



Economy News

- ▶ Food inflation dropped to a three-and-a-half year low of 6.6% for the week ended November 26 as a good harvest drove down vegetable prices further (BL).
- ▶ In a respite to new telecom service providers operating in a highly competitive market dominated by incumbent GSM players, sectoral regulator Trai has said that it will come out with a paper seeking views on exit policy for such players (ET).

Corporate News

- ▶ **ONGC** has surrendered an onshore block awarded to it some decade-and-a-half ago in West Bengal, saying the project was not commercially viable (ET).
- ▶ **Fortis Healthcare** has said it plans to invest up to Rs300 mn to set up 50 standalone dialysis centres across the country in the next two years for treatment of patients suffering from kidney failure (ET).
- ▶ **Essar Oil Ltd** has successfully commissioned a new Isomerization (ISOM) unit at its Vadinar Refinery. The 0.7 million metric tonnes per annum (MMTPA) ISOM unit is a key component of the phase-I expansion of the company's Vadinar refinery that will increase its capacity to 18 MMTPA (BS).
- ▶ **Britannia Industries** has decided to unlock value at its headquarters property. The corporate headquarters, christened Britannia Gardens, sprawls over nearly seven acres on the Old Airport Road, leading on to Whitefield, one of the major technology hubs towards the east of Bangalore (BS).
- ▶ Production at **Coal India Limited**, which meets over 70% of the country's coal demand, is going down. It is feared that production this fiscal may fall below previous year's level (TOI).
- ▶ **Dish TV** is reaching out to private equity and institutional investors for a fresh round of fund raising, which could turn out to be the highest in the sector. Company is believed to have appointed investment banks UBS and Macquarie to help raise around \$200 million of equity to fund expansion and investment in upgrading technology (BS).
- ▶ The service tax commissioner's office here has frozen bank accounts of **Kingfisher Airlines** for not depositing tax of Rs 2.2 bn it had collected from passengers and clients (BL).
- ▶ **DLF Ltd**, is banking on at least two to three big-ticket sales in early 2012, to keep to its debt reduction target for the current financial year. The developer needs to realize Rs 30 bn to Rs 35 bn from non-core asset sales (BS).
- ▶ **Hindalco** is entering into new segments such as windows and doors systems and building facade for residential and commercial properties. While unbranded aluminium window and door systems are already available in the market, Hindalco is introducing the Eternia branded range of windows and door systems (BS).

Equity

	8 Dec 11	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	16,488	(2.3)	(6.2)	(3.9)
NIFTY Index	4,944	(2.3)	(6.5)	(4.1)
BANKEX Index	10,267	(2.7)	(9.3)	(9.7)
BSET Index	5,782	(0.5)	0.2	14.1
BSETCG INDEX	9,644	(4.4)	(12.5)	(23.3)
BSEOIL INDEX	8,189	(3.0)	(9.5)	(7.2)
CNXMcap Index	6,694	(2.1)	(8.6)	(10.9)
BSESMCAP INDEX	6,108	(1.6)	(12.1)	(17.0)
World Indices				
Dow Jones	11,998	(1.6)	(1.4)	6.2
Nasdaq	2,596	(2.0)	(4.8)	2.7
FTSE	5,484	(1.1)	(1.5)	2.7
NIKKEI	8,665	(0.7)	(2.6)	(2.4)
HANGSENG	19,108	(0.7)	(5.9)	(5.2)

Value traded (Rs cr)

	8 Dec 11	% Chg - Day
Cash BSE	1,975	(35.7)
Cash NSE	10,010	(5.2)
Derivatives	130,148	16.6

Net inflows (Rs cr)

	7 Dec 11	% Chg	MTD	YTD
FII	79	(62.5)	1,908	(1,691)
Mutual Fund	85	(47.8)	4	5,411

FII open interest (Rs cr)

	7 Dec 11	% Chg
FII Index Futures	12,590	(8.8)
FII Index Options	46,657	(0.5)
FII Stock Futures	25,547	(2.3)
FII Stock Options	714	1.6

Advances / Declines (BSE)

