

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	183
12 month price target (INR)	162
52 Week High/Low	217/151
Market cap (INR bn/USD bn)	1,202/13.6
Free float (%)	41.0
Avg. daily value traded (INR mn)	1,686.0

SHAREHOLDING PATTERN

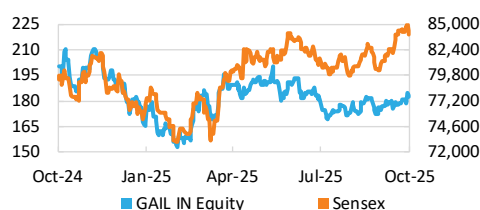
	Sep-25	Jun-25	Mar-25
Promoter	51.88%	51.9%	51.92%
FII	14.79%	16.05%	16.79%
DII	26.64%	25.21%	24.53%
Pledge	0%	0%	0%

FINANCIALS

(INR bn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	1,419	1,804	2,090	2,356
EBITDA	154	138	177	193
Adjusted profit	125	105	138	151
Diluted EPS (INR)	18.9	16.0	21.0	23.0
EPS growth (%)	25.7	(15.7)	31.3	9.8
RoAE (%)	15.3	11.8	14.2	14.1
P/E (x)	6.3	7.5	5.7	5.2
EV/EBITDA (x)	5.1	5.7	5.3	4.7
Dividend yield (%)	6.3	4.0	5.3	5.8

PRICE PERFORMANCE



Q2 beat; guidance cut déjà vu

Management has further cut guidance for transmission volume and expects current petchem margin environment to continue in H2FY26.

Takeaways: i) Q2FY26 EBITDA fell 15% YoY to INR32bn (beating consensus/our estimate by 5%/3%) mainly due to better marketing margins and 2% higher blended tariff. ii) NG marketing EBITDA rose 3% YoY to IN15bn led by 9% YoY volume growth, partly offset by 6% lower EBITDA/scm. iii) Petchem EBITDA slipped into red driven by lower production (-6% YoY) and weak spreads with similar margins expected for H2FY26. iv) NG transmission volume fell 5% YoY; FY26–27E guidance cut by 1–4%. We are cutting FY26E/27E EBITDA by 7%/7%; this coupled with investment MTM leads to a TP of INR162; ‘REDUCE’.

Transmission volume guidance cut; petchem weakness to persist

GAIL has again cut FY26E and FY27E transmission volume guidance by 1–4%, on top of the 7–9% cut last quarter. Throughput is now expected at 123–124/133–134mmscmd in FY26E/27E (earlier 127–128/135–136mmscmd). The cut is attributable to an early monsoon dampening power demand, price sensitive customers switching from gas to cheaper alternative liquid fuels due to subdued crude prices and delay in commissioning of new pipelines. Management expects petchem profitability at similar levels for the rest of FY26, implying EBITDA loss of INR5–6bn amidst existing weak margin environment and higher Henry Hub prices.

Q2 EBITDA beat as NG marketing, transmission offset weak petchem

GAIL reported Q2FY26 EBITDA at INR32bn (-15% YoY), 5%/3% above consensus/our estimate. The beat is attributable to NG marketing earnings on higher-than-expected volumes (+1%), margins (+43%) and higher blended tariff (+2%) in the NG transmission business. **NG Transmission** volumes were weak at 123.6mmscmd (-5% YoY, in-line versus our estimate) due to: i) fall in the price of alternative liquid fuels due to subdued crude prices; ii) elongated monsoon hampering power demand and disrupting pipeline operations in certain areas; and iii) delay in commissioning of new pipelines. **NG Marketing** spreads were subdued with EBITDA/scm down 6% YoY while volumes grew 9% YoY. **Petchem** EBITDA at INR(1.5bn) (INR2.8bn YoY, INR(1.3bn) QoQ, versus INR1bn our estimate) slipped into red due to negative operating leverage (production down 5% YoY) and weak margins.

Near-term demand weak; marketing earnings volatile; ‘REDUCE’

We see weak near-term demand alongside potentially persistent volatility in marketing earnings. We are cutting FY26E/27E EBITDA by 7%/7% on guidance cut. This along with a MTM of value of investments yields a TP of INR162 (earlier INR165).

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	350,081	329,117	6.4	347,689	0.7
EBITDA	31,906	37,450	(14.8)	33,337	(4.3)
Adjusted Profit	22,172	26,719	(17.0)	18,863	17.5
Diluted EPS (INR)	3.4	4.1	(17.0)	2.9	17.5

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	1,419,035	1,803,530	2,090,300	2,356,327
Gross profit	261,653	248,843	301,982	331,923
Employee costs	22,365	22,505	23,738	25,049
Other expenses	84,970	88,106	101,711	114,170
EBITDA	154,318	138,232	176,533	192,703
Depreciation	37,992	38,833	39,702	40,603
Less: Interest expense	7,480	7,675	7,881	8,099
Add: Other income	12,676	25,079	29,591	30,941
Profit before tax	145,923	116,803	158,540	174,942
Prov for tax	36,326	30,727	41,659	45,844
Less: Other adj	15,032	18,898	20,976	22,318
Reported profit	124,498	104,974	137,857	151,416
Less: Excp.item (net)	0	0	0	0
Adjusted profit	124,498	104,974	137,857	151,416
Diluted shares o/s	6,575	6,575	6,575	6,575
Adjusted diluted EPS	18.9	16.0	21.0	23.0
DPS (INR)	7.5	4.8	6.3	6.9
Tax rate (%)	24.9	26.3	26.3	26.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Crude price (Brent)	78.2	70.0	70.0	70.0
Gas transp tariff (INR/scm)	2.8	2.9	3.1	3.1
Gas transp vol (mmscmd)	127.3	123.2	131.4	137.3
EBITDA margin (%)	10.9	7.7	8.4	8.2
Net profit margin (%)	8.8	5.8	6.6	6.4
Revenue growth (% YoY)	6.5	27.1	15.9	12.7
EBITDA growth (% YoY)	7.9	(10.4)	27.7	9.2
Adj. profit growth (%)	25.7	(15.7)	31.3	9.8

