

Estimate change

TP change

Rating change



Bloomberg	GAIL IN
Equity Shares (m)	6575
M.Cap.(INRb)/(USDb)	1054.6 / 11.5
52-Week Range (INR)	203 / 151
1, 6, 12 Rel. Per (%)	-4/-10/-16
12M Avg Val (INR M)	2096

#### Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	1,291.0	1,362.3	1,441.2
EBITDA	120.6	148.7	159.0
Adj. PAT	74.7	96.8	106.2
Adj. EPS (INR)	11.4	14.7	16.2
EPS Gr. (%)	-20.9	29.6	9.7
BV/Sh.(INR)	116.9	125.1	134.2

#### Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	10.3	12.6	12.9
RoCE (%)	8.8	10.5	11.0
Payout (%)	52.5	44.0	44.0

#### Valuations

P/E (x)	14.1	10.9	9.9
P/BV (x)	1.4	1.3	1.2
EV/EBITDA (x)	7.0	5.7	5.2
Div. Yield (%)	3.8	4.1	4.4
FCF Yield (%)	1.8	5.8	6.7

#### Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	51.2	51.5	51.5
DII	27.0	27.3	25.0
FII	15.3	14.3	16.7
Others	6.6	6.9	6.8

FII includes depository receipts

**CMP: INR160**

**TP: INR190 (+18%)**

**Buy**

### Valuations at bottom as challenges persist

- **Weak marketing, petchem, and LPG segments drag 3Q performance:** In 3QFY26, GAIL's standalone EBITDA came in 9% below our estimate at INR26.6b. The weakness in results was largely driven by the poor performance of the marketing, petchem, and LPG segments. Gas transmission EBIT missed our estimate by 4%, while marketing EBIT was 19% below our estimate. 9MFY26 EBIT forms ~72% of the earlier guidance of INR45b. The weaker marketing EBIT was likely attributable to higher Henry Hub (HH) prices during the quarter. Reported PAT came in 19% below our estimate at INR16b, as other income was below our estimates.
- **Key factors we liked about the result:** 1) Natural gas transmission volumes stood 3% above our estimate at 125.5mmscmd in 3Q. According to management, the sequential rise in volumes was driven by a recovery in the fertilizer, refinery, and CGD sectors. 2) Management has reiterated its guidance of average gas transmission volumes of 124-125mmscmd in FY26, followed by a ~10mmscmd YoY increase in FY27 to 134-135mmscmd. Incremental volume growth is expected to be driven by CGD (~4 mmscmd), power (~2 mmscmd), refineries (~3 mmscmd), and other segments (~1 mmscmd). Conservatively, we are building in transmission volumes to average 128/132mmscmd in FY27/28.
- **Key investor concerns:** 1) The petchem segment continues to disappoint, reporting an EBIT loss of INR4.8b amid soft realizations and elevated input gas costs, with HH monthly contract prices rising as high as USD7/mmbtu. We believe that 4QFY26 is also likely to remain weak, as current HH prices remain elevated amid colder-than-expected winter in the US. 2) The marketing segment's profitability was also hit in 3Q (EBIT: INR8.5b, down 35% YoY). Management has now guided for a INR40b PBT in FY26/27. 3) The LPG and LHC segments' production volumes and profitability continue to remain weak following APM de-allocation since 4QFY25.
- **Key monitorables:** 1) Updates w.r.t two planned fertilizer plants located along GAIL's Mumbai-Nagpur-Jharsuguda natural gas pipeline corridor, entailing a capex of INR210b. 2) The commissioning of a 60ktpa petchem plant at Pata, the 1,250ktpa PTA plant, and the 500ktpa PDH-PP project. 3) Any update on the petition filed by the company seeking an INR15/mmbtu upward tariff revision, as it could act as a trigger for the stock.
- **Key changes in earnings estimates:** We cut our EBITDA/PAT estimates by 6%/10% for FY26 as we cut margins for the petchem, LPG, and LHC segments. We also increase the dividend payout ratio for FY26, accounting for actual dividend declared by the company.
- **Valuation and view:** GAIL's valuations have corrected sharply from their Sep'24 highs, and the stock now trades close to its historical averages at ~1x one-year forward core P/B (ex-investment value), offering a limited downside, driven by attractive dividend yield and robust FCF outlook. Reiterate BUY with a TP of INR190.

### Key highlights from the management commentary

- **Update on ongoing petchem projects:** The 1,250ktpa PTA plant should get commissioned in 4QFY26 and the 500ktpa PDH-PP project is scheduled for commissioning in CY26, while the 60ktpa plant at Pata is at an advanced stage and may be commissioned imminently.
- **Marketing margin guidance:** FY26/27: INR40b+ PBT (INR22b PBT for 1HFY26). Gas marketing volumes should grow at 5-6% YoY. The Dabhol terminal is now fully all-weather capable, though utilization remains constrained pending heating system commissioning by FY27.
- **LPG & LHC production:** Current gas allocation: 1.12mmscmd APM allocation and 0.2mmscmd NW gas. Hence, production in 4Q would be in line with 3Q volumes.
- **Details w.r.t LNG contracts:** Of the existing **16.5mmtpa** of LNG contracts, **6.55mmtpa** is HH linked, comprising **5.8mmtpa from the US** and **0.75mmtpa from the Middle East**. The balance is largely crude-linked, including **4.5mmtpa from Ras Gas**, **~3.0mmtpa from a marketing company**, **2mmtpa via PLL**, **0.4mmtpa from another supplier**, **1.0mmtpa recently contracted with Vitol**, and an additional **0.53mmtpa** under crude-linked arrangements.

