

Mahanagar Gas

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,410 TP: INR1,760 (+25%) Buy

Adj. EBITDA margin disappoints

- Mahanagar Gas (MAHGL)'s adj. EBITDA margin was below our est. at INR8.35/scm (est. INR10/scm; reported EBITDA: INR10/scm). CNG volumes came in slightly below our est. at 2.9mmscmd (est. 3mmscmd). While MAHGL's realization spiked ~INR3/scm QoQ, primarily on account of an INR633.5m provision reversal, gas costs/opex rose 0.3/ 1 per scm QoQ. This led to ~INR1.7/scm QoQ improvement in EBITDA/scm margin.
- We believe MAHGL's current EBITDA margin should improve, and the following factors should drive margin expansion: 1) the recent CNG price hike of INR1.5/kg and D-PNG price hike of INR1/scm on 8th Apr'25 will support margins; and 2) raw material costs have declined in 1QFY26'td. Lower crude oil and Henry Hub index prices, coupled with INR appreciation QoQ, should reduce gas costs going forward.
- We model MAHGL's volumes to clock a 10% CAGR over FY25-27 and estimate an EBITDA margin of INR10/scm during the period. MAHGL currently trades at 12.6x FY26E SA P/E, while its one-year forward LTA is 13.6x P/E. Reiterate BUY.

Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USDb)	139.3 / 1.6
52-Week Range (INR)	1989 / 1075
1, 6, 12 Rel. Per (%)	-2/-3/-4
12M Avg Val (INR M)	1094

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	69.2	74.6	81.6
EBITDA	15.1	16.3	17.8
Adj. PAT	10.4	11.0	12.0
Adj. EPS (INR)	105.8	111.5	121.0
EPS Gr. (%)	-18.9	5.4	8.5
BV/Sh.(INR)	596.2	663.1	735.7

Ratios

Net D:E	0.0	0.0	0.0
RoE (%)	18.9	17.7	17.3
RoCE (%)	19.0	17.8	17.4
Payout (%)	28.4	40.0	40.0

Valuation

P/E (x)	13.3	12.6	11.7
P/BV (x)	2.4	2.1	1.9
EV/EBITDA (x)	9.0	8.4	7.7
Div. Yield (%)	2.1	3.2	3.4
FCF Yield (%)	2.1	1.7	2.4

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	32.5	32.5	32.5
DII	33.8	31.1	27.4
FII	23.8	25.8	30.6
Others	9.9	10.6	9.6

FII includes depository receipts

Robust volume growth guidance amid steady margin

- Management expects ~10% YoY growth in volumes in FY26, with CNG being the key growth driver. EBITDA margin is expected to range between INR9 and INR11 per scm going forward.
- **Other key takeaways from the conference call**
- Elevated marketing/CSR spending of INR110m/INR100m, coupled with higher maintenance activities and pipeline rents, contributed to the sharp rise in 4Q opex.
- Large industries are driving PNG volume growth. I/C sales can reach 1-1.1mmscmd in the next couple of years (current: 0.6-0.7mmscmd).
- The company's 4QFY25 gas sourcing split was: 2mmscmd APM gas, 1.35-1.4mmscmd gas via term contracts (1.27/0.1mmscmd was HH/Brent-linked), 0.6mmscmd HP-HT gas, and the rest was sourced through IGX (majority HP-HT gas). MAHGL's current domestic gas allocation is 1.67mmscmd APM gas, and 0.65mmscmd NW gas.
- The company plans to incur a capex of INR13b in FY26.

Adj. EBITDA margin below our estimate in 4Q

- Total volumes were in line with our estimate at 4.2mmscmd (+11% YoY).
- Both CNG and D-PNG volumes came in line with estimates. I/C PNG volumes stood 12% above our estimate.
- EBITDA/scm came in above our estimate at INR10. However, adjusted EBITDA/scm came in at INR8.35 (our est. INR10).
- Resultant EBITDA stood in line with our est. at INR3.8b (-4% YoY).
- MAHGL's PAT also came in line with our est. at INR2.5b (-5% YoY).
- Depreciation and interest costs stood above our est., while other income came in below our est.

