TECHNO-FUNDA : GAIL LIMITED (GAS AUTHORITY OF INDIA LTD)

Date - 02/08/2024 | **CMP : ₹238** | ***Buy Range : @ 234-238*** | ***Target : 1st@253.34 , 2nd@ 287.36***

Stock Info	Amount(In₹) Cr
Mkt Cap (cr)	1,56,132
52-Weeks High/Low	246.3 / 111.5
Avg Volume	2,81,65,281
No. of eq shares (cr)	36.3
Face Value	10
Bse Code	532155
Nse Code	GAIL
Free Float (cr)	63,968.42

Source- NSE **In ₹crore except per share data**

Particulars (In ₹Crore)	Mar-24	Mar-23
REVENUE	1,33,228	1,45,668
NP	9,899	5,616
GP Margin	18.90	11.50
EBITDA Margin	12.65	6.98
OP Margin	7.85	3.20
NP Margin	7.43	3.86
ROE	13.95	8.70
ROA	8.52	5.50
ROCE	13.90	9.80
P/E	12.03	12.35
P/BV	1.52	1.03
EV/EBITDA	8.00	8.50

Source- Company Research, Fin2research

Source- NSE **In ₹crore except per share data**

Particulars (In ₹Crore)	Mar-24	Mar-23
EPS	13.00	8.00
Debt	21,794	17,816
Interest Coverage Ratio	14.77	13.12
Debt to Equity	0.29	0.22
Net Debt	18,541.3	17,010.6
Current Ratio	0.94	0.95
Cash Ratio	0.15	0.04
Debtors	9,580.27	10,679.61
Trade Payables	6,639.67	7,143.56
Inventories	5,970.00	5,917.92

Source- Company Research, Fin2research

Investor Type	Shareholding (in %)
Promoter & Promoter Group	51.9
Institutions-Domestic	19.5
Institutions-Foreign	14.1
Others	6.7
Government	7.45
Total	100

Source- BSE

GAIL Limited

GAIL is a prominent integrated natural gas corporation that was founded in 1984 and is an undertaking of the Government of India. It manages 2,300 km of LPG pipelines, six LPG processing facilities, a petrochemical factory, and more than 11,500 km of natural gas pipelines. It is a joint venture partner in Ratnagiri Gas and Power Pvt. Ltd., Petronet LNG Ltd., and a number of city gas distribution companies. Together with its affiliates, joint ventures, and subsidiaries, GAIL is the biggest state-owned natural gas distribution and processing firm in India. It supplies half of India's natural gas sales, runs 74% of the nation's pipelines for natural gas transmission, and oversees 42% of its CNG outlets. With a capacity of 1,090 KTA, it has a 15% market share in the domestic petrochemical industry.

Key Highligths:

- **In order to ensure energy** security, buyers are expected to secure long-term LNG supplies. Despite a restricted supply of new gas, which kept prices above historical norms, a balanced global gas market in 2023 witnessed increased buying in price-sensitive Asian countries. After2025, it's expected that an unparalleled increase in new LNG projects would change market dynamics and allay worries about the availability of natural gas. By 2030, these projects hope to increase liquefaction capacity by 250 billion cubic meters annually. Major advancements in the US and Qatar are anticipated.
- **In FY 24, the company's revenue** dropped by 10% to ₹1,30,284 crores, mainly due to declining natural gas prices. However, this decrease was partly offset by increased volumes in marketing, transmission, and petrochemicals. The company achieved a 75% increase in Profit Before Tax (PBT) to ₹11,555 crores and a 67% increase in Profit After Tax (PAT) to ₹8,836 crores, driven by improved operational performance across all main segments.
- The company has planned to invest **up to Rs 50,000 crore** to build a **1.5 million tpa ethane** cracking unit in **Sehore, Madhya Pradesh**, one of its largest capital expenditures, to meet domestic petrochemical demand. Secondly, it is looking to foray into retail LNG (liquified natural gas) aiming to increase the use of LNG as a transportation fuel with a potential investment of **Rs 650 crores**, aspiring to acquire more than **50% market share in the next 5-6 years.**
- The company's gross turnover in Q4 FY 24 was ₹32,250 crores, a 6% decrease from Q3 FY 24, mostly as a result of the marketing segment's decreased prices for LNG and natural gas. The quarter's profit before tax (PBT) was ₹2,842 crores, down from ₹3,694 crores in Q3 FY 24.
- **The BP Energy Outlook** 2023 projects that India's energy demand would more than double by 2050, indicating the country's rapid rise in energy consumption. Urbanization, industry, and a growing population are the main drivers of this expansion. Consequently, India's share of the world's oil markets is expected to grow dramatically by 2030, affecting its oil trade balances, climate ambitions, and energy security aspirations, with 20% of its yearly budget going toward energy imports.
- **GAIL signed** a 15-year agreement with BPCL for propane supply to a Maharashtra petrochemical plant. Additionally, GAIL secured a substantial 20-year LNG agreement with Qatar Energy and Petronet LNG Ltd. for 7.5 MMTPA, with GAIL to offtake 60% of volumes from 2028. The company also entered into long-term LNG agreements with M/s Vitol Asia Pte Ltd. and M/s Adnoc LNG for approximately 1.53 MMTPA starting in 2026, highlighting its strategic growth in the energy sector.

Risk And Concerns:

- ✓ **Regulatory Framework :** Petroleum & Natural Gas Regulatory Board (PNGRB) enforces the PNGRB Act, 2006. It regulates the refining, processing, storage, transportation, distribution, marketing, and sale of petroleum products and natural gas, excluding production. Key functions include authorizing pipelines and city gas networks, declaring pipelines as common or contract carriers, and setting tariffs.
- ✓ **Natural Gas Pricing Framework :** Changes in the pricing framework, which determine the selling price of natural gas within India, pose a significant risk for companies in the sector. For example, the recent Dr. Kirit Parikh Committee, formed in September 2024, and the New Domestic Natural Gas Pricing Guidelines, initially established on October 25, 2014.
- ✓ **Currency & Global NG Prices :** Fluctuations in global natural gas prices pose a threat to company margins, especially since the majority of natural gas in India is imported in the form of LNG. This heavy dependence on imports also exposes companies to the risks associated with currency fluctuations.

Techno-Funda

CMP : @ ₹238 **Target : 1st@253.34, 2nd@287.36**

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• It is recommended to enter in a staggered manner within the prescribed range provided in the report.
• Once the recommendation is executed, it is advisable to keep strict stop loss as provided in the report on a closing basis • The suggestion is valid for 3-5 months; if we want to carry subsequent positions, we will contact you via mail or other modes of communications.
• Once target1 is achieved, use a trailing stop loss of the recommended average price.

Portfolio Allocation:
• It is not recommended to allocate the entire corpus to a single stock or product without first understanding the risk and return associated with that stock or product.
• It is recommended to diversify the corpus in a proportionate manner among various tech-funda research reports and other reports as stated.

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