

Mahanagar Gas

Estimate change	
TP change	
Rating change	

Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USDb)	146.5 / 1.7
52-Week Range (INR)	1989 / 1075
1, 6, 12 Rel. Per (%)	5/5/-15
12M Avg Val (INR M)	1033

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	69.2	78.3	84.3
EBITDA	15.1	15.9	16.6
Adj. PAT	10.4	10.8	11.1
Adj. EPS (INR)	105.8	108.9	111.9
EPS Gr. (%)	-18.9	3.0	2.8
BV/Sh.(INR)	596.2	661.6	728.7
Ratios			
Net D:E	0.0	0.0	0.0
RoE (%)	18.9	17.3	16.1
RoCE (%)	19.0	17.4	16.2
Payout (%)	28.4	40.0	40.0
Valuation			
P/E (x)	14.0	13.6	13.2
P/BV (x)	2.5	2.2	2.0
EV/EBITDA (x)	9.5	9.0	8.6
Div. Yield (%)	2.0	2.9	3.0
FCF Yield (%)	2.0	1.8	1.6

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	32.5	32.5	32.5
DII	32.5	33.8	26.7
FII	25.5	23.8	31.5
Others	9.5	9.9	9.3

FII includes depository receipts

CMP: INR1,483 **TP: INR1,700 (+15%)** **Buy**

FY26 margin and volume guidance moderated

- Mahanagar Gas (MAHGL)'s 1QFY26 adj. EBITDA margin of INR9.7/scm was below our est. of INR10.6/scm (reported EBITDA: INR12.9/scm). Total volumes were in line with our estimate at 4.2mmmscmd (up 10% YoY). On a QoQ basis, adj. EBITDA margin expanded by INR1.3/scm (lower than our est. of INR2.2/scm growth), as adj. realization improved INR0.6/scm and opex decreased INR0.7/scm. Gas cost remained flat QoQ at INR32.1/scm.
- MAHGL reported a soft 7.5% YoY growth in CNG volumes, led by lower CNG vehicle additions in 1Q and a sequential decline in BEST bus volumes. Further, the 7% QoQ decline in CNG APM gas allocation offset the gains from higher New Well (NW) gas allocation and the benefit of lower-priced Henry Hub-linked gas (with HH index down 23% QoQ in 1Q), leading to a broadly flat overall gas cost on a sequential basis.
- Management has guided for an INR0.6-0.7/scm CNG EBITDA margin impact due to PNGRB's upcoming shift from a 3-zone to 2-zone gas transmission tariff regime. While we continue to believe that MAHGL is best-placed to pass on the cost increase to customers, we lower our adj. EBITDA/scm margin assumption for FY26/FY27 by INR1/INR0.5 to INR9.2/INR9.5.
- We model MAHGL's volumes to clock a 9% CAGR over FY25-27 and estimate an EBITDA margin of INR9.2-9.5 per scm during the period. MAHGL currently trades at 13.2x FY27E SA P/E, while its one-year forward LTA is 13.7x P/E. Reiterate BUY.

Volume growth and EBITDA margin guidance lowered slightly

- Management expects high-single-digit YoY growth in volumes in FY26, mainly led by CNG. EBITDA margin is expected to range around INR9-9.5 per scm in FY26.
- **Other key takeaways from the conference call**
 - CNG volume growth moderated to ~7.5% YoY in 1Q, likely due to a slowdown in CNG vehicle additions owing to higher vehicle costs, lower volumes from the bus segment, and a marginal impact from the early onset of the monsoon.
 - **UEPL merger update:** The merger is expected to be completed by 15 Aug'25, and the company is set to **report merged financials starting 2QFY26**. The merger is also likely to yield some tax benefits.
 - **Zonal tariff split and margin impact:** Currently, Zone 1 accounts for 68-70% and Zone 2 makes up 30-32% of volumes. The revised zonal tariff is estimated to **impact CNG EBITDA margins by around INR0.6-0.7/scm**.
 - In 1Q, CNG APM allocation stood at 37% (vs. 44% in 4QFY25). MAHGL sourced ~1.69/0.5/ 1.15/0.5/0.4 mmmscmd gas from APM/New Well Gas/ Henry Hub linked/ HP-HT / via IGX.
 - The company plans to incur a capex of INR11-13b in FY26.

