

**Operator:** Ladies and gentlemen, good day and welcome to the Q3 FY26 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in a listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Probal Sen from ICICI Securities Limited. Thank you and over to you, sir.

**Probal Sen – ICICI Securities:** Thank you, Palak. Welcome everyone to the Q3 FY26 conference call of GAIL India. We have with us members of the senior management headed by Shri Rakesh Kumar Jain, the Director of Finance of the company, and other senior executives in the team. Without further ado, I will hand it over to him for his opening remarks, after which we will have the detailed Q&A.; Over to you, sir.

**Management:** Thank you, Probal, and good morning everyone. A very warm welcome to our Q3 FY26 earnings conference call. I am joined by my senior colleagues from various departments of GAIL India Limited. The quarter under review has been marked by continuous volatility in global energy markets due to uncertain weather conditions and evolving geopolitical dynamics, which has kept the Henry Hub and spot prices on the higher side.

Despite the adversities, GAIL's natural gas transmission volume has shown recovery compared to the previous quarter, marked by elevated consumption by the fertilizer, refining, and CGD sectors. In addition, GAIL has been able to seize the first-mover advantage in the preceding nine months by securing additional tie-ups with CGD customers, which resulted in new tie-ups of approximately 2 MMSCMD. During the calendar year 2025, more than 15,000 capacity transactions were booked through GAIL's open pipeline access portal, which is encouraging for us as we continue to build and invest in the natural gas infrastructure of the country.

Let me begin with business updates for the quarter. As you are aware, the PNGRB has issued an interim revision of natural gas pipeline tariff for GAIL's integrated natural gas pipeline network from Rs.58.61 to Rs.65.69 per MMBTU, effective from January 1, 2026. This represents an increase of approximately 12.1%, leading to a positive impact of approximately 1,200 crores per annum.

GAIL filed a review petition on December 26, 2025, seeking an increase of Rs.15 per MMBTU to the interim revision. We submitted approximately Rs.78 but received Rs.65.69. Effectively, there was an approximate Rs.12 reduction, but when we filed the review petition, it became Rs.15 in principle because the tariff is worked out on a discounted cash flow methodology. Any delay in tariff approvals also results in an increased tariff ability for GAIL. The petition asks for truing up factors like Opex, Capex, transmission loss, and revenue sharing in terms of regulatory provisions which were not considered in this interim tariff order.

Effective from October 1, 2025, GAIL has implemented state-wise CGD procurement of domestic gas from GAIL Gujarat to enhance tax efficiency for CGD customers. GAIL is continuously looking for tax optimization for various customers so we can provide competitive prices. GAIL has been offered to set up two fertilizer plants along the MNJPL corridor. Apart from entering the fertilizer sector, these plants will act as an anchor load for MNJPL. The investment for these two plants is

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21,000 crores. The proposal has in-principle board approval and is currently under evaluation.

GAIL Global (India) Private Limited, GAIL's wholly-owned subsidiary, successfully commenced operations within its first year by extending an intercorporate loan of 290 crores to Bengal Gas Company Limited. GAIL sees renewable energy as a strategic growth opportunity and is expanding its existing green energy portfolio from 145 MW, which includes 118 MW of wind and 27 MW of solar.

Several large projects are in various stages of development, including a 170 MW wind project in Maharashtra, solar projects of 100 MW and 600 MW in Uttar Pradesh, and approximately 30–35 MW captive solar plants across various GAIL locations. Compressed biogas (CBG) remains a strategic pillar. Following the successful commissioning of a 5-ton-per-day CBG plant at Ranchi, the board approved investment for six additional CBG plants. These are part of our commitment to establish 25–30 CBG plants across India.

GAIL's retail LNG business is progressing with a plan for 39 LNG stations. Five locations are currently under development. Further, GAIL's CGD entities have commissioned 13 LNG or LCNG stations, taking early steps toward a cleaner long-haul transportation ecosystem.

