

BSE SENSEX	S&P CNX	Rs478	Buy
19,092	5,724		
Bloomberg	GAIL IN		
Equity Shares (m)	1,268.5		
52-Week Range (Rs)	536/383		
1,6,12 Rel. Perf. (%)	0/1/1		
M.Cap. (Rs b)	606.6		
M.Cap. (US\$ b)	13.3		

*Adjustment for investments

- **EBITDA below estimates:** GAIL India's 3QFY11 EBITDA was up 4% YoY and down 8% QoQ at Rs13b (lower than our estimate of Rs15b), led by lower profits in the transmission and petrochemical businesses. However, reported PAT was in line at Rs9.7b (against our estimate of Rs9.5b) due to (1) higher-than-expected other income (due to a special dividend by ONGC), and (2) lower-than-expected depreciation.
- **Lower-than-expected profit in transmission, petchem businesses:** Lower-than-expected transmission EBIT was mainly due to lower average tariffs (Rs906/mscm v/s Rs924/mscm in 2QFY11). Lower petchem profits were due to lower sales, which were impacted by higher imports by India.
- **GAIL's share in upstream subsidy lowers QoQ:** GAIL's subsidy stood at Rs4.2b (v/s Rs4.5b in 3FY10 and Rs3.5b in 2QFY11). GAIL's share in upstream subsidy sharing stood at 8% v/s 9.2% in 2QFY11.
- **Earnings sensitivity:** For every 10mmscmd variation in transmission volumes, GAIL's EPS changes by Rs1.7 (5.5%) for FY12 and Rs2.6 (7%) for FY13. We model average transmission volume to increase by 14% CAGR over FY10-14 to 181mmscmd against current volume of 125mmscmd.
- Key events to watch for are GAIL's transmission volume increase led by KG-D6 gas and expanded volumes at Petronet's Dahej terminal.

Cutting estimates, lowering target price to Rs514; maintain Buy

- We are cutting our FY11/FY12/FY13 EPS by 1%/2%/2% respectively to factor-in an increase in feedstock and fuel costs (due to a hike in APM gas prices to non-priority sectors from US\$4.75/mmbtu to US\$5.2/mmbtu).
- GAIL's earnings are highly sensitive to transmission volumes. There is uncertainty regarding a ramp-up in domestic gas from KG-D6. We do not see any risk to our FY12 assumptions as growth will be driven by RLNG. However, our FY13 estimates might be at risk as KG-D6 gas will be the key growth driver in FY13.
- We are rolling over our SOTP-based target price to FY13 basis and cutting our target P/E multiple from 14x to 12x due to concerns over FY13 gas volume ramp-up. Our target price is lowered to Rs514 (earlier Rs527).
- Adjusted for investments, the stock trades at 11x FY13E EPS of Rs36.1. Maintain **Buy**.

QUARTERLY PERFORMANCE

Y/E MARCH									(Rs Million)	
	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	60,214	62,022	61,880	65,221	70,960	81,041	83,650	82,882	249,337	318,532
Change (%)	5.1	1.2	6.5	6.8	17.8	30.7	35.2	27.1	4.9	27.8
EBITDA	10,655	10,173	12,696	13,168	14,348	14,329	13,145	15,090	46,691	56,911
% of Net Sales	17.7	16.4	20.5	20.2	20.2	17.7	15.7	18.2	18.7	17.9
Change (%)	-23.9	-28.9	377.3	37.5	34.7	40.9	3.5	14.6	15.2	21.9
Depreciation	1,404	1,416	1,409	1,389	1,600	1,626	1,605	1,664	5,618	6,495
Interest	179	179	142	200	205	117	165	787	700	1,274
Other Income	798	1,689	1,438	1,486	676	1,740	2,092	890	5,411	5,397
PBT	9,870	10,268	12,582	13,064	13,218	14,326	13,467	13,529	45,784	54,540
Tax	3,312	3,135	3,983	3,956	4,349	5,090	3,791	4,495	14,386	17,725
Rate (%)	33.6	30.5	31.7	30.3	32.9	35.5	28.1	33.2	126.0	32.5
PAT	6,558	7,132	8,599	9,108	8,869	9,235	9,676	9,035	31,398	36,816
Change (%)	-26.9	-30.3	239.3	44.6	35.2	29.5	12.5	-0.8	12.0	17.3

