

SPECIAL REPORT

TECHNO FUNDA



BP WEALTH

16th March, 2023

Technical View (Weekly Chart)



Technical View

Source: TradingView

- ⇒ The stock plunged about 32%, between June 2020 to Feb 2022, where price dropped from 280 to 190 levels. Post that price turned sideways, oscillating with positive bias.
- ⇒ From the price pattern point of view, price staged a breakout from Double Bottom price pattern, which hints changed in trend from sideways to upwards.
- ⇒ The Breakout accompanied with above average volume, which increase the probability of the breakout.
- ⇒ With in the pattern, the up days were supported with surge in volumes, whereas down days saw below average volumes, which indicates strong hand participation at the elevated levels and signifies a robust price structure.
- ⇒ Also, price has resolute a breakout from long term falling resistance trendline, which is drawn connecting the significant peaks since Oct 2019.
- ⇒ On the weekly scale, price is trading above all key moving averages (20, 50, 100, 200). which denotes bullish trend in price.
- ⇒ The weekly Relative Strength indicator against Nifty50, is trading at 2 years high with upward slope indicates inherent strength and price likely to outperform the benchmark index.
- ⇒ The weekly RSI, is trading at 3 years high reading and signals a range shift to the elevated levels which is bullish signal and complements bullish view on price.
- ⇒ The Bollinger bands are widening with prices tagging the upper Bollinger band, which signifies the strength in price and expansion in volatility in the upward direction.

We recommend to BUY PETRONET at CMP and at dips towards 230 for the target of 265 with a stop loss below 216.

Fundamental View

Investment Rationale

Background

Formed in 1998, Petronet LNG Limited is one of the leading energy sector companies in India formed through a JV between PSU oil companies (GAIL, IOC, BPCL and ONGC). The company is engaged in the development of facilities for the import, storage and regasification of Liquefied Natural Gas (LNG). Currently, the company operates two regasification terminals, situated in Dahej (17.5 mmtpa) and Kochi (5 mmtpa).

Decent Financials

In the third quarter ended 31 December 2022, the company posted a 25.2% YoY rise in consolidated revenue to Rs. 15,776 crores, aided by higher realizations and recognition of Rs. 849 crores "use or pay charges". The company reported robust top-line performance despite a 19.7% YoY volume decline to 167 trillion British Thermal Units (TBTU) due to high spot LNG prices which affected the utilization levels. EBITDA margin improved sequentially, aided by the company's focus on cost optimization. The company's net profit stood at Rs. 1,196 crores as against the PAT of the previous and corresponding quarters of Rs. 786 crores and Rs. 1,159 crores, respectively.

Robust Capex plans

The company's capex plans are on track, with two LNG tanks at Dahej almost 50% complete. The company is also extending the Dahej terminal capacity from 17.5 mmtpa to 22.5 mmtpa and anticipates commencing 2.5 mmtpa of the additional capacity by the end of 2024 and the entire 5 mmtpa capacity by March 2025. Other capex plans are also underway which include building one jetty and petrochemical plant at Dahej and ongoing due diligence for the East Coast FSRU terminal. We believe that robust capacity expansion plans along with good execution capabilities provide confidence about the growth prospects of the company.

Outlook

Going forward, the company expects to see some traction in the receivables account under the use or pay contract which was booked in FY22. Moreover, long-term capacity booking for the Dahej terminal and an expected pickup in Kochi terminal utilization augurs well for a pick-up in volumes in the future. The softening of spot LNG prices from the highs seen in the previous quarters also bodes well for the business performance of the company.

In the long run, Petronet LNG is likely to be the beneficiary of India's rising LNG imports, limited competition in the space, increased usage of gas in industries such as power, fertilizer & petrochemicals and lucrative opportunities in the CGD (City Gas Distribution) sector. We believe that a strong deal book, increased focus on cost optimization, robust capacity expansion plans and expected enhanced utilization levels (from about ~81% currently) are likely to be key drivers for the near-term operating performance of the company.

Execution Data

Target (Rs)	265
Stop loss (Rs)	216
Buying Range (Rs)	CMP-230
Last Close Price (Rs)	236
% change Weekly	4.01

Weekly Oscillator Direction

13 WMA	UPWARD
21 WMA	UPWARD
50 WMA	UPWARD
RSI	BUY MODE
MACD	BUY MODE

Sector Outlook Neutral

Stock

BSE code	532522
NSE Symbol	PETRONET
Bloomberg	PLNG IN
Reuters	PLNG:BO

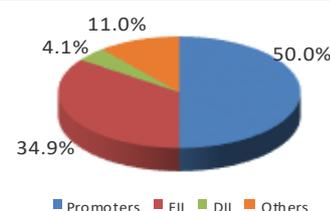
Key Data

Nifty	16,972
52WeekH/L(Rs)	238/191
O/s Shares (mn)	1,500
Market Cap (Rs bn)	355
Face Value (Rs)	10

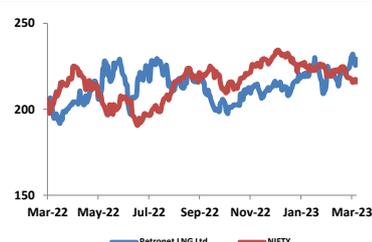
Average volume

3 months	2,030,990
6 months	1,903,030
1 year	2,158,800

Share Holding Pattern (%)



Relative Price Chart



**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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