

Mahanagar Gas

Estimate change



TP change



Rating change


CMP: INR1,056
TP: INR1,285 (+22%)
Buy

Record margins drive beat

- Mahanagar Gas (MAHGL) reported higher-than-estimated EBITDA of INR5.2b (est. INR4.2b), led by an all-time high EBITDA/scm of INR16.8 (est. INR13). Volumes were 5% below our est. at 3.4mmscmd in 1QFY24.
- The management expects volume growth over the next couple of quarters to be driven by the addition of 500-600 CNG busses to MSRTC's fleet vs. ~120 currently. MAHGL has recently commissioned an online CNG filling facility for MSRTC's Vithalwadi depot and will set up CNG infrastructure in six more depots. The average consumption of MSRTC busses is ~80kg/day.
- The conversion for commercial vehicles declined to 1,200 in 1QFY24 from 1,300 last quarter. The company is looking to target commercial customers by incentivizing aggregators and fleet owners to use CNG. The company may also consider giving discounts to high-volume customers.
- Given strong margins in 1QFY24, we raise our EBITDA/scm assumption to INR12 for FY24 from INR10 previously. Subsequently, we increase our EBITDA/PAT assumption by 17%/21% for FY24 while keeping it broadly unchanged for FY25.
- The stock trades at 10.2x FY24E EPS of INR104.1. We value it at 16x FY25E EPS to arrive at a TP of INR1,285. **Maintain BUY on MAHGL.**

Volumes lower than estimate; beat on margin

- Total volumes were 5% below our est. at 3.4mmscmd (-1% YoY).
- CNG volumes were at 2.5mmscmd (5% below est., -2% YoY) in 1QFY24.
- PNG total volumes stood at 0.9mmscmd (4% below est., +2% YoY).
- EBITDA/scm was above our estimate at INR16.8 (vs. our est. of INR13.0) due to lower-than-estimated gas cost during the quarter.
- Thus, EBITDA at INR5.2b beat our estimate of INR4.2b (+83% YoY).
- PAT stood at INR3.7b (est. of INR2.8b, +99% YoY) in 1QFY24.

Valuation and view

- MAHGL connected 41,580 households, and added 76 PNG-I/C customers during the quarter. For Raigad GA, 69,106 households were connected and 6.5kms of pipeline was constructed.
- The company has set up an SPV with Baidyanath LNG to install 5-6 LNG stations over the next 12-18 months. The company has also signed MOU with BMC for setting up a compressed biogas plant having capacity of 1000mt/d.
- The stock trades at 10.2x FY24E EPS of INR104.1. We value it at 16x FY25E EPS to arrive at a TP of INR1,285. **We maintain our BUY rating on MAHGL owing to its relatively cheaper valuations.**



Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USDb)	104.3 / 1.3
52-Week Range (INR)	1145 / 772
1, 6, 12 Rel. Per (%)	-2/15/23
12M Avg Val (INR M)	524

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	63.0	60.9	54.1
EBITDA	11.8	15.4	12.7
Adj. PAT	7.9	10.3	7.9
Adj. EPS (INR)	80.0	104.1	80.3
EPS Gr. (%)	32.3	30.1	-22.8
BV/Sh.(INR)	418.5	481.0	529.2

Ratios

Net D:E	-0.1	-0.1	-0.1
RoE (%)	20.4	23.1	15.9
RoCE (%)	20.5	23.2	16.0
Payout (%)	32.5	40.0	40.0

Valuation

P/E (x)	13.2	10.2	13.2
P/BV (x)	2.5	2.2	2.0
EV/EBITDA (x)	8.6	6.5	7.9
Div. Yield (%)	2.5	3.9	3.0
FCF Yield (%)	2.5	5.2	2.9

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	32.5	32.5	32.5
DII	25.2	24.9	26.1
FII	32.4	31.0	25.8
Others	10.0	11.6	15.6

FII Includes depository receipts

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Standalone - Quarterly Earning Model