	8 Dec 11	A	B	S	Total	% total
Advances	31	660	150	841	29	
Declines	174	1,548	186	1,908	67	
Unchanged	0	94	22	116	4	

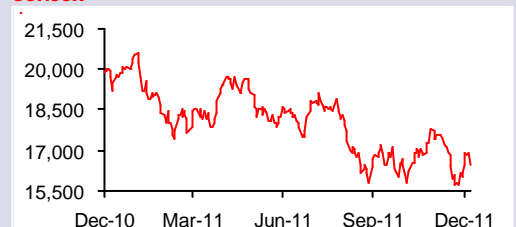
Commodity

	8 Dec 11	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	98.5	0.1	2.8	12.9
Gold (US\$/OZ)	1,709.3	(1.7)	(4.3)	(7.6)
Silver (US\$/OZ)	31.6	(3.3)	(7.9)	(23.6)

Debt / forex market

	8 Dec 11	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.56	8.58	9.06	8.40
Re/US\$	51.7	51.7	49.5	46.2

Sensex



COMPANY UPDATE

Sumit Pokharna

sumit.pokharna@kotak.com

+91 22 6621 6313

PETRONET LNG LTD. (PLNG)

PRICE: Rs.156

RECOMMENDATION: ACCUMULATE

TARGET PRICE: Rs.174

FY13E P/E: 10.5x

- ❑ The fall in the domestic gas supply has led Petronet LNG Ltd. (PLNG) to import higher volumes of liquefied natural gas (LNG) to meet the domestic natural gas demand. This has led to increase in RLNG volumes of PLNG. Hence, to capture the same we have revised our FY12E sales volume estimate to 549 TBTUs from earlier 541 TBTUs (H2FY12: 268.5 TBTUs)
- ❑ Similarly, we have revised our FY13E RLNG volume estimate from 546 TBTUs to 556 TBTUs to capture the short fall in domestic supply and strong demand from petrochemicals, CGD and refinery sector.
- ❑ On the supply side, it is expected that PLNG's Dahej terminal will receive a supply of ~ 60 KMT of liquefied natural gas from Algeria.
- ❑ Domestic gas supply is under pressure due to production decline from KG-D6 fields off the East Coast to less than 42 million standard cubic meters per day (mmscmd). The Dhirubhai-1 & 3 gas fields and the MA oilfield in the KG-DWN-98/3 or KG-D6 block in the Bay of Bengal produced about 41.68 mmscmd of gas in W4 Oct'11, according to a production report.
- ❑ RIL has shut four wells due to high water ingress and sanding issues. The current output is from 14 wells out of the 18 drilled and completed so far in the D-1 & D-3 fields.
- Management has stated that the rising demand of LNG has led to steady growth in capacity utilization at Dahej plant. In Q2FY12, the ratio of spot cargos to long term cargos was 14:28.
- PLNG plans to invest Rs 30 Bn on expanding its Dahej plant's capacity to 15 mmtpa from the present 10 mmtpa. It is also setting up a second jetty at Dahej at a cost of Rs.9 bn, which will enable it to improve utilization of its existing capacity by another 20-25%.
- Additional Jetty and associated unloading terminal expected at Dahej to commission by Q2FY14, contract awarded. We believe that this will allow PLNG to bring in bigger vessels which will lower the turnaround time and will improve operational efficiencies.
- The company is setting up another LNG terminal at Kochi with 5 MTPA capacity at a cost of Rs.42 bn to be commissioned by Dec'12. Management said construction work at the Kochi terminal is on schedule and 90% work has been completed.
- Management said it is under the process of evaluating the commercial viability of setting up another terminal in the east coast of India. The Company plans to build a capacity of 25 mmtpa by 2015.
- 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-gassifier. This will improve its margins going forward, we opine.
- India's gas demand is currently pegged at 179 mmscmd, while the domestic supply is constrained at around 140 mmscmd.
- PLNG's revised earnings estimate Rs.14.16 FY12E and Rs.14.85 (earlier Rs.14.55) FY13E. We believe upsides to our estimates can come from two things - 1). Section 80IA IT benefit and 2). Strong valuation of a 26% stake in Dahej solid cargo port.

