

### Steady progress

GAIL's adjusted EBITDA/PAT of Rs24/15bn declined 6/20% QoQ even as YoY performance looks outsized due to a lower base (EBITDA/PAT up 3.9/6x YoY). Earnings missed estimates of Rs31.8bn EBITDA and Rs21.7bn PAT primarily due to higher than estimated impact of the planned maintenance shutdown of the petchem segment in Q1. Other than petchem, most other segments delivered a strong Q1, with gas trading and the LPG + liquid hydrocarbon (LPG/LHC) segment delivering strong growth. Gas transmission saw some impact of the second wave of Covid, but Q2 onwards, most operational metrics look decidedly better. We remain positive on gas volumes, petchem and LPG margins, and trading prospects over the next 18 months. BUY, with a TP of Rs195. Current valuations are at 7.8x FY23E EPS and 6x EV/EBITDA.

#### Operational metrics – petchem shutdown drags down metrics

Gas transmission EBIT was Rs9.15bn (+28% YoY, -4% QoQ; below estimate of Rs9.85bn), with volumes of 108mmcmd (down 2mmcmd QoQ; estimate 110mmcmd). Petchem EBIT was Rs1.4bn (-190% YoY, -77% QoQ; CenE Rs4.3bn), driven by 25% YoY and 41% QoQ dip in volumes to 138kt (estimate 193kt) due to the planned shutdown being longer than estimated. LPG+LHC EBIT of Rs6.3bn rose 2.3x YoY and 34% QoQ, above our estimate of Rs6.2bn. Gas trading was expectedly the biggest standout, with EBIT of Rs3.8bn, the highest in five quarters, driven by strong Asian LNG prices vs US HH. Overall, GAIL has guided 7-8% yearly accretion to transmission volumes and flattish petchem and LPG volumes for FY22-23, with stronger trading margins.

#### Multiple levers for earnings growth over the next few years

We remain optimistic about the prospects of this business over the next 12 months due to (i) sharply higher spot LNG prices, which have created a favorable price balance for the US trading cargo and should persist in the next 12-18 months, (ii) higher domestic gas supply, higher LNG and demand growth coupled with expansion of transmission capacity, (iii) better pricing environment for both the petchem and LPG segments, which augurs well for the margin profile over the next two years, and (iv) an aggressive capex program in transmission capacity and petchem, and expansion of RW energy profile, which will create a new segment of growth for GAIL in the longer term.

#### On track for a strong earnings trajectory over the next 2-3 years

We see FY21-23E EBITDA/EPS CAGR at a healthy 34/28%, despite the muted Q1FY22 performance, helped by the factors mentioned above. We have upgraded FY22/23E EPS estimates by 1.3/3.7% to factor better trading margins, slightly higher transmission volumes, and better LPG/LHC pricing offset by weaker petchem margins. We see current valuations of 7.8x FY23E EPS and 6x EV/EBITDA (including investment value of Rs37/sh) as very attractive, with material improvement seen in prospects across business segments over the next 18-24 months. Reiterate BUY, with a revised TP of Rs195, 36% upside.

### Financial and valuation summary

YE Mar (Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY22E	FY23E
Revenue	1,73,839	1,20,869	43.8%	1,55,462	11.8%	5,67,302	6,84,142	6,72,348
EBITDA	24,113	6,226	287.3%	25,648	-6.0%	64,451	1,04,009	1,16,083
EBITDA margin(%)	13.9%	5.2%		16.5%		11.4%	15.2%	17.3%
EBIT	19,027	1,644	1057.7%	20,890	-8.9%	45,373	82,684	93,038
EBIT margin (%)	10.9%	1.4%		13.4%		8.0%	12.1%	13.8%
Adj. PAT	15,299	2,555	498.8%	19,077	-19.8%	48,902	73,637	81,024
Diluted EPS	3.4	0.6	498.8%	4.3	-19.8%	11.0	16.6	18.2
PER						13.0	8.6	7.8
EV/EBITDA						11.2	7.0	6.4
P/BV						1.4	1.2	1.1

Source: Company, Centrum Broking

#### Result Update

India I Oil & Gas

06 August, 2021

#### BUY

Price: Rs142

Target Price: Rs195

Forecast return: 37%

Institutional Research

#### Market Data

Bloomberg:	GAIL IN
52 week H/L:	170/81
Market cap:	Rs632.3bn
Shares Outstanding:	4440.4mn
Free float:	41.2%
Avg. daily vol. 3mth:	1,57,37,140

Source: Bloomberg

#### Changes in the report

Rating:	Unchanged
Target price:	Unchanged
EPS:	FY22E +1.3%, FY23E +3.7%

Source: Centrum Broking

#### Shareholding pattern

	Jun-21	Mar-21	Dec-20	Sep-20
Promoter	51.8	51.8	52.1	52.1
FII's	17.0	15.6	15.6	15.1
DII's	19.0	19.0	19.9	20.1
Public/other	12.2	13.5	12.4	12.7

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q1FY22	Actual Q1FY22	Variance (%)
Revenue	1,43,156	1,73,839	21.4
EBITDA	31,809	24,113	(24.2)
EBITDA margin	22%	14%	
PBT	28,999	20,537	(29.2)
Adj. PAT	21,700	15,299	(29.5)

Source: Bloomberg, Centrum Broking



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# Thesis Snapshot

## Estimate revision

YE Mar (Rs mn)	FY22E New	FY22E Old	% chg	FY23E New	FY23E Old	% chg
Revenue	6,84,142	6,85,573	-0.2%	6,72,348	6,66,146	0.9%
EBITDA	1,04,009	1,02,753	1.2%	1,16,083	1,12,253	3.4%
EBITDA margin	15.2%	15.0%		17.3%	16.9%	
Adj. PAT	73,637	72,697	1.3%	81,024	78,158	3.7%
Diluted EPS (Rs)	16.6	16.4	1.3%	18.2	17.6	3.7%

