

HOLD

TP: Rs 153 | ▼ 5%

GAIL

| Oil & Gas

| 02 February 2026

Operational performance below expectations

- Revenue declined by 4.5%YoY and EBITDA by 7.6%YoY, impacted by Gas-transmission and Petchem performances
- Gas transmission volumes fell 4.6%YoY on the low offtake by Refinery and Fertiliser. Petchem reported higher loss YoY
- Based on 9M performance, revise rating to HOLD from SELL and TP to Rs153 from Rs158; based on EV/EBITDA of 5.5-6.5x Dec'27 EBITDA

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Operational performance below expectations: Revenue was Rs352bn (-4.5% YoY, -1.0%QoQ) 4% above our estimates. EBITDA at Rs29bn (-7.6%YoY, -15.4% QoQ), was 11% below our estimates, due to lower than expected petchem performance which reported higher losses.

Gas transmission performance: Volume performance showed a 4.6% decline to 125mmcmd in Q3FY26 from 131mmcmd in Q3FY25. The YoY decline is due to the delay in pipeline connectivity, low offtake by refineries, power and fertiliser sectors. Volumes have recovered QoQ from 123mmcmd in Q2FY26. Management remains positive on the improvement in offtake and has guided for volumes of 124-125mmcmd for FY26E and 134-135mmcmd for FY27E.

Petchem continues to incur losses: Volumes fell 3.5%YoY to 218TMT v/s 226TMT in Q3FY25. Petchem business increased EBIT loss to Rs4,930mn from an EBIT loss of Rs33mn in Q3FY25. Prices of polypropylene end products continue to be weak, which impacted profitability.

Outlook on volumes: Management is positive on the gas consumption demand, owing to a likely uptick from refineries, power and fertiliser sectors. Volume growth is likely to be 8-9% for FY27E.

Capex: GAIL incurred a capex of Rs21bn in Q3FY26 and guided a capex of Rs107bn for FY26E.

Revise rating to HOLD and TP: Petchem business is likely to stay weak in the near term. Based on the 9M performance and stock correction, we revise the rating to HOLD from SELL and TP to Rs153 from Rs158; based on SoTP-based EV/EBITDA of 5.5-6.5x for the business segments on Dec'27 EBITDA.

Key changes

Target	Rating
▼	▲

Ticker/Price	GAIL IN/Rs 160
Market cap	US\$ 11.5bn
Free float	48%
3M ADV	US\$ 18.0mn
52wk high/low	Rs 203/Rs 151
Promoter/FPI/DII	52%/15%/19%

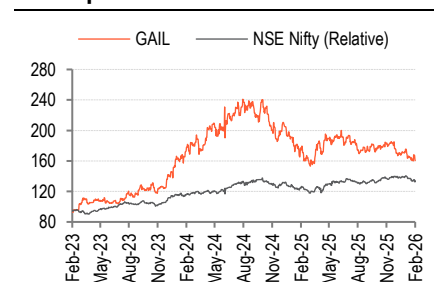
Source: NSE | Price as of 2 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,419,035	1,432,678	1,566,055
EBITDA (Rs mn)	154,318	135,090	165,280
Adj. net profit (Rs mn)	124,498	86,904	105,775
Adj. EPS (Rs)	18.9	13.2	16.1
Consensus EPS (Rs)	18.9	12.6	15.1
Adj. ROAE (%)	15.4	10.0	11.6
Adj. P/E (x)	8.5	12.1	10.0
EV/EBITDA (x)	7.8	8.8	7.2
Adj. EPS growth (%)	76.3	25.8	(30.2)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Rs mn	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Revenue	351,734	355,371	(1.0)	368,348	(4.5)	1,060,212	1,054,615	0.5
EBITDA	29,270	34,603	(15.4)	31,693	(7.6)	100,561	118,965	(15.5)
EBITDA margin (%)	8.32	9.74		8.60		9.48	11.28	
Depreciation	11,919	11,769	1.3	9,394	26.9	33,615	30,135	11.5
Interest	2,538	2,337	8.6	1,693	49.9	7,004	5,662	23.7
Other income	3,381	2,365	42.9	3,781	(10.6)	7,187	8,753	(17.9)
PBT	18,194	22,863	(20.4)	24,387	(25.4)	67,129	85,444	(21.4)
Tax	4,355	5,767	(24.5)	11,878	(63.3)	16,588	28,983	(42.8)
Reported PAT	17,291	19,887	(13.1)	40,843	(57.7)	61,001	93,096	(34.5)
Exceptional item	0	0	NA	24,400	(100.0)	0	24,400	(100.0)
Adjusted PAT	17,291	19,887	(13.1)	16,442	5.2	61,001	68,696	(11.2)
Adj. PATM (%)	4.92	5.60		11.09		5.75	6.51	
EPS (Rs)	2.63	3.02	(13.1)	2.50	5.2	9.28	10.45	(11.2)

