cargoes to be announced over the coming months. Recent press reports suggest that Qatar has agreed to supply another 4 mtpa of LNG to India in one of the recent meetings (0.3mmt in 2010, 0.5mmt in 2011, 2.5mmt in 2012 and 4mmt from 2013). Of 4mmt from 2013 onwards, about 2.5mmt would be received at Dabhol, while the remaining (1.5mmt) may be received at Dahej or Kochi.

» **Spot cargoes**
- Increased capacity via de-bottlenecking at Dahej has enabled processing of ~41 spot cargoes each year; however, we expect fewer delivery of spot cargoes beyond FY10 due to increase in (relatively cheaper) gas supply domestically and commissioning of new capacities. We thus assume 10 cargoes for Pragati power and 6 cargoes for GSPC in FY11E. However, as GSPC volumes may not continue beyond FY11E, we have assumed 12/10 cargoes in FY12E/13E, respectively.

PLANNED CAPACITY EXPANSIONS

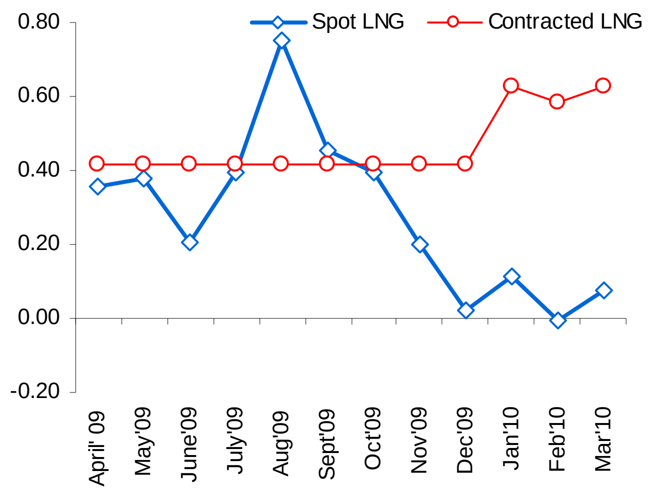
IN MMT	2010	2011E	2012E	2013E	2014E	CAPEX RS MN	MF GLOBAL COMMENTS
DAHEJ PHASE I	5					19,100	OPERATIONAL FOR OVER 5 YEARS
DAHEJ PHASE II	2.50					15,900	COMMISSIONED IN DEC '09
KOCHI GREENFIELD			0.38	2.50		34,265	TO BE COMMISSIONED IN JAN-MAR '12. FULLY OPERATIONAL IN FY13E
DAHEJ PHASE III				0.375	2.5	9,000	TO BE COMMISSIONED IN JAN-MAR '13. FULLY OPERATIONAL IN FY14E
KOCHI EXPANSION II						4,500	TO BE COMMISSIONED BEYOND FY14E
TOTAL INSTALLED CAPACITY	7.50	7.50	7.88	10.38	12.50		
TOLLING CAPACITY	10.00	10.00	10.00	12.50	15.00		
REGASSIFIED VOL.	7.68	8.48	8.38	11.13	12.00		
UTILISATION RATE (%)	75.00	75.00	78.75	83.00	83.33		

Source: Company, MF Global India Research

Earnings to be stable, with fall in sale of spot LNG volumes

- With increase in gas supply from KG D6 fields and higher availability of contracted LNG and led by slower customer offtake, there has been a supply overhang, which has practically diminished the demand for spot cargoes.
- PLL processed 20/12/36 cargoes in FY08/09/10, respectively. The bulk of the jump in spot cargoes in FY10 has been in H1FY10.
- We expect PLL to contract for 16/12/10 spot cargoes to be delivered in FY11E/12E/13E, respectively, mainly for Pragati power and GSPC in FY11E.
- Spot cargoes are likely to be contracted at FOB price of US$ 7-8/mmbtu.
- Marginal incremental cost for processing spot cargoes, each spot cargo adds ~Rs 70mn to PBT. Thus, with our assumption of fall in spot volumes, profits could go down, but however this would stabilise the utilities earnings profile.
- We expect the share of LNG in total gas supply to fall to 18% in FY12E and thereafter rise (Kochi commissioning) to 22% in FY13E from 26% in FY09.

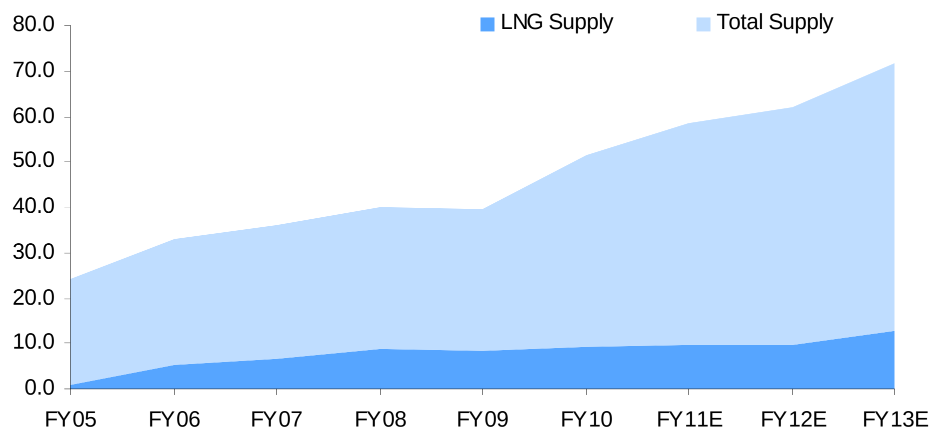
INDUSTRY LNG IMPORTS IN MMT



SPORT CARGO IMPORTS BY PLL

Source: Infraline, MF Global India Research

INDUSTRY LNG IMPORTS IN MMT



Source: Infraline, MF Global India Research

Outlook for international gas price remains grim, led by higher supplies and evolving thrust in Shale gas

» New capacity additions and crude price fluctuations are putting downward pressure on spot LNG prices.

