

Petronet LNG Ltd

Petronet LNG Limited (PLL) is engaged in sale of re-gasified liquefied natural gas (RLNG). The company has been improving its revenues in the last 3 years. The company's CAGR in net revenue was 12.3% during this period. Its revenues and overall business is expected to go well even in tough times on account of:

1) Recent crash in oil prices will, 2) PLNG's ~16mmtpa of long-term regasification contracts, 3) Capacity expansion at Dahej terminal by around 2 MMTPA on track. Under this plan, the company envisages installing additional tank and a jetty. 4) Kochi ramp-up to 1.5-2.2mmtpa is likely in H2FY21 post Kochi-Mangalore pipeline commissioning.

PLL has been maintaining average dividend payout of average 20%. Cash flows has improved from ₹901cr in FY15 to ₹2,141cr in FY18. PLL's back-to-back LNG purchase-sales agreement provides comfort on the business model. It remains a structural story of India's increasing gas demand. With India continuing to be significantly short of natural gas supply, PLL will benefit as the primary play on increasing usage of LNG. The company has a ROE of 21.8% and it is currently trading at a valuation P/Bv of 3x of FY19 TTM earnings. Hence BUY.

BUY

CMP ₹235

Stock Info

Sector	Oil Marketing & Distri.
Market Cap (₹ cr)	35,220
Beta	0.7
52 Week High / Low	302/171
Avg. Daily Volume	76,601
Face Value (₹)	10
BSE Sensex	30,933
Nifty	9,106
Reuters Code	PLNG.BO
Bloomberg Code	PLNG IN

Shareholding Pattern (%)

Promoters	50.0
MF / Banks / Indian FIs	7.8
FII / NRIs / OCBs	29.3
Indian Public / Others	12.9

Abs. (%)	3m	1yr	3yr
Sensex	(24.9)	(20.6)	1.2
Petronet LNG	(12.2)	(2.3)	6.5

Jaikishan Parmar

022 – 3935 7600 Ext: 6810

jaikishan.parmar@angelbroking.com

Research Team Tel: 022 - 39357600

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

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Disclosure of Interest Statement

	Petronet LNG
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)