

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	GAIL IN
Equity Shares (m)	6575
M.Cap.(INRb)/(USDb)	785.7 / 9.4
52-Week Range (INR)	132 / 88
1, 6, 12 Rel. Per (%)	-1/6/25
12M Avg Val (INR M)	1577

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	1,443.0	1,330.8	1,428.3
EBITDA	67.0	109.6	128.2
Adj. PAT	53.0	74.8	87.9
Adj. EPS (INR)	8.1	11.4	13.4
EPS Gr. (%)	-48.5	41.2	17.4
BV/Sh.(INR)	93.5	101.5	110.9

Ratios

Net D:E	0.2	0.3	0.2
RoE (%)	9.5	12.8	13.7
RoCE (%)	7.9	10.1	10.8
Payout (%)	49.6	30.0	30.0

Valuations

P/E (x)	14.9	10.5	9.0
P/BV (x)	1.3	1.2	1.1
EV/EBITDA (x)	8.7	6.0	5.2
Div. Yield (%)	3.3	2.8	3.3
FCF Yield (%)	-5.8	0.9	3.3

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	51.5	51.5	51.5
DII	26.8	25.8	21.7
FII	15.4	16.7	20.4
Others	6.3	6.0	6.4

FII Includes depository receipts

CMP: INR120
TP: INR140 (+17%)
Buy

Petrochemical segment remains a pain point

- GAIL reported EBITDA of INR34.9b in 2QFY24, 54% above our estimate of INR22.7b. It was driven by a stronger-than-expected performance in the gas transmission, trading and petchem segments.
- Domestic gas demand remains strong and GAIL expects gas transmission volumes to rise up to 124mmscmd by FY24 end. It also expects volumes to grow up to 132mmscmd in FY25.
- The deallocation of domestic gas for use in compressors has adversely impacted GAIL by INR12b on an NPV basis. However, it has already notified the issue to PNGRB and expects to recover the amount in subsequent tariff revisions.
- The petchem segment reported an EBIT loss for the fifth consecutive quarter, but it narrowed to INR1.6b in 2QFY24 from INR3b in 1QFY24 due to cost optimization measures. In our view, the petchem segment's profitability will be a key concern amid a weak petchem pricing environment.
- We value the core business at 10x FY25E adjusted EPS of INR11.7. Adding the value of listed and unlisted investments of INR23, we arrive at a TP of INR140/share. Maintain BUY.

Strong performance in gas transmission, trading and petchem drives beat

- EBITDA jumped 98% YoY to INR34.9b, 54% above our estimate of INR22.7b.
- It was driven by a better-than-expected performance in the gas transmission, trading and petchem segments.
- PAT grew 56% YoY to INR24b, beating our estimate of INR15.6b by 54%.
- For 1HFY24**, revenue stood at INR640b (-16% YoY), EBITDA at INR59b (-3% YoY) and PAT at INR38b (-14% YoY).
- 1HFY24 EBITDA was at 55% of our full-year estimate.
- As of Sep'23, the company has a deficit of INR804m after the settlement in terms of Regulation of Schedule D of Tariff Regulations.
- This pertains to the difference between UFT and 'Integrated Tariff' that has to be settled between entities through a settlement committee on a fortnightly basis.

Segmental EBIT details for 2QFY24

- Gas transmission business reported EBIT of INR12.9b (est. INR10b).
- LPG transmission EBIT was in line at INR819m (-28% YoY).
- Trading business reported EBIT of INR17.8b (vs. INR3.6b in 2QFY23).
- Petchem segment posted an operating loss of INR1.6b (vs. INR3.5b loss in 2QFY23).
- LPG and HC reported an operating loss of INR167m (vs. EBIT of INR5b in 2QFY23).

