HOLD
TP: Rs 187 | ▲ 11%

GAIL

| Oil & Gas | 30 October 2026

Results beat expectations on gas transmission & marketing

- **Revenue & EBITDA increased by 32.6%YoY and 102.0%YoY respectively primarily driven by gas transmission, marketing volumes**
- **Overall, outlook is positive with improvement in gas demand. Gas transmission to drive growth on recovery in volumes**
- **Maintain HOLD; considering improved performance & rollover to Sept.28E, we raise TP to Rs187 from Rs174 based on Sept.28E EBITDA**

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Performance above expectations: GAIL reported revenue at Rs471bn (+32.6% YoY, +14.4%QoQ) and was 49% above our estimates. EBITDA at Rs70bn (+102.0% YoY, -1.5% QoQ), was 126% above our estimates. Beat is primarily driven by gas marketing and gas transmission business. Gas marketing business benefited from elevated LNG spot prices.

Gas transmission performance: Volumes performance showed a 5.8%YoY to 130mmscmd in Q2FY27 from 123mmscmd in Q1FY26. It was 122mmscmd in Q2FY27. Increase on QoQ is due to incremental offtake by power and fertiliser sectors on spot LNG prices. Management expects volumes to improve gradually and guided 127mmscmd for FY27E and 135mmscmd for FY28E.

Petchem business continues to incur losses: Volumes fell 9.6%YoY to 189Kt from 209Kt in Q2FY26. Petchem business reported lower EBIT loss of Rs305mn which reduced QoQ from loss of Rs1,372mn in Q1FY27. EBIT loss is primarily due to elevated feedstock gas cost. Expects to achieve EBITDA breakeven in FY28E.

Outlook: Environment remains uncertain in terms of constraints on gas supply from the Middle East and the price volatility in spot LNG prices. Spot LNG price have increased to a level of USD30-32/mmbtu. This will have a positive impact on gas marketing profitability. On positive side, demand for gas remains healthy, management expects demand to increase every year by CGD, refineries, fertilizer and power sector.

Capex: GAIL incurred a capex of Rs76bn in H1FY27 and guided capex of Rs130bn for FY27E.

Maintain HOLD; revise TP upwards: We maintain HOLD; considering improved performance and rollover to Sept.28E, revise TP to Rs187 from Rs174 based on SoTP-based EV/EBITDA of 6.0-6.5x for the business segments on Sept.28E EBITDA.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	GAIL IN/Rs 168
Market cap	US$ 11.6bn
Free float	48%
3M ADV	US$ 15.5mn
52wk high/low	Rs 187/Rs 134
Promoter/FPI/DII	52%/13%/21%

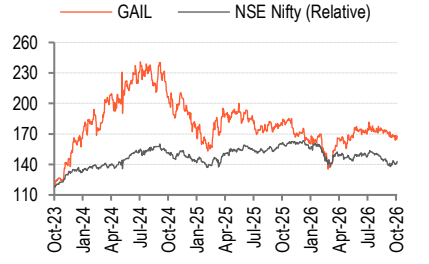
Source: NSE | Price as of 30 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,415,977	1,786,824	1,605,373
EBITDA (Rs mn)	115,101	202,253	195,771
Adj. net profit (Rs mn)	75,825	143,180	128,194
Adj. EPS (Rs)	11.5	21.8	19.5
Adj. ROAE (%)	8.7	15.3	12.7
Adj. P/E (x)	14.6	7.7	8.6
EV/EBITDA (x)	11.0	6.4	6.5
Adj. EPS growth (%)	25.8	(39.1)	88.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

(Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YOY (%)
Revenue	471,391	411,976	14.4	355,371	32.6	883,367	708,478	24.7
EBITDA	69,916	70,979	(1.5)	34,603	102.0	140,894	71,291	97.6
EBITDA margin (%)	14.83	17.23	(240 bps)	9.74	509 bps	15.95	10.06	589 bps
Depreciation	10,127	9,865	2.7	11,769	(13.9)	19,992	21,696	(7.9)
Interest	3,231	3,190	1.3	2,337	38.2	6,421	4,466	43.8
Other income	1,729	1,325	30.5	2,365	(26.9)	3,053	3,807	(19.8)
PBT	58,286	59,248	(1.6)	22,863	154.9	117,534	48,935	140.2
Tax	13,765	15,966	(13.8)	5,767	138.7	29,731	12,233	143.0
Reported PAT	47,238	46,710	1.1	19,887	137.5	93,947	43,710	114.9
PATM (%)	10.02	11.34	(132 bps)	5.60	442 bps	10.64	6.17	447 bps
EPS (Rs)	7.18	7.10	1.1	3.02	137.5	14.29	6.65	114.9

Source: Company

Fig 2 – Standalone performance

(Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YoY (%)
Revenue	458,949	389,527	17.8	350,081	31.1	848,476	697,770	21.6
EBITDA	64,115	63,758	0.6	31,906	101.0	127,873	65,242	96.0
PAT	46,502	42,923	8.3	22,172	109.7	89,426	41,036	117.9
EPS	7.1	6.5	8.3	3.4	109.7	13.6	6.2	117.9

Source: Company

Fig 3 – Q2FY27 Actual v/s estimates

Particulars	Q2 Actual	Estimates	VAR(%)
Revenue (Rs mn)	471,391	316,009	49.2
EBITDA (Rs mn)	69,916	30,967	125.8
EBITDA margin (%)	14.8	9.8	503 bps
PAT (Rs mn)	47,238	24,778	90.6
EPS (Rs)	7.2	3.8	90.6

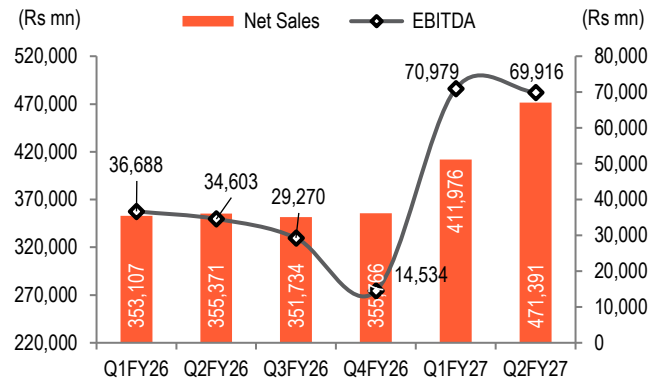
Source: Company, Bloomberg

Fig 4 – Business performance

Particulars	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YoY (%)
Natural gas transmission(mmscmd)	130.1	122.0	6.6	123.0	5.8	126.1	122.0	3.3
LPG transmission (Kt)	1,130.0	1,077.0	4.9	1,167.0	(3.2)	2,207.0	2,298.0	(4.0)
Natural gas marketing (mmscmd)	97.2	94.0	3.4	105.0	(7.4)	95.6	105.0	(8.9)
Polymer sales (Kt)	189.0	37.0	410.8	209.0	(9.6)	226.0	386.0	(41.5)

