

GAS AUTHORITY OF INDIA



SECTOR ANALYSIS

The energy sector in India plays a very vital role not just for the present time but for the future as well. Energy sector if properly utilised can be what shapes the next coming decades and our goal towards achieving sustainable energy. Along with advancements in this field like solar, electric, wind and hydro energy there also co-exists our conventional energy sources that we heavily depend on for the time being. From an economic point of view energy companies play a crucial role in the economy of India and fuel the country's growth and development. Companies such as Adani Green Energy, GAIL, ONGC etc. provide, generate and sell energy in its various different forms such as electricity, oil, natural gas and solar energy.

The sector provides many jobs for the people of the country and also has immense potential for further do so with new sources of energy such as solar, wind and hydro. This with direct effect plays a role on the long term improvement of the country's GDP.



GAS AUTHORITY OF INDIA



COMPANY OVERVIEW

GAIL India was previously known as Gas Authority of India Ltd is a public sector company that operates under the Ministry of Petroleum and Natural gas, Government of India. All of its operations are looked after by the Ministry itself. Its headquarters is in New Delhi, India.

Its business is usually involved in natural gas, liquid hydrocarbon, liquified petroleum gas transmission, city gas distribution, renewable Energy including Solar and Wind. Chairman and MD of GAIL India is Sandeep Kumar Gupta. It operates with 13,722 KM of natural gas pipeline and uses 6000 KM of it at the moment.

Point to be noted:

Revenue= 93,942 Cr

Income= 10,541 Cr

COMPANY STRENGTHS

GAIL has a wide geographic reach, a sizable consumer base, and excellent brand recognition. It also has a solid business plan and a cutting-edge idea. With its marketing initiatives to protect the environment by exploiting natural resources, GAIL is always in front. In turn, this has improved the brand's reputation with the general public. It is one of India's top natural gas firms and the most prosperous corporation in the natural gas industry. GAIL has demonstrated organic growth in the delivery of gas through an extensive network of trunk pipelines.

COMPANY MD AND CEO



Shri Sandeep Kumar Gupta
Chairman and Managing Director, GAIL (India) limited

Shri Sandeep Kumar Gupta, is a Commerce Graduate and a Fellow of the Institute of Chartered Accountants of India.

Before joining GAIL in October 2022, Shri Gupta held the position of Director (Finance) since August 2019 on the Board of Indian Oil Corporation Limited, the leading PSU integrated Energy Company in Fortune “Global 500”, and several group companies. As Director (Finance), he oversaw F&A, Treasury, Pricing, International Trade, Optimization, Information Systems, Corporate Affairs, Legal, Risk Management, etc.

Shri Gupta has wide experience of over 34 years of Oil & Gas Industry and held different positions in Indian Oil Corporate Office, Refineries Head Office and Refineries at Guwahati, Baroda and Mathura.

Shri M V Iyer
Director (Business Development)

Shri Deepak Gupta
Director (Project)

Shri Ayush Gupta
Director (Human Resource)

Shri Rakesh Kumar
Director (Finance)

COMPANY BUSINESS SEGMENT

Gail India Limited is a natural gas processing and distribution company that is state owned.

GAIL operates the largest natural gas company in India with a network of over 10,000 km of pipelines. The company is responsible for transporting natural gas from production fields to various customers across the country.

It also works with Natural gas marketing and it is responsible for marketing natural gas to various industrial, commercial and domestic customers in India.

- GAIL also exports liquefied natural gas (LNG) to other countries.
- GAIL is involved in processing and marketing of liquid hydrocarbons which includes propane and butane.
- GAIL is involved in the petrochemical business segment that is involved in processing and marketing of it.



COMPANY BUSINESS SEGMENT

NATURAL GAS TRANSMISSION

Volume - 11 MMSCMD (million metric standard cubic meters per day)

GAIL's natural gas transmission segment under its natural gas business vertical consists of its natural gas pipeline infrastructure. As of 31 December 2021, GAIL owns approximately 13,800 km of operational natural gas pipeline network, which represents over 67% of India's overall 20,334 km of operational natural gas pipeline network.