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.2	7.0	6.8	6.2
Repo rate (%)	6.0	5.0	4.5	4.5
USD/INR (average)	84.4	87.5	87.0	88.0
LPG transportation vol (mmt)	4.5	4.5	4.6	4.6
Total LHC production (KT)	948.2	990.1	1,039.4	1,088.7
Petchem Ethly. prod (KT)	851.2	851.2	851.2	851.2
LNG volumes(mmscmd)	62.5	68.0	76.0	81.5
Market. real. (\$/mmbtu)	10.9	12.5	13.4	14.0
Petchem margin (\$/ mt)	75.2	(74.4)	94.5	100.3

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	6.3	7.5	5.7	5.2
Price/BV (x)	0.9	0.8	0.8	0.7
EV/EBITDA (x)	5.1	5.7	5.3	4.7
Dividend yield (%)	6.3	4.0	5.3	5.8

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	65,751	65,751	65,751	65,751
Reserves	784,225	857,706	954,207	1,060,198
Shareholders funds	849,976	923,457	1,019,958	1,125,949
Minority interest	2,429	2,429	2,429	2,429
Borrowings	215,954	233,011	235,243	237,669
Trade payables	77,599	105,084	121,484	138,040
Other liabs & prov	118,231	88,121	116,428	141,297
Total liabilities	1,331,487	1,419,402	1,562,841	1,712,683
Net block	493,529	533,463	562,389	592,261
Intangible assets	94,826	33,245	33,244	33,243
Capital WIP	274,211	323,081	364,630	412,990
Total fixed assets	862,566	889,790	960,263	1,038,494
Non current inv	227,646	239,538	246,405	252,242
Cash/cash equivalent	27,205	47,013	82,718	120,526
Sundry debtors	104,833	122,450	141,894	159,888
Loans & advances	4,035	4,035	4,035	4,035
Other assets	105,202	116,577	127,526	137,499
Total assets	1,331,487	1,419,402	1,562,841	1,712,683

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	124,498	104,974	137,857	151,416
Add: Depreciation	37,992	38,833	39,702	40,603
Interest (net of tax)	5,618	5,656	5,810	5,977
Others	19,993	(21,534)	(25,497)	(26,710)
Less: Changes in WC	40,015	(28,430)	(12,290)	(11,349)
Operating cash flow	148,086	156,360	170,163	182,635
Less: Capex	(50,825)	(127,637)	(110,176)	(118,834)
Free cash flow	97,261	28,723	59,987	63,801

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	15.3	11.8	14.2	14.1
RoCE (%)	12.5	11.2	13.8	14.0
Inventory days	16	14	14	14
Receivable days	27	23	23	23
Payable days	23	21	23	23
Working cap (% sales)	4.3	5.2	3.9	3.0
Gross debt/equity (x)	0.3	0.3	0.2	0.2
Net debt/equity (x)	0.2	0.2	0.1	0.1
Interest coverage (x)	15.6	13.0	17.4	18.8

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	25.7	(15.7)	31.3	9.8
RoE (%)	15.3	11.8	14.2	14.1
EBITDA growth (%)	7.9	(10.4)	27.7	9.2
Payout ratio (%)	34.3	30.0	30.0	30.0

Q2FY26 management call: Key highlights

NG transmission volume cut; H2 petchem profitability in line with H1

- GAIL has cut NG transmission volume guidance by 1–4% for FY26E–27E on account of weak demand environment.
- H2FY26 petchem profitability to remain in line with H1FY26, implying EBITDA loss of INR5–6bn for FY26.
- APM allocation cut to 0.2mmscmd for GAIL's LPG, LHC plants from 0.32mmscmd from 1st Oct-25, impacting production by 33kt in Q3.

NG transmission volume guidance cut for FY26–27E

GAIL has cut FY26E and FY27E transmission volume guidance by 1–4%, throughput is now expected at 123–124/133–134mmscmd in FY26E/27E (earlier 127–128/135–136mmscmd). The cut is attributable to an early monsoon dampening power demand, price sensitive customers switching from gas to cheaper alternative liquid fuels due to subdued crude prices and delay in commissioning of new pipelines.

Due to above-average monsoon, 1–1.5mmscmd got lost on pipeline disruptions due to floods, 2–3mmscmd volume was lost to refineries on account of cheaper alternate liquid fuels. Management has guided for 125mmscmd in H2FY26. To achieve its guided FY27 volume, management expects ~2mmscmd to come from commissioning of new pipelines, 3–3.5mmscmd from CGDs, ~3mmscmd from power sector and 1–1.5mmscmd from normalisation of pipeline disruptions.

Petchem: H2 profitability to be similar to H1FY26's

H2 petchem profitability is expected to be broadly in line with H1, with FY27 set to be stronger on easing of Henry Hub prices, construction of dedicated C2-C3 pipeline to Pata plant from Vijaipur plant and 60ktpa PP capacity amongst other efficiency measures. Currently, input gas costs are ~USD10.5–10.6/mmbtu.

APM allocation down to 0.2mmscmd for LPG, LHC

From October 1, 2025, APM gas allocation for GAIL's LPG-LHC plants was cut from 0.32mmscmd to 0.2mmscmd, impacting LPG production by 33kt in Q3.

Pipeline tariff revision expected by end of Nov-25

With GAIL's initial tariff ask of INR78/mmbtu, management expects at least INR70–71/mmbtu by November end with an additional INR2–3/mmbtu upside as result of delays and PNGRB's revised regulations pertaining to 50-50 revenue sharing mechanism beyond 75% utilisation with tariff order expected by end of Nov-25.

Expansion projects on track- Srikakulam-Angul commissioned; Gurdaspur by FY27E

The Srikakulam–Angul pipeline got commissioned in Oct-25. The Mumbai–Nagpur–Jharsuguda (MNJPL) line (97% completed), the JSPDPL stretch, and KKMBPL Phase 2 are all scheduled to be completed within the current fiscal, which will strengthen the integrated natural gas pipeline network. The Gurdaspur–Jammu pipeline is expected to be completed in FY27. On the petrochemical front, the 60ktpa polypropylene unit at Pata and the 1.25mtpa PTA plant at GMPL are both planned to be commissioned in the current fiscal, while the 500ktpa PDH–PP project at Usar is targeted for completion in FY27 and start contributing to company's profits by FY28 with EBITDA/t expected in the range of USD250–300.

Srikakulam-Angul, MNJPL & Gurdaspur pipelines were won in auctions with tariffs exceeding INR100/mmbtu.