E: MOSL Estimates

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GAIL: segment-wise performance (Rs m)

	FY10				FY11			3QFY11	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Exchange Rate (Rs/US\$)	48.8	48.5	46.5	46.0	45.7	46.7	44.8	-4%	-4%
GAS TRANSMISSION BUSINESS									
Volumes (mmscmd)	97	107	109	115	116	115	120	10%	5%
Gross Revenues	7,332	8,430	8,528	7,395	8,969	9,763	10,008	17%	3%
Opex	1,472	1,630	1,958	1,635	1,719	1,683	2,508	28%	49%
EBITDA	5,860	6,800	6,570	5,760	7,250	8,080	7,500	14%	-7%
Depreciation	638	643	616	699	845	874	843	37%	-3%
EBIT	5,222	6,157	5,954	5,061	6,406	7,206	6,657	12%	-8%
Average tariff (Rs/mscm)	833	868	850	716	848	924	906	7%	-2%
Opex (Rs/mscm)	167	168	195	158	163	159	227	16%	43%
EBITDA (Rs/mscm)	666	700	655	557	686	764	679	4%	-11%
Depreciation (Rs/mscm)	73	66	61	68	80	83	76	24%	-8%
EBIT (Rs/mscm)	594	634	594	490	606	682	603	1%	-12%
LPG TRANSMISSION BUSINESS									
Volumes ('000 MT)	741	728	820	871	788	799	893	9%	12%
Gross Revenues	1,057	1,029	1,161	1,225	1,136	1,141	1,292	11%	13%
Opex	197	269	341	195	256	211	322	-5%	53%
EBITDA	860	760	820	1,030	880	930	970	18%	4%
Depreciation	178	171	182	159	147	143	126	-31%	-12%
EBIT	682	589	639	872	734	787	844	32%	7%
Average tariff (Rs/MT)	1,427	1,414	1,415	1,406	1,441	1,428	1,447	2%	1%
Opex (Rs/MT)	266	370	415	224	324	264	361	-13%	37%
EBITDA (Rs/MT)	1,161	1,044	1,000	1,183	1,117	1,164	1,086	9%	-7%
Depreciation (Rs/MT)	240	235	221	182	186	179	141	-36%	-21%
EBIT (Rs/MT)	921	809	779	1,001	931	985	945	21%	-4%
GAS TRADING BUSINESS									
Volumes (mmscmd)	80	81	81	84	85	79	80	-1%	1%
Revenues	46,417	49,691	45,274	46,646	54,517	62,894	67,728	50%	8%
EBIT	1,063	1,105	1,179	385	1,579	1,602	2,059	75%	29%
Revenues (Rs/mscm)	6,382	6,733	6,061	6,200	7,060	8,649	9,202	52%	6%
EBIT (Rs/mscm)	146	150	158	51	204	220	280	77%	27%
PETROCHEMICALS BUSINESS									
Volumes ('000 MT)	92	88	120	109	88	107	81	-33%	-24%
Gross Revenues	6,226	6,157	7,927	8,223	6,376	7,209	5,713	-28%	-21%
Opex	3,186	2,997	4,117	3,353	3,126	4,079	3,343	-19%	-18%
EBITDA	3,040	3,160	3,810	4,870	3,250	3,130	2,370	-38%	-24%
Depreciation	397	407	396	402	404	414	416	5%	0%
EBIT	2,643	2,753	3,414	4,468	2,846	2,716	1,954	-43%	-28%
Realization (US\$/MT)	1,387	1,443	1,421	1,639	1,585	1,444	1,576	11%	9%
Realization (Rs/kg)	68	70	66	75	72	67	71	7%	5%
Opex (Rs/kg)	35	34	34	31	36	38	41	20%	8%
EBITDA (Rs/kg)	33	36	32	45	37	29	29	-8%	0%
Depreciation (Rs/kg)	4	5	3	4	5	4	5	56%	33%
EBIT (Rs/kg)	29	31	28	41	32	25	24	-15%	-5%
LPG & LIQUID HYDROCARBONS BUSINESS									
Volumes ('000 MT)	334	379	375	356	356	337	331	-12%	-2%
Gross Revenues	7,586	9,736	11,653	12,582	12,269	10,831	11,460	-2%	6%
Opex	5,119	5,661	5,633	4,918	5,255	5,387	5,553	-1%	3%
EBITDA	2,467	4,075	6,021	7,664	7,015	5,444	5,907	-2%	9%
Depreciation	220	221	218	213	227	228	229	5%	0%
EBIT	2,247	3,854	5,803	7,451	6,788	5,215	5,677	-2%	9%
Subsidy	747	4,585	4,551	3,384	4,455	3,464	4,177	-8%	21%
EBIT (Post-Subsidy)	1,500	-731	1,252	4,067	2,333	1,752	1,501	20%	-14%
Realization (US\$/MT)	465	530	668	768	754	689	774	16%	12%
Realization (Rs/MT)	22,713	25,688	31,075	35,344	34,464	32,139	34,621	11%	8%
Opex (Rs/MT)	15,326	14,936	15,020	13,815	14,760	15,985	16,776	12%	5%
EBITDA (Rs/MT)	7,387	10,752	16,055	21,528	19,704	16,153	17,845	11%	10%
Depreciation (Rs/MT)	659	583	582	598	637	677	693	19%	2%
EBIT (Rs/MT)	6,728	10,169	15,474	20,930	19,068	15,476	17,152	11%	11%
Subsidy (Rs/MT)	2,237	12,098	12,135	9,506	12,513	10,278	12,619	4%	23%
EBIT post Subsidy (Rs/MT)	4,491	-1,929	3,338	11,424	6,554	5,198	4,534	36%	-13%

