

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	GAIL IN
Equity Shares (m)	6575
M.Cap.(INRb)/(USDb)	1129.3 / 13.6
52-Week Range (INR)	175 / 91
1, 6, 12 Rel. Per (%)	6/36/50
12M Avg Val (INR M)	2193

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	1,331.4	1,438.6	1,535.7
EBITDA	122.3	129.0	159.0
Adj. PAT	85.1	88.0	109.0
Adj. EPS (INR)	12.9	13.4	16.6
EPS Gr. (%)	60.5	3.4	23.9
BV/Sh.(INR)	102.6	112.0	123.6

Ratios

Net D:E	0.2	0.2	0.2
RoE (%)	14.5	13.6	15.2
RoCE (%)	11.4	10.6	11.7
Payout (%)	30.0	30.0	30.0

Valuations

P/E (x)	13.3	12.9	10.4
P/BV (x)	1.7	1.5	1.4
EV/EBITDA (x)	7.8	7.3	5.9
Div. Yield (%)	2.3	2.3	2.9
FCF Yield (%)	1.5	2.4	4.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	51.5	51.5	51.5
DII	27.1	26.8	23.7
FII	14.9	15.4	18.7
Others	6.5	6.0	6.1

FII Includes depository receipts

CMP: INR172

TP: INR200 (+16%)

Buy

Robust performance fueled by turnaround in petchem segment

- GAIL reported EBITDA of INR38.2b in 3QFY24, 10% above our estimate of INR34.7b. It was driven by stronger-than-expected performances in the gas transmission, LPG, and petchem segments. PAT stood at INR28.4b, beating our estimate of INR24.2b (up 12x YoY).
- Management emphasized that improved realization fueled a strong performance in the Liquid Hydrocarbon segment. Additionally, higher petrochemical sales, improved marketing margins, and reduced costs in the petrochemical segment contributed to an overall robust performance.
- GAIL anticipates a robust domestic gas demand, projecting gas transmission volumes to reach 124mmscmd by end-FY24. Forecasts indicate a continued annual growth of 10-12% in volumes for FY25-26, with projected figures of 133mmscmd for FY25 and 141mmscmd for FY26 in the segment.
- Management highlighted that the optimal cost for the petrochemical segment is USD8-9/mmBtu, and the company currently procures and supplies at this rate to the PATA petrochemical plant. The segment's utilization level is at 101%, and no shutdown is anticipated for the PATA plant in the near future.
- We value the core business at 12x Dec'25E adjusted EPS of INR14.1. Adding the value of listed and unlisted investments of INR31, we arrive at our TP of INR200. **Reiterate BUY.**

Beat led by transmission and LPG segments coupled with a turnaround in the petchem segment

- EBITDA came in 10% higher than our estimate at INR38.2b (our est. of INR34.7b, 15x YoY).
- The beat was driven by better-than-expected performances in the gas transmission, LPG and petchem segments.
- PAT was 18% higher than our est. at INR28.4b (est. of INR24.2b, 12x YoY).
- **For 9MFY24**, GAIL's revenue stood at INR983b (-12% YoY). EBITDA was at INR97.5b (+52% YoY), while PAT stood at INR66.6b (+42% YoY).
- GAIL's 1HFY24 EBITDA was 55% of our full-year estimate.
- **The Board declared an interim dividend of INR5.50/share.**
- As of Dec'23, the company had a deficit of INR431m post-settlement in terms of Regulation of Schedule D of Tariff Regulations.
- This pertains to the difference between UFT and the 'Integrated Tariff' that has to be settled between entities through the Settlement Committee on a fortnightly basis.

Segmental EBIT details for 3QFY24

- Gas transmission business reported EBIT of INR12.2b (est. INR11.3b).
- LPG transmission EBIT was at INR794m (-13% YoY).
- Trading business posted an EBIT of INR18.8b (vs. loss of INR860b in 3QFY23).
- Petrochem segment posted an EBIT of INR619m (vs. loss of INR3.5b in 3QFY23).
- LPG and HC reported an EBIT of INR2.6b (vs. loss of INR292m in 3QFY23)

