



GAIL to invest in startups

In a bid to support the start-ups operating in identified focus areas, GAIL (India) Limited has announced its plans to invest in such companies through its initiative 'Pankh'. GAIL has now opened a fresh round for solicitation of investment proposals from the startups operating in the focus areas, which mainly includes natural gas, petrochemicals, energy, project management, bio-manure marketing, nano materials, IoT, data mining, environment, health and social. The further details of Focus Areas are available on GAIL website under GAIL PANKH Section. The startups that are interested in equity investment from GAIL can apply from their website.

GAIL May Get a Boost as Crude, Gas Prices Rise

Major verticals likely to post healthy profits in FY22; analysts raise earnings forecast by 22%

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ET Intelligence Group: The stock of GAIL (India), the country's largest oil and gas transporter, has underperformed other upstream companies over the past three months following the dismal performance of various business segments. However, the state-owned company is likely to report a turnaround in FY22 on account of encouraging pricing scenario for crude oil and natural gas and also for its petrochemicals division.

Around 40-45% of GAIL's operating profit is linked to crude oil and spot gas prices. A buoyant pricing scenario for these commodities will give a boost to earnings.

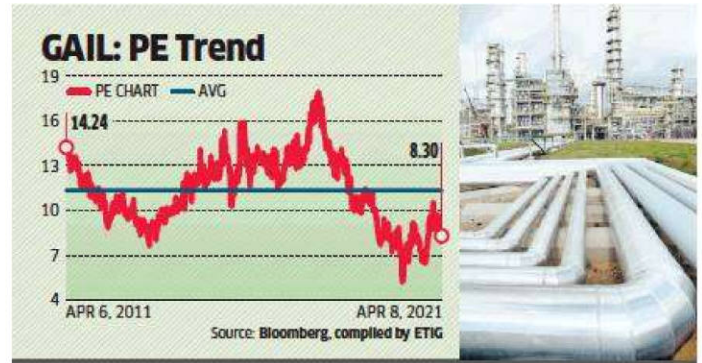
LPG realisations rose 35% sequentially to \$531 a tonne in the March quarter, following a recovery in crude prices. The operating profit of the LPG and hydrocarbon segment is likely to grow by 50% in

FY22 given the revised analyst forecasts of crude prices to \$55 from \$50. This has also prompted analysts to raise earnings forecast by 22% for the year.

The LPG segment's operating profit of ₹1,052 crore during the first nine months of FY21 accounted for nearly 18% of GAIL's total operating profit. Besides, improving gas volumes from the Krishna-Godavari basin in the next three years may improve profits from natural gas transmission.

A favourable spread between the spot prices and US Henry Hub prices — a benchmark for US gas prices — is likely to help the gas marketing division report net profit in the fourth quarter of FY21 after a cumulative loss of ₹983

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crore in the first three quarters. For FY22, the division's operating profit is expected to be over ₹1,000 crore forming 15-16% of the company's total operating profit.

In addition, the 12% sequential jump in polyethylene (PE) price in the March quarter is expected to support the performance of the petrochemicals segment. The

division had reported ₹245 crore loss in FY20. The favourable spread between the prices of PE and the feedstock naphtha may lead to a profit in FY21.

At Thursday's closing price of ₹138.6, the stock was traded at 8.3 times one-year forward earnings, a 25% discount to the long-term average valuation.



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