Provision reversal drives beat; volumes in line

- Total volumes were in line with our estimate at 4.2mmmscmd (+10% YoY).

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- Both CNG and D-PNG volumes came in line with estimates. I/C PNG volumes stood 11% above our estimate.
- **EBITDA/scm came in above our estimate at INR12.6.** However, adjusted EBITDA/scm came in at **INR9.7 (our est. INR10.6)**.
- The margin beat was on account of the reversal of provisions amounting to INR1.1b (impact of INR2.9/scm), based on negotiations with OMCs with respect to the trade margins.
- On a QoQ basis, **adj. EBITDA/scm margin expanded by INR1.3 (lower than our est. of INR2.2 growth)**, as adj. realization improved INR0.6/scm and opex decreased INR0.7/scm. **Gas cost remained flat QoQ at INR32.1/scm**.
- Reported EBITDA came in 20% above our est. at INR4.9b (+16% YoY).
- MAHGL's PAT also came in 18% above our est. at INR3.2b (+14% YoY).
- Depreciation stood above our est., while other income was below our est.

Valuation and view

- We expect a 9% 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 13.2x FY27E EPS of INR111.9. We value it at 15x FY27E EPS to arrive at our TP of INR1,700. **Reiterate BUY.**

Y/E March	(INR m)											
	FY25				FY26E				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	(%)	
Net Sales	15,896	17,116	17,576	18,649	19,759	19,331	19,605	19,621	69,237	78,315	18,294	8%
YoY Change (%)	3.4	9.0	12.0	19.0	24.3	12.9	11.5	5.2	10.9	13.1	15.1	
EBITDA	4,185	3,985	3,144	3,784	4,854	3,641	3,730	3,687	15,098	15,911	4,057	20%
EBITDA/SCM	11.9	10.7	8.3	10.0	12.6	9.0	9.1	9.0	10.2	9.9	10.6	19%
Margins (%)	26.3	23.3	17.9	20.3	24.6	18.8	19.0	18.8	21.8	20.3	22.2	
Depreciation	719	735	791	818	826	786	847	819	3,063	3,277	769	
Interest	31	31	34	39	37	34	38	41	134	150	35	
Other Income	402	512	463	464	387	527	477	504	1,840	1,894	413	
PBT	3,837	3,731	2,782	3,391	4,378	3,347	3,322	3,332	13,741	14,378	3,667	19%
Tax	992	903	529	869	1,135	842	836	806	3,292	3,619	923	
Rate (%)	25.8	24.2	19.0	25.6	25.9	25.2	25.2	24.2	24.0	25.2	25.2	
Reported PAT	2,845	2,828	2,254	2,522	3,243	2,504	2,486	2,526	10,449	10,759	2,744	18%
YoY Change (%)	-22.8	-16.5	-28.9	-4.8	14.0	-11.4	10.3	0.2	-18.9	3.0	-3.6	
Margins (%)	17.9	16.5	12.8	13.5	16.4	13.0	12.7	12.9	15.1	13.7	15.0	
Sales Volumes (mmscmd)												
CNG	2.8	2.9	2.9	2.9	3.0	3.1	3.1	3.2	2.9	3.1	3.0	-1%
PNG - Domestic	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-1%
PNG - Industrial/ Commercial	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.6	0.7	0.6	11%
PNG - Total	1.1	1.2	1.2	1.3	1.2	1.3	1.3	1.4	1.2	1.3	1.2	5%
Total Volumes	3.9	4.0	4.1	4.2	4.2	4.4	4.5	4.6	4.1	4.4	4.2	1%

Operational highlights

Operational Highlights	FY22				FY23				FY24				FY25				FY26	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	(%)
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	3.0	8%
Growth YoY (%)	223%	75%	27%	13%	64%	14%	3%	6%	-2%	2%	6%	11%	12%	12%	11%	10%	8%	
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	1.2	15%
Growth YoY (%)	34%	12%	3%	3%	7%	3%	3%	8%	2%	8%	11%	16%	17%	17%	15%	13%	15%	
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	4.2	10%
Growth YoY (%)	115%	51%	19%	10%	44%	11%	3%	6%	-1%	3%	8%	12%	13%	13%	12%	11%	10%	
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	12.6	6%
Growth YoY (%)	76%	-9%	-73%	-38%	-35%	-24%	140%	70%	84%	83%	63%	-11%	-29%	-26%	-38%	-12%	6%	