Source: Company

Fig 2 – Q3FY26 Actual v/s Estimates

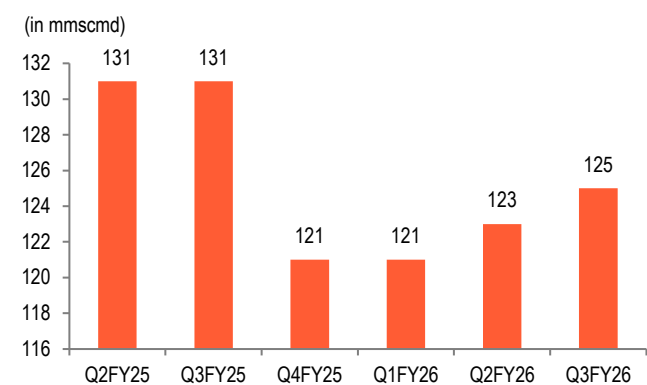
Particulars	Q3Actual	Estimates	VAR (%)
Revenue (Rs mn)	351,734	339,091	3.7
EBITDA (Rs mn)	29,270	32,755	(10.6)
EBITDA margin (%)	8.3	9.7	
PAT (Rs mn)	17,291	17,186	0.6
EPS (Rs)	2.6	2.6	0.61

Source: Company, Bloomberg

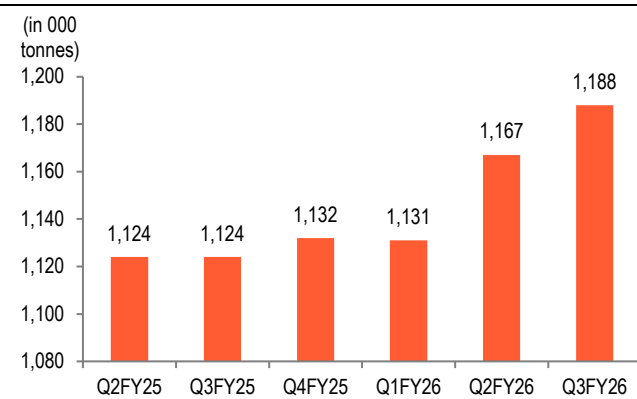
Fig 3 – Business performance

Particulars	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Natural gas transmission(mmcmd)	125.0	123.0	1.6	131.0	(4.6)	123.0	131.3	(6.3)
LPG transmission (Kt)	1,188.0	1,167.0	1.8	1,124.0	5.7	3,486.0	3,313.0	5.2
Natural gas marketing (mmcmd)	105.0	105.0	0.0	103.5	1.5	105.0	99.8	5.2
Polymer sales (Kt)	218.0	209.0	4.3	226.0	(3.5)	604.0	621.0	(2.7)