### Weak 3Q amid multiple challenges

- In 3QFY26, GAIL's standalone EBITDA came in 9% below our estimate at INR26.6b. The weakness in results was largely attributed to poor performance of the marketing, petchem, and LPG segments.
- Gas transmission EBIT missed our estimate by 4%, while marketing EBIT was 19% below our estimate. 9MFY26 EBIT forms ~72% of the INR45b guidance. Poorer marketing EBIT was likely attributable to higher HH prices during the quarter.
- Operating loss at the petchem segment widened QoQ amid weak realizations QoQ and higher input costs.
- LPG EBIT declined ~90% YoY amid weaker production following the recent APM gas de-allocation.
- Reported PAT came in 19% below our estimate at INR16b, as other income was below our estimates.
- The Board has declared an interim dividend of INR5/sh (Face value 10/sh).
- **Operational performance:**
  - Natural gas transmission volume came in line with our estimate at 125.5mmscmd.
  - NG marketing volume came above our estimate at 104mmscmd.
  - Petchem sales were above our estimate at 218tmt, while the petchem segment reported an EBIT loss of INR4.8b.

### Valuation and view

- **We reiterate our BUY rating on GAIL with our SoTP-based TP of INR190.** Over FY26-28, we estimate a 19% CAGR in PAT, driven by:
  - an increase in natural gas transmission volumes to 132mmscmd in FY28 from 123mmscmd in FY26;
  - substantial improvement in the petchem segment's performance over FY27-28, as the new petchem capacity will be operational and spreads are bottoming out;
  - healthy profitability in the trading segment, with guided PBT of at least INR40b in FY26/FY27.
- We expect RoE to stabilize at ~12.5%+ in FY27/28, with a healthy FCF generation of INR150b over FY26-28, which we believe can support its valuations.

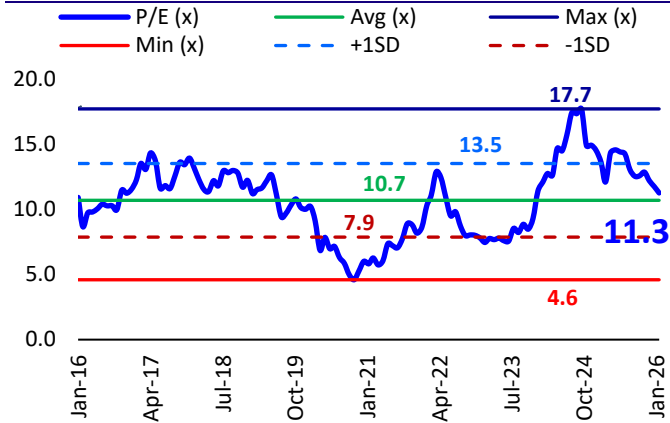
### Our SoTP-based valuation for GAIL

Business	EBITDA (INR b)	Target multiple (x)	Value (INR b)
Gas transmission	85	8.0	685
Gas trading	47	5.5	258
LPG transmission	5	7.5	37
Petrochemicals	10	6.5	64
LPG	11	6.5	71
Investments			278
<b>Enterprise value</b>			<b>1,393</b>
Net Debt			142
<b>Implied Equity value</b>			<b>1,251</b>
<b>Value (INR/sh)</b>			<b>190</b>

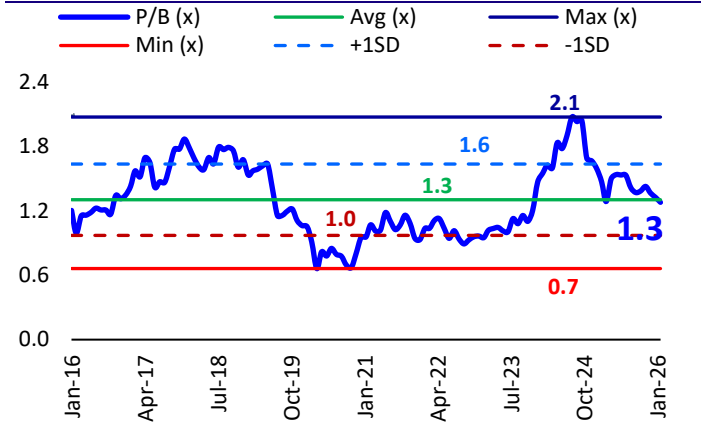
### Standalone quarterly performance

Y/E March	FY25				FY26E				FY25	FY26E	FY26	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
<b>Net Sales</b>	<b>336.7</b>	<b>329.1</b>	<b>349.4</b>	<b>356.9</b>	<b>347.7</b>	<b>350.1</b>	<b>340.5</b>	<b>252.7</b>	<b>1,372.1</b>	<b>1,291.0</b>	<b>313.9</b>	<b>8%</b>
Change (%)	3.9	3.4	2.0	10.4	3.3	6.4	-2.5	-29.2	4.9	-5.9	-10.1	
<b>EBITDA</b>	<b>45.3</b>	<b>37.4</b>	<b>28.4</b>	<b>32.2</b>	<b>33.3</b>	<b>31.9</b>	<b>26.6</b>	<b>28.8</b>	<b>143.3</b>	<b>120.6</b>	<b>29.2</b>	<b>-9%</b>
% of Net Sales	13.4	11.4	8.1	9.0	9.6	9.1	7.8	11.4	10.4	9.3	9.3	
Depreciation	10.5	8.2	8.3	9.0	8.8	9.3	10.5	11.2	36.0	39.9	9.4	
Interest	2.1	1.9	1.7	1.8	2.1	2.3	2.5	2.1	7.4	9.0	2.0	
Other Income	3.7	7.1	7.5	5.7	2.9	7.9	6.8	7.9	24.0	25.6	8.0	
Extraordinary item	0.0	0.0	24.4	0.0	0.0	0.0	0.0	0.0	24.4	0.0	0.0	
<b>PBT</b>	<b>36.4</b>	<b>34.5</b>	<b>50.3</b>	<b>27.0</b>	<b>25.3</b>	<b>28.2</b>	<b>20.3</b>	<b>23.4</b>	<b>148.2</b>	<b>97.3</b>	<b>25.8</b>	<b>-21%</b>
Rate (%)	25.2	22.6	23.1	24.1	25.5	21.5	21.1	24.6	23.7	23.2	23.2	
<b>PAT</b>	<b>27.2</b>	<b>26.7</b>	<b>38.7</b>	<b>20.5</b>	<b>18.9</b>	<b>22.2</b>	<b>16.0</b>	<b>17.7</b>	<b>113.1</b>	<b>74.7</b>	<b>19.8</b>	
Change (%)	71.1	11.1	36.0	-5.9	-30.8	-17.0	-58.6	-13.8	25.5	-33.9	-48.8	
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	
<b>Adj PAT</b>	<b>27.2</b>	<b>26.7</b>	<b>14.3</b>	<b>20.5</b>	<b>18.9</b>	<b>22.2</b>	<b>16.0</b>	<b>17.7</b>	<b>88.7</b>	<b>80.3</b>	<b>19.8</b>	<b>-19%</b>
Change (%)	71.1	11.1	-49.8	-5.9	-30.8	-17.0	12.3	-13.8	-1.6	-9.4	38.8	
<b>Key Assumptions</b>												
Gas Trans. volume (mmscmd)	131.8	130.6	125.9	120.8	120.6	123.6	125.5	120.7	127.3	122.6	124.2	3%
Petchem sales ('000MT)	169.0	226.0	221.0	229.0	177.0	209.0	218.0	195.3	211.3	199.8	145.3	0%