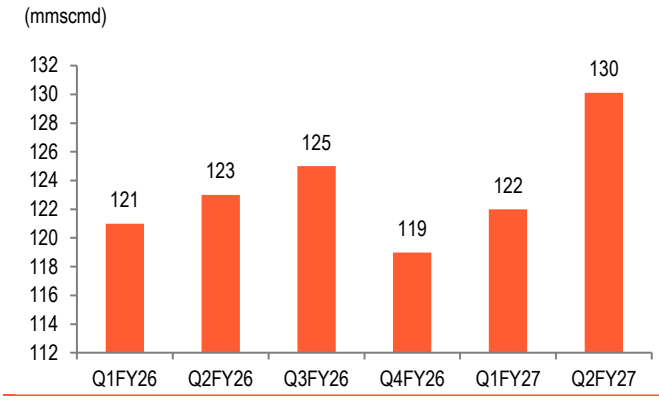
Source: Company

Fig 5 – Net sales up 33% YoY; EBITDA ~2x YoY



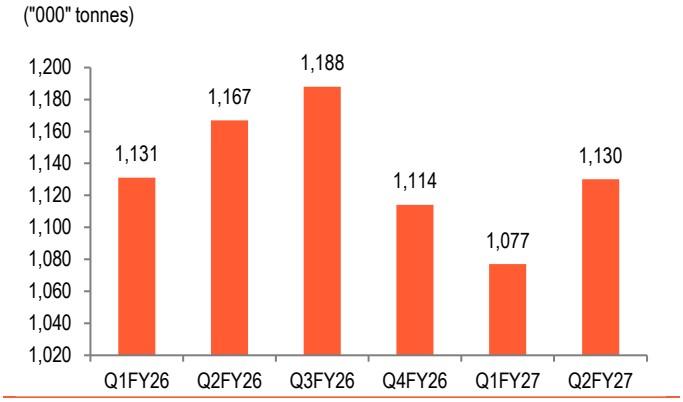
Source: Company

Fig 6 – Natural gas transmission



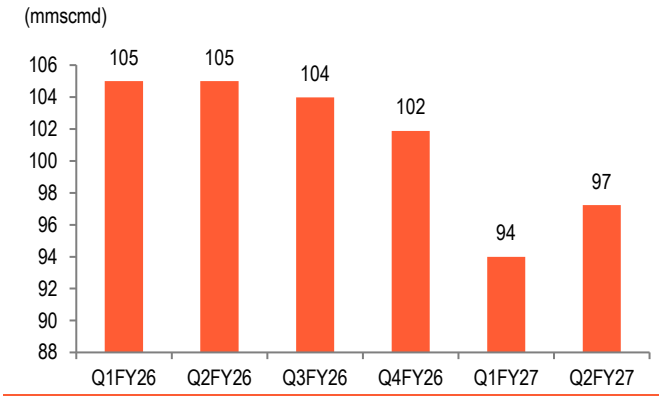
Source: Company

Fig 7 – LPG transmission



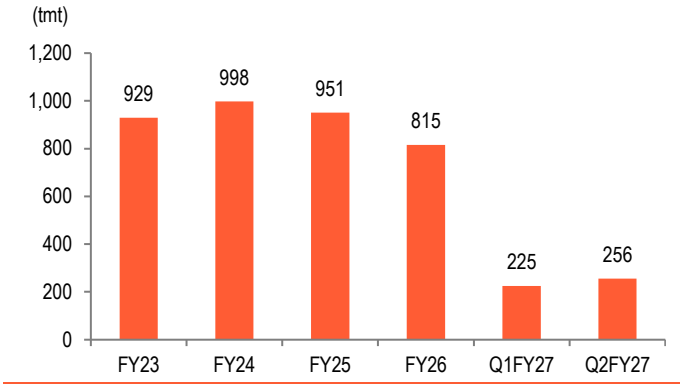
Source: Company

Fig 8 – Natural gas marketing



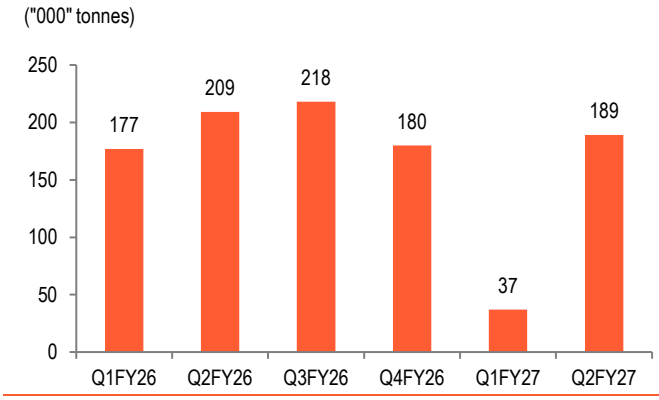
Source: Company

Fig 9 – Liquid hydrocarbon



Source: Company

Fig 10 – Polymer sales



Source: Company

Call Highlights

- **Gas transmission business:** Transmission volume in Q2 stood at 130mmscmd from 123mmscmd in Q2FY26. It was 122mmscmd in Q1FY27. Management commented that jump in QoQ is due to incremental offtake from power and fertilizer segment . Management expects volumes to improve gradually and guided 127mmscmd for FY27E and 135mmscmd for FY28E. This will be driven by refinery and CGD businesses.
- **Gas marketing business:** Gas marketing segment showed 48% YoY and 24%QoQ growth as it sourced 18 spot cargos in Q2 vs 8 spot cargos in Q1FY27. Volumes were 97mmscmd in Q2FY27. Broadly out of the ~21mmscmd Henry Hub-linked LNG portfolio, around half is back-to-back contracted, ~20% is used internally at Pata petchem, and the balance 25-30% is available for cross-index sales.
- **Petchem business:** Petchem EBIT loss reduced QoQ to Rs305mn vs loss of Rs1,372mn in Q1FY27. Volumes were 189kt in Q2FY27 vs 209kt in Q2FY26, lower on YoY basis. Gas cost was around USD14/mmbtu. Management expects the plant to operate at breakeven level in FY28E on normalization in gas prices.
- **Pipeline projects:** Key pipeline projects scheduled for completion in FY27E are JHBDPL- Jagdishpur-Haldia, Dhamra remaining section, KKMBPL Phase 2, Gurdaspur-Jammu pipeline and C2/C3 pipeline.
- **Gas business:** GAIL operates 6 GAs under its CGD business. GAIL gas (own and through JVs) targets to add 275 new CNG stations in next 2 years.