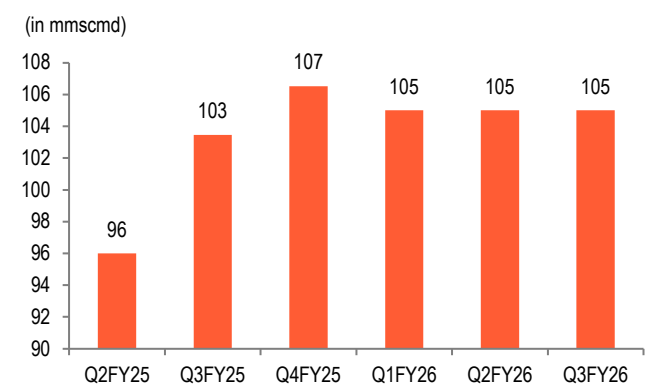
Source: Company

Fig 4 – Natural gas transmission

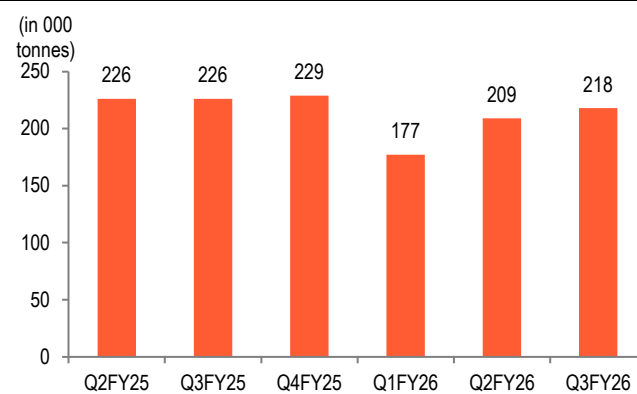
Source: Company

Fig 5 – LPG transmission

Source: Company

Fig 6 – Natural gas marketing

Source: Company

Fig 7 – Polymer sales

Source: Company

Call Highlights

- **Gas transmission business:** Volumes were subdued at 125mmscmd in Q3FY26 vs 131mmscmd in Q3FY25, due to the delay in pipeline connectivity, and low offtake from power and fertiliser sectors. Some of the power and fertiliser consumers shifted to alternate fuels on better price dynamics. Offtake has improved QoQ from 123mmscmd in Q2FY26. Utilisation was 56%. Volumes were 129mmscmd in Dec'25 indicating recovery in volumes. Recovery is on account of elevated consumption by fertiliser, refinery, CGD sectors and resumption of gas supply on two pipeline sections, following the completion of repair work. Going forward, management is positive about demand improvement and expects volumes of 124-125mmscmd for FY26E; and a further increase of 10mmscmd to 134-135mmscmd for FY27E.
- **Gas marketing business:** PBT was Rs29,420mn for 9MFY26. For FY26E, management guided for a PBT of Rs40,000mn.
- **Petchem business:** Reported EBIT loss due to increased gas input cost. Gas cost in Q3 was USD11.2/mmbtu vs USD9.5/mmbtu in Q3FY25. Polymer prices have risen by Rs3,000 per tonne since Dec'25. Gas costs have also gone up. Management expects performance to be at a similar level in the near term. Management is looking at cost optimisation measures to make it profitable. 60KTPA polypropylene plant at Pata is likely to be commissioned in 1-2 weeks.
- **Capex:** GAIL incurred a capex of Rs21,860mn in Q3FY26, which includes Rs8,040mn on the pipelines business, Rs4,550mn as operational capex and balance on CGD/other businesses.
- **Pipeline projects:** Ongoing projects 1) Mumbai-Nagpur-Jharsuguda pipeline (likely completion in FY27 2) Gurdaspur-Jammu pipeline (will likely be commissioned in FY27E).
- **GAIL gas business:** GAIL gas has 6 GA under the CGD business. It has 215 CNG stations and 4.6lakh DPNG connections. It added 2 CNG stations in Q3FY26. Volume is 0.55mmscmd. GAIL targets to add 85 new CNG stations in the next 2 years. It reported revenue of Rs33bn and PAT of Rs1bn in Q3FY26.

Valuation Methodology

Environment has been challenging in terms of gas transmission volume performance and petchem business.

Key changes in assumptions:

- We estimate decline in transmission gas volumes to be -2.6% vs the earlier -3.4%YoY in FY26E, 9.0% vs the earlier 6.5% in FY27E and 3.0% growth vs the earlier 5.3% In FY28E. Volumes estimated at 124mmscmd for FY26E, 135mmscmd for FY27E and 139mmscmd for FY28E.
- USD-INR assumption revised to Rs90.0 vs the earlier Rs88.5 for FY26E, Rs91.0 vs the earlier Rs89.5 for FY27E and Rs91.0 vs the earlier Rs89.5 for FY28E.

