

Mahanagar Gas

BSE SENSEX
80,426

S&P CNX
24,655



Stock Info

Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USD\$)	122.3 / 1.4
52-Week Range (INR)	1988 / 1075
1, 6, 12 Rel. Per (%)	-3/-13/-31
12M Avg Val (INR M)	900
Free float (%)	67.5

Financials Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	69.2	78.3	84.3
EBITDA	15.1	15.9	16.6
PAT	10.4	10.8	11.1
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

Valuations

P/E (x)	11.7	11.4	11.1
P/BV (x)	2.1	1.9	1.7
EV/EBITDA (x)	7.9	7.5	7.2
Div. Yield (%)	2.4	3.5	3.6
FCF Yield (%)	2.4	2.2	1.9

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: INR1,238

TP: INR1,700 (+37%)

Buy

Ahead in volume growth, sustaining resilient margins

- **Volume growth with margin tailwinds:** MAHGL is set to deliver robust earnings growth, driven by aggressive CNG network expansion, improving throughput at existing stations, and strategic land tie-ups that strengthen long-term visibility. The company's sharper focus on network-wide IRR assessment and partnerships such as BEST further support accelerated rollout. On the margin front, favorable gas sourcing dynamics – softer crude, lower slopes on new LNG contracts, and resilient CNG price competitiveness – provide a buffer against regulatory cost headwinds and INR depreciation vs. USD. Together, these levers position MAHGL strongly for sustained volume growth and margin expansion through the medium term.
- **Limited EV risk & regulatory tailwinds to drive outperformance vs. peers:** MAHGL remains well-positioned among CGDs with a strong volume growth outlook, limited EV/alternate fuel substitution risk, and emerging regulatory tailwinds. We highlight that the three-wheeler segment, which contributes ~34% of volumes, faces minimal near-term EV risk in Mumbai. Further, policy initiatives such as the High Court's review of phasing out petrol/diesel vehicles in favor of CNG/EVs and the mandated transition of bakeries to cleaner fuels could provide incremental upside. While execution challenges remain in some segments, MAHGL's stable margin profile and favorable demand environment reinforce its relative strength vs. peers.
- **MAHGL remains our preferred pick among CGDs:** As highlighted in our recent sector update ([Era of margin expansion for CGDs](#)), MAHGL remains our preferred pick among CGDs. We retain our estimates as we model MAHGL's volumes to clock a 9% CAGR over FY25-27 and estimate an EBITDA margin of INR9.5-10/scm during the period. MAHGL currently trades at 11.1x FY27E SA P/E. Reiterate BUY with a TP of INR1,700.

CNG volume growth underpinned by aggressive CNG station expansion

- **CNG station additions surged 2.7x over FY21-25:** MAHGL has been significantly accelerating its CNG station rollout, which remains the cornerstone of its future volume growth strategy. On a standalone basis, the company has increased annual CNG station additions from 15 in FY21 to 40 in FY25 and now targets adding ~50 stations in FY26. Under UEPL, the company plans to add another ~30 stations in FY26 (26 additions in FY25). Looking ahead, management has outlined an aggressive plan to add 250 CNG stations by FY30, alongside upgrading existing infrastructure to enhance efficiency.
- **Tie-up with BEST expands CNG access over 15 stations:** MAHGL has partnered with BEST to make 15 depot-based CNG stations available for public use, subject to pre-registration. As of 30th Jun'25, 8 out of these 15 stations have already been opened to all vehicles, providing additional access points and further strengthening the company's CNG distribution network.
- **Improved IRR assessment aligned to network economics:** The company now evaluates returns on a network-wide basis rather than at an individual station level, reflecting incremental investments more accurately. This makes new CNG outlets appear more attractive, enabling quicker approvals and faster rollout.