Highlights from the management commentary

1QFY26 operational performance:

- Domestic household connections increased 0.02m in 1Q, bringing the total connectivity to 2.85m households.
- The company has laid 79km of steel and PE pipeline in 1Q, bringing the total length to 7,539km.
- UEPL has added four CNG stations during the quarter. No new CNG stations were added under SA MAHGL.
- UEPL volume performance: CNG/total volumes stood at 0.2/0.23mmscmd during 1Q (up 30%/35% YoY). It delivered EBITDA of INR160m.
- During the quarter, additional 20k CNG vehicles were added (27k in 4QFY25), bringing the total number of operating vehicles to 11.2m.

Margin guidance:

- **EBITDA guidance: INR9-9.5 per scm in FY26 (INR9-11/scm guided earlier).**

Volume guidance:

- **High single-digit YoY volume growth** is expected in FY26 (**10%+ YoY volume growth** guided earlier).
- 2QFY26'td CNG volumes are marginally up QoQ.
- CNG volume growth slowdown in 1Q (up ~7.5% YoY) could be because of:
 - Slowdown in CNG vehicle additions during 1Q due to an increase in cost,
 - Decline in volumes from busses, and
 - There might be slight decline due to early monsoon.
- FY26 CNG station addition guidance: **80 stations (66 in FY25)**.
- Most of the new stations are coming up in daughter-booster mode, which has lower volumes in comparison to online stations. Hence, throughput per station is decreasing.
- Further, the number of existing BEST CNG stations now available for all vehicles is up to 8 out of 15.
- GA-3 (~0.3mmscmd) and UEPL volumes should grow at 30%+ YoY.
- **GA-wise sales volume breakup:**
 - 1Q average breakup: 1.9/2/0.3mmscmd from GA1/GA2/GA3.

UEPL merger:

- The merger process is expected to get completed by 15 Aug'25. In **2QFY26, the company will report merged numbers.**
- Some tax benefits will be there on account of merger.

Zonal tariff split:

- Zone 1: 68%-70%, Zone 2: 30%-32% (entire HP-HT gas is under Zone 2)
- New zonal tariff might have ~INR0.6-0.7/scm impact on CNG EBITDA margins.

Gas sourcing portfolio:

- CNG/D-PNG APM allocation stood at **37%/100%**. NW gas was **~0.5mmscmd**.
- **1QFY26 gas sourcing split:**
 - 1.69mmscmd APM (D-PNG + CNG)
 - 0.5mmscmd New Well Gas
 - 1.15mmscmd Henry Hub linked (contracts of 1.4mmscmd),
 - 0.5mmscmd is HP-HT,
 - The rest 0.4mmscmd via IGX (majority HP-HT gas).

Capex:

- FY26/27: MAHGL (incl. UEPL) capex will be INR11-13b (CNG stations/steel pipelines (majorly GA2&3): INR3.5b/3b).
- MAHGL/UEPL will continue their aggressive capex cycle for 4-5/8-9years.

Others

- JV - CBG: MoU has been signed. Capex (MAHGL's equity share): INR1.3b
- JV - IBC: Capex (MAHGL's share): INR3.5b over 18months
- MSRTC buses: Currently 600+/12 buses/stations are operating.

