



Economy News

- ▶ Partial sugar decontrol to boost millers' profits. The government's partial decontrol of the sugar industry will mean allowing the latter to sell nearly 2.4 million tonnes of stock at market price. (BS)
- ▶ The government may give drug firms just 45 days to comply with the upcoming pricing regime that promises cheaper essential medicines, making it mandatory for companies to conform to revised rates irrespective of the date of manufacture. (ET)

Corporate News

- ▶ **Bharti Airtel** will have to discontinue third generation (3G) services in areas where it does not have spectrum. The Delhi High Court has vacated an earlier stay order against the Department of Telecom banning 3G services through an arrangement which allowed Airtel to ride on other operator's spectrum. (BL)
- ▶ The Haryana government will challenge the central power regulator's ruling this week that allows **Adani Power Ltd** to raise tariffs for electricity supplied to existing clients in two states. (mint)
- ▶ **Indian Hotels Company (IHCL)** has filed an injunction suit in the Delhi High Court that could delay New Delhi Municipal Councils (NDMC) plan to auction the Taj Mahal Hotel property in central Delhi. Company, on behalf of Taj Mahal Hotel Delhi has filed an injunction suit in the high court to protect its position. (BS)
- ▶ **National Aluminium Company (Nalco)** has cut prices by Rs 3,000 per tonne, in line with a fall in international price of the metal. This is the third consecutive price cut by Nalco in step with sliding metal prices on the benchmark London Metal Exchange (LME). (ET)
- ▶ **Essar Oil** has completed the process for exiting the corporate debt restructuring (CDR) loan facility set up in December 2004 to help cover the construction of its Vadinar refinery in Gujarat. The CDR loan facility has been replaced with a new debt facility of about Rs 91 bn on commercial terms from similar group of lenders. (BS)
- ▶ **Larsen & Toubro (L&T)** is poised to bag a Rs 1,5 bn road project in Abu Dhabi jointly with its local partner. L&T's joint venture in the emirate has said that the JV had emerged the best bidder for the Abu Dhabi Department of Transport road project to widen the Mafraq-Al Ghweifat highway. (ET)
- ▶ **Hindustan Unilever (HUL)** has signed a pact with promoters of Aquagel Chemicals to acquire the remaining 74% stake in the company. HUL already holds 26% of the equity share capital of ACPL. (ET)
- ▶ **Tech Mahindra** has announced the launch of its new center in Istanbul. The company aims to develop the branch as a near-shore center for projects, given the geographical position of Turkey as a hub between Europe and Middle East. (ET)
- ▶ **BHEL** ties up with Mitsubishi for pollution control technology. Company has said that this would help the BHEL to improve environment friendliness norms in its products. (BL)
- ▶ **Reliance Power** has started electricity generation from the first 660-MW unit of Sasan ultra mega power project. The first unit of the 3,960-MW Sasan UMPP in Madhya Pradesh was commissioned on March 30. (ET)
- ▶ Megawide Construction Corporation, a Philippines-based company, has teamed up with **GMR Infrastructure**, to bid for the development of Mactan-Cebu International Airport. According to the terms for the bidding, a potential bidder has to have a local partner. The tie up is part of the arrangement. (BL)

Equity

	4 Apr 13	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	18,510	(1.6)	(3.3)	(6.4)
NIFTY Index	5,575	(1.7)	(3.6)	(7.3)
BANKEX Index	12,789	(1.9)	(5.5)	(13.0)
BSET Index	6,743	(2.5)	(1.6)	16.3
BSETCG INDEX	8,979	(1.6)	(3.4)	(19.1)
BSEOIL INDEX	8,280	(1.1)	(5.5)	(6.5)
CNXMcap Index	7,403	(1.9)	(3.0)	(15.4)
BSESMCAP INDEX	5,923	(2.1)	(3.6)	(22.2)
World Indices				
Dow Jones	14,606	0.4	2.5	8.7
Nasdaq	3,225	0.2	0.0	4.0
FTSE	6,344	(1.2)	(1.4)	4.2
NIKKEI	12,635	2.2	12.2	22.7
HANGSENG	22,337	(0.1)	(2.9)	(6.2)

Value traded (Rs cr)

	4 Apr 13	% Chg - Day
Cash BSE	1,486	(22.4)
Cash NSE	9,257	(12.2)
Derivatives	148,426	34.9

Net inflows (Rs cr)

	3 Apr 13	% Chg	MTD	YTD
FII	(345)	1,057.0	887	55,639
Mutual Fund	87	(160.8)	(56)	(7,224)

FII open interest (Rs cr)

	3 Apr 13	% Chg
FII Index Futures	9,725	7.2
FII Index Options	42,377	8.5
FII Stock Futures	21,951	(2.0)
FII Stock Options	1,437	(0.4)

