

November 10, 2025

Company Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	211		218	
Sales (Rs bn)	1,423	1,489	1,435	1,489
% Chng.	(0.8)	-		
EBITDA (Rs bn)	158	175	158	175
% Chng.	-	-		
EPS (Rs.)	15.8	17.3	15.8	17.3
% Chng.	-	-		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	1,373	1,432	1,423	1,489
EBITDA (Rs. bn)	143	138	158	175
Margin (%)	10.4	9.7	11.1	11.7
PAT (Rs. bn)	89	91	104	114
EPS (Rs.)	13.5	13.8	15.8	17.3
Gr. (%)	0.9	2.3	14.1	9.8
DPS (Rs.)	7.5	6.0	6.9	7.5
Yield (%)	4.2	3.3	3.8	4.2
RoE (%)	13.2	12.4	13.2	13.4
RoCE (%)	13.0	11.9	13.1	13.6
EV/Sales (x)	1.0	0.9	0.9	0.9
EV/EBITDA (x)	9.2	9.6	8.4	7.6
PE (x)	13.4	13.1	11.5	10.4
P/BV (x)	1.7	1.6	1.5	1.3

Key Data

GAIL.BO | GAIL IN

52-W High / Low	Rs.217 / Rs.151
Sensex / Nifty	83,216 / 25,492
Market Cap	Rs.1,187bn/ \$ 13,383m
Shares Outstanding	6,575m
3M Avg. Daily Value	Rs.1682.05m

Shareholding Pattern (%)

Promoter's	51.92
Foreign	15.20
Domestic Institution	18.13
Public & Others	14.75
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.3	(4.6)	(14.2)
Relative	(1.2)	(7.5)	(18.0)

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GAIL Gas: towards adulthood!

Quick Pointers:

- GAIL has called for a study before listing of its wholly owned subsidiary GAIL Gas
- Sales at 7.3mmscmd in FY25; CNG/PNG comprising 40% of total sales grew at 17%

GAIL India (GAIL IN) has initiated a study on listing of its wholly owned subsidiary GAIL Gas Ltd (GGL). This literal move towards adulthood, nearly eighteen years after it was founded in 2008, is bode to provide a strong fillip to GAIL through Rs11/share accretion even post 25% holding company discount. With a total of 16 geographical areas (GAs) in standalone and additional 9 through JVs, it's total sales volume stood at 7.3mmscmd in FY25. Key areas of operation include Bengaluru, Sonapat, Dewas etc. Additionally, we believe that the downward revisions in transmission volume are over for GAIL. With 8-10mmscmd of rise in transmission volume in FY27 YoY, we expect EPS of Rs16/17 in FY27/28. The stock is trading at 11.5x FY27 EPS. Valuing standalone at 11x FY27/28 EPS and adding the value of investments, we arrive at a target price of Rs211 and reiterate Buy on the stock.

GAIL Gas- CNG growth to better EBITDA/scm: Due to bulk sales comprising 60% of total sales volume, gross margin of the company stood at Rs4.8/scm and EBITDA/scm stood at Rs2.9/scm. However, CNG sales grew at 36% CAGR in past three years with Bengaluru crossing 1mmscmd in FY25. It added 75 CNG stations in FY25 and the continued thrust on infrastructure is expected to continue rapid growth in CNG sales. With growth in CNG, profitability is also expected to better.

GAIL Gas- staring at a market cap of ~Rs100bn: The company is expected to grow its CNG/PNG portfolio at 18% CAGR for next three years. Excluding bulk sales, we estimate that the company made EBITDA/scm of Rs5.1/scm. Independent listing would definitely raise focus on both growth and profitability. We estimate that GAIL Gas on a standalone basis may fetch a PAT of Rs6.8bn in FY28E. Valuing the company at 15x (~25% premium to IGL & MGL due to high growth and improvement in profitability), it would easily command a market cap of ~Rs100bn.

Expect improvement in GAIL's transmission volume from here: In Q1FY26, total gas consumption in India declined by 6.4% YoY due to lower offtake from fertilizer plants and power sector. As a result, GAIL's transmission volume declined by 8% YoY in Q1FY26. However, the same appears to have normalized in Q2FY26 with 0.2% YoY growth in Q2FY26. Although GAIL's transmission volume declined by 5% YoY in Q2FY26 as well, we believe that further decline may not happen.