The company has declared an interim dividend of 50% on face value for FY26, which is Rs.5 per share. GAIL's results for the quarter ended December 31, 2025, were declared last Saturday. Turnover stood at 34,030 crores in Q3 FY26 as against 34,972 crores in Q2 FY26. Profit before tax (PBT) in Q3 FY26 stood at 2,030 crores compared to 2,823 crores in Q2 FY26. Profit after tax (PAT) for the quarter was 1,603 crores as against 2,217 crores in Q2 FY26.

On a year-over-year basis, turnover was 34,030 crores against 34,907 crores in Q3 FY25. PBT stood at 2,030 crores against 5,029 crores, and PAT was 1,603 crores compared to 3,867 crores. This decline is mainly due to exceptional income of 2,440 crores reported in Q3 FY25 on account of an arbitration settlement with some CGD entities.

Regarding physical performance, gas marketing volume stood at 103.98 MMSCMD compared to 105.49 MMSCMD in Q2 FY26. Natural gas transmission volume improved to 125.45 MMSCMD in Q3 FY26 from 123.59 MMSCMD in Q2 FY26. Average capacity utilization was 66%. Polymer production was flat at 219 TMT compared to 220 TMT in the previous quarter. LPG production was 199 TMT against 221 TMT. LPG transmission was 1,188 TMT against 1,167 TMT, with capacity utilization at 103%.

Consolidated turnover in Q3 FY26 was 35,253 crores compared to 35,594 crores in Q2 FY26. Consolidated PBT was 2,165 crores against 2,565 crores, and consolidated PAT was 1,756 crores versus 1,972 crores in Q2 FY26. GAIL directly manages 6 CGD networks with 250 CNG stations and 4.64 lakh PNG connections. This quarter, 2 new CNG stations and 16,990 PNG connections were added. In the next 2 years, we target 85 new CNG stations and 1.5 lakh PNG connections.

For GAIL Gas Limited, turnover was 3,292 crores against 3,235 crores in Q2 FY26. PBT was 143 crores against 148 crores, with the decrease due to higher input gas costs and exchange rate fluctuations. Physical volume was 7.8 MMSCMD.

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As of December 2025, GAIL's operational natural gas pipeline length crossed 15,000 kilometers. Calendar year 2026 will be important for commissioning projects like Mumbai-Nagpur-Jharsuguda, Jagdishpur-Haldia, KKMBPL Phase 2, and the Gurdaspur-Jammu pipeline. GAIL is also actively considering bidding for new petroleum product pipelines, largely LPG.

**Management:** Regarding petrochemicals, this calendar year is crucial. Major projects such as the 1,250 KTA PTA plant at GMPL Mangalore and the 500 KTA PP plant at Usar should be commissioned. A 60 KTA PP plant is in an advanced stage and may be commissioned within a day.

CapEx for Q3 FY26 was 2,186 crores, with 804 crores for pipelines, 455 crores for operational CapEx, and 620 crores for other areas including CGD and renewables.

Looking at segment outlooks, PBT from gas marketing was 779 crores for the quarter and 3,000 crores for the nine-month period. We expect to achieve marketing margins at the level of 7 for FY26. In gas transmission, volumes improved to 125.45 MMSCMD. December 2025 volume reached 128.65 MMSCMD, signifying a return to normal levels. We are hopeful of achieving our transmission guidance of 124-125 MMSCMD for FY26.

Polymer production had a loss of 483 crores in Q3 FY26 due to higher input costs, depreciation, and lower prices. Performance may improve next year with softening gas prices and cost optimization. LPG segment PBT was 49 crores, hit by lower prices and reduced domestic gas allocation. We are engaging with the ministry for more allocation.

Under Project TA, phase one is complete with 30 use cases expected to provide benefits of more than 600 crores on a net present value basis over five years, after a CapEx of 446 crores. Management is now available to address your queries.

**Operator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Vivek Anand from Ambit. Please go ahead.

**Vivek Anand - Ambit:** Thank you for the opportunity. On the transmission business, how do you see the volume ramp-up for FY27 and FY28? Also, how do global gas supply dynamics impact your assumptions for gas demand?