On September 9, 2025, GAIL received PNGRB authorisation for setting up the Vijaipur–Bina natural gas pipeline, which will connect to the BPCL Bina refinery. The 105km long pipeline with capacity of 3mmscmd will involve capex of about INR4.5bn. It is expected to be constructed within three years. Once completed, it will become part of GAIL's integrated natural gas pipeline system.

GAIL has secured approval to expand the Jamnagar-Loni LPG pipeline from 3.25mtpa to 6.5mtpa. GAIL expects incremental revenue of INR7bn p.a, with an EBITDA of INR6bn; moreover, because the LPG tariff escalates by 3.4% annually, both revenue and EBITDA from this expanded capacity will keep rising over time.

GAIL's capex in Q2 stood at INR16.6bn

In Q2FY26, the company incurred total capex of INR16.6bn. Of this, ~INR7.8bn was spent on pipeline projects and INR5bn on petrochemicals. ~INR2.3bn was operational capex, and the remaining ~INR1.4bn was spent on the segments of CGD, E&P, renewables and equity investments.

Dabhol to operate at 50% in FY27; tying up further regasification capacity

Dabhol (with a nameplate capacity of 5mtpa) is expected to operate at only 50% utilisation through FY27 because the heating system is not yet available, which is expected to come online in FY27. Management is contemplating increasing the capacity to 6.5mtpa.

Currently, GAIL has ~2.5mtpa regasification capacity booked at Dahej, ~1.5mtpa at Dhamra, and ~2.5mtpa available capacity at Dabhol for regasification of LNG cargoes. With another LNG supply contract coming up next year, the company is in talks with terminal operators to tie up additional regasification capacity. Once the heating system at Dabhol is commissioned in FY27E, that terminal itself can be ramped up toward 5mtpa, which will ease capacity constraints.

Low-value marketing earnings

Exhibit 1: Our SotP valuation works out to INR162/share

	INR bn	INR/share
EV of operating assets	910	138
Cash and cash equivalents	84	13
Investments (@30% discount)	294	45
IGL	41	6
PLNG	49	7
MGL	26	4
ONGC	49	7
Others	129	20
Gross debt	216	33
Net debt	132	20
Equity value	1,072	162
CMP		183
Upside (%)		-11%

Source: Company, Nuvama Research

Exhibit 2: Enterprise value by segment

Segment	Multiple	EBITDA FY27	EV
Natural Gas Transmission	7.0	84.3	590
LPG Transmission	6.0	5.0	30
Natural Gas Marketing	4.0	52.2	209
Petrochemicals	6.0	7.1	42
LPG & Liquid Hydrocarbons	5.0	7.8	39
Total EV (INR bn)		156.3	910

Source: Company, Nuvama Research

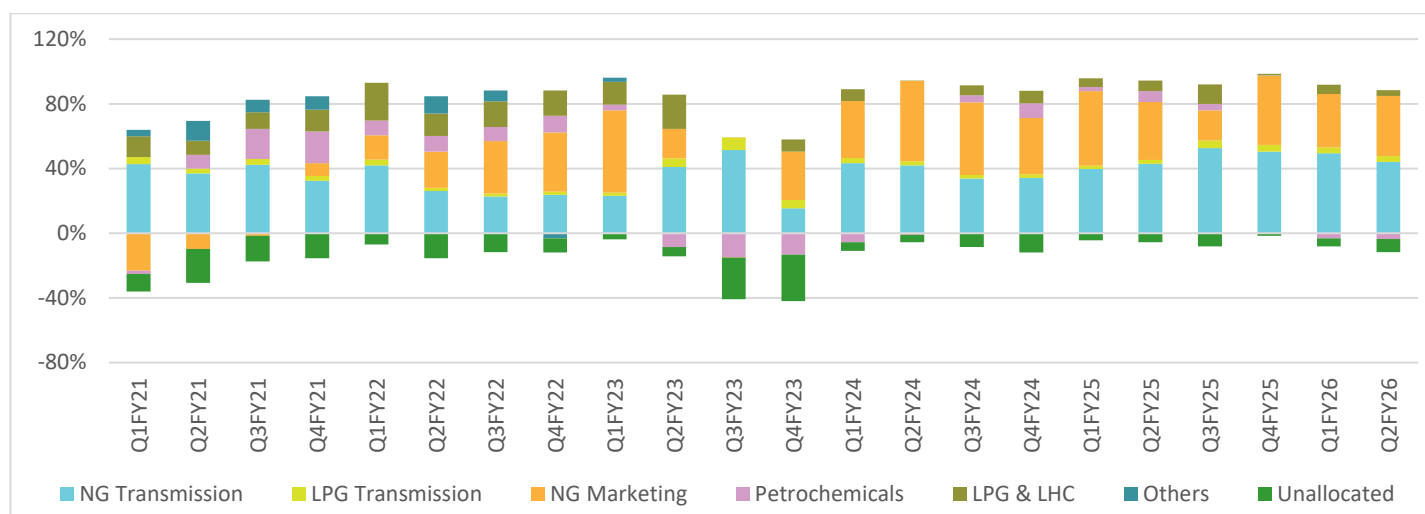
Elevated NG marketing earnings unsustainable

We believe GAIL's currently elevated NG marketing earnings are not sustainable given: i) historical volatility; ii) spreads between regional spot LNG and Henry Hub (HH) decreasing on high global LNG supply additions; and iii) spreads between Brent-linked contracted LNG and Henry Hub-linked contracted LNG contracting on lower global crude demand growth. Lower global crude demand is attributable to fuel substitution and elevated OPEC+ spare capacity pressurising crude prices in the near term. NG marketing earnings are likely approaching their peak in the near term.

Decrease in aforementioned spreads directly impacts GAIL's marketing earnings as arbitrage profit earned by purchasing based on HH and selling based on spot LNG prices or crude-linked contracts shall decrease as a result. GAIL has been selling more LNG cargoes in the domestic market in recent quarters on account of better spreads instead of overseas sales as a volume mitigation measure.