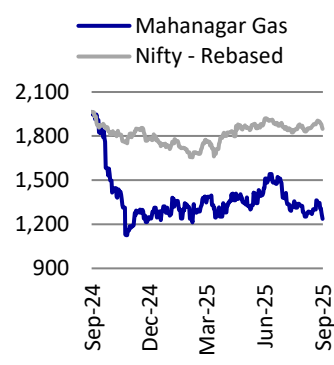
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Stock performance (one-year)



- **Strategic focus on land acquisition and partnerships:** Taking a stronger approach to land acquisition, which is critical for scaling CNG infrastructure, MAHGL has been actively engaging with government authorities to secure land parcels. This effort should facilitate a smoother rollout process.
- **Enhancing throughput at existing stations:** Alongside network expansion, MAHGL is exploring opportunities to improve asset productivity by adding dispensers at existing stations. This initiative not only increases throughput but also enhances customer accessibility and reduces congestion at high-traffic locations, strengthening MAHGL's service reliability.
- **Mega CNG stations – exciting prospects at prime locations:** MAHGL is developing three mega CNG stations at Sion, Wadala, and Mumbai Port Trust (near Atal Setu), with completion expected in ~1.5 years. These hubs will feature up to 50 dispensers each, a sharp scale-up from the earlier 10. With strategic land parcels already secured, these high-capacity stations in prime locations will strengthen MAHGL's CNG network and ease congestion at existing outlets.

Reducing raw material costs to drive margin expansion

- **Weaker crude and lower slope – the twin emerging tailwinds:** As highlighted in our recent sector update ([Era of margin expansion for CGDs](#)), we expect that a soft crude price outlook, coupled with a lower pricing slope for natural gas amid the upcoming LNG oversupply, will reduce gas costs. This should also ease concerns around the APM deallocation affecting margins.
- **R-LNG cost could dip INR2.5/scm:** While Brent crude prices averaged ~USD69/bbl in 2QFY26YTD, we forecast Brent to average USD65/bbl in FY26/FY27. We estimate every USD5/bbl decline in Brent prices reduces the landed cost of natural gas by ~INR2.5/scm. Further, according to our discussions with the listed and unlisted India CGD companies, new long-term gas contracts are already being signed for a 1.0-1.3% lower slope given the expected surge in LNG supply in 2HFY26 and beyond. Note that the risks of crude oil prices falling below the USD65/bbl mark are mounting as OPEC+ strategy shifts from “managing” oil prices to “protecting market share”.
- **Lower crude outlook to ease APM/NWG gas costs by ~INR4/scm:** Similarly, a weak crude price outlook shall also lower APM & New Well Gas (NWG) price. If the APM/NWG price dips to USD6/7.2 per mmbtu (from USD7/8.4 per mmbtu currently), the cost of natural gas reduces by ~INR3.6/4.3 per scm.
- **Estimate ~INR2/scm margin expansion scope amid favorable fundamentals:** About 40%/12%/6% of MAHGL's gas sourced is APM/NWG/Brent-linked. With respect to APM/NWG, we estimate that a USD10/bbl decline in crude prices can lead to an EBITDA margin improvement of ~INR2/scm for MAHGL. Similarly, for Brent-linked RLNG, a USD10/bbl decline in crude prices and a simultaneous 1% decline in pricing slope can lead to an EBITDA margin improvement of ~INR0.5/scm. However, benefits may partly be offset by rupee weakness, as in 2QFY26YTD the ~2% INR depreciation vs. USD implies a margin drag of ~INR0.6/scm.
- **Impact of zonal tariff reform likely to be passed on:** In the 1QFY26 earnings call, management guided for an INR0.6-0.7/scm CNG EBITDA margin impact from PNGRB's move to a 2-zone tariff regime. We expect MAHGL to pass on the cost increase, supported by CNG's continued price advantage of ~47% vs. petrol and ~12% vs. diesel, limiting any demand risk.

