



TM

## GAIL (India)

30 January 2025

## Risk-reward favourable despite weak result; Keep BUY

## RESULT UPDATE

Sector: Natural Gas Rating: BUY

CMP: Rs 166 Target Price: Rs 202

## Stock Info

Sensex/Nifty	76,759/23,250
Bloomberg	GAIL IN
Equity shares (mn)	6,575
52-wk High/Low	Rs 246/163
Face value	Rs 10
M-Cap	Rs1,098bn/ USD12.8bn
3-m Avg volume	Rs 3.5bn

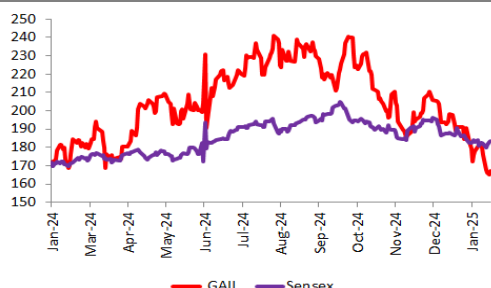
## Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	1,306	1,352	1,365
EBITDA	134	148	161
PAT	88	100	108
EPS (Rs)	13.4	15.3	16.5
PE (x)	12.4	10.9	10.1
EV/EBITDA (x)	9.4	8.5	7.7
RoE (%)	13.8	14.5	14.4
RoCE (%)	10.7	11.1	11.3
Dividend yield (%)	3.3	3.7	3.9

## Shareholding Pattern (%)

	Jun'24	Sep'24	Dec'24
Promoter	51.9	51.9	51.9
FII	15.2	16.8	16.0
DII	18.3	16.9	17.6
Others	14.6	14.4	14.5

## Stock Performance (1-year)



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GAIL's Q3FY25 result was below our expectations on the back of lower than expected profit from gas trading business and lower transmission volume. EBITDA experienced a 24% sequential decline (-26% YoY) to Rs28.4 bn, primarily driven by a 45% decrease in trading profit and 3.6% QoQ fall in transmission volume. However, LHC segment reported a strong growth of 47% QoQ to Rs4.1 bn led by higher LPG price. Gas transmission volumes declined 4% QoQ at 125.9mmscmd (+3.6% YoY) due to reduced offtake in the power segment while the effective tariff remained stable at Rs2.13/scm. EBITDA/scm witnessed a 16% sequential decline to Rs0.9/scm due to elevated spot LNG prices. Gas trading volumes grew by 7% QoQ to 103.5mmscmd as the company sold 9mmscmd in the international market. Further, the company received Rs24.4 bn as a one-time settlement for the non-supply of the contractual gas from Gazprom. Petrochemical utilisation remained healthy at 106% and reported EBITDA declined 54% QoQ to Rs1.3 bn due to higher gas cost and shrinking HDPE margins.

GAIL plans to enhance its CNG network by establishing 80 new stations and connecting 120,000 DPNG households over the next two years. The company reaffirmed its transmission volume outlook, targeting 129-130 MMSCMD in FY25, with a projected annual increase of ~10 MMSCMD, reaching 140 MMSCMD in FY26 and 150 MMSCMD in FY27. GAIL also expects a minimum marketing EBITDA of Rs45 bn in FY25, with a potential range of Rs45-50 Bn in FY26. The Usar PDH-PP (500 KTPA) and Pata PP (60 KTPA) projects are currently 75% and 91% complete, with commissioning slated for Oct'25 and Mar'25, respectively. We cut our FY25 EBITDA estimates by 5% while largely keeping FY27E numbers unchanged. We cut our TP to Rs202 (on lower multiple for gas trading) from earlier Rs230 and maintain BUY on the stock.

## Capex plan on track; Transmission volume to grow by ~10mmscmd/year

The company is working on over 7,000 km of cross-country pipelines, expanding its existing network of more than 16,000 km. The Jagdishpur-Haldia-Bokaro-Dhamra (JHBDPL) pipeline, covering 3,289 km, has already seen 2,986 km commissioned, with the remaining stretch expected to be finished by March 2025. The Mumbai-Nagpur-Jharsuguda pipeline (1,775 km) and the Srikakulam-Angul pipeline (421 km) are now expected to be completed in FY26, slightly later than originally planned. Capex of Rs21.2bn, mainly on pipelines (Rs4bn), petrochemicals (Rs7.5bn), CGD projects (Rs0.4bn), and operational/equity contributions. FY25 capex maintained at Rs90bn. Company plans to add ~80 CNG stations and 1.2 Lakh DPNG connections over the next two years. Overall, GAIL expects to add ~10mmscmd of gas ever year till FY27.

