BUY GAIL

Steady outlook, attractive valuation; upgrade to BUY

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Oil & Gas | Company Update | **September 24, 2026**

CMP (Rs): 173 | TP (Rs): 200

We upgrade GAIL to BUY from Add, on the back of a steady core business and earnings outlook along with attractive valuations, with unchanged TP of Rs200. Indian gas demand, despite the Strait of Hormuz crisis and higher LNG prices, has improved sequentially in 2Q, with Jul/Aug-26 recording only a 2% decline yoy. GAIL's transmission volumes, hence, should improve qoq and, for FY27, may exceed the guidance of 123mmscmd. Additionally, while gas marketing profitability would decline qoq as formulaic trailing averages normalize, the guidance of Rs40-45bn for FY27 should still see a sizable beat given stable Henry Hub settlement prices as well as oil and spot LNG rates continuing to remain elevated. We build in Brent at $85/bbl, though the 1HFY27 average is likely to be ~$100/bbl; hence there is a potential upside to our estimates. The petchem segment, as a result, should report a better EBITDA qoq, with plant utilization expected at near-100% capacity. We slightly raise FY27-29E EPS by 2-3% each, updating the FY26 annual report data, and rollover to Sep-28E earnings. GAIL Gas's IPO RFP has already been released and a potential listing next year can lead to value unlocking of its wide CGD interest. We conservatively value unlisted investments at 1x PBV.

Core businesses largely healthy; to exceed FY27 segmental guidance

GAIL's core businesses—gas transmission, gas marketing, and petchem—are on a healthy trajectory. Despite the Middle East conflict and impact of Qatar LNG force majeure, Indian gas consumption has improved sequentially in 2Q, with the CGD and power sectors driving demand; also, GAIL's gas pipeline volumes are expected to improve qoq. In marketing, while 1Q was an exceptional quarter, with 2Q likely to see relatively modest earnings, full-year earnings guidance of Rs40-45bn is expected to see a sizable beat as HH settlement prices have been range-bound amid strong oil and spot LNG rates. In petchem too, higher oil prices have supported PE realizations and, with near-100% plant utilization at Pata, EBITDA is expected to be positive vs marginal loss in 1QFY27. LPG realizations are down sequentially, but full-year earnings outlook is healthy.

Medium-term outlook stable; potential value unlocking of CGD investments

GAIL's medium-term outlook is stable, as gas transmission volumes will continue growing structurally in our view, with increasing share of volumes in higher-tariff bid pipelines. Also, new LNG contracts are likely to lead to expansion in marketing volumes and stable marketing margins. GAIL's new petchem projects, namely Mangalore PTA and Usar PDH-PP, are also expected to be commissioned within 1-1.5Y, though we do not build in any contribution from this despite building in capex. Further, GAIL is venturing into fertilizers with two Urea projects (combined capacity: ~2.5mmtpa) along the Mumbai Nagpur Jharsuguda line (MNJPL). The projects would have an assured return of 12-16% while providing anchor volumes (4-5mmscmd) to the bid-out MNJPL. The GAIL Gas IPO could lead to value unlocking of GAIL's wide unlisted CGD ownership.

GAIL: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,372,078	1,384,680	1,471,344	1,722,696	1,759,707
EBITDA	143,272	110,425	171,484	168,474	184,937
Adj. PAT	94,504	72,098	111,076	109,700	122,235
Adj. EPS (Rs)	14.4	11.0	16.9	16.7	18.6
EBITDA margin (%)	10.4	8.0	11.7	9.8	10.5
EBITDA growth (%)	7.1	(22.9)	55.3	(1.8)	9.8
Adj. EPS growth (%)	6.9	(23.7)	54.1	(1.2)	11.4
RoE (%)	13.2	10.1	14.5	13.3	13.9
RoIC (%)	15.1	11.1	15.8	14.0	14.7
P/E (x)	12.0	15.8	10.2	10.4	9.3
EV/EBITDA (x)	9.1	12.2	7.8	7.7	6.8
P/B (x)	1.6	1.5	1.4	1.3	1.2
FCFF yield (%)	5.6	2.7	3.0	7.8	8.6