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

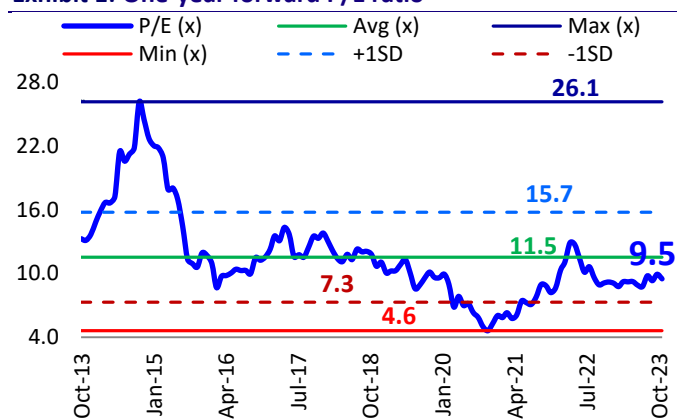
Valuation and view

- GAIL has guided for a capex of ~INR90-100b in FY24, with INR40b for pipelines, INR32b for the petrochem segment, INR7 for operations, INR2b for CGDs and the rest for equity investments and other.
- The remaining portion of the Jagdishpur-Haldia pipeline is expected to be completed by Jun'24. The mechanical completion of the PP plant at PATA and PDH-PP plant at Usar is expected by Jul'24 and Apr'25, respectively.
- We value the core business at 10x FY25E adjusted EPS of INR11.7. Adding the value of listed and unlisted investments of INR23, we arrive at a TP of INR140/share. Maintain BUY.

Quarterly Performance

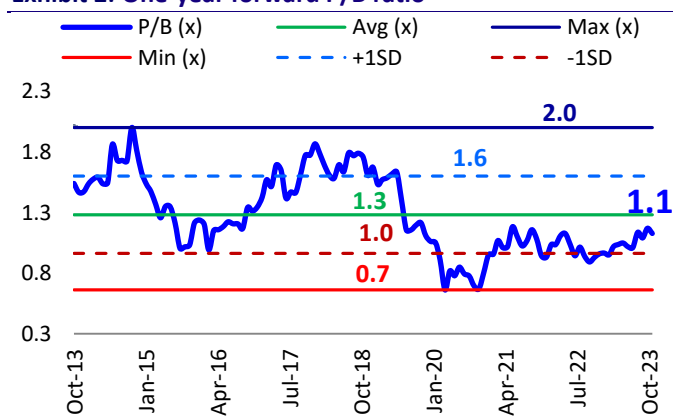
Y/E March	FY23				FY24				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY23	FY24E	FY24 2QE	Var. vs. est.
Net Sales	3,75,721	3,84,909	3,53,804	3,28,582	3,22,275	3,18,226	3,54,643	3,35,683	14,43,016	13,30,827	3,60,200	-12%
Change (%)	116.1	78.9	37.3	21.8	-14.2	-17.3	0.2	2.2	57.5	-7.8	-6.4	
EBITDA	43,657	17,647	2,613	3,072	24,327	34,913	25,334	25,014	66,989	1,09,588	22,696	54%
% of Net Sales	11.6	4.6	0.7	0.9	7.5	11.0	7.1	7.5	4.6	8.2	6.3	
Depreciation	6,030	6,194	6,226	6,432	6,358	7,503	6,858	7,669	24,881	28,388	6,483	
Interest	481	683	1,050	903	1,758	1,718	1,523	1,153	3,117	6,153	1,538	
Other Income	1,798	7,988	6,889	10,172	2,676	5,609	5,992	10,690	26,847	24,968	6,242	
PBT	38,944	18,759	2,227	5,909	18,887	31,301	22,945	26,882	65,838	1,00,015	20,917	50%
Tax	9,792	3,388	-231	-127	4,767	7,252	5,869	7,286	12,823	25,174	5,350	
Rate (%)	25.1	18.1	-10.4	-2.1	25.2	23.2	25.6	27.1	19.5	25.2	25.6	
PAT	29,152	15,371	2,457	6,035	14,120	24,049	17,076	19,596	53,015	74,841	15,567	54%
Change (%)	90.5	-46.3	-92.5	-77.5	-51.6	56.5	594.9	224.7	-48.8	41.2	1.3	
Adj PAT	29,152	15,371	2,457	6,035	14,120	24,049	17,076	19,596	53,015	74,841	15,567	54%
Change (%)	90.5	-46.3	-92.5	-76.8	-51.6	56.5	594.9	224.7	-48.5	41.2	1.3	
Key Assumptions												
Gas Trans. volume (mmscmd)	109.5	107.7	103.7	108.2	116.3	120.3	123.1	124.0	107.3	120.9	119.7	0%
Petchem sales ('000MT)	109.0	108.0	65.0	118.0	162.0	168.0	169.4	164.8	400.0	664.2	202.0	-17%