Valuation and recommendation: GAIL is currently trading at 11.5x FY27 EPS. The upcoming expansions of IOCL's refineries is expected to add 8-10mmscmd in next three years in addition to the demand boost from CGDs and other sectors. We expect transmission volume of 124/136/146mmscmd in FY26/27/28. We value the stock at Rs211.

GAIL Gas sales in Bengaluru crossed ~1 mmscmd in FY25. The company is expected to sustain its growth momentum, supported by its recent tie-up with Bengaluru Airport City for developing CGD infrastructure.

Company is actively expanding infrastructure in new locations such as Mirzapur, Sundargarh and Dehradun.

Exhibit 1: Standalone geographical areas of GAIL Gas

Sr. No.	CGD Network	State	Entity	CGD round
1	Dewas	Madhya Pradesh	GAIL Gas	1
2	Sonepat	Haryana	GAIL Gas	1
3	Meerut	Uttar Pradesh	GAIL Gas	1
4	Seraikela-Kharsawan District	Jharkhand	GAIL Gas	10
5	West Singhbhum District	Jharkhand	GAIL Gas	10
6	Raisen, Shajapur and Sehore Districts	Madhya Pradesh	GAIL Gas	10
7	Mirzapur, Chandauli and Sonbhadra Districts	Uttar Pradesh	GAIL Gas	10
8	Gajapati, Kandhamal, Boudh and Sonepur districts	Odisha	GAIL Gas	11
9	Kondagaon, Bastar, Sukma, Narayanpur, Bijapur and Dantewada districts	Chhattisgarh	GAIL Gas	11
10	Bengaluru Rural and Urban Districts	Karnataka	GAIL Gas	4
11	Giridih & Dhanbad Districts	Jharkhand	GAIL Gas	10
12	Dakshina Kannada District	Karnataka	GAIL Gas	10
13	Sundargarh & Jharsuguda Districts	Odisha	GAIL Gas	10
14	Ganjam, Nayagarh & Puri Districts	Odisha	GAIL Gas	10
15	Dehradun District	Uttarakhand	GAIL Gas	10
16	Firozabad (Taj Trapezium Zone)	Uttar Pradesh	GAIL Gas	Reg 17

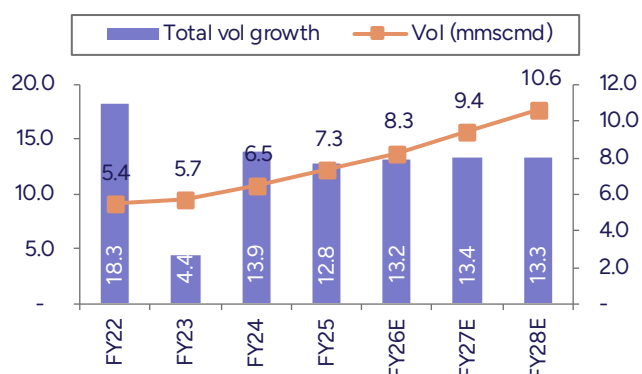
Source: Company, PL

Exhibit 2: Joint Ventures of GAIL Gas

Sr. No.	JV name	GAIL Gas ownership (%)
1	APGDCL	50
2	Vadodara Gas	17.07
3	Rajasthan State Gas	50
4	Haridwar Natural Gas	50
5	Goa Natural Gas	50
6	Purba Bharti Natural Gas	50

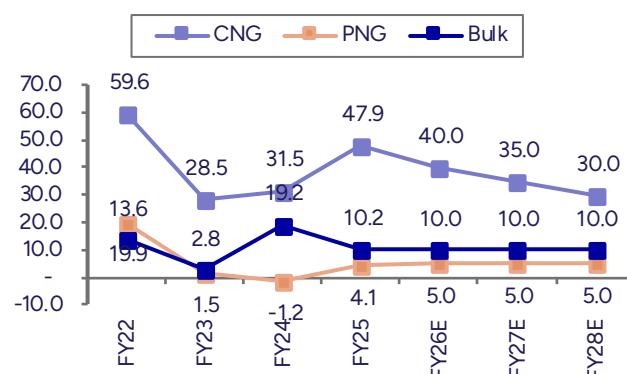
Source: Company, PL

Exhibit 3: Vol growth of GAIL Gas (% YoY)