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

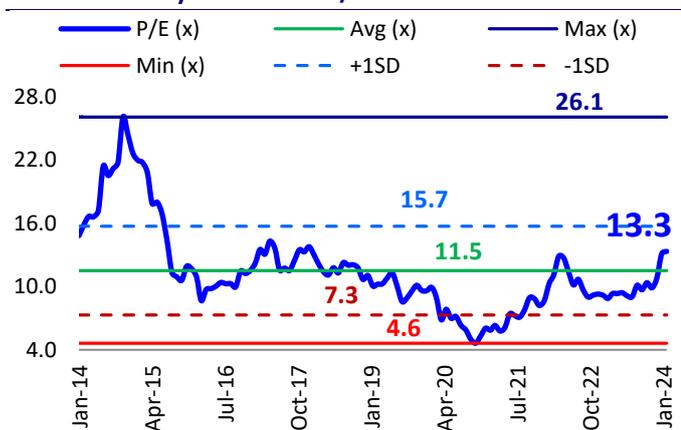
Valuation and view

- **We reiterate our BUY rating on GAIL and raise our TP to INR200.** During FY23-26E, we are modeling the EBITDA to report a 33% CAGR driven by:
 - Rising natural gas transmission volumes to 141mmscmd in FY26 from 107mmscmd in FY23;
 - Substantial improvement in petchem segment’s profitability over 2HFY25- FY26, as the new petchem capacity will be operational and low inventories globally will drive re-stocking demand; and
 - Commencement of operations of 3,892km of gas transmission pipelines and 560ktpa of petchem capacity.
- We expect GAIL’s RoE to improve to ~15% in FY26 from 9.5% in FY23 with a healthy FCF generation of INR49.4b in FY26 (vs. -INR45.3b in FY23). This, we believe, can drive a re-rating for the stock.

Standalone quarterly performance

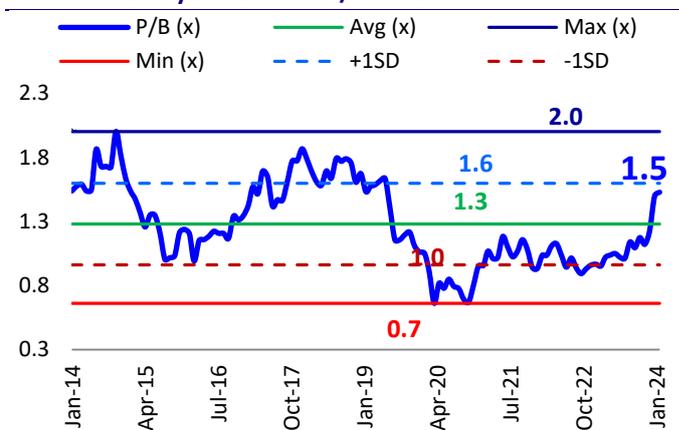
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var. vs. est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	375.7	384.9	353.8	328.6	322.3	318.2	342.5	348.4	1,443.0	1,331.4	354.0	-3%
Change (%)	116.1	78.9	37.3	21.8	-14.2	-17.3	-3.2	6.0	57.5	-7.7	0.1	
EBITDA	43.7	17.6	2.6	3.1	24.3	34.9	38.2	24.9	67.0	122.3	34.7	10%
% of Net Sales	11.6	4.6	0.7	0.9	7.5	11.0	11.2	7.1	4.6	9.2	9.8	
Depreciation	6.0	6.2	6.2	6.4	6.4	7.5	7.8	6.7	24.9	28.4	6.9	
Interest	0.5	0.7	1.0	0.9	1.8	1.7	1.6	1.1	3.1	6.2	1.5	
Other Income	1.8	8.0	6.9	10.2	2.7	5.6	8.1	8.6	26.8	25.0	6.0	
PBT	38.9	18.8	2.2	5.9	18.9	31.3	36.9	25.6	65.8	112.7	32.3	14%
Rate (%)	25.1	18.1	-10.4	-2.1	25.2	23.2	23.0	27.9	19.5	24.6	25.2	
PAT	29.2	15.4	2.5	6.0	14.1	24.0	28.4	18.5	53.0	85.1	24.2	
Change (%)	90.5	-46.3	-92.5	-77.5	-51.6	56.5	1,056.8	206.1	-48.8	60.5	883.8	
Extraord.: Tax Prov. Write Back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adj PAT	29.2	15.4	2.5	6.0	14.1	24.0	28.4	18.5	53.0	85.1	24.2	18%
Change (%)	90.5	-46.3	-92.5	-76.8	-51.6	56.5	1,056.8	206.1	-48.5	60.5	883.8	
Key Assumptions												
Gas Trans. volume (mmscmd)	109.5	107.7	103.7	108.2	116.3	120.3	121.5	124.1	107.3	120.6	122.8	-1%
Petchem sales ('000MT)	109.0	108.0	65.0	118.0	162.0	168.0	215.0	200.2	400.0	745.2	169.4	27%

