



GAIL (India) Limited



Research Report

GAIL (India) Ltd.



Prepared By-

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About

GAIL (India) Ltd. was incorporated in August, 1984 as a Central Public Sector Undertaking (PSU) under the Ministry of Petroleum & Natural Gas (MoP&NG), with the mission of “accelerating and optimizing the effective and economic use of Natural Gas and its fractions for the benefit of the national economy”. Government of India now holds 51.45% shares of the company. GAIL became a Navratna in 1997 and is now one of the ten Maharatna Public Sector Undertaking, the highest status conferred to any PSU.

Key Business

- Natural Gas.
- Liquid Hydrocarbons.
- LPG Transmission.
- Petrochemicals.
- City Gas Distribution.
- E&P.
- Renewable energy
- Gailtel

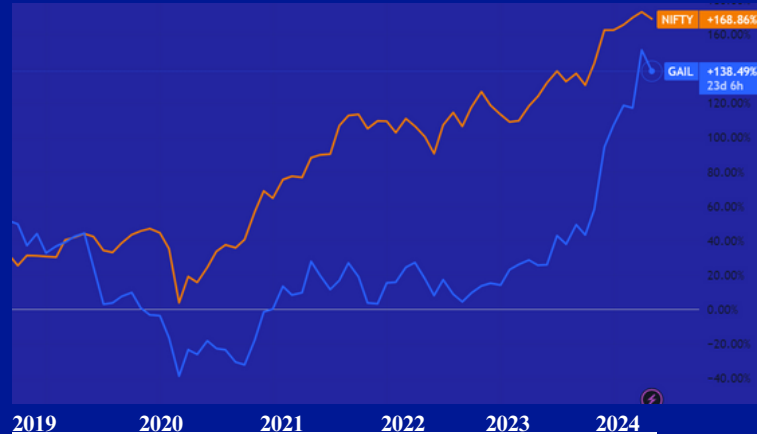
Synopsis of Financials

- **Gross turnover increased by 8% to Rs.34,168 Crores in Q3 FY2024.**
- **Profit before tax during the quarter increased to Rs.3694 Crores, up by 18%.**
- **GAIL expects to earn at least Rs.4000 Crores in gas marketing margin for financial year 2025-2026.**

Stock data (as 8th May 2024)

Nifty Price	: 22231.20
52 week High (in Rs.)	: 214
52 week Low (in Rs.)	: 103
Market Cap. (in Crore)	: 1,27,656
NSE Code	: <u>GAIL</u>

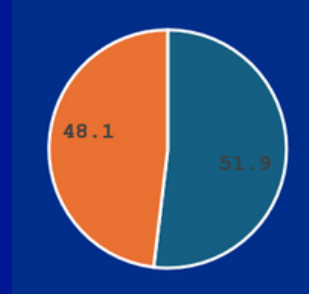
Stock data



-NIFTY50

- GAIL (India) Ltd.

Shareholding Pattern (Dec 2023)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2023	March 2022	March 2021
Sales	1,45,668	92,770	57,372
Sales Growth %	57%	62%	-21%
Expenses	1,38,166	77,608	50,127
Operating Profit	7,502	15,161	7,245
OPM %	5%	16%	13%
Profit after tax	5,596	12,304	6,143
EPS in Rs	8.54	18.4	9.21

Quarterly Results

Particular	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	37,897	38,680	35,885	33,207	32,789	32,986	34,698
Expenses	33,350	36,777	35,403	32,651	30,128	29,405	30,489
Operating Profit	4,547	1,904	482	556	2,661	3,580	4,208
OPM %	12%	5%	1%	2%	8%	11%	12%
Other Income	419	548	999	871	529	595	915
Interest	58	82	120	107	185	200	176
Depreciation	677	695	699	631	722	837	872
Profit before tax	4,230	1,675	662	689	2,283	3,138	4,075
Tax %	23%	22%	40%	7%	21%	22%	22%
Net Profit	3,251	1,305	398	643	1,793	2,442	3,193

