

**SELL**  
 TP: Rs 147 | ▼ 9%

**GAIL**

| Oil & Gas

| 22 May 2026

**Performance below expectations on LNG-price volatility**

- Revenue & EBITDA declined by 2.4%YoY and 58.9%YoY respectively impacted by Gas-transmission volumes and LNG prices volatility
- Outlook remains subdued and contingent on normalisation of LNG supply and recovery in gas marketing business
- Reduce to SELL; considering FY26 performance and rollover to Mar’28E, we reduce TP to Rs147 from Rs153

**Sukhwinder Singh**  
 Research Analyst  
 research@bobcaps.in

**Operational performance below expectations:** GAIL reported standalone revenue at Rs347bn (-2.6% YoY, +2.1%QoQ) — in line with our estimates. EBITDA at Rs18bn (-43.2% YoY, -31.2% QoQ), was 36% below our estimates. EBITDA performance was a miss, due to lower-than-expected performance in gas marketing, which reported losses and higher gas cost to petchem business.

**Gas transmission performance:** Volumes performance showed a 1.7% decline to 119mmscmd in Q4FY26 from 121mmscmd in Q4FY25. It was 125mmscmd in Q3FY26. The YoY decline is because low offtake by refineries, power and fertiliser sectors, owing to the increase in spot LNG prices. Management expect volumes to improve gradually, with normalisation in LNG supply.

**Petchem business continues to incur losses:** Volumes fell 21.4%YoY to 180TMT v/s 229TMT in Q4FY25. Petchem business reported EBIT loss of Rs3,777mn in Q4FY26 vs a loss of Rs1,580mn in Q4FY25. Prices of polypropylene end products remain weak, which impacted profitability.

**Outlook :** Environment remains weak in terms of constraints on gas supply from the Middle East and the increase in spot LNG prices. LNG prices increased to USD23/mmbtu from USD12/mmbtu in Mar’26. Current spot prices have come down to USD16-17/mmbtu. Uncertainty remains on the availability and normalisation of prices that are contingent upon the Middle-East conflict. This will have a bearing on the in gas transmission volumes, improvement in gas marketing business as well as the profitability of the Petchem business.

**Capex:** GAIL incurred a capex of Rs96bn in FY26 vs Rs79bn in FY25.

**Reduce to SELL; reduce TP:** We believe that GAIL’s Petchem business is likely to stay weak in the near term. Considering the performance in FY26 and rollover to Mar’28E, reduce to SELL from HOLD and reduce TP to Rs147 from Rs153; on SoTP-based EV/EBITDA of 5.5-6.5x for the business segments on Mar’28E EBITDA.

**Key changes**

Target	Rating
▼	▼

Ticker/Price	GAIL IN/Rs 161
Market cap	US\$ 11.2bn
Free float	48%
3M ADV	US\$ 21.8mn
52wk high/low	Rs 203/Rs 134
Promoter/FPI/DII	52%/13%/21%

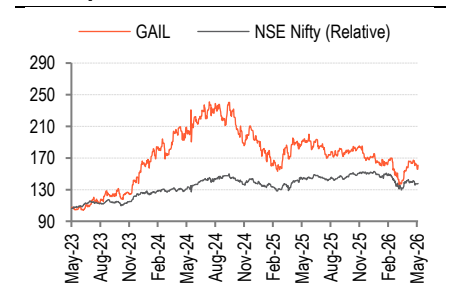
Source: NSE | Price as of 22 May 2026

**Key financials**

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,415,977	1,474,501	1,556,104
EBITDA (Rs mn)	115,101	151,098	176,256
Adj. net profit (Rs mn)	75,825	102,839	111,659
Adj. EPS (Rs)	11.5	15.6	17.0
Adj. ROAE (%)	8.7	11.3	11.6
Adj. P/E (x)	13.9	10.3	9.5
EV/EBITDA (x)	10.5	8.3	7.2
Adj. EPS growth (%)	25.8	(39.1)	35.6

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**Fig 1 – Quarterly performance**