Exhibit 1: One-year forward P/E ratio



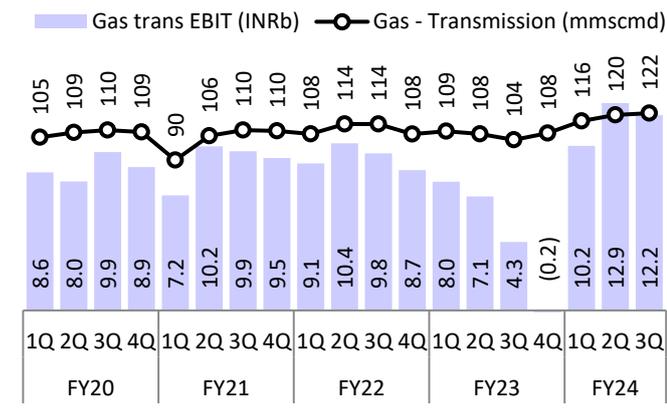
Source: Company, MOFSL

Exhibit 2: One-year forward P/B ratio



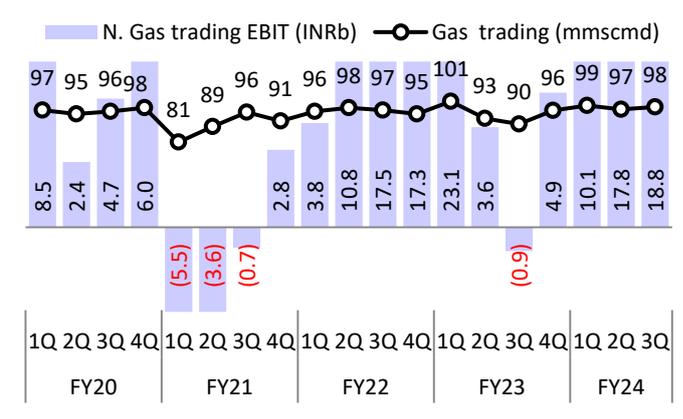
Source: Company, MOFSL

Exhibit 3: Transmission volumes up 17% YoY



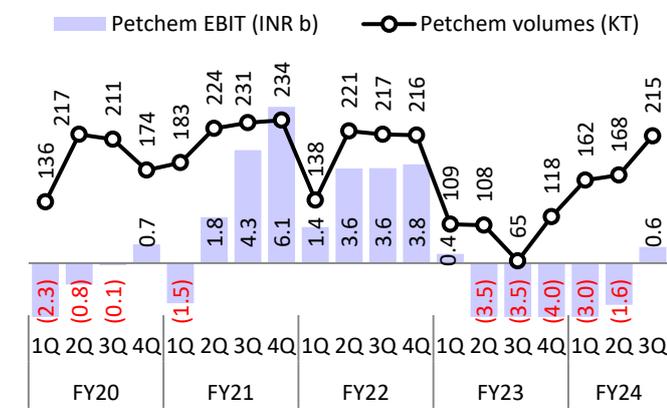
Source: MOFSL, Company

Exhibit 4: Trading volumes up 9% YoY



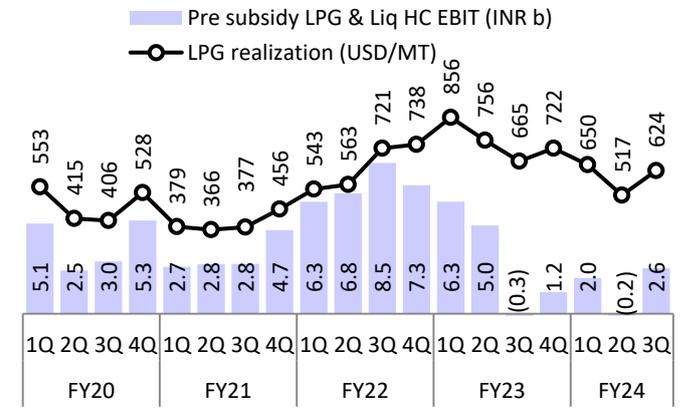
Source: MOFSL, Company

Exhibit 5: Petchem segment volumes recovered 3.3x YoY



Source: MOFSL, Company

Exhibit 6: Realization from LPG and Liquid HC down 6% YoY



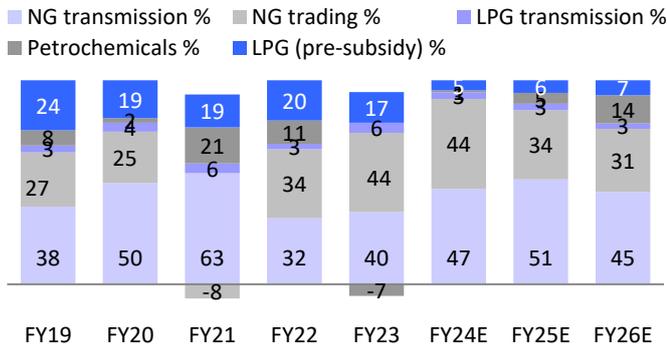
Source: MOFSL, Company

Exhibit 7: Segment-wise performance details (INR m)