## Keep a BUY with a revised TP of Rs202

We are modeling EBITDA/PAT CAGR of 9.6%/9.8% during FY24-FY26E driven by higher transmission volumes and improvement in petrochemical profits. We cut our SOTP based TP to Rs202 by cutting the multiple for gas trading business owing to volatility in earnings. Keep BUY

## Concall Highlights

### Capex Guidance:

Capex of Rs21.2bn, mainly on pipelines (Rs4bn), petrochemicals (Rs7.5bn), CGD projects (Rs0.4bn), and operational/equity contributions. FY25 capex maintained at Rs90bn. Company plans to add ~80 CNG stations and 1.2 Lakh DPNG connections over the next two years.

### Pipeline Expansion Plans:

- Mumbai-Nagpur-Jharsuguda: Expected completion shifted to FY26 (earlier Jun'25).
- Jagdishpur-Haldia-Bokaro-Dhamra (JHBDPL): Still expected by Mar'25.
- Srikakulam-Angul Pipeline: Expected completion FY26 (earlier Jun'25).
- Gurdaspur-Jammu Pipeline: Completion unchanged at FY27.

### Petchem projects update:

- PDH-PP at Usar (500 ktpa, Rs11.3 Bn): Mechanical completion expected Apr'25, commercial Oct'25 (75% complete).
- PP Plant at PATA (60 ktpa, Rs13 Bn): Completion by Mar'25 (91% complete).

### Gas Transmission & Marketing

- Annual guidance: ~129-130 MMSCMD.

### APM Gas Deallocation Impact

- GAIL Gas Impact: Rs160 Mn/quarter (unchanged).
- GAIL Standalone Impact: Rs60 Mn/quarter (unchanged).
- LPG Production: Expected to drop ~75 TMT in Q4 due to APM gas cut.

### Petchem Business

- Q3FY25 Gas Sourcing Cost: \$10/mmbtu (Q2: \$9/mmbtu; Q1: \$8.5/mmbtu).
- Polymer Production: 216 TMT (Q3) vs. 234 TMT (Q2).

### Dabhol LNG Terminal:

- Breakwater Work: Expected completion March 2025 (earlier Feb'25).
- Full Weather Terminal Status: Expected May 2025.
- Utilization: 100% by FY25-end.

### New LNG Contracts Signed:

- 0.75 MMTPA and 1.53 MMTPA (Apr'25 and FY26 onwards, crude-linked)

## Exhibit 1: Actual vs Estimates

(Rs bn)	Actual	Estimates	% Variance
Net sales	349.4	382.0	(8.5)
EBITDA	28.4	32.9	(13.6)
EBITDA margin (%)	8.1	8.6	(48)
Adj net income	20.4	24.4	(16.5)
FDEPS (Rs)	3.1	3.7	(16.5)

Source: Company, Systematix Institutional Research

## Exhibit 2: Quarterly Performance

Rs mn	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% YoY	% QoQ
<b>Revenue</b>	<b>3,42,365</b>	<b>3,23,177</b>	<b>3,36,738</b>	<b>3,29,117</b>	<b>3,49,371</b>	<b>2.0%</b>	<b>6.2%</b>
Raw Material	18,141	18,909	14,300	19,554	19,862	9.5%	1.6%
Chg in stock in trade	9,074	-8,915	3,255	4,387	-6,099	-	-
Purchase of products	2,50,449	2,49,355	2,52,388	2,43,360	2,80,239	11.9%	15.2%
Employee expense	4,943	6,227	5,191	5,209	5,287	6.9%	1.5%
Other expense	21,532	22,023	16,323	19,158	21,704	0.8%	13.3%
<b>Total Expense</b>	<b>3,04,139</b>	<b>2,87,599</b>	<b>2,91,457</b>	<b>2,91,668</b>	<b>3,20,993</b>	<b>5.5%</b>	<b>10.1%</b>
<b>EBITDA</b>	<b>38,226</b>	<b>35,578</b>	<b>45,281</b>	<b>37,450</b>	<b>28,378</b>	<b>-25.8%</b>	<b>-24.2%</b>
<b>EBITDA Margin (%)</b>	<b>11.2</b>	<b>11.0</b>	<b>13.4</b>	<b>11.4</b>	<b>8.1</b>	<b>-304</b>	<b>-326</b>
Depreciation	7,843	11,605	10,489	8,153	8,322	6.1%	2.1%
Interest	1,564	1,932	2,092	1,901	1,666	6.5%	-12.3%
Other Income	8,121	6,376	3,716	7,135	7,497	-7.7%	5.1%
<b>PBT</b>	<b>36,940</b>	<b>28,418</b>	<b>36,416</b>	<b>34,531</b>	<b>50,288</b>	<b>36.1%</b>	<b>45.6%</b>
Tax	8,514	6,648	9,176	7,812	11,614	36.4%	48.7%
<b>Effective tax rate (%)</b>	<b>23.0</b>	<b>23.4</b>	<b>25.2</b>	<b>22.6</b>	<b>23.1</b>	<b>5</b>	<b>47</b>
Reported PAT	28,426	21,770	27,240	26,719	38,674	36.0%	44.7%
<b>Adjusted PAT</b>	<b>28,426</b>	<b>21,770</b>	<b>27,240</b>	<b>26,719</b>	<b>20,374</b>	<b>-28.3%</b>	<b>-23.7%</b>
<b>Adjusted EPS</b>	<b>4.3</b>	<b>3.3</b>	<b>4.1</b>	<b>4.1</b>	<b>3.1</b>	<b>-28.3%</b>	<b>-23.7%</b>