- **Capex:** GAIL incurred a capex of Rs76bn in H1FY27 and guided capex of Rs130bn for FY27E.Key projects include pipelines, petrochemicals, renewables, CGD and E&P.

Net debt stood reduced to Rs134bn on Sept.26 from net debt of Rs178bn on Mar.2026. Net D/E stood at 0.13x.

Valuation methodology

Macro environment has been volatile with LNG price. It benefitted gas trading business. However, it has impact on gas cost for Petchem business.

We revise our EBITDA numbers upwards on H1 performance primarily on gas transmission volumes and gas marketing business margins.

- Transmission volumes: We estimate transmission gas volumes at 127mmscmd vs the earlier 123mmscmd for FY27E; at 135mmscmd vs the earlier 128mmscmd for FY28E; at 137mmscmd vs earlier 136mmscmd for FY29E.
- Gas marketing business margins are revised up marginally due to strong performance.

Fig 11 – Revision in estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,415,977	1,786,824	1,605,373	1,686,981	1,520,462	1,598,736	1,686,033	17.5	0.4	0.1
EBITDA	115,101	202,253	195,771	224,810	166,841	189,431	223,246	21.2	3.3	0.7
EBITDA % margin	8.1	11.3	12.2	13.3	11.0	11.8	13.2	35Bps	35Bps	9Bps
PAT	75,825	143,180	128,194	148,384	115,382	122,354	146,255	24.1	4.8	1.5
EPS (Rs)	11.5	21.8	19.5	22.6	17.5	18.6	22	24.1	4.8	1.5

Source: Company, BOBCAPS Research

Fig 12 – Key assumptions

	FY25	FY26	FY27E	FY28E	FY29E
Transmission and Trading					
Transmission volumes (mmscmd)	127	122.0	127.0	135.0	137.0
% growth		-4.2	4.1	6.3	1.5
Transmission tariff (Rs/scm)	2.3	2.4	2.6	2.6	2.6
% growth		3.0	8.9	0.0	0.0
Rs/mmbtu	58.6	60.3	65.7	65.7	65.7
Gas Trading					
Blended realization (USD/mmbtu)	12.0	11.5	14.0	11.6	11.6
Margin (Rs/'000scm)	800	900	3,500	1,450	1,350
Petrochemicals					
Utilization (%)	90.0	94.0	97.0	98.0	98.0
Volumes (mn MT)	0.9	0.8	0.9	0.9	0.9
HDPE price (USD/MT)	1,200	1,080	1,150	1,275	1,300
Spot LNG price (USD/mmbtu)	12.5	12.5	14.0	12.5	12.5
LPG/OLHC					
LPG price (USD/MT)	710	710	750	750	750
USD-INR	87.0	90.0	97.0	97.0	97.0