- In FY25, MAHGL's net sales grew 11% to INR69b, while EBITDA/PAT declined 18%/19% YoY to 15.1b/10.5b.
- The Board recommended a final dividend of INR18/sh (FV: INR10/sh; dividend for the entire year: INR30/sh).

Valuation and view

- During the quarter, MAHGL connected 0.15m domestic households. The company has also added 164 industrial and commercial customers, bringing the total count to 5,105.
- We expect a 10% CAGR in volume over FY25-27, driven by multiple initiatives implemented by the company, such as collaborating with OEMs to drive conversions of commercial CNG vehicles and providing guaranteed price discounts to new I/C-PNG customers.
- The stock trades at 12.6x FY26E EPS of INR111.5. We value it at 15x FY27E EPS to arrive at our TP of INR1,760. **Reiterate BUY.**

Standalone - Quarterly Earnings Model

Y/E March	FY24				FY25				FY24	FY25	FY25	(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%)
Net Sales	15,378	15,709	15,688	15,671	15,896	17,116	17,576	18,649	62,445	69,237	18,285	2%
YoY Change (%)	5.7	0.5	-6.1	-2.7	3.4	9.0	12.0	19.0	-0.9	10.9	16.7	
EBITDA	5,213	4,789	4,487	3,938	4,185	3,985	3,144	3,784	18,426	15,098	3,754	1%
EBITDA/SCM	16.8	14.6	13.3	11.5	11.9	10.7	8.3	10.0	13.9	10.2	10.0	0%
Margins (%)	33.9	30.5	28.6	25.1	26.3	23.3	17.9	20.3	29.5	21.8	20.5	
Depreciation	620	658	683	775	719	735	791	818	2,736	3,063	775	
Interest	25	25	27	38	31	31	34	39	115	134	29	
Other Income	390	437	481	446	402	512	463	464	1,753	1,840	490	
PBT	4,957	4,543	4,258	3,570	3,837	3,731	2,782	3,391	17,328	13,741	3,440	-1%
Tax	1,273	1,158	1,086	920	992	903	529	869	4,437	3,292	859	
Rate (%)	25.7	25.5	25.5	25.8	25.8	24.2	19.0	25.6	25.6	24.0	25.0	
Reported PAT	3,684	3,385	3,172	2,650	2,845	2,828	2,254	2,522	12,891	10,449	2,582	-2%
YoY Change (%)	98.9	106.4	84.3	-1.4	-22.8	-16.5	-28.9	-4.8	63.2	-18.9	-2.6	
Margins (%)	24.0	21.5	20.2	16.9	17.9	16.5	12.8	13.5	20.6	15.1	14.1	
Sales Volumes (mmcmd)												
CNG	2.5	2.6	2.6	2.7	2.8	2.9	2.9	2.9	2.6	2.9	3.0	-1%
PNG - Domestic	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.6	-4%
PNG - Industrial/ Commercial	0.4	0.5	0.5	0.6	0.5	0.6	0.6	0.7	0.5	0.6	0.6	12%
PNG - Total	0.9	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.0	1.2	1.2	4%
Total Volumes	3.4	3.6	3.7	3.8	3.9	4.0	4.1	4.2	3.6	4.1	4.2	1%

Operational highlights

Operational Highlights	FY22				FY23				FY24				FY25				QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	(%)
CNG (mmscmd)	1.6	2.2	2.4	2.3	2.5	2.5	2.5	2.4	2.5	2.6	2.6	2.7	2.8	2.9	2.9	2.9	1
Growth YoY (%)	223	75	27	13	64	14	3	6	-2	2	6	11	12	12	11	10	
PNG (mmscmd)	0.8	0.9	0.9	0.9	0.9	0.9	0.9	1.0	0.9	1.0	1.0	1.1	1.1	1.2	1.2	1.3	4
Growth YoY (%)	34	12	3	3	7	3	3	8	2	8	11	16	17	17	15	13	
Total Volumes (mmscmd)	2.4	3.1	3.3	3.2	3.4	3.5	3.4	3.4	3.4	3.6	3.7	3.8	3.9	4.0	4.1	4.2	2
Growth YoY (%)	115	51	19	10	44	11	3	6	-1	3	8	12	13	13	12	11	
EBITDA/SCM (INR)	13.9	10.5	3.4	7.6	9.1	7.9	8.2	12.8	16.8	14.6	13.3	11.5	11.9	10.7	8.3	10.0	-23
Growth YoY (%)	76	-9	-73	-38	-35	-24	140	70	84	83	63	-11	-29	-26	-38	-12	