Source: Company, Systematix Institutional Research

## Exhibit 3: Segmental Highlights

Gas Transmission	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% YoY	% QoQ
Revenue	23,210	23,680	26,150	25,640	24,680	6.3%	-3.7%
Volume (mmscmd)	122	123.7	131.8	130.6	125.9	3.6%	-3.6%
Adj. Tariff (Rs/scm)	2	2.10	2.18	2.13	2.13	2.6%	-0.2%
Reported EBITDA	15,650	15,990	19,660	18,060	17,820	13.9%	-1.3%
EBITDA/scm (Rs)	1.15	1.21	1.35	1.08	0.90	-21.9%	-16.4%
<b>LPG Transmission</b>							
Revenue	1,820	1,840	1,780	1,840	2,440	34.1%	32.6%
Volume (mmt)	1.1	1.1	1.1	1.1	1.2	5.7%	2.9%
Tariff (Rs/mt)	1,662	1,652	1,671	1,637	2,109	26.9%	28.8%
Reported EBITDA	1,010	990	1,000	1,050	1,580	56.4%	50.5%
<b>Gas Marketing</b>							
Revenue	2,80,800	2,58,600	2,77,670	2,63,530	2,82,850	0.7%	7.3%
Volume (mmscmd)	98.1	99.9	99.5	96.6	103.5	5.4%	7.1%
Reported EBITDA	20,730	16,270	22,850	15,120	30,730	48.2%	103.2%
EBITDA Margin (USD/mmbtu)	0.6	0.5	0.6	0.3	0.7	26.9%	116.4%
<b>Petchem</b>							
Revenue	20,300	22,340	16,170	21,580	20,540	1.2%	-4.8%
Sales Volume (kt)	215.0	242.0	169.0	226.0	221.0	2.8%	-2.2%
Reported EBITDA	2,050	4,260	1,240	2,810	1,290	-	-54.1%
EBITDA/mt (USD)	95	180	21	77	-36	-	-147.1%
<b>LPG &amp; LHC</b>							
Revenue	11,280	11,950	10,100	10,820	14,060	24.6%	29.9%
Sales Volume (kt)	249	261	218	253	282	13.3%	11.5%
Reported EBITDA	2,800	3,610	2,660	2,770	4,080	45.7%	47.3%
EBITDA/mt (USD)	111	141	103	76	101	-9.1%	32.6%

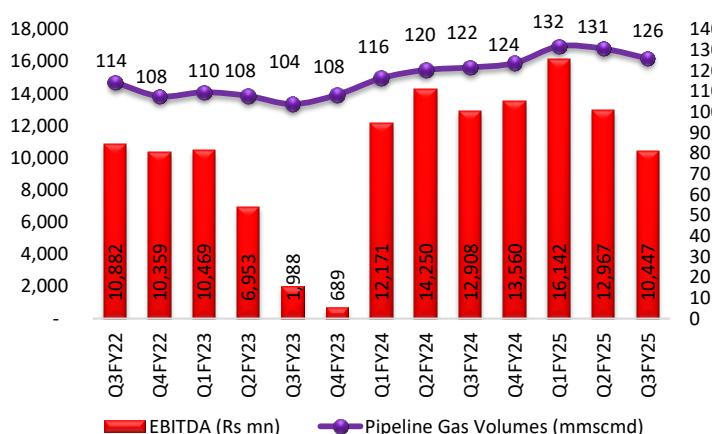
Source: Company, Systematix Institutional Research