Exhibit 1: One-year forward P/E ratio

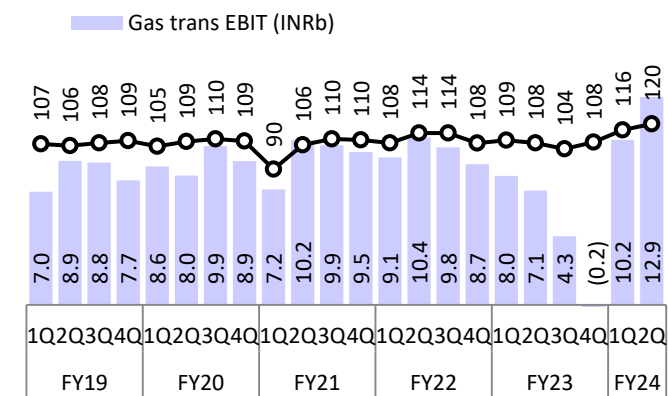


Source: Company, MOFSL

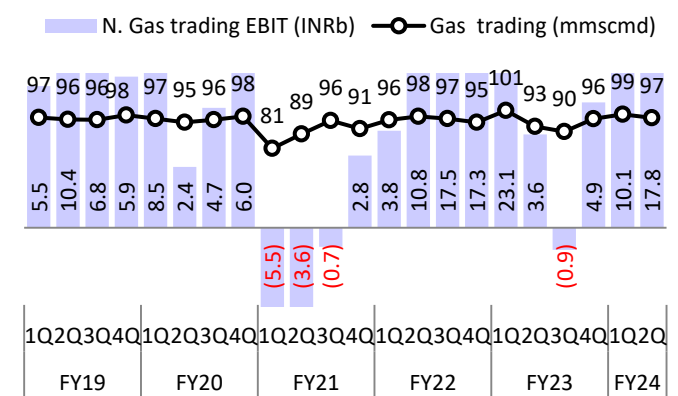
Exhibit 2: One-year forward P/B ratio



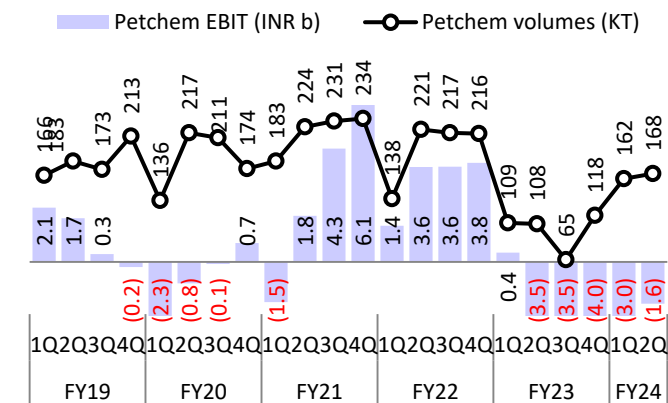
Source: Company, MOFSL

Exhibit 3: Transmission volumes up 12% YoY

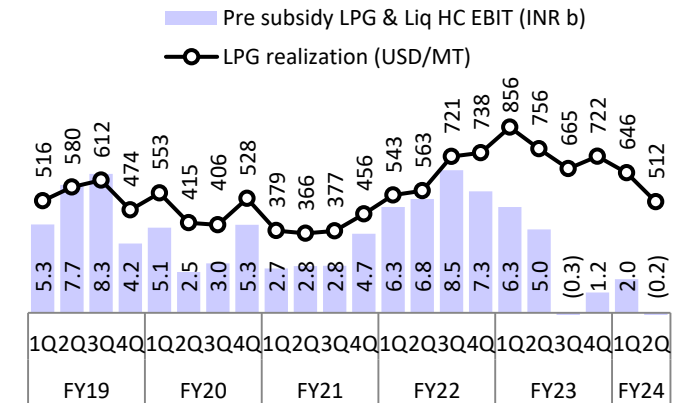
Source: MOFSL, Company

Exhibit 4: Trading volumes up 5% YoY

Source: MOFSL, Company

Exhibit 5: Petchem segment volumes recovered 56%YoY

Source: MOFSL, Company

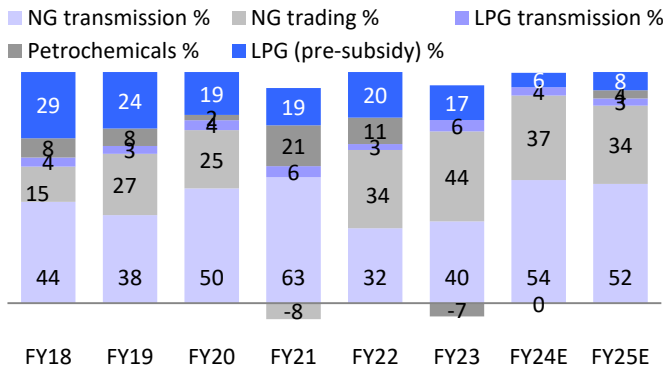
Exhibit 6: Realization from LPG and Liquid HC

Source: MOFSL, Company

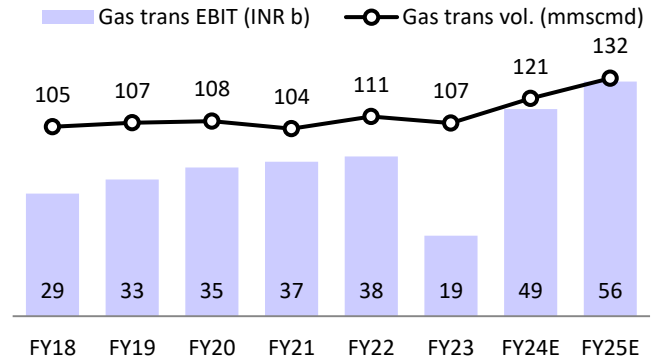
Exhibit 7: Segment-wise performance details (INR m)