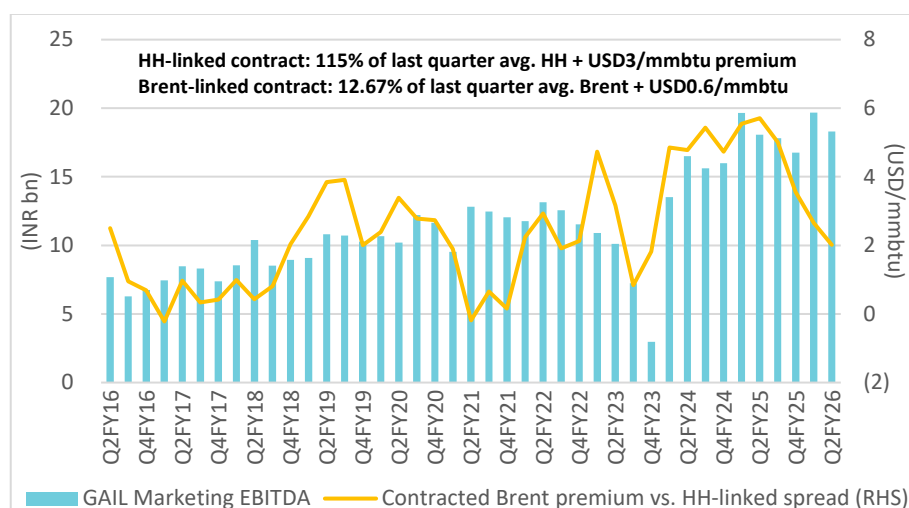
The company earns largely fixed margins on its domestic natural gas marketing sales and LNG purchase contracts, which are on a back-to-back basis (~95% of marketing volumes).

Exhibit 3: Quarterly EBITDA mix by segment – NG marketing made up 49% of EBITDA in Q1, has been volatile historically



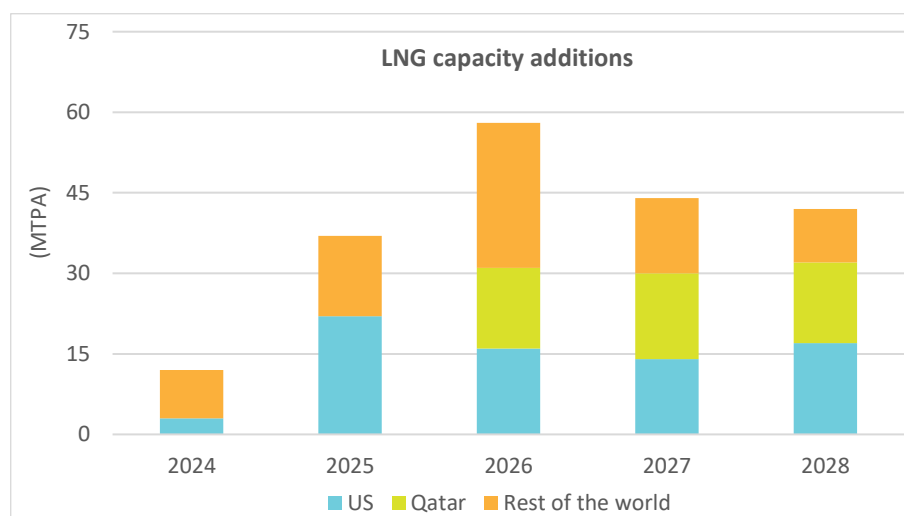
Source: Company, Nuvama Research

Exhibit 4: Brent premium versus HH – Premiums largely related to earnings



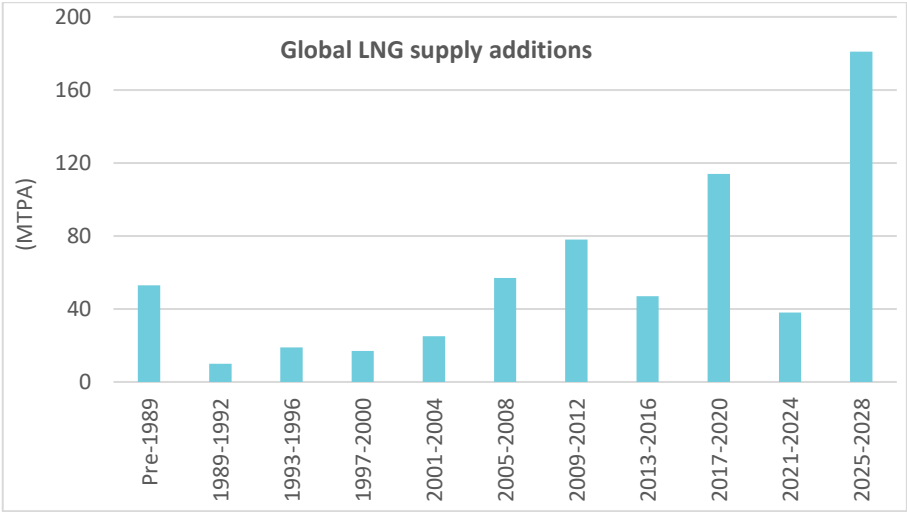
Source: Company, Bloomberg, Nuvama Research

Exhibit 5: LNG capacity of ~193mtpa to come on stream over next four years...



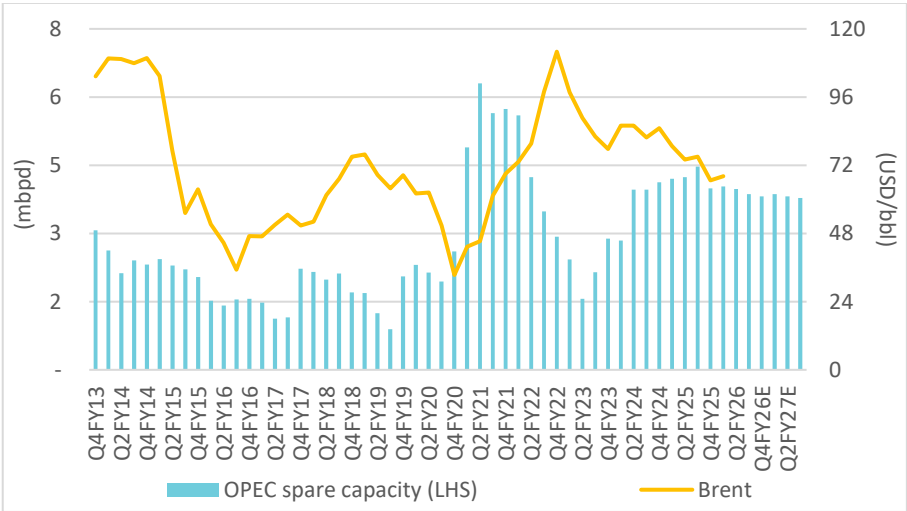
Source: IEEFA, Nuvama Research

Exhibit 6: ...which is set to be highest-ever and likely to weigh on spot prices



Source: IEEFA, Nuvama Research

Exhibit 7: Outlook for crude prices subdued on elevated OPEC spare capacity



Source: US EIA, Bloomberg, Nuvama Research

Exhibit 8: EBITDA beat our/consensus by 3%/5% on better NG marketing, transmission earnings offsetting weakness in others

