

## Earnings miss due to normalisation of gas trading margin

GAIL's 2QFY25 standalone EBITDA was lower at INR 37.5bn vs. JMFe/consensus of INR 42.2bn/ INR 40.3bn primarily due to lower-than-expected EBITDA from the gas trading segment; it was also partly driven by slightly lower gas transmission EBITDA. Petchem segment EBITDA was largely in line as marginally lower sales volume was offset by robust margin. Further, LPG & OHC segment EBITDA was also largely in line with slightly higher sales volume offsetting marginally lower margin. LPG pipeline segment EBITDA was steady as expected. We maintain BUY (revised TP of INR 250) on steady growth visibility in the gas transmission business on account of higher tariff and various policy tailwinds (given the government's target to increase the share of gas in India's energy mix to ~15% by 2030 vs. ~7% currently). At CMP, the stock trades at 1.6x FY27E P/B and 10.9x FY27E P/E.

- Gas trading EBITDA normalises to INR 15.1bn due to moderation in margin and lower volumes:** GAIL's 2QFY25 standalone EBITDA lower at INR 37.5bn vs. JMFe/consensus of INR 42.2bn/ INR 40.3bn primarily due to lower-than-expected EBITDA from the gas trading segment; it was also partly driven by slightly lower gas transmission EBITDA. However, PAT was higher at INR 26.7bn vs. JMFe/consensus of INR 26.3bn/ INR 25.5bn due to lower depreciation (at INR 8.2bn vs. INR 10.5bn in 1QFY25), higher other income (at INR 7.1bn vs. JMFe of INR 5.8bn) and slightly lower taxes (at 22.6% vs. JMFe of 25.2%). Gas trading EBITDA normalised to INR 15.1bn vs. JMFe of INR 20.5bn (and from record high EBITDA of INR 22.9bn in 1QFY25) – this seems to be on account of moderation in margin to INR 1,701/tcm in 2QFY25 (vs. JMFe of INR 2,250/tcm and vs. INR 2,524/tcm in 1QFY25) and lower volume at 96.6 mmscmd (vs. 99.5mmscmd in 1QFY25).
- Gas transmission EBITDA 6% below JMFe on higher gas cost; however, volume was better than expected:** Gas transmission EBITDA was 6% below JMFe at INR 18.1bn vs. JMFe of INR 19.2bn (INR 19.7bn in 1QFY25) due to lower transmission EBITDA margin at INR 1,503/tcm vs. JMFe of INR 1,640/tcm, primarily due to higher cost at INR 631/tcm vs. JMFe of INR 540/tcm (mostly due to higher gas cost for system use gas on account of high spot LNG price). However, transmission volume was stronger than expected at 130.6mmscmd vs. JMFe of 127mmscmd (vs. 131.8mmscmd in 1QFY25) despite moderation in gas demand from the power sector.
- Petchem and other segment earnings were largely in line:** Petchem segment EBITDA was largely in line at INR 2.8bn in 2QFY25. Petchem sales volume was only a tad lower at 226ktpa vs. JMFe of 240ktpa (vs. 169ktpa in 1QFY25); however, EBITDA margin was robust as expected at +USD 148/tn (vs. +USD 88/tn in 1QFY25) vs. JMFe of +USD 156/tn. LPG & OHC segment EBITDA was also in line at INR 2.8bn with EBITDA margin slightly lower at USD 131/tn (vs. USD 146/tn in 1QFY25) while sales volume was a tad higher at 252kt (vs. JMFe of 250kt). LPG pipeline segment EBITDA was steady as expected at INR 1bn.
- Maintain BUY on steady growth visibility in gas transmission business:** We maintain our FY25-FY27 estimates; however, our TP has been revised to INR 250 (from INR 255) due to

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	250
Upside/(Downside)	27.2%
Previous Price Target	255
Change	-2.0%

### Key Data – GAIL IN

Current Market Price	INR196
Market cap (bn)	INR1,291.4/US\$15.4
Free Float	41%
Shares in issue (mn)	6,765.2
Diluted share (mn)	6,575.1
3-mon avg daily val (mn)	INR3,246.1/US\$38.6
52-week range	246/123
Sensex/Nifty	79,477/24,213
INR/US\$	84.1

### Price Performance

%	1M	6M	12M
Absolute	-14.7	-3.6	58.7
Relative*	-12.3	-10.4	28.5

\* To the BSE Sensex

### Financial Summary (Standalone)

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	1,443,016	1,306,381	1,389,419	1,465,044	1,569,728
Sales Growth (%)	57.5	-9.5	6.4	5.4	7.1
EBITDA	66,989	133,747	165,863	166,438	184,361
EBITDA Margin (%)	4.6	10.2	11.9	11.4	11.7
Adjusted Net Profit	53,015	88,365	107,922	107,226	118,072
Diluted EPS (INR)	8.1	13.4	16.4	16.3	18.0
Diluted EPS Growth (%)	-48.2	66.7	22.1	-0.6	10.1
ROIC (%)	6.5	12.9	14.9	13.8	14.4
ROE (%)	9.5	14.7	16.1	14.7	14.9
P/E (x)	24.3	14.6	11.9	12.0	10.9
P/B (x)	2.3	2.0	1.8	1.7	1.6
EV/EBITDA (x)	20.0	9.8	7.8	7.7	6.8
Dividend Yield (%)	2.0	2.8	3.8	3.7	4.1

Source: Company data, JM Financial. Note: Valuations as of 05/Nov/2024

decline in value of other investments (which is valued at CMP less 20% holding discount). We reiterate BUY due to steady growth visibility in the gas transmission business, coupled with higher tariff, on account of various policy tailwinds (given the government's target to increase the share of gas in India's energy mix to ~15% by 2030 vs. ~7% currently). Our TP comprises: **a)** core business value of INR 208/share; **b)** other investments at INR 53/share; and **c)** net debt of INR 11/share. At CMP, the stock trades at 1.6x FY27E P/B and 10.9x FY27E P/E. **Key risks:** **a)** sharp weakness in crude/spot LNG and/or jump in US HH gas price posing risk to US LNG margin; **b)** slow recovery in domestic gas demand impacting volume for gas transmission and trading segment.