Source: Company, Emkay Research

Target Price – 12M	Sep-27
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	ADD
Upside/(Downside) (%)	15.6

Stock Data	GAIL IN
52-week High (Rs)	187
52-week Low (Rs)	134
Shares outstanding (mn)	6,575.1
Market-cap (Rs bn)	1,137
Market-cap (USD mn)	11,877
Net-debt, FY27E (Rs mn)	194,830.6
ADTV-3M (mn shares)	10.9
ADTV-3M (Rs mn)	1,544.2
ADTV-3M (USD mn)	16.1
Free float (%)	41.0
Nifty-50	23,446.8
INR/USD	95.7

Shareholding,Jun-26	
Promoters (%)	51.5
FPIs/MFs (%)	14.9/19.1

Price Performance

(%)	1M	3M	12M
Absolute	0.6	(0.5)	(3.2)
Rel. to Nifty	4.0	1.1	3.9

1-Year share price trend (Rs)

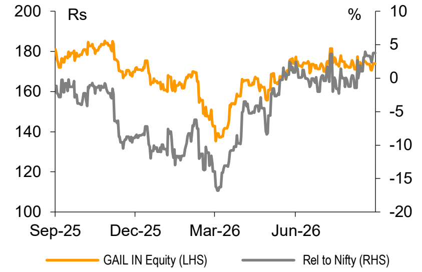

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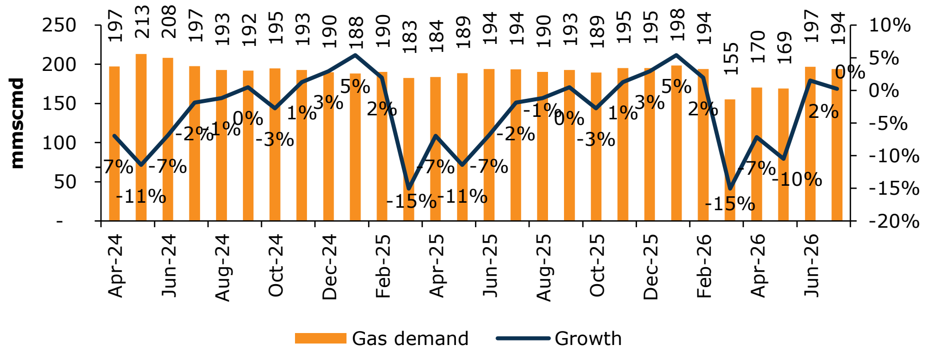
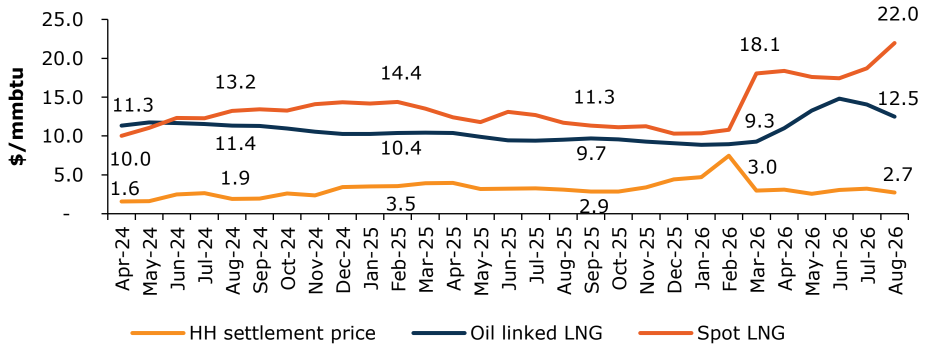
Exhibit 1: Indian gas demand is resilient, as 2Q decline narrows