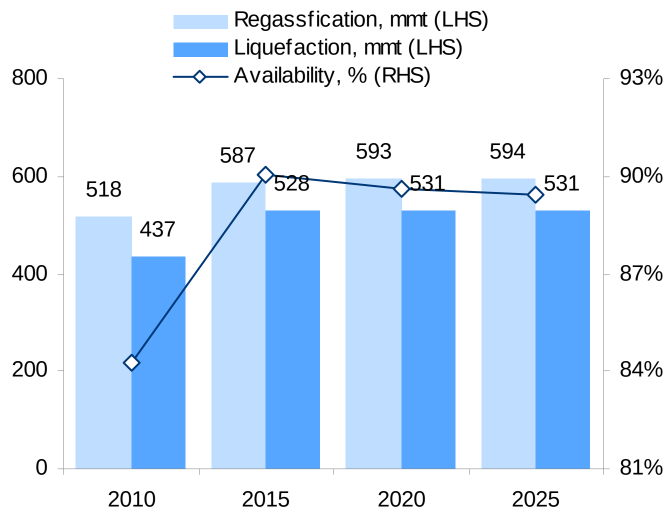
» Asian buyers account for over 60% of LNG imports—Japan is the largest importer with 41% of global imports.

» Qatar, Malaysia, Australia and Indonesia are the largest suppliers of LNG in the world.

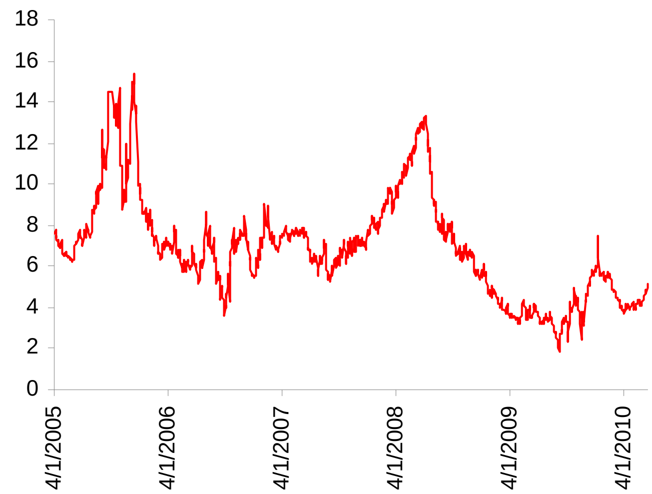
» Supply capacity has significantly outstripped consumption this year due to new capacities coming on stream from past developments and a slowdown in global demand.

» Total LNG capacity has grown at a CAGR of 10% to 437mmt since 2002. Further, capacities totaling 92MMTPA are expected to come on stream by 2012/13—most of the capacity additions are in Iran, Qatar and the Russian Federation.

GLOBAL CAPACITY ADDITIONS



HENRY HUB GAS PRICES $/MMBTU



Source: Bloomberg, MF Global India Research

Shale gas to diminish LNG demand in OECD

» Shale gas is evolving into a thrust area for OECD countries to meet their energy demands. Ramp-up of gas production from Shales is expected to diminish LNG demand in the US.

» Shale Gas is natural gas stored in organic rich rocks, such as dark-coloured shale, interbedded with layers of shale siltstone and sandstone.

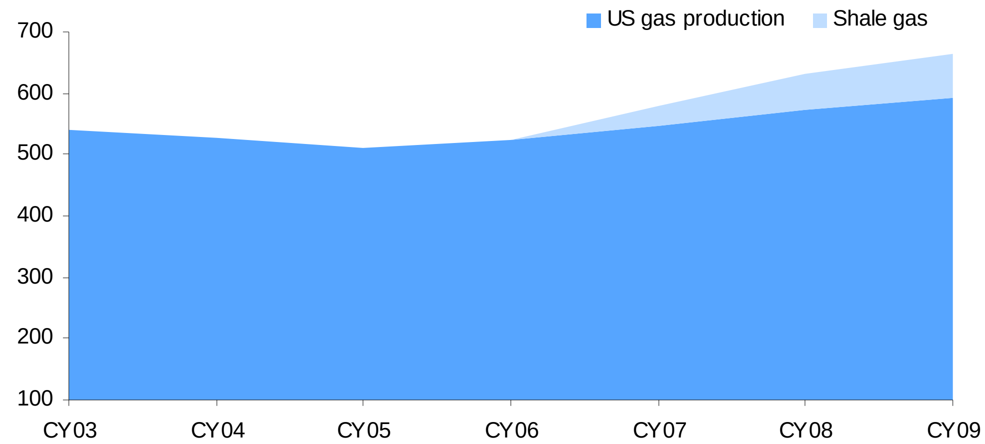
» Shale gas is expected to be a major thrust area—~15,000 TCF of in-place shale gas estimated worldwide—most of the resources concentrated in North America (~3800 TCF), China and Pacific rim countries (~5,800 TCF).

» Production from shale gas in US is expected to increase from ~7.5 BCF/d to ~15 BCF/d in 2015 (Wood Mackenzie).

» Most of the shale gas production is expected from the "Big 4" shale gas plays—Barnett, Fayetteville, Haynesville and Marcellus.

» Shale gas development cost is 2-3x the cost of conventional gas development due to massive hydraulic fracturing and extensive horizontal drilling. However, the high cost is mitigated by the low risk of failure in shale gas wells. Typical breakeven gas price for shale projects ranges between ~US$ 6-7/mmbtu.

