MINT, Delhi, 1.2.2023
Page No. 10, Size:(4.01)cms X (5.75)cms.

GAIL eyes long-term gas import deals

GAIL (India) Ltd is scouting for long-term gas import deals and hopes to sign one contract shortly to make up for disrupted supplies from a former unit of Russian energy giant Gazprom, its head of finance Rakesh Kumar Jain said on Monday.

India's largest gas distributor reported a 93% decline in its December quarter net profit as it transmitted less gas locally due to a reduction in liquefied natural gas (LNG) supply from a deal with Gazprom Marketing and Singapore (GMTS). GAIL is in talks with Abu Dhabi National Oil Co (ADNOC) and many other parties to source gas.

"Probably we will get a better deal," Jain said.

"The Indian economy is needing more and more gas. Even if GMTS had not happened, we were in the market for sourcing gas. Yes, but GMTS circumstances have forced us more," he said. GAIL agreed a 20-year deal with GMTS in 2012 to buy an annual average of 2.5 million tonnes of LNG. REUTERS

GAIL hits highest ever Revenue in 9 Months FY'23

GAIL (India) Limited reported revenue from operations of Rs 1,11,443 crore for nine months ended December 31, 2022, up 72 % from Rs 64,678 crore in the corresponding period of Financial Year 2021-22. Profit before Tax (PBT) for nine months ended December 31, 2022, stood at Rs 5,993 crore as compared to Rs 10,044 crore during the corresponding period in the previous year while Profit after Tax (PAT) stood at Rs 4,698 crore as compared to Rs 7,681 crore in the same period of the last fiscal.

MILLENNIUM POST, Delhi, 1.2.2023
Page No. 9, Size:(8.63)cms X (11.51)cms.

GAIL reports highest ever revenue in Apr-Dec FY23

NEW DELHI: GAIL (India) Limited reported Revenue from Operations of Rs 1,11,443 crore for nine months ended December 31, 2022, up 72 per cent from Rs 64,678 crore in the corresponding period of Financial Year 2021-22.

Profit before Tax (PBT) for nine months ended December 31, 2022 stood at Rs 5,993 crore as compared to Rs 10,044 crore during the corresponding period in previous year while

Profit after Tax (PAT) stood at Rs 4,698 crore as compared to Rs 7,681 crore in the same period of the last fiscal.

Quarter on Quarter basis, Revenue from Operations was reported at Rs 35,380 crore in Q3 FY23 as compared to Rs 38,491 crore in Q2 FY23. PBT stood at Rs 223 crore while PAT was Rs 246 crore in Q3 FY23 as against Rs 1,876 crore and Rs 1,537 crore respectively in the previous quarter.

On Consolidated basis, Revenue from Operations stood at Rs 35,940 crore in Q3 FY23 as against Rs 38,729 crore in Q2 FY23.

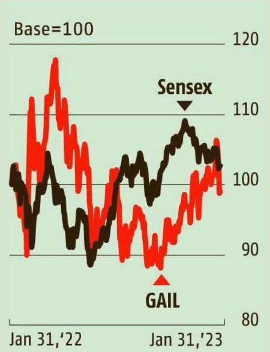
PBT in Q3 FY23 stood at Rs 662 crore as against Rs 1,675 crore in Q2 FY23.

Profit after Tax was Rs 414 crore in Q3 FY23 as against Rs 1,315 crore in Q2 FY23 (excluding Non-controlling interest). MPOST

THE COMPASS

GAIL's prospects on the mend after poor Q3 showing

Most analysts have cut their Q4 and FY24 estimates but maintain 'buy' recommendations, with price targets between ₹115 and ₹125



Compiled by BS Research Bureau

DEVANGSHU DATTA

Disappointing October-December quarter results for the 2022-23 financial year (Q3FY23) notwithstanding, it may be the right time in the petro cycle to look at GAIL (India) as a long-term prospect. The gas marketer-cum-transporter reported its poorest results in 11 quarters.

The standalone earnings before interest, taxes, depreciation, and amortisation (Ebitda) and profit after tax (PAT) — at ₹260 crore and ₹250 crore respectively — were well below Street estimates due to weak performances across segments.

The Ebitda was down 94 per cent year-on-year (YoY), and 85 per cent quarter-on-quarter (QoQ), while PAT was down 93 per cent YoY, and 84 per cent QoQ.

There were major inventory losses in gas marketing. Adding to the woes were volume declines due to the Ukraine War and Gazprom factor, which meant under-utilisation of Petrochemicals (Petchem) capacity. Cost pressures also badly affected the transmission and the LPG-LHC segments.

The gas transmission segment's Ebitda fell 28 per cent QoQ, with a 4 per cent volume drop to 103.7 million metric standard cubic metre per day (mmscmd). Gas is a necessary good where small changes in supply can lead to sharp swings in prices. The marketing segment's Ebitda dropped by 66 per cent QoQ to ₹3 crore, with volumes down 3 per cent to 89.9 mmscmd and tariffs down 10 per cent. The LPG Ebitda also turned negative, due to a rise in unit operating costs. Petchem utilisation dipped to around 35 per cent of capacity due to shortage of Gazprom supplies. The marketing inventory loss amounted to ₹1,100 crore due to two unsold spot cargoes as spot LNG prices dropped to $20 per MMBtu in December 2022, from $45 per MMBtu in August 2022. The transmission segment fuel cost rose by ₹400 crore.

While these results are disappointing, it may however be close to the bottom of a cycle and seasonal factors should be positive. While supply issues will remain, international gas prices have stabilised and fallen as we see from the inventory losses.

The Petroleum and Natural Gas Regulatory Board's (PNGRB's) decision on material tariff hikes is near, and there's likely to be a further cooling in LNG prices as winter ends in Europe and the European Union finds alternative non-Russian supply sources. GAIL may also be close to signing a term LNG deal according to management guidance.

The average pipeline tariff was up from ₹39.8 per MMBtu in FY22 to ₹43.5 in the first nine months of FY23, as volumes rose in the Jagdishpur-Haldea & Bokaro-Dhamra pipelines. The tariffs on these segments could have a big upside. GAIL expects at least ₹10 per MMBtu (approx 24-25 per cent) tariff hikes across its pipeline network due to amendments in PNGRB regulations, with the key revision orders expected by April-May 2023.

The management expects Q4FY23 volumes to improve QoQ, with FY24 pipeline volumes rising to 113-114 mmscmd. The marketing earnings guidance for FY24 is maintained at ₹2,500 crore, while the management is looking to secure gas for Petchem aiming for full capacity utilisation. GAIL intends to entirely sell the 90 US cargoes it has booked in India. Lower APM gas prices through the recommendations of the Kirit Parikh Panel could lead to cost benefits of ₹1,000-1,200 crore.

The FY23 capex target is ₹8,000 crore and more than 75 per cent has already been deployed. The full commissioning of the Usar polypropylene plant is expected by April 2025, while a new 50 ktpa i-propanol plant has also been approved.

Most analysts have cut their estimates for Q4FY23 and for FY24. But most analysts also maintain 'buy' recommendations with price targets in the ₹115-125 range. So, there's a possible upside but there are also key risks such as adverse price swings, currency pressures, and geopolitical risks.