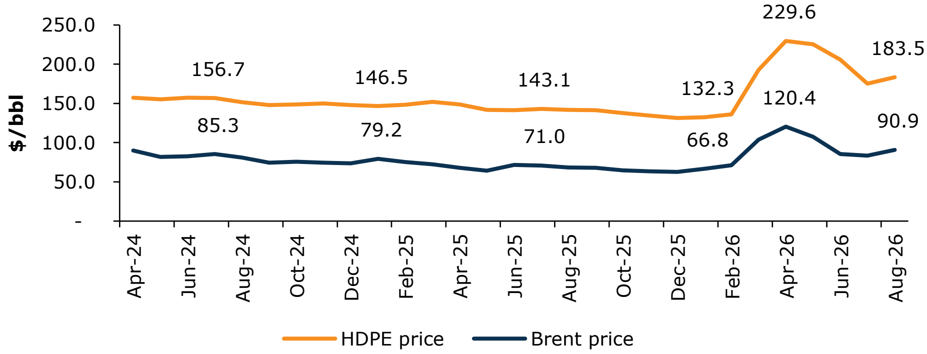
Source: PPAC, Emkay Research

Exhibit 2: Range-bound HH amid elevated oil-linked and spot LNG prices supporting GAIL's marketing margins



Source: Bloomberg, Industry, Emkay Research

Exhibit 3: Higher Brent prices support HDPE realizations and petchem margins



Source: Bloomberg, Emkay Research

Exhibit 4: Change in assumptions

	FY27E			FY28E			FY29E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Gas Transmission									
Volumes (mmscmd)	123.4	125.8	2%	133.3	134.7	1%	142.6	143.3	0%
Adj Tariff (Rs/scm)	*2.5*	*2.5*	0%	*2.5*	*2.5*	0%	*2.7*	*2.7*	0%
Adj EBITDA (Rs bn)	70.3	71.7	2%	76.0	76.8	1%	86.1	86.0	0%
LPG Transmission									
Volumes (mmt)	4.6	4.6	0%	4.7	4.7	0%	4.7	4.7	0%
Adj EBITDA (Rs bn)	4.8	4.8	0%	4.9	4.9	0%	5.0	5.0	0%
Gas Marketing									
Volumes (mmscmd)	95.0	95.0	0%	108.0	108.0	0%	113.0	113.0	0%
Margin ($/mmbtu)	0.5	0.5	3%	0.4	0.4	0%	0.4	0.4	0%
Adj EBITDA (Rs bn)	60.5	62.0	3%	65.3	65.3	0%	65.1	65.1	0%
Petchem									
Capacity Utilization	75%	75%	0%	100%	100%	0%	100%	100%	0%
EBITDA/mt ($)	38.0	38.0	0%	39.8	39.8	0%	66.7	66.7	0%
Adj EBITDA (Rs bn)	2.3	2.3	0%	3.3	3.3	0%	5.5	5.5	0%
LPG & LHC									
EBITDA/mt ($)	258.2	258.2	0%	55.2	89.4	62%	114.3	148.5	30%
Adj EBITDA (Rs bn)	19.6	19.7	0%	4.2	6.8	62%	8.7	11.3	30%

Source: Company, Emkay Research

Exhibit 5: Change in estimates

(Rs bn)	FY27E			FY28E			FY29E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	1,469	1,471	0%	1,718	1,723	0%	1,756	1,760	0%
EBITDA	168	171	2%	165	168	2%	182	185	1%
EBITDA Margins	*11.5%*	*11.7%*	*18bps*	*9.6%*	*9.8%*	*17bps*	*10.4%*	*10.5%*	*12bps*
PAT	108	111	2%	106	110	3%	118	122	3%
EPS (Rs)	16.5	16.9	2%	16.2	16.7	3%	18.0	18.6	3%

Source: Company, Emkay Research

Exhibit 6: SOTP-based valuation (Sep-27E)