Source: Centrum Broking

## GAIL versus NIFTY 50

	1m	6m	1 year
GAIL IN	(6.1)	11.5	53.2
NIFTY 50	3.0	9.2	45.5

Source: Bloomberg, NSE

## Key assumptions

Y/E Mar	FY22E	FY23E
Brent (US\$/bbl)	65.0	65.0
INR/USD	74.5	75.0

### Natural Gas Transmission

Volumes (mmscmd)	110.0	118.8
Tariff (Rs/mcm)	1,575	1,575

### LPG Transmission

Volumes ('000 mt)	4,050	4,091
Tariff (Rs/mt)	1,619	1,635

### Natural Gas Trading

Volumes (mmscmd)	94.2	101.7
EBIT margin/mcm	500	500

### Petrochemicals

Sales Volumes ('000 mt)	709	789
Realisation (Rs/mt)	99,408	1,01,702

### LPG and LHC

Volumes ('000 mt)	1,165	1,190
Realisation (Rs/mt)	39,637	41,252

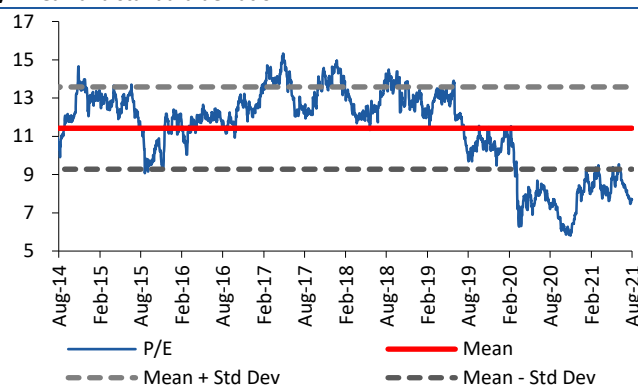
Source: Centrum Broking

## Valuations

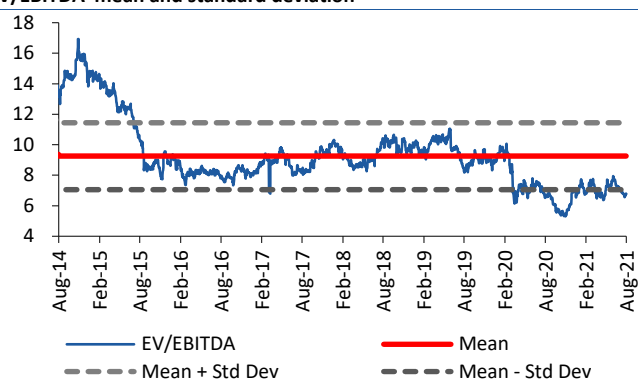
We value GAIL on EV/EBITDA multiples (FY22E) – using 5-7x EV/EBITDA multiples for the different business segments resulting in TP of Rs195/share. Reiterate BUY.

Valuations	Rs/share
Transmission (NG+LPG) @ 6.5x FY22e EV/E	79.4
NG Trading (6.5x FY22e EV/E)	26.8
Petchem 6x FY22e EV/E)	31.0
LPG +LHC (6.5x FY22e EV/E)	35.6
Other	(4.2)
Total EV	168.6
Net Debt	10.8
Core Business Equity Value	157.8
Listed Investments (@40% discount to CMP)	36.9
<b>Target valuation</b>	<b>195</b>
<b>Upside (downside) from CMP (%)</b>	<b>36%</b>

### P/E mean and standard deviation



### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

## Peer comparison

Company	Mkt Cap (Rs mn)	EPS CAGR (FY21-23E) (%)	PE (x)			P/Bv (x)			EV/EBITDA (x)			RoE (%)	
			FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY23E	FY23E
GAIL	6,34,532	28.7%	13.0	8.6	7.8	1.4	1.2	1.1	10.5	6.6	6.0	15.0	13.9
PLNG	3,25,950	1.1%	11.1	11.3	10.8	2.8	2.6	2.3	5.7	5.6	5.0	22.5	22.5
GSPL	1,88,842	8.7%	21.4	20.1	18.1	2.5	2.3	2.0	13.3	12.7	11.4	12.5	12.2
GGL	5,31,445	24.4%	41.7	31.1	26.9	11.9	9.0	7.0	25.7	20.2	17.2	29.2	28.4
IGL	3,77,580	23.6%	37.5	27.3	24.6	6.4	5.5	4.8	24.8	18.4	15.6	20.8	20.7
MGL	1,16,205	26.4%	18.8	13.3	11.7	3.6	3.2	2.8	10.8	8.0	6.9	25.1	25.2