Exhibit 1: CNG volumes up 8% YoY to 3mmscmd

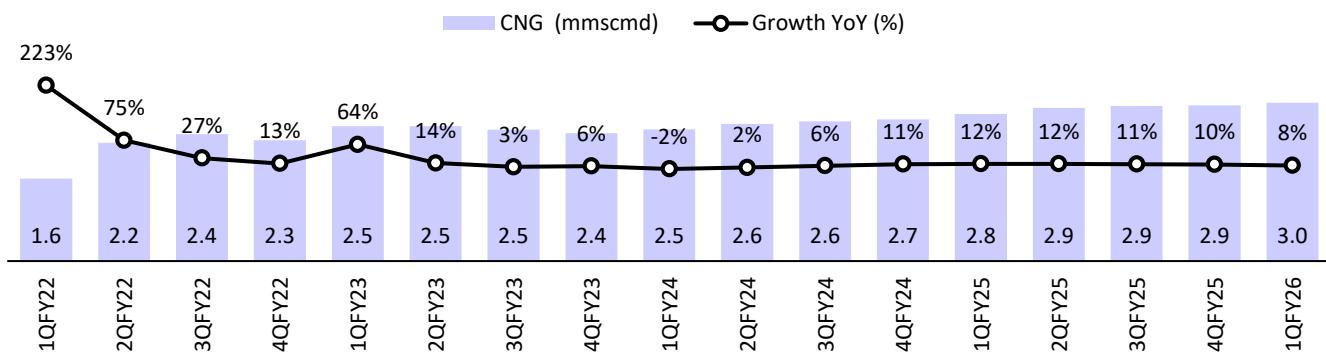


Exhibit 2: PNG volumes up 15% YoY to 1.2mmscmd

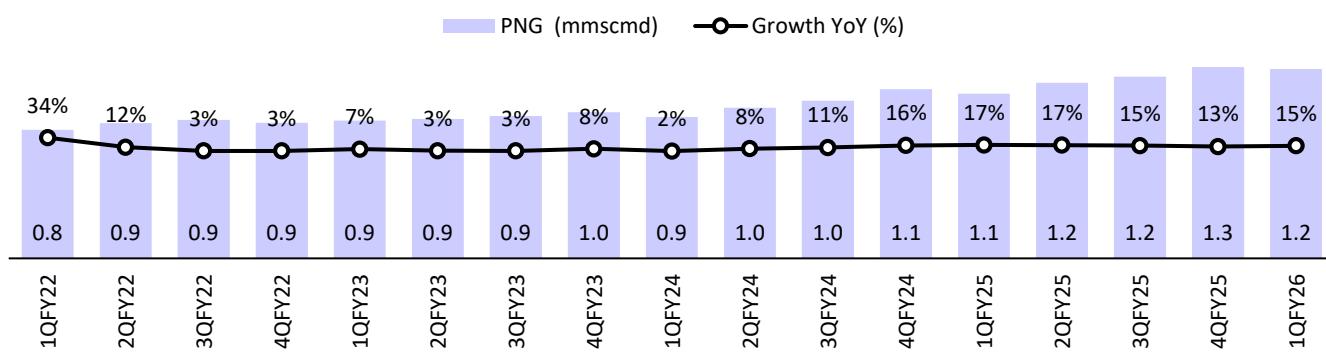