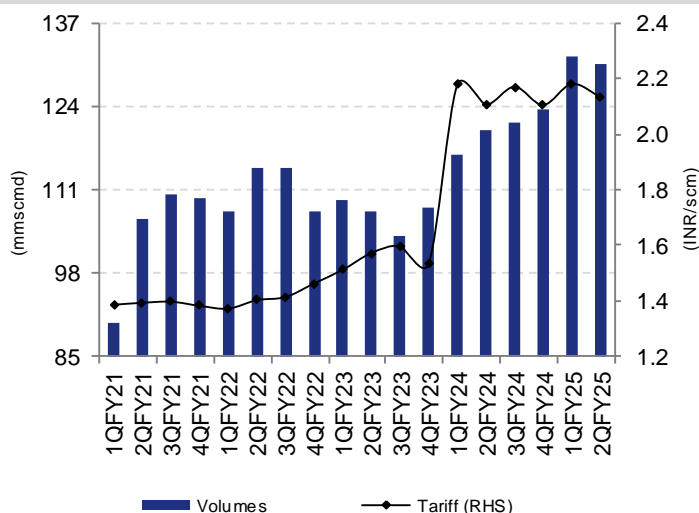
## 2QFY25 Result Review

Exhibit 1. GAIL quarterly snapshot

INR Mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ %	YoY%
Net Sales	322,121	318,068	342,365	323,177	336,738	329,117	-2.3	3.5
Operational Expenses	297,794	283,155	304,139	287,599	291,457	291,668	0.1	3.0
<b>EBITDA</b>	<b>24,327</b>	<b>34,913</b>	<b>38,226</b>	<b>35,578</b>	<b>45,281</b>	<b>37,450</b>	-17.3	7.3
EBITDA margin (%)	8%	11%	11%	11%	13%	11%	-207 bps	40 bps
Interest	1,758	1,718	1,564	1,932	2,092	1,901	-9.2	10.6
Depreciation	6,358	7,503	7,843	11,605	10,489	8,153	-22.3	8.7
Other Income	2,676	5,609	8,121	6,376	3,716	7,135	92.0	27.2
PBT	18,887	31,301	36,940	28,418	36,416	34,531	-5.2	10.3
Tax	4,767	7,252	8,514	6,648	9,176	7,812	-14.9	7.7
<b>PAT</b>	<b>14,120</b>	<b>24,049</b>	<b>28,426</b>	<b>21,770</b>	<b>27,240</b>	<b>26,719</b>	-1.9	11.1
EPS (INR)	2.1	3.7	4.3	3.3	4.1	4.1		