Particulars	FY22				FY23				FY24			3QFY24 %	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Exchange Rate (INR/USD)	74.8	75.3	77.3	75.3	77.3	79.8	82.2	82.3	82.2	82.7	83.5	2	1
Gas transmission business													
Volumes (mmscmd)	108	114	114	108	109	108	104	108	116	120	122	17	1
Gross Revenues	14,837	16,462	16,727	15,898	16,584	16,944	16,587	16,495	25,940	26,460	26,758	61	1
Opex	3,077	3,322	4,167	4,358	5,684	6,844	9,357	13,525	12,430	9,960	11,148	19	12
EBITDA	11,760	13,140	12,560	11,540	10,900	10,100	7,230	2,970	13,510	16,500	15,610	116	-5
Depreciation	2,611	2,740	2,785	2,807	2,895	3,004	2,970	3,134	3,264	3,594	3,459	16	-4
EBIT	9,149	10,400	9,775	8,733	8,005	7,096	4,260	-164	10,246	12,907	12,151	185	-6
Average tariff (INR/mscm)	1,514	1,565	1,591	1,642	1,665	1,710	1,738	1,693	2,450	2,391	2,393	38	0
Opex (INR/mscm)	314	316	396	450	571	691	980	1,388	1,174	900	997	2	11
EBITDA (INR/mscm)	1,200	1,249	1,195	1,192	1,094	1,019	758	305	1,276	1,491	1,396	84	-6
Depreciation (INR/mscm)	267	260	265	290	291	303	311	322	308	325	309	-1	-5
EBIT (INR/mscm)	934	989	930	902	804	716	446	-17	968	1,166	1,087	143	-7
LPG Transmission Business													
Volumes ('000 MT)	1,023	1,054	1,057	1,065	1,055	1,100	1,101	1,079	1,073	1,114	1,095	-1	-2
Gross Revenues	1,637	1,666	1,676	1,707	1,695	1,973	1,801	1,748	1,776	1,845	1,839	2	0
Opex	617	686	716	697	695	673	721	778	816	805	829	15	3
EBITDA	1,020	980	960	1,010	1,000	1,300	1,080	970	960	1,040	1,010	-6	-3
Depreciation	153	159	151	158	163	160	163	178	158	221	216	33	-2
EBIT	867	821	810	852	837	1,140	917	792	802	819	794	-13	-3
Average tariff (INR/MT)	1,600	1,581	1,586	1,603	1,606	1,794	1,635	1,620	1,655	1,656	1,679	3	1
Opex	603	651	677	654	658	612	654	721	760	723	757	16	5
EBITDA	997	930	908	948	948	1,182	981	899	895	934	922	-6	-1
Depreciation	149	151	142	148	154	145	148	165	147	199	197	33	-1
EBIT	848	779	766	800	794	1,037	833	734	747	735	725	-13	-1
Gas Trading Business													
Volumes (mmscmd)	96	98	97	95	101	93	90	96	99	97	98	9	1
Revenues	142,883	178,765	220,918	230,694	346,047	354,654	336,600	315,604	283,817	277,280	300,381	-11	8
EBIT	3,776	10,789	17,497	17,259	23,145	3,629	-860	4,874	10,136	17,846	18,804	LP	5
Revenues (INR/mscm)	16,364	19,884	24,868	27,070	37,710	41,657	40,702	36,354	31,555	31,084	33,269	-18	7