RISING SHARE OF SHALE GAS PRODUCTION IN TOTAL US GAS PRODUCTION

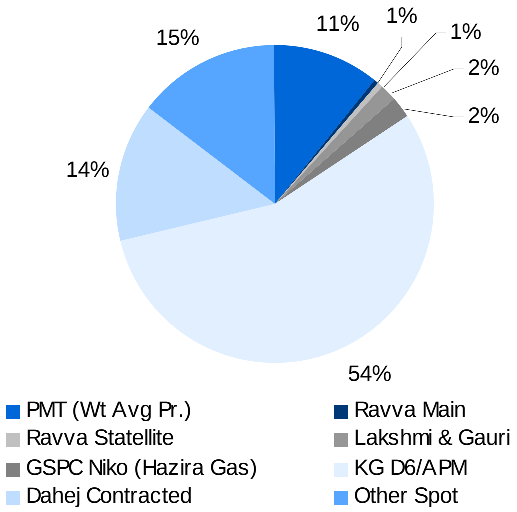


Source: Infraline, MF Global India Research

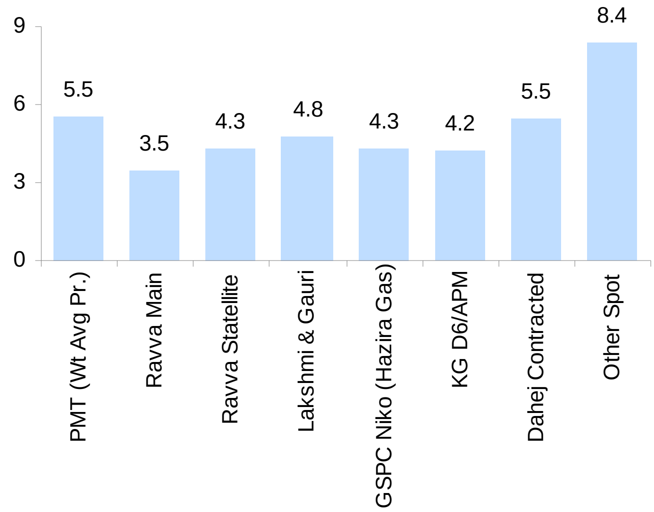
Competitiveness of imported LNG improves in light of more than doubling of APM gas price

- Effective 1 June 2010, APM gas prices have more than doubled to US$ 4.2/mmbtu. It marks an important step and today about 55% of the total gas supply is priced at US$ 4.2/mmbtu. The remaining 25% of the supply (that includes LNG contracted at Dahej) is priced at ~US$ 5.5/mmbtu. It is only ~15% of spot LNG, which is expensive at ~US$8-9/mmbtu.
- The EGOM-determined gas price of US$ 4.2/mmbtu for KG D6 fields runs through 2014. Gas developing companies, such as RIL (for smaller fields in the KG D6 block) and ONGC (for C series and other fields), term this price as economically unviable to develop at these rates and are seeking an increase of ~30%.
- A market-determined gas price that is expected to increase, going forward, as also a lesser proportion (LNG forms ~15% of total) of total gas supplied improves LNG's competitiveness to other indigenous sources of gas.

GAS SOURCE MIX



PRODUCER PRICE OF GAS FROM DIFFERENT SOURCES (US$/MMBTU)



Source: Infraline, MF Global India Research

In light of the changing LNG industry dynamics, sourcing LNG for upcoming projects could be rather easy

Present supplies

» At present, 7.5mmt LNG is contracted from RasGas, Qatar for Dahej Phase I & Phase II at FOB price of US$ 2.53/mmbtu for the first five years and thereafter, linked to five-year average JCC prices, subject to floor and cap.

Future supplies

» Contract finalisation for the balance 5mmt LNG is a critical factor.

» Disagreement on pricing for LNG supply from Iran. However, Qatar that has been supplying 7.5mmt of LNG has indicated supply of an additional 4mmt of LNG from 2013. In his most recent visit to Qatar, India's Prime Minister has sought an additional 0.3mmt of LNG from this year, but that would be most likely for the Ratnagiri Gas-Dhabol terminal.

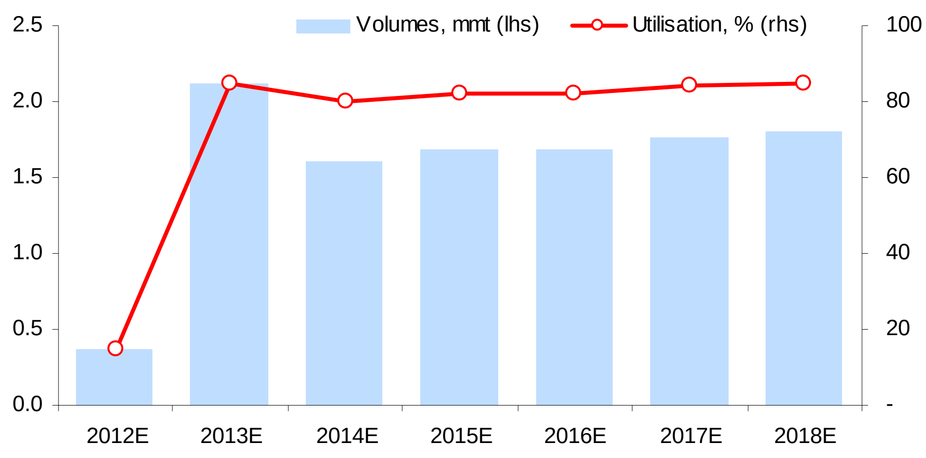
» For supply of 2.5mmt LNG for the Kochi terminal, intent of supply agreement has been signed with Gorgon Projects, Australia, for 1.5mmt with potential of additional volumes for 20 years. The additional Qatar volumes de-risk the project further. However, while pricing and contract terms provide for more than double re-gasification charges, we expect the regas tariff to be revised to ensure that the project earns a stable ~16% equity IRR.

» Our understanding also suggests that as Asian contracts offer pricing, which are better (offers higher net backs - as unlike elsewhere gas prices are linked to crude oil price movement) and given excess supply globally, LNG sourcing could be easy.

Kochi terminal viable at higher utilisation rates

With talks on sourcing LNG from Qatar and Australia, we expect announcement of firm gas linkages in the coming months from PLL's fold. We have assumed 0.3 mmt of throughput in FY12E that would rise to 2 mmt in FY13E. Capacity expansion over 2.5mmt would materialise beyond FY14E. We gather NTPC's Kayakulam plant has planned capacity of 2,300 MW, at peak load the plant would seek ~11mcm/d of gas, against PLL's capacity of 9.75mcm/d (2.5 mmt). On doubling of capacity to 5mmt, PLL could cater to the gas demand of Kochi refinery and other small industries and fertiliser companies. Besides this, GAIL's pipeline (expansion underway) of Kochi-Mangalore-Bangalore would connect to additional demand centres. GAIL has entered into an agreement with Kerala State Industrial Development Corporation (KSIDC) for developing city gas infrastructure in the state of Kerala. In our calculation, the higher regas tariffs of Rs 80/mmbtu for the Kochi terminal in the initial years, halves as the terminals capacity doubles to 5mmt. PLL is mulling over an idea of putting up a gas-based power plant too, in case the proposed power plant is not commissioned.