Advances / Declines (BSE)

	4 Apr 13	A	B	T	Total	% total
Advances	26	701	169	896	32	
Declines	179	1,472	183	1,834	65	
Unchanged	-	84	23	107	4	

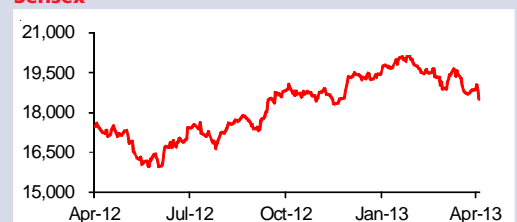
Commodity

	4 Apr 13	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	93.3	0.1	2.8	0.3
Gold (US\$/OZ)	1,548.4	(0.8)	(1.3)	(5.8)
Silver (US\$/OZ)	26.8	(0.5)	(5.9)	(10.0)

Debt / forex market

	4 Apr 13	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.1	N/A	8.0	8.0
Re/US\$	54.9	54.4	54.9	55.1

Sensex



EVENT UPDATE

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PETRONET LNG LTD. (PLNG)

PRICE: Rs.140
TARGET PRICE: Rs.170

RECOMMENDATION: BUY
FY14E P/CEPS: 7.6x

PLNG's management has further indicated the likely delay in commissioning of Kochi terminal to June-July'13 from early April'13. Accordingly, we have tweaked our estimates to reflect 1). Sluggish volumes led by continued delays in pipeline connectivity, 2). Higher spot LNG prices impacting local demand and 3). Slow conversion by end-consumers. On a positive note, second LNG jetty at Dahej is expected to commission in Q1FY14. This will enable PLNG to accommodate more LNG ships and improve plant operating rates. We recommend BUY on PLNG with a revised DCF price target of Rs.170/share (earlier Rs.180/share).

Summary table

(Rs mn)	FY12	FY13E	FY14E
Net Sales	224,507	313,990	374,794
Growth (%)	70.1	39.9	19.4
EBIDTA	18,351	20,609	20,381
EBIDTA margin (%)	8.2	6.6	5.4
PBT	15,525	17,876	14,209
Net profit	10,575	11,977	9,520
EPS (Rs)	14.08	15.97	12.69
Growth (%)	73.8	13.5	-20.5
CEPS (Rs)	16.6	18.4	18.3
Book value (Rs/share)	46.9	59.6	69.6
DPS (Rs)	2.54	2.87	2.28
ROE (%)	32.9	29.1	19.3
ROCE (%)	18.7	18.9	14.0
Net Cash (Debt)	(17,302)	(22,929)	(30,177)
NW Capital (Days)	11.9	14.7	16.7
EV/Sales (x)	0.6	0.4	0.4
EV/EBIDTA (x)	6.8	6.3	6.7
P/E (x)	9.9	8.8	11.0
P/BV (x)	2.98	2.35	2.01
P/CEPS (X)	8.5	7.6	7.6

Source: Company, Kotak Securities - Private Client Research

Kochi LNG terminal



Source: The Hindu

Key Developments

■ **Global LNG prices:** In Q4FY13, global LNG prices surged to USD \$17-18/mmbtu mainly on account of higher demand from Japan due to winter session. Higher spot LNG prices became unaffordable for few sectors resulting in lower off-take of RLNG. However, off late the LNG prices have softened and therefore demand has again started picking up. Japan is expected to re-start its nuclear reactors that have been shut following the Fukushima Dai-Ichi disaster. We believe post that, LNG prices will correct and will improve its affordability.

■ **Greenfield project - Kochi -Pipeline connectivity bottleneck:** We believe the recent correction of PLNG's stock price partly discounts the concern on lower utilization of Kochi terminal in the medium term due to delays in phase II of GAIL's Kochi-Bangalore-Mangalore pipeline. The pipeline has been further delayed due to a recent decision by the Tamil Nadu Government to disallow laying of gas pipeline through the agricultural land. Now, re-routing of the pipeline along highways in Tamil Nadu will further delay the commissioning of Kochi-Bangalore section. Management has guided that pipelines are likely to be ready by Q1 2014. Phase-I of the ~40 km pipeline connecting 5 MMTPA Kochi LNG terminal to Kerala is already complete. However, there is lower local demand in that region so the company is currently buying costlier spot LNG or short-term LNG from the market and operating at lower capacity. The full benefit of the expansion will be reflected in FY16E and beyond, this is mainly due to the non-availability of pipeline infrastructure that is crucial for transmission of gas in Karnataka and Kerala.

Kochi's key customers: From Kochi terminal, PLNG will supply RLNG to NTPC Kayamkulam, BSES power Kochi, Kasargod Power Station, KPCL Bidadi near Bangalore, and Mangalore Chemicals & Fertilizers.

