

### Contributor to National Gas Grid

FY20 was a challenging year for both global economy and global energy sector. Global economy has shown signs of softening in the wake of rising tariffs, escalating trade tensions and policy uncertainty. Covid 19 has further aggravated the position as it resulted into a substantial economic crisis worldwide. Despite numerous challenges such as low oil and gas prices, limited economic growth and reduced petrochemical margins, GAIL delivered incredible results on several fronts with enduring spirit-highest ever profit. Physical performance remained positive in most areas including construction of natural gas pipelines, expansion of new gas markets in different parts of country, development of new gas markets, petrochemical production including new petrochemical grades, etc. GAIL owns over 70% of India's gas transmission network, operating around 12,426 km of natural gas trunk pipeline. As a part of providing natural gas across India, GAIL is executing around 7,500 kms of pipeline projects in various parts.

### DART View

We see limited increase in volumes in the transmission business for a couple of quarters as new pipeline capex is stalled, the US LNG cargo issue and overhang of the petchem business appears to be factored in the stock price, at least for the next couple of quarters till the recovery in the economy from the pandemic is not stabilized. The stock price seems to be factoring in most of the negatives. We maintain Accumulate, with a target price of Rs 113 (10x FY22E).

### Industry Overview

Crude price has witnessed significant fall due to significant demand destruction by pandemic and corona virus further threatens to make this shift permanent. Renewables and natural gas have emerged as more feasible options for global energy system. Three-fourth of the overall global energy growth in last year came from natural gas and renewables as both the fuels have started to displace coal gradually in the power sector as sustainable choice. India remains one of the few optimistic energy markets. India's energy consumption grew at around 2.3% while gas consumption grew at a higher rate of 2.7%. LNG consumption grew at an even higher rate indicating bright future prospects for the natural gas sector.

### MD&A Overview

Natural gas transmission segment has witnessed 4.5% increase of gross revenue YoY and transported 108.37 MMSCMD in FY20. Significant progress has been made in pipeline laying activities of Pradhan Mantri Urja Ganga pipeline. LNG import touched new heights as GAIL imported 74 LNG cargoes to India amounting to approx. 4.8 MMT of LNG volumes to cater to the growing needs of the country. LNG imports, grew 7.4% YoY. During FY20, GAIL achieved highest ever polymer production of 788 KTA which is an increase of 5% YoY. GAIL has five LPG plants at four locations in the country having a production capacity of 1.4 Million MT, total liquid hydrocarbon production was about 1.26 Million MT of which almost 90% constitutes LPG and Propane. GAIL is a part of the pioneering Coal Gasification Project in Talcher which has huge potential to convert the abundant coal reserves of the country to natural gas. Capex spent in FY20 was Rs. 61,140 mn. Plans to spend a capex of Rs. 50,000-60,000 mn in FY21 and Rs. 90,000 mn in FY22 mainly on pipeline, equity contribution and petrochemicals. Capex spent in FY20 was Rs. 61,140 mn.

CMP	Rs 98
Target / Upside	Rs 113 / 15%
BSE Sensex	39,014
NSE Nifty	11,528

### Scrip Details

Equity / FV	Rs 45,101mn / Rs 10
Market Cap	Rs 442bn
	US\$ 6bn
52-week High/Low	Rs 149/Rs 65
Avg. Volume (no)	1,58,68,200
NSE Symbol	GAIL
Bloomberg Code	GAIL IN

### Shareholding Pattern Jun'20(%)

Promoters	52.2
MF/Banks/FIs	14.8
FIIs	21.2
Public / Others	11.9

### GAIL Relative to Sensex



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### Financial Snapshot

Net sales de-grew by 4.3% from Rs. 751 billion in FY19 to Rs. 718.7 billion in FY20. EBITDA decreased for FY20 at Rs. 83.7 billion while cost of raw materials decreased to Rs. 573.6 billion. The Company achieved a PBT of Rs. 79.3 billion which de-grew by 12.6% as compared to the previous year. The increase in profits for GAIL is primarily driven due reduction in corporate tax rates. Achieved a PAT for Rs. 66.2 billion which was a growth of 9.9% YoY. Total outstanding debt increased to Rs. 55.6 billion and the debt to equity ratio increased to 0.09x as compared to 0.03x YoY due to additional borrowings during the year to meet capital expenditure. The directors have recommended had recommended an interim dividend of Rs. 6.4/share for FY20.

## Annual Report Macro View

<b>Key Management Changes</b>	<b>Shri E S Ranganathan was appointed as the Director (Marketing) w.e.f 01.07.2020. He is an instrumentation and Control Engineer possessing an MBA with specialization in Marketing.</b>		
<b>Board of Director</b>	<p><b>Shri A. K. Tiwari</b> was appointed as Director (Finance) w.e.f. 01.12.2018. Before assuming charge, he was the Officer on Special Duty and Executive Director (Finance) in GAIL and was head of Finance and Accounts Department.</p> <p>Shri Manoj Jain, Director (Business Development) was appointed as Chairman &amp; Managing Director w.e.f. 14.02.2020 in place of Dr. Ashutosh Karnatak, Director (Projects) who was holding additional charge of the post of Chairman &amp; Managing Director during the period w.e.f. 01.08.2019 upto 13.02.2020.</p> <p>Dr. Ashutosh Karnatak was Director (Projects) upto 21.05.2020.</p> <p>Shri Gajendra Singh was Director (Marketing) upto 30.06.2020.</p>		
<b>Auditors</b>	No Change. M/s O P Bagla &Co. LLP and M/s Associates LLP continue to be the joint auditors of the company.		
<b>Pledged Shares</b>	No pledged shares were held during the year.		
<b>Credit Ratings</b>	<b>Ratings</b>	<b>FY2020</b>	<b>FY2019</b>
	Domestic Rating	Credit Rating of AAA, from ICRA, CARE, India Rating	Credit Rating of AAA, from ICRA, CARE, India Rating
	International Rating	Moody's International, Singapore: Baa3(negative) Fitch Rating: BBB-(negative)	Moody's International, Singapore: Baa2(stable) Fitch Rating: BBB-(stable)
<b>Insider Holdings</b>	There were no insider holdings during the year.		
<b>Macroeconomic Factors</b>	India is the third largest energy consumer in the world in spite of having very low per capita consumption, leaving past countries like Japan, Germany and the UK behind. Share of natural gas in India's energy mix is presently around 6.3% and target is to take it to 15% by 2030. Natural Gas consumption in India has increased consistently over last five years. India is now the 13 largest consumer of natural gas globally and 3 in Asia Pacific region, only behind China and Japan. Energy demand collapse brought on by the COVID-19 pandemic has impacted energy market projections everywhere. The global energy demand declined by around 3.8% during Jan-Mar'20 as restrictions were imposed in Europe, North America and elsewhere.		
<b>Key Holders</b>	<b>Category of Shareholder (%)</b>	<b>FY2020</b>	<b>FY2019</b>
	A) Promoter Holding	52.10	52.19
	B) Public		
	i) Mutual Funds/UTI	11.19	8.26
	ii) Banks/Financial Institutions	1.17	0.64
	iii) FIIs	-	-
	iv) Foreign Portfolio Investor (Corporate)	15.61	20.68
	v) Insurance Companies	6.71	5.63
	vi) Central Govt./State Govt./POI	8.22	8.06
	vii) Non-Institutions	4.92	3.68
	viii) Others	0.08	0.86
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Source: Company, DART