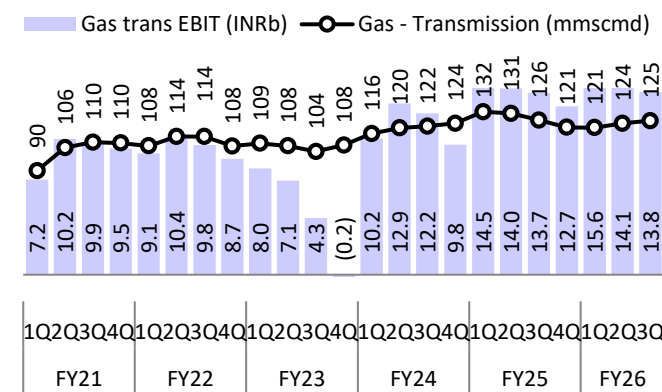
**Exhibit 1: One-year forward P/E ratio**



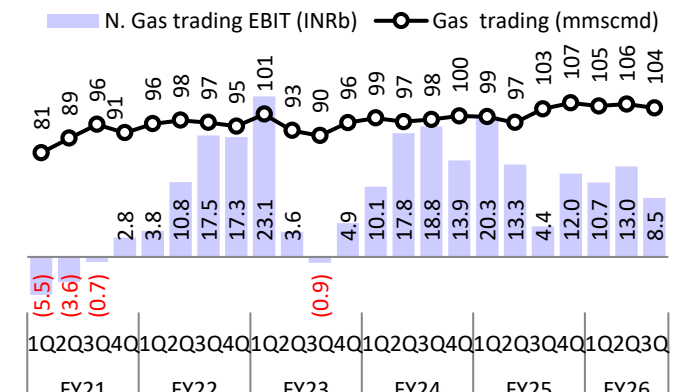
**Exhibit 2: One-year forward P/B ratio**



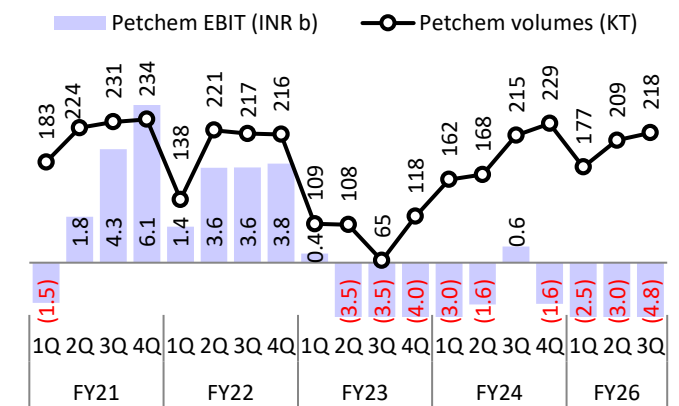
**Exhibit 3: Transmission volumes flat YoY**