Highlights from the management commentary

Operational performance:

- Domestic household connections increased 0.15m in 4Q (0.34m in FY25), bringing the total connectivity to 2.83m households.
- The company has laid 235km of steel and PE pipeline in 4Q (491km in FY25), bringing the total length to 7,459 km.
- It has added 24 CNG stations in 4Q, bringing the total number to 385.
- The company has added 164 industrial and commercial customers in 4Q, bringing the total count to 5,105.
- In FY25, additional 0.1m CNG vehicles were added, bringing the total number of operating vehicles to 11m.
- Break-up: 55k private cars, 7k taxis, 25k three-wheelers, 450 buses, 7k small commercial vehicles, and balance two-wheelers.
- Raigad Performance:
- Reached 0.1m domestic household connections with 65 CNG stations now operating.

Sharp rise in opex in 4Q:

- Elevated marketing/CSR spending of INR110m/INR100m, coupled with higher maintenance activities and pipeline rents, contributed to the rise.

Volume guidance:

- At least 10% YoY growth can be expected in FY26, driven by CNG growth.
- Large industries are driving PNG volume growth. I/C sales can reach 1-1.1mmcmd in the next couple of years (current: 0.6- 0.7mmcmd).

Margin guidance:

- A fall in crude prices will reduce gas procurement costs linked to the Indian Crude Basket, improving overall EBITDA margins.
- Management maintains EBITDA guidance of INR9 to INR11 per scm, going forward.

Marketing scheme (Oct'24-Mar'25):

- 624 vehicles and 30 buses added through the scheme (medium-large vehicles).
- Total capex incurred: INR340m (INR0.2-0.3m per vehicle)

Gas sourcing portfolio:

- **4QFY25 gas sourcing split:** 2mmscmd APM, 1.35-1.4mmscmd term contracts (1.27/0.1mmscmd HH/Brent linked), 0.6mmscmd is HP-HT, rest is via IGX (majority HP-HT gas).
- **Current APM allocation:** 1.67mmscmd APM, 0.65mmscmd NW Gas

Capex:

- FY26: MAHGL capex- INR13b (CNG: INR2b in MAHGL; rest pipeline capex); 1.5b capex shall be spent at UEPL (INR0.5b towards CNG).
- GA1/GA2 and GA3 capex: 65%/30%

UEPL:

- 4QFY25 saw:
 - 15 new CNG stations (FY25: 26, Total: 82)
 - 4,997 new household connections (FY25: 12,002, Total: 39,000)
 - 3 new I/C customers (FY25: 9)
 - 13,678 new vehicles (Total: 54,000)
- 4Q volumes reached 0.208mmscmd
- CNG/PNG volumes of 0.189/0.0186 mmscmd

GA-wise sales volume breakup:

- FY25 average breakup: 1.93/1.88/0.25mmscmd for GA1/GA2/GA3.

LNG Business:

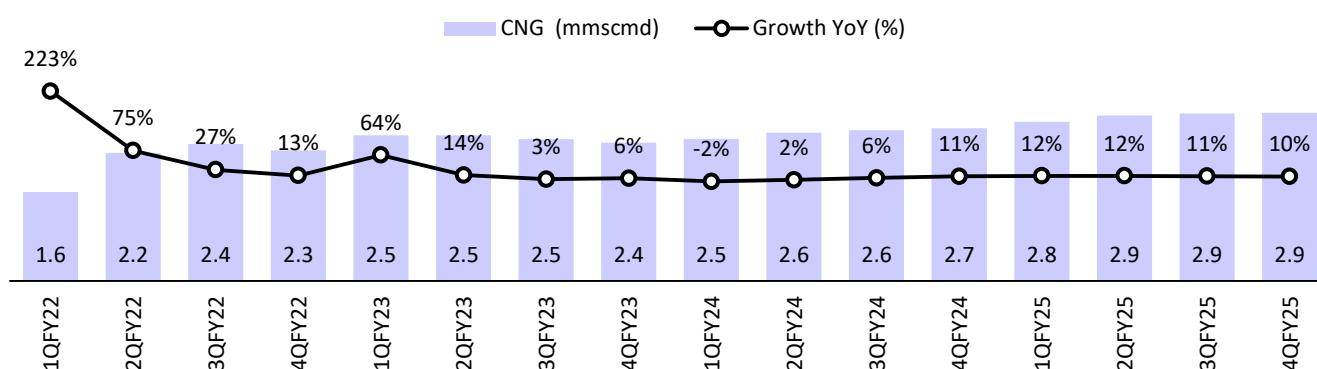
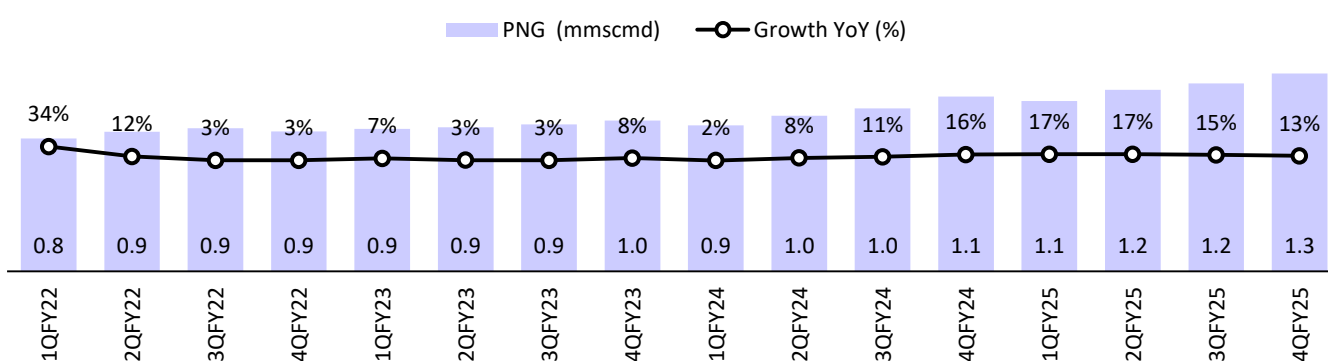
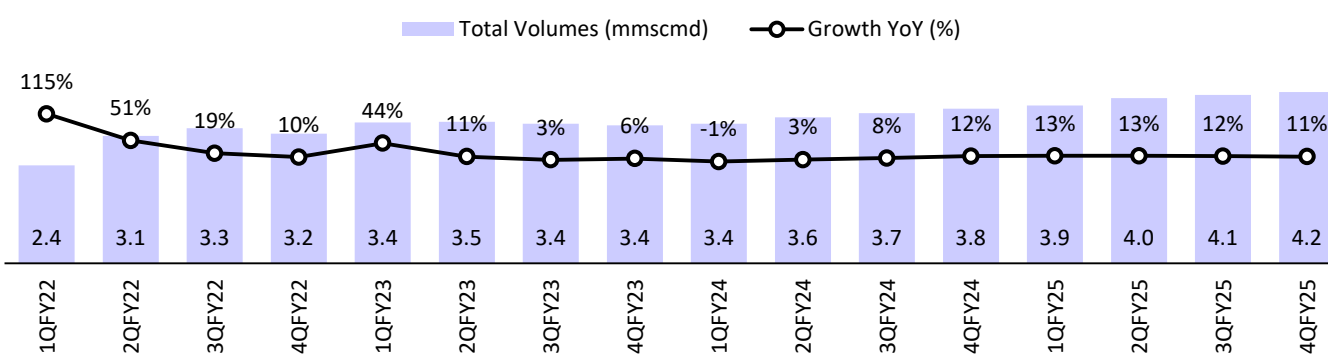
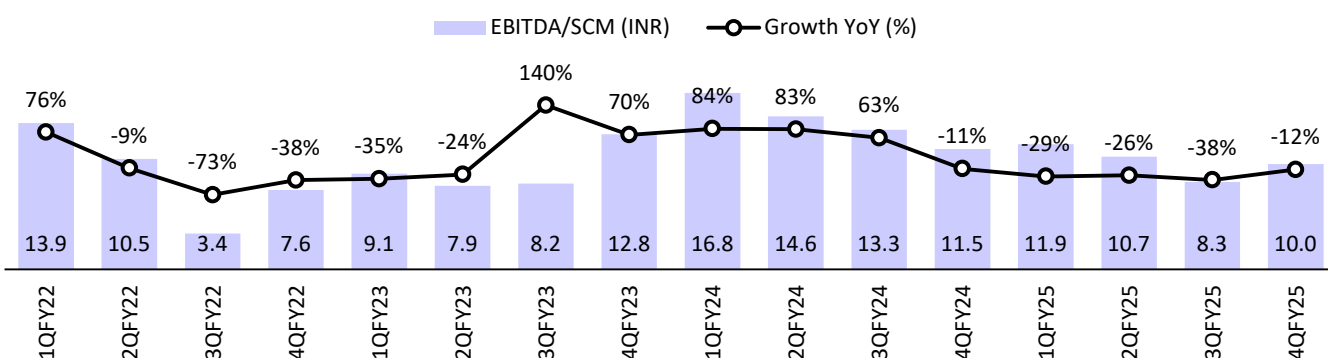
- Four tons of LNG are being sold every day by its own MGL station.
- The JV commissioned its first LNG station in Aurangabad. Another station shall be commissioned in 1Q.
- Amravati/JNPT LNG station completion shall be completed in FY26.