Financials	Q2FY26	Q2FY25	YoY %	Q1FY26	QoQ %	Nuvama estimates	vs. Est	Consensus	vs. Consensus
Revenues (INR mn)	3,50,081	3,29,117	6.4%	3,47,689	0.7%	3,34,626	4.6%	3,24,193	8.0%
EBITDA (INR mn)	31,906	37,450	-14.8%	33,337	-4.3%	31,095	2.6%	30,415	4.9%
PAT (INR mn)	22,172	26,719	-17.0%	18,863	17.5%	20,858	6.3%	20,859	6.3%

Source: Company, Nuvama Research

Exhibit 9: EBITDA falls 15% YoY on lower petchem, LPG-LHC EBITDA

EBITDA (INR mn)	Q2FY26	Q2FY25	YoY %	Q1FY26	QoQ %
Natural Gas - Transmission	18,300	18,060	1.3	19,690	(7.1)
LPG Transmission	1,490	1,050	41.9	1,390	7.2
Natural Gas Marketing	15,510	15,120	2.6	13,150	17.9
Petrochemicals	-1,450	2,810	(151.6)	-1,270	14.2
LPG & Liquid Hydrocarbons	1,430	2,770	(48.4)	2,340	(38.9)
Unallocated	-3,374	-2,361	NM	-1,963	NM
Total EBITDA	31,906	37,450	(14.8)	33,337	(4.3)
EBITDA break-up (%)					
Natural Gas - Transmission	57	48		59	
LPG Transmission	5	3		4	
Natural Gas Marketing	49	40		39	
Petrochemicals	-5	8		-4	
LPG & Liquid Hydrocarbons	4	7		7	
Unallocated	-11	-6		-6	
Total EBITDA	100	100		100	
Volumes					
Natural Gas Transmission	124	131	(5.4)	121	2.5
Natural Gas Marketing	105	97	9.2	105	0.0
LPG Transmission	1,167	1,124	3.8	1,131	3.2
Petrochem production	220	234	(6.0)	177	24.3
LPG & Liq. HC production	222	252	(11.9)	199	11.6
Per unit EBITDA margins					
Gas transmission (INR/scm)	1.61	1.50	7.1	1.79	(10.3)
Gas marketing (INR/scm)	1.60	1.70	(6.1)	1.37	16.6
LPG transmission (INR/mt)	1,276.8	934.2	36.7	1,229.0	3.9
LPG/LHC (INR/kg)	6.4	10.9	(41.4)	11.8	(45.7)
Petchem (INR/kg)	(6.9)	12.4	(155.8)	(7.2)	(3.3)

Source: Company, Nuvama Research

Exhibit 10: Transmission tariffs up 2% YoY/3% QoQ

Drivers	Q2FY26	Q2FY25	YoY %	Q1FY26	QoQ %
Gas transmission volumes (mmscmd)	124	131	-5.4%	121	2.5%
Transmission tariffs (INR/scm)	2.4	2.4	1.6%	2.6	-5.9%
Marketing margins (INR/scm)	1.6	1.7	-6.1%	1.4	16.6%

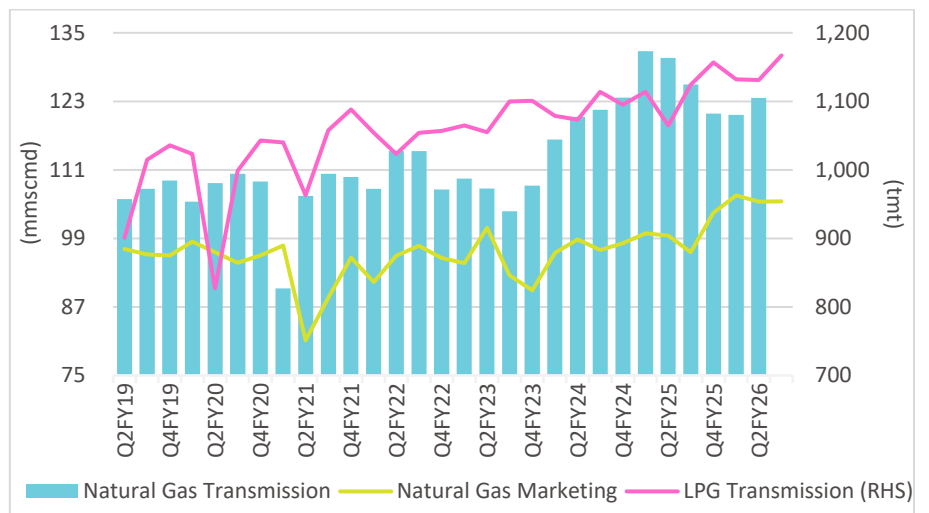
Source: Company, Nuvama Research

Exhibit 11: Quarterly EBITDA trend across segments

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
NG Transmission	7,230	2,970	13,510	16,500	15,610	15,990	19,660	18,060	17,820	16,760	19,690	18,300
LPG Transmission	1,080	970	960	1,040	1,010	990	1,000	1,050	1,580	1,350	1,390	1,490
NG Marketing	30	5,760	11,030	19,530	20,730	16,270	22,850	15,120	6,330	14,220	13,150	15,510
Petrochemicals	(2,100)	(2,570)	(1,730)	(380)	2,050	4,260	1,240	2,810	1,290	20	(1,270)	(1,450)
LPG & LHC	(60)	1,460	2,250	50	2,800	3,610	2,660	2,770	4,080	330	2,340	1,430
Unallocated/Others	(3,567)	(5,518)	(1,693)	(1,827)	(3,974)	(5,542)	(2,129)	(2,361)	(2,722)	(516)	(1,963)	(3,374)
Total (INR mn)	2,613	3,072	24,327	34,913	38,226	35,578	45,281	37,450	28,378	32,164	33,337	31,906
EBITDA Break-up(%)												
NG Transmission	276.7%	96.7%	55.5%	47.3%	40.8%	44.9%	43.4%	48.2%	62.8%	52.1%	59.1%	57.4%
LPG Transmission	41.3%	31.6%	3.9%	3.0%	2.6%	2.8%	2.2%	2.8%	5.6%	4.2%	4.2%	4.7%
NG Marketing	1.1%	187.5%	45.3%	55.9%	54.2%	45.7%	50.5%	40.4%	22.3%	44.2%	39.4%	48.6%
Petrochemicals	-80.4%	-83.7%	-7.1%	-1.1%	5.4%	12.0%	2.7%	7.5%	4.5%	0.1%	-3.8%	-4.5%
LPG & LHC	-2.3%	47.5%	9.2%	0.1%	7.3%	10.1%	5.9%	7.4%	14.4%	1.0%	7.0%	4.5%
Unallocated/Others	-136.5%	-179.6%	-7.0%	-5.2%	-10.4%	-15.6%	-4.7%	-6.3%	-9.6%	-1.6%	-5.9%	-10.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