GAS MARKETING

Volume - 96 MMSCMD

Since inception in 1984, GAIL has been the undisputed leader in the marketing, transmission and distribution of natural gas in India. As India's leading natural gas major, it has been instrumental in the development of the natural gas market in the country.

GAIL sells around 51% (excluding internal usage) of the natural gas sold in the country. Of this, 37% is sold to the power sector and 26% to the fertilizer sector.



LNG

Under its natural gas business vertical, GAIL secures liquefied natural gas (LNG) under long-term agreements as well as short-term arrangements in the spot market.

LIQUID HYDROCARBONS

Volume - 1004 TMT (Thousand Metric Tonnes.)

GAIL has marketing gas processing units (GPUs) products, namely liquefied petroleum gas, propane, pentane, naphtha and by-products of polymer plant, namely MFO, propylene and hydrogenated C4 mix. LPG is being sold exclusively to PSU oil marketing companies (OMCs) while other products are sold directly to customers in the retail segment.

LPG PRODUCTION AND TRANSMISSION

Volume - 4199 TMT

Liquefied petroleum gas (LPG) is the most widely used domestic and commercial fuel in India. Over the past four years, GAIL has emerged as one of the major LPG producers in the country. Around 90 per cent of the LPG is consumed in India as fuel by the household sector, while the balance is sold to industrial and commercial customers. GAIL has seven LPG Plants across India.



PETROCHEMICALS

Volume - 790 TMT

GAIL diversified from gas marketing and transmission into the polymer business by setting up North India's first gas based Petrochemicals complex.

CITY GAS DISTRIBUTION

GAIL is the pioneer of city gas distribution in India. GAIL took many initiatives to introduce PNG for households and CNG for the transport sector to address the rising pollution levels.

EXPLORATION AND PRODUCTION

GAIL is participating in 10 exploration blocks, in basins. GAIL has partnership in these blocks with various companies such as ONGC, OIL, GSPC, Hardy Exploration & Production, Petrogas, JOGPL, Eni and Daewoo as Operators.



INVESTMENT HYPOTHESIS:

GOVERNMENT POLICIES

The electricity act, 2003 aims to provide an enabling framework for accelerated and more efficient development of energy sector by encouraging active competition with appropriate regulatory intervention.

The Government is promoting greater use of renewable in the energy mix mainly through solar and wind and at the same time shifting towards supercritical technologies for coal based power plants. On the other side, efforts are being made to efficiently use the energy in the demand side through various innovative policy measures under the overall ambit of Energy Conservation Act 2001.

The government also has policies for Market Transformation for Energy Efficiency (MTEE). Under MTEE, two programmes have been developed i.e. Bachat Lamp Yojana (BLY) and Super Efficient Equipment Programme (SEEP).

