

RESEARCH**BOB ECONOMICS RESEARCH | Q2FY26 GDP**

Q2 GDP growth surpasses expectations

GAIL | TARGET: Rs 158 | -10% | SELL

Tariff hike at 12% - miss expectations

SUMMARY**INDIA ECONOMICS: Q2FY26 GDP**

India's GDP growth rose at a stellar pace of 8.2% in Q2 FY26 compared with 5.6% in Q2 FY25. This followed a growth of 7.8% in Q1 FY26, bringing the H1 growth to an impressive 8%. In Q2, boost to growth came from a rebound in manufacturing sector. At the same time, services sector continued to show momentum. Private consumption too expanded at a healthy pace, even as government expenditure contracted. In H2, the economy is likely to be supported by robust consumption demand due to GST rate cuts and festive demand.

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GAIL

- PNGRB approved a pipeline tariff hike of 12% to Rs 65.7/mmbtu - lower than 33% hike requested by GAIL
- We revise down our estimates, primarily on tariff changes - EBITDA revised down by 4.2% for FY26E, 3.2% for FY27E & 3.4% for FY28E
- Maintain SELL with revised TP of Rs158 vs earlier Rs166, based on EV/EBITDA of 5.5-6.5x for various business segments on Sept'27

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Q2FY26 GDP

28 November 2025

Q2 GDP growth surpasses expectations

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Aditi Gupta
Economist

Manufacturing production has recovered, while agriculture and services sector have continued on a steady growth path. However, higher US tariffs can have some negative impact on growth, in case the trade deal is delayed further. Some of this is likely to be offset by the resilience in services exports. Taking all this into account, we are revising our growth forecast upwards to 7.4%-7.6% for FY26. Given the buoyancy in economy, the possibility of a rate cut in Dec'25 looks limited.

Q2 FY26 GDP expands

GDP growth in Q2 FY26 surged to 8.2% from 5.6% in Q2 FY25 on a YoY basis. This was significantly higher than our expectations of 7.1%-7.3%. Private consumption growth rebounded sharply in Q2. In real terms, PFCE expanded by 7.9% in Q2 FY26 compared with 6.4% in Q2 FY25. In nominal terms, GDP growth in Q2 was higher at 8.7% compared with 8.3% in the same period last year. The revival in private consumption is even more stark at 9.3% this year (current prices). Exports too witnessed a considerable pickup due to possible frontloading to the US before the tariff deadline. In nominal terms, exports expanded by 11% in Q2 FY26 compared with 2.5% in the same period last year. On the other hand, government consumption contracted this year after a strong run last year. Growth in GFCF was 8.2% in Q2 FY26.

GVA moderates

GVA growth also witnessed a substantial improvement to 8.1% in Q2 FY26 versus 5.8% in the same period last year. Within this, manufacturing sector saw a notable pickup with growth at 9.1% compared with 2.2% in Q2 FY25. Services sector too continued to show momentum, registering a growth of 9.2% in Q2 FY26 compared with 7.2% growth last year. Within services sector, financial services registered a higher growth of 10.2% in Q2 FY26, compared with 7.2% in the same period last year. Strong demand pushed growth in trade, hotels and transport sector to 7.4% in this quarter, compared with 6.1% growth last year.



SELL**TP: Rs 158 | ▼ 10%****GAIL**

Oil & Gas

28 November 2025

Tariff hike at 12% - miss expectations

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GAIL tariff order: PNGRB has approved an increase in the pipeline tariff for GAIL's integrated gas pipeline network to Rs 65.7/mmbtu (effective 1st Jan. 2026) from the current tariff rate of Rs 58.6/mmbtu - an increase of 12%. However, this revision is lower than expected. GAIL had requested for 33% hike in tariff to Rs 78.0/mmbtu to cover the rising operational and maintenance costs.

As per PNGRB, the current 12% hike in tariff of Rs7/mmbtu is based on revision in only two parameters – 1) System use gas (SUG) (portion of gas that GAIL uses for its own operational needs) 2) Capacity determination. PNGRB commented that review of other parameters for actual & future opex & capex, transmission loss etc. – will likely be taken in the next tariff review exercise w.e.f. 1st April 2028.

Changes in our estimates: Earlier we had estimated a marginal increase of 8% in the tariff for FY26E and 8% for FY27E – assuming-lower-than-requested tariff of Rs78.0/mmbtu.

USD INR has been revised as: Rs88.5 vs earlier Rs87.0 for FY26E, Rs89.5 vs earlier Rs87.0 for FY27E and Rs89.5 vs earlier Rs87 for FY28E

Post the tariff order, our assumptions are as follows:

Rs 60.3/mmbtu vs earlier Rs 64.8/mmbtu for FY26E, Rs 65.7/mmbtu vs earlier Rs 70.0/mmbtu for FY27E, Rs 65.7/mmbtu vs earlier Rs 70.7/mmbtu for FY28E

This will lead to downward revision of our EBITDA estimates. EBITDA is revised down by 4.2% for FY26E, 3.2% for FY27E and 3.4% for FY28E.

Maintain SELL: Broadly, tariff hike was lower vs expectations. Going forward, business performance will likely remain a challenge on account of moderate growth in transmission volumes and weak Petchem business profitability. We maintain SELL with revised TP of Rs158 vs earlier Rs166, based on EV/EBITDA of 5.5-6.5x for various business segments on Sept.27.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	GAIL IN/Rs 176
Market cap	US\$ 13.0bn
Free float	48%
3M ADV	US\$ 18.3mn
52wk high/low	Rs 213/Rs 151
Promoter/FPI/DII	52%/15%/19%

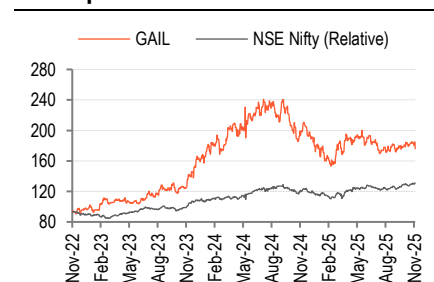
Source: NSE | Price as of 28 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,419,035	1,483,752	1,629,182
EBITDA (Rs mn)	154,318	143,260	171,760
Adj. net profit (Rs mn)	124,498	97,413	113,488
Adj. EPS (Rs)	18.9	14.8	17.3
Consensus EPS (Rs)	18.9	15.8	18.0
Adj. ROAE (%)	15.4	11.2	12.3
Adj. P/E (x)	9.3	11.9	10.2
EV/EBITDA (x)	8.5	9.0	7.5
Adj. EPS growth (%)	76.3	25.8	(21.8)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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Note: Recommendation structure changed with effect from 21 June 2021

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