

GAIL records a 10 per cent increase in PAT to Rs 6,621 crore in FY 20

GAIL (India) Ltd recorded a Profit after Tax (PAT) of Rs 6,621 crore for the financial year 2019-20, a rise of 10 per cent from Rs 6,026 crore over the previous FY 2018-19. The turnover for the year stood at Rs 71,730 crore as against Rs 74,808 crore in the last fiscal year whereas the Profit Before Tax (PBT) in the current year stood at Rs 7,943 crore as against Rs 9,085 crore during the previous year. The increase in PAT is mainly due to adoption of lower tax regime. The earning per share



in FY20 was Rs 14.68 as against Rs 13.36 (adjusted) in the previous year. GAIL recorded a turno-

ver of Rs 17,709 crore, PBT of Rs 2,556 crore and PAT of Rs 3,018 crore in Q4 FY 19-20.

ANALYST CORNER

◆ Maintain 'buy' with target price of ₹133 on GAIL

EDELWEISS SECURITIES

GAIL'S Q4FY20 EBITDA of INR24.7bn (up 47% YoY) came in ahead of our estimate (of INR17bn) led by higher Natural Gas (NG) trading margins and LPG/Liquid hydrocarbons segments (LHC). Key highlights: i) Trading margins rose to INR0.71/scm (up 7% YoY) due to lower input cost spot LNG prices (-47% YoY). ii) NG transmission EBITDA margin expanded to INR1.17/scm (up 12.1% YoY) as opex cost slid 11% YoY. Volumes were flat YoY at 109mmcmd despite the lockdown impact. iii) LPG/LHC EBITDA came in at INR5.5bn (up 22.6% YoY) led by a higher realisation of INR38.2/kg (up 14% YoY). iv) With the Pata petchem plant running at 100%-plus utilisation and lower input LNG cost, petchem EBITDA doubled to INR1.8bn (up 107% YoY), beating estimates.

The JHBL pipeline should come on stream in FY21, lifting supply to fertiliser and CGD customers by 8mmcmd in FY22. Overall, FY21E shall be impacted by COVID, but not acutely as volumes have already revived to ~90% of normal after the sharp downturn in April.

Maintain 'BUY' with an SoTP based TP of INR133/share based on the inexpensive 6.3x FY22E EV/EBITDA.

An 11% YoY fall in opex costs with modest volumes at 109mmcmd (flat YoY) lifted trading EBITDA margin to INR1.17/scm (up 12% YoY). The gains were primarily on unhedged HH volumes, with weak spot LNG prices in Q4. Petchem continued to surprise positively with lower contract LNG prices (three-month lag) and gains from operating leverage due to 100%-plus utilisation.

GAIL incurred capex of INR60bn in FY20 largely towards pipelines. Its net debt/equity remains at 0.1x for FY20. Petchem subsidiary BCPL benefited from a feedstock subsidy of INR9bn with total gains of INR45bn — to be realised over the next 15 years to meet the targeted IRR.

GAIL offers a diversified play on India's gas consumption story with future growth likely to be driven by transmission/marketing volume growth and higher petchem capacity. The stock's current valuation is attractive at 6.3x FY22E EV/EBITDA. Maintain 'BUY/SP' with an SoTP-based TP of INR133/share.