Source: Company, Centrum Broking

**Exhibit 1: Quarterly Summary**

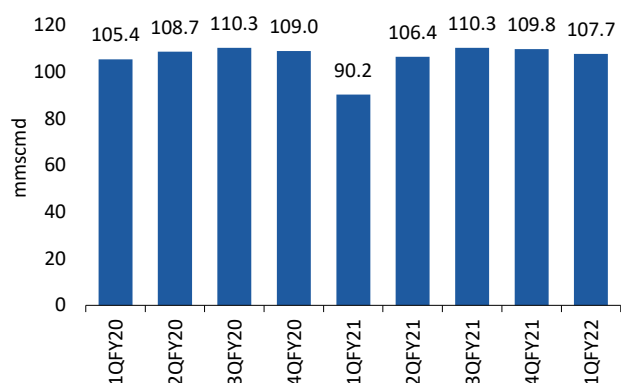
Particulars (Rs bn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Sales</b>	<b>1,83,106</b>	<b>1,82,259</b>	<b>1,77,673</b>	<b>1,77,531</b>	<b>1,20,869</b>	<b>1,36,427</b>	<b>1,54,543</b>	<b>1,55,462</b>	<b>1,73,839</b>
Other Operating Income	-	1,860	-	-	-	-	-	-	-
<b>Total Income</b>	<b>1,83,106</b>	<b>1,84,119</b>	<b>1,77,673</b>	<b>1,77,531</b>	<b>1,20,869</b>	<b>1,36,427</b>	<b>1,54,543</b>	<b>1,55,462</b>	<b>1,73,839</b>
Accretion to Stocks in trade & work in progress	2,856	(584)	(3,952)	(4,307)	4,008	3,086	875	(2,532)	(1,016)
Raw Material Consumed	9,983	13,705	10,760	9,672	7,706	10,199	10,837	10,318	7,778
Purchase of Semi/finished goods/traded goods	1,32,476	1,36,220	1,33,632	1,33,144	88,318	95,369	1,07,504	1,07,799	1,27,209
Employee Expenses	4,197	4,268	3,472	3,256	3,978	4,083	4,041	3,361	4,257
Other Exp	11,005	13,023	13,038	11,013	10,633	10,310	12,090	10,869	11,497
<b>Operating Profit (Core EBITDA)</b>	<b>22,590</b>	<b>17,487</b>	<b>20,724</b>	<b>24,754</b>	<b>6,226</b>	<b>13,381</b>	<b>19,195</b>	<b>25,648</b>	<b>24,113</b>
Depreciation	4,057	4,398	4,890	5,016	4,583	4,843	4,895	4,758	5,086
<b>EBIT</b>	<b>18,533</b>	<b>13,089</b>	<b>15,834</b>	<b>19,738</b>	<b>1,644</b>	<b>8,538</b>	<b>14,300</b>	<b>20,890</b>	<b>19,027</b>
Interest	239	275	242	329	495	274	331	459	466
Other Revenue/Income	1,512	4,401	3,124	5,132	2,413	7,239	4,708	5,684	1,976
Other Excep. Items (restructuring, asset sales etc)	-	(1,860)	-	1,016	-	-	-	-	-
<b>Profit Before Tax</b>	<b>19,805</b>	<b>15,355</b>	<b>18,716</b>	<b>25,557</b>	<b>3,562</b>	<b>15,503</b>	<b>18,677</b>	<b>26,116</b>	<b>20,537</b>
Tax	6,930	4,713	6,210	(4,625)	1,007	3,107	3,804	7,039	5,238
<i>Tax rate (%)</i>	35.0%	30.7%	33.2%	-18.1%	28.3%	20.0%	20.4%	27.0%	25.5%
<b>Profit After Tax</b>	<b>12,875</b>	<b>10,643</b>	<b>12,507</b>	<b>30,182</b>	<b>2,555</b>	<b>12,397</b>	<b>14,873</b>	<b>19,077</b>	<b>15,299</b>
<b>PAT attributable to Consolidated Group</b>	<b>12,875</b>	<b>10,643</b>	<b>12,507</b>	<b>30,182</b>	<b>2,555</b>	<b>12,397</b>	<b>14,873</b>	<b>19,077</b>	<b>15,299</b>
<b>Adjusted PAT for the group</b>	<b>12,875</b>	<b>11,889</b>	<b>12,507</b>	<b>22,049</b>	<b>2,555</b>	<b>12,397</b>	<b>14,873</b>	<b>19,077</b>	<b>15,299</b>
<b>Growth (%)</b>									
<i>Net Sales</i>	5.9%	-4.3%	-10.2%	-5.4%	-34.0%	-25.1%	-13.0%	-12.4%	43.8%
<i>EBITDA</i>	-0.5%	-35.2%	-22.5%	47.0%	-72.4%	-23.5%	-7.4%	3.6%	287.3%
<i>Adj. PAT (stdnle)</i>	2.2%	-34.3%	-25.6%	64.4%	-80.2%	4.3%	18.9%	-13.5%	498.8%
<b>Margin (%)</b>									
<i>EBITDA</i>	12.3%	9.6%	11.7%	13.9%	5.2%	9.8%	12.4%	16.5%	13.9%
<i>EBIT</i>	10.1%	7.2%	8.9%	11.1%	1.4%	6.3%	9.3%	13.4%	10.9%
<i>PAT (reported bef minority interest)</i>	7.0%	5.8%	7.0%	17.0%	2.1%	9.1%	9.6%	12.3%	8.8%
<b>Key Drivers</b>									
Brent (US\$/bbl)	68.5	61.9	62.4	50.0	32.0	38.0	44.5	60.7	67.8
INR/USD	69.6	70.4	71.2	72.6	75.5	74.4	74.0	73.0	73.6
<b>Natural Gas Transmission</b>									
Volumes (mmscmd)	105.4	108.7	110.3	109.0	90.2	106.4	110.3	109.8	107.7
Tariff (Rs/mcm)	1,543	1,601	1,562	1,567	1,545	1,573	1,590	1,516	1,514
<b>LPG Transmission</b>									
Volumes ('000 mt)	827.0	999.0	1,043.0	1,040.0	963.0	1,058.0	1,088.0	1,054.0	1,023.0
Tariff (Rs/mt)	1,627	1,613	1,618	1,653	1,594	1,602	1,612	1,602	1,600
<b>Natural Gas Trading</b>									
Volumes (mmscmd)	96.6	94.7	96.0	97.8	81.2	88.6	95.6	91.4	96.0
EBIT margin/mcm	968.0	271.6	528.2	677.4	(738.5)	(451.4)	(84.7)	337.8	432.5
<b>Petrochemicals</b>									
Volumes ('000 mt)	136.0	217.0	211.0	174.0	183.0	224.0	231.0	234.0	138.0
Realisation (Rs/mt)	81,821	74,616	70,276	69,965	66,759	75,211	83,836	94,780	98,714
<b>LPG and LHC</b>									
Volumes ('000 mt)	296	329	337	302	265	297	319	257	250
Realisation (Rs/mt)	38,704	29,195	28,891	38,209	28,223	27,038	27,519	33,660	40,602