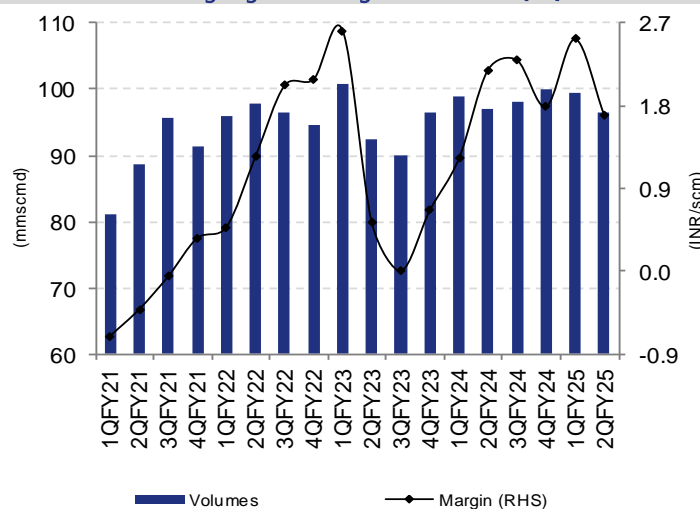
Source: Company, JM Financial

Exhibit 2. Gas transmission volume continues to be robust



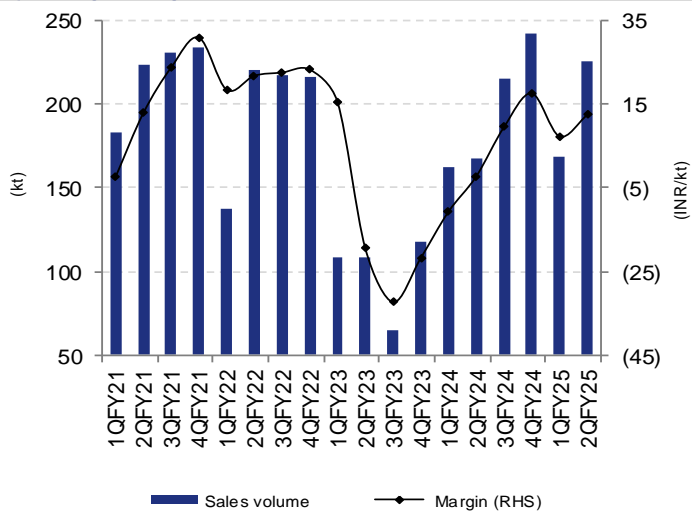
Source: Company, JM Financial

Exhibit 3. Gas trading segment margin normalises QoQ



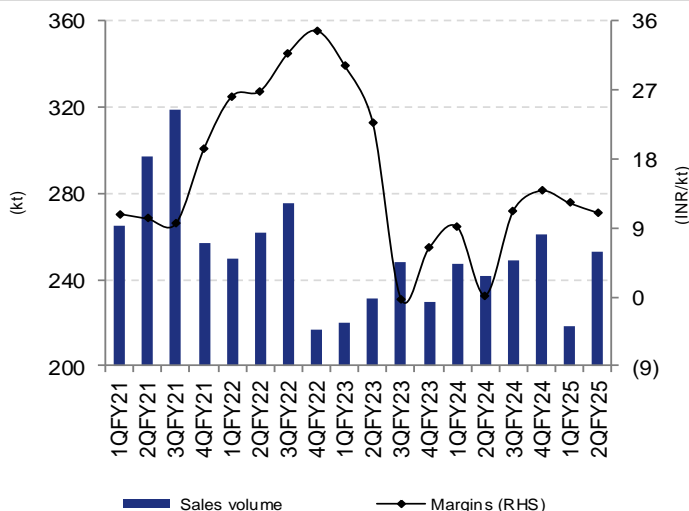
Source: Company, JM Financial

Exhibit 4. Petchem margin improves QoQ on back of positive operating leverage



Source: Company, JM Financial

Exhibit 5. LPG and LHC segment volume higher but margin declines QoQ



Source: Company, JM Financial

## Exhibit 6. GAIL operational details

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ %	YoY%
<b>Gas transmission</b>								
Gas transmission volume (mmscmd)	116.3	120.3	121.5	123.7	131.8	130.6	-0.9	8.6
Gas transmission tariff (INR/tcm)	2,177	2,106	2,171	2,104	2,180	2,133	-2.2	1.3
Gas transmission cost (INR/tcm)	901	612	774	683	541	631	16.6	3.1
Gas transmission EBITDA (INR/tcm)	1,276	1,494	1,396	1,421	1,639	1,503	-8.3	0.6
<b>Gas marketing</b>								
Gas trading volume (mmscmd)	98.8	97.0	98.1	99.9	99.5	96.6	-2.9	-0.4
Gas trading EBITDA (INR/tcm)	1,226	2,189	2,296	1,790	2,524	1,701	-32.6	-22.3
<b>Petrochemical</b>								
Production volume (kt)	164	160	205	248	162	234	44.4	46.3
Sales volume (kt)	162	168	215	242	169	226	33.7	34.5
Realisation (INR/ton)	104,630	102,976	94,419	92,314	95,680	95,487	-0.2	-7.3
Margins (INR/ton)	(10,679)	(2,262)	9,535	17,603	7,337	12,434	69.5	NM
<b>LHC and other hydrocarbons</b>								
Production volume (kt)	243	238	249	265	216	252	16.7	5.9
Sales volume (kt)	247	242	249	261	218	253	16.1	4.5
Realisation (INR/ton)	45,749	34,298	45,301	45,785	46,330	42,767	-7.7	24.7
Margins (INR/ton)	9,109	207	11,245	13,831	12,202	10,949	-10.3	5,199.1
<b>LPG transmission segment</b>								
LPG transmission volume (ktpa)	1,073	1,114	1,095	1,114	1,065	1,124	5.5	0.9
LPG transmission tariff (INR/ton)	1,631	1,643	1,662	1,652	1,671	1,637	-2.1	-0.3
LPG transmission cost (INR/ton)	736	709	740	763	732	703	-4.0	-0.9
LPG transmission EBITDA (INR/ton)	895	934	922	889	939	934	-0.5	0.1
<b>Segment wise EBITDA (INR Mn)</b>								
Gas transmission	13,510	16,540	15,610	15,990	19,660	18,060	-8.1	9.2
Gas trading	11,030	19,530	20,730	16,270	22,850	15,120	-33.8	-22.6
LPG and LHC	2,250	50	2,800	3,610	2,660	2,770	4.1	5,440.0
Petrochemicals	(1,730)	(380)	2,050	4,260	1,240	2,810	126.6	-839.5
LPG pipeline	960	1,040	1,010	990	1,000	1,050	5.0	1.0
Other segment	980	3,740	4,150	830	1,590	4,770	200.0	27.5
<b>Total</b>	<b>27,000</b>	<b>40,520</b>	<b>46,350</b>	<b>41,950</b>	<b>49,000</b>	<b>44,580</b>	-9.0	10.0
<b>Segment wise EBIT (INR Mn)</b>								
Gas transmission	10,246	12,907	12,151	9,825	14,469	14,028	-3.0	8.7
Gas trading	10,136	17,846	18,804	13,887	20,328	13,288	-34.6	-25.5
LPG and LHC	2,021	(167)	2,575	3,266	2,299	2,489	8.3	-1,591.6
Petrochemicals	(3,009)	(1,600)	619	2,623	(415)	1,575	-479.8	-198.4
LPG pipeline	802	819	794	756	808	855	5.9	4.4
Other segment	1,528	1,588	1,294	(728)	1,675	1,460	-12.8	-8.1
<b>Total</b>	<b>21,724</b>	<b>31,392</b>	<b>36,238</b>	<b>29,629</b>	<b>39,163</b>	<b>33,695</b>	(14.0)	7.3

Source: Company, JM Financial

## Exhibit 7. GAIL's US Henry Hub (HH) linked LNG contracts highly profitable at current US HH, Asian spot LNG and Brent price