EBIT (INR/mscm)	432	1,200	1,970	2,025	2,522	426	-104	561	1,127	2,001	2,083	LP	4
Petrochemicals Business													
Volumes ('000 MT)	138	221	217	216	109	108	65	118	162	168	215	231	28
Gross Revenues	13,623	22,834	24,005	25,023	14,558	13,515	7,505	13,595	17,036	17,433	20,502	173	18
Opex	11,073	18,014	19,105	19,993	12,868	15,615	9,605	16,165	18,766	17,813	18,452	92	4
EBITDA	2,550	4,820	4,900	5,030	1,690	-2,100	-2,100	-2,570	-1,730	-380	2,050	LP	LP
Depreciation	1,167	1,187	1,254	1,240	1,338	1,362	1,389	1,439	1,279	1,220	1,431	3	17
EBIT	1,383	3,633	3,646	3,790	352	-3,462	-3,489	-4,009	-3,009	-1,600	619	LP	LP
Realization (USD/MT)	1,320	1,372	1,431	1,539	1,728	1,568	1,405	1,400	1,279	1,255	1,142	-19	-9
Realization (INR/kg)	99	103	111	116	134	125	115	115	105	104	95	-17	-8
Opex (INR/kg)	80	82	88	93	118	145	148	137	116	106	86	-42	-19
EBITDA (INR/kg)	18	22	23	23	16	-19	-32	-22	-11	-2	10	LP	LP
Depreciation (INR/kg)	8	5	6	6	12	13	21	12	8	7	7	-69	-8
EBIT (INR/kg)	10	16	17	18	3	-32	-54	-34	-19	-10	3	LP	LP
LPG & Liquid Hydrocarbons Business													
Volumes ('000 MT)	250	262	275	217	220	231	248	230	247	242	249	0	3
Gross Revenues	10,151	11,113	15,328	12,060	14,554	13,939	13,549	13,658	13,190	10,345	12,964	-4	25
Opex	3,611	4,083	6,578	4,530	7,924	8,699	13,609	12,198	10,940	10,295	10,164	-25	-1
EBITDA	6,540	7,030	8,750	7,530	6,630	5,240	-60	1,460	2,250	50	2,800	LP	5500
Depreciation	199	207	200	247	282	238	232	235	229	217	225	-3	4
EBIT	6,341	6,823	8,550	7,283	6,349	5,002	-292	1,225	2,021	-167	2,575	LP	LP
EBIT (Post-Subsidy)	6,341	6,823	8,550	7,283	6,349	5,002	-292	1,225	2,021	-167	2,575	LP	LP
Realization (USD/MT)	543	563	721	738	856	756	665	722	650	517	624	-6	21
Realization (INR/MT)	40,602	42,416	55,738	55,577	66,155	60,340	54,635	59,380	53,402	42,749	52,063	-5	22
Opex (INR/MT)	14,442	15,584	23,920	20,876	36,019	37,656	54,877	53,033	44,292	42,543	40,818	-26	-4
EBITDA (INR/MT)	26,160	26,832	31,818	34,700	30,136	22,684	-242	6,348	9,109	207	11,245	LP	5343
Depreciation (INR/MT)	796	789	728	1,139	1,280	1,029	934	1,020	927	896	902	-3	1
EBIT (INR/MT)	25,364	26,043	31,090	33,562	28,857	21,655	-1,176	5,327	8,182	-690	10,343	LP	LP
EBIT post Subsidy (INR/MT)	25,364	26,043	31,090	33,562	28,857	21,655	-1,176	5,327	8,182	-690	10,343	LP	LP