Gas transmission: EBIT down 8% QoQ due to lower average transmission tariff

- Reported gas transmission EBIT was lower than our estimate of Rs7.4b, at Rs6.7b (up 12% YoY, but down 8% QoQ) led by lower average tariffs. Transmission volumes were 120mmscmd, up 10% YoY and 5% QoQ.
- Transmission tariff was Rs906/mscm (v/s Rs924/mscm in 2QFY11 and Rs850/mscm in 3QFY10). The QoQ decline was mainly due to transporting PMT gas on old HVJ pipeline v/s transporting RLNG on a newer pipeline in the previous quarter. Tariff on the new pipeline is more than double that on HVJ. We expect GAIL's tariff to increase as the proportion of new pipelines in GAIL's network increases.
- Near term volume increase for GAIL would only come from RLNG, as RIL has indicated that it is unlikely to increase its KG-D6 volumes before 4QFY12. Likely reallocation of the KG-D6 gas could be a positive surprise for GAIL's volumes.

Petrochemicals: EBIT down 28% QoQ due to lower sales volume; impacted by higher imports

- Petchem realizations were largely in line, but EBIT was Rs1.9b (down 43% YoY and down 28% QoQ) against our estimate of Rs3.4b. Net realization in 3QFY11 was strong at Rs.70.5/kg, up 5% QoQ and up 7% YoY.
- Significantly lower EBIT was due to (1) lower petchem sales volumes at 81KT against our estimate of 109KT and (2) increase in processing costs at US\$1037/MT (v/s US\$900/MT in 2QFY11).
- Pressure from increased PE imports impacted GAIL's sales volumes. Besides, it had a shutdown at its petrochemical complex at Pata and had ~zero inventory at the start of the shutdown. So it was unable to sell products during the shutdown period. Hence, though GAIL produced 102KTA in 3QFY11, it sold only 81KTA and ended the quarter with inventory build-up.
- The gas price to non-priority APM customers like GAIL was increased in December 2010 from US\$4.75 to US\$5.25/mmbtu with effect from July 2010. So, GAIL had to bear a one-time charge (for the period from July to September) for increased gas prices, putting pressure on petchem margins.

GAIL's share in upstream subsidy lowers QoQ

- GAIL's subsidy stood at Rs4.2b (v/s Rs4.5b in 3FY10 and Rs3.5b in 2QFY11). GAIL's share in upstream subsidy sharing stood at 8% v/s 9.2% in 2QFY11.
- The Petroleum Secretary indicated that upstream companies (ONGC, OIL and GAIL) would share a third of the total under-recoveries. As indicated, we also model upstream sharing at a third of the total under-recoveries.