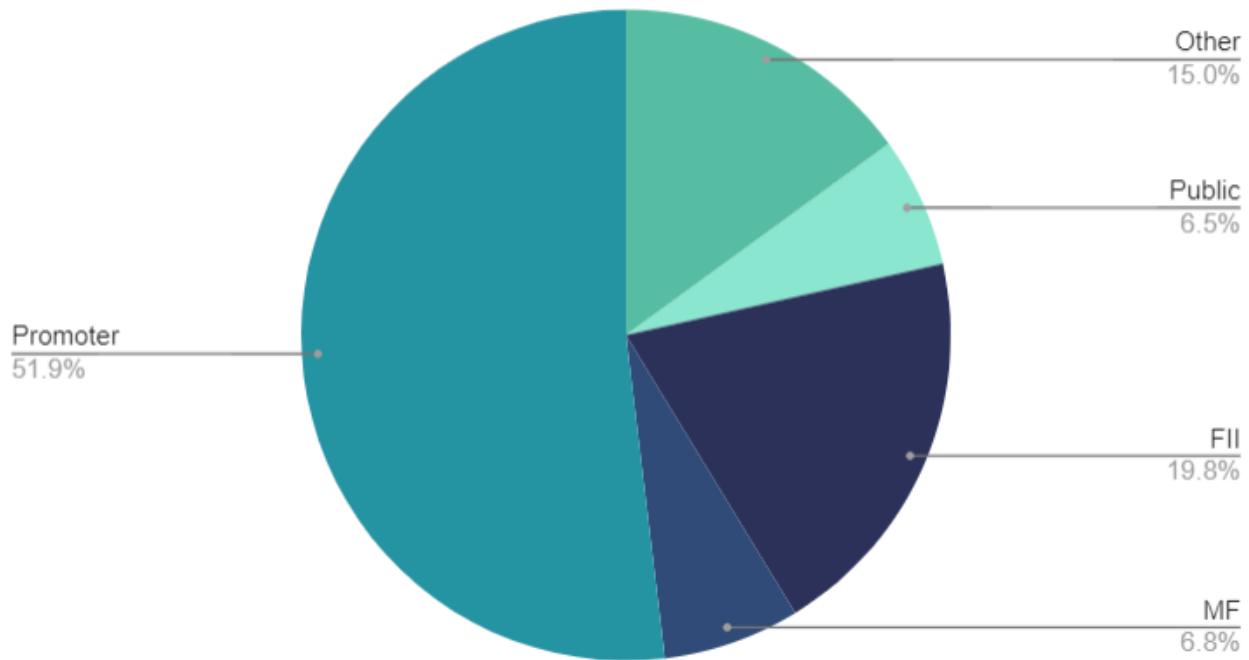
COLLABORATION

GAIL intends to collaborate with established Incubation Centers (ICs) to leverage their expertise and resources in incubating Startups. GAIL has signed MoU's with IIT Madras Incubation Cell and IIM Lucknow Incubation Center.

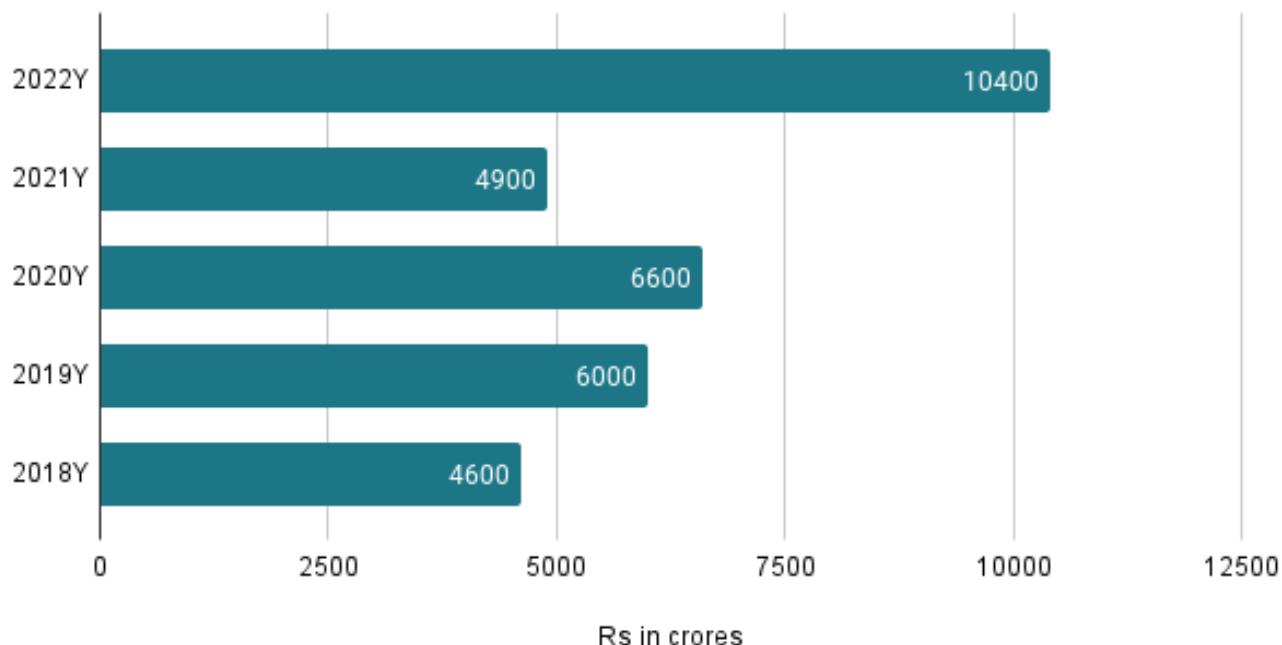
GAIL may provide funding of an equivalent amount, up to a maximum amount of Rs. 25 lakhs per start-up on agreed terms and conditions similar to those with the IC if Start-Up has received funding from the above-mentioned Incubation centers(IC).