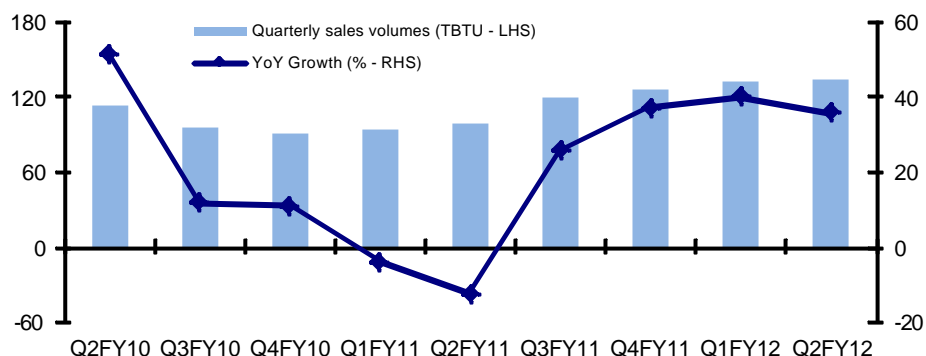
Summary table

(Rs mn)	FY11	FY12E	FY13E
Net Sales	131,973	208,563	218,713
Growth (%)	23.9	58.0	4.9
EBIDTA	12,333	19,598	20,983
EBIDTA margin (%)	9.3	9.4	9.6
PBT	9,063	16,085	16,877
Net profit	6,195	10,618	11,140
EPS (Rs)	8.10	14.16	14.85
Growth (%)	50.2	74.8	4.9
CEPS (Rs)	10.7	16.6	18.0
Book value (Rs/share)	35.7	47.2	59.2
DPS (Rs)	2.00	2.34	2.41
ROE (%)	23.9	33.1	27.2
ROCE (%)	13.6	18.7	17.3
Net Cash (Debt)	(30621)	(32352)	(32025)
NW Capital (Days)	7.3	6.1	6.0
EV/Sales (x)	1.1	0.7	0.7
EV/EBIDTA (x)	11.8	7.4	6.9
P/E (x)	19.3	11.0	10.5
P/BV (x)	4.37	3.31	2.63
P/CEPS (X)	14.5	9.4	8.7

Source: Company, Kotak Securities - Private Client Research

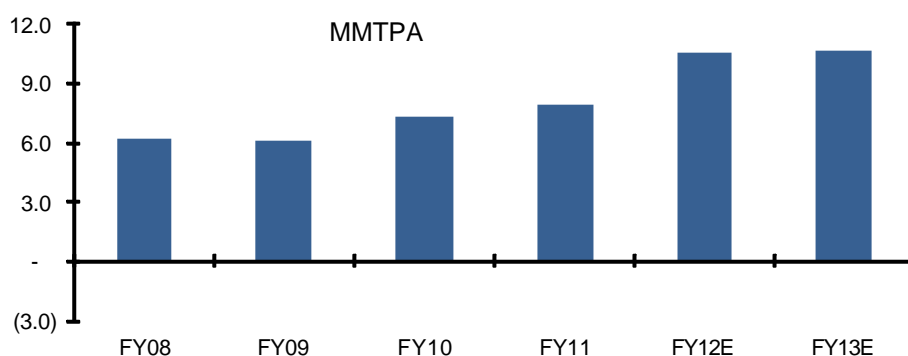
- On the basis of our estimates, the stock at current market price of Rs.156 is fairly valued at 6.9x EV/EBIDTA, 10.5x P/E, 8.7x P/CEPS and 2.63x P/BV on FY13E earnings. We have revised WACC of 12.2% (earlier 12.0%) and cost of equity at 14.4% (earlier 14.1%).
- Due to limited upside potential and fair valuations, we recommend Accumulate on PLNG with revised 12-month price target of Rs.174 (earlier Rs.175). Further, commissioning of Kochi terminal will be a trigger for the stock, we opine. We believe PLNG should benefit from gas shortages and rising domestic natural gas demand over the long term.