Source: Company, PL

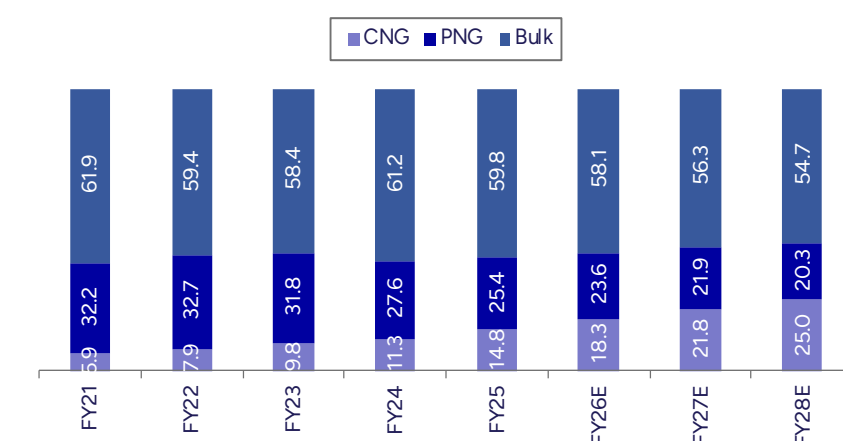
Exhibit 4: Growth for diff segments (% YoY)



Source: Company, PL

Continued growth in CNG sales is expected to increase its share in total volumes from ~15% to 25%, while the contribution from bulk sales is expected to reduce from ~60% to ~55%

Exhibit 5: Mix of sales (%)



Source: Company, PL

Exhibit 6: Brief financials of GAIL Gas (standalone)

(Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net revenues	39,735	67,798	1,03,944	1,07,615	1,19,503	1,35,751	1,54,161	1,74,850
Gross margin/scm	2.9	3.6	4.1	4.5	4.8	4.9	5.0	5.1
EBITDA	2,903	4,702	5,049	5,751	7,646	8,843	10,253	11,852
EBITDA/scm	1.7	2.4	2.4	2.4	2.9	2.9	3.0	3.1
PBT	2,137	3,839	4,000	4,339	6,149	7,035	8,083	9,248
PAT	1,577	2,834	2,970	3,232	4,506	5,156	5,924	6,778
PAT/scm	0.9	1.4	1.4	1.4	1.7	1.7	1.7	1.7

Source: Company, PL

Exhibit 7: Valuation of GAIL Gas for GAIL

Avg FY27/28 PAT (Rs mn)	6,351
PE multiple (x)	15
Market cap (Rs mn)	95,267
Shares of GAIL outstanding (mn)	6,575
Valuation for GAIL Gas (Rs/share)	14

Source: Company, PL

Exhibit 8: Gas consumption in India (mmscmd)

	FY20	FY21	FY22	FY23	FY24	FY25
Fertilizer	43.9	46.8	49.4	54.7	57.5	55.9
Power	30.8	31.4	24.6	20.6	24.8	24.3
City Gas	28.2	24.8	33.6	33.3	36.9	41.4
Petrochem/Ref	31.1	30.2	21.4	23.5	26.4	22.2
Others	19.3	20.3	33.8	33.3	45.5	48.3
Total	153.3	153.5	162.8	165.4	191.1	192.1

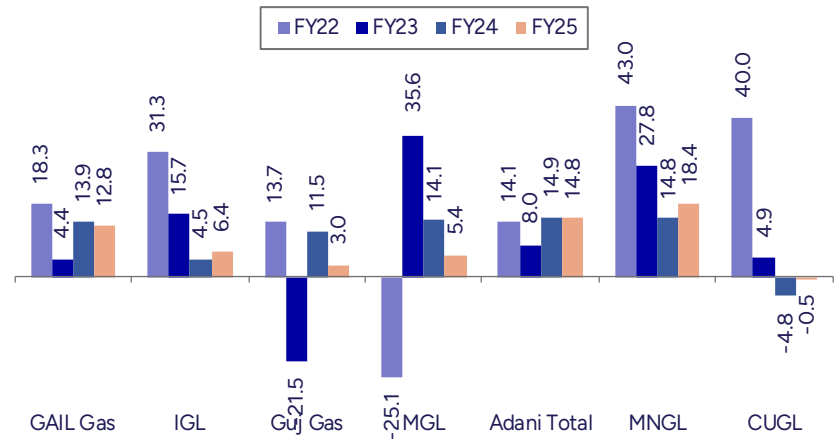
Source: Company, PL

Exhibit 9: Quarterly sales volume (mmscmd)

