

## GAIL (India) (GAIL) – BUY

### Company Update

Current Market Price (CMP)

**Rs.137**

Target Price

**Rs.170**

**Our fair value of Rs.170 implies upside of 24% from current market price.**

### Rationale:

- Favorable LNG differentials to augur well for gas marketing segment
- Increase in polyethylene/LPG prices & margin to boost commodity contribution
- Expect earnings to grow by 30.3% in FY22E and 4% in FY23E
- Trading at an inexpensive valuation.
- Sum-of-the-parts (SOTP) fair value is Rs.170.

### Company update:

#### **Positives:**

- Expect improvement in operating performance across key segments in FY23E
- We expect gas volumes to improve in the medium term
- Optimistic outlook for gas marketing segment
- HDPE/LLDPE prices and margins have increased sharply in recent months
- LPG price increased in the recent months underpinned by higher crude price.

#### **Negatives:**

- Expect earnings to de-grow by 22% in FY21E.

[Click here](#)

For detailed report dated 6<sup>th</sup> April 2021. Note: CMP & valuation may differ due to difference in dates.



This is a synopsis of the Research report issued by Kotak Securities Limited. This is not a comprehensive report and before taking any investment decision we request you to refer the detailed report including disclaimers by clicking here: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months. Disclaimer: <http://bit.ly/2n5AxIE>