JV: 3-EV

- Current production: 200+ vehicles a month (850 vehicles produced in FY25)
- 32% of the equity has been committed, amounting to ~INR960m in capital.

JV: IBC

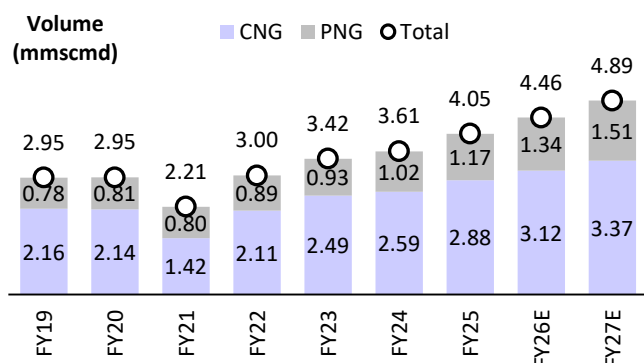
- 1GW project to be completed in 1.5 years
- Plans to increase the same to 5GW

Exhibit 1: CNG volumes up 10% YoY to 2.9mmscmd

Exhibit 2: PNG volumes up 13% YoY to 1.3mmscmd

Exhibit 3: Total volumes up 11% YoY to 4.2mmscmd

Exhibit 4: EBITDA/scm at INR10 (down 12% YoY)