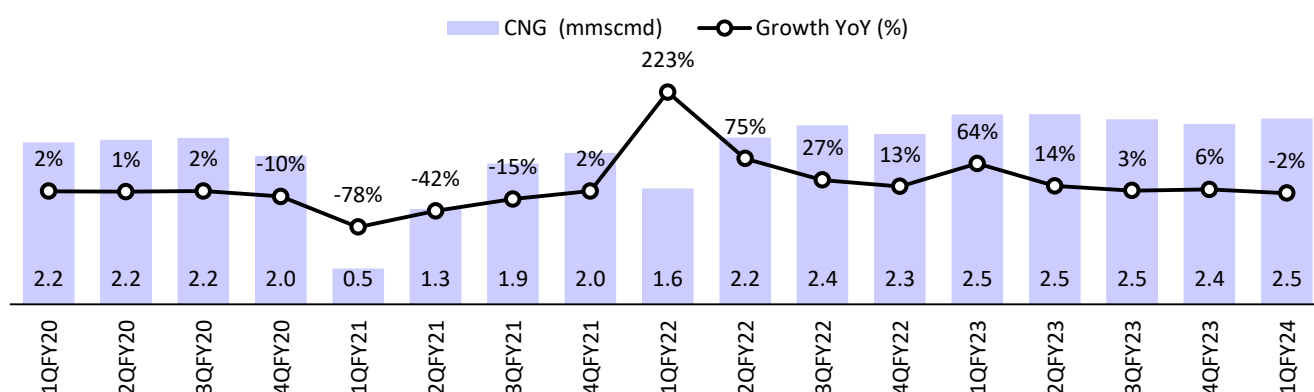
(INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	14,548	15,627	16,714	16,105	15,378	16,203	15,766	13,573	62,993	60,920	15,575	-1
YoY Change (%)	136.4	88.2	62.6	48.2	5.7	3.7	-5.7	-15.7	76.9	-3.3	7.1	
EBITDA	2,856	2,528	2,561	3,897	5,213	3,642	3,498	3,087	11,842	15,440	4,238	23
EBITDA/SCM	9.1	7.9	8.2	12.8	16.8	10.9	10.5	10.0	9.5	12.0	13.0	29
Margins (%)	19.6	16.2	15.3	24.2	33.9	22.5	22.2	22.7	18.8	25.3	27.2	
Depreciation	537	551	585	638	620	644	645	668	2,311	2,578	641	
Interest	23	25	24	22	25	29	30	31	94	114	28	
Other Income	200	260	323	336	390	200	198	201	1,119	988	199	
PBT	2,496	2,213	2,274	3,573	4,957	3,169	3,021	2,589	10,555	13,736	3,768	32
Tax	644	573	553	885	1,273	798	760	627	2,655	3,457	948	
Rate (%)	25.8	25.9	24.3	24.8	25.7	25.2	25.2	24.2	25.2	25.2	25.2	
Reported PAT	1,852	1,640	1,721	2,688	3,684	2,371	2,260	1,962	7,901	10,278	2,819	31
YoY Change (%)	-9.3	-19.7	203.0	104.0	98.9	44.6	31.4	-27.0	32.3	30.1	52.2	
Margins (%)	12.7	10.5	10.3	16.7	24.0	14.6	14.3	14.5	12.5	16.9	18.1	
Sales Volumes (mmscmd)												
CNG	2.5	2.5	2.5	2.4	2.5	2.7	2.6	2.4	2.5	2.6	2.6	-5
PNG - Domestic	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	-1
PNG - Industrial/ Commercial	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.5	-6
PNG - Total	0.9	0.9	0.9	1.0	0.9	1.0	1.0	1.0	0.9	1.0	1.0	-4
Total Volumes	3.4	3.5	3.4	3.4	3.4	3.6	3.6	3.4	3.4	3.5	3.6	-5