Particulars	FY22				FY23				FY24		2QFY24 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Exchange Rate (INR/USD)	74.8	75.3	77.3	75.3	77.3	79.8	82.2	82.3	82.7	83.5	5%	1%
Gas transmission business												
Volumes (mmscmd)	108	114	114	108	109	108	104	108	116	120	12%	3%
Gross Revenues	14,837	16,462	16,727	15,898	16,584	16,944	16,587	16,495	25,940	26,460	56%	2%
Opex	3,077	3,322	4,167	4,358	5,684	6,844	9,357	13,525	12,430	9,960	46%	-20%
EBITDA	11,760	13,140	12,560	11,540	10,900	10,100	7,230	2,970	13,510	16,500	63%	22%
Depreciation	2,611	2,740	2,785	2,807	2,895	3,004	2,970	3,134	3,264	3,594	20%	10%
EBIT	9,149	10,400	9,775	8,733	8,005	7,096	4,260	-164	10,246	12,907	82%	26%
Average tariff (INR/mscm)	1,514	1,565	1,591	1,642	1,665	1,710	1,738	1,693	2,450	2,391	40%	-2%
Opex (INR/mscm)	314	316	396	450	571	691	980	1,388	1,174	900	30%	-23%
EBITDA (INR/mscm)	1,200	1,249	1,195	1,192	1,094	1,019	758	305	1,276	1,491	46%	17%
Depreciation (INR/mscm)	267	260	265	290	291	303	311	322	308	325	7%	5%
EBIT (INR/mscm)	934	989	930	902	804	716	446	-17	968	1,166	63%	20%
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%	4%
Gross Revenues	1,637	1,666	1,676	1,707	1,695	1,973	1,801	1,748	1,776	1,845	-6%	4%
Opex	617	686	716	697	695	673	721	778	816	805	20%	-1%
EBITDA	1,020	980	960	1,010	1,000	1,300	1,080	970	960	1,040	-20%	8%
Depreciation	153	159	151	158	163	160	163	178	158	221	39%	40%
EBIT	867	821	810	852	837	1,140	917	792	802	819	-28%	2%
Average tariff (INR/MT)	1,600	1,581	1,586	1,603	1,606	1,794	1,635	1,620	1,655	1,656	-8%	0%
Opex	603	651	677	654	658	612	654	721	760	723	18%	-5%
EBITDA	997	930	908	948	948	1,182	981	899	895	934	-21%	4%
Depreciation	149	151	142	148	154	145	148	165	147	199	37%	35%
EBIT	848	779	766	800	794	1,037	833	734	747	735	-29%	-2%
Gas Trading Business												
Volumes (mmscmd)	96	98	97	95	101	93	90	96	99	97	5%	-2%
Revenues	1,42,883	1,78,765	2,20,918	2,30,694	3,46,047	3,54,654	3,36,600	3,15,604	2,83,817	2,77,280	-22%	-2%
EBIT	3,776	10,789	17,497	17,259	23,145	3,629	-860	4,874	10,136	17,846	392%	76%
Revenues (INR/mscm)	16,364	19,884	24,868	27,070	37,710	41,657	40,702	36,354	31,555	31,084	-25%	-1%