Exhibit 3: Total volumes up 10% YoY to 4.2mmscmd

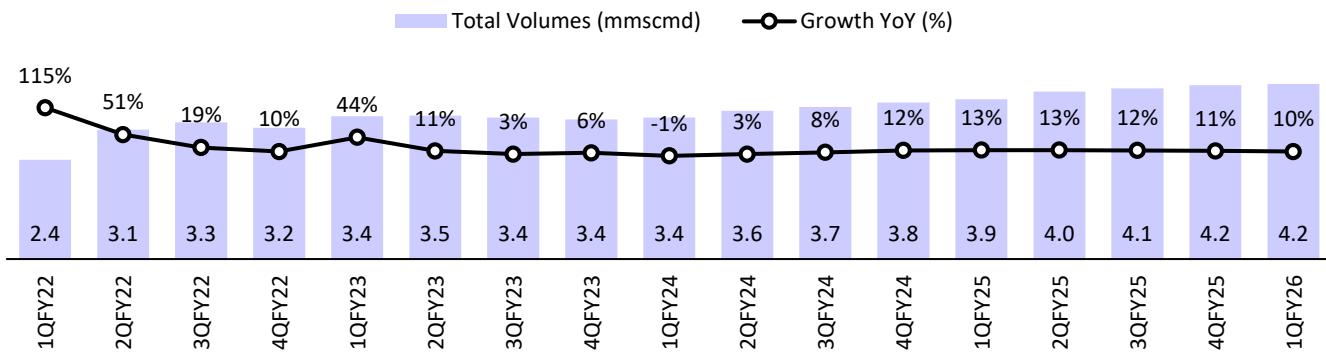
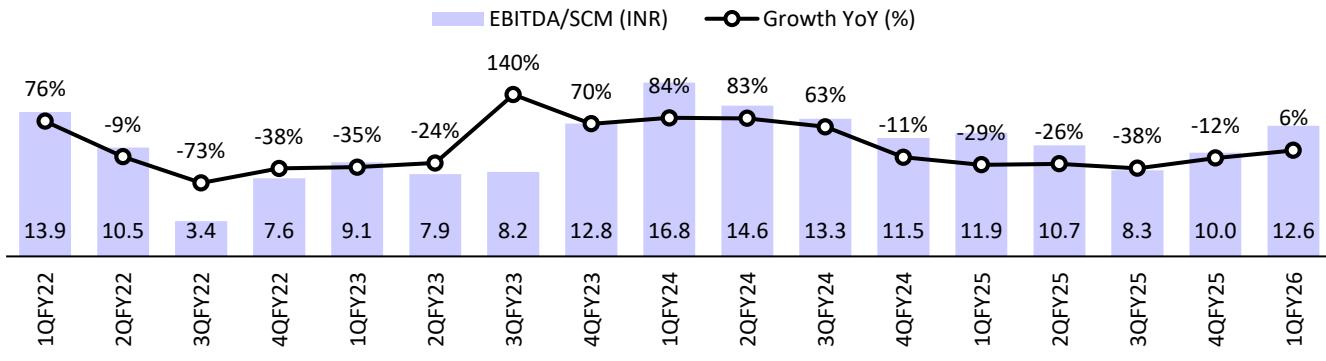


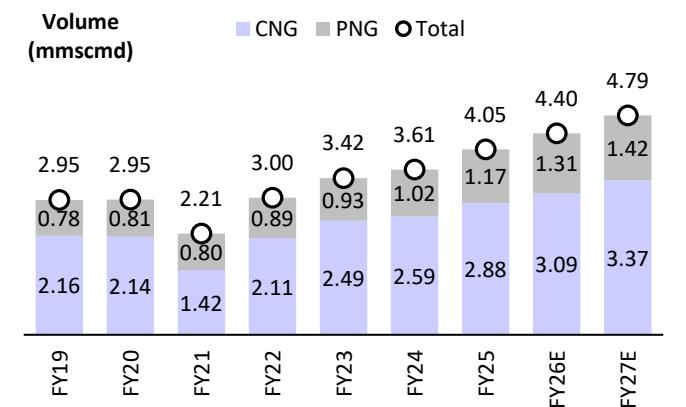
Exhibit 4: EBITDA/scm at INR12.6 (up 6% YoY)