■ **Future gas supply from USA:** LNG supply from Australia to Kochi LNG terminal is expected to commission from FY14E. This is a positive development as it ensures long term gas supply for the green field RLNG plant.

■ **Falling domestic gas supply:** Recently, natural gas production from RIL's KG D-6 block has declined to ~17 mmscmd following the shutdown of producing well in D1 and D3 fields resulting in widening of India's natural gas deficit. This means higher dependence on RLNG.

■ **Dahej expansion plans:** It is expected that PLNG will complete its second jetty project (Capex of ~Rs. 10 Bn) at Dahej by Q1FY14E (improving utilization of its existing capacity by another 20-25%) and Dahej expansion (investment of Rs.30 Bn, putting two more storage tanks and 5 MMTPA re-gas capacity) by the end of 2015 or early 2016. We believe additional jetty and associated unloading terminal expected at Dahej will allow PLNG to bring in bigger vessels which will lower the turnaround time and will improve operational efficiencies. The funding of the expansion plan will be partly through internal resources and partly from the domestic as well as international borrowings.

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- **Gangavaram terminal:** PLNG has also planning to set-up Gangavaram terminal by the end of 2016 and interim FSRU (floating storage and re-gasification unit) by the end of 2014. Given the idle capacity of gas-based power projects due to shortage of fuel and severe power crisis in the State, the government is expediting the procedural formalities to ground the Petronet LNG terminal project at Gangavaram Port in three months. However, on a conservative note, we have not considered the same in our valuations. Together, this will take PLNG's overall capacity to 18 MMTPA from the current 10 MMTPA. The Company long term plan is to build a capacity of 25 mmtpa by 2015.

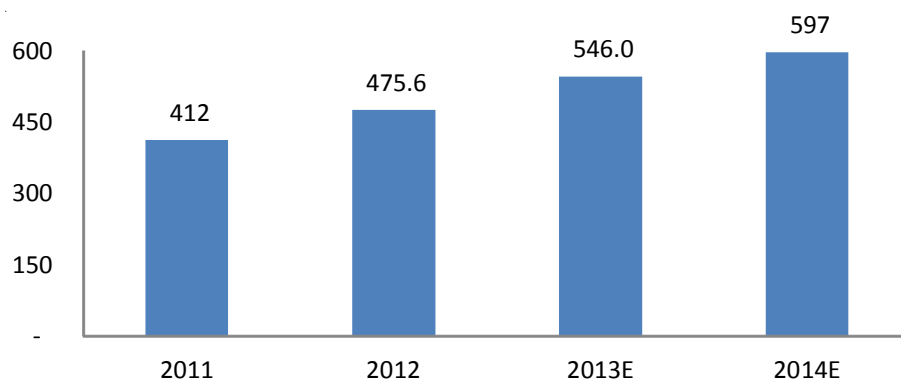
Key Risk and Concerns:

- Availability of LNG at reasonable prices on a long term basis has remained a key worry.
- Regulatory risk: Any capping of margins by PNGRB will negatively impact its earnings and growth. However, management has indicated that imported LNG does not fall under the preview of PNGRB.
- Project execution risk - Delay in commissioning of new re-gasification terminals.
- Lower demand of LNG would affect PLNG's marketing margins.

Key assumptions

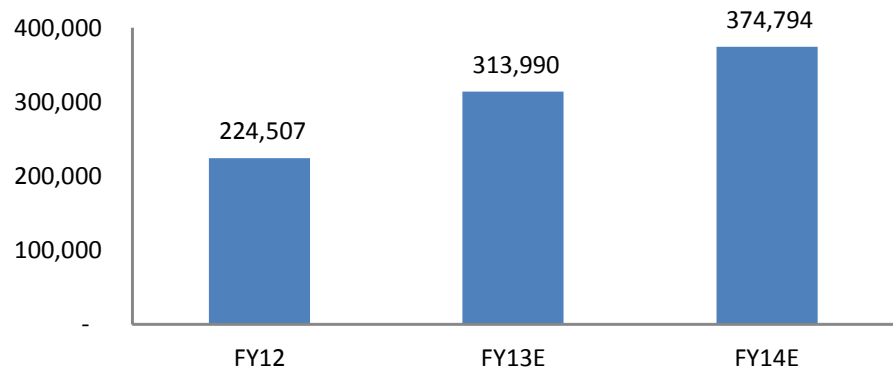
- **Volume estimates:** In FY14E, we expect RLNG volumes of 597 TBTUs to capture the short fall in domestic supply and strong demand from petrochemicals, CGD and refinery sector. Also, we expect the demand from fertilizers plants will revive post the maintenance.