SHARE HOLDING PATTERN

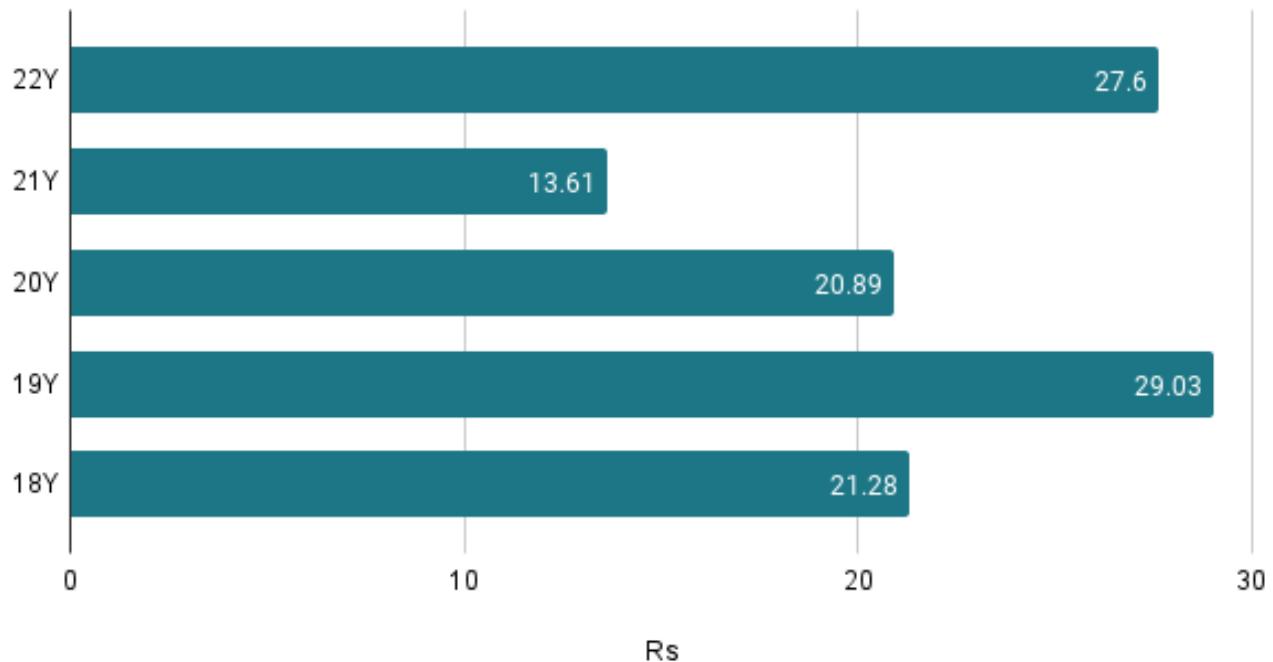
SHAREHOLDING SUMMARY



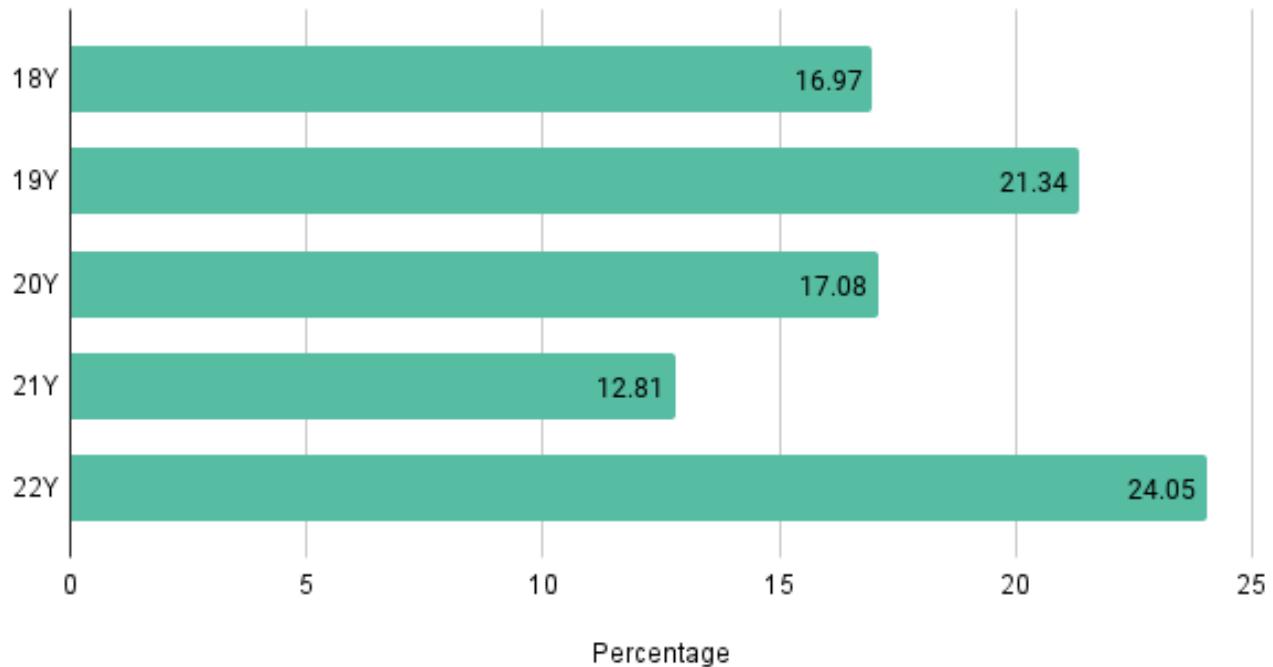
NET PROFIT



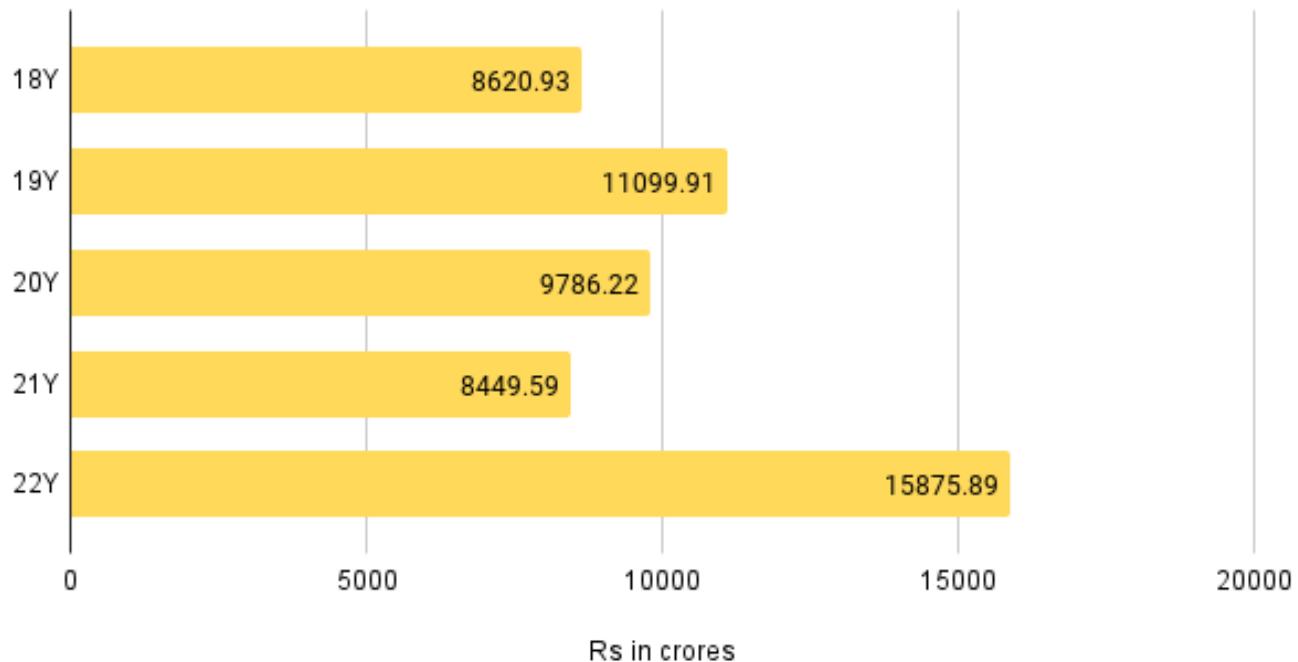
BASIC EPS



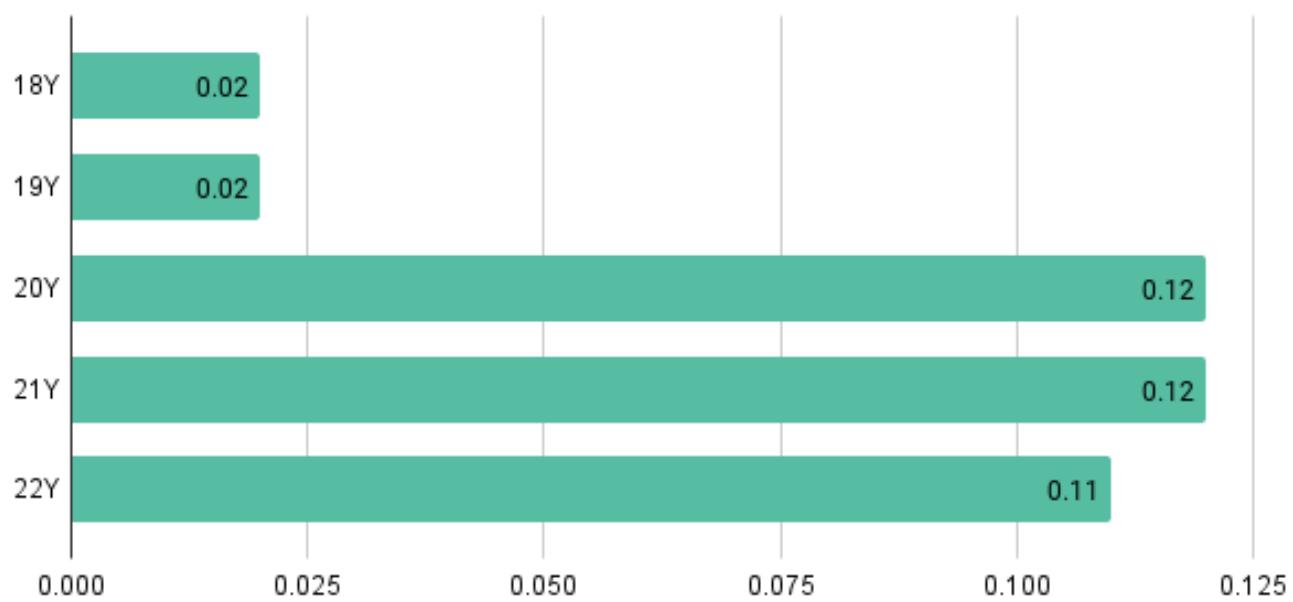
ROCE



BASIC EPS



TOTAL DEBT/EQUITY



CURRENT RATIO



PEER COMPARISON

Adani total gas Ltd.-Adani Total Gas Ltd. Was established in 2004 relatively more than a decade later than the establishment of GAIL Ltd. It has a market capitalization of 406,368.83 Cr which is roughly almost 6 times the market capitalization of GAIL Ltd. Adani Total Gas Ltd. Is the current leader in this sector followed by GAIL Ltd. In terms of the price of the stock. GAIL Ltd. Has produced a massive profit of 1537.03 Cr in Q2 compared to 213 Cr produced by Adani Total Gas Ltd.