## Exhibit 4: Assumptions

Rs mn	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>9,16,265</b>	<b>14,42,497</b>	<b>13,05,731</b>	<b>13,52,255</b>	<b>13,65,306</b>
Gas Transmission	57,170	60,770	96,070	1,03,472	1,11,874
LPG Transmission	6,610	7,140	7,240	7,312	7,386
Gas Marketing	7,08,420	12,57,270	10,63,060	11,01,092	10,98,993
Petrochemicals	84,760	48,440	76,890	75,532	84,552
LHC & Others	59,305	68,877	62,471	46,803	44,508
<b>EBITDA</b>	<b>1,38,290</b>	<b>66,989</b>	<b>1,33,747</b>	<b>1,41,368</b>	<b>1,60,670</b>
Gas Transmission	43,623	23,592	53,841	70,660	76,578
LPG Transmission	3,498	3,682	3,318	4,002	3,972
Gas Marketing	47,440	29,011	62,128	65,339	76,029
Petrochemicals	16,228	-6,596	2,652	6,005	13,595
LHC & Others	27,502	17,300	11,808	13,887	11,573
<b>Pipeline Gas Volume (mmscmd)</b>	<b>111.0</b>	<b>107.3</b>	<b>120.5</b>	<b>130.1</b>	<b>137.9</b>
Average Tariff (Rs/scm)	1.4	1.6	2.2	2.2	2.2
Pipeline LPG Volume (mmt)	4.2	4.3	4.4	4.4	4.5
Average Realisation (Rs/mt)	1,574	1,649	1,647	1,647	1,647
<b>Gas Marketing Volume (mmscmd)</b>	<b>96</b>	<b>95</b>	<b>98</b>	<b>100</b>	<b>102</b>
Average EBITDA/Marketing Margin (\$/mmbtu)	0.4	0.2	0.5	0.5	0.6
<b>Petrochemicals - Sales volume (mmt)</b>	<b>792</b>	<b>440</b>	<b>787</b>	<b>729</b>	<b>770</b>
Average Realisation (Rs/mt)	1,06,862	1,09,929	97,556	1,03,458	1,09,717
<b>LHC - Sales volume (mmt)</b>	<b>1.0</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
Average Realisation (US\$/mt)	621	641	511	562	528

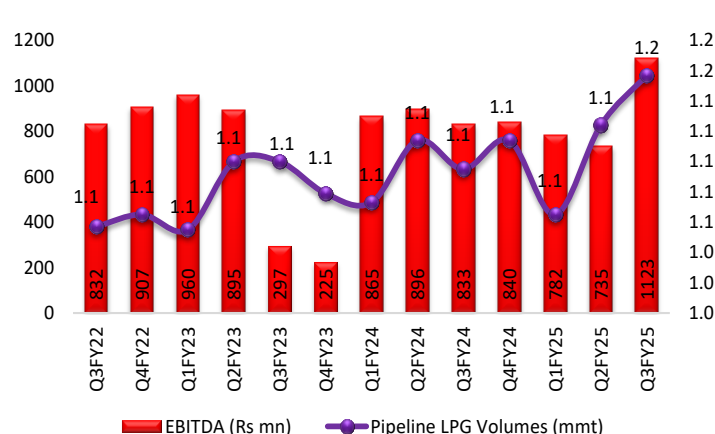
Source: Company, Systematix Institutional Research

## Exhibit 5: Gas transmission EBITDA and Pipeline Gas Volume



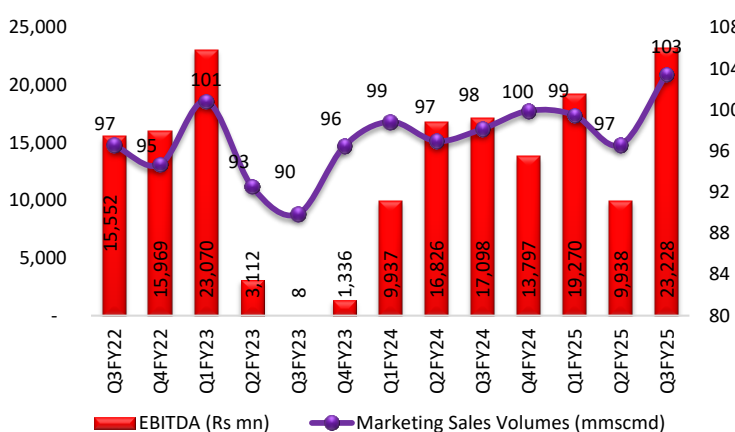
Source: Company, Systematix Institutional Research