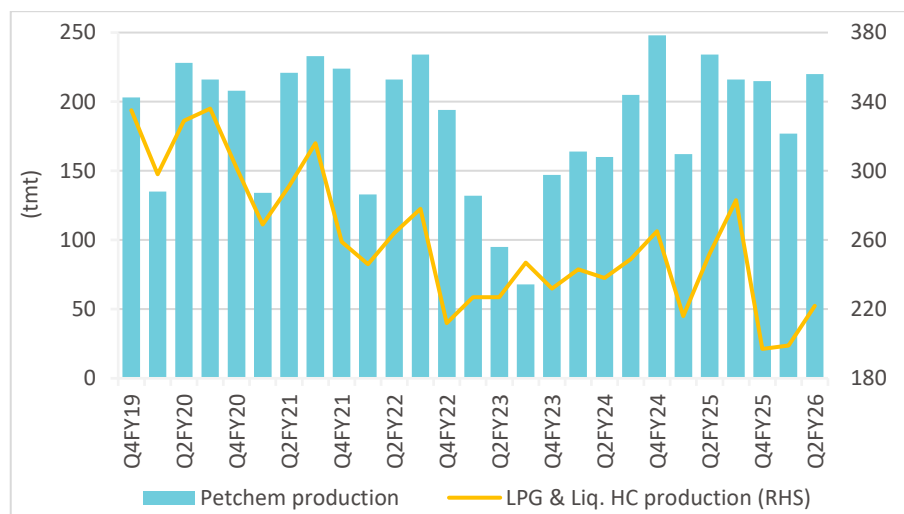
Source: Company, Nuvama Research

Exhibit 12: Transmission volumes down 5% YoY, marketing's and LPG's up 9%/4%



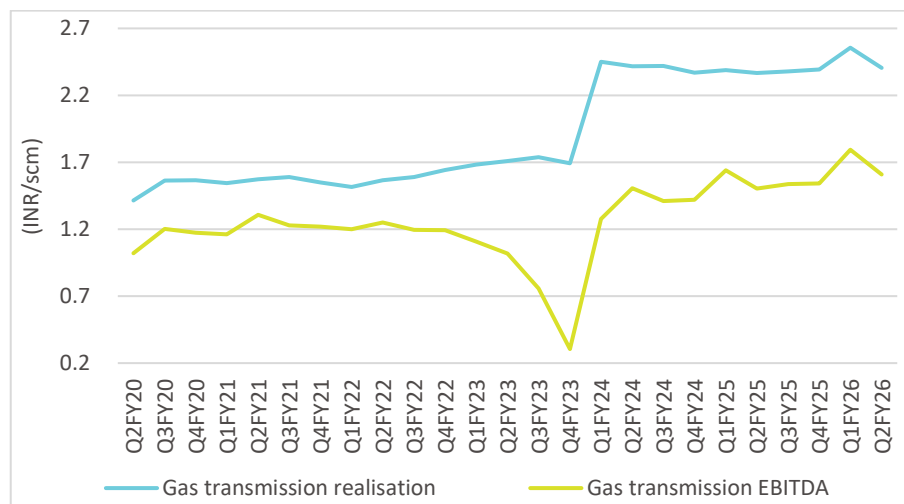
Source: Company, Nuvama Research

Exhibit 13: Petchem production down 6% YoY/LPG and LHC down 12% YoY



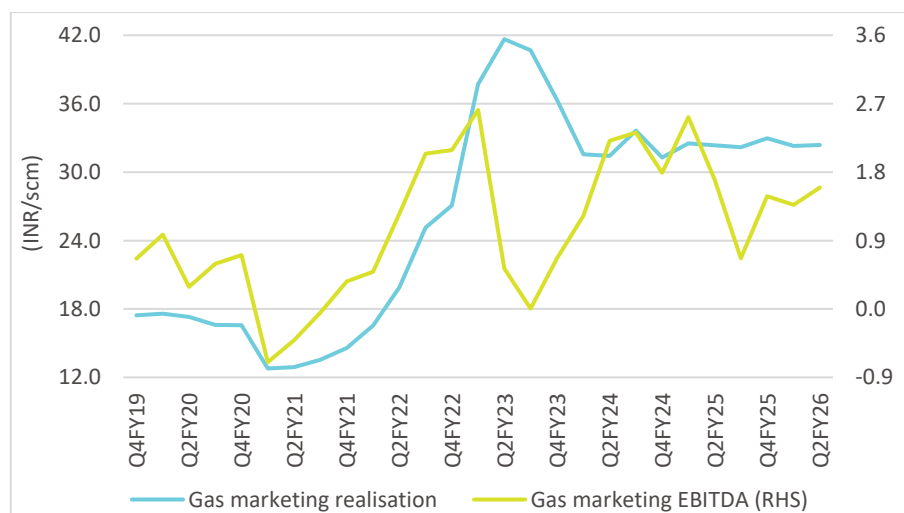
Source: Company, Nuvama Research

Exhibit 14: NG transmission realisation up 2% YoY/-6% QoQ*



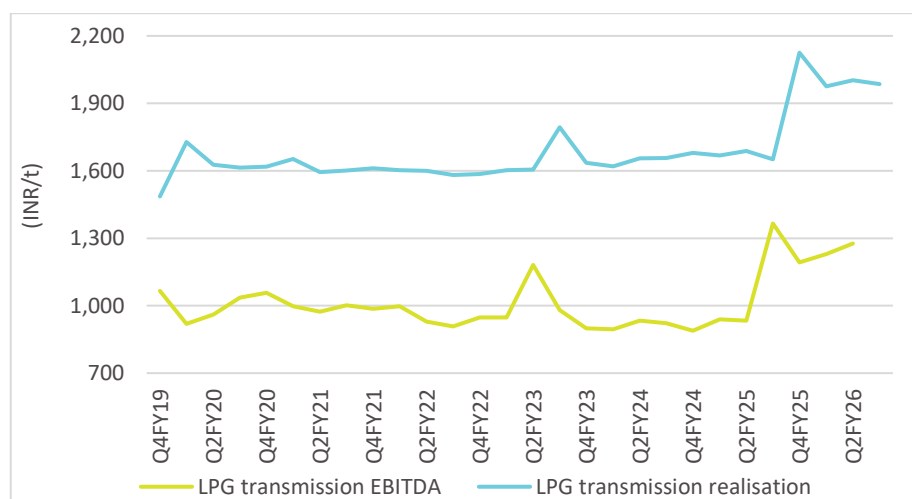
Source: Company, Nuvama Research; INR1.3bn one-off gain in Q1FY26

Exhibit 15: NG marketing EBITDA/scm flat YoY/QoQ



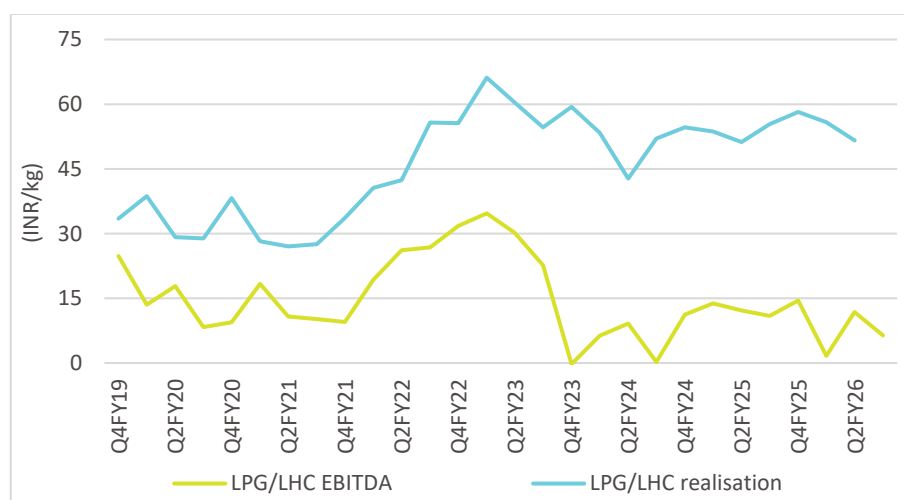
Source: Company, Nuvama Research

Exhibit 16: LPG transmission EBITDA/t up 37% YoY in Q2FY26*



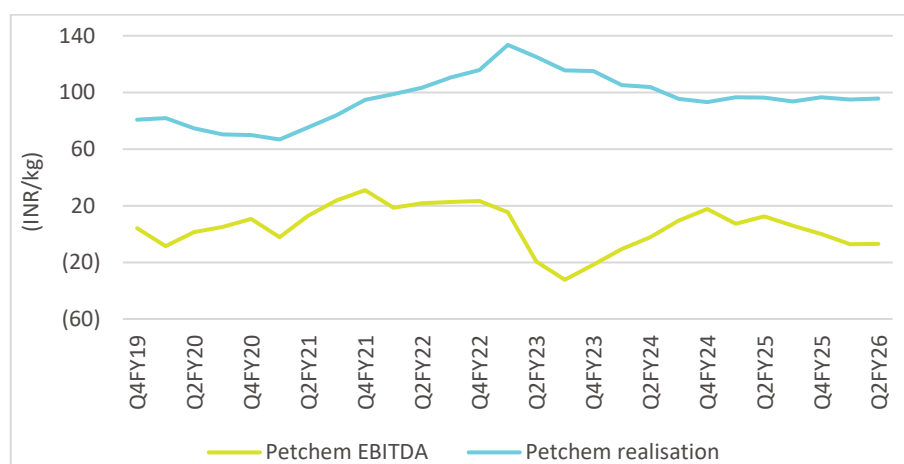
Source: Company, Nuvama Research; *tariff revised upwards by 17% from Aug-24

Exhibit 17: LPG/LHC EBITDA/kg slides 41% in Q2FY26



Source: Company, Nuvama Research

Exhibit 18: Petchem EBITDA/kg hovering in negative territory



Source: Company, Nuvama Research

Exhibit 19: Standalone quarterly financial snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	YoY %	Q1FY26	QoQ %	FY25	FY26E	FY27E	FY28E
Net revenues	3,50,081	3,29,117	6.4	3,47,689	0.7	13,72,078	17,40,607	20,04,069	22,45,937
Raw material costs	2,89,820	2,67,301	8.4	2,90,473	(0.2)	11,30,503	15,17,426	17,39,799	19,63,334
Gross profit	60,260	61,817	(2.5)	57,216	5.3	2,41,575	2,23,181	2,64,270	2,82,603