## Key Highlights:

### Natural Gas

- Gas pipeline network of over 12,426 km and adding 7,500 km further more.
- Over 70% share in Natural Gas Transmission market in India
- Contributes 55% of Natural Gas sold in India

### City Gas Distribution

- Serving over 2.4 million CNG vehicles and 4.1 million households with PNG
- Authorized to operate in 62 geographical areas throughout India including metro cities of Delhi, Mumbai, Hyderabad, Bengaluru, Kolkata

### Petrochemicals

- Domestic market share of about 17.5%
- 1<sup>st</sup> ever producer of Metallocene catalyst based LLDPE film grade polymer in India
- Petrochemical plant of PATA, Uttar Pradesh and BCPL plant at Lepetkata, Assam with capacity of 0.81 MMTPA and 0.28 MMTPA resp.
- Exporting petrochemicals to markets of neighboring countries, South East Asia, China

### LPG and Liquid Hydrocarbon

- 5 Gas Processing plants producing LPG, Propane Pentane, Naphtha, etc.
- LPG Transmission Capacity 3.8 MMTPA (2,038 km)
- 1,425 KTA of production capacity

### Gas Sourcing and Upstream

- Participation in 11 E&P blocks
- Regas capacity in PLL Regas Terminal at Dahej, India
- LNG Terminal at Dabhol, India
- Among top 10 Global LNG Portfolio marketers

### Renewables

- 118 MW of Wind Power capacity
- 12.3 MW of Solar Power Capacity

## New Initiatives:

### Natural Gas Marketing

- GAIL has tied-up more than 13 MMSCMD of gas supply in FY20 including customers along the new pipelines viz. JHBDPL and KKB MPL, reinforcing its position as a trusted supplier.
- Imported 74 LNG cargoes to India amounting to approx. 4.8 MMT of LNG volumes to cater the growing need.
- In CGD, 39 new GA's have commenced offtake of gas.

### Sourcing & Trading

- GAIL has concluded various deals to de-risk the existing portfolio including destination swap transactions, time swap transactions and third-party sales on FOB basis to ensure delivery of competitively priced LNG in the Indian market.
- They handled the impacts of COVID-19 pandemic through cancellation/re-scheduling of cargoes under various long-term LNG contracts, ensuring uninterrupted LNG/RLNG supply to customers.

### LNG Regasification Terminals

- During FY20, Konkan LNG Limited (KLL) has become a subsidiary of GAIL and management and operational control over Dabhol LNG terminal has further enhanced.
- They are also the commercial operator of 5 MMTPA Dabhol terminal in Maharashtra under KLL. The terminal is currently operating only during non-monsoon months due to non-availability of breakwater facilities and thus utilizing only 1.9 MMTPA capacities. The construction work for breakwater has been started and is likely to be commissioned in mid-2022.
- GAIL has booked additional 2.5 MMTPA long term regasification capacity in PLL's Dahej terminal. PLL is using its regasification capacity of Dahej and Kochi terminals for supply of around 5.0 MMTPA of RLNG to GAIL under various long term Gas Supply Agreements.
- GAIL also signed Tolling Agreement with Dhamra LNG Terminal In 2018 for 1.5 MMTPA regasification capacity at Dhamra LNG Terminal, Odisha to market LNG in the Eastern Region.

### Natural Gas Transmission

- To ensure higher utilization of the commissioned trunk pipelines, 8 new Last Mile Connectivity and 5 Hook-ups were completed to supply/transport gas during FY 2019-20.

### Developing the National Gas Grid (NGG)

- Currently, GAIL is executing around 7,500 km of gas pipelines across India and another 1,800 km pipelines through its two JVs.
- Kochi-Kootanad-Bengaluru-Mangalore Pipeline (KKB MPL) Phase- II (879 km): Construction of Kochi to Mangalore pipeline (434 km) section is in full swing and is expected to be completed soon.

- Vijaipur-Auraiya-Phulpur Pipeline: To de-bottleneck supply of JHBDPL project, a parallel pipeline from Vijaipur to Phulpur via Auraiya (672 km) is under execution in phases. Phase-1 from Auraiya to Phulpur (315 km) is already commissioned. Phase-2 of the pipeline i.e. Vijaipur to Auraiya (357 km) is under execution and is expected to be completed by Dec-2020.
- Jagdishpur-Haldia & Bokaro-Dhamra Pipeline (JHBDPL) (2,655km) and Barauni- Guwahati Pipeline (729 km) section as an integral part of JHBDPL. This pipeline network shall pass through the Eastern part of U.P., Bihar, Jharkhand, Odisha, West Bengal and Assam.
- Recently, PNGRB has granted authorization for capacity expansion of JHBDPL network by laying Dhamra- Haldia pipeline and increasing size of Paradip spur line. With this expansion capacity of integrated JHBDPL network is now 23 MMSCMD from earlier 16 MMSCMD.
- JHBDPL pipeline network of total length of 730 km including Phase-I from Phulpur to Dobhi to Barauni (585 km) with spur-lines to Varanasi and Patna has been completed during the year. The work is in progress for the balance sections but may get delayed due to COVID-19.
- For development of the regional gas pipeline grid in the North East India, a JVC – Indradhanush Gas Grid Ltd. has been formed among 5 Oil & Gas PSUs viz. IOC, ONGC, GAIL, OIL and NRL as equal equity partners. This 1,656 Km Gas grid with an estimated project cost of ₹ 9,265 crore is connecting eight North-Eastern States. Viability Gap Funding of ₹ 5,559 crore (60%) for this project was approved by the cabinet on 8 Jan 2020.
- Board's approval has been received for Srikakulam (AP)-Angul (Odisha) pipeline (690 km). Pipeline is currently under execution.
- GAIL has received PNGRB's approval for capacity expansion of the JHBDPL Network by way of a new Pipeline from Dhamra to Haldia and resizing of the Dhamra-Paradip section of JHBDPL.
- GAIL has received PNGRB's authorization for Mumbai-Nagpur-Jharsuguda Pipeline (MNJPL).