EBIT (INR/mscm)	432	1,200	1,970	2,025	2,522	426	-104	561	1,127	2,001	369%	78%
Petrochemicals Business												
Volumes ('000 MT)	138	221	217	216	109	108	65	118	162	168	56%	4%
Gross Revenues	13,623	22,834	24,005	25,023	14,558	13,515	7,505	13,595	17,036	17,433	29%	2%
Opex	11,073	18,014	19,105	19,993	12,868	15,615	9,605	16,165	18,766	17,813	14%	-5%
EBITDA	2,550	4,820	4,900	5,030	1,690	-2,100	-2,100	-2,570	-1,730	-380	Loss	Loss
Depreciation	1,167	1,187	1,254	1,240	1,338	1,362	1,389	1,439	1,279	1,220	-10%	-5%
EBIT	1,383	3,633	3,646	3,790	352	-3,462	-3,489	-4,009	-3,009	-1,600	Loss	Loss
Realization (USD/MT)	1,320	1,372	1,431	1,539	1,728	1,568	1,405	1,400	1,272	1,243	-21%	-2%
Realization (INR/kg)	99	103	111	116	134	125	115	115	105	104	-17%	-1%
Opex (INR/kg)	80	82	88	93	118	145	148	137	116	106	-27%	-8%
EBITDA (INR/kg)	18	22	23	23	16	-19	-32	-22	-11	-2	Loss	Loss
Depreciation (INR/kg)	8	5	6	6	12	13	21	12	8	7	-42%	-8%
EBIT (INR/kg)	10	16	17	18	3	-32	-54	-34	-19	-10	Loss	Loss
LPG & Liquid Hydrocarbons Business												
Volumes ('000 MT)	250	262	275	217	220	231	248	230	247	242	5%	-2%
Gross Revenues	10,151	11,113	15,328	12,060	14,554	13,939	13,549	13,658	13,190	10,345	-26%	-22%
Opex	3,611	4,083	6,578	4,530	7,924	8,699	13,609	12,198	10,940	10,295	18%	-6%
EBITDA	6,540	7,030	8,750	7,530	6,630	5,240	-60	1,460	2,250	50	-99%	-98%
Depreciation	199	207	200	247	282	238	232	235	229	217	-9%	-5%
EBIT	6,341	6,823	8,550	7,283	6,349	5,002	-292	1,225	2,021	-167	PL	PL
EBIT (Post-Subsidy)	6,341	6,823	8,550	7,283	6,349	5,002	-292	1,225	2,021	-167	PL	PL
Realization (USD/MT)	543	563	721	738	856	756	665	722	646	512	-32%	-21%
Realization (INR/MT)	40,602	42,416	55,738	55,577	66,155	60,340	54,635	59,380	53,402	42,749	-29%	-20%
Opex (INR/MT)	14,442	15,584	23,920	20,876	36,019	37,656	54,877	53,033	44,292	42,543	13%	-4%
EBITDA (INR/MT)	26,160	26,832	31,818	34,700	30,136	22,684	-242	6,348	9,109	207	-99%	-98%
Depreciation (INR/MT)	796	789	728	1,139	1,280	1,029	934	1,020	927	896	-13%	-3%
EBIT (INR/MT)	25,364	26,043	31,090	33,562	28,857	21,655	-1,176	5,327	8,182	-690	PL	PL
EBIT post Subsidy (INR/MT)	25,364	26,043	31,090	33,562	28,857	21,655	-1,176	5,327	8,182	-690	PL	PL