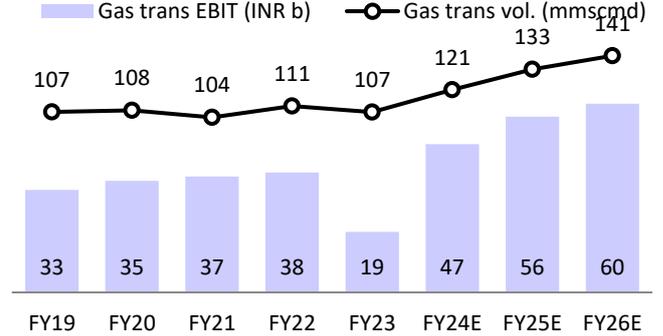
Story in charts

Exhibit 8: Transmission to be the major contributor to EBITDA



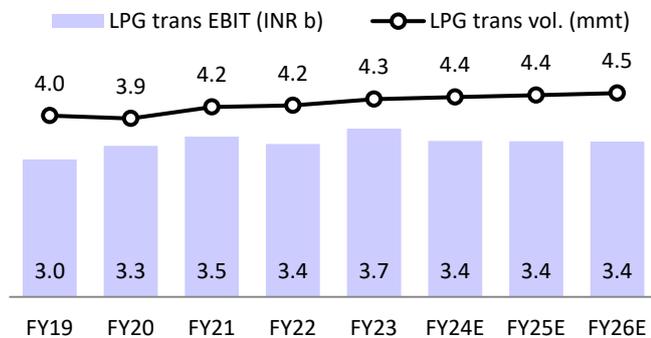
Source: Company, MOFSL

Exhibit 9: Expect gas transmission volumes to grow over FY24-25



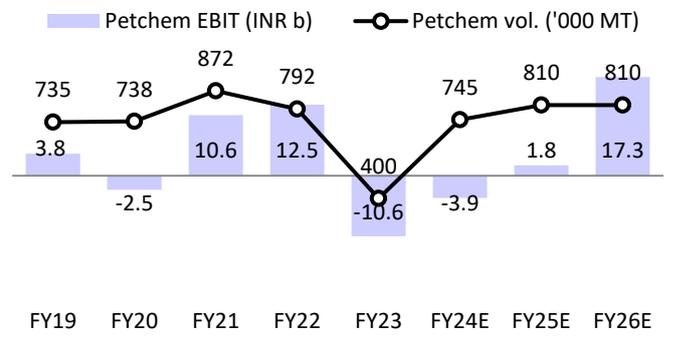
Source: Company, MOFSL

Exhibit 10: LPG transmission segment



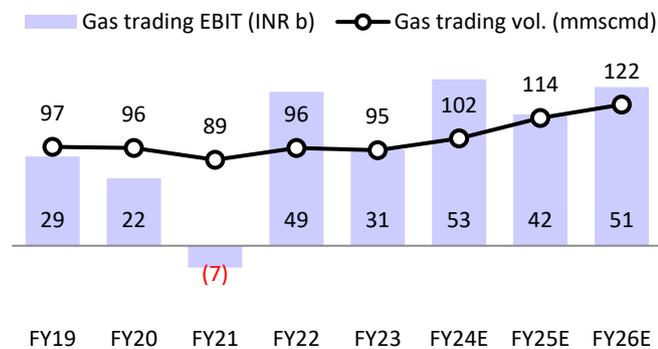
Source: Company, MOFSL

Exhibit 11: Petchem segment



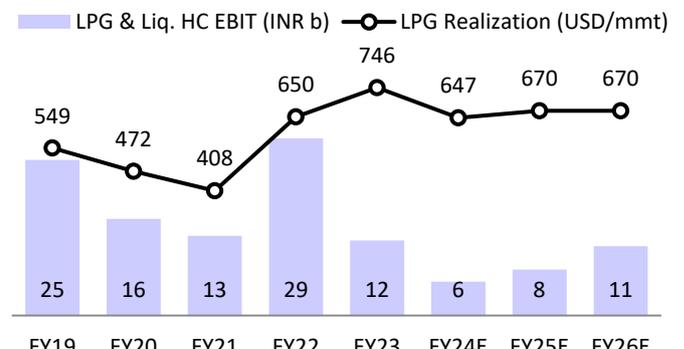
Source: Company, MOFSL

Exhibit 12: Gas trading segment



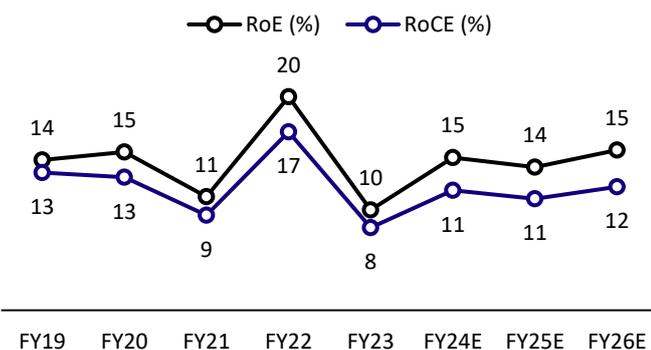
Source: Company, MOFSL

Exhibit 13: EBIT from LPG and Liquid HC



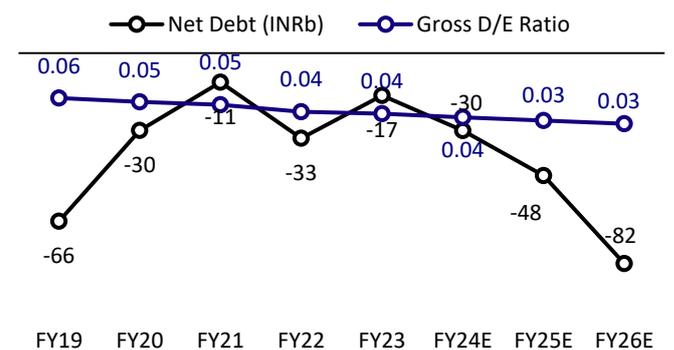
Source: Company, MOFSL

Exhibit 14: Expect return ratios to recover



Source: Company, MOFSL

Exhibit 15: Expect D/E ratio to decline



Source: Company, MOFSL

Financials and valuations

Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	751.3	718.8	567.4	916.5	1,443.0	1,331.4	1,438.6	1,535.7
Change (%)	39.6	-4.3	-21.1	61.5	57.5	-7.7	8.0	6.7
EBITDA	95.3	83.7	64.5	138.3	67.0	122.3	129.0	159.0
% of Net Sales	12.7	11.6	11.4	15.1	4.6	9.2	9.0	10.4
Depreciation	15.5	18.4	19.1	21.1	24.9	28.4	30.1	31.9
Interest	1.4	1.1	1.6	1.7	3.1	6.2	6.3	6.4
Other Income	15.7	14.2	20.0	20.5	26.8	25.0	25.0	25.0
EO Items (net)	-3.3	1.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	90.8	79.4	63.9	135.9	65.8	112.7	117.6	145.7
Tax	30.6	13.2	15.0	32.3	12.8	27.7	29.6	36.7
Rate (%)	33.7	16.7	23.4	23.7	19.5	24.6	25.2	25.2