## Exhibit 6: LPG transmission EBITDA and Pipeline LPG Volumes



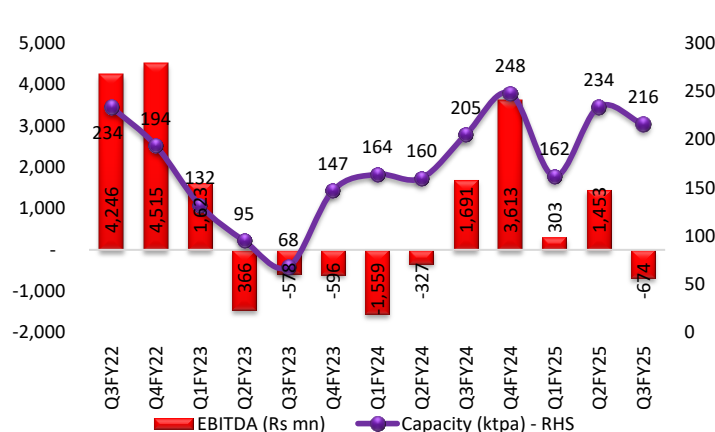
Source: Company, Systematix Institutional Research

## Exhibit 7: Gas trading business EBITDA and Marketing Sales Volumes



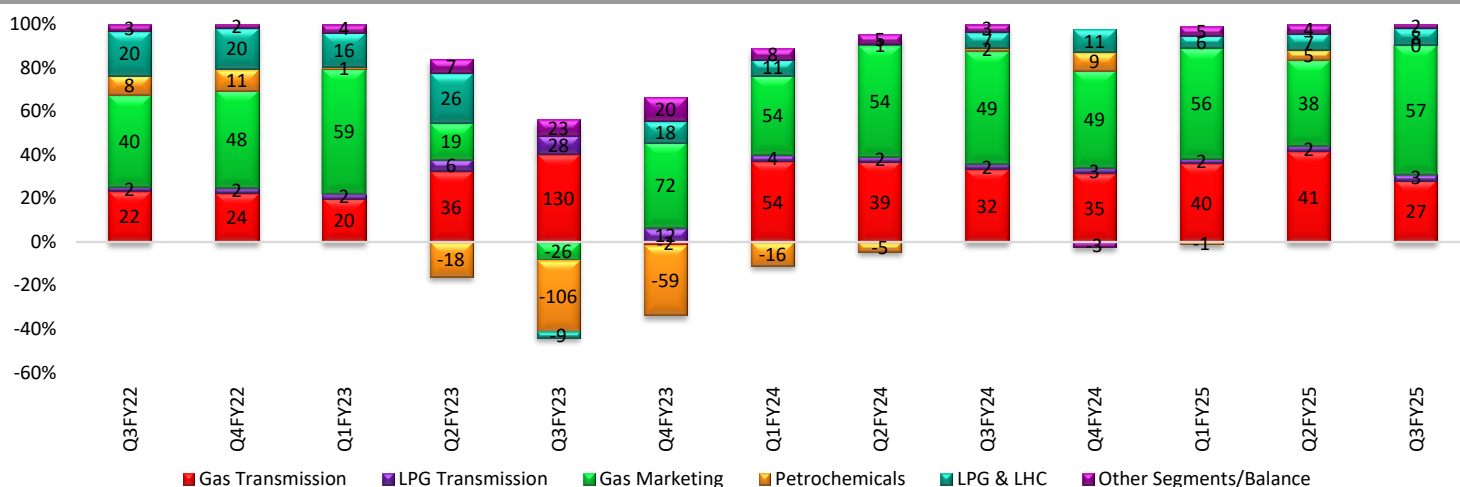
Source: Company, Systematix Institutional Research