Quarterly sale volume (TBTU) & YoY growth (%)



Source: Company and Kotak Securities - Private Client Research

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



Source: Company and Kotak Securities - Private Client Research

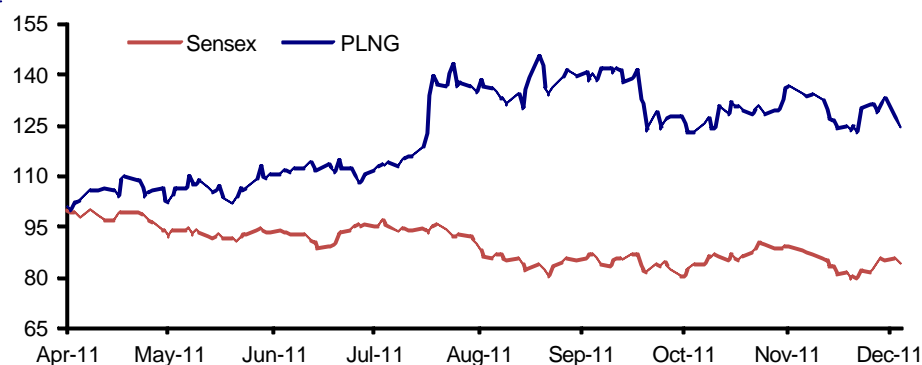
Latest Developments

Supply crunch may trip 8,000 MW of new gas-based power capacity

As discussed, domestic gas supply has lowered further due to production decline from KG-D6 fields off the East Coast to a one-year low of less than 42 mmscmd. The Dhirubhai-1 & 3 gas fields and the MA oilfield in the KG-DWN-98/3 or KG-D6 block in the Bay of Bengal produced about 41.68 mmscmd of gas in W4 Oct'11, according to a production report.

This has partly led to huge gap between power demand-supply. It is estimated that 8,000 MW of new gas-based power capacity may be stranded due to lack of fuel as the domestic gas output continues to fall with no signs of recovery in sight. "Around 8,000 MW may be ready without gas linkage by March and the generation may not happen as per the planned scheduled," a senior power ministry official said. Ministry officials said that these 10 projects, aggregating to 8,000 MW, would require around 28 mmscmd of gas.

Share price and Nifty performance



Source: Bloomberg

Key assumptions

- For FY12E we expect revenues of Rs.208 bn (up 58% YoY), operating margin of 9.4% and PAT of Rs.10.6 bn accordingly, we expect PLNG to report EPS of Rs.14.16 and CEPS of Rs.16.6 in FY12E. We expect 10.6 Mn MTPA and 10.7 Mn MTPA of LNG sales volume for FY12E and FY13E respectively.
- Management has guided higher re-gasification charges for FY12E. Also, the Company enjoys marginally higher margins on spot cargo's which will also improve its operating margins. In Q2FY12, the Company imported 14 short and spot cargos as against 28 long term cargos.

Price target revised to Rs.174 (earlier Rs.175)

**We recommend
ACCUMULATE on Petronet
LNG with a price target of
Rs.174**

We have valued PLNG on DCF-based method of valuation with 12.2% WACC and 5.0% terminal growth rate. The 12M price target is revised to Rs.174.

Valuation & Recommendation

- On the basis of our estimates, the stock at current market price of Rs.156 is fairly valued at 6.9x EV/EBIDTA, 10.5x P/E, 8.7x P/CEPS and 2.6x P/BV on FY13E earnings.