### City Gas Distribution (CGD)

- GAIL's subsidiaries and CGD JVs have won 15 GAs in the 9 round of CGD bidding and 8 GAs in the 10 round of CGD bidding. Project related activities have already commenced in Gas, authorized in the 9 and 10 bidding round.
- Further, GAIL Gas has awarded 22 Letters of Intent (LoI) to entrepreneurs to promote compressed biogas (CBG) under SATAT. Agreement has been signed with one of the entrepreneurs for setting up Compressed Biogas plants.

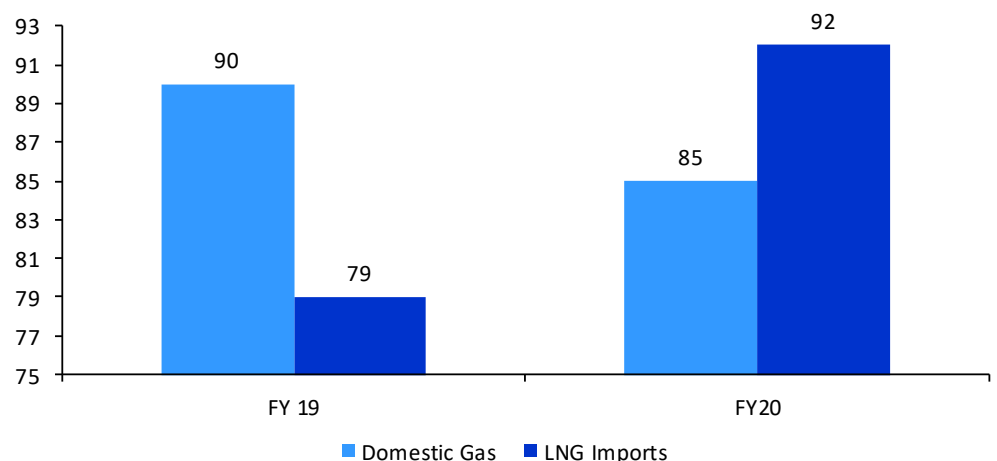
### Petrochemicals

- GAIL has successfully produced around 12,800 MT of Metallocene grade polymers during FY20.
- The Pata petrochemical complex has also established sustained production of Hexene-1 based polymer grades in its New LLDPE Swing Unit.
- They envisage to enhance the production of Polypropylene grade petrochemicals and is in the process of setting up a 500 KTA Propane dehydrogenation and Polypropylene (PDH-PP) Plant at Usar, Maharashtra at an investment of around ₹ 8,800 crore.
- GAIL has also received Board's approval for setting up a 60 KTA Polypropylene (PP) plant at Pata at an estimated investment of ₹ 910 crore.

## Industry

- Natural gas sector may not witness severe decline compared to other fossil fuels but consumption is estimated to fall by 2% because of reduced demand in power and industry applications. LNG supply glut is likely to be longer and deeper.
- Natural gas sector has shown a YoY growth of around 2.7% in 2019, which was a notch higher than average YoY growth of 2.3% in primary energy consumption.
- India's Natural Gas consumption during FY20 has increased by around 4% in spite of restricted activities in last week of March 2020. Overall gas consumption increased significantly primarily driven by higher LNG imports and cheaper LNG prices. Most of this consumption growth came from CGD and Fertilizer sector.
- But COVID-19 had put a brake on gas consumption as LNG has almost fallen 30% due to absence of transport, commercial and industrial activities. CGD sector was the worst impacted sector due to lack of transportation and industrial activities
- Domestic gas production has declined by over 5% to 31.1 BCM (85 MMSCMD) in FY 2019-20 from 32.87 BCM (90 MMSCMD) YoY, the lowest recorded output in the last 18 years.
- The reduction was primarily in response to less off-take by gas-based power plants, fertilizer plants, industrial customers as well as operational issues faced by E&P companies due to COVID-19. Natural gas production is expected to increase once RIL starts production from the new KG-D6 fields and ONGC ramps up production from its offshore fields.
- India's increasing appetite for LNG has continued and India has become the 4th largest LNG importer globally. LNG consumption has increased by over 16% in 2019-20 to 33.68 BCM (92 MMSCMD) which is now around 52% of the total gas consumption. India also has witnessed commissioning of two new LNG terminals – One in East coast and another in West coast of India.
- With these two new terminals, regasification capacity of India has reached 39 MMTPA. With another 4 greenfield LNG terminals under construction and expansion in Dabhol terminal, India's regasification capacity is set to cross 60 MMTPA in the coming years.

**Exhibit 1: India's Total Gas Consumption (mmscmd)**



Source: Company, DART



## Key Takeaways from the MD&A

### Exhibit 2: Performance

Particulars	UOM	Qty(FY20)	Total Revenue (Rs. Cr) FY20	Qty (FY19)	Total Revenue (Rs. Cr) FY19
Natural Gas Throughput	MMSCMD	108.37	6,034	107.43	5,779
Natural Gas Trading	MMSCMD	96.26	59,955	96.93	61,338
Liquid Hydrocarbon Sales	TMT	1,263	4,234	1,329	5,083
Polymer Sales	TMT	737	5,432	735	6,704
LPG Transported	TMT	3,909	637	3,975	624

Source: Company, DART

### Pipeline Transmission

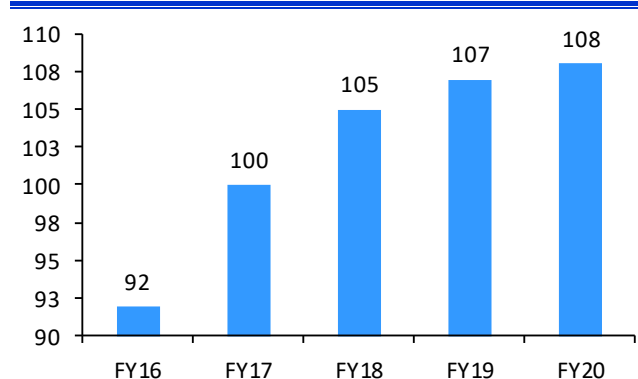
#### Natural Gas Transmission

- The average gas transmission during FY2020 increased to 108.37 MMSCMD as compared to 107.43 MMSCMD YoY.
- Gross revenue from this segment in FY20 was ₹ 6,034 cr as against ₹ 5,779 cr YoY.