Source: Centrum Broking, Company Data

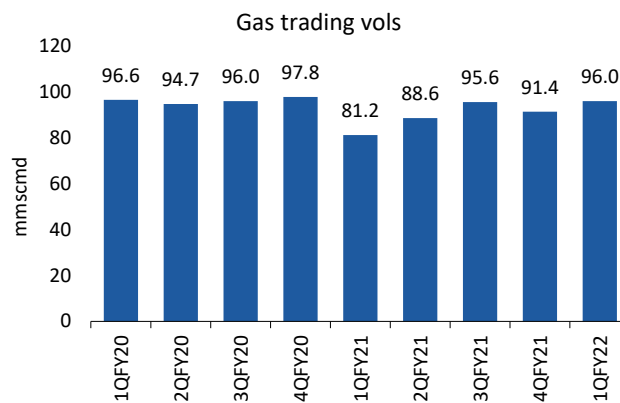
**Exhibit 2: Key metrics**

	Q4FY21	Q2FY22	Comments
<b>Transmission volumes</b>	The company revised its guidance with FY22E volumes now expected to be at 114-115mmcmd (FY21 volumes at 104mmcmd). The management is confident of healthy growth of 7-8% CAGR in the next three years and would see further increase in volumes once new Refinery/Petchem/Fertilizer plants/capacity are connected to the grid	GAIL has maintained its guidance of at least 8mmcmd growth in FY22 volumes for both transmission/trading driven by the commissioning of 4 new Fertilizer plants on the eastern gas grid	We have factored transmission volume for FY22/23E at 110/119mmcmd.
<b>Trading volumes/margins</b>	In FY22, 80% of volumes are tied up while 20% are open to gain spot price arbitrage. Outlook for the gas trading segment remains very robust for FY22E.	Majority of volumes have been sold/allocated for FY22/23E and thanks to favorable pricing economics, EBIT to be higher than FY19 levels (Rs28.6bn)	We have factored trading volumes of 94/102mmcmd and EBIT of Rs17/18bn for FY22/23
<b>Capex guidance</b>	The company has guided capex of Rs70/120bn for FY22/23. For the eastern gas grid, the company has outlay of Rs14,700 crore (actual Rs11,300 crore, capital grant Rs4,487cr). Total pipeline capex plan including JV at Rs37,000 crore for 7,500km of pipelines over the next 3-4 years. Even with expansion in pipeline network, management is targeting to achieve 75% utilization (from current 52%) in next 4-5 years.	Guidance maintained at the same levels .	No change in our assumptions of capex of Rs70bn for FY22E and Rs90bn for FY23E
<b>Update on InVIT</b>	Though the company did not disclose exact details, two pipelines have been proposed for InVIT program and the management is waiting for approvals before any disclosures.	No fresh update.	Company trying to unlock value though still at nascent stage.
<b>Petchem outlook</b>	Management remains positive on pricing outlook given the momentum in demand scenario.	Volumes suffered this quarter due to a planned shutdown but management remains confident of achieving full utilization of ~800ktpa for the full year.	Given pick-up in price realizations and volumes post Q1, we factor an EBIT of Rs14/18bn for FY22/23E.
<b>Petchem production</b>	The company has a capex plan to spend Rs100bn for 0.5mt additional capacity, which is expected to come online by FY24/25.	Guidance maintained.	We have factored petchem production to remain flat at 810/810kt for FY22/23E.
<b>Renewables/Biogas</b>	The company has an outlay of Rs30 crore for an initial CBG Plant having capacity of 5 tonnes per day at Ranchi. In FY22, it has planned another Rs50-60 crore capex for CBG plant. Apart from manufacturing, it will also be buying from manufacturers and earn marketing margins. GAIL will implement mixing/synchronizing with CGD to supply gas. In Renewables, it has a target of 1GW (solar/wind) in the next 3-4 years. It has capex plan of Rs4-6k crore for 1GW capacity.	No fresh update	Feedstock availability remains a key factor for CBG plant location selection. Renewables could be new growth driver for longer term.

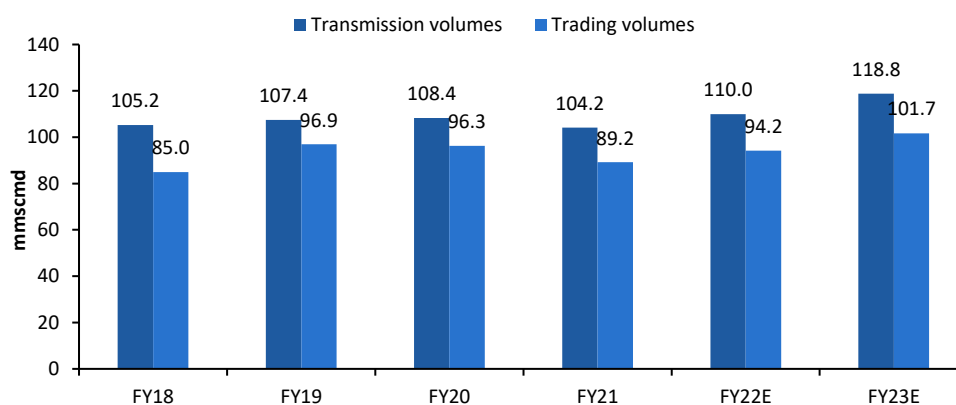
Source: Company Data, Centrum Broking

**Exhibit 3: Gas transmission volumes dip qoq...**

Source: Company Data, Centrum Broking

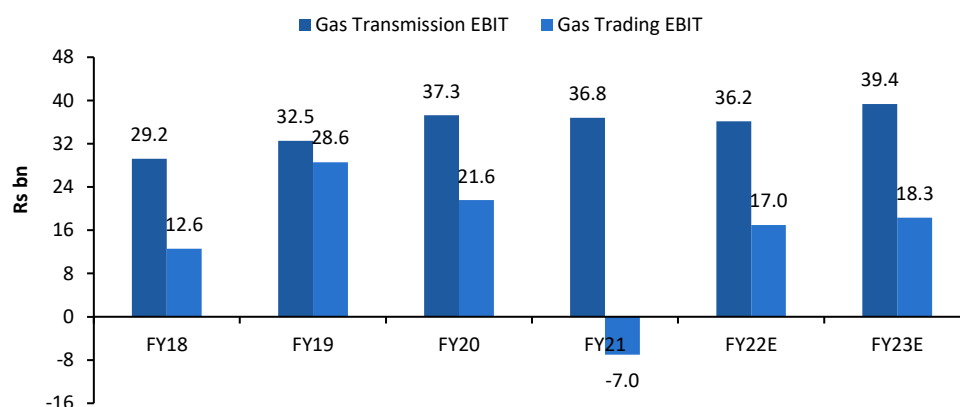
**Exhibit 4: ...while gas trading volumes improve**

