



Pick of the week

GAIL (India)

Recommendation: **BUY**

Date: **7th February 2022**

Current Price: ₹147

Time Period: **12 Months**

Potential Upside: **32.65%**

Target Price: ₹195

Why invest?

- Robust Q3FY22 performance led by gas marketing, petchem and LPG (Liquefied petroleum gas) segments. Six LNG cargoes from the US were sold in overseas markets in Q3FY22 versus eight in Q2FY22 and 14 in Q1FY22 given an increase in domestic demand.
- Gas marketing profitability to remain elevated in Q4FY22.
- Gas marketing segment EBITDA jumped to record levels in 3QFY22 driven by robust spreads for US LNG versus spot LNG.
- We expect operating performance improvement across key segments in FY22-24E. We expect robust contribution from key business segments during FY2022-24E.
- We expect GAIL to benefit from—(1) elevated LNG and crude prices and (2) the uptick in domestic gas supply and consumption over the next few years.
- Sum-of-the-parts based fair value is Rs.195. GAIL trades at attractive valuations