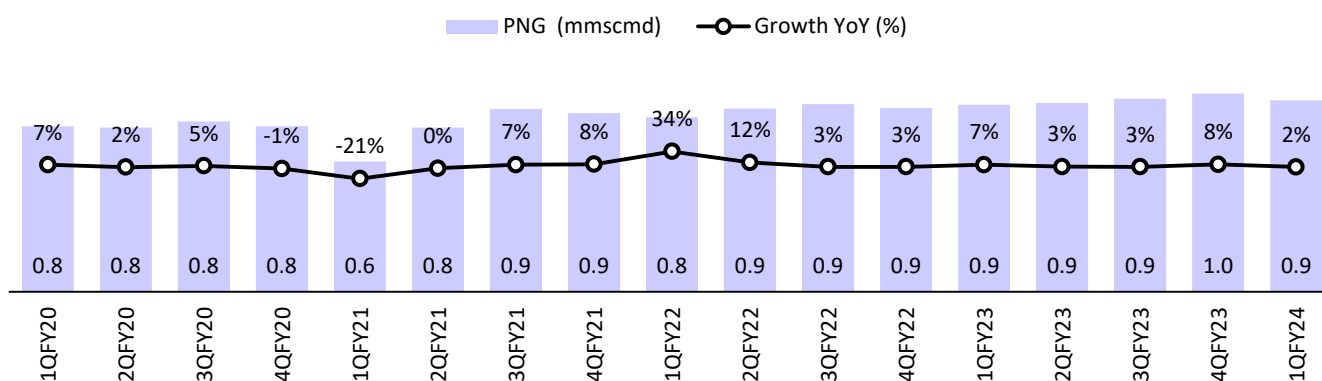
Operational Highlights

Operational Highlights	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	QoQ (%)
CNG (mmscmd)	1.6	2.2	2.4	2.3	2.5	2.5	2.5	2.4	2.5	3%
Growth YoY (%)	223%	75%	27%	13%	64%	14%	3%	6%	-2%	
PNG (mmscmd)	0.8	0.9	0.9	0.9	0.9	0.9	0.9	1.0	0.9	-3%
Growth YoY (%)	34%	12%	3%	3%	7%	3%	3%	8%	2%	
Total Volumes (mmscmd)	2.4	3.1	3.3	3.2	3.4	3.5	3.4	3.4	3.4	1%
Growth YoY (%)	115%	51%	19%	10%	44%	11%	3%	6%	-1%	
EBITDA/SCM (INR)	13.9	10.5	3.4	7.6	9.1	7.9	8.2	12.8	16.8	31%

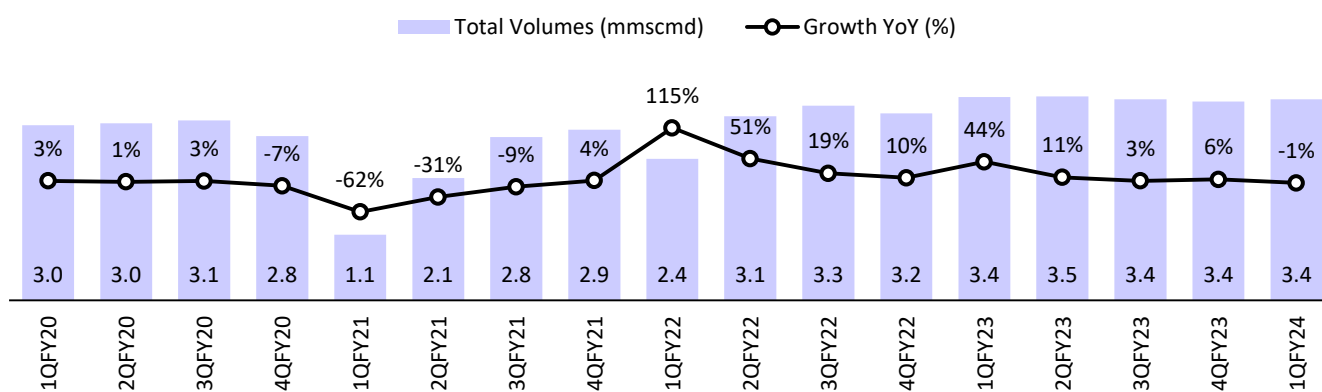
Exhibit 1: CNG volumes up 3% QoQ (-2% YoY) to 2.48mmscmd