Components	Basis	Sep-28E EBITDA (Rs bn)	Multiple (x)	EV (Rs bn)	EV/sh (Rs)	Comment
Gas Transmission - Standalone	EV/EBITDA	81	8.0	651	99	
LPG Transmission - Standalone	EV/EBITDA	5	7.5	37	6	
Gas Marketing - Standalone	EV/EBITDA	65	5.5	359	55	
Petrochemicals - Standalone	EV/EBITDA	4	5.5	24	4	
LPG & LHC - Standalone	EV/EBITDA	9	5.5	50	8	
Others -Standalone	EV/EBITDA	12	5.5	64	10	
Core Business EV		**177**	**6.7**	**1,185**	**180**	
Less: Adj Net Debt (Sep-27E End)				124	19	
Core Business Valuation				**1,061**	**161**	
Value of listed investments	TP/CMP			191	29	At 30% HoldCo Discount
Value of unlisted investments	BV			60	9	At 1.0x P/B
Target Price/Fair Value				**1,312**	**200**	

Source: Company, Emkay Research

Exhibit 7: Schedule and value of investments

Listed	Type	Basis of Valuation	TP/CMP (Rs)	Equity Value (Rs bn)	GAIL's stake	Pro-rata value (Rs bn)	HoldCo discount	Contri to SOTP value (Rs bn)	Per-share value (Rs)
PLNG	JV	TP (Emkay)	360	540	12.5%	68	30%	47	7
IGL	JV	TP (Emkay)	170	238	22.5%	54	30%	37	6
MGL	JV	TP (Emkay)	1,300	128	32.5%	42	30%	29	4
ONGC	Financial	TP (Emkay)	315	3,963	2.5%	97	30%	68	10
China Gas Holding	Financial	CMP	77	401	2.9%	12	30%	8	1
Gujarat Industries Power Co (GIPCL)	Financial	CMP	162	244	0.4%	1	30%	1	0
Total Listed						**272**		**191**	**29**
Unlisted									
GAIL Gas	Subsidiary	BV		Value of Stake		21	0%	21	3
Other Unlisted CGDs+IGX	Subsidiary	BV		Value of Stake		13	0%	13	2
K-LNG+BCPL+OTPC+IGGL	Subsidiary	BV		Value of Stake		27	0%	27	4
Total Unlisted						**60**		**60**	**9**
Grand Total Investments						**333**		**251**	**38**

Source: Company, Emkay Research

GAIL: Standalone Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**1,372,078**	**1,384,680**	**1,471,344**	**1,722,696**	**1,759,707**
Revenue growth (%)	5.1	0.9	6.3	17.1	2.1
EBITDA	**143,272**	**110,425**	**171,484**	**168,474**	**184,937**
EBITDA growth (%)	7.1	(22.9)	55.3	(1.8)	9.8
Depreciation & Amortization	35,998	32,129	35,216	36,217	39,783
EBIT	**107,275**	**78,296**	**136,268**	**132,258**	**145,154**
EBIT growth (%)	6.8	(27.0)	74.0	(2.9)	9.8
Other operating income	3,459	3,680	3,754	3,829	3,906
Other income	24,013	23,868	26,073	28,202	30,029
Financial expense	7,442	9,421	13,845	13,801	11,767
PBT	**123,845**	**92,743**	**148,497**	**146,658**	**163,416**
Extraordinary items	24,400	(3,107)	0	0	0
Taxes	35,122	19,954	37,421	36,958	41,181
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**113,123**	**69,683**	**111,076**	**109,700**	**122,235**
PAT growth (%)	28.0	(38.4)	59.4	(1.2)	11.4
Adjusted PAT	**94,504**	**72,098**	**111,076**	**109,700**	**122,235**
Diluted EPS (Rs)	**14.4**	**11.0**	**16.9**	**16.7**	**18.6**
Diluted EPS growth (%)	6.9	(23.7)	54.1	(1.2)	11.4
DPS (Rs)	**6.5**	**6.0**	**8.4**	**8.3**	**9.3**
Dividend payout (%)	**37.8**	**56.6**	**50.0**	**50.0**	**50.0**
EBITDA margin (%)	10.4	8.0	11.7	9.8	10.5
EBIT margin (%)	7.8	5.7	9.3	7.7	8.2
Effective tax rate (%)	28.4	21.5	25.2	25.2	25.2
NOPLAT (pre-IndAS)	**76,852**	**61,451**	**101,929**	**98,929**	**108,575**
Shares outstanding (mn)	6,575	6,575	6,575	6,575	6,575