			Current scenario			
<b>Spot LNG prices (USD/mmbtu)</b>	(a)	<b>10.0</b>	<b>12.0</b>	<b>13.8</b>	<b>15.0</b>	<b>17.0</b>
<b>Crude linked LNG price scenarios</b>						
<b>Brent crude price (USD/bbl)</b>		<b>65</b>	<b>70</b>	<b>75</b>	<b>80</b>	<b>85</b>
<b>PLNG's RasGas LNG contract pricing:</b>						
At 12.66% of Brent crude price (USD/mmbtu)		8.2	8.9	9.5	10.1	10.8
Add: USD 0.6/mmbtu fixed constant (USD/mmbtu)		0.6	0.6	0.6	0.6	0.6
Add: Qatar to India shipping charge (USD/mmbtu)		0.5	0.5	0.5	0.5	0.5
<b>PLNG's RasGas delivered LNG price (USD/mmbtu)</b>	(b)	<b>9.3</b>	<b>10.0</b>	<b>10.6</b>	<b>11.2</b>	<b>11.9</b>
<b>US HH linked LNG price scenarios</b>						
<b>US HH gas price (USD/mmbtu)</b>		<b>1.5</b>	<b>2.0</b>	<b>2.1</b>	<b>2.5</b>	<b>3.0</b>
115% of Henry hub (USD/mmbtu)		1.7	2.3	2.4	2.9	3.5
Capacity charge (USD/mmbtu)		3.0	3.0	3.0	3.0	3.0
Shipping cost (USD/mmbtu)		1.5	1.5	1.5	1.5	1.5
<b>US HH linked LNG delivered price (USD/mmbtu)</b>	(c)	<b>6.2</b>	<b>6.8</b>	<b>6.9</b>	<b>7.4</b>	<b>8.0</b>
<b>Gain/(loss) in US HH LNG contract vs spot LNG (USD/mmbtu)</b>	(a-c)	<b>3.8</b>	<b>5.2</b>	<b>6.9</b>	<b>7.6</b>	<b>9.1</b>
<b>Gain/(loss) in US HH LNG contract vs crude LNG contract (USD/mmbtu)</b>	(b-c)	<b>3.1</b>	<b>3.2</b>	<b>3.7</b>	<b>3.9</b>	<b>3.9</b>

Source: JM Financial, Bloomberg

## Assumptions and Estimates

### Exhibit 8. Key assumptions

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	Comments
<b>Macro assumptions</b>								
Brent crude price (USD/bbl)	45	80	95	83	75	75	75	
Exchange rate (INR/USD)	72	75	80	83	84	86	88	
<b>Gas transmission segment</b>								
Gas transmission volume (mmscmd)	104	111	107	120	130	138	145	Based on higher domestic gas production and gradual rise in LNG imports
Gas transmission tariff (INR/tcm)	1,409	1,431	1,575	2,144	2,144	2,251	2,364	Based on revised tariff order
Gas transmission cost (INR/tcm)	177	221	779	743	535	535	535	
Gas transmission EBITDA (INR/tcm)	1,232	1,210	797	1,402	1,610	1,717	1,829	
<b>Gas trading segment</b>								
Gas trading volume (mmscmd)	89	96	95	98	103	109	114	Based on increase in LNG imports and domestic gas that would be available for marketing to GAIL
Gas trading EBITDA (INR/tcm)	(45)	1,458	991	1,880	1,900	1,400	1,400	
<b>Petrochemical segment</b>								
Volume (ktpa)	871	791	400	787	905	1,023	1,193	
Global HDPE prices (USD/ton)	971	1,170	1,054	983	976	976	976	Based on crude price assumption and historical linkage of HDPE price to crude price
GAIL realisation (USD/ton)	1,127	1,451	1,530	1,190	1,182	1,182	1,182	
Margin (USD/ton)	242	294	(158)	65	128	168	171	
Margin (INR/ton)	17,425	21,884	-12,711	5,350	10,807	14,506	15,016	
<b>LPG and other liquid hydrocarbon</b>								
Volume (ktpa)	937	865	791	810	810	810	810	Based on guidance of volume growth due to better availability of rich gas
Global LPG prices (USD/ton)	420	700	711	557	505	505	505	Based on crude price assumption and historical linkage of LPG price to crude price
GAIL realisation (USD/ton)	444	722	778	640	579	579	579	
Margin (USD/ton)	206	463	209	130	224	229	233	
Margin (INR/ton)	14,799	34,499	16,785	10,759	18,884	19,694	20,464	
<b>LPG transmission segment</b>								
LPG transmission volume (ktpa)	4,163	4,199	4,335	4,396	4,484	4,574	4,665	As per guidance
LPG transmission tariff (INR/ton)	1,588	1,577	1,652	1,649	1,682	1,716	1,750	Based on historical tariff
LPG transmission cost (INR/ton)	598	630	649	739	746	753	761	
LPG transmission EBITDA (INR/ton)	990	946	1,002	911	936	963	989	

Source: JM Financial, Company

## Valuation

### Exhibit 9. SOTP-based valuation

	FY27 EBITDA (INR Bn)	EV/EBITDA multiple (x)	EV (INR Bn)	Valuation (INR/share)
<b>Core business segment</b>				
Natural gas transmission	96.7	8.0	773	118
Natural gas trading	58.2	6.0	349	53
LPG transmission	4.6	8.0	37	6
Petrochemical	17.9	6.0	108	16
LPG & OHC	16.6	6.0	99	15
<b>Total core business</b>	<b>194</b>		<b>1367</b>	<b>208</b>
<b>Other investment</b>			<b>345</b>	<b>53</b>
Total enterprise value			1712	260
Less: Net Debt/(cash)			70	11
<b>Equity value</b>			<b>1642</b>	<b>250</b>

Source: JM Financial

### GAIL's earnings and valuation sensitivity to transmission business parameters

If FY26 transmission tariff (INR 2,251/tcm) changes by +/-5% our valuation will change by +/- INR 8.3/share (or +/-3.3%). Similarly, if FY26 volume changes by +/-2mmscmd, our valuation will change by +/- INR 1.9/share (or +/- 0.7%).

If FY26 transmission tariff (INR 2,251/tcm) changes by +/- 5% our FY26 EPS will change by +/- 4.1%. Similarly, if FY26 volume changes by +/-2mmscmd, our FY26 EPS will change by +/- 0.9%.