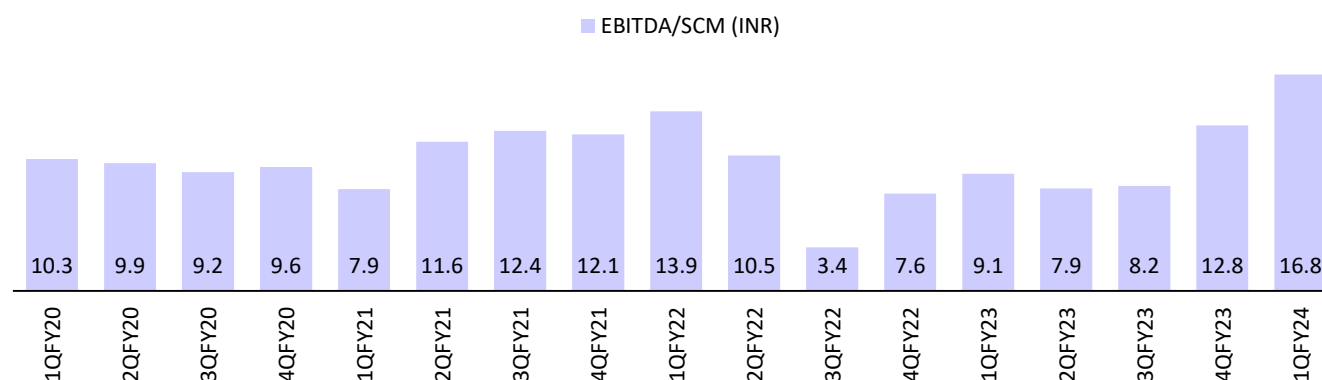
Source: Company, MOFSL

Exhibit 2: PNG volumes down 3% QoQ (up 2% YoY) to 0.93mmscmd

Source: Company, MOFSL

Exhibit 3: Total volumes up 1% QoQ (down 1% YoY) to 3.41mmscmd

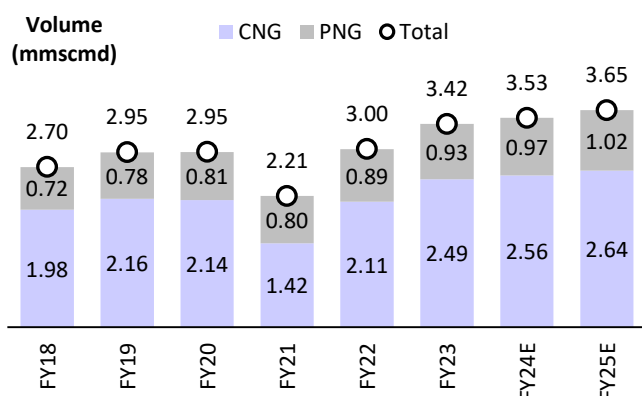
Source: Company, MOFSL

Exhibit 4: EBITDA/scm at INR16.8 (up 84% YoY and 31% QoQ)