**Management:** We are expecting 134-135 MMSCMD in FY27. We will end FY26 around 124-125 MMSCMD. We expect a 10 million increase, with 4 million from natural CGD growth, 2 million from the return of power sector volumes, and 3 million from refineries. Global gas supply is becoming abundantly available in the coming years as new capacities come on stream. Prices are expected to soften, which should boost domestic gas consumption.

**Vivek Anand - Ambit:** Are the new gas contracts you are signing primarily Brent-linked or a mix of baskets?

**Management:** We prioritize the cheapest available volume. Currently, Brent-linked contracts are more competitive than Henry Hub-linked ones. As a portfolio player, we want a mix of both, but we are looking at Brent-linked contracts for immediate needs.

**Vivek Anand – Ambit:** Your current long-term sourcing portfolio is around 17 million metric tons. Where do you want to take this in the next couple of years?

**Management:** By 2030, we want to increase our portfolio by at least 6–7 MMTPA from the current level, reaching at least 22–23 MMTPA.

**Operator:** Thank you. The next question is from Puneet from HSBC. Please go ahead.

**Puneet – HSBC:** When will you start contracting that additional 6–7 MMTPA?

**Management:** We are going progressively and are already in the market for at least 12 cargoes. We do not intend to contract everything in one go.

**Puneet – HSBC:** On the tariff review, you mentioned January 1, 2026. Do you see a scenario where the next review happens earlier than April 1, 2028?

**Management:** The tariff was revised in April 2023 with some moderation. We filed a review for a tariff of Rs.78 but received Rs.65.69. We have filed an appeal for the remaining Rs.15 based on parameters like higher volume and transmission losses that were not fully considered. If this is considered in 2028, that Rs.15 could become Rs.17.

**Operator:** The next question is from Sumaya from Adventures Park. Please go ahead.

**Sumaya – Adventures Park:** Regarding the 21,000 crore fertilizer project, what is the timeline and the expected project IRR?

**Management:** We expect a timeline of 3 years from the date of Board approval. The project offers an assured return of 12% IRR, subject to government policy and subsidies.

**Sumaya – Adventures Park:** What is the marketing margin outlook for FY26 and FY27? Also, why have overseas sales increased to 11 MMSCMD?

**Management:** We maintain a guidance of 4,000–4,500 crores in marketing margins for FY26. We expect a similar run rate for FY27. Regarding overseas sales, we have moved from distress sales to swap sales, which increased our overseas supply volume.

**Operator:** The next question is from Amit from Axis Capital. Please go ahead.

**Amit – Axis Capital:** What were the Petrochem input gas costs in Q3 and Q2?

**Management:** In Q3, it was 11.2 dollars per MMBTU, compared to 10.49 dollars in Q2. Last year it was 9.45 dollars.

**Amit – Axis Capital:** Will you continue to run the Pata plant at 100% utilization despite high Henry Hub prices in January?

**Management:** February and March prices have softened. January was a challenge, but polymer prices have also increased recently. Stopping the plant for a month hurts energy efficiency and customer sentiment, so we do not plan a shutdown. We are also working on a C2–C3 pipeline from

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Vijaypur to Pata and exploring dedicated ethane sourcing to improve profitability.

**Operator:** The next question is from Varun Raje from Antique Limited. Please go ahead.

**Varun Raje – Antique Limited:** Has the Henry Hub price movement impacted the trading side?

**Management:** We have 21 MMSCMD from the US, with 3 MMSCMD kept open. Some customer behavior changes when indices fluctuate, but we maintain our 4,000 crore marketing margin guidance by factoring in these variables.

**Varun Raje – Antique Limited:** Is there any CapEx cost escalation in your ongoing projects?

**Management:** Most current projects are near completion, and their costs are largely finalized. We do not expect significant cost escalations.

**Operator:** The next question is from Sabri Hazarika from MK Global. Please go ahead.

**Sabri Hazarika – MK Global:** You mentioned the January Henry Hub price settled at 7.46 for February supplies. How does the 4,000 crore PBT guidance hold?

**Management:** We are using optimization measures, like marketing cargoes to Europe instead of bringing them to India when prices are high. While the input cost has increased, we believe we can maintain the 4,000 crore guidance. For the first half of the year, the marketing PBT was 2,231 crores.