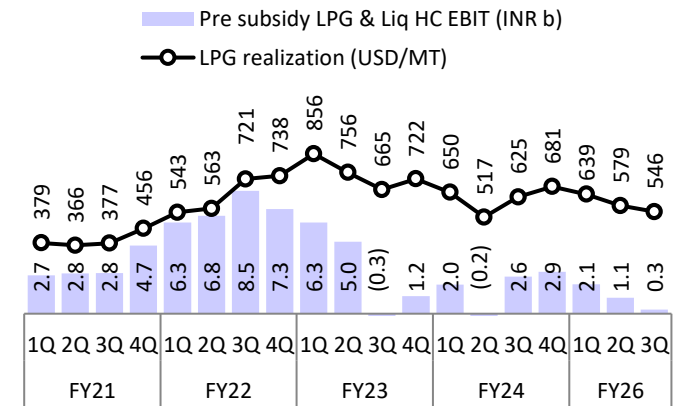
**Exhibit 4: Trading volumes flat YoY**



**Exhibit 5: Petchem segment flat YoY**



**Exhibit 6: Realization from LPG down 16% YoY**



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

### GAIL: Segment-wise performance Details (INR m)

Particulars	FY24				FY25				FY26			3QFY26 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Exchange Rate (INR/USD)	82.2	82.7	83.3	83.2	83.4	83.8	85.6	85.5	87.3	89.1	89.1	4%	0%
<b>Gas transmission business</b>													
Volumes (mmscmd)	116	120	122	124	132	131	126	121	121	124	125	0%	2%
Gross Revenues	25,940	26,460	25,657	26,669	28,651	28,459	27,547	26,026	28,054	27,354	27,608	0%	1%
Opex	12,430	9,960	10,047	10,679	8,991	10,399	9,727	9,266	8,364	9,054	8,388	-14%	-7%
<b>EBITDA</b>	<b>13,510</b>	<b>16,500</b>	<b>15,610</b>	<b>15,990</b>	<b>19,660</b>	<b>18,060</b>	<b>17,820</b>	<b>16,760</b>	<b>19,690</b>	<b>18,300</b>	<b>19,220</b>	<b>8%</b>	<b>5%</b>
Depreciation	3,264	3,594	3,459	6,192	5,191	4,032	4,117	4,076	4,114	4,161	5,459	33%	31%
<b>EBIT</b>	<b>10,246</b>	<b>12,907</b>	<b>12,151</b>	<b>9,798</b>	<b>14,469</b>	<b>14,028</b>	<b>13,703</b>	<b>12,684</b>	<b>15,576</b>	<b>14,139</b>	<b>13,761</b>	<b>0%</b>	<b>-3%</b>
Average tariff (INR/mscm)	2,450	2,391	2,295	2,370	2,389	2,368	2,378	2,393	2,556	2,405	2,392	1%	-1%
Opex (INR/mscm)	1,174	900	899	949	750	865	840	852	762	796	727	-13%	-9%
<b>EBITDA (INR/mscm)</b>	<b>1,276</b>	<b>1,491</b>	<b>1,396</b>	<b>1,421</b>	<b>1,639</b>	<b>1,503</b>	<b>1,538</b>	<b>1,541</b>	<b>1,794</b>	<b>1,609</b>	<b>1,665</b>	<b>8%</b>	<b>3%</b>
Depreciation (INR/mscm)	308	325	309	550	433	335	355	375	375	366	473	33%	29%
<b>EBIT (INR/mscm)</b>	<b>968</b>	<b>1,166</b>	<b>1,087</b>	<b>871</b>	<b>1,206</b>	<b>1,167</b>	<b>1,183</b>	<b>1,166</b>	<b>1,419</b>	<b>1,243</b>	<b>1,192</b>	<b>1%</b>	<b>-4%</b>
<b>LPG Transmission Business</b>													
Volumes ('000 MT)	1,073	1,114	1,095	1,114	1,065	1,124	1,157	1,132	1,131	1,167	1,188	3%	2%
Gross Revenues	1,776	1,845	1,839	1,859	1,798	1,855	2,459	2,237	2,265	2,317	2,337	-5%	1%
Opex	816	805	829	869	798	805	879	887	875	827	837	-5%	1%
<b>EBITDA</b>	<b>960</b>	<b>1,040</b>	<b>1,010</b>	<b>990</b>	<b>1,000</b>	<b>1,050</b>	<b>1,580</b>	<b>1,350</b>	<b>1,390</b>	<b>1,490</b>	<b>1,500</b>	<b>-5%</b>	<b>1%</b>
Depreciation	158	221	216	234	193	195	180	198	187	202	196	9%	-3%
<b>EBIT</b>	<b>802</b>	<b>819</b>	<b>794</b>	<b>756</b>	<b>808</b>	<b>855</b>	<b>1,400</b>	<b>1,152</b>	<b>1,203</b>	<b>1,288</b>	<b>1,304</b>	<b>-7%</b>	<b>1%</b>
Average tariff (INR/MT)	1,655	1,656	1,679	1,669	1,688	1,651	2,125	1,976	2,002	1,986	1,967	-7%	-1%
Opex	760	723	757	780	749	716	760	783	773	709	705	-7%	-1%
<b>EBITDA</b>	<b>895</b>	<b>934</b>	<b>922</b>	<b>889</b>	<b>939</b>	<b>934</b>	<b>1,366</b>	<b>1,193</b>	<b>1,229</b>	<b>1,277</b>	<b>1,263</b>	<b>-8%</b>	<b>-1%</b>
Depreciation	147	199	197	210	181	173	156	175	166	173	165	6%	-5%
<b>EBIT</b>	<b>747</b>	<b>735</b>	<b>725</b>	<b>679</b>	<b>758</b>	<b>761</b>	<b>1,210</b>	<b>1,018</b>	<b>1,063</b>	<b>1,103</b>	<b>1,097</b>	<b>-9%</b>	<b>-1%</b>
<b>Gas Trading Business</b>													
Volumes (mmscmd)	99	97	98	100	99	97	103	107	105	106	104	0%	-2%
Revenues	2,83,817	2,77,280	3,00,381	2,84,421	2,94,368	2,87,467	3,06,252	3,16,030	3,10,031	3,14,227	3,06,054	0%	-3%
<b>EBIT</b>	<b>10,136</b>	<b>17,846</b>	<b>18,804</b>	<b>13,887</b>	<b>20,328</b>	<b>13,288</b>	<b>4,410</b>	<b>12,037</b>	<b>10,716</b>	<b>13,041</b>	<b>8,532</b>	<b>93%</b>	<b>-35%</b>