#### Exhibit 10. GAIL's valuation (INR/share) sensitivity to transmission business parameters

		FY26 Transmission Tariff Change (%)						
		-15%	-10%	-5%	Base Case	5%	10%	15%
FY26 Volume (mmscmd)	132	220	228	236	244	252	260	268
	134	222	230	238	246	254	262	270
	136	223	232	240	248	256	264	273
	138	225	233	241	250	258	266	275
	140	226	235	243	252	260	269	277
	142	228	236	245	254	262	271	279
	144	229	238	247	255	264	273	281

Source: Company, JM Financial

#### Exhibit 11. GAIL's earnings (INR/share) sensitivity to transmission business parameters

		FY26 Transmission Tariff Change (%)						
		-15%	-10%	-5%	Base Case	5%	10%	15%
FY26 Volume (mmscmd)	132	13.9	14.6	15.2	15.9	16.5	17.1	17.8
	134	14.1	14.7	15.4	16.0	16.7	17.3	18.0
	136	14.2	14.8	15.5	16.2	16.8	17.5	18.1
	138	14.3	15.0	15.6	16.3	17.0	17.6	18.3
	140	14.4	15.1	15.8	16.5	17.1	17.8	18.5
	142	14.5	15.2	15.9	16.6	17.3	18.0	18.7
	144	14.7	15.4	16.1	16.8	17.4	18.1	18.8

Source: Company, JM Financial

### GAIL's valuation sensitivity to trading business parameters

If FY26 trading volume growth changes by +/- 10% our valuation will change by +/- INR 4.7/share (or +/- 1.9%). Similarly, if FY26 trading margin changes by +/- INR 100/tcm, our valuation will change by +/- INR 4.3/share (or +/- 1.7%).

If FY26 trading volume growth changes by +/- 10% our FY26 EPS will change by +/- 4.0%. Similarly, if FY26 trading margin changes by +/- INR 100/tcm, our FY26 EPS will change by +/- 2.8%.

#### Exhibit 12. GAIL's valuation (INR/share) sensitivity to transmission business parameters

		FY26 Trading volume growth (%)						
		-30%	-20%	-10%	Base Case	10%	20%	30%
FY26 Margin (INR/tcm)	1100	227	230	234	237	240	244	247
	1200	230	234	237	241	245	249	253
	1300	233	237	241	246	250	254	258
	1400	236	240	245	250	255	259	264
	1500	239	244	249	254	259	264	269
	1600	242	247	253	258	264	269	275
	1700	245	251	257	263	269	275	281

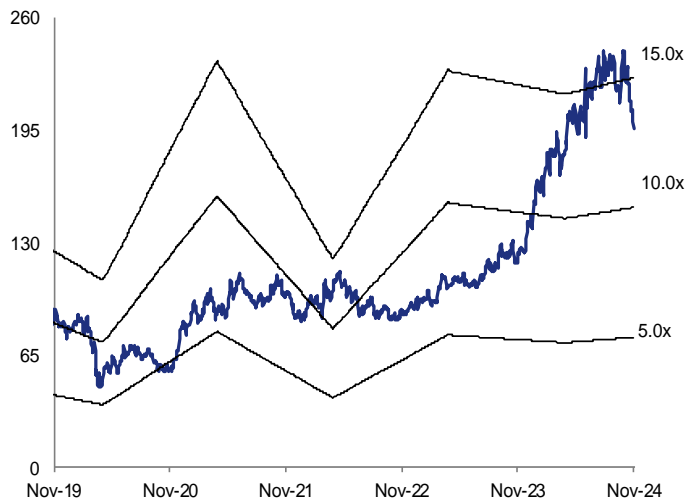
Source: Company, JM Financial

#### Exhibit 13. GAIL's earnings (INR/share) sensitivity to transmission business parameters

		FY26 Trading volume growth (%)						
		-30%	-20%	-10%	Base Case	10%	20%	30%
FY26 Margin (INR/tcm)	1100	13.4	13.9	14.4	14.9	15.4	15.9	16.4
	1200	13.7	14.3	14.8	15.4	15.9	16.5	17.1
	1300	14.0	14.6	15.2	15.8	16.4	17.1	17.7
	1400	14.3	15.0	15.7	16.3	17.0	17.6	18.3
	1500	14.7	15.4	16.1	16.8	17.5	18.2	18.9
	1600	15.0	15.7	16.5	17.2	18.0	18.7	19.5
	1700	15.3	16.1	16.9	17.7	18.5	19.3	20.1