Gujarat Gas Ltd.- Gujarat gas Ltd. Was founded at approximately the same as GAIL Ltd. Both are state owned organizations .Gujarat Gas Ltd. Has a market capitalization of 35,675.82 Cr , roughly half of GAIL Ltd. Gujarat Gas managed to produce 403.89 Cr. As the net profit in Q2.

Gujarat State Petronet Ltd.- Gujarat State Petronet Ltd. Was founded roughly after a decade after GAIL Ltd. It has a relatively less market capitalization of 15,081.37 Cr. The Q2 results of Gujarat State Petronet have showed a profit of 436.05 Cr.

	Market Cap	PE Ratio	ROCE	PAT	Debt to Equity	ROA
Adani Total Gas Ltd.	208213.77	429.71	24.60	484.5	0.45	13.19
Gail	63153.83	7.51	23.30	8407.39	0.22	13.85
Gujarat State Petronet Ltd	14942.20	9.08	36.18	1645.77	0.04	16.74

RISKS AND CONCERNS

- The revenue , PBT, PAT have drastically increased in FY22 than in FY21 mainly on the account of increased gas marketing, higher speed of transporting gas and increased product prices. Inflation has lead to the increase in higher product prices . “Unprecedented growth in times of global uncertainty and turmoil” as quoted by the CMD gives a reasonable doubt of the inflation in the market and the possibility market collapsing anytime due to the present inflation.
- The current geopolitical crisis has also impacted the Global Energy Sector and has emphasized that for achieving energy security, diversification of energy supplies is essential for countries across the globe.
- The company is exposed to foreign exchange fluctuation . The company mainly imports LNG and has taken loans for meeting its CAPEX requirements.
- The transportation of natural gas is exposed to many natural calamities, which can cause harm to nature and sometimes human populations in and around the incident of the natural gas.
- The pandemic has severely affected the company’s revenue which is being recovered through the steady growth of economic situation in the nation.
- The petrochemical products produced by the company have high input cost . Thus low demand in the market for petro-chemical products can substantially affect company’s revenues.
- The company having many of its JV’s in association with the government of India is exposed to the risk of policy changes made by the government i.e according to PNRGB Regulatory Framework.

SUMMING UP

Gail India has some considerable debt on its balance sheet but Gas Utilities industry companies like GAIL (India) commonly do use debt without problems. Taking all this data into account, it seems to us that GAIL (India) takes a pretty sensible approach to debt. Gail's interest cover undermines its ability to convert EBIT to free cash flow. Further, they are taking on a bit more risk, in the hope of boosting shareholder returns.