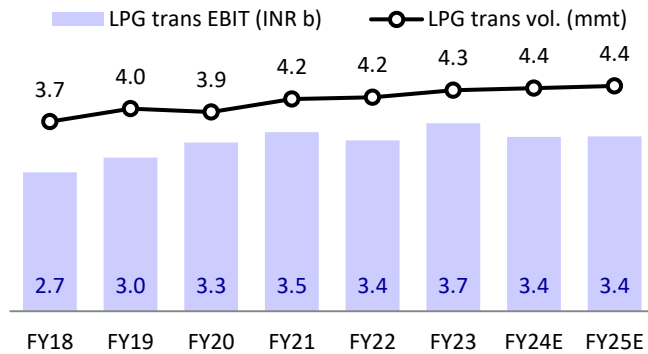
Story in charts

Exhibit 8: Transmission to be the major contributor to EBITDA


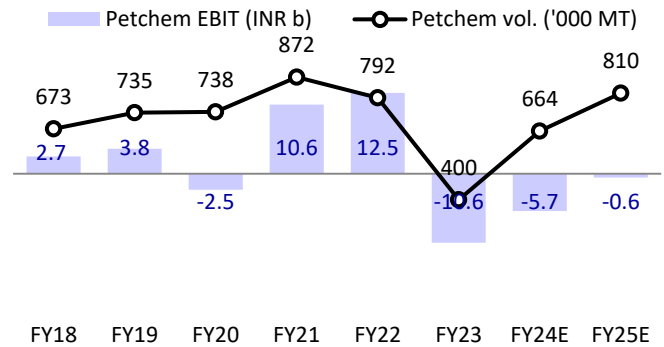
Source: Company, MOFSL

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


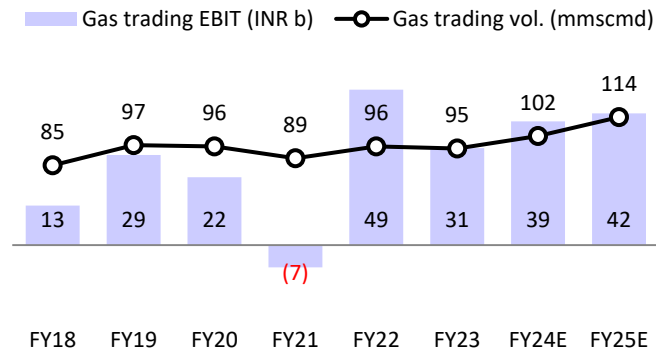
Source: Company, MOFSL

Exhibit 10: LPG transmission segment


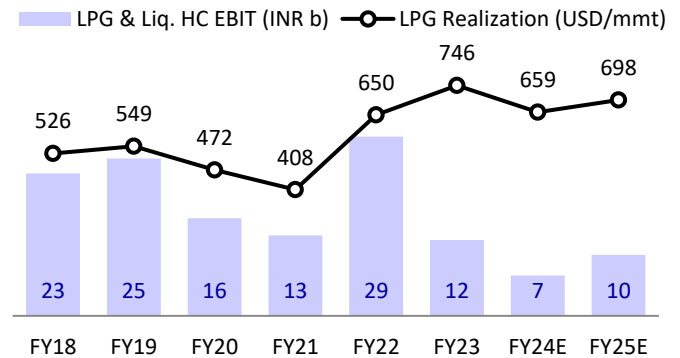
Source: Company, MOFSL

Exhibit 11: Expect petchem EBIT to improve over in FY25


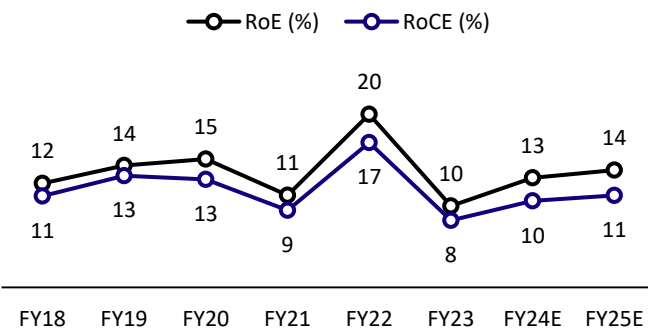
Source: Company, MOFSL

Exhibit 12: Gas trading segment


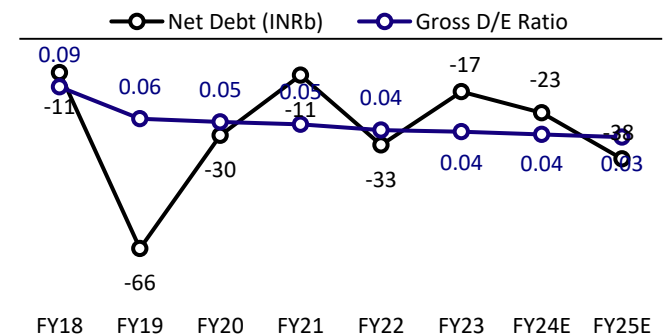
Source: Company, MOFSL

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	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	538.3	751.3	718.8	567.4	916.5	1,443.0	1,330.8	1,428.3
Change (%)	10.4	39.6	-4.3	-21.1	61.5	57.5	-7.8	7.3
EBITDA	78.0	95.3	83.7	64.5	138.3	67.0	109.6	128.2
% of Net Sales	14.5	12.7	11.6	11.4	15.1	4.6	8.2	9.0
Depreciation	14.2	15.5	18.4	19.1	21.1	24.9	28.4	29.5
Interest	2.8	1.4	1.1	1.6	1.7	3.1	6.2	6.2
Other Income	9.9	15.7	14.2	20.0	20.5	26.8	25.0	25.0
EO Items (net)	0.3	-3.3	1.0	0.0	0.0	0.0	0.0	0.0
PBT	71.2	90.8	79.4	63.9	135.9	65.8	100.0	117.5
Tax	23.4	30.6	13.2	15.0	32.3	12.8	25.2	29.6
Rate (%)	32.9	33.7	16.7	23.4	23.7	19.5	25.2	25.2
Reported PAT	47.8	60.3	66.2	48.9	103.6	53.0	74.8	87.9
Adjusted PAT	47.3	63.3	74.2	49.0	102.9	53.0	74.8	87.9