Revenues (INR/mscm)	31,555	31,084	33,269	31,286	32,521	32,346	32,175	32,962	32,447	32,242	31,995	-1%	-1%
<b>EBIT (INR/mscm)</b>	<b>1,127</b>	<b>2,001</b>	<b>2,083</b>	<b>1,528</b>	<b>2,246</b>	<b>1,495</b>	<b>463</b>	<b>1,255</b>	<b>1,122</b>	<b>1,338</b>	<b>892</b>	<b>93%</b>	<b>-33%</b>
<b>Petrochemicals Business</b>													
Volumes ('000 MT)	162	168	215	242	169	226	221	229	177	209	218	-1%	4%
Gross Revenues	17,036	17,433	20,502	22,563	16,315	21,760	20,705	22,102	16,812	20,016	20,209	-2%	1%
Opex	18,766	17,813	18,452	18,303	15,075	18,950	19,415	22,082	18,082	21,466	23,659	22%	10%
<b>EBITDA</b>	<b>-1,730</b>	<b>-380</b>	<b>2,050</b>	<b>4,260</b>	<b>1,240</b>	<b>2,810</b>	<b>1,290</b>	<b>20</b>	<b>-1,270</b>	<b>-1,450</b>	<b>-3,450</b>	<b>PL</b>	<b>Loss</b>
Depreciation	1,279	1,220	1,431	1,637	1,655	1,235	1,243	1,600	1,216	1,542	1,376	11%	-11%
<b>EBIT</b>	<b>-3,009</b>	<b>-1,600</b>	<b>619</b>	<b>2,623</b>	<b>-415</b>	<b>1,575</b>	<b>47</b>	<b>-1,580</b>	<b>-2,486</b>	<b>-2,992</b>	<b>-4,826</b>	<b>PL</b>	<b>Loss</b>
Realization (USD/MT)	1,279	1,255	1,145	1,121	1,157	1,149	1,094	1,129	1,088	1,075	1,040	-5%	-3%
Realization (INR/kg)	105	104	95	93	97	96	94	97	95	96	93	-1%	-3%
Opex (INR/kg)	116	106	86	76	89	84	88	96	102	103	109	24%	6%
<b>EBITDA (INR/kg)</b>	<b>-11</b>	<b>-2</b>	<b>10</b>	<b>18</b>	<b>7</b>	<b>12</b>	<b>6</b>	<b>0</b>	<b>-7</b>	<b>-7</b>	<b>-16</b>	<b>PL</b>	<b>Loss</b>
Depreciation (INR/kg)	8	7	7	7	10	5	6	7	7	7	6	12%	-14%
<b>EBIT (INR/kg)</b>	<b>-19</b>	<b>-10</b>	<b>3</b>	<b>11</b>	<b>-2</b>	<b>7</b>	<b>0</b>	<b>-7</b>	<b>-14</b>	<b>-14</b>	<b>-22</b>	<b>PL</b>	<b>Loss</b>
<b>LPG &amp; Liquid Hydrocarbons Business</b>													
Volumes ('000 MT)	247	242	249	261	218	253	282	198	198	223	200	-29%	-10%
Gross Revenues	13,190	10,345	12,964	14,259	11,706	12,963	15,613	11,520	11,054	11,502	9,734	-38%	-15%
Opex	10,940	10,295	10,164	10,649	9,046	10,193	11,533	8,220	8,714	10,072	9,074	-21%	-10%
<b>EBITDA</b>	<b>2,250</b>	<b>50</b>	<b>2,800</b>	<b>3,610</b>	<b>2,660</b>	<b>2,770</b>	<b>4,080</b>	<b>3,300</b>	<b>2,340</b>	<b>1,430</b>	<b>660</b>	<b>-84%</b>	<b>-54%</b>
Depreciation	229	217	225	344	362	281	295	380	290	312	374	27%	20%
<b>EBIT</b>	<b>2,021</b>	<b>-167</b>	<b>2,575</b>	<b>3,266</b>	<b>2,299</b>	<b>2,489</b>	<b>3,785</b>	<b>2,920</b>	<b>2,050</b>	<b>1,118</b>	<b>286</b>	<b>-92%</b>	<b>-74%</b>
<b>EBIT (Post-Subsidy)</b>	<b>2,021</b>	<b>-167</b>	<b>2,575</b>	<b>3,266</b>	<b>2,299</b>	<b>2,489</b>	<b>3,785</b>	<b>2,920</b>	<b>2,050</b>	<b>1,118</b>	<b>286</b>	<b>-92%</b>	<b>-74%</b>
Realization (USD/MT)	650	517	625	657	644	612	647	681	639	579	546	-16%	-6%
Realization (INR/MT)	53,402	42,749	52,063	54,632	53,695	51,236	55,366	58,183	55,828	51,578	48,672	-12%	-6%
Opex (INR/MT)	44,292	42,543	40,818	40,801	41,494	40,287	40,898	41,517	44,010	45,166	45,372	11%	0%
<b>EBITDA (INR/MT)</b>	<b>9,109</b>	<b>207</b>	<b>11,245</b>	<b>13,831</b>	<b>12,202</b>	<b>10,949</b>	<b>14,468</b>	<b>16,667</b>	<b>11,818</b>	<b>6,413</b>	<b>3,300</b>	<b>-77%</b>	<b>-49%</b>
Depreciation (INR/MT)	927	896	902	1,318	1,658	1,109	1,048	1,921	1,464	1,400	1,869	78%	34%
<b>EBIT (INR/MT)</b>	<b>8,182</b>	<b>-690</b>	<b>10,343</b>	<b>12,513</b>	<b>10,544</b>	<b>9,840</b>	<b>13,421</b>	<b>14,746</b>	<b>10,354</b>	<b>5,013</b>	<b>1,432</b>	<b>-89%</b>	<b>-71%</b>
<b>EBIT post Subsidy (INR/MT)</b>	<b>8,182</b>	<b>-690</b>	<b>10,343</b>	<b>12,513</b>	<b>10,544</b>	<b>9,840</b>	<b>13,421</b>	<b>14,746</b>	<b>10,354</b>	<b>5,013</b>	<b>1,432</b>	<b>-89%</b>	<b>-71%</b>