Other key highlights

- Other income included special dividend income of Rs1.7b from ONGC.
- Since this is tax deducted, the overall tax rate in 3QFY11 was 28% against our estimate of 33%. Adjusted for dividend, the income tax rate was 32%.

Operational highlights ('000 MT)

Rs b	FY10				FY11			3QFY11 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Transmission									
1. Natural gas (mmscmd)	96.7	106.7	109.0	114.8	116.2	114.9	120.1	10	5
2. LPG	741.0	728.0	820.0	871.0	788.0	799.0	893.0	9	12
Gas trading (mmscmd)	79.9	81.1	81.2	83.6	84.9	79.0	80.0	-1	1
Petchem sales	92.0	88.0	120.0	109.0	88.0	107.0	81.0	-33	-24
LPG & liquid HC	334.0	379.0	375.0	356.0	356.0	337.0	331.0	-12	-2

Source: Company/MOSL

Segment-wise revenue break-up (Rs b)

Rs b	FY10				FY11			3QFY11 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Transmission									
Gas transmission	7.3	8.4	8.5	7.4	9.0	9.8	10.0	17	3
LPG transmission	1.1	1.0	1.2	1.2	1.1	1.1	1.3	11	13
Natural gas trading	46.4	49.7	45.3	46.6	54.5	62.9	67.7	50	8
Petrochemicals	6.2	6.2	7.9	8.2	6.4	7.2	5.7	-28	-21
LPG & liquid HC (pre-subsidy)	7.6	9.7	11.7	12.6	12.3	10.8	11.5	-2	6
GAILTEL & unallocated	0.1	0.2	0.2	0.2	0.2	0.1	0.2	-9	5
Sub-total	68.8	75.2	74.7	76.2	83.4	92.0	96.4	29	5
Less subsidy	0.7	4.6	4.6	3.4	4.5	3.5	4.2	-8	21
Segmental total	68.0	70.6	70.2	72.9	79.0	88.5	92.2	31	4
Less inter-segment	7.8	8.6	8.3	7.6	8.0	7.5	8.5	3	14
Net sales	60.2	62.0	61.9	65.2	71.0	81.0	83.6	35	3

Source: Company/MOSL

Segment-wise EBIT performance (Rs b)

Rs b	FY10				FY11			3QFY11 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Transmission									
1. Natural gas	5.2	6.2	6.0	5.1	6.4	7.2	6.7	12	-8
2. LPG	0.7	0.6	0.6	0.9	0.7	0.8	0.8	32	7
Natural gas trading	1.1	1.1	1.2	0.4	1.6	1.6	2.1	75	29
Petrochemicals	2.6	2.8	3.4	4.5	2.8	2.7	2.0	-43	-28
LPG & liquid HC (pre-subsidy)	2.2	3.9	5.8	7.5	6.8	5.2	5.7	-2	9
GAILTEL & unallocated	-1.2	-0.3	-0.1	-1.9	-0.1	-0.5	-0.2	0.1	-0.7
Total	10.7	14.2	16.8	16.4	18.2	17.0	17.0	1	0
Less subsidy	0.7	4.6	4.6	3.4	4.5	3.5	4.2	-8	21
Reported EBIT	9.9	9.6	12.3	13.0	13.8	13.6	12.8	5	-5

Source: Company/MOSL

Valuation and view

Our key earnings model assumptions are summarized below

	FY09	FY10	FY11E	FY12E	FY13E	FY14E
Exchange rate (Rs/US\$)	46.1	47.5	46.0	45.0	44.0	42.0
Subsidy (Rsb)	17.8	13.3	18.8	17.5	10.0	4.8
Natural gas transmission						
Volume (mmsmd)	83	107	119	134	161	181
Average Tariff (Rs/mscm)	827	817	897	1,069	1,131	1,188
LPG Transmission						
Volume ('000 MT)	2,744	3,160	3,373	3,474	3,578	3,686
Average tariff (Rs/MT)	1,391	1,416	1,440	1,440	1,440	1,440
Petrochemicals						
Petchem sales ('000 MT)	423	409	384	475	625	720
Realization (Rs/kg)	67	70	70	68	66	63
EBIT (Rs/kg)	29	32	27	23	21	23
LPG & liquid HC						
Sales ('000 MT)	1,405	1,444	1,380	1,435	1,464	1,493
Realization (US\$/MT)	748	608	779	740	675	675