KOCHI TERMINAL UTILISATION TO RAMP UP FROM FY13E

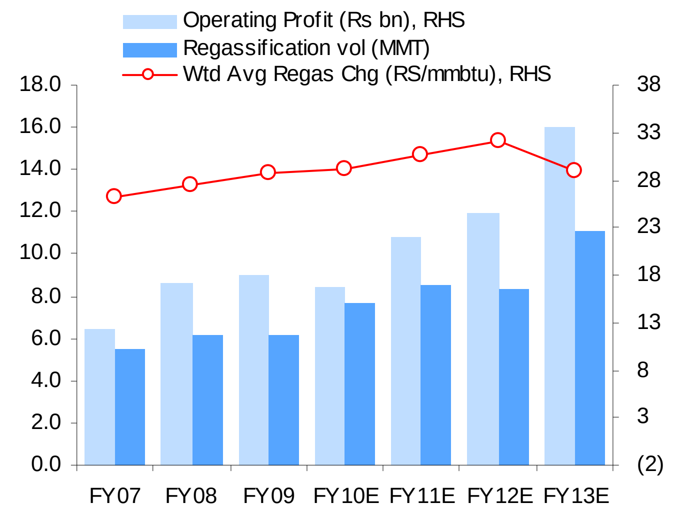


Source: MF Global India Research Estimates

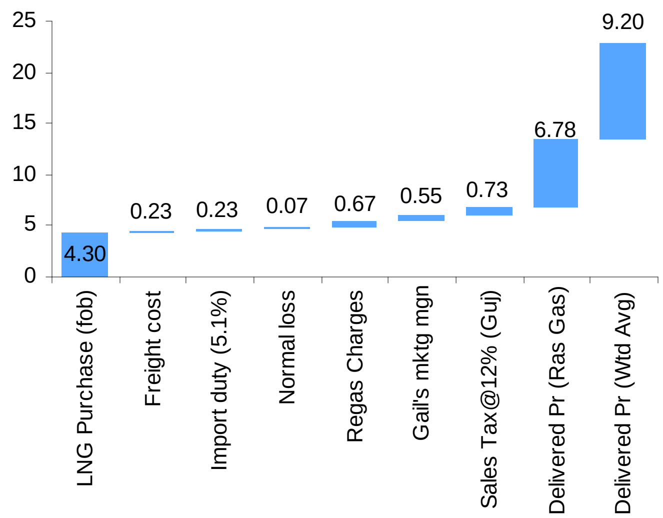
Given a benign gas price outlook and an assured 5% escalation, we see limited threat to pressure on PLL's regas charges

- Given a benign gas price outlook and an assured 5% escalation (for Dahej contracts), we see limited threat to pressure on regas charges. However, we have assumed tariffs to correct by 10% beyond FY12E.
- Current regas tariffs, which are pegged in INR terms, builds in 5% escalation p.a.
- Regas charges were fixed at Rs 23.70/mmbtu at the commencement of operations, with price escalation valid for five years since then.
- Current regas charges at Rs 30.25/mmbtu.
- Our estimates builds in 5% escalation in regas charges for FY12E, but a 10% decline thereafter due to competitive pressures.
- Long-term weighted average regas charges for PLL assumed at Rs 33/mmbtu, as we have assumed 25% correction in tariffs beyond FY13E for the Kochi terminal.

TREND IN OPERATING PROFIT (RS/MMBTU)



DELIVERED COST OF GAS (US$/MMBTU)



Source: MF Global India Research

Regulatory intervention a key risk, assume fall in tariffs to partially account for such risk

With regulatory intervention it is expected that PLL's ROCE of ~ 20% are unsustainable. While the Inter-ministerial group approved PLL's re-gasification tariffs of Rs 23.7/mmbtu and 5% annual increase thereon in 2005. It maintained that if PLL could expand its capacities to 10mmt as proposed the tariffs would have to be reviewed. The permissible ROCE in the regulation is 16%, which implies a correction in PLL's regas tariffs in the order of ~40%. We view regulatory intervention as an important risk over the longer term to our estimates and target price. However, our dialogue with the industry and company suggests that there is no such proposal in the interim. But however, we have assumed correction in tariffs for Dahej by 10% (despite provision for tariff escalations in the contract) and that of Kochi by 25% in our estimates.

Gas price pooling if includes LNG in pool price, could be longerterm +ve for PLL

Given the increase in gas demand by price sensitive customers (Power/fertilizers) the government is of the opinion that there is a need for introducing new gas sources including the more flexible LNG imports. The government is also of a view that pooled gas price could ensure stable price for long gestation investments is gas. As there are multiple gas prices, Gail on behalf of government has conducted an option study for pooling of gas prices. One of the option suggests pooling gas prices for power and fertilizer companies as they are anchor customers for new locations around which pipeline network could grow. A pooled gas price brings down the effective cost of gas, thus improving project viability.

CAPEX/VALUATION COMPARISON AND KEY ASSUMPTIONS

CAPEX COMPARISION OF FEW LNG REGASSIFIERS (IN THE ORDER OF PROJECT COST PER/MT)

LNG IMPORT PROJECTS	CAPACITY MMT	PROJECT COST (US$ MN)	YEAR OF COMM.	COST US$/MT
SINGAPORE LNG TERMINAL	3.5	1050	2013	300
ZHUHAI, CHINA	6.5	1650	2013	254
DILIAN, CHINA	6	1464	2011	244
KOCHI, INDIA	5	861	START 2012	172
JIANGSU, CHINA	6	952	2012	159
RAYONG, THAILAND	5	700	END 2011	140

Source: Bloomberg, MF Global India Research

PLL's Kochi terminal capex is almost 40% cheaper to other Asian terminals under construction

COMPARATIVE VALUATIONS OF PLL VIS-À-VIS JAPANESE PEERS

	PER (X)		PBR (X)		EV/EBITDA (X)		ROE (%)		EPS CAGR
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY10-12E
TOKYO GAS	16.7	15.4	1.3	1.2	6.1	5.9	8.0	8.1	16.2
OSAKA GAS	16.9	14.3	1.0	1.0	6.4	6.1	6.1	6.7	0.1
CHUBU ELEC POWER	24.8	15.6	1.0	1.0	9.3	8.3	4.2	6.6	-0.2
TOHO GAS	18.6	15.8	1.2	1.1	6.5	6.2	6.6	7.3	24.2
PETRONET LNG	11.8	10.9	2.3	2.0	8.1	7.9	20.5	19.4	14.9
AVG (EXCL. PLL)	17.8	14.4	1.3	1.2	7.3	6.9	9.1	9.6	10.1