## Key takeaways from the management commentary

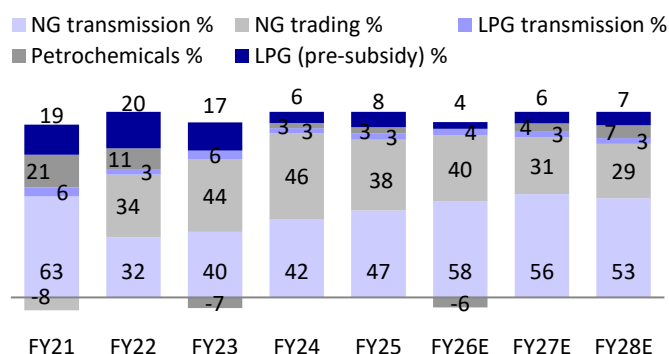
- The increase in gas transmission volumes was driven by a recovery in the fertilizer, refinery, and CGD sectors.
- Moreover, GAIL took the first mover advantage by adding 2mmscmd CGD tie-ups in 9MFY26
- **FY26 gas transmission volume guidance is maintained at 124-125mmscmd.**
- **FY27 gas transmission volume guidance is maintained at 134-135mmscmd.**
- ~4mmscmd from natural growth in CGD;
- ~2mmscmd power volumes that were lost in FY26 should come back;
- ~3mmscmd volumes from refineries;
- Some volumes were lost due to disruptions in FY26.
- Brent-linked contracts are more competitive vs HH-linked contracts as of now. By CY30, the company plans to add 6-7mmtpa additional LNG.
- **Marketing margin guidance:** FY26/27: INR40b+ PBT (INR22b PBT for 1HFY26). Gas marketing volumes should grow at 5-6% YoY.
- **Petchem input gas costs** stood at **INR11.2/mmbtu** (vs USD10.5/mmbtu in 2Q; USD9.45/mmbtu in 3QFY25). A significant portion of feedstock is HH-linked. Dec'25 HH contract prices were not a challenge, but Jan'26 prices are challenging. Polymer realizations have increased INR3,500/mt over the last three months (positive).
- **Tariff revision:** Management estimates a INR12b EBITDA increase due to interim relief. GAIL has also filed a petition seeking an **INR15/mmbtu upward tariff revision.**
- **Next tariff revision:** While tariff revision was due in 1st Apr'28, interim relief was provided by PNGRB, considering only 2 parameters in appeal. Now GAIL has filed an appeal for an INR15/mmbtu additional tariff revision. There is no timeline for PNGRB to address the appeal. **The next tariff revision is expected from 1st Apr'28, as per law.**
- **Capex:** Capex of **INR21.9b** was incurred during the quarter, including **INR8.0b** on pipelines, **INR4.6b** on operational capex, and **INR6.2b** on other projects, with the balance spent on CGD, renewables, equity contributions, and related items.
- GAIL plans to set up two fertilizer plants with an estimated capex of **INR 210b**; projects are under evaluation with a targeted **~12% equity IRR.**
- **Update on ongoing petchem projects:** The 1,250ktpa PTA plant should get commissioned in 4QFY26 and the 500ktpa PDH-PP project is scheduled for commissioning in CY26, while the 60ktpa plant at Pata is at an advanced stage and may be commissioned imminently.
- **FY27 guided capex:** INR90-100b; 2-3 pipelines are under construction.
- INR52b was capitalized in 3QFY26. Another INR25-30b shall be capitalized in six months.
- **LPG & LHC production:** Current gas allocation: 1.12mmscmd APM allocation and 0.2mmscmd NW gas. Hence, production would be in line with 3Q volumes.
- **Details w.r.t LNG contracts:** Of the existing **16.5mmtpa** of LNG contracts, **6.55mmtpa** is HH-linked, comprising **5.8mmtpa from the US** and **0.75mmtpa from the Middle East**. The balance is largely crude-linked, including **4.5mmtpa from Ras Gas**, **~3.0mmtpa from a marketing company**, **2mmtpa via PLL**, **0.4mmtpa from another supplier**, **1.0mmtpa recently contracted with Vitol**, and an additional **0.53mmtpa** under crude-linked arrangements.



- **Retail LNG** is progressing steadily, with plans to set up **29 LNG stations**. Development is underway at **five** locations.
- GAIL has six directly authorized GAs, with a combined infrastructure of 215 CNG stations and 0.46m connections. During the quarter, two CNG stations and ~16,000 new connections were added, with physical volumes at 0.55mmscmd. Over the next two years, GAIL targets adding ~85 CNG stations and ~0.15m new connections across these GAs.
- **GAIL gas:** 3QFY26 turnover stood at INR33b (vs. INR32b in 2QFY26). PBT declined to INR1.4b (vs. INR1.5b QoQ) and PAT to INR1.1b (vs. INR1.1b), largely due to higher input gas costs and adverse exchange rates. Physical volumes were 7.8mmscmd in 3Q. During the quarter, GAIL Gas and its JVs added 71,411 new connections and nine CNG stations. Overall, including subsidiaries, GAIL Gas now has ~12.46 lakh PNG connections and 674 CNG stations.
- Staff cost: FY27 staff cost could be INR1b higher vs FY26 staff cost.