Source: Company/MOSL

Segmental EBIT breakup (Rs m)

	FY09	FY10	FY11E	FY12E	FY13E	FY14E
Natural gas transmission	16.1	22.4	27.1	34.0	43.2	51.0
LPG transmission	2.2	2.8	3.2	3.3	3.4	3.5
Natural gas trading	3.5	3.7	7.3	7.3	7.2	7.0
Gas transmission and trading	21.8	28.9	37.6	44.6	53.8	61.6
As a % of total	53	65	69	73	71	68
Petrochemicals	12.2	13.3	10.5	10.7	13.2	16.6
LPG & liquid HC (pre-subsidy)	26.5	19.4	26.1	23.2	18.5	17.5
Other	(1.7)	(3.6)	(0.8)	0.0	0.0	0.0
Total	58.8	58.0	73.4	78.5	85.6	95.7
Less subsidy	(17.8)	(13.3)	(18.8)	(17.5)	(10.0)	(4.8)
Total EBIT	41.0	44.7	54.5	60.9	75.6	91.0

Source: Company/MOSL

Earnings sensitivity

- For every 10mmscmd variation in transmission volumes, GAIL's EPS changes by Rs1.7 (5.5%) for FY12 and Rs2.6 (7%) for FY13.
- Key events to watch for are GAIL's transmission volume increase, led by KG-D6 gas and expanded volumes at Petronet's Dahej terminal.
- We model average transmission volume to increase by 14% CAGR over FY10-14 to 181mmscmd against current volume of 125mmscmd.

Source-wise gas supply assumptions

	FY09	FY10	FY11E	FY12E	FY13E
Existing (ONGC + Ravva)	48	50	50	50	50
PMT	12	16	16	16	16
KG Basin	-	17	28	28	50
RLNG	24	24	25	40	45
Total	84	107	119	134	161

Source: Company/MOSL

Cutting estimates, target price to Rs514, maintain Buy

- We are cutting our FY11/FY12/FY13 EPS by 1%/2%/2% respectively to factor-in an increase in feedstock and fuel costs (due to a hike in APM gas prices to non-priority sectors from US\$4.75/mmbtu to US\$5.2/mmbtu).
- GAIL's earnings are highly sensitive to transmission volumes. There is uncertainty regarding a ramp-up in domestic gas from KG-D6. We do not foresee risk to our FY12 assumptions as GAIL's growth is driven by RLNG. However, our FY13 estimates might be under risk as KG-D6 gas will be the key growth driver in FY13.
- We are rolling over our SOTP based target price to FY13 basis and cutting our target P/E multiple from 14x to 12x due to concerns about FY13 gas volume ramp-up. Thus, our target price is lowered to Rs514 (earlier Rs527).
- Adjusted for investments, the stock trades at 11x FY13E EPS of Rs36.1. Maintain **Buy**.

Reducing target price to Rs514, rolling over target price on FY13 basis (Rs)

Business	Previous	Revised	
Core business	449	433	12x FY13 EPS
E&P	20	20	Four key blocks valued on in-place/contingent resources
Listed investments	53	53	20% discount to CMP/target price
Unlisted investments	8	8	At book value
Target price	530	514	
CGD (additional 25mmscmd)	27	28	
Value with upside potential	557	542	

Source: Company/MOSL

GAIL (India): an investment profile

Company description

GAIL is a major gas transmission, processing, distribution and marketing company in India, with interests in gas distribution, petrochemicals, LPG, and telecom. It owns ~7,000km of pipelines (including LPG transmission pipelines), has 500KTA petchem capacity, 1.3mt LPG/other hydrocarbons capacity and over 13,000km of optical fiber cable network. GAIL is also involved in city gas distribution, E&P and power businesses through its joint ventures.

Key investment arguments

- GAIL is in the middle of a capex cycle. It is executing pipeline projects totaling Rs303b, to be completed by FY13. It is also in the process of doubling its petchem capacity to 800kT by FY13.
- Transmission business growth promise (>60% of its EBIT), though remain strong in the long term, concerns have emerged in the medium term as RIL's KG-D6 ramp-up has been halted. We currently model 14% CAGR volume growth through FY14, however downside risk remains to our FY13 and FY14 estimates.
- GAIL will double its petchem capacity by FY13, however risk remains from the higher supplies from new capacities in Middle East.
- GAIL operates a CGD network in several key cities via 12 JVs and plans to add 130 cities over 6-7years. It has stake in 27 E&P blocks in India and overseas and has encountered hydrocarbon finds in five of its blocks.