## Exhibit 8: Petrochemical EBITDA and Capacity



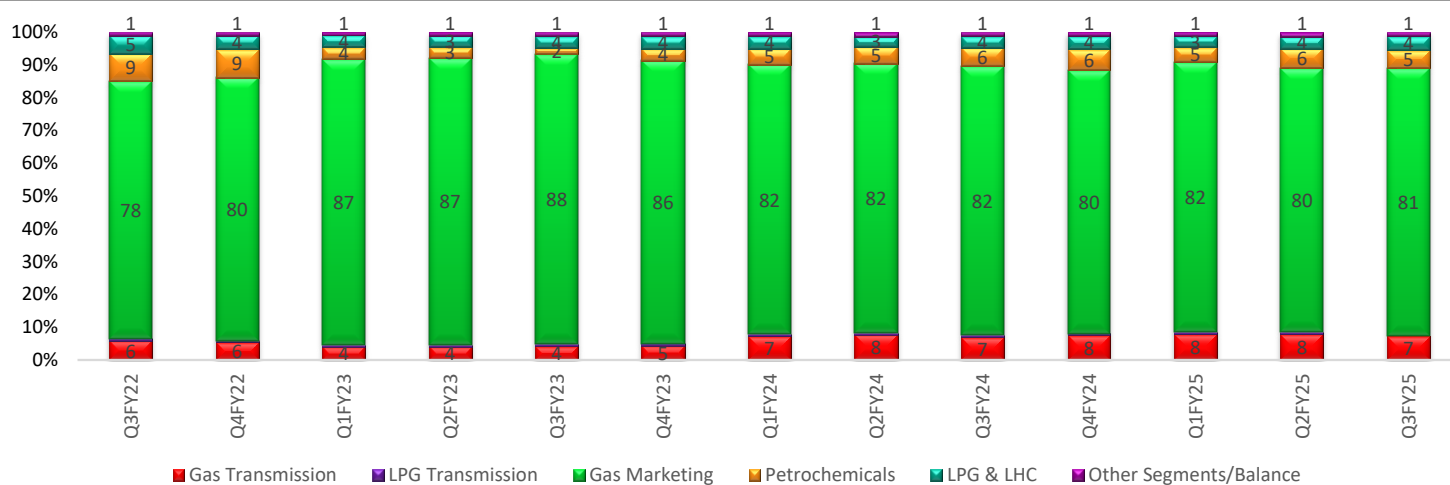
Source: Company, Systematix Institutional Research

Exhibit 9: Segmental EBITDA split up



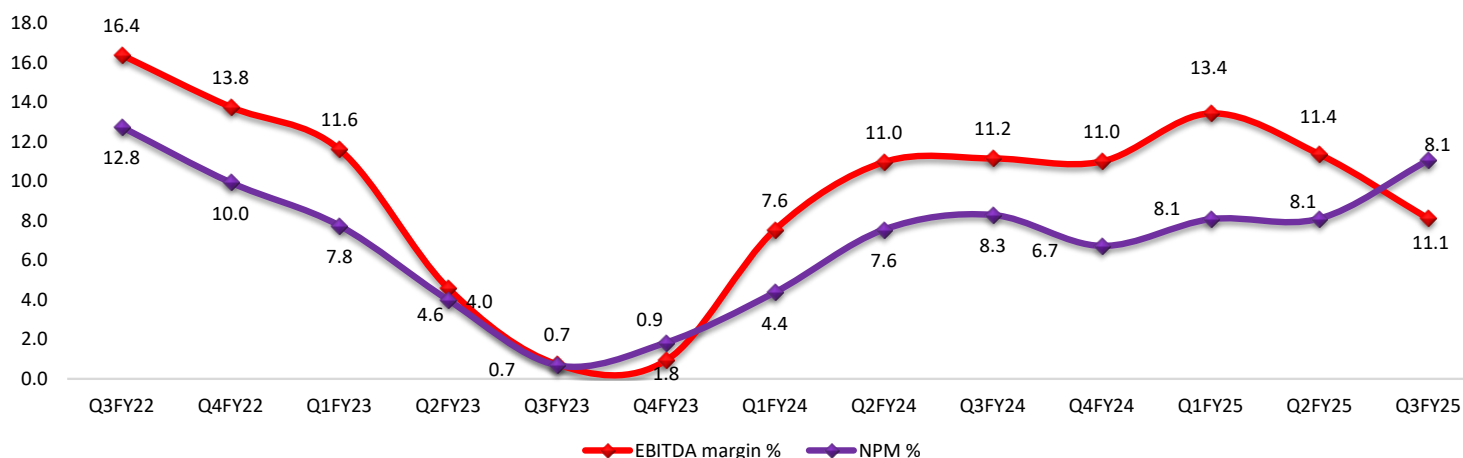
Source: Company, Systematix Institutional Research