#### LPG Transmission

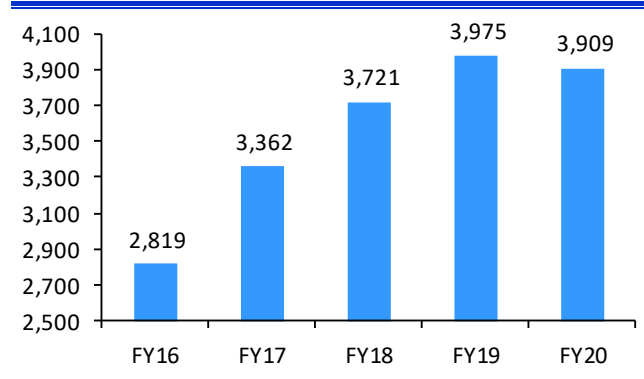
- GAIL owns and operates 2,038 km LPG pipeline network for LPG transmission namely Jamnagar-Loni (JLPL) & Vizag- Secunderabad (VSPL).
- Jamnagar-Loni (JLPL) and the Vizag- Secunderabad (VSPL) pipeline networks achieved a throughput of 3.91 MMTPA during the year against 3.97 MMTPA YoY.
- Gross revenue from this segment in FY20 was ₹ 637cr as against ₹ 624 cr YoY

### Exhibit 3: Gas Transmission (mmscmd)



Source: Company, DART

### Exhibit 4: LPG Transmission (TMT)



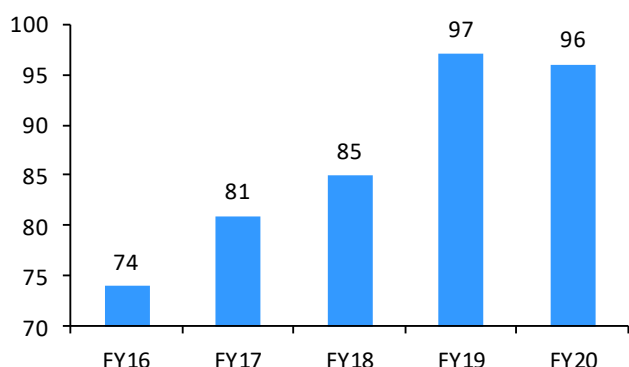
Source: Company, DART



## Natural Gas Marketing

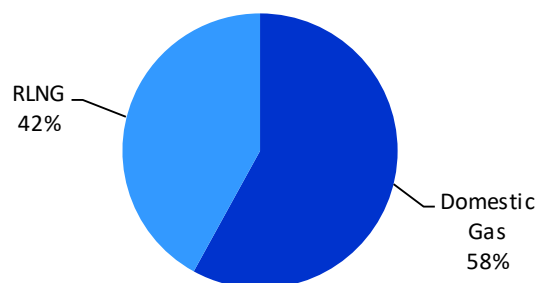
- During FY20, GAIL clocked a sale of 96.26 MMSCMD (which included sales within India of 84.60 MMSCMD and overseas sales of 11.66 MMSCMD) as against 96.93 MMSCMD YoY.
- Gross revenue of GAIL from this segment was ₹ 59,955 cr as against ₹ 61,338 cr YoY
- GAIL marketed 49.21 MMSCMD domestic gas in FY20 as against 53.8 MMSCMD YoY. Domestic gas volume contributed around 58% of overall natural gas volume marketed by GAIL in India. The rest 35.4 MMSCMD (42%) gas marketed in India was through imported long-term, mid-term and spot LNG volumes.
- Fertilizer Sector:** GAIL supplies majority of the gas consumed in the Fertilizer sector. During this FY20, GAIL has commenced gas supply to Ramagundam Fertilizers & Chemicals Limited (RFCL), w.e.f. October, 2019 for pre-commissioning of the plant.
- Power Sector:** GAIL supplies around 60% of the gas consumed by gas-based power plants in the country. GAIL continues to explore opportunities for supply of natural gas to gas based power generation units at affordable prices and is currently supplying around 4.12 MMSCMD of RLNG to power plants apart from allocated domestic gas.