Key investments risks

- Lower than expected transmission volumes.
- Pressure on petchem sales volume led by increased imports in India.
- Significant increase in subsidies would impact its LPG business.

Recent developments

- GAIL won rights to set up city gas distribution networks in Meerut, Sonapat, Dewas and Kota.
- Completed petchem expansion to 500KT and will further expand to 800KT by FY13.

Valuation and view

- Adjusted for investments, the stock trades at 11x FY13E EPS of Rs36.1.
- Our SOTP-based price target for GAIL is Rs514/share. Maintain **Buy**.

Sector view

- The gas sector in India is going through a phase of high growth. Significant increase in domestic gas supply has been accompanied by high investment commitment in end use sectors, on going pipeline expansion, new RLNG infrastructure investments.
- In the short term, there are some negative sentiments owing to disappointment and delay in the ramp up domestic gas supplies.
- Policy and regulatory regime is also expected to play a crucial role in the growth of the sector in India.

Target Price and Recommendation

Current Price (Rs)	Target Price (Rs)	Upside (%)	Reco.
478	514	7.5	Buy

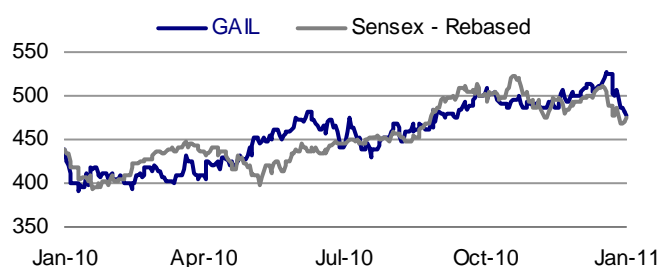
EPS: MOSL forecast v/s consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY11	29.0	29.2	-0.6
FY12	31.5	33.0	-4.4

Shareholding Pattern (%)

	Dec-10	Sep-10	Dec-09
Promoter	64.6	64.6	64.6
Domestic Inst	18.5	19.1	17.9
Foreign	14.0	13.2	14.7
Others	3.0	3.1	2.8

Stock performance (1 year)



Financials and Valuation

INCOME STATEMENT					
(Rs Million)					
Y/E MARCH	2009	2010	2011E	2012E	2013E
Net Sales	237,760	249,337	318,532	340,528	382,245
<i>Change (%)</i>	<i>32.0</i>	<i>4.9</i>	<i>27.8</i>	<i>6.9</i>	<i>12.3</i>
Purchases	150,804	154,300	211,076	216,236	235,081
Raw Materials	21,283	21,993	24,214	25,887	29,058
Change in Stocks	-50	-206	-1,090	0	0
Employee Costs	5,767	6,212	6,398	7,038	7,742
Power & fuel & other exp	19,412	20,346	21,023	26,266	29,069
EBITDA	40,544	46,691	56,911	65,102	81,295
<i>% of Net Sales</i>	<i>17.1</i>	<i>18.7</i>	<i>17.9</i>	<i>19.1</i>	<i>21.3</i>
Depreciation	5,599	5,618	6,495	7,969	9,604
Interest	870	700	1,274	2,526	8,649
Other Income	7,966	5,411	5,397	3,811	3,869
Extraordinary Items (net)					
PBT	42,041	45,784	54,540	58,418	66,912
Tax	14,003	14,386	17,725	18,516	21,123
<i>Rate (%)</i>	<i>33.3</i>	<i>31.4</i>	<i>32.5</i>	<i>31.7</i>	<i>31.6</i>
Adjusted PAT	28,037	31,398	36,816	39,902	45,789
Tax write back					
Reported PAT	28,037	31,398	36,816	39,902	45,789
<i>Change (%)</i>	<i>7.8</i>	<i>12.0</i>	<i>17.3</i>	<i>8.4</i>	<i>14.8</i>