Source: Bloomberg, MF Global India Research Estimates

PLL trades at a discount on PER, despite higher ROE's and higher earnings growth

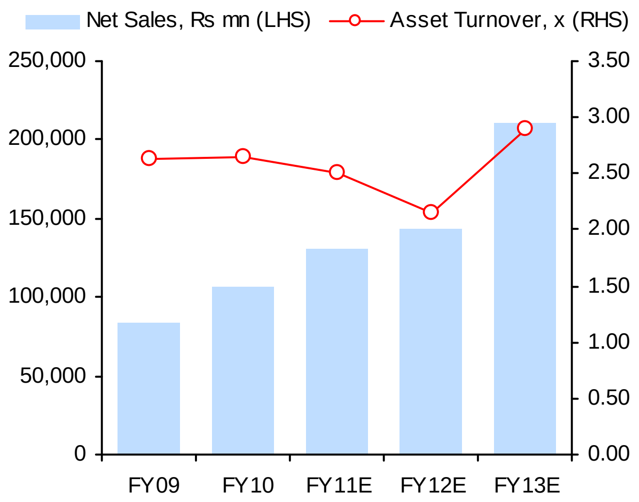
KEY ASSUMPTIONS

YEAR ENDED MARCH 31ST	2009	2010	2011E	2012E	2013E
DAHEJ - PHASE I (5 MMTPA)	5.00	5.00	5.00	5.00	5.00
UTILIZATION RATE (%)	123.6%	143.8%	119.7%	110.0%	120.0%
REGASSIFIED QTY (TN BTU)	321	374	311	286	312
- CONTRACTED	260	260	260	260	260
- SPOT	61	114	51	26	52
SPOT CARGOES (NOS)	12	36	16	12	10
REGAS CHARGES (RS/MMBTU)	28.81	29.17	30.63	32.16	28.94
DAHEJ - PHASE II (2.5 MMTPA INCREASED TO 5 BY 4QFY12E)		0.63	2.50	2.50	3.13
UTILIZATION RATE (%)		79.4%	100.0%	100.0%	96.0%
REGASSIFIED QTY (TN BTU)		26	130	130	156
REGAS CHARGES (RS/MMBTU)		30.25	30.63	32.16	28.94
KOCHI (2.5 MMTPA)				2.50	2.50
UTILIZATION RATE (%)				15.0%	85.0%
REGASSIFIED QTY (TN BTU)				20	111
REGAS CHARGES (RS/MMBTU)				76.00	60.80
FREIGHT COST					
TOTAL CHARTER RATE (US$/DAY)	162,761	248,256	249,404	336,114	423,672
FREIGHT COST (US$/MMBTU)	0.23	0.24	0.23	0.31	0.37

Source: MF Global India Research Estimates

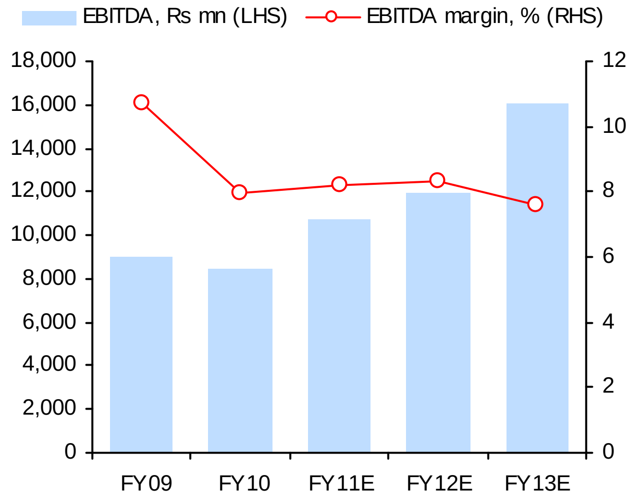
Value Creation

SALES AND ASSET TURNOVER



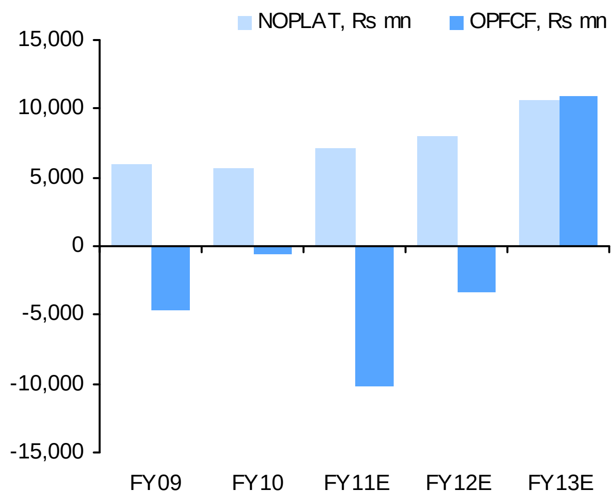
» Higher volumes (1.7x growth in capacity), leads to growth in revenues and improvement in asset turnover

EBITDA AND EBITDA MARGIN



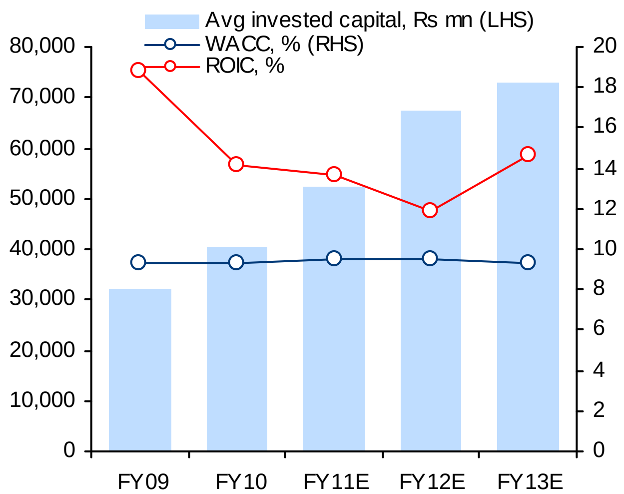
» While absolute ebitda increases, the margins fall marginally due to fall in regas tariffs in fy13E

NOPLAT AND OPFCF



» While core EBIT is expected rise, however higher capex will result in positive capex only in fy13E

ECONOMIC PROFIT



» ROIC's in the initial years is expected to fall due to higher capex & lower utilisation