**Exhibit 5: Gas Marketing (mmscmd)**



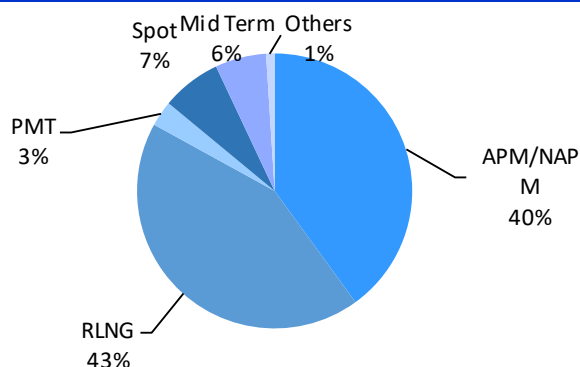
Source: Company, DART

**Exhibit 6: Gas Sourcing (FY20)**



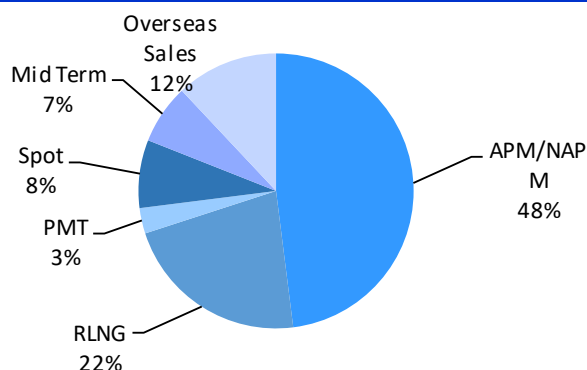
Source: Company, DART

**Exhibit 7: Gas Transmission Mix (FY 20)**

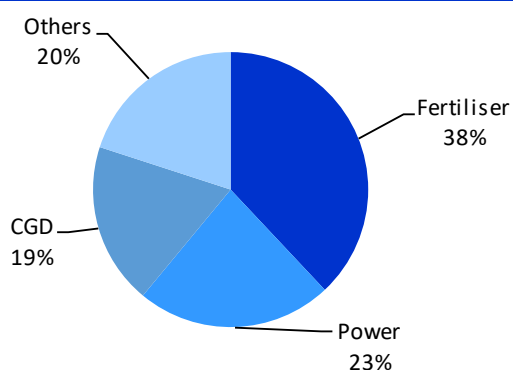


Source: Company, DART

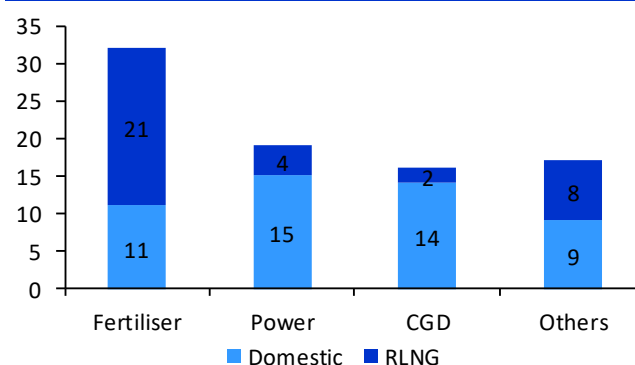
**Exhibit 8: Gas Marketing Mix (FY 20)**



Source: Company, DART

**Exhibit 9: Sector wise Supply (%)**


Source: Company, DART

**Exhibit 10: Sector wise supply (mmscmd)**


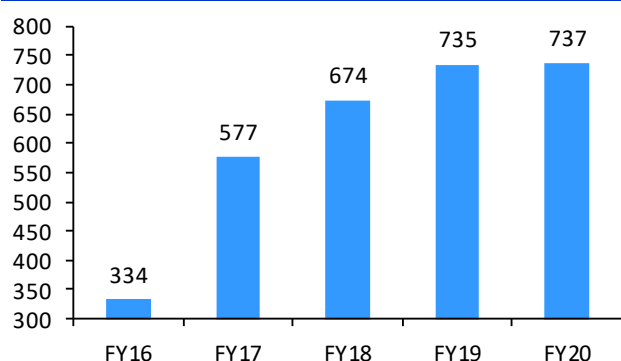
Source: Company, DART

## Petrochemicals

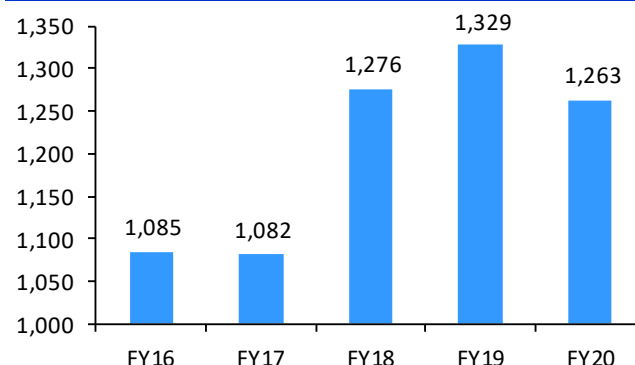
- During FY20, GAIL's production increased by 4.9% to 788 KTA of polymers as against 751 KTA in FY19 and sales increased to 737 KTA of polymers as against 735 KTA in FY19.
- Gross revenue from Petrochemicals was ₹ 5,432 cr as against ₹ 6,704 cr YoY.
- GAIL has successfully maintained its market share in the domestic polyethylene market and remained the second largest player in the Indian petrochemical market with a portfolio of over 1,000 KTA of polyethylene.
- GAIL and BCPL together have a combined production share of 17.4% of the HDPE & LLDPE market in the country.

## LPG and Other Liquid Hydrocarbon

- GAIL has five Gas Processing Plants (GPUs) at four locations in the country having LHC production capacity of 1.4 Million MT.
- During FY20, total LHC production was about 1.26 Million MT as against 1.32 Million MT in FY19, of which almost 90% constitutes LPG and Propane.
- Gross revenue from LHC in FY20 was Rs. 4,234 cr as against Rs. 5,083 cr YoY.

**Exhibit 11: Petrochemicals Sales (TMT)**


Source: Company, DART

**Exhibit 12: Liquid Hydrocarbon Sales (TMT)**


Source: Company, DART

## Exploration and Production (E&P)

- GAIL is having participating interest in 11 E&P blocks out of which 9 blocks are in India and 2 blocks are in Myanmar.
- These eleven E&P blocks hold an acreage of 2,170 km as per its Participation Interest (P.I.) in various consortiums.
- GAIL is Operator in two onshore domestic E&P blocks.
- During FY20, they made its first oil discovery in Cambay basin as Operator.
- There is an additional gas discovery in A-3 asset in Myanmar and the production periods of this block may get extended after the successful appraisal of this discovery.

## Renewable Energy

- GAIL is committed to reduce carbon emissions and implement renewable projects.
- They have a total installed capacity of 130.26 MW of alternative energy; out of which 118 MW are wind energy projects and 12.26 MW are solar energy projects.
- They are implementing a 1.8 MW captive Solar Energy PV Project at Vijaipur unit in Madhya Pradesh.
- Further, roof-top and ground mounted solar units are also being installed at various offices/ work centers for captive use.
- They are exploring various business opportunities in the Production and Marketing of Compressed Bio Gas (CBG) from organic waste.

## City Gas Distribution

- GAIL including group companies is currently authorized to operate in 61 GA through-out India including metro cities of Delhi, Mumbai, Hyderabad, Bengaluru, Kolkata, etc.
- These CGD networks together cater to around 66% of total 62.05 lakh domestic PNG connections in the country. Out of the total 2,207 CNG stations in the country, the group operates 1,385 CNG stations representing 63% share.
- During FY20, GAIL registered record addition of 9.52 lakh household PNG connections and 311 CNG stations.
- GAIL is authorized to take up CGD projects in six cities as a part of PM URJA Ganga project namely, Varanasi, Bhubaneswar, Cuttack, Patna, Ranchi and Jamshedpur. Supply of gas has already commenced to CNG, PNG customers in Varanasi, Bhubaneswar, Cuttack and Patna, while supply of gas has commenced in Ranchi and Jamshedpur through cascades during FY20.
- During FY20, GAIL Gas along with its JVC has achieved around 1.63 lakh domestic PNG connections, the highest figure ever achieved by GAIL Gas since its formation.
- GAIL Gas along with its JV companies have also set up 81 CNG stations during FY20.

