

Feb 01, 2018

Gail (India) Ltd

GAIL (India) Limited (GAIL) is an integrated energy company in the hydrocarbon sector. GAIL is engaged in the exploration, production, processing, transmission and marketing of natural gas value chain and related services and also produces petrochemicals and LPG gas. On the Kochi-Mangalore-Bangalore pipeline front, Gail has already commenced the 100% construction of the pipeline and is expected to complete the same by the end of 2018. Although recent reports suggest retaliation from locals against the project, Gail, expects no delay in the schedule on account of the same. The current projects under construction including Jagdishpur Haldia pipeline are expected to be completed by 2020 taking the pipeline network to ~15000 km. The company has made propositions to government for uniform gas prices by pooling of domestic gas and LNG, in order to boost demand from the price sensitive sectors. The Company has been maintaining a healthy dividend payout of 38.24%. Further its total debt has fallen from ₹11505cr in FY12 to ₹6011cr in FY17. On the operational front, stable gas volumes, further pipeline expansion, growing CGD (City Gas Distribution) sector, and increase in LPG prices would serve as a key trigger for the stock. It has reported RoE of 9.70% and is trading at valuation PE of 21.55x of FY17 TTM earnings. Hence Buy.

BUY
CMP ₹486

Stock Info

Sector	Utilities Non Elect
Market Cap (₹ cr)	82,239
Beta	0.7
52 Week High / Low	518/347
Avg. Daily Volume	211,366
Face Value (₹)	10
BSE Sensex	35,906
Nifty	11,016
Reuters Code	GAIL.NS
Bloomberg Code	GAIL:IN

Shareholding Pattern (%)

Promoters	54.0
MF / Banks / Indian FIs	24.0
FII / NRIs / OCBs	17.2
Indian Public / Others	4.9

Abs. (%)	3m	1yr	3yr
Sensex	7.1	29.0	23.2
GAIL	3.9	33.7	50.9

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Disclosure of Interest Statement	Gail
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):	<i>Buy (> 15%)</i>	<i>Accumulate (5% to 15%)</i>	<i>Neutral (-5 to 5%)</i>
		<i>Reduce (-5% to -15%)</i>	<i>Sell (< -15)</i>