Source: Company, MOFSL

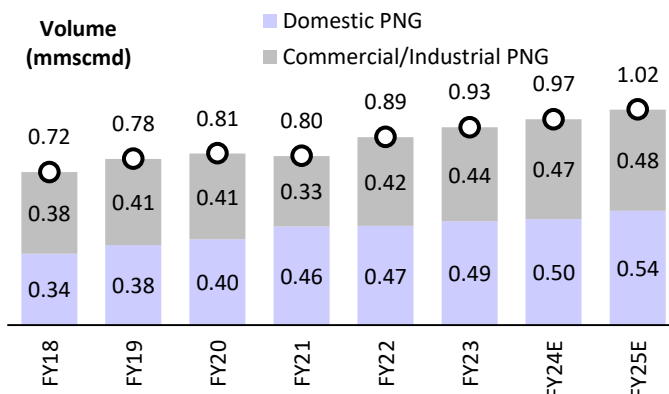
Story in charts

Exhibit 5: Volume growth snapshot



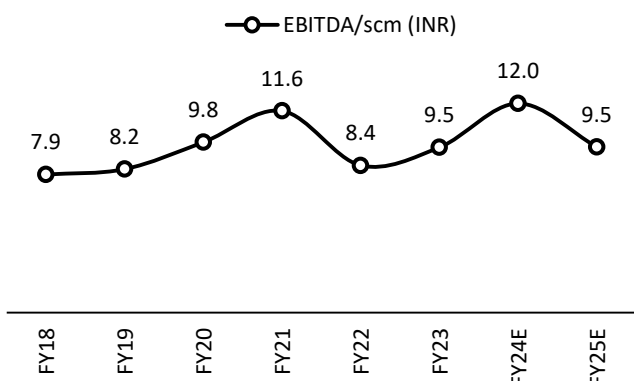
Source: Company, MOFSL

Exhibit 6: PNG segment-wise volumes



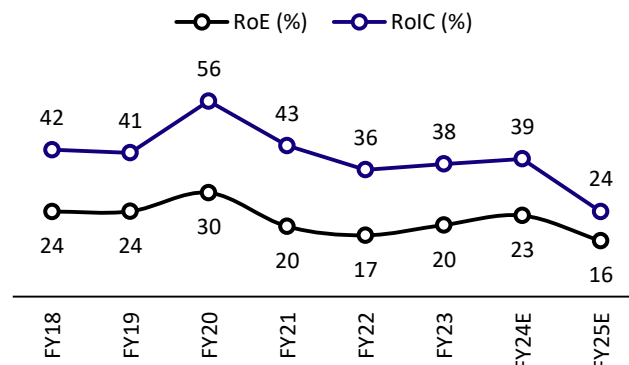
Source: Company, MOFSL

Exhibit 7: EBITDA/scm snapshot



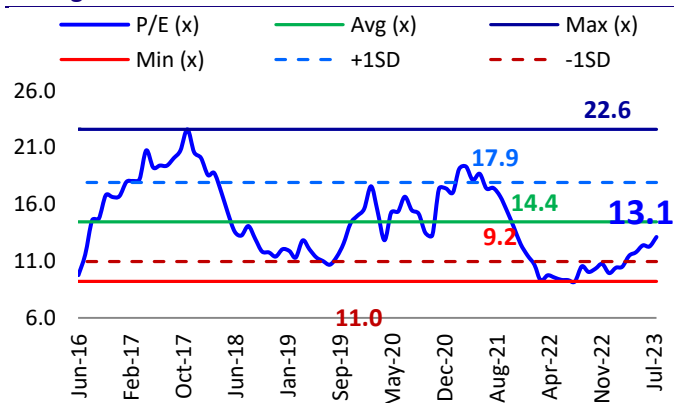
Source: Company, MOFSL

Exhibit 8: RoE to hover below 20% over FY24-25E



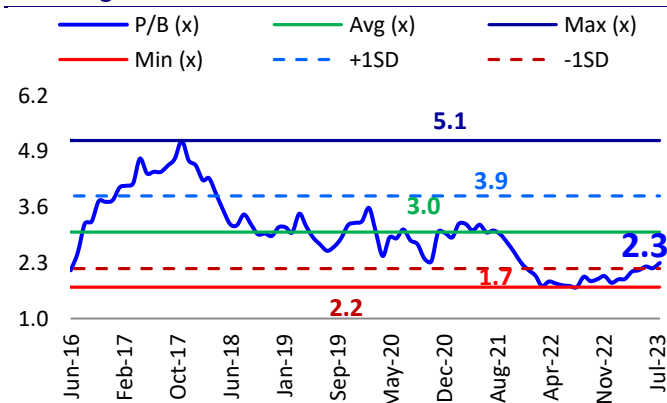
Source: Company, MOFSL

Exhibit 9: 1-year fwd. P/E trades at 9% discount to LT average of 14.4x...