## GAIL's Global Presence

- With the LNG portfolio of around 14 MMTA from the USA, Qatar, Australia GAIL has emerged as one of the leading global LNG player and is actively involved in LNG trading business in the international market.
- GAIL is a part of a consortium in two offshore E&P blocks (A-1 & A-3) in Myanmar. Around 14 MMSCMD of gas is being produced from these blocks, and supplied to China and Myanmar through South East Asia Gas Pipeline Company Limited (SEAGP), in which GAIL is also an equity partner.
- GAIL and IGL are jointly pursuing a natural gas supply and distribution project in New Yangon for which techno-commercial study has already been completed.
- GAIL is the Govt. of India's nominee in the Turkmenistan- Afghanistan-Pakistan-India (TAPI) natural gas project for import of gas to India from Turkmenistan. The project is currently under pre-FID stage; wherein various activities are being undertaken by TPCL.
- GAIL holds equity interests in two CGD companies in Egypt, namely Fayum Gas Company (FGC) and National Gas Company (Natgas), involved in the supply of natural gas to residential, commercial and small industrial customers in Egypt.
- They are also an equity partner in China Gas Holdings Limited (China Gas), a retail gas company involved in the city gas and CNG business in China and listed in Hong Kong Stock Exchange.

## GAIL during COVID-19

- All the gas processing units operated normal during this crisis maintaining stable LPG production.
- Only the Petrochemical complex at Pata was under temporary shutdown for 15 days from 3 April 2020 to 18 April 2020 due to reduction of demand as well as transport restrictions

**Exhibit 13: xx**

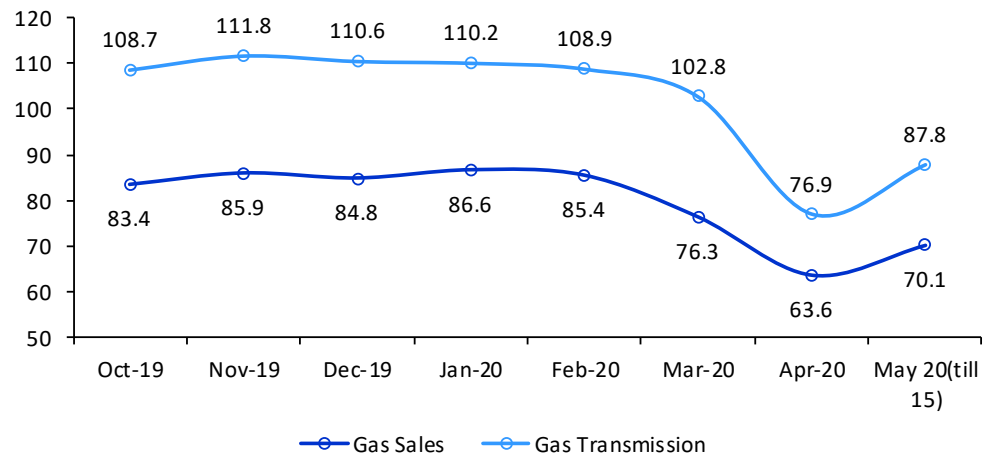
	Daily Avg. (April '19-Feb '20)	8th Apr '20 (lowest sales)	26th June '20
GAIL's Domestic Gas Sales	49.04	39.2	44.87
GAIL's RLNG Gas Sales	35.9	20.43	37.87
Total Sales Within India	84.94	59.63	82.74
<b>Total Gas transportation in GAIL's Network</b>	<b>108.7</b>	<b>73.3</b>	<b>106.71</b>

Source: Company, DART

- GAIL's supply to Fertilizer sector was reduced by 20% but offtake has recovered to normal level within one month.
- Consumption of gas in power sector has witnessed miniscule decrease despite of reduced electricity consumption by almost 20-30% during lockdown which confirms the significance of gas-based power sector in meeting power requirements of the country.
- CGD faced highest decline with over 75% reduced offtake due to closed commercial, industrial and CNG mobility.
- Other sectors comprising refineries, petrochemicals, steel, sponge iron have shown decline in consumption.

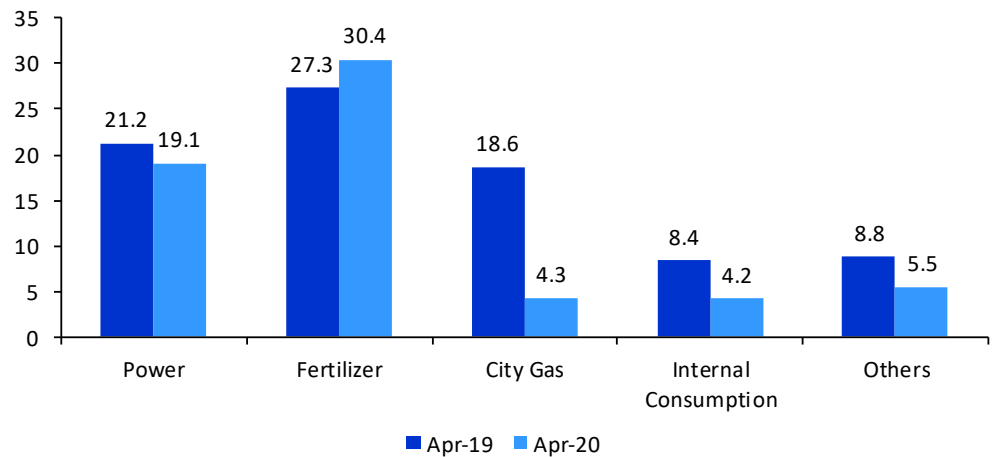
- Force majeure notices were served to Petronet LNG Ltd., Qatar Gas and Gazprom due to reduction in consumption and ullage constraints in LNG regasification terminals.

