

Pick of the week



Petronet LNG Ltd

Recommendation

Buy

Time Period

12 Months

Current Price

₹218

Target Price

₹300

Potential Upside

37.6%

Investment Argument

- PLNG's utilization at the Dahej and Kochi terminal has increased. However, there has been no material progress on the Tellurian MoU or Sri Lanka/Bangladesh projects for now. PLNG is evaluating long-term LNG sourcing contracts, which may be structured to be always competitive with spot LNG prices.
- Capex is expected to be around Rs350 cr for FY21, including an outlay of less than Rs100 cr for the proposed projects to add two storage tanks and third jetty at Dahej terminal.
- We expect gradual ramp-up in volumes driven by increase in utilization of Kochi post commissioning of pipelines.
- We retain our constructive stance seeking comfort from prudence on capital allocation, limited risks to volumes/tariffs/earnings and attractive valuations.
- We expect earnings to grow by 3.6% in FY21 and by 18.6% in FY22.
- We reiterate BUY with FV of Rs300, expecting the company to deliver a healthy 10-11% CAGR in earnings over the next 3-5 years driven by higher volumes and tariffs.