Rs mn	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YOY (%)	FY26	FY25	YOY (%)
Revenue	355,766	351,734	1.1	364,421	(2.4)	1,415,978	1,419,017	(0.2)
EBITDA	14,534	29,270	(50.3)	35,353	(58.9)	115,095	154,224	(25.4)
EBITDA margin (%)	4.09	8.32	(424bps)	9.70	(562bps)	8.13	10.87	(274bps)
Depreciation	4,736	11,919	(60.3)	7,857	(39.7)	38,351	37,992	0.9
Interest	2,631	2,538	3.7	1,818	44.7	9,635	7,404	30.1
Other income	7,914	3,381	134.1	3,924	101.7	15,101	12,694	19.0
PBT	15,082	18,194	(17.1)	29,602	(49.1)	82,211	121,522	(32.3)
Tax	4,849	4,355	11.3	7,344	(34.0)	21,437	36,326	(41.0)
Reported PAT	14,815	17,291	(14.3)	25,056	(40.9)	75,816	124,629	(39.2)
Exceptional item	0	0	NA	0	NA	0	24,400	(100.0)
<b>Adjusted PAT</b>	<b>14,815</b>	<b>17,291</b>	<b>(14.3)</b>	<b>25,056</b>	<b>(40.9)</b>	<b>75,816</b>	<b>100,228</b>	<b>(24.4)</b>
Adj. PATM (%)	4.16	4.92	(75bps)	6.88	(271bps)	5.35	7.06	(171bps)
<b>EPS (Rs)</b>	<b>2.25</b>	<b>2.63</b>	<b>(14.3)</b>	<b>3.81</b>	<b>(40.9)</b>	<b>11.53</b>	<b>15.24</b>	<b>(24.4)</b>

Source: Company

**Fig 2 – Standalone performance**

Rs mn	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)	FY26	FY25	YoY (%)
Revenue	347,725	340,515	2.1	356,852	(2.6)	1,386,010	1,372,078	1.0
EBITDA	18,271	26,552	(31.2)	32,164	(43.2)	110,065	143,272	(23.2)
PAT	12,622	16,026	(21.2)	20,490	(38.4)	69,683	113,123	(38.4)
EPS	1.9	2.4	(21.2)	3.1	(38.4)	10.6	17.2	(38.4)

Source: Company

**Fig 3 – Q4FY26 Actual v/s Estimates**

Particulars	Q4Actual	Estimates	VAR (%)
Revenue (Rs mn)	347,725	347,846	(0.0)
EBITDA (Rs mn)	18,271	28,503	(35.9)
EBITDA margin (%)	5.3	8.2	(294bps)
PAT (Rs mn)	12,622	17,327	(27.2)
EPS (Rs)	1.9	2.6	(27.2)

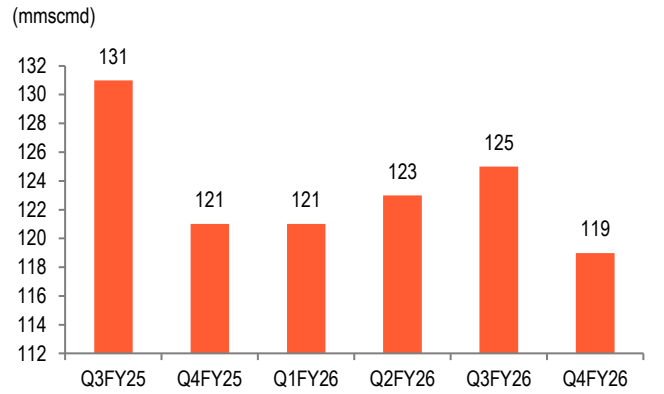
Source: Company, Bloomberg

**Fig 4 – Business performance**

Particulars	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)	FY26	FY25	YoY (%)
Natural gas transmission (mmscmd)	119.0	125.0	(4.8)	121.0	(1.7)	122.0	127.0	(3.9)
LPG transmission (Kt)	1,114.0	1,188.0	(6.2)	1,132.0	(1.6)	4,600.0	4,445.0	3.5
Natural gas marketing (mmscmd)	101.9	104.0	(2.0)	106.5	(4.4)	104.0	101.0	3.0
Polymer sales (Kt)	180.0	218.0	(17.4)	229.0	(21.4)	785.0	850.0	(7.6)