Source: Company, BOBCAPS Research

EV/EBITDA-based Valuation Rationale

We maintain HOLD; considering improved performance and rollover to Sept.28E, revise TP to Rs187 from Rs174 based on SoTP-based EV/EBITDA of 6.0-6.5x for the business segments on Sept.28E EBITDA.

- Multiple of 6.5x for Gas and LPG transmission businesses – in line with commodity cycle
- Multiple of 6.0x for the Petrochemical business
- Multiple of 6.0x for the LPG business

Fig 13 – Valuation summary

Business	Sept28E EBITDA (Rs mn)	Multiple (x)	Holding co. discount (%)	Rs mn	Value (Rs/share)
Pipeline (Gas + LPG transmission)	104,349	6.5	NA	682,445	104
Natural Gas Trading	30,543	6.5	NA	198,530	30
Petchem	15,163	6.0	NA	91,435	14
LPG	68,957	6.0	NA	416,502	63
Sub-total	**219,013**			**1,388,913**	**211**
CGD investments	2xBV/25% Holding co discount		25	10,776	2
Investment in other PSUs	40% discount to CMP		40	7,407	1
Investment in Konkan LNG	1.5xBV, 20% discount		20	882	0
Other investments	BV/CMP at discount		25	682	0
Total EV				**1,408,661**	**214**
Less - Net Debt				178,376	27
Target price (Rs)				**1,230,285**	**187**

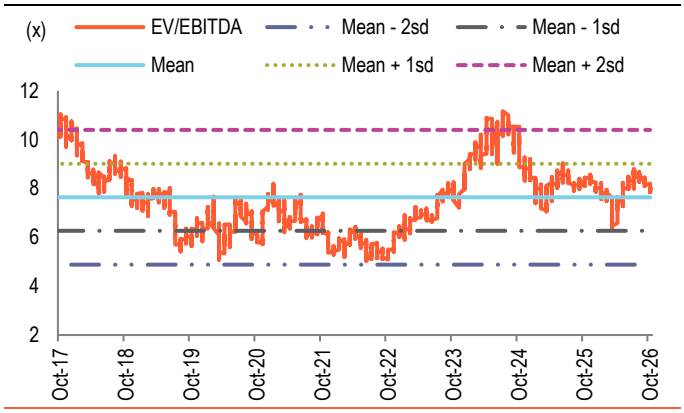
Source: Company, BOBCAPS Research

Key Risks

Key risks to our estimates:

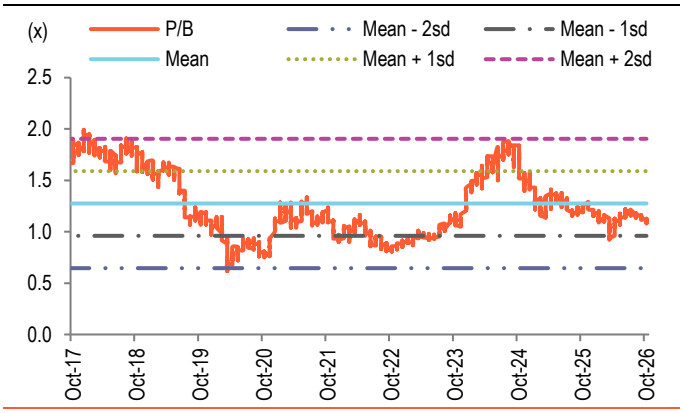
- **Petchem business performance relies on LNG prices and end products:** GAIL has been using imported LNG as a feedstock for the petchem plant. This business continues to report EBIT losses due to the weak end-product prices and higher LNG cost. We expect this risk to increase if gas cost increases. The company is looking to use Ethane as a feedstock, where the price volatility is relatively lesser and thus would bring stability in the business EBITDA.
- **Offtake in Gas transmission business:** Volume offtake depends on favourable pricing vs alternate fuels. Therefore, if LNG pricing gets unfavourable, we may see a slower offtake from various sectors. This would impact GAIL's revenue as well as EBITDA growth.