Fig 8 – Revision in Estimates

(Rs mn)	Actual	New				Old			Change (%)		
	FY25A	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
Revenue	1,419,035	1,432,678	1,566,055	1,629,146	1,483,752	1,629,182	1,698,122	(3.4)	(3.9)	(4.1)	
EBITDA	154,318	135,090	165,280	180,531	143,260	171,760	189,333	(5.7)	(3.8)	(4.6)	
EBITDA % margin	10.9	9.4	10.6	11.1	9.7	10.5	11.1	-	-	-	
PAT	124,498	86,904	105,775	115,332	97,413	113,488	118,711	(10.8)	(6.8)	(2.8)	
EPS (Rs)	18.9	13.2	16.1	17.5	14.8	17.3	18.1	(10.8)	(6.8)	(2.8)	

Source: Company

Fig 9 – Key assumptions

	FY24	FY25	FY26E	FY27E	FY28E
Transmission and Trading					
Transmission volumes (mmscmd)	120.0	127.3	124.0	135.0	139.0
Transmission tariff (Rs/scm)	2.3	2.3	2.4	2.6	2.6
% growth	3,678.8	0.0	298.2	885.3	0.0
Rs/mmbtu	58.6	58.6	60.3	65.7	65.7
Gas Trading					
Blended realization (USD/mmbtu)	14.0	12.0	11.5	11.6	11.6
Margin (Rs/'000scm)	850	800	900	910	915
Petrochemicals					
Utilization (%)	85.0	90.0	90.0	90.0	90.0
Volumes (mn MT)	0.7	0.8	0.8	0.9	0.9
HDPE price (USD/MT)	1,200	1,200	1,080	1,225	1,225
Spot LNG price (USD/mmbtu)	12.5	12.5	12.5	12.8	12.8
LPG/OLHC					
LPG price (USD/MT)	710	710	710	710	725
Gas cost (USD/mmbtu)	7.5	7.5	7.5	7.5	7.5
USD-INR	82.8	87.0	89.0	91.0	91.0

Source: Company

EV/EBITDA-based Valuation Rationale

Based on 9M performance as also the recent stock correction, , we revise our rating to HOLD from SELL and TP to Rs153 from Rs158; based on SoTP-based EV/EBITDA of 5.5-6.5x for the business segments on Dec'27 EBITDA.

- Multiple of 6.5x for Gas and LPG transmission businesses – in line with commodity cycle
- Multiple of 6.0x for Petchem business
- Multiple of 5.5x for LPG business

Fig 10 – Valuation summary

Business	Dec.27 EBITDA (Rs mn)	Multiple (x)	Holding co. discount (%)	Rs mn	Value (Rs/share)
Pipeline (Gas + LPG transmission)	92,499	6.5	NA	604,944	92
Natural Gas Trading	20,917	6.5	NA	135,961	21
Petchem	(1,197)	6.0	NA	(7,184)	(1)
LPG	70,036	5.5	NA	385,195	59
Sub-total	182,254			1,118,917	170
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				1,138,665	173
Less - Net Debt				135,869	21
Target price (Rs)				1,002,796	153

Source: Company, BOBCAPS Research

Key Risks

Key risks to our estimates:

- **Petchem business performance relies on prices of LNG and end products:**
GAIL has been using imported LNG as a feedstock for Petchem plant. In FY23, the cost moved up due to the elevated LNG price. This has made EBITDA performance volatile since then. In the last 4 quarters, the business continues to report EBIT losses. We expect this risk to increase. GAIL is looking to use Ethane as a feedstock, where the price volatility is relatively less and thus, would bring in stability in the EBITDA of the business.
- **Offtake in Gas transmission business:** Volume offtake depends on favourable pricing vs alternate fuels. Therefore, if LNG pricing gets favourable, we may see a faster offtake from various sectors. This would ramp up GAIL's revenue and EBITDA growth.