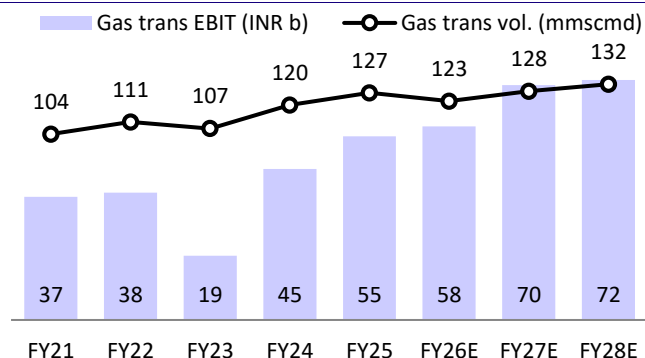
## Story in charts

**Exhibit 8: Transmission to be the major contributor to EBITDA**



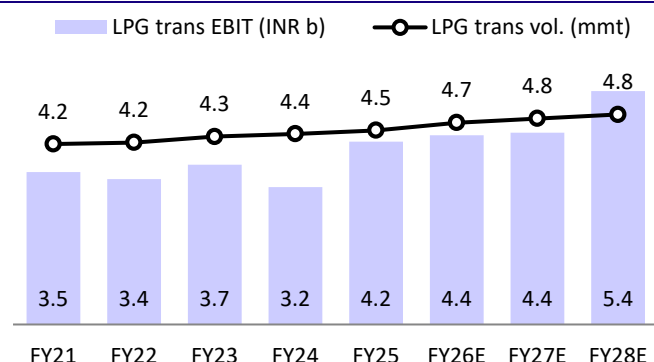
Source: Company, MOFSL

**Exhibit 9: Expect gas transmission volumes to grow in FY27-28**



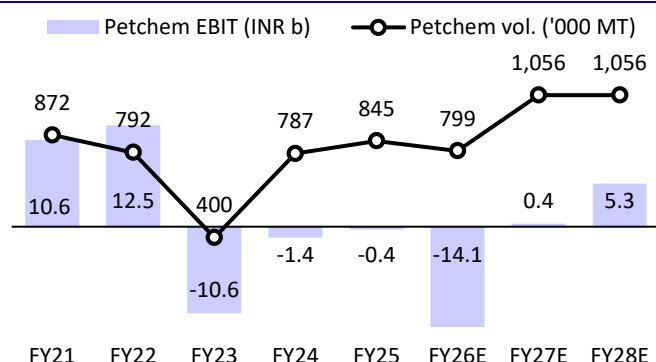
Source: Company, MOFSL

**Exhibit 10: LPG transmission segment**



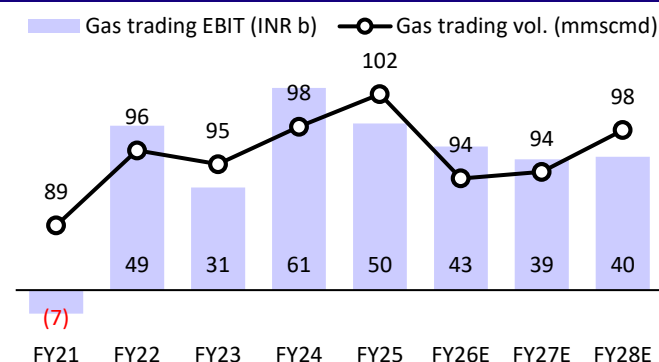
Source: Company, MOFSL

**Exhibit 11: Petchem segment**



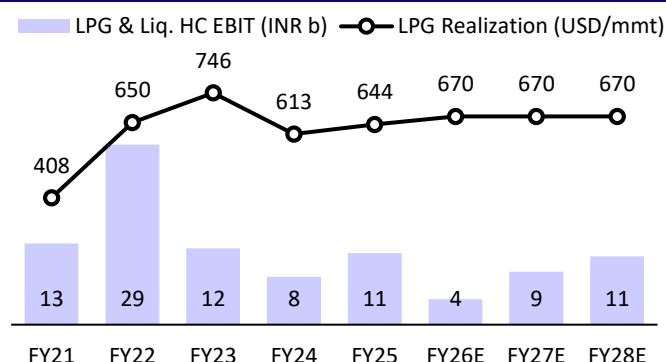
Source: Company, MOFSL

**Exhibit 12: Gas trading segment**



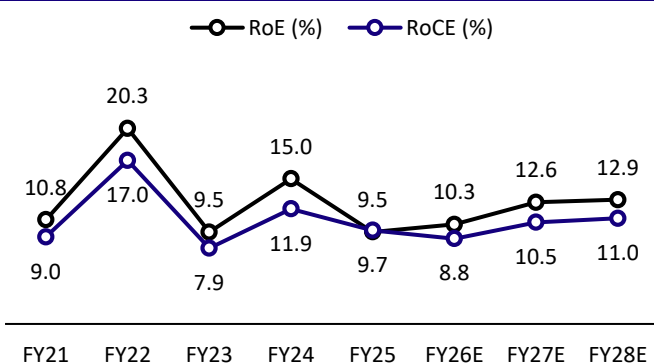
Source: Company, MOFSL

**Exhibit 13: EBIT from LPG and Liquid HC**



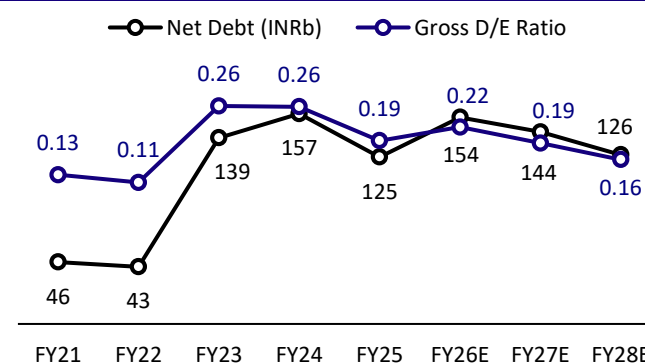
Source: Company, MOFSL

**Exhibit 14: Expect return ratios to recover**



Source: Company, MOFSL

**Exhibit 15: Expect the D/E ratio to remain below 0.25x**



Source: Company, MOFSL



## Financials and valuations

Income Statement						(INR b)
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>1,443.0</b>	<b>1,306.4</b>	<b>1,372.1</b>	<b>1,291.0</b>	<b>1,362.3</b>	<b>1,441.2</b>
Change (%)	57.5	-9.5	5.0	-5.9	5.5	5.8
<b>EBITDA</b>	<b>67.0</b>	<b>134.8</b>	<b>143.3</b>	<b>120.6</b>	<b>148.7</b>	<b>159.0</b>
% of Net Sales	4.6	10.3	10.4	9.3	10.9	11.0
Depreciation	24.9	33.3	36.0	39.9	42.2	42.8
Interest	3.1	7.0	7.4	9.0	7.6	6.9
Other Income	26.8	22.8	24.0	25.6	27.2	29.0
EO Items (net)	0.0	0.0	24.4	0.0	0.0	0.0
<b>PBT</b>	<b>65.8</b>	<b>117.3</b>	<b>148.2</b>	<b>97.3</b>	<b>126.1</b>	<b>138.3</b>
Tax	12.8	27.2	35.1	22.6	29.3	32.1
Rate (%)	19.5	23.2	23.7	23.2	23.2	23.2
<b>Reported PAT</b>	<b>53.0</b>	<b>90.2</b>	<b>113.1</b>	<b>74.7</b>	<b>96.8</b>	<b>106.2</b>
<b>Adjusted PAT</b>	<b>53.0</b>	<b>90.2</b>	<b>94.5</b>	<b>74.7</b>	<b>96.8</b>	<b>106.2</b>
Change (%)	-48.8	70.1	4.8	-20.9	29.6	9.7