Fig 14 – EV/EBITDA 1YF



Source: Bloomberg

Fig 15 – P/B1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,419,017**	**1,415,977**	**1,786,824**	**1,605,373**	**1,686,981**
EBITDA	154,224	115,101	202,253	195,771	224,810
Depreciation	(37,992)	(38,351)	(44,267)	(58,428)	(63,928)
EBIT	128,926	91,852	173,314	152,901	176,673
Net interest inc./(exp.)	(7,404)	(9,642)	(10,464)	(9,532)	(7,984)
Other inc./(exp.)	12,694	15,101	15,328	15,558	15,791
Exceptional items	0	0	0	0	0
EBT	145,923	82,210	162,850	143,369	168,689
Income taxes	(36,326)	(21,437)	(35,013)	(30,824)	(36,268)
Extraordinary items	24,400	0	0	0	0
Min. int./Inc. from assoc.	14,902	15,052	15,343	15,650	15,963
Reported net profit	**124,498**	**75,825**	**143,180**	**128,194**	**148,384**
Adjustments	0	0	0	0	0
Adjusted net profit	**124,498**	**75,825**	**143,180**	**128,194**	**148,384**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	77,599	61,042	78,253	71,406	76,191
Other current liabilities	76,337	99,180	99,180	99,180	99,180
Provisions	9,797	9,235	9,235	9,235	9,235
Debt funds	163,074	199,642	222,642	190,642	150,642
Other liabilities	152,277	143,351	143,351	143,351	143,351
Equity capital	65,751	65,751	65,751	65,751	65,751
Reserves & surplus	784,225	824,745	912,037	981,055	1,066,976
Shareholders' fund	849,976	890,496	977,788	1,046,806	1,132,727
Total liab. and equities	**1,331,487**	**1,405,366**	**1,532,869**	**1,563,040**	**1,613,746**
Cash and cash eq.	27,205	21,267	36,998	43,230	49,933
Accounts receivables	104,293	86,051	108,588	97,561	102,520
Inventories	62,499	51,549	65,050	58,444	61,415
Other current assets	30,744	38,001	38,001	38,001	38,001
Investments	227,646	262,332	262,332	262,332	262,332
Net fixed assets	493,529	594,243	669,976	711,548	747,620
CWIP	274,211	240,722	240,722	240,722	240,722
Intangible assets	94,826	92,429	92,429	92,429	92,429
Deferred tax assets, net	0	0	0	0	0
Other assets	181,889	178,608	204,622	238,783	244,283
Total assets	**1,331,487**	**1,405,366**	**1,532,869**	**1,563,040**	**1,613,746**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**149,188**	**135,076**	**163,741**	**191,290**	**201,188**
Capital expenditures	(112,405)	(103,179)	(120,000)	(100,000)	(100,000)
Change in investments	(8,546)	(34,686)	0	0	0
Other investing cash flows	21,643	(2,113)	0	0	0
Cash flow from investing	**(99,308)**	**(139,977)**	**(120,000)**	**(100,000)**	**(100,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(23,006)	36,568	23,000	(32,000)	(40,000)
Interest expenses	(7,404)	(9,642)	(10,464)	(9,532)	(7,984)
Dividends paid	(49,313)	(36,163)	(55,888)	(59,176)	(62,463)
Other financing cash flows	82,958	39,927	8,199	15,343	15,650
Cash flow from financing	**(39,796)**	**(1,037)**	**(28,010)**	**(85,058)**	**(94,485)**
Chg in cash & cash eq.	**10,084**	**(5,939)**	**15,732**	**6,232**	**6,703**
Closing cash & cash eq.	**27,205**	**21,266**	**36,998**	**43,230**	**49,933**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	18.9	11.5	21.8	19.5	22.6
Adjusted EPS	18.9	11.5	21.8	19.5	22.6
Dividend per share	7.5	5.5	8.5	9.0	9.5
Book value per share	129.3	135.4	148.7	159.2	172.3