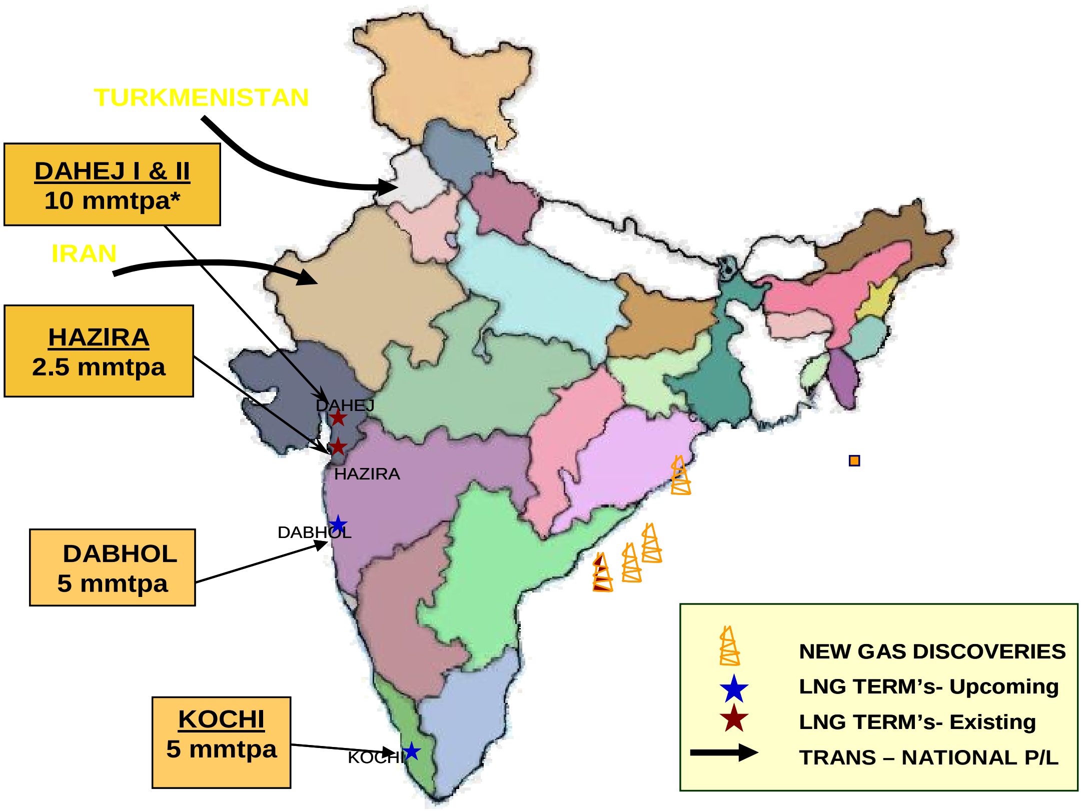
Source: Company, MF Global India Research Estimates

About the company

Petronet LNG was formed in 1998 as India's premier infrastructure company in the hydrocarbon sector to meet the increasing demand of natural gas in the country by importing LNG. It is an equal joint venture of four state-owned oil and gas companies (GAIL, IOC, ONGC, and BPCL), which together hold 50% of its equity. It also has a strategic tie-up with Gaz De France, which owns 10% of PLL's equity. Petronet LNG runs a 5mmt LNG receiving and regassification terminal at Dahej on the western coast of India, which in December 2009 was expanded to 10mmt. It is also setting up another greenfield terminal at Kochi (Kerala) with a capacity of 2.5mmt by 2012 with provision of expansion up to 5mmt. The company is setting up a solid cargo port in Dahej, for which the Gujarat Maritime Board has given PLL the right to develop a port.

PLL enters into back-to-back long-term purchase agreements (with LNG exporters) and sales agreements (with regasified natural gas offtakers). The sale of imported LNG by PLL is tied up for 25 years, with LNG exporters through gas sale and purchase agreement (GSPA) on take-or-pay basis. It presently has firm agreement for 7.5mmt of supply with RasGas of Qatar. The LNG sourced is at FOB price of US$ 2.53/mmbtu for the first five years and thereafter, linked to five-year average JCC prices, subject to a floor and cap. The ex-terminal natural gas cost would consist of LNG cost on FOB basis at the prevailing exchange rate, taxes/duties, shipping cost, insurance charges and regasification margins.

PRESENT AND UPCOMING LNG TERMINALS



Source: GAIL

FINANCIALS

INCOME STATEMENT

Y/E MAR, RS MN	FY2009	FY2010	FY2011E	FY2012E	FY2013E
NET SALES	84,287	106,491	131,126	143,824	211,248
GROWTH, %	*29*	*26*	*23*	*10*	*47*
OTHER INCOME	0	0	0	0	0
TOTAL INCOME	84,287	106,491	131,126	143,824	211,248
OPERATING EXPENSES	-75,274	-98,026	-120,368	-131,849	-195,195
EBITDA (CORE)	9,013	8,465	10,758	11,975	16,053
GROWTH, %	*4.1*	*(6.1)*	*27.1*	*11.3*	*34.1*
MARGIN, %	*10.7*	*7.9*	*8.2*	*8.3*	*7.6*
DEPRECIATION	-1,025	-1,609	-1,973	-2,289	-3,560
EBIT	7,988	6,856	8,785	9,686	12,494
GROWTH, %	*4.1*	*(6.1)*	*27.1*	*11.3*	*34.1*
MARGIN, %	*10.7*	*7.9*	*8.2*	*8.3*	*7.6*
INTEREST PAID	-1,012	-1,839	-2,028	-2,374	-2,784
OTHER NON-OPERATING INCOME	765	978	678	728	728
PRE-TAX PROFIT	7,740	5,995	7,435	8,041	10,438
TAX PROVIDED	-2,556	-1,950	-2,498	-2,702	-3,507
PROFIT AFTER TAX	5,184	4,045	4,937	5,339	6,931
NET PROFIT	5,184	4,045	4,937	5,339	6,931
MF NET PROFIT	5,184	4,045	4,937	5,339	6,931
GROWTH, %	*9.2*	*(22.0)*	*22.0*	*8.1*	*29.8*
NET PROFIT (ADJUSTED)	5,184	4,045	4,937	5,339	6,931
UNADJ. SHARES (M)	750	750	750	750	750
WTD AVG SHARES (M)	750	750	750	750	750