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)
8-Dec	Arcadia Merc	Rajulben Kamleshkumar Shah	S	59,754	8.4
8-Dec	Aroma Ent	Parulben Devjibhai Patel	B	56,200	51.2
8-Dec	Aroma Ent	Shree Suprinit Tradinvest Pvt.Ltd	S	56,200	51.2
8-Dec	Bharat Forge	Janus Investment Fund A/C Janus Contrarian Fund	S	1,900,000	263.0
8-Dec	Clarus Finance	Kaushik Shah Shares & Sec. Ltd	B	194,093	44.5
8-Dec	Clarus Finance	Persistent Infotech Pvt Ltd	B	128,000	45.5
8-Dec	Clarus Finance	Swift Tie Up Pvt Ltd	S	128,000	43.7
8-Dec	Clarus Finance	Sagar Ratna Hotels Pvt Ltd	S	178,961	45.9
8-Dec	Emporis	Raajratna Stockholdings Pvt Ltd	B	145,690	18.7
8-Dec	Kajaria Cerm	Jwalamukhi Investment Holdings	B	1,050,000	103.0
8-Dec	Kajaria Cerm	Ashish Dhawan	S	1,250,253	103.2
8-Dec	Khodiyar Inds	Sheth Mukesh Rashiklal	S	55,000	2.9
8-Dec	Kwality Cred	Miatru Agro Marketing Pvt Ltd	S	55,000	20.7
8-Dec	Madhur Inds	Alpaben Bharatbhai Patel	B	22,000	40.0
8-Dec	Neha Intl	Shriram Credit Company Ltd	S	179,849	43.2
8-Dec	Nikki Global	Ram Chandra Mourya	B	24,500	348.2
8-Dec	Parichay Invest	Rajaji Gandaji Parmar	B	30,000	30.6
8-Dec	Ponni Sugar	Anubhav A Aggarwal	S	58,000	77.3
8-Dec	Rajeswari Found	Bhavesh Shantilal Trivedi	B	34,873	19.8
8-Dec	Rajeswari Found	G Ramamurthy	S	35,000	19.8
8-Dec	Ram Kaashyap	Sunil Asawa HUF	B	50,000	24.7
8-Dec	Sancia Glob	Facts Share & Stock Broking Pvt. Ltd.	S	206,506	8.8
8-Dec	Sancia Glob	Gvrs Securities Pvt Ltd	S	200,000	8.9
8-Dec	Sankhya Info	Nikhil Vora	B	43,000	15.1
8-Dec	Scope Ind	Suryakantbhai Kashinath Soni	B	51,799	23.1
8-Dec	Spectacle	Jigar Praful Ghoghari	B	346,000	9.8
8-Dec	Tutis Tech-\$	Mandvi Dyes And Chemicals Pvt	S	91,272	17.7
8-Dec	Vaishnavi	Sharmila Parvataneni	B	98,843	8.3
8-Dec	Vaishnavi	Venkata Rama Rao Mannem	B	122,001	8.5
8-Dec	Vaishnavi	Punit Kapoor	S	84,000	8.3
8-Dec	Virat Crane	Nikunj Shah Shares & Stock Brokers	B	45,800	10.7

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Wipro Ltd	413	2.1	1.5	3.2
Sun Pharma	519	1.6	1.0	1.2
PNB	933	1.4	0.5	0.7
Losers				
Reliance Ind	779	(3.8)	(17.2)	4.4
L&T	1,260	(5.4)	(12.6)	2.3
ITC Ltd	199	(2.9)	(10.5)	6.8

Source: Bloomberg

Fundamental Research Team

Dipen ShahIT, Media
dipen.shah@kotak.com
+91 22 6621 6301**Sanjeev Zarbade**Capital Goods, Engineering
sanjeev.zarbade@kotak.com
+91 22 6621 6305**Teena Virmani**Construction, Cement, Mid Cap
teena.virmani@kotak.com
+91 22 6621 6302**Saurabh Agrawal**Metals, Mining
agrawal.saurabh@kotak.com
+91 22 6621 6309**Saday Sinha**Banking, NBFC, Economy
saday.sinha@kotak.com
+91 22 6621 6312**Arun Agarwal**Automobiles
arun.agarwal@kotak.com
+91 22 6621 6143**Ruchir Khare**Capital Goods, Engineering
ruchir.khare@kotak.com
+91 22 6621 6448**Ritwik Rai**FMCG, Media
ritwik.rai@kotak.com
+91 22 6621 6310**Sumit Pokharna**Oil and Gas
sumit.pokharna@kotak.com
+91 22 6621 6313**Amit Agarwal**Logistics, Transportation
agarwal.amit@kotak.com
+91 22 6621 6222**Jayesh Kumar**Economy
kumar.jayesh@kotak.com
+91 22 6652 9172**K. Kathirvelu**Production
k.kathirvelu@kotak.com
+91 22 6621 6311

Technical Research Team

Shrikant Chouhanshrikant.chouhan@kotak.com
+91 22 6621 6360**Amol Athawale**amol.athawale@kotak.com
+91 20 6620 3350**Premshankar Ladha**premshankar.ladha@kotak.com
+91 22 6621 6261

Derivatives Research Team

Sahaj Agrawalsahaj.agrawal@kotak.com
+91 22 6621 6343**Rahul Sharma**sharma.rahul@kotak.com
+91 22 6621 6198**Malay Gandhi**malay.gandhi@kotak.com
+91 22 6621 6350**Prashanth Lalu**prashanth.lalu@kotak.com
+91 22 6621 6110

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