Source: Company, MOFSL

Exhibit 10: ...and 1-year fwd. P/B trades at ~23% discount to LT average of 3x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	22,330	27,911	29,721	21,525	35,602	62,993	60,920	54,112
Change (%)	9.8	25.0	6.5	-27.6	65.4	76.9	-3.3	-11.2
EBITDA	7,806	8,855	10,528	9,340	9,243	11,842	15,440	12,672
Margin (%)	35.0	31.7	35.4	43.4	26.0	18.8	25.3	23.4
Depreciation	1,112	1,259	1,617	1,737	1,963	2,311	2,578	2,906
EBIT	6,694	7,595	8,911	7,603	7,281	9,531	12,862	9,766
Int. and Finance Charges	3	3	65	72	75	94	114	93
Other Income	574	777	990	805	857	1,119	988	931
PBT bef. EO Exp.	7,265	8,369	9,835	8,336	8,063	10,555	13,736	10,604
PBT after EO Exp.	7,265	8,369	9,835	8,336	8,063	10,555	13,736	10,604
Total Tax	2,487	2,905	1,900	2,140	2,093	2,655	3,457	2,669
Tax Rate (%)	34.2	34.7	19.3	25.7	26.0	25.2	25.2	25.2
Reported PAT	4,779	5,464	7,935	6,196	5,970	7,901	10,278	7,935
Adjusted PAT	4,779	5,464	7,935	6,196	5,970	7,901	10,278	7,935
Change (%)	21.5	14.3	45.2	-21.9	-3.6	32.3	30.1	-22.8
Margin (%)	21.4	19.6	26.7	28.8	16.8	12.5	16.9	14.7

Standalone - Balance Sheet							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	988	988	988	988	988	988	988	988
Total Reserves	19,966	23,001	28,539	31,336	34,985	40,354	46,521	51,282
Net Worth	20,954	23,989	29,527	32,324	35,973	41,342	47,509	52,270
Total Loans	12	0	176	168	206	208	208	208
Deferred Tax Liabilities	1,748	2,048	1,607	1,773	2,008	2,086	2,086	2,086
Capital Employed	22,714	26,037	31,310	34,264	38,187	43,636	49,803	54,564
Gross Block	18,159	21,732	25,024	27,918	34,048	40,096	48,788	55,365
Less: Accum. Deprn.	2,839	4,098	5,716	7,452	9,415	11,727	14,304	17,210
Net Fixed Assets	15,320	17,634	19,309	20,466	24,633	28,369	34,484	38,155
Capital WIP	3,566	3,697	4,865	5,603	6,159	7,086	4,441	3,912
Total Investments	6,877	6,540	11,215	10,250	10,883	13,098	13,098	13,098
Rights to use assets	0	0	1,183	1,228	1,504	1,888	1,888	1,888
Curr. Assets, Loans&Adv.	4,340	6,539	4,708	8,465	9,158	9,882	11,779	11,689
Inventory	240	191	186	222	275	338	301	274
Account Receivables	914	996	685	1,275	1,840	2,940	2,844	2,526
Cash and Bank Balance	919	2,988	2,295	5,119	4,652	2,279	4,452	5,174
Cash	150	265	154	282	825	1,179	3,353	4,074
Bank Balance	769	2,723	2,141	4,837	3,827	1,100	1,100	1,100
Loans and Advances	2,268	2,364	1,543	1,850	2,391	4,324	4,182	3,715
Curr. Liability & Prov.	7,389	8,373	9,971	11,747	14,151	16,687	15,887	14,177
Account Payables	1,100	1,524	1,318	1,559	2,719	3,222	2,865	2,610
Other Current Liabilities	6,089	6,637	8,390	9,839	11,076	12,967	12,541	11,139
Provisions	199	212	263	350	356	498	481	428
Net Current Assets	-3,049	-1,834	-5,263	-3,282	-4,993	-6,806	-4,108	-2,489
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	22,714	26,037	31,310	34,264	38,187	43,636	49,803	54,564