Exhibit 10: Segmental revenue split up



Source: Company, Systematix Institutional Research

Exhibit 11: EBITDA and Net Profit Margin



Source: Company, Systematix Institutional Research

## FINANCIALS (STANDALONE)

### Profit & Loss Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Net revenue</b>	<b>9,16,265</b>	<b>14,42,497</b>	<b>13,05,731</b>	<b>13,52,255</b>	<b>13,65,306</b>
Raw material cost	7,07,822	12,88,759	10,70,402	11,07,104	10,95,943
<b>Gross Profit</b>	<b>2,08,443</b>	<b>1,53,737</b>	<b>2,35,329</b>	<b>2,45,152</b>	<b>2,69,363</b>
Employee Cost	17,112	17,174	20,722	22,713	25,266
other expenses	53,041	69,575	80,860	81,071	83,427
<b>EBITDA</b>	<b>1,38,290</b>	<b>66,989</b>	<b>1,33,747</b>	<b>1,41,368</b>	<b>1,60,670</b>
Depreciation	21,112	24,881	33,308	39,493	44,492
<b>EBIT</b>	<b>1,17,179</b>	<b>42,108</b>	<b>1,00,439</b>	<b>1,01,875</b>	<b>1,16,178</b>
Interest Cost	1,744	3,117	6,972	7,450	4,924
Other Income	20,469	26,847	22,079	25,391	27,930
<b>PBT Before Exceptionals</b>	<b>1,35,903</b>	<b>65,838</b>	<b>1,15,546</b>	<b>1,19,815</b>	<b>1,39,184</b>
Exceptional Items	0	0	0	24,400	0
PBT	1,35,903	65,838	1,15,546	1,44,215	1,39,184
Tax	32,263	12,823	27,181	33,925	32,741
Reported PAT	1,03,640	53,015	88,365	1,10,290	1,06,442
<b>Adjusted PAT</b>	<b>1,03,640</b>	<b>53,015</b>	<b>88,365</b>	<b>91,630</b>	<b>1,06,442</b>
Reported EPS (Rs)	23.3	8.1	13.4	16.8	16.2
<b>Adjusted EPS (Rs)</b>	<b>15.8</b>	<b>8.1</b>	<b>13.4</b>	<b>13.9</b>	<b>16.2</b>

Source: Company, Systematix Institutional Research

### Cash Flow

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Pre-Tax Profit	1,35,903	65,838	1,15,546	1,44,215	1,39,184
Depreciation	21,112	24,881	33,308	39,493	44,492
Change in Working Capital	-5,768	-16,529	-8,438	-17,941	-23,006
Tax Paid	-29,737	-30,932	5,548	-1,029	-1,776
Other Operating Activities	-31,960	-15,178	-27,482	-33,425	-32,241
<b>Operating Cash Flow</b>	<b>89,550</b>	<b>28,080</b>	<b>1,18,482</b>	<b>1,31,314</b>	<b>1,26,652</b>
Capital Expenditure	-59,184	-73,416	-70,376	-88,155	-88,172
Change in Investments	4,870	-10,586	-9,948	0	0
Other Investing Activities	8,166	18,469	299	25,391	27,930
<b>Investing Cash Flow</b>	<b>-46,148</b>	<b>-65,533</b>	<b>-80,024</b>	<b>-62,764</b>	<b>-60,242</b>
Free Cash Flow	43,402	-37,453	38,458	68,550	66,410
Equity raised/(repaid)	0	-13,289	0	0	0
Debt raised/(repaid)	1,288	79,560	21,043	-0	0
Other Financing Activities	-37,458	-40,756	-55,353	-60,389	-56,016
<b>Financing Cash Flow</b>	<b>-36,171</b>	<b>25,515</b>	<b>-34,310</b>	<b>-60,389</b>	<b>-56,016</b>
Change in Cash	7,231	-11,938	4,148	8,161	10,394
Opening Cash Balance	13,618	15,958	2,884	7,032	15,193
<b>Closing Cash Balance</b>	<b>20,850</b>	<b>4,020</b>	<b>7,032</b>	<b>15,193</b>	<b>25,587</b>

Source: Company, Systematix Institutional Research

### Key Assumptions

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Gas transm. vol. (mmscmd))	111.0	107.3	120.5	130.1	137.9
LPG transmission volume (mmt)	4.2	4.3	4.4	4.4	4.5
Gas trading volume (mmscmd)	96.2	94.9	98.5	99.9	102.4
Petrochemical sales volume (kt)	792.0	440.0	787.0	729.0	769.5
LHC volume (mmt)	1.0	0.9	1.0	1.0	1.0
Tranmission tariff (Rs/scm)	1.4	1.6	2.2	2.2	2.2