Source: Company Data, Centrum Broking

**Exhibit 5: Transmission/Trading volumes**

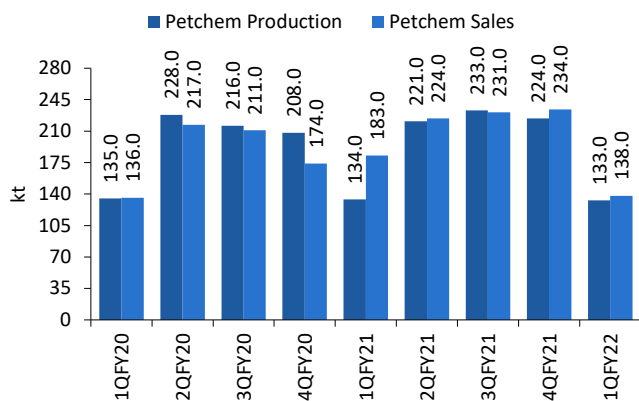
Source: Company Data, Centrum Broking

Seeing higher domestic gas supply, higher LNG and demand growth, we have factored in transmission and trading volume at 110/94mmscmd for FY22 and 119/102mmscmd for FY23 respectively.

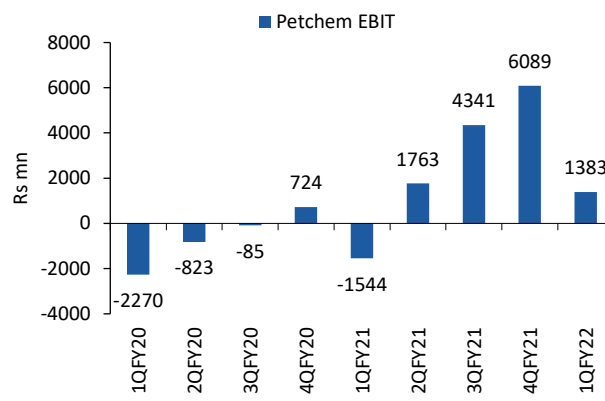
**Exhibit 6: ...reflecting in strong Gas transmission/trading EBIT in FY22/23E**

Source: Company Data, Centrum Broking

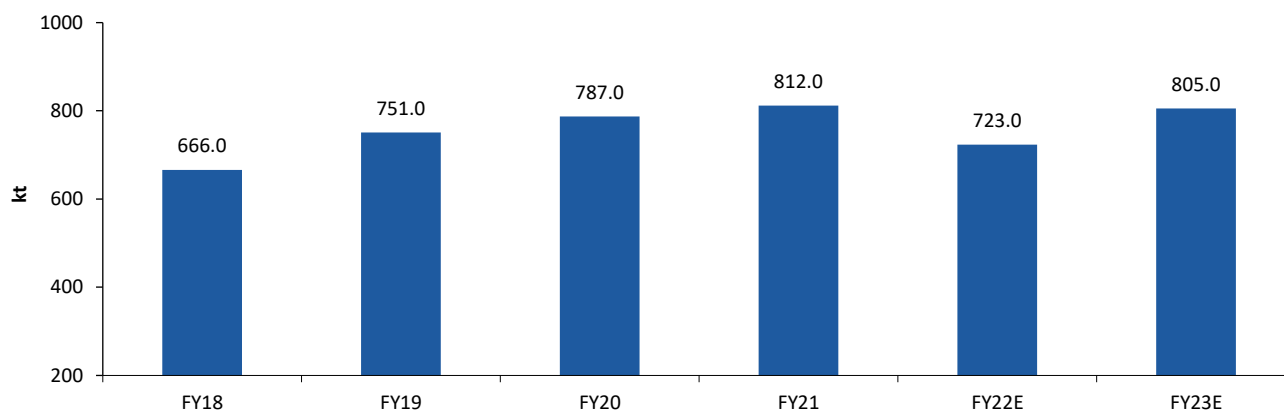
We see steady earnings from Transmission and strong turnaround from Trading in FY22. Our transmission and Trading EBIT estimates at Rs36/17bn in FY22 and Rs 39/18bn in FY23 respectively resulting from volumes and higher differential in Asia vs US LNG prices.