Change (%)	13.8	26.0	9.9	-26.1	111.9	-48.8	41.2	17.4

Balance Sheet							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	22.6	22.6	45.1	44.4	44.4	65.8	65.8	65.8
Reserves	380.7	418.4	394.6	421.7	511.5	490.8	543.2	604.7
Net Worth	403.3	440.9	439.7	466.1	555.9	556.5	608.9	670.4
Loans	9.8	8.7	54.1	59.9	63.5	143.1	164.6	181.0
Deferred Tax	46.3	59.5	45.0	45.0	47.7	46.6	46.6	46.6
Capital Employed	459.4	509.1	538.8	571.0	667.1	746.3	820.1	898.1
Gross Fixed Assets	469.6	508.1	548.3	591.4	638.5	703.4	881.6	981.6
Less: Depreciation	181.7	197.2	215.6	234.7	255.8	280.7	309.1	338.6
Net Fixed Assets	287.9	310.9	332.7	356.7	382.7	422.7	572.5	643.0
Capital WIP	55.1	92.0	105.8	119.0	130.7	136.6	58.4	58.4
Investments	99.5	95.3	78.8	105.5	136.3	148.3	148.3	148.3
Current Assets								
Inventory	19.2	23.2	29.6	26.0	30.2	52.8	48.7	52.3
Debtors	40.5	50.7	55.8	44.9	83.7	114.1	105.2	112.9
Cash & Bank Balance	25.3	12.1	8.0	13.6	20.8	4.0	3.8	13.4
Cash	10.8	1.5	5.5	12.1	13.7	1.7	1.6	11.2
Bank Balance	14.5	10.6	2.6	1.5	7.2	2.3	2.3	2.3
Loans/Adv. & Other Assets	45.5	59.5	74.7	67.3	79.0	82.8	82.8	82.8
Current Liab. & Prov.								
Liabilities	99.4	120.4	133.7	148.5	181.2	198.1	182.7	196.1
Provisions	14.3	14.3	12.8	13.6	15.1	16.9	16.9	16.9
Net Current Assets	16.8	10.9	21.5	-10.2	17.3	38.7	40.9	48.4
Application of Funds	459.4	509.1	538.8	571.0	667.1	746.3	820.1	898.1