Reported PAT	60.3	66.2	48.9	103.6	53.0	85.1	88.0	109.0
Adjusted PAT	63.3	74.2	49.0	102.9	53.0	85.1	88.0	109.0
Change (%)	26.0	9.9	-26.1	111.9	-48.8	60.5	3.4	23.9

Balance Sheet								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	22.6	45.1	44.4	44.4	65.8	65.8	65.8	65.8
Reserves	418.4	394.6	421.7	511.5	490.8	550.3	611.9	688.2
Net Worth	440.9	439.7	466.1	555.9	556.5	616.1	677.7	754.0
Loans	8.7	54.1	59.9	63.5	143.1	164.6	197.5	217.2
Deferred Tax	59.5	45.0	45.0	47.7	46.6	46.6	46.6	46.6
Capital Employed	509.1	538.8	571.0	667.1	746.3	827.3	921.8	1,017.8
Gross Fixed Assets	508.1	548.3	591.4	638.5	703.4	881.6	981.6	1,081.6
Less: Depreciation	197.2	215.6	234.7	255.8	280.7	309.1	339.1	371.0
Net Fixed Assets	310.9	332.7	356.7	382.7	422.7	572.5	642.4	710.5
Capital WIP	92.0	105.8	119.0	130.7	136.6	58.4	58.4	58.4
Investments	95.3	78.8	105.5	136.3	148.3	148.3	148.3	148.3
Current Assets								
Inventory	23.2	29.6	26.0	30.2	52.8	48.7	52.7	56.2
Debtors	50.7	55.8	44.9	83.7	114.1	105.3	113.8	121.4
Cash & Bank Balance	12.1	8.0	13.6	20.8	4.0	11.0	37.9	68.0
Cash	1.5	5.5	12.1	13.7	1.7	8.7	35.6	65.7
Bank Balance	10.6	2.6	1.5	7.2	2.3	2.3	2.3	2.3
Loans/Adv. & Other Assets	59.5	74.7	67.3	79.0	82.8	82.8	82.8	82.8
Current Liab. & Prov.								
Liabilities	120.4	133.7	148.5	181.2	198.1	182.8	197.5	210.9
Provisions	14.3	12.8	13.6	15.1	16.9	16.9	16.9	16.9
Net Current Assets	10.9	21.5	-10.2	17.3	38.7	48.1	72.7	100.6
Application of Funds	509.1	538.8	571.0	667.1	746.3	827.3	921.8	1,017.8