BALANCE SHEET					
(Rs Million)					
Y/E MARCH	2009	2010	2011E	2012E	2013E
Share Capital	12,685	12,685	12,685	12,685	12,685
Reserves	135,012	155,305	178,764	205,310	234,774
Net Worth	147,696	167,990	191,449	217,995	247,459
Loans	12,001	14,804	27,659	112,659	207,659
Deferred Tax	13,259	13,896	17,338	19,675	22,352
Capital Employed	172,957	196,689	236,446	350,328	477,469
Gross Fixed Assets	176,040	210,377	253,520	305,720	368,220
Less: Depreciation	85,537	91,066	97,560	105,529	115,133
Net Fixed Assets	90,503	119,311	155,960	200,190	253,087
Capital WIP	24,263	23,305	49,503	110,132	201,179
Investments	17,373	20,730	20,730	20,730	20,730
Current Assets					
Inventory	6,014	6,317	7,208	7,367	7,750
Debtors	15,033	12,950	15,325	16,810	19,537
Cash & Bank Balance	34,562	41,715	10,069	19,912	8,023
Loans/Adv. & Other Ass	66,756	76,144	75,810	76,091	76,400
Current Liab. & Prov.					
Liabilities	41,779	54,483	68,863	69,711	72,809
Provisions	39,769	49,301	29,295	31,193	36,428
Net Current Assets	40,818	33,343	10,253	19,276	2,474
Application of Fund	172,957	196,689	236,446	350,329	477,469

E: MDSL Estimates

RATIOS					
Y/E MARCH	2009	2010	2011E	2012E	2013E
Basic (Rs)					
EPS	22.1	24.8	29.0	31.5	36.1
Cash EPS	26.5	29.2	34.1	37.7	43.7
Book Value	116.4	132.4	150.9	171.9	195.1
DPS	7.0	7.5	9.0	9.0	11.0
Payout	31.7	30.3	31.0	28.6	30.5
Valuation (x)					
P/E		16.1	13.7	12.6	11.0
Cash P/E		13.6	11.6	10.5	9.1
EV / EBITDA		9.4	8.7	9.0	8.5
EV / Sales		2.0	1.7	1.8	1.9
Price / Book Value		3.0	2.6	2.3	2.0
Dividend Yield (%)		1.6	1.9	1.9	2.3
Profitability Ratios (%)					
RoE	19.0	18.7	19.2	18.3	18.5
RoCE	24.8	23.6	23.6	17.4	15.8
Turnover Ratios					
Debtors (No. of Days)	23	19	18	18	19
Fixed Asset Turnover (x)	1.4	1.3	1.3	1.0	0.8
Leverage Ratio					
Debt / Equity (x)	0.1	0.1	0.1	0.5	0.8

CASH FLOW STATEMENT					
(Rs Million)					
Y/E MARCH	2009	2010	2011E	2012E	2013E
OP/(Loss) before Tax	42,040	45,784	54,540	58,418	66,912
Depreciation	5,599	5,619	6,495	7,969	9,604
Other op items	-1,279	-1,397	0	0	0
Direct Taxes Paid	-15,009	-15,686	-14,282	-16,180	-18,447
(Inc)/Dec in w/kg. Capita	-5,573	12,454	-8,557	820	4,914
CF from Op. Activit	25,779	46,774	38,196	51,028	62,983
(Inc)/Dec in FA & CWIP	-25,301	-35,510	-69,342	-112,828	-153,547
(Pur)/Sale of Investmen	-2,443	-3,358	0	0	0
Inc from Invst	5,223	4,705	0	0	0
CF from Inv. Activit	-22,522	-34,162	-69,342	-112,828	-153,547
Issue of Shares	0	0	0	0	0
Inc / (Dec) in Debt	-1,553	1,962	12,855	85,000	95,000
Dividends Paid	-11,872	-7,420	-13,356	-13,356	-16,325
CF from Fin. Activit	-13,425	-5,459	-502	71,644	78,675
Inc / (Dec) in Cash	-10,168	7,154	-31,647	9,843	-11,888
Add: Opening Balance	44,730	34,562	41,715	10,069	19,912
Closing Balance	34,562	41,715	10,069	19,912	8,023

N O T E S



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Disclosure of Interest Statement

GAIL (India)

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|---|----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
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