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	7.2	9.6	11.3	7.4	15.6	8.1	11.4	13.4
Cash EPS	9.4	11.5	12.9	10.3	19.0	11.8	15.7	17.9
Book Value	62.1	68.1	73.0	77.1	89.5	93.5	101.5	110.9
DPS	2.7	2.6	4.3	3.4	3.4	4.0	3.4	4.0
Payout (incl. dvd tax)	44.0	34.7	51.3	45.0	21.3	49.6	30.0	30.0
Valuation (x)								
P/E	16.6	12.5	10.6	16.1	7.7	14.9	10.5	9.0
Adj. P/E (for investments)	13.5	10.1	8.6	13.0	6.2	12.0	8.5	7.3
Cash P/E	12.7	10.4	9.3	11.6	6.3	10.1	7.6	6.7
EV / EBITDA	3.6	2.4	5.6	6.7	3.4	8.7	6.0	5.2
EV / Sales	0.6	0.4	0.8	1.0	0.6	0.6	0.6	0.6
Price / Book Value	1.9	1.8	1.6	1.6	1.3	1.3	1.2	1.1
Dividend Yield (%)	2.3	2.2	3.6	2.8	2.8	3.3	2.8	3.3
Profitability Ratios (%)								
RoE	12.2	14.3	15.0	10.8	20.3	9.5	12.8	13.7
RoCE	10.7	13.1	12.6	9.0	17.0	7.9	10.1	10.8
RoIC	14.3	18.0	16.6	10.2	25.1	8.1	11.4	11.5
Turnover Ratios								
Debtors (No. of Days)	27	25	28	29	33	29	29	29
Fixed Asset Turnover (x)	1.2	1.5	1.3	1.0	1.4	1.9	1.6	1.6
Leverage Ratio								
Net Debt / Equity (x)	0.0	0.0	0.1	0.1	0.1	0.2	0.3	0.2

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	69.6	90.8	79.4	63.9	135.9	65.8	100.0	117.5
Depreciation	14.2	15.5	18.4	19.1	21.1	24.9	28.4	29.5
Interest charge	2.8	1.4	1.1	1.6	1.7	3.1	6.2	6.2
Tax paid	-13.2	-20.8	-19.6	-12.8	-32.0	-15.2	-25.2	-29.6
(Inc)/Dec in Wkg. Capital	18.9	-3.3	3.1	22.2	-29.7	-30.9	-2.4	2.1
CF from Op. Activity	86.6	78.8	68.9	80.6	89.5	28.1	107.0	125.7
(Inc)/Dec in FA & CWIP	-29.4	-72.0	-54.3	-49.8	-59.2	-73.4	-100.0	-100.0
Free Cash Flow	57.2	6.7	14.5	30.9	30.4	-45.3	7.0	25.7
(Pur)/Sale of Investments	-8.0	-2.7	-6.2	-10.7	-4.6	-10.6	0.0	0.0
CF from Inv. Activity	-25.7	-54.4	-68.3	-38.6	-46.1	-65.5	-100.0	-100.0
Interest charge	-3.6	-1.4	-1.1	-3.2	-3.2	-5.8	-6.2	-6.2
Inc / (Dec) in Debt	-30.1	-11.3	45.2	4.6	3.6	79.6	21.5	16.5
Dividends Paid	-21.0	-20.9	-39.4	-22.4	-39.9	-30.7	-22.5	-26.4
CF from Fin. Activity	-54.7	-33.6	3.4	-35.4	-41.8	25.5	-7.1	-16.1
Inc / (Dec) in Cash	6.2	-9.3	4.0	6.6	1.6	-11.9	-0.2	9.6
Add: Opening Balance	4.5	10.8	1.5	5.5	12.1	13.7	1.7	1.6
Closing Balance	10.8	1.5	5.5	12.1	13.7	1.7	1.6	11.2

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NOTES

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BUY	>=15%
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UNDER REVIEW	Rating may undergo a change
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