Fig 11 – EV/EBITDA 1YF

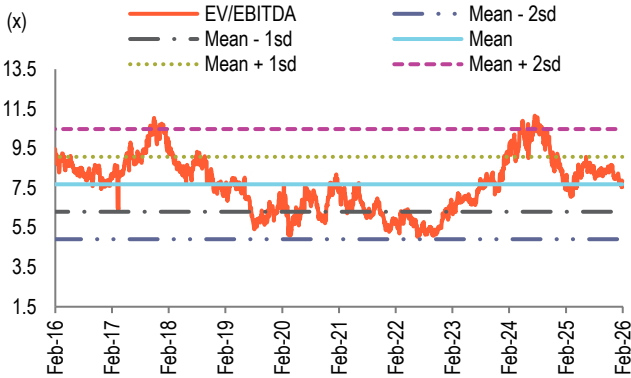
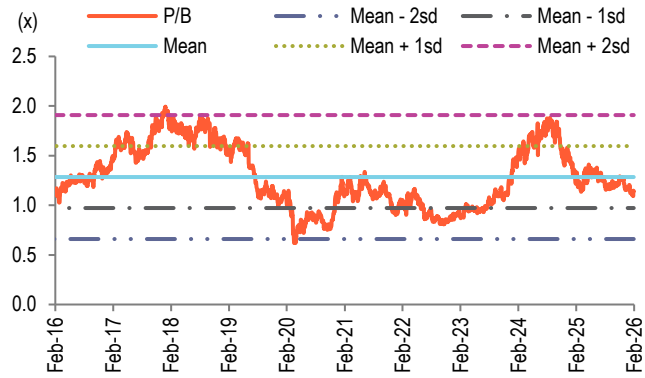


Fig 12 – P/B 1YF



Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	1,332,285	1,419,035	1,432,678	1,566,055	1,629,146
EBITDA	142,963	154,318	135,090	165,280	180,531
Depreciation	(36,720)	(37,992)	(45,037)	(51,795)	(55,995)
EBIT	116,321	129,002	102,983	126,673	137,988
Net interest inc./(exp.)	(7,192)	(7,480)	(7,338)	(6,219)	(5,181)
Other inc./(exp.)	10,078	12,676	12,930	13,189	13,452
Exceptional items	0	0	0	0	0
EBT	109,129	145,923	95,645	120,454	132,807
Income taxes	(26,922)	(36,326)	(24,074)	(30,318)	(33,428)
Extraordinary items	0	24,400	0	0	0
Min. int./Inc. from assoc.	16,785	14,902	15,333	15,640	15,953
Reported net profit	98,992	124,498	86,904	105,775	115,332
Adjustments	0	0	0	0	0
Adjusted net profit	98,992	124,498	86,904	105,775	115,332

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	66,397	77,599	79,326	87,783	92,436
Other current liabilities	81,228	76,337	76,337	76,337	76,337
Provisions	10,761	9,797	9,797	9,797	9,797
Debt funds	186,080	163,074	163,074	148,074	109,074
Other liabilities	130,749	152,277	152,277	152,277	152,277
Equity capital	65,751	65,751	65,751	65,751	65,751
Reserves & surplus	704,221	784,225	818,528	868,415	924,571
Shareholders' fund	769,972	849,976	884,279	934,166	990,322
Total liab. and equities	1,247,172	1,331,487	1,367,518	1,410,862	1,432,671
Cash and cash eq.	17,121	27,205	26,765	27,161	27,991
Accounts receivables	95,803	94,364	95,272	104,141	108,337
Inventories	59,700	62,499	63,100	68,974	71,753
Other current assets	29,368	30,204	30,204	30,204	30,204
Investments	219,100	227,646	227,646	227,646	227,646
Net fixed assets	479,567	493,529	528,492	556,696	570,701
CWIP	236,268	274,211	274,211	274,211	274,211
Intangible assets	72,318	94,826	94,826	94,826	94,826
Deferred tax assets, net	0	0	0	0	0
Other assets	84,348	181,889	218,942	225,700	239,900
Total assets	1,247,172	1,331,487	1,367,518	1,410,862	1,432,671

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	148,516	159,733	124,166	141,864	158,234
Capital expenditures	(161,439)	(112,405)	(80,000)	(80,000)	(70,000)
Change in investments	(46,617)	(8,546)	0	0	0
Other investing cash flows	(371)	11,174	0	0	0
Cash flow from investing	(208,427)	(109,777)	(80,000)	(80,000)	(70,000)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	23,331	(23,006)	0	(15,000)	(39,000)
Interest expenses	(7,192)	(7,480)	(7,338)	(6,219)	(5,181)
Dividends paid	(33,095)	(49,313)	(52,601)	(55,888)	(59,176)
Other financing cash flows	65,084	82,958	39,927	15,333	15,640
Cash flow from financing	66,003	(39,872)	(44,606)	(61,468)	(87,404)
Chg in cash & cash eq.	6,092	10,084	(440)	396	830
Closing cash & cash eq.	17,121	27,205	26,765	27,161	27,991