Source: Company, Systematix Institutional Research

### Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	44,404	65,751	65,751	65,751	65,751
Reserves & Surplus	5,11,464	4,90,786	5,76,043	6,33,394	6,88,744
<b>Networth</b>	<b>5,55,868</b>	<b>5,56,537</b>	<b>6,41,794</b>	<b>6,99,145</b>	<b>7,54,495</b>
Short + Long Term Debt	63,528	1,43,087	1,64,131	1,64,131	1,64,131
Deferred Tax Liabilities	47,673	46,628	49,558	50,058	50,558
Other Long Term Liabilities	75,847	76,085	86,241	88,246	90,305
<b>Capital Employed</b>	<b>7,42,916</b>	<b>8,22,337</b>	<b>9,41,723</b>	<b>10,01,579</b>	<b>10,59,488</b>
Gross Block	4,98,310	5,63,169	6,27,610	7,12,428	7,97,229
Accumulated Depreciation	1,15,596	1,40,476	1,73,785	2,13,278	2,57,770
Net Block	3,82,714	4,22,693	4,53,826	4,99,150	5,39,459
Capital WIP	1,30,713	1,36,625	1,58,587	1,60,173	1,61,775
Total Fixed Assets	5,13,427	5,59,318	6,12,413	6,59,323	7,01,234
Long Term Investments & Others	1,82,816	1,93,977	2,75,921	2,78,680	2,81,467
<b>Current Assets</b>	<b>1,67,162</b>	<b>2,08,022</b>	<b>2,06,951</b>	<b>2,22,235</b>	<b>2,34,627</b>
Short Term Investments	0	0	0	0	0
Inventories	30,152	52,813	52,911	54,796	55,325
Sundry Debtors	83,660	1,14,106	1,06,539	1,10,335	1,11,399
Cash & Bank Balance	20,850	4,020	7,032	15,193	25,587
Short Term Loans & Advances	17,857	18,681	16,120	16,694	16,856
Others	14,643	18,403	24,348	25,216	25,459
<b>Current Liab. &amp; Provisions</b>	<b>1,20,490</b>	<b>1,38,979</b>	<b>1,53,561</b>	<b>1,58,659</b>	<b>1,57,839</b>
Creditors	54,660	72,992	67,189	69,420	69,061
Other Current Liabilities	65,830	65,986	86,372	89,239	88,778
Net Current Assets	46,672	69,043	53,389	63,576	76,787
<b>Total Assets</b>	<b>7,42,916</b>	<b>8,22,337</b>	<b>9,41,723</b>	<b>10,01,579</b>	<b>10,59,488</b>

Source: Company, Systematix Institutional Research

### Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth</b>					
Revenue growth	61.5%	57.4%	-9.5%	3.6%	1.0%
EBITDA growth	114.6%	-51.6%	99.7%	5.7%	13.7%
Adjusted PAT growth	111.9%	-48.8%	66.7%	3.7%	16.2%
<b>Margins</b>					
Gross margin	22.7%	10.7%	18.0%	18.1%	19.7%
EBITDA margin	15.1%	4.6%	10.2%	10.5%	11.8%
PBT margin	14.8%	4.6%	8.8%	8.9%	10.2%
Effective Tax rate	23.7%	19.5%	23.5%	23.5%	23.5%
Adjusted PAT margin	8.6%	11.3%	3.7%	6.8%	6.8%
<b>Operating Cycle</b>					
Inventory days	12	13	15	15	15
Debtor days	33	29	30	30	30
Creditor days	26	19	21	21	21
Working Capital Cycle	20	23	24	24	24
<b>Return Ratios</b>					
ROE	18.6%	9.5%	13.8%	15.8%	14.1%
Pre-tax ROCE	15.8%	5.1%	10.7%	10.2%	11.0%
Capex/revenue	6.4%	4.9%	6.6%	6.4%	6.3%
Net debt / Equity	0.1	0.3	0.3	0.2	0.2
<b>Yield Analysis</b>					
CFO Yield	12.1%	2.6%	10.8%	12.0%	11.6%
FCF Yield	2.0%	-4.3%	2.1%	2.1%	3.4%
Dividend Yield	6.0%	2.0%	3.3%	4.0%	3.9%
<b>Valuation</b>					
P/E (x)	10.6	20.6	12.4	11.9	10.3
P/B (x)	1.3	2.0	1.7	1.6	1.5
EV/Sales (x)	0.9	0.9	1.0	0.9	0.9
EV/EBITDA (x)	5.7	18.4	9.4	8.8	7.7

Source: Company, Systematix Institutional Research



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