**Exhibit 7: Petchem production dips sharply**

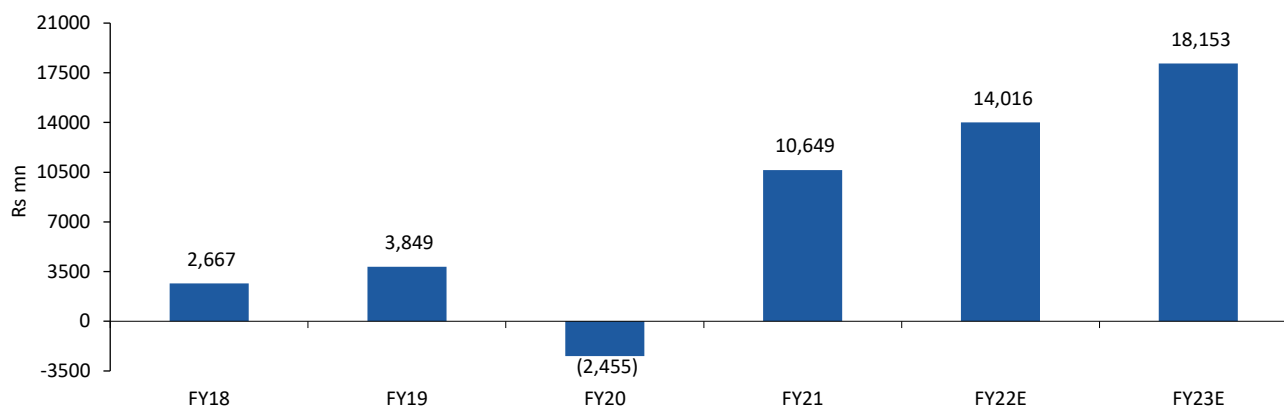
Source: Company Data, Centrum Broking

**Exhibit 8: Dragging EBIT lower**

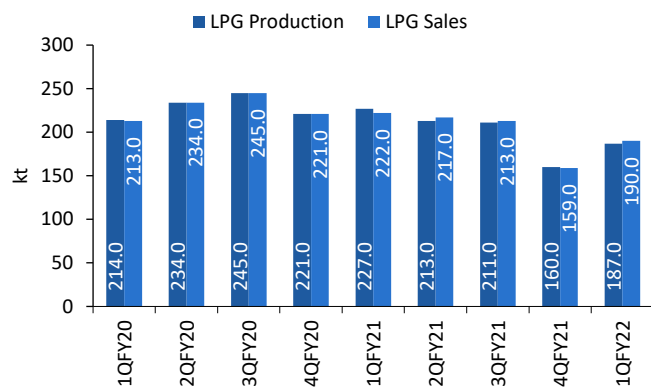
Source: Company Data, Centrum Broking

**Exhibit 9: We expect Petchem volumes to dip over FY22e, recover back to >100% utilisation by FY23e**

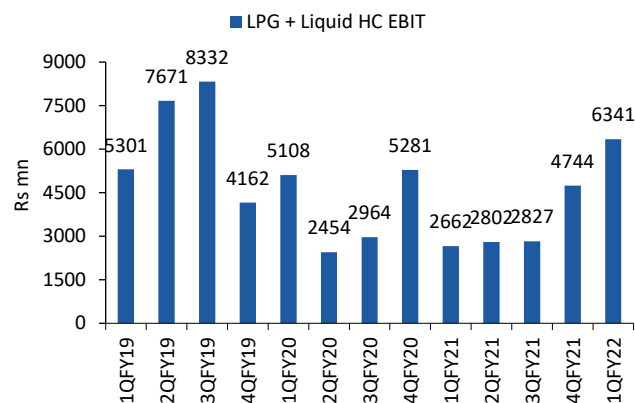
Source: Company Data, Centrum Broking

**Exhibit 10: ...strong realisations and margins to drive the EBIT growth in the petchem segment**

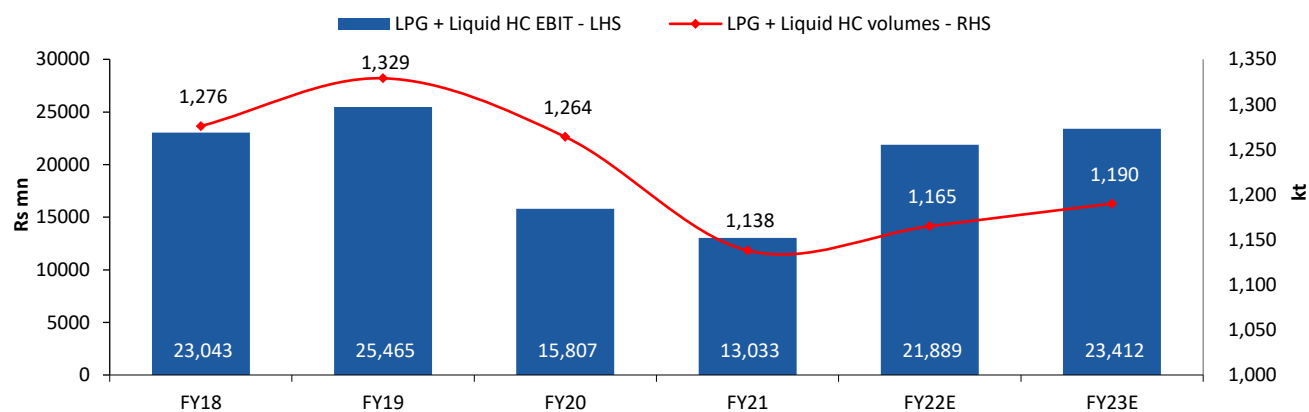
Source: Company Data, Centrum Broking

**Exhibit 11: LPG production and sales in Q4 declined**

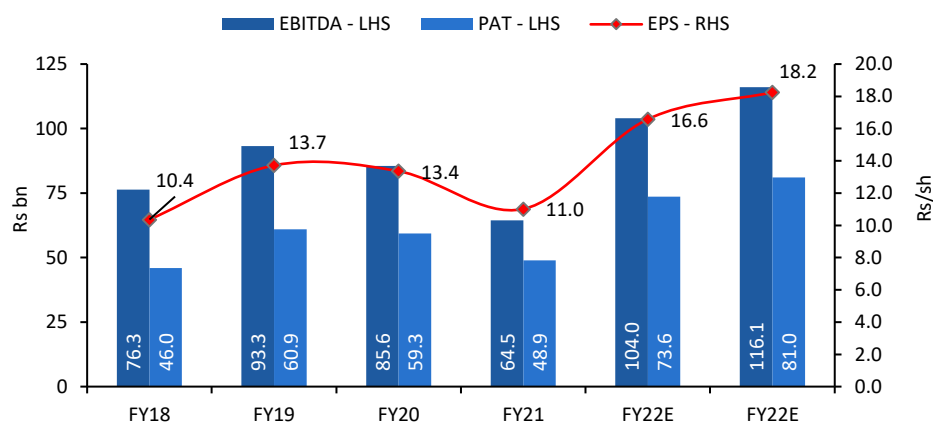
Source: Company Data, Centrum Broking

**Exhibit 12: ...however LPG+LHC EBIT saw sharp growth**

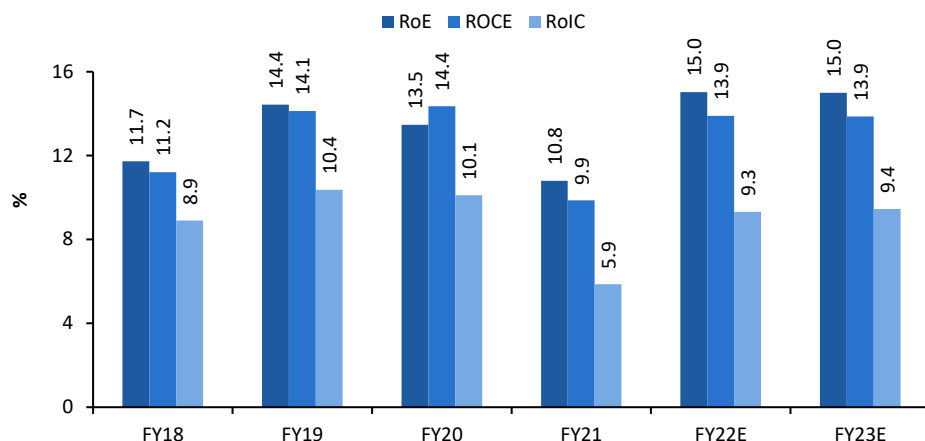
Source: Company Data, Centrum Broking

**Exhibit 13: LPG + LHC volumes to also see a some recovery in FY22/23E**

Source: Company Data, Centrum Broking

**Exhibit 14: Financial metrics to show improvement with EBITDA/PAT to grow by 34/28% CAGR over FY21-23E**

Source: Company Data, Centrum Broking

**Exhibit 15: Return ratios to move start moving upwards in FY22/23E**

Source: Company Data, Centrum Broking

## Valuation – Reiterate BUY

Current valuations of 7.8x FY23E EPS/ 6x EV/EBITDA and 1.1x P/BV are not challenging, and we see increase in momentum in the next 12 months for GAIL, with strong earnings from Petchem.

We value GAIL using FY23E EV/EBITDA multiples of 5-6.5x across business segments, which delivers a target price of Rs195/share, 36% upside from CMP.

**Exhibit 16: GAIL SoTP valuation summary**

	FY23E	Multiple	EV
	(Rs mn)	(x)	(Rs mn)
<b>GAIL segmental EBITDA</b>			
Natural gas transmission	50,039	6.5	3,25,251
LPG transmission	4,222	6.5	27,445
<b>NG and LPG transmission</b>	54,261	6.5	3,52,695
NG Trading	<b>18,306</b>	6.5	<b>1,18,989</b>
Petchem	22,971	6.0	1,37,828
LPG and Liquid Hydrocarbons	24,292	6.5	1,57,897
Other unallocated	(3,747)	5.0	(18,735)
<b>EBITDA</b>	1,16,083	6.4	7,48,675
Net debt			48,119
Total Equity Value			7,00,556
# of shares			4,440
Equity value/ share			158
Listed Investments (30% discount to CMP)			37
<b>Total Equity Value</b>			<b>195</b>
<b>CMP</b>			<b>143</b>
<b>Upside (downside) %</b>			<b>36.2%</b>