Focusing on delivering consistent growth - PLNG sales volumes (MMTPA)



Source: Company, Kotak Securities - Private Client Research

- Currently, PLNG is importing 7.5 mmtpa from Qatar on a long-term basis and additional 1.5 mmtpa from Gas Natural (of Spain). It is in touch with countries like Qatar and Australia for long-term contracts for sourcing LNG.
- PLNG is also aiming to increase its presence in direct marketing rather than just a tolling re-gasifier. This will improve its margins going forward.
- We expect PLNG to report net revenues of Rs.313 bn (up 39.9% YoY) for FY13E and Rs. 374.7 Bn for FY14E, operating margin of 6.6% and 5.4%, PAT of Rs.11.98 bn and Rs.9.52 bn and CEPS of Rs.18.4 and Rs.18.3, respectively.

Revenues (Rs. Mn)

Source: Company, Kotak Securities - Private Client Research

**We recommend BUY on
Petronet LNG with a price
target of Rs.170**

Valuation & Recommendation

On the basis of our estimates, the stock at current market price of Rs.140 is attractively valued at 6.7x EV/EBIDTA, 11.0x P/E, 7.6x P/CEPS and 2.01x P/BV on FY14E earnings. PLNG's revised earnings estimate Rs.15.97 per share FY13E and Rs.12.69 per share FY14E. We have valued PLNG on DCF-based method of valuation with 11.9% WACC and 3.0% terminal growth rate. Our price target is revised to Rs.170 (earlier Rs.180).

Notes:

LNG is natural gas in its highly compact liquid form. When natural gas is cooled to minus 260 degrees Fahrenheit (or minus 162 degrees Celcius), it is reduced to one six-hundredth of its original volume and becomes a clear, non-toxic liquid. LNG offers a safe and economical means for transporting natural gas over long distances to locations beyond the reach of pipelines. LNG is loaded on specialized ships and delivered to a regasification terminal where it is reheated, turned into gas and distributed to customers through a pipeline network.

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
04-Apr	Binayak Tex	Dilipkumar Pacheriwala	B	5,000	299.5
04-Apr	Binayak Tex	Ashokkumar Hariprasad HUF	S	5,000	299.5
04-Apr	Globus Con	Om Parkash & Sons HUF	S	600,000	31.4
04-Apr	Globus Con	Intelife Computers Pvt Ltd	B	600,026	31.4
04-Apr	Gujarat Terce	Keya Ketan Doshi	S	37,500	10.5
04-Apr	Gujarat Terce	Aalesh Piyush Avlani	S	37,500	10.5
04-Apr	Jay Mahesh Infra	Yadaiah Pasupula	S	50,000	50.0
04-Apr	Jay Mahesh Infra	Aaria Gold Pvt Ltd	B	37,888	49.8
04-Apr	Kavita Fabrics	Shatrunjaya Estates Pvt Ltd	B	36,000	40.2
04-Apr	Kavita Fabrics	Haldiram Foods International Ltd	S	51,000	40.0
04-Apr	Ken Fin Serv	Ravsahab Appasaheb Narute	B	26,000	18.5
04-Apr	Ken Fin Serv	Maruti Gaude	S	41,000	18.5
04-Apr	Kwality Cred	Deora Finance Pvt Ltd	S	54,421	50.9
04-Apr	Lakhotia Pol	Sanjoyog Trade-Link Pvt Ltd	B	260,000	35.4
04-Apr	Lakhotia Pol	Star Fincap Pvt Ltd	S	48,000	35.4
04-Apr	Lakhotia Pol	Intensive Finance Pvt Ltd	B	72,000	35.8
04-Apr	Lakhotia Pol	Intensive Softshare Pvt Ltd	B	132,000	35.8
04-Apr	Lakhotia Pol	Zawar Sales Pvt Ltd	S	68,000	35.0
04-Apr	Mahesh Agri	Ketan J Janani HUF	S	3,460	22.7
04-Apr	Parnax Lab	Manjudevi H Salecha	B	58,384	41.0
04-Apr	Pasupati Fin	Sonali Mayur Sanghavi	S	27,000	7.3
04-Apr	Stampede	Shah Nishith	B	118,250	119.2
04-Apr	Steel Exchange	Smark Securities Ltd	B	392,939	73.3
04-Apr	Steel Exchange	Blooming Steelcons Llp	S	396,675	73.3
04-Apr	SVC Res	Taib Bank E C	S	350,000	1.9
04-Apr	SVC Res	LTS Investment Fund Ltd	B	350,000	1.9

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Hindustan Unilever	470	1.6	2.3	1.7
Dr Reddys	1,890	2.8	2.0	0.5
Coal India	311	3.0	1.8	4.6
Losers				
ITC	300	(2.6)	(13.7)	4.4
Infosys	2,880	(3.0)	(13.3)	0.9
HDFC	792	(2.4)	(9.3)	1.4

Source: Bloomberg

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