Source: Company, MOFSL

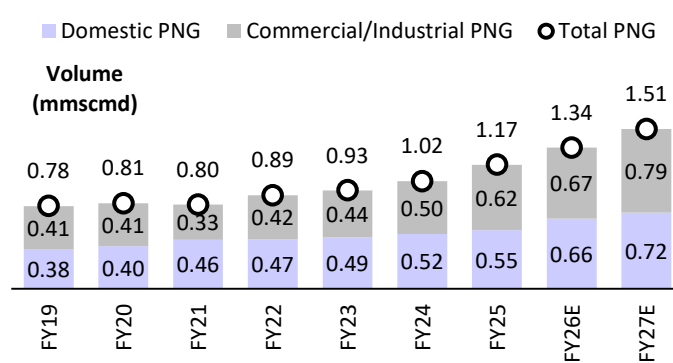
Story in charts

Exhibit 5: Volume growth snapshot



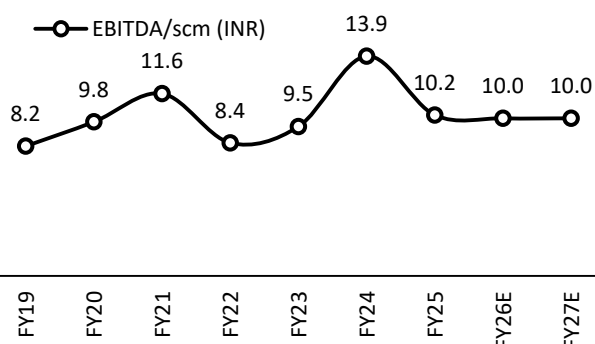
Source: Company, MOFSL

Exhibit 6: PNG segment-wise volumes



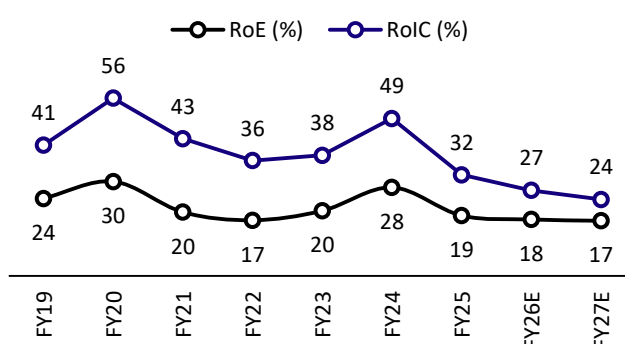
Source: Company, MOFSL

Exhibit 7: EBITDA/scm snapshot



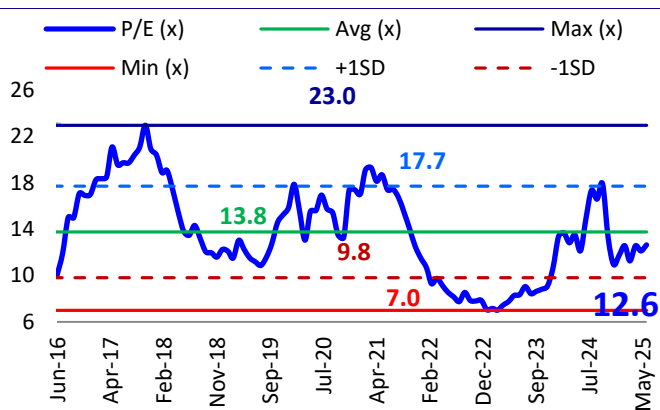
Source: Company, MOFSL

Exhibit 8: Return ratios for MAHGL



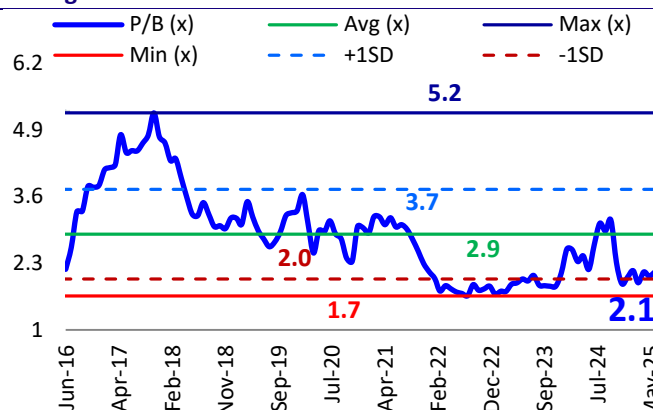
Source: Company, MOFSL

Exhibit 9: 1-year fwd P/E trades at 12.6, with LT average of 13.8x...



Source: Company, MOFSL

Exhibit 10: ...and 1-year fwd P/B trades at 2.1x, with LT average of 2.9x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	62,993	62,445	69,237	74,604	81,587
Change (%)	76.9	-0.9	10.9	7.8	9.4
EBITDA	11,842	18,426	15,098	16,274	17,837
Margin (%)	18.8	29.5	21.8	21.8	21.9
Depreciation	2,311	2,736	3,063	3,277	3,636
EBIT	9,531	15,690	12,035	12,997	14,201
Int. and Finance Charges	94	115	134	150	138
Other Income	1,119	1,753	1,840	1,874	1,912
PBT bef. EO Exp.	10,555	17,328	13,741	14,721	15,976
PBT after EO Exp.	10,555	17,328	13,741	14,721	15,976
Total Tax	2,655	4,437	3,292	3,705	4,021
Tax Rate (%)	25.2	25.6	24.0	25.2	25.2
Reported PAT	7,901	12,891	10,449	11,016	11,955
Adjusted PAT	7,901	12,891	10,449	11,016	11,955
Change (%)	32.3	63.2	-18.9	5.4	8.5
Margin (%)	12.5	20.6	15.1	14.8	14.7