CASH FLOW

Y/E MAR, RS MN	FY2009	FY2010	FY2011E	FY2012E	FY2013E
PRE-TAX PROFIT	7,740	5,995	7,435	8,041	10,438
DEPRECIATION	1,025	1,609	1,973	2,289	3,560
CHG IN WORKING CAPITAL	-3,295	2,790	-2,585	-427	-834
TOTAL TAX PAID	-2,526	-1,410	-1,249	-1,351	-1,754
OTHER OPERATING ACTIVITIES	-104	862	1,151	1,695	2,192
CASH FLOW FROM OPERATING ACTIVITIES	2,840	9,845	6,725	10,247	13,602
CAPITAL EXPENDITURE	-7,388	-10,284	-17,080	-13,600	-2,600
CHG IN INVESTMENTS	2,431	-2,337	0	0	0
OTHER INVESTING ACTIVITIES	266	805	658	678	678
CASH FLOW FROM INVESTING ACTIVITIES	-4,691	-11,816	-16,422	-12,922	-1,922
FREE CASH FLOW	-1,851	-1,971	-9,697	-2,674	11,681
EQUITY RAISED/(REPAID)	0	0	0	0	0
DEBT RAISED/(REPAID)	7,041	2,000	14,503	5,000	-2,000
DIVIDEND (INCL. TAX)	-1,536	-1,536	-1,755	-1,755	-1,755
OTHER FINANCING ACTIVITIES	-793	-1,839	-1,809	-2,374	-2,870
CASH FLOW FROM FINANCING ACTIVITIES	4,712	-1,375	10,940	871	-6,625
NET CHG IN CASH	2,861	-3,345	1,243	-1,803	5,055

BALANCE SHEET

AS AT 31ST MAR, RS MN	FY2009	FY2010	FY2011E	FY2012E	FY2013E
CASH & BANK	6,578	3,405	4,648	2,845	7,900
DEBTORS	6,712	5,034	6,543	7,571	9,777
INVENTORY	3,856	2,222	3,390	3,923	5,066
LOANS & ADVANCES	783	1,525	1,525	1,525	1,525
OTHER CURRENT ASSETS	168	30	30	30	30
TOTAL CURRENT ASSETS	18,097	12,216	16,136	15,893	24,298
INVESTMENTS	3,043	5,380	5,380	5,380	5,380
GROSS FIXED ASSETS	19,748	35,495	36,095	41,015	72,845
LESS: DEPRECIATION	-5,062	-6,666	-8,639	-10,928	-14,487
ADD: CAPITAL WIP	18,470	13,180	29,680	38,360	9,130
NET FIXED ASSETS	33,156	42,009	57,136	68,447	67,488
TOTAL ASSETS	54,295	59,605	78,652	89,721	97,165
CURRENT LIABILITIES	7,365	7,448	7,341	8,475	10,990
PROVISIONS	1,557	1,556	1,755	1,755	1,755
TOTAL CURRENT LIABILITIES	8,922	9,004	9,096	10,230	12,745
NON-CURRENT LIABILITIES	25,539	28,079	43,832	50,182	49,936
TOTAL LIABILITIES	34,461	37,083	52,928	60,412	62,681
PAID-UP CAPITAL	7,500	7,500	7,500	7,500	7,500
RESERVES & SURPLUS	12,334	15,022	18,224	21,808	26,984
SHAREHOLDERS' EQUITY	19,834	22,522	25,724	29,308	34,484
TOTAL EQUITY & LIABILITIES	54,295	59,605	78,652	89,721	97,165

PER-SHARE DATA

	FY2009	FY2010	FY2011E	FY2012E	FY2013E
MF EPS (INR)	6.9	5.4	6.6	7.1	9.2
GROWTH, %	*9.2*	*(22.0)*	*22.0*	*8.1*	*29.8*
BOOK NAV/SHARE (INR)	26.4	30.0	34.3	39.1	46.0
FDEPS (INR)	6.9	5.4	6.6	7.1	9.2
CEPS (INR)	8.3	7.5	9.2	10.2	14.0
CFPS (INR)	2.9	10.7	6.5	10.4	14.2
DPS (INR)	1.8	1.8	2.0	2.0	2.0

FINANCIAL STRUCTURE

	FY2009	FY2010	FY2011E	FY2012E	FY2013E
TOTAL DEBT/EQUITY (%)	115.0	110.2	152.9	151.2	122.7
NET DEBT/EQUITY (%)	81.9	95.1	134.8	141.5	99.8

PROFITABILITY, PRODUCTIVITY, LIQUIDITY AND VALUATION RATIOS

	FY2009	FY2010	FY2011E	FY2012E	FY2013E
RETURN ON ASSETS (%)	12.3	9.2	9.0	8.1	9.3
RETURN ON EQUITY (%)	28.8	19.1	20.5	19.4	21.7
RETURN ON INVESTED CAPITAL (%)	18.8	14.2	13.7	11.8	14.6
ROIC/COST OF CAPITAL (X)	2.0	1.5	1.4	1.3	1.6
ROIC - COST OF CAPITAL (%)	9.5	4.9	4.2	2.4	5.3
RETURN ON CAPITAL EMPLOYED (%)	14.1	10.5	10.1	9.0	10.4
COST OF CAPITAL (%)	9.3	9.3	9.5	9.5	9.3
ROCE - COST OF CAPITAL (%)	4.8	1.3	0.6	(0.5)	1.1
ASSET TURNOVER (X)	2.6	2.6	2.5	2.1	2.9
SALES/TOTAL ASSETS (X)	1.8	1.9	1.9	1.7	2.3
SALES/NET FA (X)	2.8	2.8	2.6	2.3	3.1
WORKING CAPITAL/SALES (X)	0.0	0.0	0.0	0.0	0.0
RECEIVABLE DAYS	29.1	17.3	18.2	19.2	16.9
INVENTORY DAYS	16.7	7.6	9.4	10.0	8.8
PAYABLE DAYS	27.7	27.7	22.3	23.5	20.6
CURRENT RATIO (X)	2.5	1.6	2.2	1.9	2.2
QUICK RATIO (X)	1.9	1.3	1.7	1.4	1.7
INTEREST COVER (X)	7.9	3.7	4.3	4.1	4.5
DIVIDEND COVER (X)	3.9	3.1	3.3	3.6	4.6
PER (X)	11.2	14.3	11.8	10.9	8.4
PEG (X) - Y-O-Y GROWTH	1.2	(0.7)	0.5	1.3	0.3
PRICE/BOOK (X)	2.9	2.6	2.3	2.0	1.7
YIELD (%)	2.3	2.3	2.6	2.6	2.6
EV/NET SALES (X)	0.9	0.7	0.7	0.7	0.4
EV/EBITDA (X)	8.2	9.4	8.6	8.3	5.8
EV/EBIT (X)	8.2	9.4	8.6	8.3	5.8
EV/NOPLAT (X)	11.5	12.2	11.2	10.7	7.4
EV/CE	1.6	1.5	1.3	1.2	1.1
EV/IC (X)	2.3	2.0	1.8	1.5	1.3