**Exhibit 14: Gas Sales and Transmission (mmscmd)**



Source: Company, DART

**Exhibit 15: Gas Sales (mmscmd)**



Source: Company, DART

## Profit and Loss Analysis

- Sales witnessed a de-growth of 4.3% YoY, due to lower demand from natural gas transmission and marketing segment due to lockdown in last 10 days of March'20.
- EBITDA margin decreased by 107bps from 12.7% in FY19 to 11.6% in FY20.
- Net profit margin increased 119 bps from 8% in FY19 to 9.2% in FY20 due to adoption of new tax regime.
- Tax amount decreased by 56.8% over the year to Rs.13.2 billion from Rs.30.6 billion last year. Effective tax rate for the current year was 16.7% compared to 33.7% in FY19
- Interest coverage ratio decreased from 59x to 66x due to decrease in interest expense, indicating a healthy financial position thereby encouraging the Company to venture into new projects. RoANW increased from 15.37% to 15.82% in FY20
- Company has a consistent track-record of dividend payment. The Board of Directors had earlier approved payment of an interim dividend @ 64% on equity share of ₹10 each (₹ 6.40 per equity share) amounting to ₹ 2,886.49 cr on the paid-up equity share capital of the Company (₹ 4510.14 crore) and it was paid in February, 2020.
- There was an increase of 9.9% in AEPS from ₹ 13.36 to ₹.14.7, while the CEPS increased by 12% from ₹.16.8 to ₹.18.6

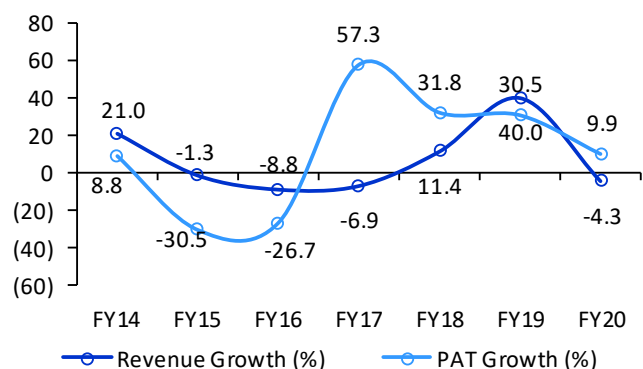
## Balance Sheet Analysis

- Net Block of Assets increased by 8.2% and capital work in progress increased by 15% because of purchase of fixed assets/CWIP
- Debt increased from ₹.10 to ₹.55.6 billion. The Debt-Equity Ratio has increased to 0.09x mainly due to additional borrowings during the year to meet the capital expenditure. The long term debt increased to ₹ 37.57 billion from ₹1,000 billion YoY. Debt Service Coverage Ratio was 30x as on March 31, 2020 as against 7x YoY. The DSCR increased during the year mainly due to substantially lower scheduled repayments.
- Investments decreased by 21% from ₹.95 billion to ₹.75 billion in the current year because of investments in mutual funds and other companies which was offset to some extent by sale of mutual funds.
- Inventories increased by 27%, due to huge increases in stock-in-trade including LNG. Inventory days increased from 11.3 to 15.1. Inventory Turnover was 40.26x as on March 31, 2020, as compared to 59.60x YoY. The primary reasons for the decline in Inventory Turnover Ratio is the sharp increase in Petrochemical Inventory due to lockdown, increase in LNG Inventory as 2 LNG Cargoes were in transit.
- Cash and bank balance decreased by 34% to ₹.8 billion from ₹.12.1 billion last year because of delayed payments due to lockdown, purchase of fixed assets and investments in other companies.

## Cash Flow Analysis

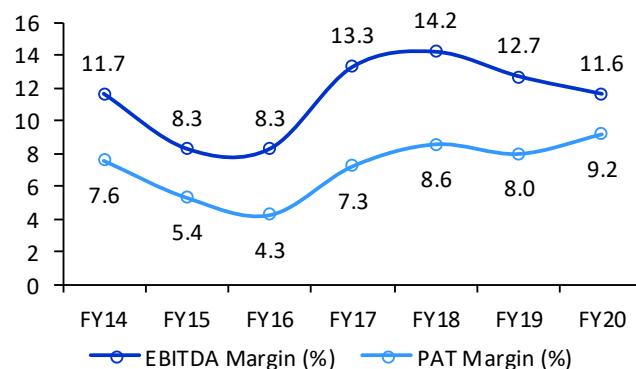
- Free cash flow has increased as cash from operations has decreased, due to increase in depreciation.
- The Company reported Cash inflow from financing activity of ₹.3.4 billion compared to an outflow of ₹.33.6 billion in FY19.

**Exhibit 16: Revenue Growth and PAT Growth (%)**



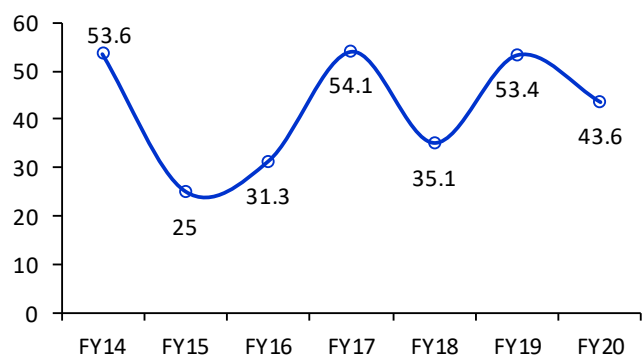
Source: Company, DART

**Exhibit 17: EBITDA Margin and Net Profit Margin (%)**



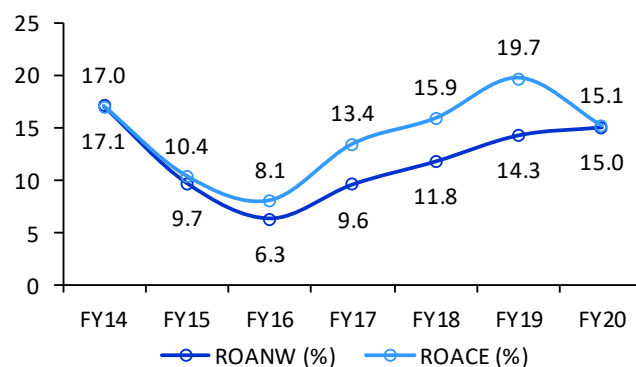
Source: Company, DART

**Exhibit 18: Dividend Payout (%)**



Source: Company, DART

**Exhibit 19: RoANW (%) and RoACE (%)**



Source: Company, DART



### Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
<b>Revenue</b>	<b>7,51,263</b>	<b>7,18,710</b>	<b>6,09,656</b>	<b>6,58,428</b>
<b>Total Expense</b>	<b>6,55,712</b>	<b>6,35,016</b>	<b>5,47,247</b>	<b>5,83,393</b>
COGS	5,88,642	5,73,605	4,84,760	5,20,434
Employees Cost	17,784	15,193	15,344	15,344
Other expenses	49,287	46,218	47,142	47,614
<b>EBIDTA</b>	<b>95,551</b>	<b>83,694</b>	<b>62,409</b>	<b>75,035</b>
Depreciation	15,502	18,360	18,000	18,000
<b>EBIT</b>	<b>80,049</b>	<b>65,334</b>	<b>44,409</b>	<b>57,035</b>
Interest	1,385	1,085	1,000	800
Other Income	15,448	14,168	12,000	12,000
Exc. / E.O. items	3,263	(1,016)	0	0
<b>EBT</b>	<b>90,848</b>	<b>79,434</b>	<b>55,409</b>	<b>68,235</b>
Tax	30,592	13,227	13,946	17,175
RPAT	60,257	66,206	41,462	51,061
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>60,257</b>	<b>66,206</b>	<b>41,462</b>	<b>51,061</b>

### Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
<b>Sources of Funds</b>				
Equity Capital	45,101	45,101	45,101	45,101
Minority Interest	0	0	0	0
Reserves & Surplus	3,95,828	3,94,610	3,99,140	4,12,211
<b>Net Worth</b>	<b>4,40,929</b>	<b>4,39,711</b>	<b>4,44,242</b>	<b>4,57,312</b>
Total Debt	10,011	55,568	55,253	54,865
Net Deferred Tax Liability	59,477	44,972	49,469	54,416
<b>Total Capital Employed</b>	<b>5,10,418</b>	<b>5,40,251</b>	<b>5,48,964</b>	<b>5,66,593</b>

### Applications of Funds

Net Block	3,10,861	3,36,450	3,33,450	3,30,450
CWIP	92,025	1,05,819	1,26,983	1,52,379
Investments	95,282	74,985	76,000	70,000
<b>Current Assets, Loans &amp; Advances</b>	<b>1,45,619</b>	<b>1,68,083</b>	<b>1,69,224</b>	<b>1,82,992</b>
Inventories	23,219	29,601	26,725	28,863
Receivables	50,743	55,759	43,428	46,902
Cash and Bank Balances	12,147	8,039	17,783	18,718
Loans and Advances	43,672	57,401	63,142	69,456
Other Current Assets	15,838	17,282	18,147	19,054
<b>Less: Current Liabilities &amp; Provisions</b>	<b>1,33,368</b>	<b>1,45,085</b>	<b>1,56,692</b>	<b>1,69,228</b>
Payables	39,612	41,284	38,698	41,141
Other Current Liabilities	93,757	1,03,801	1,17,994	1,28,087
<i>sub total</i>				
Net Current Assets	12,251	22,998	12,531	13,764
<b>Total Assets</b>	<b>5,10,418</b>	<b>5,40,251</b>	<b>5,48,964</b>	<b>5,66,593</b>

E – Estimates

### Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
<b>(A) Margins (%)</b>				
Gross Profit Margin	21.6	20.2	20.5	21.0
EBIDTA Margin	12.7	11.6	10.2	11.4
EBIT Margin	10.7	9.1	7.3	8.7
Tax rate	33.7	17.1	25.2	25.2
Net Profit Margin	8.0	8.9	6.8	7.8
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	78.4	79.8	79.5	79.0
Employee	2.4	2.1	2.5	2.3
Other	6.6	6.4	7.7	7.2
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.1	0.1	0.1
Interest Coverage	57.8	60.2	44.4	71.3
Inventory days	11	15	16	16
Debtors days	25	28	26	26
Average Cost of Debt	14.0	3.3	1.8	1.5
Payable days	19	21	23	23
Working Capital days	6	12	23	27
FA T/O	2.4	2.1	1.8	2.0
<b>(D) Measures of Investment</b>				
AEPS (Rs)	13.4	14.2	9.2	11.3
CEPS (Rs)	16.8	18.3	13.2	15.3
DPS (Rs)	7.1	6.4	7.0	7.2
Dividend Payout (%)	53.4	45.0	76.1	63.6
BVPS (Rs)	97.8	97.5	98.5	101.4
RoANW (%)	14.3	14.6	9.4	11.3
RoACE (%)	13.4	12.6	7.8	9.3
RoAIC (%)	17.2	12.7	8.4	10.6
<b>(E) Valuation Ratios</b>				
CMP (Rs)	98	98	98	98
P/E	7.3	6.9	10.7	8.7
Mcap (Rs Mn)	4,42,445	4,42,445	4,42,445	4,42,445
MCap/ Sales	0.6	0.6	0.7	0.7
EV	4,40,309	4,89,974	4,79,914	4,78,592
EV/Sales	0.6	0.7	0.8	0.7
EV/EBITDA	4.6	5.9	7.7	6.4
P/BV	1.0	1.0	1.0	1.0
Dividend Yield (%)	7.3	6.5	7.1	7.3
<b>(F) Growth Rate (%)</b>				
Revenue	40.0	(4.3)	(15.2)	8.0
EBITDA	25.2	(12.4)	(25.4)	20.2
EBIT	28.7	(18.4)	(32.0)	28.4
PBT	30.6	(14.8)	(28.4)	23.1
APAT	30.5	6.5	(35.4)	23.1
EPS	30.5	6.5	(35.4)	23.1

### Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	78,763	68,881	83,878	73,807
CFI	(54,366)	(68,289)	(33,328)	(33,695)
CFF	(33,650)	3,384	(38,250)	(39,177)
FCFF	6,741	14,536	47,714	33,410
Opening Cash	10,761	1,508	5,483	17,783
Closing Cash	1,508	5,483	17,783	18,718

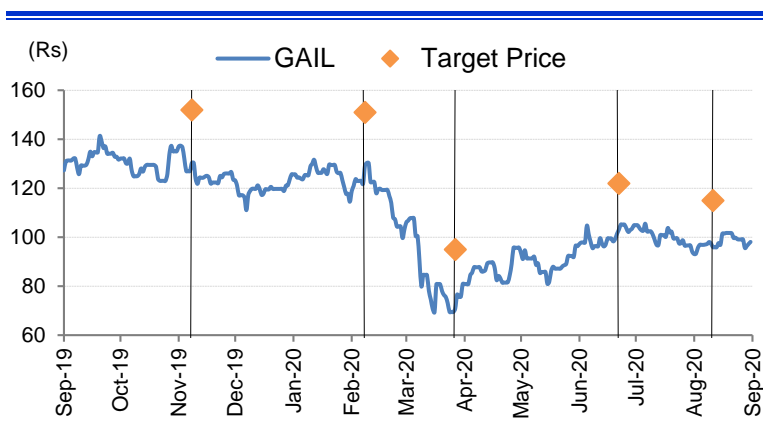
E – Estimates

## DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

## Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Accumulate	152	130
Feb-20	Accumulate	151	129
Mar-20	Buy	95	71
Jun-20	Accumulate	122	103
Aug-20	Accumulate	115	96

\*Price as on recommendation date

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Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

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