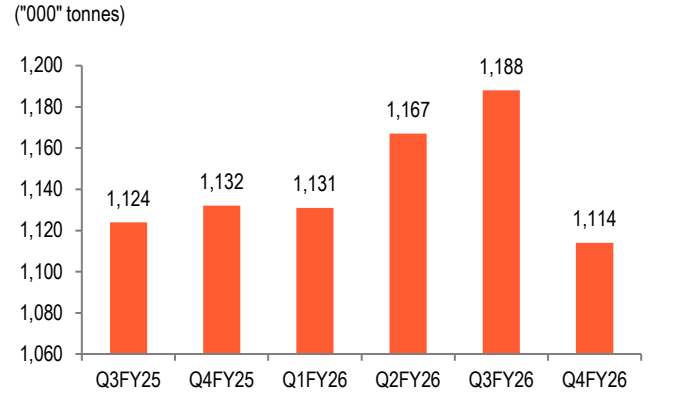
Source: Company

**Fig 5 – Natural gas transmission**



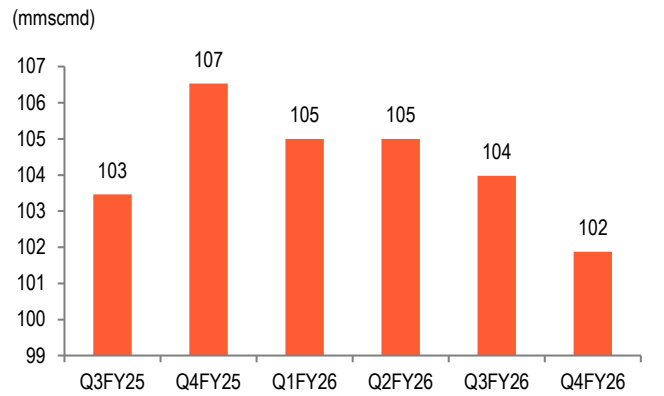
Source: Company

**Fig 6 – LPG transmission**



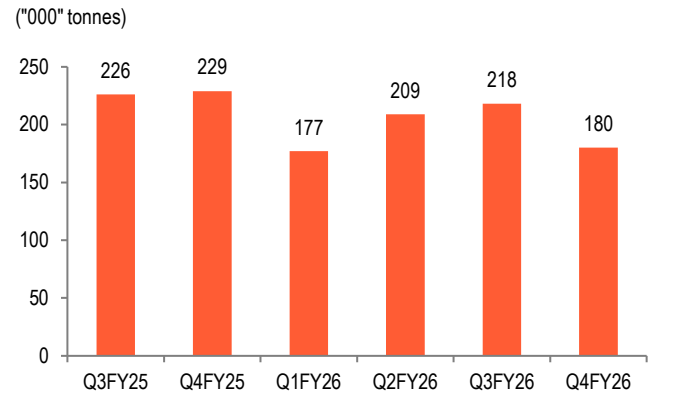
Source: Company

**Fig 7 – Natural gas marketing**



Source: Company

**Fig 8 – Polymer sales**



Source: Company

## Other Highlights

- **Gas transmission business:** Volumes were subdued at 119mmcmd in Q4FY26 vs 121mmcmd in Q4FY25, primarily due to low offtake from power and fertiliser sectors. There was an increase in spot LNG prices and LNG supply disturbance in March, due to the Middle-East war, which impacted the volume offtake. GAIL expects volumes at 119mmcmd for FY27E.
- **Gas marketing business:** GAIL reported PBT loss of Rs1,513mn vs EBIT profit of RS12,036 in Q4FY25.
- **Petchem business:** GAIL continues to report EBIT loss of Rs3,777mn, due to increased gas input cost. EBIT loss was Rs1,580mn in Q4FY25. Gas cost in Q4FY26 was estimated at USD15/mmbtu vs USD9.5/mmbtu in Q4FY25. It was USD11.2/mmbtu. The hike in gas costs is due to the gas-supply constraints from the Middle East. Management is looking at cost-optimisation measures to make it profitable.
- GAIL provided provision of Rs6,750mn during Q4FY26 against outstanding dues from Nagarjuna fertiliser
- **Pipeline projects:** The ongoing project of Gurdaspur-Jammu pipeline will likely be commissioned in FY27E. Guided a capex of Rs116bn for FY27E which includes Rs24bn for pipelines and Rs14bn for Petchem business
- **Gas business:** GAIL operates 6 GAs under its CGD business. Business reported volume growth of 29%YoY in FY26. GAIL (own and through JVs) targets to add 275 news stations in next 2 years.

## Valuation Methodology

The environment has been challenging, in terms of LNG gas supply as well as the volatility in LNG prices.