Employee expenses	5,372	5,209	3.1	5,290	1.5	20,404	21,424	22,496	23,620
Other expenses	22,983	19,158	20.0	18,590	23.6	77,899	79,373	92,546	1,04,640
EBITDA	31,906	37,450	(14.8)	33,337	(4.3)	1,43,272	1,22,383	1,49,228	1,54,343
Depreciation & amortisation	9,302	8,153	14.1	8,828	5.4	35,998	36,717	37,452	38,201
EBIT	22,604	29,297	(22.8)	24,509	(7.8)	1,07,275	85,666	1,11,776	1,16,142
Less: Interest Expense	2,298	1,901	20.9	2,094	9.7	7,442	7,516	7,591	7,667
Add: Other income	7,926	7,135	11.1	2,919	171.5	24,013	25,003	29,515	30,866
Profit before tax	28,232	34,531	(18.2)	25,334	11.4	1,48,246	1,03,153	1,33,700	1,39,341
Less: Provision for Tax	6,060	7,812	(22.4)	6,471	(6.4)	35,122	25,964	33,652	35,072
Reported Profit	22,172	26,719	(17.0)	18,863	17.5	1,13,123	77,189	1,00,048	1,04,269
Adjusted Profit	22,172	26,719	(17.0)	18,863	17.5	94,504	77,189	1,00,048	1,04,269
No. of Diluted shares outstanding (mn)	6,575	6,575	0.0	6,575	0.0	6,575	6,575	6,575	6,575
Adjusted Diluted EPS	3.4	4.1	(17.0)	2.9	17.5	17.2	11.7	15.2	15.9
Diluted Price to Earnings Ratio (P/E) (x)						10.6	15.6	12.0	11.5
Enterprise Value / EBITDA (x)						9.6	11.3	9.1	8.8
Return on Average Equity (ROAE) (%)						14.0	10.6	12.8	12.4
as % of net revenues									
Gross profit	17.2	18.8	(8.4)	16.5	4.6	17.6	12.8	13.2	12.6
EBIDTA	9.1	11.4	(19.9)	9.6	(4.9)	10.4	7.0	7.4	6.9
Net profit	6.3	8.1	(22.0)	5.4	16.7	8.2	4.4	5.0	4.6
Tax rate	21.5	22.6	(5.1)	25.5	(16.0)	23.7	25.2	25.2	25.2