Source: Screener

Key Ratios

Ratio	Numerator	Denominator	Year Ended 31 st March 2023	Year Ended 31 st March 2022	% Variance	Reason for Variance
Current Ratio (in times)	Current Assets	Current Liabilities	0.92	1.08	-15%	
Debt-Equity Ratio	Total Debt (including Lease Liabilities)	Total Equity (excluding revaluation reserves)	0.22	0.15	47%	The Company has taken fresh borrowings during the year
Debt Service Coverage Ratio	Earnings available for debt service	Debt service = Interest payment + Principal payment + lease liabilities paid	3.91	7.47	-48%	Profit after tax is ₹ 5,301.51 crore during current year as against previous year ₹ 10,363.97 crore
Return on Equity Ratio	Net Profit after tax	Average shareholder's equity	10.52%	22.22%	-53%	Profit after tax is ₹ 5,301.51 crore during current year as against previous year ₹ 10,363.97 crore
Inventory Turnover ratio	Cost of Goods Sold	Inventory	33.77	28.45	19%	
Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	14.56	14.22	2%	

Source: Annual Report

Yearly Results

Particulars	Mar 2023	Mar 2022	Mar 2021
Equity Capital	6,575	4,440	4,440
Reserves	58,352	59,674	48,742
Borrowings	17,816	9,216	7,873
Other Liabilities	25,062	23,254	19,975
Total Liabilities	1,07,805	96,584	81,030
Fixed Assets	48,407	43,718	40,188
CWIP	16,646	15,490	13,400
Investments	17,248	16,408	13,058
Other Assets	25,504	20,968	14,385
Total Assets	1,07,805	96,584	81,030

Synopsis Quater Results

Con-Call Jan 24: Key Highlights

Financial Performance:

- Gross turnover increased by 8% to Rs.34,168 Crores in Q3 FY2024
- Profit before tax during the quarter increased to Rs.3694 Crores, up by 18%
- Profit after tax during the quarter increased to Rs.2843 Crores, up by 18%

Operational Updates:

- Gas marketing volume was 98.14 MMSCMD in Q3 FY2024
- Polymer production increased by 45 TMT to 205 TMT in Q3 FY2024
- Liquid hydrocarbon production was 249 TMT as against 238 TMT in previous quarter

Expansion and Projects:

- GAIL targets to add over 100 new CNG stations and approximate 2,00,000 new DPNG connections in the next two years
- Various pipeline projects are anticipated to be completed by specific dates in 2024
- Capex for Q3 FY2024 is Rs.1730 Crores mainly on pipelines, petrochemicals, CGD projects, operational capex and others

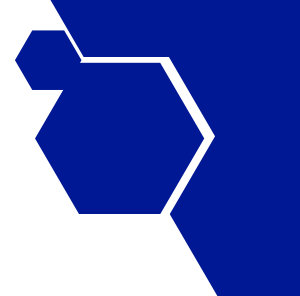
Future Projections:

- GAIL expects to earn at least Rs.4000 Crores in gas marketing margin for financial year 2025-2026
- GAIL expects to earn a reasonable profit from Pata Petrochemicals in the next financial year
- GAIL expects an increase in gas transmission volume by 12 to 15 MMSCMD over the next two to three years

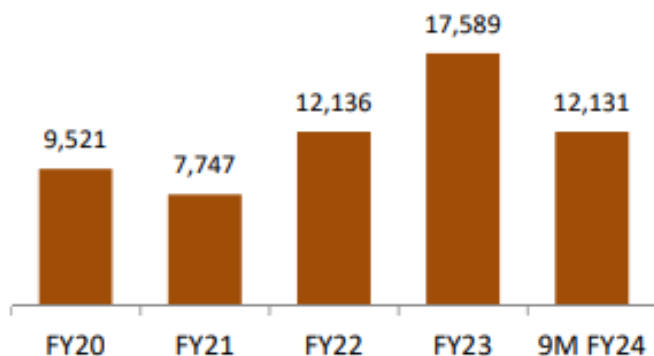
Strategic Initiatives:

- GAIL signed a contract for one MMTPA of gas supply to be available from calendar year 2026
- GAIL has created a trading hub in Singapore for LNG operations
- GAIL is putting up a pilot project for a hydrogen plant at one of its units in preparation for future energy transition

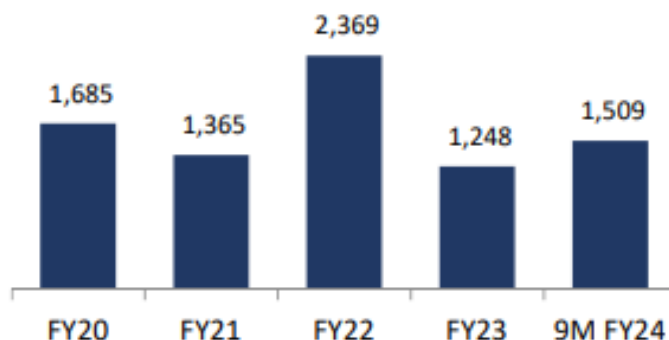
Revenue Highlights



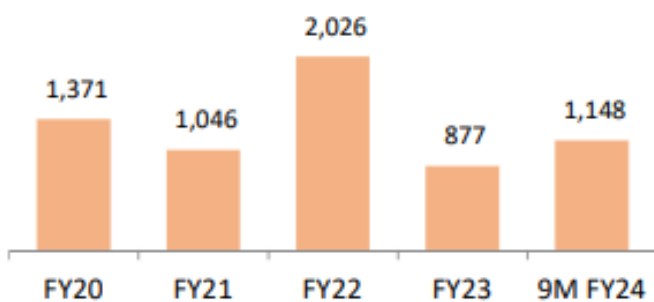
Turnover (Gross)



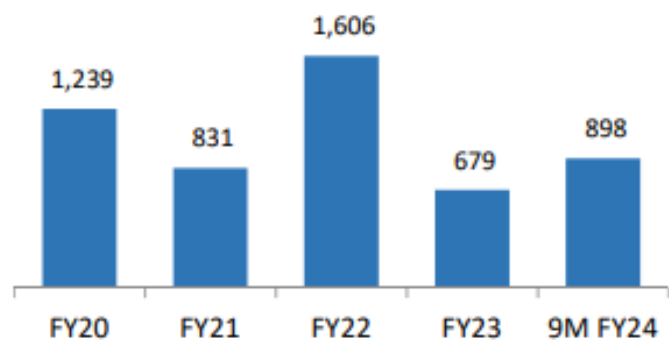
Gross Margin (PBDIT)