Source: Company, MOFSL

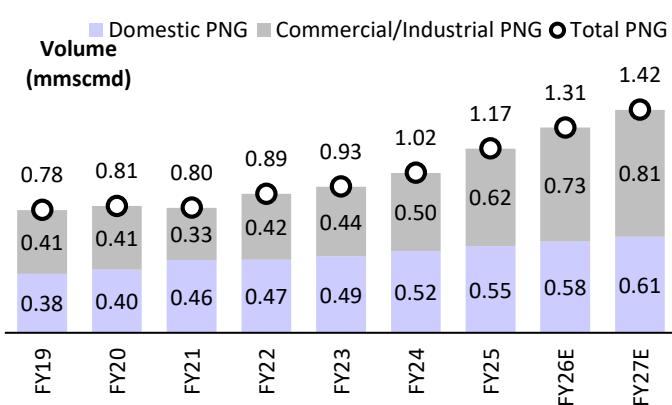
Story in charts

Exhibit 5: Volume growth snapshot



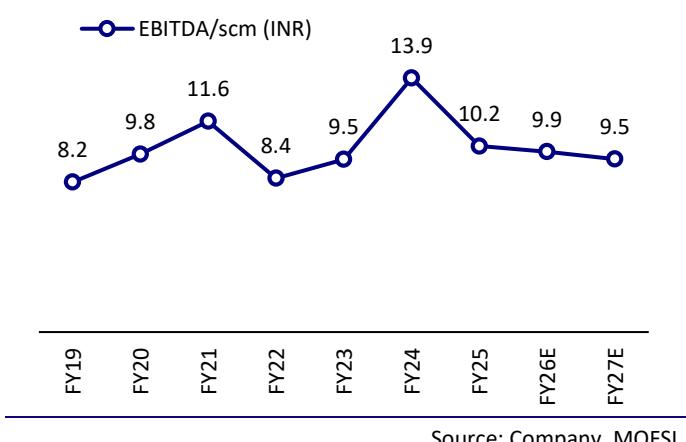
Source: Company, MOFSL

Exhibit 6: PNG segment-wise volumes



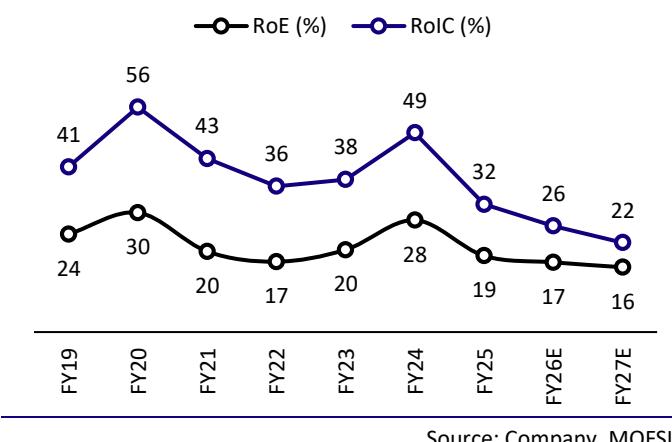
Source: Company, MOFSL

Exhibit 7: EBITDA/scm snapshot



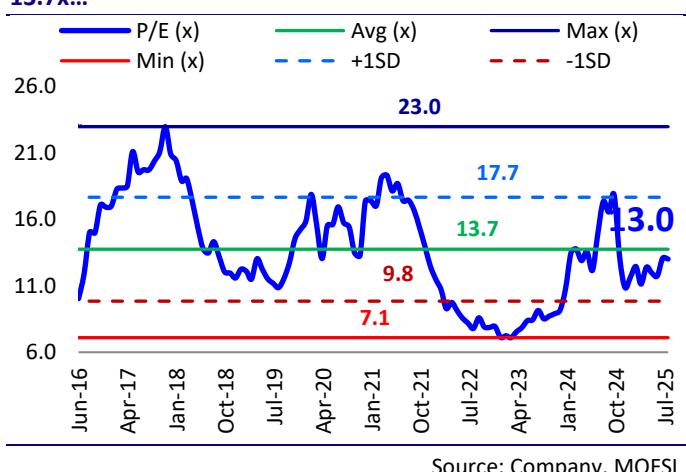
Source: Company, MOFSL

Exhibit 8: Return ratios for MAHGL



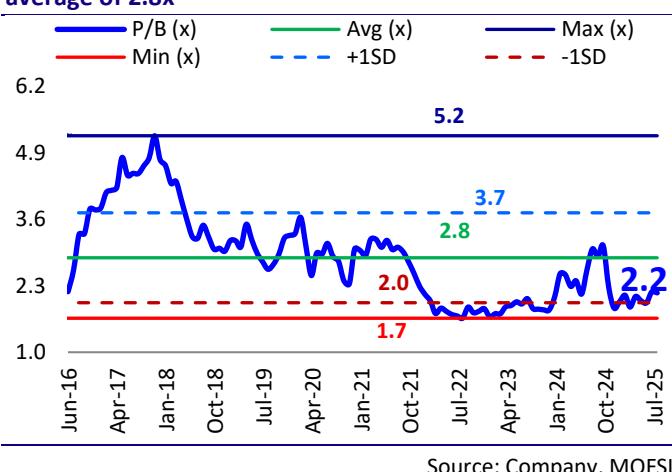
Source: Company, MOFSL

Exhibit 9: 1-year fwd P/E trades at 13, with LT average of 13.7x...