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	15.1	18.9	13.2	16.1	17.5
Adjusted EPS	15.1	18.9	13.2	16.1	17.5
Dividend per share	5.0	7.5	8.0	8.5	9.0
Book value per share	117.1	129.3	134.5	142.1	150.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.9	0.9	0.8	0.8	0.7
EV/EBITDA	8.5	7.8	8.8	7.2	6.4
Adjusted P/E	10.7	8.5	12.1	10.0	9.1
P/BV	1.4	1.2	1.2	1.1	1.1

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.3	75.1	74.8	74.8	74.8
Interest burden (PBT/EBIT)	0.9	0.9	0.9	1.0	1.0
EBIT margin (EBIT/Revenue)	8.7	9.1	7.2	8.1	8.5
Asset turnover (Rev./Avg TA)	1.1	1.1	1.1	1.1	1.1
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	14.0	15.4	10.0	11.6	12.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	40.8	(8.5)	6.5	1.0	9.3
EBITDA	(64.9)	91.0	7.9	(12.5)	22.3
Adjusted EPS	(72.0)	76.3	25.8	(30.2)	21.7
Profitability & Return ratios (%)					
EBITDA margin	10.7	10.9	9.4	10.6	11.1
EBIT margin	8.7	9.1	7.2	8.1	8.5
Adjusted profit margin	7.4	8.8	6.1	6.8	7.1
Adjusted ROAE	14.0	15.4	10.0	11.6	12.0
ROCE	11.5	11.4	8.7	10.4	11.1
Working capital days (days)					
Receivables	26	24	24	24	24
Inventory	16	16	16	16	16
Payables	20	22	22	23	23
Ratios (x)					
Gross asset turnover	1.1	1.1	1.1	1.1	1.1
Current ratio	0.9	1.0	1.0	1.0	1.0
Net interest coverage ratio	16.2	17.2	14.0	20.4	26.6
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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BUY – Expected return >+15%

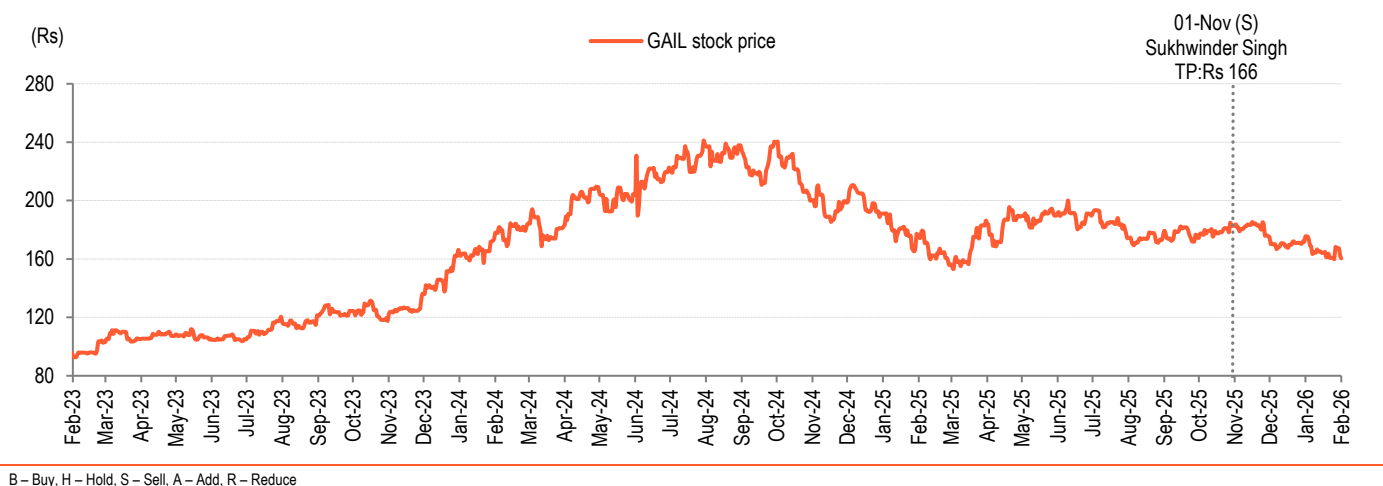
HOLD – Expected return from -6% to +15%

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)



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