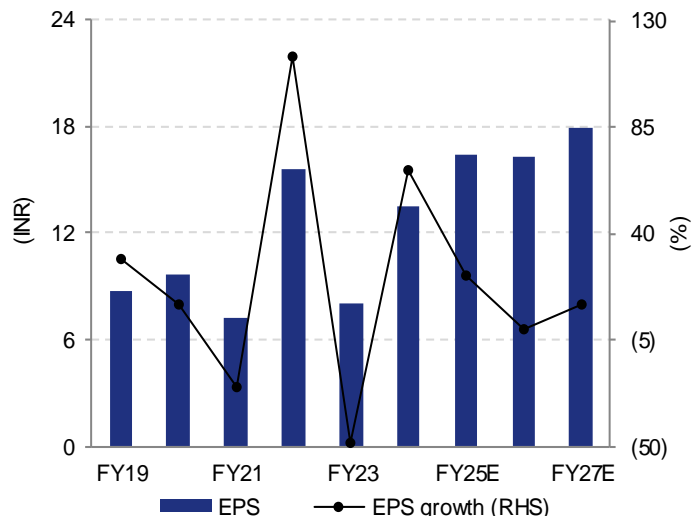
Source: Company, JM Financial

Exhibit 14. 1-year forward PE chart



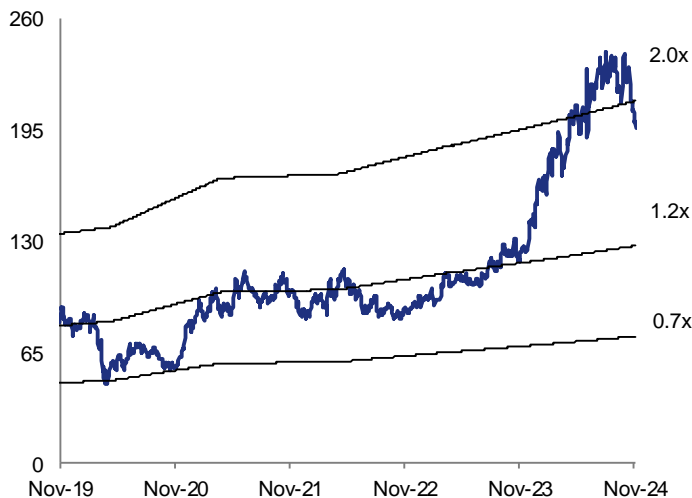
Source: Company, JM Financial

Exhibit 15. EPS vs EPS growth



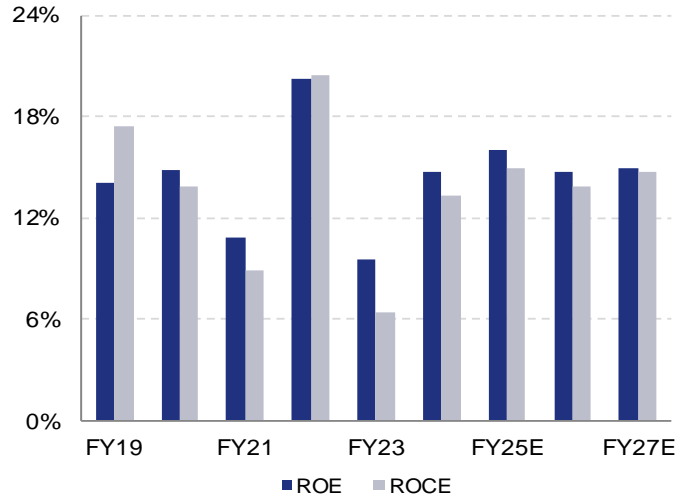
Source: Company, JM Financial

Exhibit 16. 1-year forward PB Chart



Source: Company, JM Financial

Exhibit 17. RoE vs RoCE



Source: Company, JM Financial

Exhibit 18. Global gas companies' valuation snapshot

Company	EV/EBITDA (x)			P/E (x)			P/B (x)			EBITDA Margins (%)			ROE (%)		
	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25
<b>US Peers</b>															
Sempra Energy	15.4	15.5	14.2	17.8	17.1	15.9	1.7	1.6	1.5	37.4	37.5	38.9	10.4	10.6	10.1
Nisource	14.0	12.4	11.2	21.6	19.9	18.6	2.1	1.9	1.8	38.7	43.1	45.1	10.7	8.6	9.3
Atmos Energy	14.0	12.6	11.2	20.4	19.4	18.1	1.7	1.6	1.5	45.3	47.1	49.4	8.9	8.5	8.4
<b>US peers average</b>	<b>14.4</b>	<b>13.5</b>	<b>12.2</b>	<b>19.9</b>	<b>18.8</b>	<b>17.5</b>	<b>1.9</b>	<b>1.7</b>	<b>1.6</b>	<b>40.4</b>	<b>42.6</b>	<b>44.5</b>	<b>10.0</b>	<b>9.2</b>	<b>9.3</b>
<b>European Peers</b>															
Enagas	7.8	8.2	8.9	11.0	26.0	13.6	1.1	1.2	1.3	82.4	82.0	78.8	10.1	2.4	9.6
<b>European peers average</b>	<b>7.8</b>	<b>8.2</b>	<b>8.9</b>	<b>11.0</b>	<b>26.0</b>	<b>13.6</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>	<b>82.4</b>	<b>82.0</b>	<b>78.8</b>	<b>10.1</b>	<b>2.4</b>	<b>9.6</b>
<b>Asian peers</b>															
ENN Energy	5.7	6.0	5.6	7.8	8.5	7.6	1.3	1.2	1.1	11.9	10.8	11.1	17.4	14.7	15.1
Tow ngas China	9.1	8.4	7.5	8.2	7.0	6.3	0.5	0.5	0.4	14.2	15.8	16.8	6.3	6.5	6.9
Hong Kong & China Gas	13.6	14.1	13.3	19.1	18.1	17.2	1.8	1.9	1.9	21.1	21.4	21.8	9.5	10.4	11.1
China Resources Gas	8.6	8.1	7.5	12.4	12.4	11.5	1.7	1.6	1.5	13.5	13.1	13.4	13.8	12.3	12.6
China Gas Holdings	9.4	9.4	8.7	8.5	8.6	7.7	0.6	0.6	0.6	11.4	11.9	12.3	7.3	7.5	7.9
Beijing Enterprises	7.3	7.5	7.1	4.0	5.6	5.1	0.3	0.4	0.3	14.0	14.4	14.8	8.5	6.5	6.9
Korea Gas	12.2	9.9	10.0	59.2	4.5	4.8	0.4	0.4	0.3	7.5	10.8	10.8	1.3	8.7	7.8
Petronas Gas BHD	9.9	9.7	9.5	18.4	18.1	17.7	2.6	2.5	2.4	56.6	55.9	56.0	14.0	13.8	13.8
<b>IGL</b>	<b>10.4</b>	<b>11.2</b>	<b>10.2</b>	<b>16.2</b>	<b>16.6</b>	<b>15.2</b>	<b>3.4</b>	<b>2.9</b>	<b>2.6</b>	<b>18.3</b>	<b>15.6</b>	<b>15.6</b>	<b>23.3</b>	<b>18.1</b>	<b>17.7</b>
<b>MGL</b>	<b>6.6</b>	<b>7.5</b>	<b>7.1</b>	<b>10.6</b>	<b>12.4</b>	<b>11.9</b>	<b>2.8</b>	<b>2.3</b>	<b>2.1</b>	<b>29.5</b>	<b>24.4</b>	<b>24.0</b>	<b>28.2</b>	<b>19.4</b>	<b>17.8</b>
<b>Gujarat Gas</b>	<b>18.4</b>	<b>15.5</b>	<b>13.2</b>	<b>32.9</b>	<b>26.2</b>	<b>21.2</b>	<b>4.6</b>	<b>4.1</b>	<b>3.6</b>	<b>12.3</b>	<b>13.0</b>	<b>13.7</b>	<b>14.7</b>	<b>16.4</b>	<b>17.6</b>
<b>Petronet LNG</b>	<b>8.1</b>	<b>7.7</b>	<b>6.9</b>	<b>14.3</b>	<b>13.1</b>	<b>12.2</b>	<b>3.0</b>	<b>2.6</b>	<b>2.3</b>	<b>9.6</b>	<b>10.2</b>	<b>10.7</b>	<b>22.0</b>	<b>21.1</b>	<b>20.2</b>
<b>GAIL</b>	<b>10.9</b>	<b>9.5</b>	<b>8.8</b>	<b>13.7</b>	<b>12.4</b>	<b>11.7</b>	<b>2.1</b>	<b>1.8</b>	<b>1.7</b>	<b>10.3</b>	<b>11.3</b>	<b>11.9</b>	<b>15.9</b>	<b>14.9</b>	<b>14.4</b>
<b>GSPL</b>	<b>14.6</b>	<b>24.5</b>	<b>20.2</b>	<b>17.1</b>	<b>26.7</b>	<b>25.5</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>73.0</b>	<b>63.2</b>	<b>40.9</b>	<b>12.8</b>	<b>7.7</b>	<b>7.3</b>
<b>Asian peers average</b>	<b>10.3</b>	<b>10.6</b>	<b>9.7</b>	<b>17.3</b>	<b>13.6</b>	<b>12.5</b>	<b>1.9</b>	<b>1.8</b>	<b>1.6</b>	<b>21.7</b>	<b>20.8</b>	<b>19.6</b>	<b>13.9</b>	<b>12.7</b>	<b>12.7</b>
<b>Global peers average</b>	<b>10.9</b>	<b>11.0</b>	<b>10.1</b>	<b>17.4</b>	<b>15.1</b>	<b>13.4</b>	<b>1.9</b>	<b>1.7</b>	<b>1.6</b>	<b>28.2</b>	<b>27.9</b>	<b>27.0</b>	<b>13.1</b>	<b>11.6</b>	<b>11.9</b>
<b>Global peers median</b>	<b>10.2</b>	<b>9.6</b>	<b>9.2</b>	<b>15.2</b>	<b>14.9</b>	<b>12.9</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>	<b>16.3</b>	<b>15.7</b>	<b>16.2</b>	<b>11.7</b>	<b>10.5</b>	<b>10.6</b>

