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THE PNGRB ON Thursday revised transmission tariffs for state-run GAIL to ₹65.69 per Million MMBtu, up 12% against the current tariff of ₹58.6 per MMBtu. Following the development, shares of GAIL fell over 6% in early trading on Friday, reports Arunima Bharadwaj. ■ PAGE 3

PNGRB DECISION AIMED AT SAFEGUARDING CUSTOMERS, SAY ANALYSTS

GAIL stock slides as tariff hike lags expectations

ARUNIMA BHARADWAJ
New Delhi, November 29

THE PETROLEUM AND Natural Gas Regulatory Board (PNGRB) on Thursday revised transmission tariffs for state-run GAIL to ₹ 65.69 per Million Metric British Thermal Unit (MMBtu), up 12% against the current tariff of ₹58.6 per MMBtu.

The tariff of Integrated Natural Gas Pipeline (INGPL) will come into effect starting January 1, 2026.

The order stated that true-up of all other factors such as actual opex and capex, future opex and capex, transmission loss, working days, revenue sharing adjustments etc. and other amendments as per regulations, shall be done in the next tariff review exercise in FY28 and take effect from April 1, 2028.

Following the development, shares of GAIL fell over 6% in early trading on Friday. The revised tariffs are lower than ₹78 per MMBTU sought by the company.

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TARIFF REVISION



■ GAIL in its tariff filing projected cumulative operating capex of ₹1.83 lakh crore

■ Lower-than-expected tariff increase may impact GAIL's earnings, analysts say

tomers. "At the same time, the interest of the pipeline entity is also to be protected to get them a reasonable return," PNGRB said.

GAIL in its tariff filing had projected cumulative operating capex of ₹1.83 lakh crore and a capital expenditure of ₹ 56,498 crore up to March 31, 2049 and proposed a tariff based on an economic life of 30 years for INGPL.

Of this, GAIL has considered nearly ₹ 17,775 crore as future capex.

"Given the age and operations of these pipelines, going forward, based on reports of Integrity Assessment Tests to

be carried out for assessing the Technical and Safety aspects and to ensure compliance with the PNGRB Technical and Safety Standards Regulations, some of these pipelines would be requiring significant replacement / modification which would entail substantial 'replacement capex and O&M capex'.

"Accordingly, provisions for such 'future capex' on account of pipeline replacement may be suitably addressed by PNGRB in the upcoming tariff order for GAIL's Integrated System," PNGRB said.

Analysts note that

PNGRB's decision is aimed at safeguarding customers from immediate rise in tariffs while ensuring the company eventually recovers its costs.

However, the lower than expected tariff increase may impact GAIL's earnings for FY27-28, analysts say.

The review of other parameters has been pushed to FY28, considering a full true-up now would have led to a sharp increase in tariffs and imposed unexpected financial strain on consumers.

The state-run company had also asked for inclusion of capex of pipelines serving five customers stating that they should be treated as common carriers.

The Board, however, said that these customers were still classified as dedicated, refusing to include associated costs in the current tariff.

The apportionment of levelized tariff over all the tariff zones with calculations will be submitted by GAIL for Board's approval within 7 days from the date of issuance of this order, the Board said, adding that on issuance of zonal tariff order by the Board, the same shall be applicable from the first day of the month, following the month, in which zonal tariff order is issued.

Gail Shares Drop after Lower-than-expected Pipeline Tariff Hike

Our Bureau

New Delhi: Shares of Gail (India) fell sharply on Friday after the sector regulator reset tariffs for its integrated pipeline network to ₹65.69 per million British thermal units (mmBtu), far below the ₹77.98 the state-run natural gas distributor had sought.

The stock fell as much as 6.5% in intraday trading, before recovering partially to close 4.2% lower at ₹176.1 apiece on the BSE. The benchmark Sensex closed nearly unchanged. The stock has declined nearly 8% since January.



The new tariff, which is effective January 1, is however higher than the current ₹58.61 per mmBtu.

“The members of the board deliberated and observed that true-up of all the parameters at this stage would lead to sudden significant increase in tariff and can place unexpected financial pressure on customers,” the Petroleum and Natural Gas Regulatory Board (PNGRB) said in its tariff order. “At the same time, the interest of the pipeline entity is also to be protected to get them reasonable return.”

True-up refers to fully adjusting the numbers to reflect all costs and conditions.

PNGRB revises GAIL's integrated pipeline tariff to ₹65.69/mmBtu

SUDHEER PAL SINGH

New Delhi, 28 November

The integrated pipeline tariff for GAIL (India) was revised to ₹65.69 per million metric British thermal unit (mmBtu) on gross calorific value (GCV) basis, to be effective from January 1, 2026, announced Petroleum and Natural Gas Regulatory Body (PNGRB) on Friday.

GAIL's shares declined 4.19 per cent to ₹176.10 on BSE as the revised tariff was significantly lower than the company's ask of ₹78.72 per mmBtu. The company's earlier integrated tariff was ₹58.61 per mmBtu.

Revising the tariff, PNGRB said that in order to avoid sudden cost increase, true-up of all the parameters was not possible in the current tariff revision.

"The Members of the Board deliberated and observed that true-up of all the parameters at this stage would lead to sudden significant increase in tariff and



can place unexpected financial pressure on customers. At the same time, the interest of the pipeline entity is also to be protected to get them a reasonable return," said PNGRB.