	Q1 FY25	Q1 FY26	YoY gr. (%)	Q2 FY25	Q2 FY26	YoY gr. (%)
Fertilizer	54.6	50.6	-7.3	56.6	56.6	-
Power	36.3	26.4	-27.3	23.2	23.2	-
City Gas	40.9	43.2	5.6	40.7	45.5	11.8
Petrochem/Ref	25.4	25.3	-0.4	24.9	25.3	1.6
Others	49.0	47.5	-3.1	48.6	43.8	-9.9
Total	206.2	193.0	-6.4	194.0	194.4	0.2

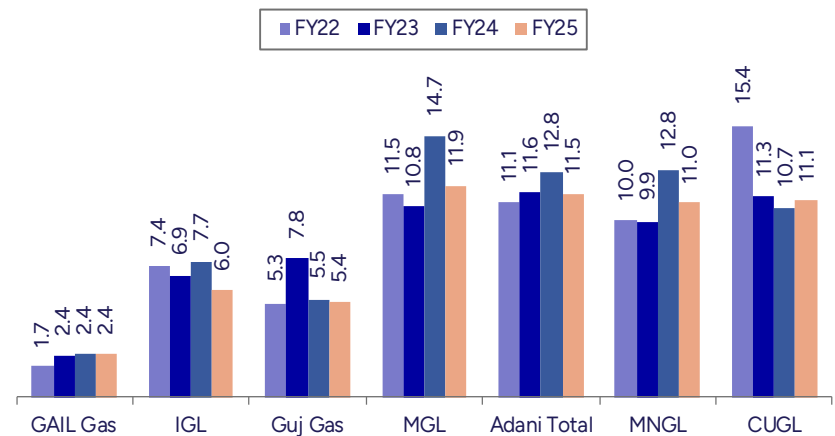
Source: Company, PL

Exhibit 10: Volume growth of CGDs (%)



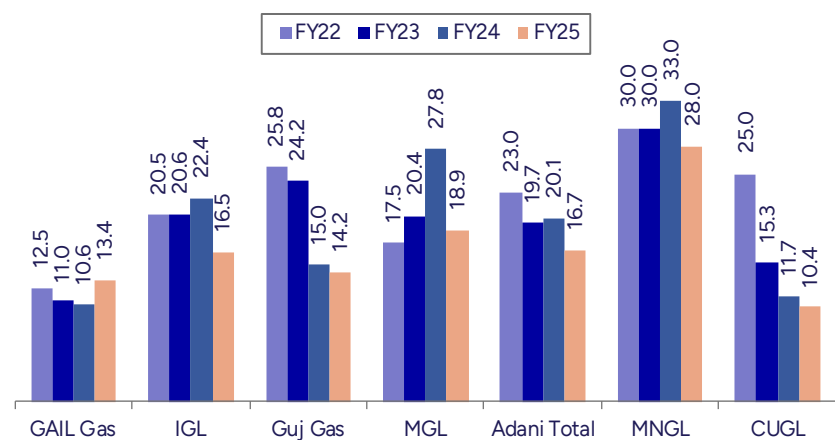
Source: Company, PL

Exhibit 11: EBITDA/scm of CGDs



Source: Company, PL

Exhibit 12: ROEs of CGDs (%)



Source: Company, PL

Exhibit 13: Valuation of GAIL

Business	INR/sh	Remarks
PE Multiple (x) for standalone	11x	
Adj. EPS	15.4	11x adj. EPS
Core Business	169	
Listed Investments	27	25% discount to CMP/target price
Unlisted investments	15	25% discount to BV & GAIL Gas (Exhibit 7))
Total Value (Rs / Share)	211	

Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	1,373	1,432	1,423	1,489
YoY gr. (%)	5.1	4.3	(0.6)	4.6
Cost of Goods Sold	1,131	1,207	1,165	1,211
Gross Profit	242	226	258	277
Margin (%)	17.7	15.8	18.1	18.6
Employee Cost	20	21	22	22
Other Expenses	79	66	79	80
EBITDA	143	138	158	175
YoY gr. (%)	8.0	(3.4)	14.2	10.5
Margin (%)	10.4	9.7	11.1	11.7
Depreciation and Amortization	36	34	35	36
EBIT	107	104	123	139
Margin (%)	7.8	7.3	8.6	9.3
Net Interest	7	6	6	7
Other Income	24	23	22	21
Profit Before Tax	148	121	138	152
Margin (%)	10.8	8.5	9.7	10.2
Total Tax	35	31	35	38
Effective tax rate (%)	23.7	25.2	25.2	25.2
Profit after tax	113	91	104	114
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	89	91	104	114
YoY gr. (%)	0.9	2.3	14.1	9.8
Margin (%)	6.5	6.3	7.3	7.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	89	91	104	114
YoY gr. (%)	0.9	2.3	14.1	9.8
Margin (%)	6.5	6.3	7.3	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	89	91	104	114
Equity Shares O/s (bn)	7	7	7	7
EPS (Rs)	13.5	13.8	15.8	17.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	815	985	1,085	1,185
Tangibles	815	985	1,085	1,185
Intangibles	-	-	-	-
Acc: Dep / Amortization	350	384	419	455
Tangibles	350	384	419	455
Intangibles	-	-	-	-
Net fixed assets	465	601	665	730
Tangibles	465	601	665	730
Intangibles	-	-	-	-
Capital Work In Progress	188	119	119	119
Goodwill	-	-	-	-
Non-Current Investments	231	231	231	231
Net Deferred tax assets	(51)	(51)	(51)	(51)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	60	63	62	65
Trade receivables	103	107	106	111
Cash & Bank Balance	11	13	20	40
Other Current Assets	40	40	40	40
Total Assets	1,159	1,234	1,305	1,396
Equity				
Equity Share Capital	66	66	66	66
Other Equity	640	691	750	814
Total Network	706	757	815	880
Non-Current Liabilities				
Long Term borrowings	136	149	163	178
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	267	277	276	288
Total Equity & Liabilities	1,159	1,234	1,305	1,396

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	148	121	138	152
Add. Depreciation	36	34	35	36
Add. Interest	7	6	6	7
Less Financial Other Income	24	23	22	21
Add. Other	(21)	-	-	-
Op. profit before WC changes	171	161	180	195
Net Changes-WC	9	6	(1)	7
Direct tax	(24)	(31)	(35)	(38)
Net cash from Op. activities	156	137	144	164
Capital expenditures	(69)	(100)	(100)	(100)
Interest / Dividend Income	-	-	-	-
Others	8	-	-	-
Net Cash from Invst. activities	(61)	(100)	(100)	(100)
Issue of share cap. / premium	-	-	-	-
Debt changes	(28)	13	14	15
Dividend paid	(43)	(40)	(45)	(50)
Interest paid	(11)	(6)	(6)	(7)
Others	(10)	-	-	-
Net cash from Fin. activities	(92)	(32)	(37)	(41)
Net change in cash	3	5	7	23
Free Cash Flow	87	37	44	64

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	13.5	13.8	15.8	17.3
CEPS	19.0	19.0	21.1	22.8
BVPS	107.3	115.1	124.0	133.8
FCF	13.2	5.6	6.7	9.7
DPS	7.5	6.0	6.9	7.5
Return Ratio(%)				
RoCE	13.0	11.9	13.1	13.6
ROIC	9.3	8.5	9.6	10.2
RoE	13.2	12.4	13.2	13.4
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.2	0.2
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	13.4	13.1	11.5	10.4
P/B	1.7	1.6	1.5	1.3
P/CEPS	9.5	9.5	8.6	7.9
EV/EBITDA	9.2	9.6	8.4	7.6
EV/Sales	1.0	0.9	0.9	0.9
Dividend Yield (%)	4.2	3.3	3.8	4.2