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	65,751	65,751	65,751	65,751	65,751
Reserves & Surplus	639,886	674,992	730,530	785,380	846,497
Net worth	**705,637**	**740,743**	**796,281**	**851,131**	**912,248**
Minority interests	-	-	-	-	-
Non-current liab. & prov.	50,935	59,013	67,386	75,926	84,637
Total debt	**184,434**	**218,460**	**207,537**	**186,783**	**149,426**
Total liabilities & equity	**941,006**	**1,018,216**	**1,071,203**	**1,113,839**	**1,146,311**
Net tangible fixed assets	432,432	516,771	640,923	670,655	696,805
Net intangible assets	33,028	34,356	0	0	0
Net ROU assets	56,198	51,541	0	0	0
Capital WIP	188,429	158,951	160,540	162,146	163,767
Goodwill	-	-	-	-	-
Investments [JV/Associates]	174,836	203,043	205,073	207,124	209,195
Cash & equivalents	**11,041**	**8,862**	**12,706**	**22,278**	**23,131**
Current assets (ex-cash)	263,053	252,142	263,576	295,177	300,551
Current Liab. & Prov.	218,010	207,450	211,616	243,541	247,138
NWC (ex-cash)	**45,043**	**44,692**	**51,960**	**51,636**	**53,413**
Total assets	**941,006**	**1,018,216**	**1,071,203**	**1,113,839**	**1,146,311**
Net debt	173,393	209,598	194,831	164,505	126,296
Capital employed	941,006	1,018,216	1,071,203	1,113,839	1,146,311
Invested capital	**510,502**	**595,819**	**692,883**	**722,291**	**750,218**
BVPS (Rs)	107.3	112.7	121.1	129.4	138.7
Net Debt/Equity (x)	0.2	0.3	0.2	0.2	0.1
Net Debt/EBITDA (x)	1.2	1.9	1.1	1.0	0.7
Interest coverage (x)	17.6	10.8	11.7	11.6	14.9
RoCE (%)	**15.2**	**11.0**	**16.5**	**15.7**	**16.7**