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	0.9	0.9	0.7	0.8	0.7
EV/EBITDA	8.1	11.0	6.4	6.5	5.5
Adjusted P/E	8.9	14.6	7.7	8.6	7.4
P/BV	1.3	1.2	1.1	1.1	1.0

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	0.8	0.7	0.8	0.8	0.8
Interest burden (PBT/EBIT)	0.9	0.9	0.9	0.9	1.0
EBIT margin (EBIT/Revenue)	9.1	6.5	9.7	9.5	10.5
Asset turnover (Rev./Avg TA)	1.1	1.0	1.2	1.0	1.1
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.5	1.5
Adjusted ROAE	15.4	8.7	15.3	12.7	13.6

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(8.5)	6.5	(0.2)	26.2	(10.2)
EBITDA	91.0	7.9	(25.4)	75.7	(3.2)
Adjusted EPS	76.3	25.8	(39.1)	88.8	(10.5)
Profitability & Return ratios (%)					
EBITDA margin	10.9	8.1	11.3	12.2	13.3
EBIT margin	9.1	6.5	9.7	9.5	10.5
Adjusted profit margin	8.8	5.4	8.0	8.0	8.8
Adjusted ROAE	15.4	8.7	15.3	12.7	13.6
ROCE	11.4	7.6	13.4	11.2	12.6
Working capital days (days)					
Receivables	27	22	22	22	22
Inventory	16	13	13	13	13
Payables	22	17	18	18	19
Ratios (x)					
Gross asset turnover	1.1	1.0	1.2	1.0	1.1
Current ratio	1.0	0.8	1.0	1.0	1.0
Net interest coverage ratio	17.4	9.5	16.6	16.0	22.1
Adjusted debt/equity	0.2	0.2	0.2	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Grievance Officer: Mr. Nilesh Mehta
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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

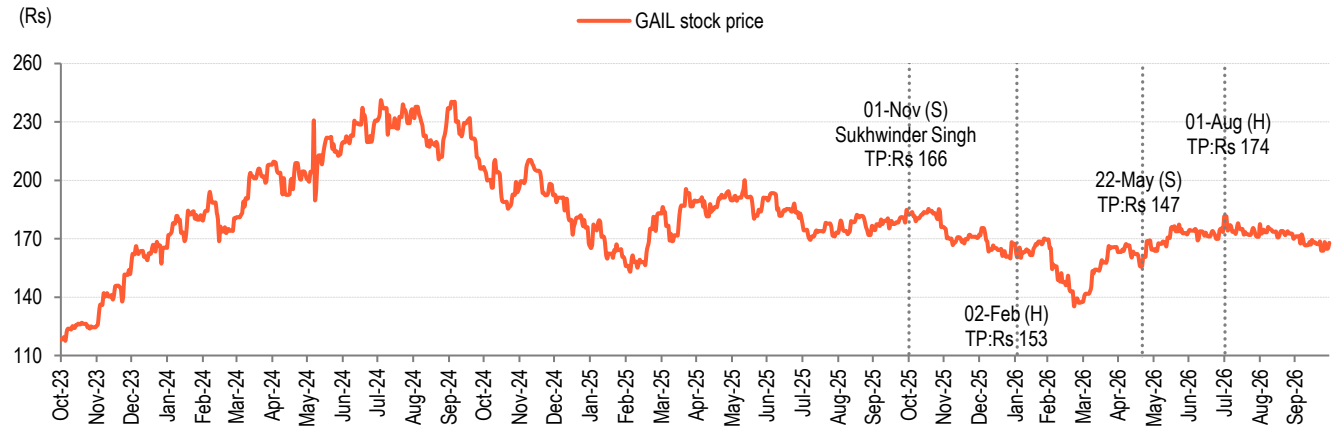
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): GAIL (GAIL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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