Financials and valuations

Ratios	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	48.4	55.3	80.3	62.7	60.4	80.0	104.1	80.3
Cash EPS	59.6	68.1	96.7	80.3	80.3	103.4	130.1	109.7
BV/Share	212.1	242.8	298.9	327.2	364.2	418.5	481.0	529.2
DPS	21.5	20.0	35.0	23.0	23.0	26.0	41.6	32.1
Payout (%)	53.5	43.5	52.4	36.7	38.1	32.5	40.0	40.0
Valuation (x)								
P/E	21.9	19.1	13.2	16.9	17.5	13.2	10.2	13.2
Cash P/E	17.7	15.5	10.9	13.2	13.2	10.2	8.1	9.6
P/BV	5.0	4.4	3.5	3.2	2.9	2.5	2.2	2.0
EV/Sales	4.6	3.6	3.4	4.6	2.8	1.6	1.6	1.8
EV/EBITDA	13.3	11.5	9.7	10.7	10.8	8.6	6.5	7.9
Dividend Yield (%)	2.0	1.9	3.3	2.2	2.2	2.5	3.9	3.0
FCF per share	38.8	32.6	56.6	47.2	26.0	26.0	54.8	31.0
Return Ratios (%)								
RoE	24.3	24.3	29.7	20.0	17.5	20.4	23.1	15.9
RoCE	24.3	24.3	29.8	20.1	17.5	20.5	23.2	16.0
RoIC	41.9	41.0	55.8	43.1	36.2	37.9	39.3	24.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.2	1.3	1.2	0.8	1.0	1.6	1.2	1.0
Asset Turnover (x)	1.0	1.1	0.9	0.6	0.9	1.4	1.2	1.0
Inventory (Days)	4	3	2	4	3	2	2	2
Debtor (Days)	15	13	8	22	19	17	17	17
Creditor (Days)	18	20	16	26	28	19	17	18
Leverage Ratio (x)								
Current Ratio	0.6	0.8	0.5	0.7	0.6	0.6	0.7	0.8
Net Debt/Equity	0.0	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1

Standalone - Cash Flow Statement	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	7,265	8,369	9,835	8,336	8,063	10,555	13,736	10,604
Depreciation	1,112	1,259	1,617	1,737	1,963	2,311	2,578	2,906
Direct Taxes Paid	-2,284	-2,709	-2,380	-2,065	-2,122	-2,638	-3,457	-2,669
(Inc)/Dec in WC	822	366	1,369	602	1,640	134	-524	-898
Others	-395	-443	-655	-627	-583	-764	-988	-931
CF from Operations	6,521	6,846	9,852	8,055	9,037	9,693	11,459	9,105
(Inc)/Dec in FA	-2,692	-3,625	-4,258	-3,395	-6,473	-7,127	-6,048	-6,048
Free Cash Flow	3,829	3,221	5,594	4,660	2,563	2,566	5,411	3,058
(Pur)/Sale of Investments	-2,042	474	-4,316	1,287	-357	-1,748	0	0
Others	547	-1,234	1,026	-2,331	1,440	2,384	988	931
CF from Investments	-4,187	-4,385	-7,548	-4,439	-5,390	-6,491	-5,060	-5,116
Dividend Paid	-2,236	-2,330	-2,183	-3,221	-2,810	-2,518	-4,111	-3,174
CF from Fin. Activity	-2,258	-2,346	-2,416	-3,488	-3,103	-2,848	-4,226	-3,268
Inc/Dec of Cash	76	115	-112	128	543	354	2,173	722
Opening Balance	74	150	265	154	282	825	1,179	3,353
Closing Balance	150	265	154	282	825	1,179	3,353	4,074

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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