Profit Before Tax

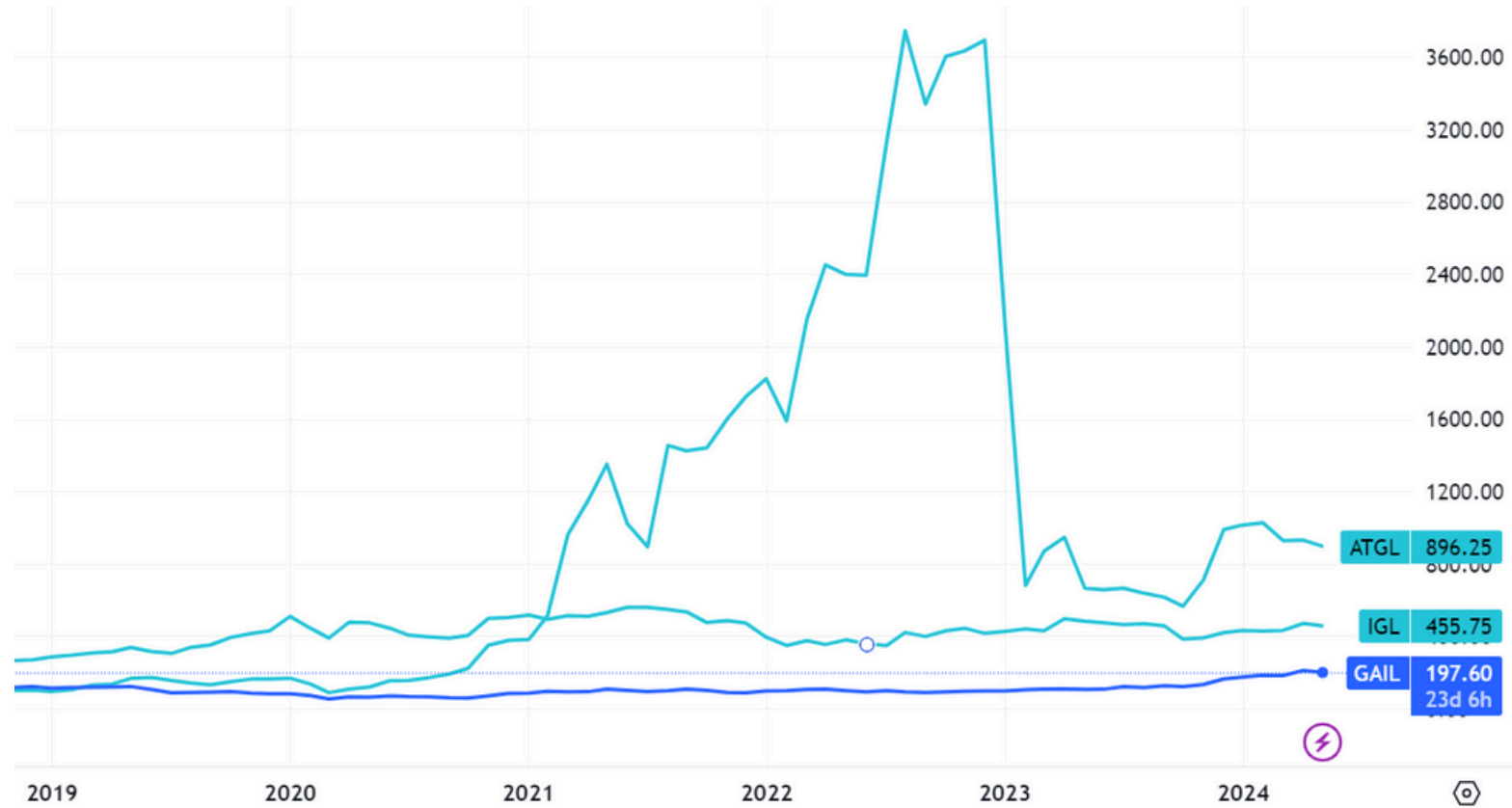


Profit after Tax



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	GAIL (India)	194.15	15.84	127655.57	2.83	3193.35	703.18	34697.82	-3.31	9.76
2.	Adani Total Gas	902.65	148.72	99274.36	0.03	167.96	71.55	1166.95	4.68	21.21
3.	Petronet LNG	295.50	12.99	44325.00	2.37	1190.67	0.86	14747.21	-6.52	26.55
4.	Gujarat Gas	540.35	33.79	37197.17	1.24	409.54	-0.32	4134.18	5.23	20.15
5.	Indraprastha Gas	430.50	17.24	30135.03	3.02	382.80	16.09	3596.79	-2.31	29.32

Source: Screener

Final Outlook

GAIL: BUY | LTP: 194

Improving cycle and structural growth. Still some gas left in the tank; raise earnings and valuations. FY25E/FY26E EPS up 7 per cent/10 per cent on improved outlook for commodity businesses. Near-term hurdles for tariffs; 13 per cent CAGR for transmission EBITDA in FY24-27E. GAIL Ltd has shown consistent growth over the past 5 years with more than a 150% return in the last 3 years. Its P/E ratio is lower than the industry average and median. Gross turnover has increased by 57% over the previous year, indicating healthy business activity. The company offers a dividend yield that is the best among its peers. However, expenses have increased by 75% from the last year, primarily due to increased purchases of stock in trade. The inventory of gas has significantly increased, which is expected to generate profits upon sales. Overall, these factors suggest a positive outlook for GAIL Ltd's stock price in the future.