Source: Bloomberg, JM Financial



## Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	1,443,016	1,306,381	1,389,419	1,465,044	1,569,728
Sales Growth	57.5%	-9.5%	6.4%	5.4%	7.1%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>1,443,016</b>	<b>1,306,381</b>	<b>1,389,419</b>	<b>1,465,044</b>	<b>1,569,728</b>
Cost of Goods Sold/Op. Exp	1,288,759	1,070,402	1,092,005	1,113,845	1,136,122
Personnel Cost	17,738	20,722	22,794	25,073	27,580
Other Expenses	69,530	81,511	108,758	159,688	221,664
<b>EBITDA</b>	<b>66,989</b>	<b>133,747</b>	<b>165,863</b>	<b>166,438</b>	<b>184,361</b>
EBITDA Margin	4.6%	10.2%	11.9%	11.4%	11.7%
EBITDA Growth	-51.6%	99.7%	24.0%	0.3%	10.8%
Depn. & Amort.	24,881	33,308	41,162	42,713	47,733
EBIT	42,108	100,439	124,701	123,725	136,628
Other Income	26,847	22,079	22,079	22,079	22,079
Finance Cost	3,117	6,972	7,471	7,393	6,297
PBT before Excep. & Forex	65,838	115,546	139,308	138,411	152,410
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	65,838	115,546	139,308	138,411	152,410
Taxes	12,823	27,181	31,386	31,184	34,338
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	53,015	88,365	107,922	107,226	118,072
<b>Adjusted Net Profit</b>	<b>53,015</b>	<b>88,365</b>	<b>107,922</b>	<b>107,226</b>	<b>118,072</b>
Net Margin	3.7%	6.8%	7.8%	7.3%	7.5%
Diluted Share Cap. (mn)	6,575.1	6,575.1	6,575.1	6,575.1	6,575.1
<b>Diluted EPS (INR)</b>	<b>8.1</b>	<b>13.4</b>	<b>16.4</b>	<b>16.3</b>	<b>18.0</b>
Diluted EPS Growth	-48.2%	66.7%	22.1%	-0.6%	10.1%
Total Dividend + Tax	26,300	36,163	48,565	48,252	53,132
Dividend Per Share (INR)	4.0	5.5	7.4	7.3	8.1