Source: Company, Nuvama Research

Company Description

GAIL is a dominant player involved in business of sourcing, transportation, distribution, and processing of natural gas in India.

The company owns >12,000km of natural gas pipelines. The firm dominates the city gas distribution business as it either has stakes in the CGD entities or runs the same through its 100% subsidiary Gail Gas Ltd.

GAIL is also involved in natural gas marketing, wherein it sources gas from domestic producers, and also imports LNG and sells it to domestic customers.

Investment Theme

GAIL's lofty valuations have far outpaced expected earnings growth. Furthermore, we believe elevated NG (natural gas) marketing earnings are unsustainable given –

- Historical volatility
- Spreads between regional spot LNG and Henry Hub contracting on high global LNG supply additions
- Contraction of spreads between Brent-linked contracted LNG and Henry Hub-linked contracted LNG on lower global crude demand growth in the wake of fuel substitution and elevated OPEC+ spare capacity pressuring crude prices in the near term

On the plus side, its transmission business continues to go from strength to strength as healthy volume growth is likely on commissioning of new pipelines and increased gas consumption primarily from the CGD segment. Tariffs are likely to see an upward revision in the near-term on revision of fuel cost assumption used in computation.

Key Risks

- Tariff increase in existing pipelines may be lower than expected
- Elevated spot LNG and Brent increase costs to consumers, resulting in lower consumption
- Muted petrochemical spreads on account of weak global demand

Additional Data

Management

CMD & Managing Director	Shri Sandeep Kumar Gupta
Director (Finance)	Shri Rakesh Kumar Jain
Director (HR)	Shri Ayush Gupta
Director (Marketing)	Shri Sanjay Kumar
Auditor	ARUN K. AGARWAL & ASSOCIATES, RAVI RAJAN & CO. LLP

Holdings – Top 10*

	% Holding		% Holding
Republic of Ind	51.52	Kotak Mahindra	1.69
Oil & Natural G	4.97	Vanguard Group	1.64
SBI Funds Manag	3.12	NPS Trust A/c U	1.02
Indian Oil Corp	2.48	ICICI Prudentia	0.90
Blackrock Inc	2.07	Mirae Asset Fin	0.83

*Latest public data

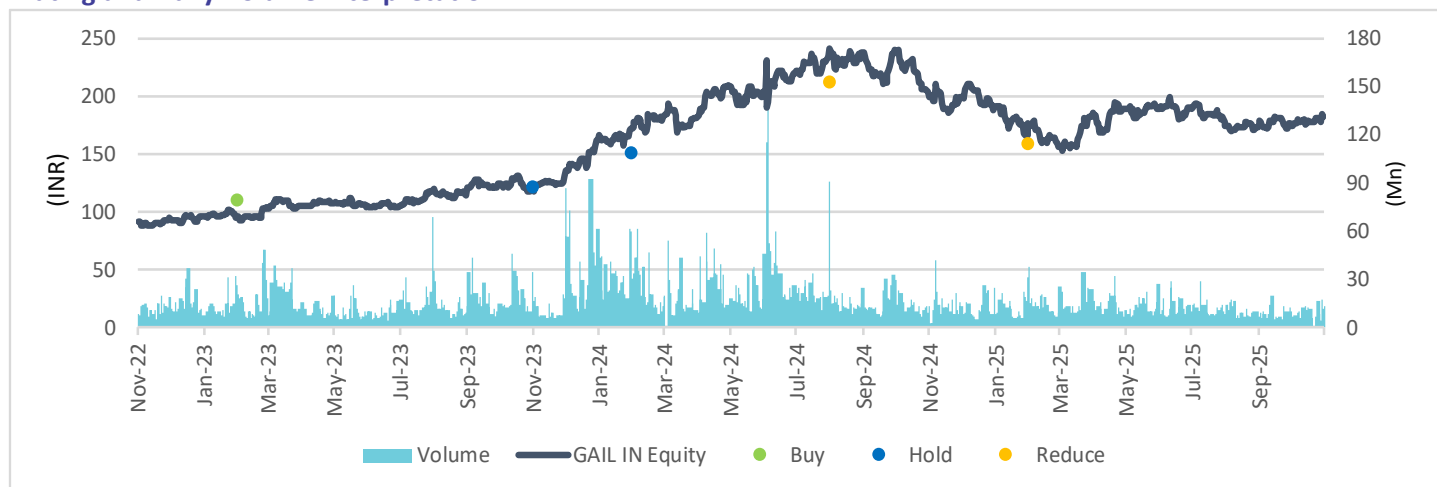
Recent Company Research

Date	Title	Price	Reco
29-Jul-25	Q1 beat; guidance cut on soft demand; <i>Result Update</i>	183	Reduce
14-May-25	Marketing-led Q4 beat; guidance cut; <i>Result Update</i>	186	Reduce
30-Jan-25	Q3 a miss; marketing volatility to persi; <i>Result Update</i>	178	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
30-Oct-25	Mahanagar Gas	Q2 miss on weak margins; guidance cut; <i>Result Update</i>
28-Oct-25	IOCL	Refining outperforms; capex high; <i>Result Update</i>
19-Oct-25	Reliance Inds.	NE ramp up; multi-decadal drivers; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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