Balance Sheet						(INR b)
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	65.8	65.8	65.8	65.8	65.8	65.8
Reserves	490.8	576.0	639.9	675.4	729.6	789.1
<b>Net Worth</b>	<b>556.5</b>	<b>641.8</b>	<b>705.6</b>	<b>741.1</b>	<b>795.4</b>	<b>854.8</b>
Loans	143.1	164.1	135.8	161.3	149.3	134.3
Deferred Tax	46.6	49.6	50.9	50.9	50.9	50.9
<b>Capital Employed</b>	<b>746.3</b>	<b>855.5</b>	<b>892.3</b>	<b>953.4</b>	<b>995.6</b>	<b>1,040.1</b>
Gross Fixed Assets	703.4	767.8	815.4	986.6	991.6	996.6
Less: Depreciation	280.7	314.0	350.0	389.9	432.1	474.8
<b>Net Fixed Assets</b>	<b>422.7</b>	<b>453.8</b>	<b>465.5</b>	<b>596.7</b>	<b>559.5</b>	<b>521.7</b>
Capital WIP	136.6	158.6	188.4	117.3	202.3	287.3
Investments	148.3	210.9	231.0	231.0	231.0	231.0
<b>Current Assets</b>						
Inventory	52.8	52.9	60.1	56.5	59.7	63.1
Debtors	114.1	106.5	102.5	96.5	101.8	107.7
Cash & Bank Balance	4.0	7.0	11.0	7.0	5.8	7.9
Cash	1.7	5.9	8.9	4.8	3.6	5.8
Bank Balance	2.3	1.1	2.2	2.2	2.2	2.2
Loans/Adv. & Other Assets	82.8	105.5	100.4	100.4	100.4	100.4
<b>Current Liab. &amp; Prov.</b>						
Liabilities	198.1	219.8	247.1	232.5	245.4	259.6
Provisions	16.9	20.0	19.6	19.6	19.6	19.6
<b>Net Current Assets</b>	<b>38.7</b>	<b>32.2</b>	<b>7.4</b>	<b>8.4</b>	<b>2.8</b>	<b>0.0</b>
<b>Application of Funds</b>	<b>746.3</b>	<b>855.5</b>	<b>892.3</b>	<b>953.4</b>	<b>995.6</b>	<b>1,040.1</b>

## Financials and valuations

### Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>						
<b>EPS</b>	<b>8.1</b>	<b>13.7</b>	<b>14.4</b>	<b>11.4</b>	<b>14.7</b>	<b>16.2</b>
Cash EPS	11.8	18.8	22.7	17.4	21.1	22.7
Book Value	93.5	101.8	111.5	116.9	125.1	134.2
DPS	4.0	5.5	7.5	6.0	6.5	7.1
Payout (incl. dvd tax)	49.6	40.1	43.6	52.5	44.0	44.0
<b>Valuation (x)</b>						
P/E	19.8	11.7	11.1	14.1	10.9	9.9
Adj. P/E (for investments)	14.6	8.6	8.2	10.4	8.0	7.3
Cash P/E	13.5	8.5	7.1	9.2	7.6	7.1
EV / EBITDA	11.5	6.8	6.2	7.0	5.7	5.2
EV / Sales	0.7	0.8	0.8	0.8	0.7	0.7
Price / Book Value	1.7	1.6	1.4	1.4	1.3	1.2
Dividend Yield (%)	2.5	3.4	4.7	3.8	4.1	4.4
<b>Profitability Ratios (%)</b>						
RoE	9.5	15.0	16.8	10.3	12.6	12.9
RoCE	7.9	11.9	11.5	8.8	10.5	11.0
RoIC	8.1	16.7	17.4	11.7	14.2	16.7
<b>Turnover Ratios</b>						
Debtors (No. of Days)	29	30	27	27	27	27
Fixed Asset Turnover (x)	1.9	1.5	1.5	1.4	1.4	1.4
<b>Leverage Ratio</b>						
Net Debt / Equity (x)	0.2	0.2	0.2	0.2	0.2	0.1

### Cash Flow Statement

(INR b)

Y/E March	FY22	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	65.8	115.5	148.2	97.3	126.1	138.3
Depreciation	24.9	33.3	36.0	39.9	42.2	42.8
Interest charge	3.1	7.0	7.4	9.0	7.6	6.9
Tax paid	-15.2	-27.5	-23.5	-22.6	-29.3	-32.1
(Inc)/Dec in Wkg. Capital	-30.9	5.5	8.5	-5.0	4.4	4.9
<b>CF from Op. Activity</b>	<b>28.1</b>	<b>118.5</b>	<b>155.7</b>	<b>118.6</b>	<b>151.0</b>	<b>160.8</b>
(Inc)/Dec in FA & CWIP	-73.4	-70.4	-69.0	-100.0	-90.0	-90.0
<b>Free Cash Flow</b>	<b>-45.3</b>	<b>48.1</b>	<b>86.7</b>	<b>18.6</b>	<b>61.0</b>	<b>70.8</b>
(Pur)/Sale of Investments	-10.6	-9.9	-6.0	0.0	0.0	0.0
<b>CF from Inv. Activity</b>	<b>-65.5</b>	<b>-80.0</b>	<b>-60.6</b>	<b>-100.0</b>	<b>-90.0</b>	<b>-90.0</b>
Interest charge	-5.8	-10.9	-10.8	-9.0	-7.6	-6.9
Inc / (Dec) in Debt	79.6	21.0	-28.4	25.6	-12.0	-15.0
Dividends Paid	-30.7	-36.2	-42.7	-39.2	-42.6	-46.7
<b>CF from Fin. Activity</b>	<b>25.5</b>	<b>-34.3</b>	<b>-92.1</b>	<b>-22.7</b>	<b>-62.2</b>	<b>-68.7</b>
<b>Inc / (Dec) in Cash</b>	<b>-11.9</b>	<b>4.1</b>	<b>3.0</b>	<b>-4.1</b>	<b>-1.2</b>	<b>2.1</b>
Add: Opening Balance	13.7	1.7	5.9	8.9	4.8	3.6
<b>Closing Balance</b>	<b>1.7</b>	<b>5.9</b>	<b>8.9</b>	<b>4.8</b>	<b>3.6</b>	<b>5.8</b>

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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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