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	99,833	68,875	122,424	118,456	133,387
Others (non-cash items)	22,095	21,887	22,987	21,816	21,521
Taxes paid	(23,531)	(16,864)	(29,049)	(28,418)	(32,470)
Change in NWC	9,434	8,429	1,104	8,864	6,934
Operating cash flow	**151,270**	**123,878**	**166,527**	**170,737**	**180,921**
Capital expenditure	(77,472)	(88,319)	(126,601)	(67,554)	(67,554)
Acquisition of business	303	(28,207)	(2,030)	(2,051)	(2,071)
Interest & dividend income	14,338	16,678	26,073	28,202	30,029
Investing cash flow	**(53,157)**	**(92,654)**	**(102,558)**	**(41,403)**	**(39,596)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(7,670)	34,025	(10,923)	(20,754)	(37,357)
Payment of lease liabilities	(20,426)	4,657	51,541	0	0
Interest paid	(7,442)	(9,421)	(13,845)	(13,801)	(11,767)
Dividend paid (incl tax)	(42,739)	(39,445)	(55,538)	(54,850)	(61,118)
Others	1,004	(611)	0	0	0
Financing cash flow	**(77,273)**	**(10,795)**	**(28,765)**	**(89,405)**	**(110,242)**
Net chg in Cash	20,840	20,429	35,204	39,929	31,084
OCF	151,270	123,878	166,527	170,737	180,921
Adj. OCF (w/o NWC chg.)	141,836	115,449	165,423	161,873	173,988
FCFF	73,797	35,559	39,926	103,183	113,367
FCFE	80,693	42,817	52,155	117,583	131,629
OCF/EBITDA (%)	105.6	112.2	97.1	101.3	97.8
FCFE/PAT (%)	71.3	61.4	47.0	107.2	107.7
FCFF/NOPLAT (%)	**96.0**	**57.9**	**39.2**	**104.3**	**104.4**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	10.1	16.3	10.2	10.4	9.3
P/CE(x)	9.1	10.8	7.8	7.8	7.0
P/B (x)	1.6	1.5	1.4	1.3	1.2
EV/Sales (x)	1.0	1.0	0.9	0.8	0.8
EV/EBITDA (x)	9.2	12.0	7.7	7.8	7.1
EV/EBIT(x)	12.3	16.9	9.7	10.0	9.1
EV/IC (x)	2.6	2.2	1.9	1.8	1.8
FCFF yield (%)	5.6	2.7	3.0	7.8	8.6
FCFE yield (%)	7.1	3.8	4.6	10.3	11.6
Dividend yield (%)	3.8	3.5	4.9	4.8	5.4
DuPont-RoE split					
Net profit margin (%)	6.5	5.3	7.5	6.4	6.9
Total asset turnover (x)	1.6	1.5	1.4	1.6	1.6
Assets/Equity (x)	1.3	1.3	1.3	1.3	1.3
RoE (%)	**13.2**	**10.1**	**14.5**	**13.3**	**13.9**
DuPont-RoIC					
NOPLAT margin (%)	5.6	4.4	6.9	5.7	6.2
IC turnover (x)	2.7	2.5	2.3	2.4	2.4
RoIC (%)	**15.1**	**11.1**	**15.8**	**14.0**	**14.7**
Operating metrics					
Core NWC days	12.0	11.8	12.9	10.9	11.1
Total NWC days	**12.0**	**11.8**	**12.9**	**10.9**	**11.1**
Fixed asset turnover	2.1	1.9	1.8	1.9	1.8
Opex-to-revenue (%)	7.2	7.8	7.9	7.1	7.2

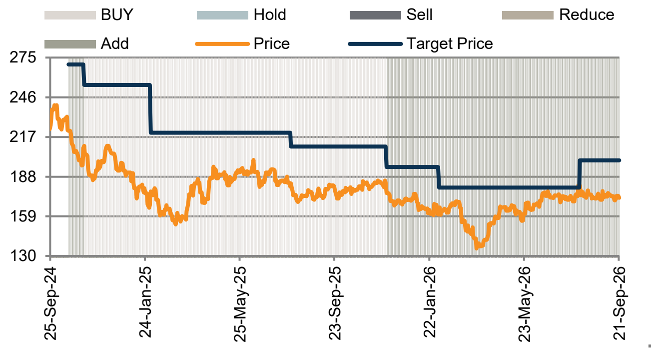
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
02-Aug-26	181	200	Add	Sabri Hazarika
24-May-26	161	180	Add	Sabri Hazarika
05-Mar-26	157	180	Add	Sabri Hazarika
03-Feb-26	163	180	Add	Sabri Hazarika
28-Nov-25	176	195	Add	Sabri Hazarika
02-Nov-25	183	210	Buy	Sabri Hazarika
29-Jul-25	183	210	Buy	Sabri Hazarika
16-May-25	186	220	Buy	Sabri Hazarika
31-Jan-25	177	220	Buy	Sabri Hazarika
07-Nov-24	210	255	Buy	Sabri Hazarika
18-Oct-24	221	270	Add	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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