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	350	357	348	350
YoY gr. (%)	2.1	10.4	3.3	6.4
Raw Material Expenses	294	299	290	290
Gross Profit	56	58	57	60
Margin (%)	15.9	16.2	16.5	17.3
EBITDA	28	32	33	32
YoY gr. (%)	(25.8)	(9.6)	(26.4)	(14.8)
Margin (%)	8.1	9.0	9.6	9.1
Depreciation / Depletion	8	9	9	9
EBIT	20	23	25	23
Margin (%)	5.7	6.5	7.0	6.5
Net Interest	2	2	2	2
Other Income	7	6	3	8
Profit before Tax	50	27	25	28
Margin (%)	14.4	7.6	7.3	8.1
Total Tax	12	7	6	6
Effective tax rate (%)	23.1	24.1	25.5	21.5
Profit after Tax	39	20	19	22
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	14	20	19	22
YoY gr. (%)	(49.8)	(5.9)	(30.8)	(17.0)
Margin (%)	4.1	5.7	5.4	6.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	39	20	19	22
YoY gr. (%)	36.0	(5.9)	(30.8)	(17.0)
Margin (%)	11.1	5.7	5.4	6.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	39	20	19	22
Avg. Shares O/s (bn)	7	7	7	7
EPS (Rs)	2.2	3.1	2.9	3.4

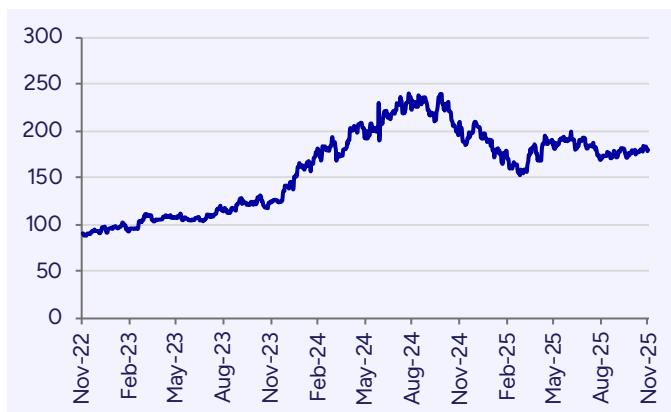
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Transmission Volume (mmscmd)	127	124	136	136
Transmission EBIT (Rs/mscm)	1,181	1,216	1,349	1,354
Trading Volume (mmscmd)	102	106	115	115
Trading EBIT (Rs/mscm)	2,010	1,115	1,133	1,136
Petchem (kt)	845	810	203	203
Petchem EBIT (Rs/kg)	(15)	(5)	(4)	(4)
LPG (kt)	4,478	4,529	1,147	1,183
LPG EBIT (Rs/mt)	941	987	918	923

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Nov-25	BUY	218	183
2	03-Oct-25	Accumulate	199	177
3	29-Jul-25	Hold	180	181
4	03-Jul-25	Hold	184	191
5	14-May-25	Hold	191	184
6	08-Apr-25	Accumulate	185	169
7	05-Feb-25	Accumulate	204	180
8	31-Jan-25	Accumulate	192	167
9	08-Jan-25	Hold	203	186

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	403	392
2	Bharat Petroleum Corporation	Hold	361	357
3	Bharti Airtel	Accumulate	2,259	2,113
4	Clean Science and Technology	Hold	1,002	981
5	Deepak Nitrite	Hold	1,924	1,844
6	Fine Organic Industries	BUY	5,386	4,346
7	GAIL (India)	BUY	218	183
8	Gujarat Fluorochemicals	Hold	3,742	3,643
9	Gujarat Gas	Hold	442	436
10	Gujarat State Petronet	Accumulate	339	325
11	Hindustan Petroleum Corporation	Hold	476	476
12	Indian Oil Corporation	Accumulate	166	155
13	Indraprastha Gas	Reduce	192	209
14	Jubilant Ingrevia	Hold	695	677
15	Laxmi Organic Industries	Reduce	192	198
16	Mahanagar Gas	BUY	1,531	1,271
17	Mangalore Refinery & Petrochemicals	Accumulate	159	142
18	Navin Fluorine International	Accumulate	5,601	5,009
19	NOCIL	Hold	185	181
20	Oil & Natural Gas Corporation	BUY	278	244
21	Oil India	BUY	525	415
22	Petronet LNG	Hold	290	279
23	Reliance Industries	BUY	1,668	1,417
24	SRF	Hold	3,123	3,028
25	Vinati Organics	BUY	1,915	1,662

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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