Source: Centrum Broking



P&L (Standalone)					
YE Mar (Rs mn)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Revenues</b>	<b>7,48,983</b>	<b>7,20,570</b>	<b>5,67,302</b>	<b>6,84,142</b>	<b>6,72,348</b>
Operating Expense	5,88,642	5,73,605	4,51,597	5,44,607	5,35,219
Employee cost	17,784	15,193	16,256	17,394	18,611
Others	49,287	46,218	34,997	18,131	2,435
<b>EBITDA</b>	<b>93,271</b>	<b>85,554</b>	<b>64,451</b>	<b>1,04,009</b>	<b>1,16,083</b>
Depreciation & Amortisation	15,502	18,360	19,079	21,325	23,045
<b>EBIT</b>	<b>77,769</b>	<b>67,194</b>	<b>45,373</b>	<b>82,684</b>	<b>93,038</b>
Interest expenses	1,385	1,085	1,559	3,035	3,827
Other income	15,448	14,168	20,045	18,757	19,067
<b>PBT</b>	<b>90,848</b>	<b>79,434</b>	<b>63,858</b>	<b>98,406</b>	<b>1,08,278</b>
Taxes	30,592	13,227	14,956	24,769	27,254
Effective tax rate (%)	33.7	16.7	23.4	25.2	25.2
<b>PAT</b>	<b>60,257</b>	<b>66,206</b>	<b>48,902</b>	<b>73,637</b>	<b>81,024</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>60,916</b>	<b>59,320</b>	<b>48,902</b>	<b>73,637</b>	<b>81,024</b>
Extraordinary items	(659)	6,887	0	0	0
<b>Reported PAT</b>	<b>60,257</b>	<b>66,206</b>	<b>48,902</b>	<b>73,637</b>	<b>81,024</b>
Ratios					
YE Mar	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Growth (%)</b>					
Revenue	39.6	(3.8)	(21.3)	20.6	(1.7)
EBITDA	22.2	(8.3)	(24.7)	61.4	11.6
Adj. EPS	32.4	(2.6)	(17.6)	50.6	10.0
<b>Margins (%)</b>					
Gross	21.4	20.4	20.4	20.4	20.4
EBITDA	12.5	11.9	11.4	15.2	17.3
EBIT	10.4	9.3	8.0	12.1	13.8
Adjusted PAT	8.1	8.2	8.6	10.8	12.1
<b>Returns (%)</b>					
ROE	14.4	13.5	10.8	15.0	15.0
ROCE	14.1	14.4	9.9	13.9	13.9
ROIC	10.4	10.1	5.9	9.3	9.4
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	2.0	1.7	1.2	1.4	1.3
Debtors	22	27	32	26	29
Inventory	13	17	22	19	21
Creditors	24	26	34	31	33
Net working capital	17	29	27	24	22
<b>Solvency (x)</b>					
Net debt-equity	0.0	0.1	0.1	0.1	0.1
Interest coverage ratio	67.3	78.9	41.3	34.3	30.3
Net debt/EBITDA	0.0	0.5	0.7	0.5	0.6
<b>Per share (Rs)</b>					
Adjusted EPS	13.7	13.4	11.0	16.6	18.2
BVPS	99.3	99.0	105.0	115.8	127.6
CEPS	17.2	17.5	15.3	21.4	23.4
DPS	3.9	6.5	5.0	5.8	6.4
Dividend payout (%)	28.8	43.6	45.4	35.0	35.0
<b>Valuation (x)</b>					
P/E	10.4	10.7	13.0	8.6	7.8
P/BV	1.4	1.4	1.4	1.2	1.1
EV/EBITDA	6.8	8.0	10.5	6.6	6.0
Dividend yield (%)	2.7	4.5	3.5	4.1	4.5

