

CSR INITIATIVE—GAIL

Member of Parliament from New Delhi, Ms. Bansuri Swaraj flagged off two Mobile Medical Units under CSR Project of GAIL. In addition, GAIL handed over one advanced life support ambulance to AIIMS, New Delhi. The flag-off was done by the MP in the presence of GAIL Director (HR) Ayush Gupta, AIIMS Director Dr. M Srinivas, AIIMS Medical Superintendent Dr. Nirupam Madaan & other officials. The MMUs are part of Project Arogya, a flagship CSR Project of GAIL. Under this project, free primary healthcare services are provided to the underprivileged communities in the area.



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Gail set to ride two tailwinds

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Gail (India) Ltd is expected to benefit from several tailwinds in FY26. The state-run natural gas transmission and marketing company is looking to capitalise on India's growing demand for natural gas by providing the necessary transmission infrastructure. It is building six gas pipeline projects totalling about 6,800 km, which would expand its network by more than 40%.

These include a 3,300 km pipeline connecting north India to the east and a 1,700-km pipeline connecting Mumbai to the central and eastern regions. Five of the six—barring the one in Jammu—are slated to be commissioned by June. "Gail should gain share in transmission on the back of two major pipelines commissioning in FY26," said analysts from Jefferies India in a report on 3 December.

Gail's LNG terminal on the west coast is expected to be ready by February after several delays, reducing its reliance on other terminals for

Motley mix

Gail's smaller segments are closely linked with its core business despite the lower contribution.

H1FY25 Ebitda (in ₹ crore)



Ebitda is earnings before interest, tax, depreciation and amortization; Others include city gas distribution, power generation etc.



Source: Company, JM Financial

SATISH KUMAR/MINT

regassification and saving on operational costs. It is also investing about ₹17,000 crore in petrochemical expansion and efficiency improvement projects, which will be progressively commissioned by October.

Gail's debt-to-equity ratio of 0.24x as of September offers sufficient financial comfort to spend on this



The company is building six gas pipeline projects spanning 6,800 km.

capex. While petrochemicals contributed 6% of Ebitda in the September quarter (Q2FY25), it is expected to rise with improved sourcing of raw materials and lower production losses, led by better efficiency.

Meanwhile, increasing domestic gas demand and the anticipated rise in gas availability will be favourable

for Gail. Over January-October, gas demand in India rose 12% year-on-year, driven by a drop in global prices. The expected addition of nearly 8 million standard cubic metres a day (mmscmd) of gas by Oil and Natural Gas Corp Ltd from FY26 also augurs well for Gail's transmission business.

Gail submitted a petition to hike its transmission tariff to the Petroleum and Natural Gas Regulatory Board in September and expects it to be approved by March. Jefferies sees the "likelihood of a rerating" of this business if a tariff hike ensues by March.

While Gail's stock is down about 16% from its 52-week high of ₹246.30 on 31 July, it has gained 27% so far in 2024. A tariff hike is key to further movement in the stock.

The near 40% cut in gas allocated at administered prices to city gas distribution, forcing them to look for alternative supplies, opens up a new market for Gail. It "has an opportunity to source and market more vol-

ume in terms of LNG to meet those demands which have come up because of de-allocation", the management said in Q2 earnings call.

Still, slower-than-expected recovery in domestic gas demand could weigh on gas transmission and marketing volumes. Gail's Q2 transmis-

sion volume rose 9% on-year to 130.6 mmscmd, in line with its full-year guidance of 130 mmscmd. But marketing profit margin was hurt by higher sourcing from the spot market, which is costlier than long-term contract price. Transmission brought in nearly 40% of Gail's Q2 Ebitda, while marketing contributed 34%.

A spike in spot prices in a harsh winter and delays in commissioning petchem projects pose risks to earnings. "The gas transmission business has good prospects, but the commodity business (LPG, gas marketing, petchem) would be volatile," said a report by Anand Rathi Share and Stock Brokers.

FUELLING THE FUTURE

GAIL'S LNG terminal on the west coast is expected to be ready by February after several delays

THE company is also investing ₹17,000 cr in petrochemical expansion and efficiency upgrades