

GAIL (Buy, Target Rs.430)

- In spite of a steady decline in gas production from KG D6, GAIL's gas transmission volumes have remained stable since Q4FY10 mainly on account of LNG imports which have increased to meet the fall in domestic gas supplies. GAIL is investing around Rs67bn over the next three years to increase its capacity from 180mmscmd to 300mmscmd. GAIL plans to expand its pipeline network from 9,500kms to 14,000kms with expansions planned in Southern and Eastern India, which are outside of GAIL's current strong areas of Northern and Western India.
- GAIL's gas transmission volume growth has taken a hit on account of declining gas production from KG D6. We estimate GAIL's gas transmission volume for FY13e/FY14e at 116/121mmscmd but expect back ended volume growth post 2015 when the gas supplies increase on account of increasing LNG imports and production from new gas fields. We estimate gas transmission tariff at Rs904/Rs962/tcm for FY13e/FY14e.
- GAIL plans to invest Rs69bn over FY13e-15e in its petchem business. We are positive on GAIL's move to increase its petchem capacity at Pata to 900ktpa by FY15e as it will enable GAIL to capitalize on domestic demand for petrochemicals which we expect to revive in FY14e. The recent decision by the government to cap LPG cylinders per household at 6 bodes well for GAIL as it would lead to a fall in subsidy burden of GAIL. **BUY GAIL trading at 9x expected one year forward earnings with a price target of Rs430.**

BSE / NSE Code	532155 / GAIL
Current Market Price (Rs.)	378
BSE Sensex / CNX Nifty	18410 / 5555
Market Cap (Rs crore)	47,758
52-Week Range (Rs)	445 / 303

Shareholding Pattern

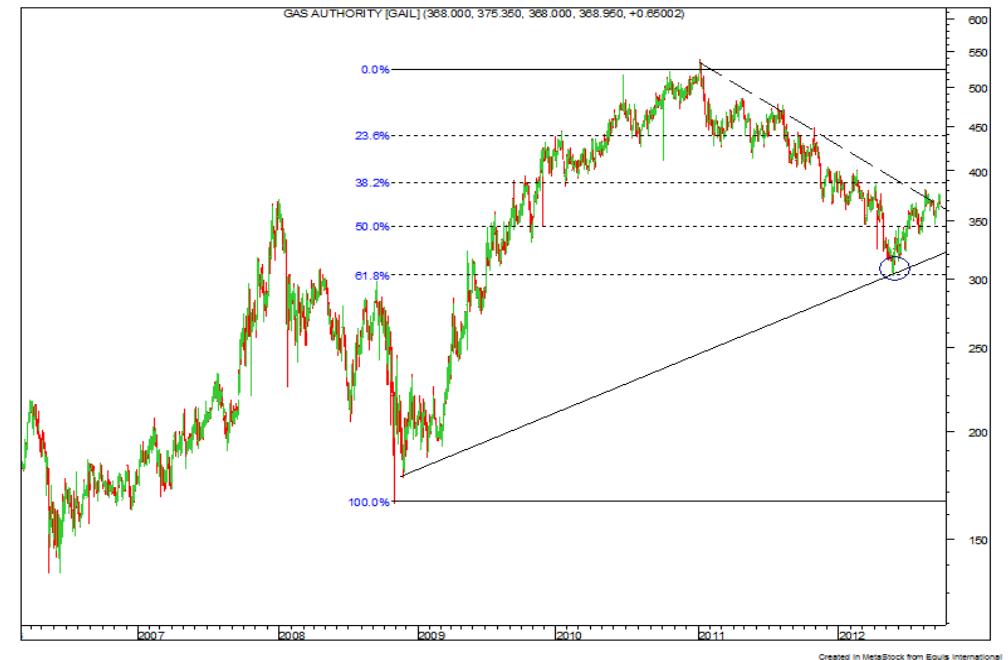
Promoters (%)	57.34
FII Holding (%)	13.63
DII Holding (%)	24.90
Public & Others Holding (%)	4.13

TECHNICAL VIEW

With a multiyear trendline providing support near the levels of 300, the chart looks set for a fresh breakout of its downward sloping trendline.

With the Fibonacci retracement level of 61.8% achieved in this leg of correction from the bottom price of 2009 and highs of 2011, a minor pullback can take it to levels of 390+ and secondary move can guide it towards 440 levels.

On daily charts as well, the stock has taken support around 200 DMA. With the global markets positioned well, and our local indices on the verge of a strong breakout the momentum augurs well for the stock. Long term trendline could act as a continuing support in the event of a pullback in this stock.



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