Source: Company, MOFSL

Exhibit 10: ...and 1-year fwd P/B trades at 2.2x, with LT average of 2.8x



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	78,315	84,310
Change (%)	76.9	-0.9	10.9	13.1	7.7
EBITDA	11,842	18,426	15,098	15,911	16,626
Margin (%)	18.8	29.5	21.8	20.3	19.7
Depreciation	2,311	2,736	3,063	3,277	3,636
EBIT	9,531	15,690	12,035	12,634	12,990
Int. and Finance Charges	94	115	134	150	138
Other Income	1,119	1,753	1,840	1,894	1,923
PBT bef. EO Exp.	10,555	17,328	13,741	14,378	14,775
PBT after EO Exp.	10,555	17,328	13,741	14,378	14,775
Total Tax	2,655	4,437	3,292	3,619	3,719
Tax Rate (%)	25.2	25.6	24.0	25.2	25.2
Reported PAT	7,901	12,891	10,449	10,759	11,056
Adjusted PAT	7,901	12,891	10,449	10,759	11,056
Change (%)	32.3	63.2	-18.9	3.0	2.8
Margin (%)	12.5	20.6	15.1	13.7	13.1

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	64,361	70,995
Net Worth	41,342	51,429	58,893	65,349	71,983
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	68,412	75,046
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	12,677	13,061
Inventory	338	398	489	413	448
Account Receivables	2,940	2,806	3,456	3,656	3,935
Cash and Bank Balance	2,279	3,985	3,150	3,233	2,890
Cash	1,179	1,027	1,343	1,425	1,083
Bank Balance	1,100	2,958	1,807	1,807	1,807
Loans and Advances	4,324	5,539	6,759	5,376	5,788
Curr. Liability & Prov.	16,687	18,159	20,082	20,671	22,285
Account Payables	3,222	3,342	4,154	3,931	4,264
Other Current Liabilities	12,967	14,224	15,188	16,122	17,356
Provisions	498	593	740	619	666
Net Current Assets	-6,806	-5,431	-6,227	-7,994	-9,224
Appl. of Funds	43,636	54,101	61,956	68,412	75,046

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	80.0	130.5	105.8	108.9	111.9
Cash EPS	103.4	158.2	136.8	142.1	148.7
BV/Share	418.5	520.6	596.2	661.6	728.7
DPS	26.0	52.2	30.0	43.6	44.8
Payout (%)	32.5	40.0	28.4	40.0	40.0
Valuation (x)					
P/E	18.5	11.4	14.0	13.6	13.2
Cash P/E	14.3	9.4	10.8	10.4	10.0
P/BV	3.5	2.8	2.5	2.2	2.0
EV/Sales	2.3	2.3	2.1	1.8	1.7
EV/EBITDA	12.2	7.7	9.5	9.0	8.6
Dividend Yield (%)	1.8	3.5	2.0	2.9	3.0
FCF per share	26.0	80.2	29.7	26.7	23.2
Return Ratios (%)					
RoE	20.4	27.8	18.9	17.3	16.1
RoCE	20.5	27.8	19.0	17.4	16.2
RoIC	37.9	49.5	31.7	26.4	22.2
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

(**INR m**)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	10,555	17,328	13,741	14,378	14,775
Depreciation	2,311	2,736	3,063	3,277	3,636
Direct Taxes Paid	-2,638	-4,240	-2,687	-3,619	-3,719
(Inc)/Dec in WC	134	907	830	1,849	888
Others	-764	-1,215	-1,397	-1,894	-1,923
CF from Operations	9,693	15,631	13,685	14,141	13,794
(Inc)/Dec in FA	-7,127	-7,709	-10,754	-11,500	-11,500
Free Cash Flow	2,566	7,922	2,931	2,641	2,294
(Pur)/Sale of Investments	-1,748	-65,334	-63,554	0	0
Others	2,384	60,375	64,298	1,894	1,923
CF from Investments	-6,491	-12,668	-10,010	-9,606	-9,577
Dividend Paid	-2,518	-2,766	-2,964	-4,304	-4,423
CF from Fin. Activity	-2,848	-3,116	-3,359	-4,454	-4,560
Inc/Dec of Cash	354	-152	316	82	-342
Opening Balance	825	1,179	1,027	1,343	1,425
Closing Balance	1,179	1,027	1,343	1,425	1,083

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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