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shareholders' Fund	556,537	641,794	701,151	760,126	825,065
Share Capital	65,751	65,751	65,751	65,751	65,751
Reserves & Surplus	490,786	576,043	635,400	694,375	759,314
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	143,087	164,131	165,065	160,701	116,780
Def. Tax Liab. / Assets (-)	46,628	49,558	49,558	49,558	49,558
<b>Total - Equity &amp; Liab.</b>	<b>746,252</b>	<b>855,483</b>	<b>915,774</b>	<b>970,385</b>	<b>991,402</b>
Net Fixed Assets	579,698	648,185	692,794	734,437	762,488
Gross Fixed Assets	580,581	659,328	760,958	859,588	948,217
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	137,508	169,731	210,893	253,606	301,340
Capital WIP	136,625	158,587	142,729	128,456	115,610
Investments	130,170	176,286	164,026	152,624	142,021
Current Assets	251,448	270,814	311,072	346,804	365,604
Inventories	52,813	52,911	56,274	59,337	63,577
Sundry Debtors	114,106	106,539	113,310	119,478	128,015
Cash & Bank Balances	1,738	5,886	29,304	49,699	47,270
Loans & Advances	33,848	54,016	57,449	60,576	64,905
Other Current Assets	48,944	51,463	54,734	57,713	61,837
Current Liab. & Prov.	215,064	239,802	252,118	263,481	278,710
Current Liabilities	72,992	67,189	68,533	69,904	71,302
Provisions & Others	142,072	172,613	183,585	193,577	207,409
Net Current Assets	36,384	31,012	58,954	83,323	86,894
<b>Total - Assets</b>	<b>746,252</b>	<b>855,483</b>	<b>915,774</b>	<b>970,385</b>	<b>991,402</b>

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before Tax	65,838	115,546	139,308	138,411	152,410
Depn. & Amort.	24,881	33,308	41,162	42,713	47,733
Net Interest Exp. / Inc. (-)	-18,320	-11,856	19,083	20,635	25,654
Inc (-) / Dec in WCap.	-30,932	5,548	-8,791	-7,860	-11,379
Others	1,791	3,418	0	0	0
Taxes Paid	-15,178	-27,482	-31,386	-31,184	-34,338
<b>Operating Cash Flow</b>	<b>28,080</b>	<b>118,482</b>	<b>159,376</b>	<b>162,715</b>	<b>180,080</b>
Capex	-74,191	-70,513	-85,771	-84,357	-75,784
Free Cash Flow	-46,111	47,969	73,605	78,358	104,296
Inc (-) / Dec in Investments	-10,586	-24,576	5,555	5,296	2,151
Others	19,244	15,065	22,079	22,079	22,079
<b>Investing Cash Flow</b>	<b>-65,533</b>	<b>-80,024</b>	<b>-58,137</b>	<b>-56,982</b>	<b>-51,554</b>
Inc / Dec (-) in Capital	-13,289	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	79,560	21,043	934	-4,363	-43,922
Others	-40,756	-55,353	-78,755	-80,973	-87,034
<b>Financing Cash Flow</b>	<b>25,515</b>	<b>-34,310</b>	<b>-77,821</b>	<b>-85,337</b>	<b>-130,955</b>
<b>Inc / Dec (-) in Cash</b>	<b>-11,938</b>	<b>4,148</b>	<b>23,418</b>	<b>20,396</b>	<b>-2,429</b>
Opening Cash Balance	13,676	1,738	5,886	29,304	49,699
Closing Cash Balance	1,738	5,886	29,304	49,699	47,270

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	3.7%	6.8%	7.8%	7.3%	7.5%
Asset Turnover (x)	2.0	1.6	1.6	1.6	1.6
Leverage Factor (x)	1.3	1.3	1.3	1.3	1.2
RoE	9.5%	14.7%	16.1%	14.7%	14.9%

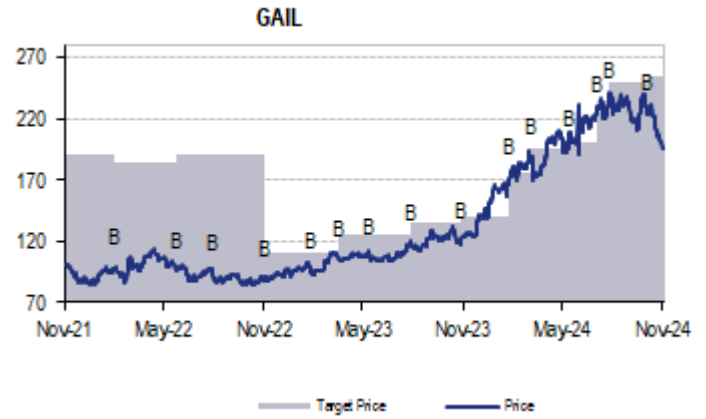
Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	84.6	97.6	106.6	115.6	125.5
ROIC	6.5%	12.9%	14.9%	13.8%	14.4%
ROE	9.5%	14.7%	16.1%	14.7%	14.9%
Net Debt/Equity (x)	0.0	0.0	0.0	-0.1	-0.1
P/E (x)	24.3	14.6	11.9	12.0	10.9
P/B (x)	2.3	2.0	1.8	1.7	1.6
EV/EBITDA (x)	20.0	9.8	7.8	7.7	6.8
EV/Sales (x)	0.9	1.0	0.9	0.9	0.8
Debtor days	29	30	30	30	30
Inventory days	13	15	15	15	15
Creditor days	19	21	20	20	19

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-Mar-21	Buy	160	
10-Jun-21	Buy	190	19.3
15-Jun-21	Buy	190	0.0
5-Aug-21	Buy	190	-0.4
31-Oct-21	Buy	190	0.2
3-Feb-22	Buy	185	-3.0
28-May-22	Buy	190	3.1
4-Aug-22	Buy	190	-0.2
5-Nov-22	Buy	110	-41.9
30-Jan-23	Buy	110	-0.1
22-Mar-23	Buy	125	13.4
18-May-23	Buy	125	-0.2
31-Jul-23	Buy	135	7.8
31-Oct-23	Buy	140	4.2
29-Jan-24	Buy	175	25.1
10-Mar-24	Buy	195	11.1
16-May-24	Buy	200	2.9
7-Jul-24	Buy	235	17.0
30-Jul-24	Buy	250	6.6
7-Oct-24	Buy	255	1.8

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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