Standalone - Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	988	988	988	988	988
Total Reserves	40,354	50,441	57,905	64,515	71,688
Net Worth	41,342	51,429	58,893	65,503	72,675
Total Loans	208	231	293	293	293
Deferred Tax Liabilities	2,086	2,441	2,771	2,771	2,771
Capital Employed	43,636	54,101	61,956	68,566	75,739
Gross Block	40,096	47,725	56,252	69,796	81,704
Less: Accum. Deprn.	11,727	14,463	17,526	20,803	24,439
Net Fixed Assets	28,369	33,262	38,727	48,993	57,265
Capital WIP	7,086	7,743	9,742	7,698	7,290
Total Investments	13,098	16,360	17,400	17,400	17,400
Rights to use assets	1,888	2,167	2,316	2,316	2,316
Curr. Assets, Loans&Adv.	9,882	12,728	13,855	11,781	12,924
Inventory	338	398	489	386	422
Account Receivables	2,940	2,806	3,456	3,482	3,808
Cash and Bank Balance	2,279	3,985	3,150	2,792	3,093
Cash	1,179	1,027	1,343	984	1,286
Bank Balance	1,100	2,958	1,807	1,807	1,807
Loans and Advances	4,324	5,539	6,759	5,121	5,601
Curr. Liability & Prov.	16,687	18,159	20,082	19,621	21,455
Account Payables	3,222	3,342	4,154	3,674	4,016
Other Current Liabilities	12,967	14,224	15,188	15,358	16,795
Provisions	498	593	740	589	645
Net Current Assets	-6,806	-5,431	-6,227	-7,840	-8,532
Appl. of Funds	43,636	54,101	61,956	68,566	75,739

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	80.0	130.5	105.8	111.5	121.0
Cash EPS	103.4	158.2	136.8	144.7	157.8
BV/Share	418.5	520.6	596.2	663.1	735.7
DPS	26.0	52.2	30.0	44.6	48.4
Payout (%)	32.5	40.0	28.4	40.0	40.0
Valuation (x)					
P/E	17.6	10.8	13.3	12.6	11.7
Cash P/E	13.6	8.9	10.3	9.7	8.9
P/BV	3.4	2.7	2.4	2.1	1.9
EV/Sales	2.2	2.2	2.0	1.8	1.7
EV/EBITDA	11.6	7.4	9.0	8.4	7.7
Dividend Yield (%)	1.8	3.7	2.1	3.2	3.4
FCF per share	26.0	80.2	29.7	23.5	33.5
Return Ratios (%)					
RoE	20.4	27.8	18.9	17.7	17.3
RoCE	20.5	27.8	19.0	17.8	17.4
RoIC	37.9	49.5	31.7	26.9	24.0
Working Capital Ratios					
Fixed Asset Turnover (x)	1.6	1.3	1.2	1.1	1.0
Asset Turnover (x)	1.4	1.2	1.1	1.1	1.1
Inventory (Days)	2	2	3	2	2
Debtor (Days)	17	16	18	17	17
Creditor (Days)	19	20	22	18	18
Leverage Ratio (x)					
Current Ratio	0.6	0.7	0.7	0.6	0.6
Net Debt/Equity	-0.1	-0.1	0.0	0.0	0.0

Standalone - Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	10,555	17,328	13,741	14,721	15,976
Depreciation	2,311	2,736	3,063	3,277	3,636
Direct Taxes Paid	-2,638	-4,240	-2,687	-3,705	-4,021
(Inc)/Dec in WC	134	907	830	1,254	993
Others	-764	-1,215	-1,397	-1,874	-1,912
CF from Operations	9,693	15,631	13,685	13,823	14,809
(Inc)/Dec in FA	-7,127	-7,709	-10,754	-11,500	-11,500
Free Cash Flow	2,566	7,922	2,931	2,323	3,309
(Pur)/Sale of Investments	-1,748	-65,334	-63,554	0	0
Others	2,384	60,375	64,298	1,874	1,912
CF from Investments	-6,491	-12,668	-10,010	-9,626	-9,588
Dividend Paid	-2,518	-2,766	-2,964	-4,406	-4,782
CF from Fin. Activity	-2,848	-3,116	-3,359	-4,556	-4,919
Inc/Dec of Cash	354	-152	316	-359	302
Opening Balance	825	1,179	1,027	1,343	984
Closing Balance	1,179	1,027	1,343	984	1,286

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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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