

## GAIL (India) (GAIL) - SELL

### Company Update

Current Market Price (CMP)

**Rs.170**

Fair Value (FV)

**Rs.145**

### Rationale:

- With HH settlement prices spiking for February and many customers opting for lower volumes under take-or-pay, GAIL has further cut marketing PBT guidance to Rs35 bn for FY2026/27E.
- In our view, if GAIL were to shut down its cash loss-making petchem, marketing earnings would be even weaker.
- After the INGPL tariff revision from January 2026, there are not many catalysts.
- As such, its high capex has been a worry. Its plan to set up two gas-based fertilizer plants adds to worries.
- Maintain SELL with an FV of 145.

### 👍 Positives:

- GAIL to benefit from higher tariffs.
- We assume gradual recovery in PE prices and margins.

### 👎 Negatives:

- During investor meetings at our KIE conference, it further cut the marketing profit guidance to Rs35 bn for FY2026/27E.
- According to GAIL, on a sudden spike in HH settlement prices, many customers opted for lower volumes under take-or-pay flexibility.
- GAIL's high capex in recent years has been a worry, if capex rises (versus initially approved), realized returns would be lower.
- Likely no earnings growth over FY2025-28E.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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