Source: Company, MF Global India Research Estimates

VINEET BHATNAGAR	MANAGING DIRECTOR	91-22-2300 2999	VBHATNAGAR@MFGLOBAL.COM
SAJID KHALID	HEAD – INSTITUTIONAL EQUITIES	91-22-6667 9972	SAKHALID@MFGLOBAL.COM
JIGNESH SHAH	HEAD – EQUITY DERIVATIVES	91-22-6667 9735	JSHAH@MFGLOBAL.COM

Equity Research

AMBRISH MISHRA	VP - AUTOMOBILES, AUTO COMPONENT	91-22-6667 9758	AMISHRA@MFGLOBAL.COM
MANISH AGARWALLA	VP - BANKING	91-22-6667 9962	MAGARWALLA@MFGLOBAL.COM
ABHISHEK RANGANATHAN, CFA	RETAIL, REAL ESTATE	91-22-6667 9952	ABHISHEKR@MFGLOBAL.COM
ALOK DALAL	PHARMACEUTICALS	91-22-6667 9950	ALDALAL@MFGLOBAL.COM
ANJALI VERMA	ECONOMIST	91-22-6667 9969	ANVERMA@MFGLOBAL.COM
DHAWAL DOSHI	METALS, POWER	91-22-6667 9769	DDOSHI@MFGLOBAL.COM
DIPESH SOHANI	REAL ESTATE	91-22-6667 9756	DSOHANI@MFGLOBAL.COM
GAURI ANAND	OIL & GAS, FERTILISER	91-22-6667 9943	GANAND@MFGLOBAL.COM
KAPIL BAGARIA	MIDCAP, SUGAR	91-22-6667 9965	KBAGARIA@MFGLOBAL.COM
NAVEEN KULKARNI, FRM	TELECOM, FMCG, MEDIA	91-22-6667 9947	NKULKARNI@MFGLOBAL.COM
VIHANG NAIK	IT SERVICES	91-22-6667 9768	VNAIK@MFGLOBAL.COM
ENNETTE FERNANDES	RESEARCH ASSOCIATE	91-22-6667 9764	EFERNANDES@MFGLOBAL.COM
JISHAR THOOMBATH	RESEARCH ASSOCIATE	91-22-6667 9986	JTHOOMBATH@MFGLOBAL.COM
NEHA GARG	RESEARCH ASSOCIATE	91-22-6667 9992	NGARG@MFGLOBAL.COM
SAPNA SHAH	RESEARCH ASSOCIATE	91-22-6667 9996	SAPSHAH@MFGLOBAL.COM
SAURABH RATHI	RESEARCH ASSOCIATE	91-22-6667 9951	SRATHI@MFGLOBAL.COM
SHUBHANGI AGRAWAL	RESEARCH ASSOCIATE	91-22-6667 9964	SAGRAWAL@MFGLOBAL.COM
VARUN VIJAYAN	RESEARCH ASSOCIATE	91-22-6667 9974	VVIJAYAN@MFGLOBAL.COM
GANESH DEORUKHKAR	PRODUCTION	91-22-6667 9966	GDEORUKHKAR@MFGLOBAL.COM
ROSHNI KALLOOR	EDITOR	91-22-6667 9762	RKALLOOR@MFGLOBAL.COM

Technical & Quant Research

NEPPOLIAN PILLAI	CHIEF TECHNICAL STRATEGIST	91-22-6667 9989	PNEPPOLIAN@MFGLOBAL.COM
SHIKHA KHURANA	QUANT ANALYST	91-22-6667 9948	SKHURANA@MFGLOBAL.COM

Institutional Cash Equity Sales

SUDHIR PADIYAR	VP - EQUITY SALES (ASIAPAC)	91-22-6667 9991	SPADIYAR@MFGLOBAL.COM
KARTIK BROKER	EQUITY SALES	91-22-6667 9934	KBROKER@MFGLOBAL.COM
KINSHUK TIWARI	EQUITY SALES	91-22-6667 9946	KTIWARI@MFGLOBAL.COM
NASIR MOHAMED	EQUITY SALES (UAE)	91-22-6667 9973	NMOHAMED@MFGLOBAL.COM
SHEETAL GANDHI	EQUITY SALES (US)	91-22-6667 9944	SGANDHI@MFGLOBAL.COM
PAYAL PANCHAL	ASSOCIATE SALES (DMA)	91-22-6667 9949	PPANCHAL@MFGLOBAL.COM
ROSIE FERNS	SR. EXEC. – EQUITIES SALES SUPPORT	91-22-6667 9971	RFERNS@MFGLOBAL.COM

Institutional Cash Equity Sales Trading

SUNIL KAMATH	VP - SALES TRADER	91-22-6667 9747	SKAMATH@MFGLOBAL.COM
CHETAN SAVLA	SALES TRADER	91-22-6667 9749	CSAVLA@MFGLOBAL.COM
RAJESH ASHAR	SALES TRADER	91-22-6667 9746	RASHAR@MFGLOBAL.COM

Institutional Cash Equity Dealing

CHETAN BABARIA	DEALER	91-22-6667 9945	CBABARIA@MFGLOBAL.COM
MAYUR SHAH	DEALER	91-22-6677 9945	MSHAH@MFGLOBAL.COM

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MF Global Sify Securities India Pvt. Limited, 2nd Floor, C-Block, Modern Centre, Mahalaxmi, Mumbai-400 011

MF Global Sify Securities
India Pvt. Limited
2nd Floor, C-Block, Modern Centre
Mahalaxmi, Mumbai
400 011

mfglobal.com