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY19A	FY20A	FY21A	FY22E	FY23E
Equity share capital	22,551	45,101	44,404	44,404	44,404
Reserves & surplus	4,18,379	3,94,610	4,21,708	4,69,572	5,22,238
Shareholders fund	4,40,930	4,39,711	4,66,112	5,13,976	5,66,642
Minority Interest	0	0	0	0	0
Total debt	10,011	54,118	55,656	57,177	72,023
Non Current Liabilities	34,384	44,860	56,056	57,738	59,470
Def tax liab. (net)	59,477	44,972	45,022	44,396	43,744
<b>Total liabilities</b>	<b>5,44,801</b>	<b>5,83,661</b>	<b>6,22,846</b>	<b>6,73,287</b>	<b>7,41,879</b>
Gross block	3,69,602	4,13,331	4,60,939	4,95,939	5,35,939
Less: acc. Depreciation	(58,741)	(76,881)	(95,960)	(1,17,285)	(1,40,330)
Net block	3,10,861	3,36,450	3,64,979	3,78,654	3,95,609
Capital WIP	92,025	1,05,819	1,19,034	1,54,034	2,09,034
Net fixed assets	4,02,886	4,42,269	4,84,014	5,32,688	6,04,643
Non Current Assets	0	0	0	0	0
Investments	1,06,204	84,013	96,273	96,273	96,273
Inventories	23,219	29,601	26,038	31,401	30,860
Sundry debtors	50,743	55,759	44,858	54,097	53,164
Cash & Cash Equivalents	12,147	8,039	13,618	9,058	5,016
Loans & advances	48,587	65,655	68,304	68,304	68,304
Other current assets	0	0	0	0	0
Trade payables	39,612	41,284	43,264	49,913	47,859
Other current liab.	45,120	47,544	53,395	53,609	53,725
Provisions	14,253	12,847	13,600	15,013	14,797
Net current assets	35,711	57,379	42,559	44,325	40,963
<b>Total assets</b>	<b>5,44,801</b>	<b>5,83,661</b>	<b>6,22,846</b>	<b>6,73,287</b>	<b>7,41,879</b>

Cashflow					
YE Mar (Rs mn)	FY19A	FY20A	FY21A	FY22E	FY23E
Profit Before Tax	90,848	79,434	63,858	98,406	1,08,278
Depreciation & Amortisation	15,502	18,360	19,079	21,325	23,045
Net Interest	(3,066)	(2,027)	(6,305)	(2,020)	(1,228)
Net Change – WC	(3,282)	3,073	22,210	(6,490)	(849)
Direct taxes	(20,764)	(19,555)	(12,754)	(25,395)	(27,904)
<b>Net cash from operations</b>	<b>78,763</b>	<b>68,881</b>	<b>80,639</b>	<b>78,327</b>	<b>93,842</b>
Capital expenditure	(72,022)	(54,345)	(49,767)	(70,000)	(95,000)
Acquisitions, net	0	0	0	0	0
Investments	0	0	0	0	0
Others	17,656	(13,944)	11,158	12,719	12,723
<b>Net cash from investing</b>	<b>(54,366)</b>	<b>(68,289)</b>	<b>(38,609)</b>	<b>(57,281)</b>	<b>(82,277)</b>
<b>FCF</b>	<b>6,741</b>	<b>14,536</b>	<b>30,872</b>	<b>8,327</b>	<b>(1,158)</b>
Issue of share capital	0	0	(12,810)	0	0
Increase/(decrease) in debt	(11,348)	45,196	4,564	1,521	14,846
Dividend paid	(20,886)	(39,421)	(22,371)	(25,773)	(28,358)
Interest paid	(1,417)	(1,132)	(3,199)	(3,035)	(3,827)
Others	(3,894)	(9,344)	(1,575)	1,682	1,732
<b>Net cash from financing</b>	<b>(37,544)</b>	<b>(4,700)</b>	<b>(35,391)</b>	<b>(25,605)</b>	<b>(15,607)</b>
Net change in Cash	(13,147)	(4,109)	6,639	(4,560)	(4,042)

Source: Company, Centrum Broking

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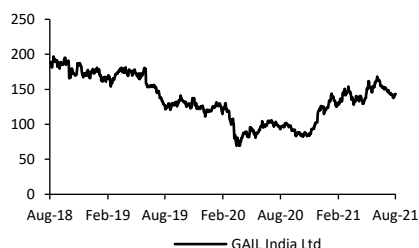
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#### GAIL



Source: Bloomberg

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