The regulator said truing up of other factors would be done in the next tariff review exercise in financial year 2027-28. The factors include actual operating

expenditure (opex) and capital expenditure (capex), future opex and capex, transmission loss, working days, revenue sharing adjustments and other amendments as per regulations.

GAIL's next integrated tariff revision would happen on April 1, 2028.

In an effort to reduce costs, PNGRB has sought a roadmap from GAIL on electrification of gas-based compressors. GAIL has partnered with a third-party consultant MECON for conducting a study for complete conversion or replacement of different types of gas-based compressors to electricity-based compressor.

The comprehensive study and the draft feasibility report by the consultant is likely to be completed in 5-6 months.

A compressor is a critical device used for increasing pressure of natural gas as it travels through a pipeline. It helps in maintaining the flow of gas over long distances and through various terrains.



THE COMPASS

Lower pipeline tariff hike to weigh on GAIL

DEVANGSHU DATTA

The secular logic for investment in GAIL is growing gas demand, which is driven by a policy push for increasing gas in the energy mix, alongside upcoming new LNG (liquefied natural gas) global export capacities. GAIL's results for the second quarter of 2025-26 (Q2FY26) were somewhat disappointing.

The company is aiming to become a fully integrated midstream-to-downstream gas player. Management aims at gas transmission volumes of 135 million standard cubic meters per day (mscmd) after FY28. The expansion and commissioning of pipelines in FY26 and FY27 will create capacity for volume throughput.

The new gas pipeline tariffs as mandated by the Petroleum and Natural Gas Regulatory Board

(PNGRB) to be ₹65.69/million British thermal unit (mBtu) from ₹58.61/mBtu clearly disappointed the market. The 12.1 per cent hike is lower than consensus expectations of 15 per cent increase and way below GAIL's demand for ₹78. The tariff hike will probably push up GAIL's FY26 and FY27 earnings by 2.8 per cent and 3.4 per cent, respectively.

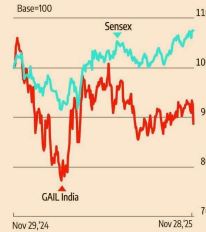
Some analysts noted that the realised tariffs could be lower since current hike in tariffs reflects revision in only two parameters — an increase of ₹5.16/mBtu on account of higher system-use-gas (SUG), and a rise of ₹1.92/mBtu on account of lower volume divisor. The regulator has deferred review of other parameters to FY28, on the logic that considering everything could lead to a material increase in tariffs and place unexpected financial pressures on users.

GAIL's Q2FY26 operating profit and

adjusted net profit were down 14.8 per cent and 17 per cent year-on-year (Y-o-Y), respectively. Operating profit was down 4.3 per cent quarter-on-quarter (Q-o-Q) but net profit was up 17.5 per cent Q-o-Q. A lower margin for gas transmission Q-o-Q was offset by better performance of the gas marketing segment. The net profit was boosted by higher other income (up 172 per cent Q-o-Q).

Going forward, operating profit could rise in FY27, with transmission volume bouncing back after issues faced in FY26 and the above-mentioned tariff hike. Also, petchem losses may reduce due to a possible recovery in polymer margins.

The gas marketing segment profit of ₹1,300 crore rose 22 per cent Q-o-Q as realised margins jumped 20 per cent Q-o-Q on stable volumes. The petchem segment profit declined with a loss of ₹300 crore versus a loss of ₹250 crore in Q1FY26. This was due



to the higher cost of Henry Hub gas, which offset 18 per cent Q-o-Q increase in sales volume. The LPG & LHC segment profit of ₹110 crore was

up due to 7 per cent Q-o-Q drop in global LPG prices.

Pipelines utilisation was 59 per cent, with gross margins up 71 per cent Y-o-Y and down 10.3 per cent Q-o-Q. LPG transmission volumes were higher but margins declined. Gas trading volumes were stable Q-o-Q but margins were better.

LPG and LHC sales volumes were up Q-o-Q while the realisation was up 4.2 per cent Y-o-Y and 3 per cent Q-o-Q. In city gas distribution (CGD), there has been accounting changes, with bulk CGD volumes shifting to natural gas marketing in the consolidation accounts.

In FY26, Gail is likely to see earnings drop due to a decline in gas transmission volumes while margins stay stable. The pipeline tariff revisions should enhance revenue certainty despite the lower-than-expected hike. In petchem, there will

be a positive margin impact due to expansion of PP, PDH and PDTA, and lower Henry Hub-linked feedstock costs for PATA.

CGD may deliver consistent volume-led growth. The Dabhol LNG terminal may see higher traffic of around 34-36 cargoes versus 21 cargoes in FY25. Capex execution is likely to be around ₹13,000 crore annually.

GAIL cut FY26 transmission guidance to 123-124 mscmd (earlier 128-132 mscmd) due to delays in pipeline connectivity, refineries shutdown, and low demand from the power sector. In FY27, volume guidance is at 133-134 mscmd, and marketing guidance is of ₹4,000-4,500 crore PBT in FY26.

The market response to the disappointing tariff hike was heavy selling. Analysts had mixed responses but the consensus seems to be negative.