We revise our EBITDA numbers downwards to account for the subdued outlook.

- Transmission volumes: We estimate transmission gas volumes to be -2.5% vs the earlier estimate of 8.8% in FY27E and 5.0% growth vs the earlier 3.0% in FY28E. Introduce FY29 volume growth estimate of 8.0%. Volumes estimated at 119mmscmd vs the earlier 135mmscmd for FY27E; at 125mmscmd vs the earlier 139mmscmd for FY28E; 135mmscmd for FY29E.
- USD-INR assumption revised to Rs95.0 vs the earlier Rs91.0 for FY27E and FY28E.

**Fig 9 – Revision in Estimates**

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,415,977	1,474,501	1,556,104	1,640,586	1,566,055	1,629,146	-	(5.8)	(4.5)	-
EBITDA	115,101	151,098	176,256	209,115	165,280	180,531	-	(8.6)	(2.4)	-
EBITDA % margin	8.1	10.2	11.3	12.7	10.6	11.1	-			-
PAT	75,825	102,839	111,659	134,809	105,775	115,332	-	(2.8)	(3.2)	-
EPS (Rs)	11.5	15.6	17.0	20.5	16.1	17.5	-	(2.8)	(3.2)	-

Source: Company

**Fig 10 – Key assumptions**

	FY25	FY26	FY27E	FY28E	FY29E
<b>Transmission and Trading</b>					
Transmission volumes (mmscmd)	127	122.0	119.0	125.0	135.0
% growth		-4.2	-2.5	5.0	8.0
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
<b>Gas Trading</b>					
Blended realization (USD/mmbtu)	12.0	11.5	11.6	11.6	11.6
Margin (Rs/'000scm)	800	900	1,000	1,035	1,050
<b>Petrochemicals</b>					
Utilization (%)	90.0	94.0	90.0	95.0	95.0
Volumes (mn MT)	0.9	0.8	0.8	0.9	0.9
HDPE price (USD/MT)	1,200	1,080	1,100	1,225	1,230
Spot LNG price (USD/mmbtu)	12.5	12.5	14.0	12.5	12.5
<b>LPG/OLHC</b>					
LPG price (USD/MT)	710	710	750	750	750
USD-INR	87.0	90.0	95.0	95.0	95.0

Source: Company

## EV/EBITDA-based Valuation Rationale

We believe GAIL's Petchem business will likely stay weak in the near term. Considering the FY26 performance and rollover to Mar.28E, we reduce our TP to Rs147 from Rs153, on SoTP-based EV/EBITDA of 5.5-6.5x for the business segments on Mar.28E EBITDA. We reduce to SELL from HOLD rating:

- 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 5.5x for the LPG business

**Fig 11 – Valuation summary**

Business	Mar.28 EBITDA (Rs mn)	Multiple (x)	Holding co. discount (%)	Rs mn	Value (Rs/share)
Pipeline (Gas + LPG transmission)	96,412	6.5	NA	630,537	96
Natural Gas Trading	22,853	6.5	NA	148,546	23
Petchem	5,331	6.0	NA	31,986	5
LPG	56,971	5.5	NA	313,343	48
Sub-total	181,568			1,124,413	171
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				1,144,160	174
Less - Net Debt				178,376	27
<b>Target price (Rs)</b>				<b>965,785</b>	<b>147</b>

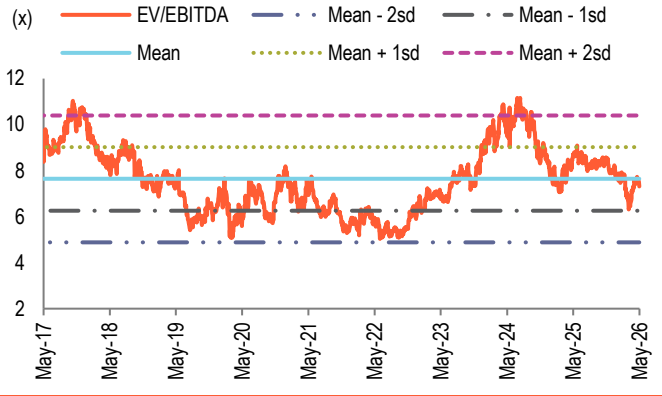
Source: Company, BOBCAPS Research

## Key Risks

Key risks to our estimates:

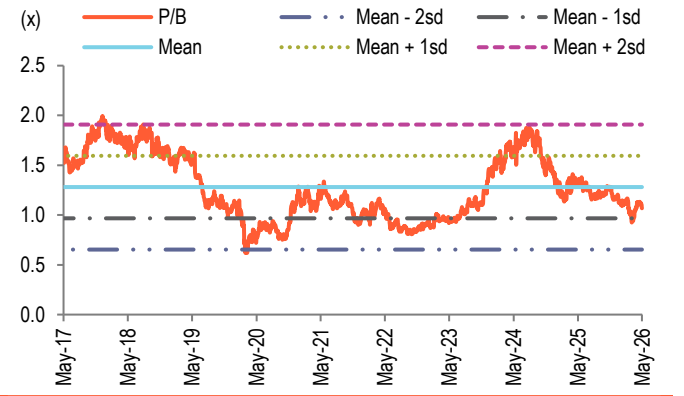
- **Petchem business performance relies on LNG prices and end products:** GAIL has been using imported LNG as a feedstock for the petchem plant. This business continues to report EBIT losses due to the weak end-product prices and higher LNG cost. We expect this risk to increase. The company is looking 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 favourable, we may see a faster offtake from various sectors. This would ramp up GAIL's revenue as well as EBITDA growth.

**Fig 12 – EV/EBITDA 1YF**



Source: Bloomberg

**Fig 13 – P/B 1YF**



Source: Bloomberg

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Total revenue</b>	<b>1,419,017</b>	<b>1,415,977</b>	<b>1,474,501</b>	<b>1,556,104</b>	<b>1,640,586</b>
EBITDA	154,224	115,101	151,098	176,256	209,115
Depreciation	(37,992)	(38,351)	(44,267)	(58,428)	(63,928)
EBIT	128,926	91,852	122,159	133,386	160,979
Net interest inc./(exp.)	(7,404)	(9,642)	(10,699)	(11,082)	(9,582)
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	111,460	122,304	151,397
Income taxes	(36,326)	(21,437)	(23,964)	(26,295)	(32,550)
Extraordinary items	24,400	0	0	0	0
Min. int./Inc. from assoc.	14,902	15,052	15,343	15,650	15,963
<b>Reported net profit</b>	<b>124,498</b>	<b>75,825</b>	<b>102,839</b>	<b>111,659</b>	<b>134,809</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>124,498</b>	<b>75,825</b>	<b>102,839</b>	<b>111,659</b>	<b>134,809</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	77,599	61,042	64,575	69,214	74,096
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	227,642	221,642	191,642
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	871,695	924,178	996,524
Shareholders' fund	849,976	890,496	937,446	989,929	1,062,275
<b>Total liab. and equities</b>	<b>1,331,487</b>	<b>1,405,366</b>	<b>1,483,849</b>	<b>1,534,971</b>	<b>1,582,199</b>
Cash and cash eq.	27,205	21,267	18,329	19,949	22,895
Accounts receivables	104,293	86,051	89,608	94,567	99,701
Inventories	62,499	51,549	53,680	56,651	59,726
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
<b>Total assets</b>	<b>1,331,487</b>	<b>1,405,366</b>	<b>1,483,849</b>	<b>1,534,971</b>	<b>1,582,199</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Cash flow from operations</b>	<b>149,188</b>	<b>135,076</b>	<b>140,307</b>	<b>162,228</b>	<b>189,028</b>
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
<b>Cash flow from investing</b>	<b>(99,308)</b>	<b>(139,977)</b>	<b>(120,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(23,006)	36,568	28,000	(6,000)	(30,000)
Interest expenses	(7,404)	(9,642)	(10,699)	(11,082)	(9,582)
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
<b>Cash flow from financing</b>	<b>(39,796)</b>	<b>(1,037)</b>	<b>(23,245)</b>	<b>(60,608)</b>	<b>(86,083)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>10,084</b>	<b>(5,939)</b>	<b>(2,937)</b>	<b>1,620</b>	<b>2,945</b>
<b>Closing cash &amp; cash eq.</b>	<b>27,205</b>	<b>21,266</b>	<b>18,329</b>	<b>19,949</b>	<b>22,895</b>

### Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	18.9	11.5	15.6	17.0	20.5
Adjusted EPS	18.9	11.5	15.6	17.0	20.5
Dividend per share	7.5	5.5	8.5	9.0	9.5
Book value per share	129.3	135.4	142.6	150.6	161.6

### Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	0.9	0.9	0.8	0.8	0.8
EV/EBITDA	7.8	10.5	8.3	7.2	5.9
Adjusted P/E	8.5	13.9	10.3	9.5	7.8
P/BV	1.2	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	0.9
EBIT margin (EBIT/Revenue)	9.1	6.5	8.3	8.6	9.8
Asset turnover (Rev./Avg TA)	1.1	1.0	1.0	1.0	1.1
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	1.5
Adjusted ROAE	15.4	8.7	11.3	11.6	13.1

### Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
<b>YoY growth (%)</b>					
Revenue	(8.5)	6.5	(0.2)	4.1	5.5
EBITDA	91.0	7.9	(25.4)	31.3	16.7
Adjusted EPS	76.3	25.8	(39.1)	35.6	8.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	10.9	8.1	10.2	11.3	12.7
EBIT margin	9.1	6.5	8.3	8.6	9.8
Adjusted profit margin	8.8	5.4	7.0	7.2	8.2
Adjusted ROAE	15.4	8.7	11.3	11.6	13.1
ROCE	11.4	7.6	9.6	10.0	11.7
<b>Working capital days (days)</b>					
Receivables	27	22	22	22	22
Inventory	16	13	13	13	13
Payables	22	17	18	18	19
<b>Ratios (x)</b>					
Gross asset turnover	1.1	1.0	1.0	1.0	1.1
Current ratio	1.0	0.8	0.8	0.9	0.9
Net interest coverage ratio	17.4	9.5	11.4	12.0	16.8
Adjusted debt/equity	0.2	0.2	0.2	0.2	0.2

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

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 SEBI Depository Participant Registration No: **IN-DP-728-2022**  
 SEBI Merchant Banker Registration No: **INM000009926**  
 Phone: +91-22-61389300  
 Name of the Compliance Officer: Mr. Sameer Khobrekar  
 Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358  
 For any queries or grievances, you may contact the Grievance Officer.  
 Name of the Grievance Officer: Mr. Manoj Pawar  
 Email ID: head-customer@bobcaps.in; Phone no: 0+91-22-69417333

Brand Name: **BOBCAPS**  
 Website: <https://www.bobcaps.in/>  
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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

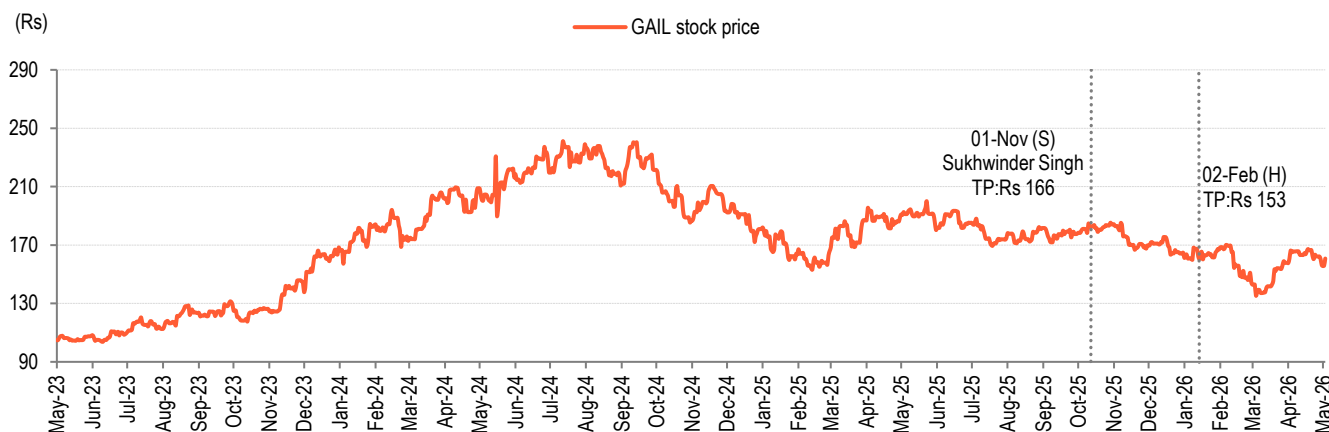
**HOLD** – Expected return from -6% to +15%

**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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