**Operator:** The next question is from Pratyush from InCred Equity. Please go ahead.

**Pratyush – InCred Equity:** Could you provide a breakdown of your 16.53 MMTA sourcing contracts?

**Management:** We have 5.8 million tons from the US and 0.75 from the Middle East on Henry Hub. We have 4.5 million tons from RasGas on crude linked, 3 million tons from Trafigura, 0.42 from PLN, 1 million from Vitol, and 0.53 from ADNOC—all crude linked.

**Pratyush – InCred Equity:** What are the typical marketing margins for these contracts?

**Management:** Except for about 0.8–0.9 MMTA, most volumes are marketed back-to-back or via swaps. Margins vary from roughly 10 cents to a dollar depending on the contract and customer. Domestic APM gas has a margin of 200 per 1,000 SCF, while non-APM gas has margins similar to R-LNG.

**Operator:** The next question is from Nitin Tiwari from PhillipCapital. Please go ahead.

**Nitin Tiwari – PhillipCapital India Limited:** What is the volume guidance for marketing in FY27?

**Management:** We expect a 5–6% increase, reaching approximately 109–110 MMSCMD next year.

**Nitin Tiwari – PhillipCapital India Limited:** If volumes are increasing but the PBT guidance remains 4,000 crores, are you expecting margin contraction?

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**Management:** We provide conservative guidance that remains achievable even in difficult scenarios. We would rather provide a certain number than over-promise.

**Operator:** The next question is from Vineet from Nomura. Please go ahead.

**Vineet – Nomura:** What is the plan for sourcing ethane for the cracker, and which terminal will you use?

**Management:** We are looking at Hazira, Dahej, and Dahej. Since we own the Dahej terminal, we prefer to utilize it for ethane imports, subject to viability.

**Vineet – Nomura:** Why has staff cost decreased significantly in Q3?

**Management:** Last year, we provided for a 100% performance-related payment (PRP). This year, as we do not expect incremental profits, the PRP provision has been reduced.

**Operator:** The next question is from Mayank Maheshwari from Morgan Stanley. Please go ahead.

**Mayank Maheshwari – Morgan Stanley:** What is the CapEx guidance for FY27?

**Management:** We expect to incur 9,000–10,000 crores in FY27. This includes pipelines like Vijaypur–Auraiya, Gurdaspur–Jammu, and doubling the capacity of the Jamnagar–Loni pipeline. We also have about 2,000–3,000 crores planned for renewable energy projects.

**Operator:** The next question is from Saurabh from Citi Group. Please go ahead.

**Saurabh – Citi Group:** Is the 12% realized benefit from the tariff hike still the right number?

**Management:** Yes, we maintain an average number of 12% as zonal distributions are subject to various operational factors.

**Saurabh – Citi Group:** How much will you capitalize this year and next?

**Management:** We will capitalize around 5,200 crores in the current quarter. For FY27, including pipelines like Gurdaspur–Jammu and Mumbai–Nagpur, it will be around 2,500–3,000 crores.

**Operator:** The next question is from Vikas Jain from CLSA. Please go ahead.

**Vikas Jain – CLSA:** Regarding staff costs, what is the expected annual run rate for FY27?

**Management:** Vikas, it is quite simple. Our pay package includes a performance-related payment linked to incremental profit. Compared to last year, we are not expecting incremental profit this year, so that incentive has decreased. For next year, you can consider the staff cost at the level of the previous year plus an additional 100 crores if we hit incremental profit targets.

**Vikas Jain – CLSA:** Does the PNGRB have a timeline to respond to your tariff review petition?

**Management:** There is no fixed timeline for the regulator. We have filed the petition and will follow up, but the timing remains with them.

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**Operator:** Thank you. That was the last question. I hand the conference back to management for closing comments.

**Management:** Thank you to all the participants. We appreciate your participation and will address any remaining questions offline. We look forward to interacting with you regularly. Thank you very much.

**Operator:** Thank you, sir. That concludes this conference call. You may now disconnect your lines.

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