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	9.6	11.3	7.4	15.6	8.1	12.9	13.4	16.6
Cash EPS	11.5	12.9	10.3	19.0	11.8	17.3	18.0	21.4
Book Value	68.1	73.0	77.1	89.5	93.5	102.6	112.0	123.6
DPS	2.6	4.3	3.4	3.4	4.0	3.9	4.0	5.0
Payout (incl. dvd tax)	34.7	51.3	45.0	21.3	49.6	30.0	30.0	30.0
Valuation (x)								
P/E	17.9	15.3	23.2	11.0	21.4	13.3	12.9	10.4
Adj. P/E (for investments)	14.7	12.6	19.0	9.1	17.6	10.9	10.6	8.5
Cash P/E	15.0	13.4	16.7	9.1	14.6	10.0	9.6	8.0
EV / EBITDA	3.4	8.1	9.4	4.9	12.4	7.8	7.3	5.9
EV / Sales	0.5	1.1	1.4	0.8	0.8	0.9	0.8	0.7
Price / Book Value	2.5	2.4	2.2	1.9	1.8	1.7	1.5	1.4
Dividend Yield (%)	1.5	2.5	2.0	2.0	2.3	2.3	2.3	2.9
Profitability Ratios (%)								
RoE	14.3	15.0	10.8	20.3	9.5	14.5	13.6	15.2
RoCE	13.1	12.6	9.0	17.0	7.9	11.4	10.6	11.7
RoIC	18.0	16.6	10.2	25.1	8.1	13.3	11.5	13.4
Turnover Ratios								
Debtors (No. of Days)	25	28	29	33	29	29	29	29
Fixed Asset Turnover (x)	1.5	1.3	1.0	1.4	1.9	1.6	1.6	1.5
Leverage Ratio								
Net Debt / Equity (x)	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY22	FY24E	FY25E	FY26E
(INR b)								
OP/(Loss) before Tax	90.8	79.4	63.9	135.9	65.8	112.7	117.6	145.7
Depreciation	15.5	18.4	19.1	21.1	24.9	28.4	30.1	31.9
Interest charge	1.4	1.1	1.6	1.7	3.1	6.2	6.3	6.4
Tax paid	-20.8	-19.6	-12.8	-32.0	-15.2	-27.7	-29.6	-36.7
(Inc)/Dec in Wkg. Capital	-3.3	3.1	22.2	-29.7	-30.9	-2.4	2.3	2.1
CF from Op. Activity	78.8	68.9	80.6	89.5	28.1	117.2	126.7	149.4
(Inc)/Dec in FA & CWIP	-72.0	-54.3	-49.8	-59.2	-73.4	-100.0	-100.0	-100.0
Free Cash Flow	6.7	14.5	30.9	30.4	-45.3	17.2	26.7	49.4
(Pur)/Sale of Investments	-2.7	-6.2	-10.7	-4.6	-10.6	0.0	0.0	0.0
CF from Inv. Activity	-54.4	-68.3	-38.6	-46.1	-65.5	-100.0	-100.0	-100.0
Interest charge	-1.4	-1.1	-3.2	-3.2	-5.8	-6.2	-6.3	-6.4
Inc / (Dec) in Debt	-11.3	45.2	4.6	3.6	79.6	21.5	32.9	19.7
Dividends Paid	-20.9	-39.4	-22.4	-39.9	-30.7	-25.5	-26.4	-32.7
CF from Fin. Activity	-33.6	3.4	-35.4	-41.8	25.5	-10.2	0.2	-19.4
Inc / (Dec) in Cash	-9.3	4.0	6.6	1.6	-11.9	7.0	26.9	30.0
Add: Opening Balance	10.8	1.5	5.5	12.1	13.7	1.7	8.7	35.6
Closing Balance	1.5	5.5	12.1	13.7	1.7	8.7	35.6	65.7

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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