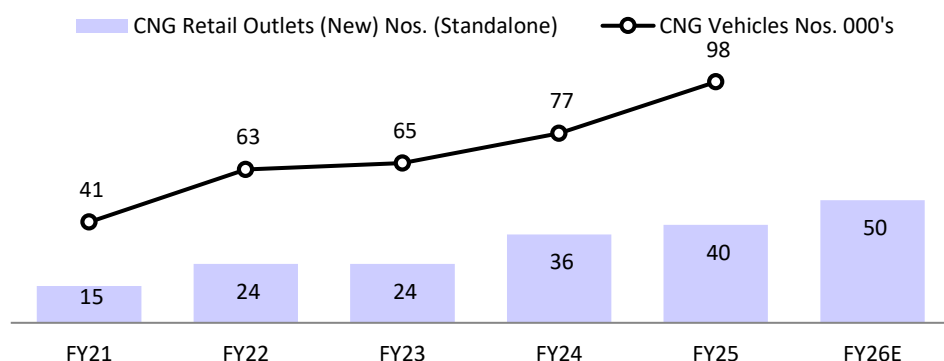
Well-positioned vs. peers: Strong volumes, stable margins!

- **Strong volume growth outlook:** In FY25, volumes for MAHGL grew at 12% YoY (IGL/GUJGA: 6%/3%). Further, we project MAHGL to clock a volume CAGR of 9% over FY25-27 (guidance: 9-10%), vs. 7%/3% for IGL/GUJGA (guidance by IGL: 10%).
- **Limited EV substitution risk in the three-wheeler segment:** Three-wheelers contribute ~34% of MAHGL's volumes, with limited risk of substitution by EVs in the near term (unlike in Delhi). No directive has been issued mandating a shift to EV autos, and penetration in Mumbai remains negligible due to structural challenges – lack of charging infrastructure, roadside parking, and round-the-clock vehicle usage by multiple drivers, which makes charging downtime unfeasible.
- **Regulatory tailwinds: CNG and cleaner fuel adoption in Mumbai:**
 - The Bombay High Court has directed a committee to evaluate the phased replacement of petrol and diesel vehicles in Mumbai and the wider MMR with CNG and EV alternatives ([link](#)). While the final recommendations are still pending, such a move could structurally favor CNG adoption in the medium term given the relatively limited penetration of EVs and the existing scalability of CNG infrastructure. For MAHGL, this presents a potential upside risk to volumes, though policy contours and implementation timelines remain uncertain.
 - The Bombay High Court has also mandated bakeries to shift from coal/wood to cleaner fuels by Jul'25 ([link](#)) and dismissed a plea by 12 bakeries seeking more time, stressing public health over business concerns ([link](#)). For MAHGL, the opportunity set is modest – individual bakery volumes are typically ~25scmd, and network connectivity is not always feasible – yet the company benefits from higher margins in the commercial segment. While the overall volume impact may be limited and execution challenging, the policy push underscores the government's intent to drive cleaner fuel adoption.

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.
- Management guides a 40% YoY volume growth in UEPL volumes in FY26, with a long-term target volume of 1.2-1.3mmscmd (0.2-0.3mmscmd currently). Further, MAHGL's foray into battery manufacturing, LNG, and CBG businesses shall provide a boost to earnings in the long run.
- The stock trades at 11.1x FY27E EPS of INR112. We value the stock at 15x FY27E EPS to arrive at our TP of INR1,700. **Reiterate BUY.**

Exhibit 1: MAHGL plans to add 50 standalone CNG retail outlets in FY26



Source: Company, MOFSL

Exhibit 2: Brent-linked R-LNG landed cost (pre-state-specific VAT and S&D costs) analysis

Particulars	Unit	Current	Scenario 1	Scenario 2
Crude price	USD/mmbtu	69.0	64.0	64.0
Slope (including shipping cost)	%	13.4%	13.4%	12.4%
LNG price including shipping	USD/mmbtu	9.3	8.6	7.9
Custom duty (@2.75%)	USD/mmbtu	0.3	0.3	0.3
Handling losses (@0.66%)	USD/mmbtu	0.1	0.1	0.1
LNG price before regas (Ex-terminal price)	USD/mmbtu	9.6	8.9	8.3
Regas charges by PLNG at Dahej @62.91/mmbtu	USD/mmbtu	0.7	0.7	0.7
GST on regas @12%	USD/mmbtu	0.1	0.1	0.1
Price after regas	USD/mmbtu	10.4	9.7	9.1
Gujarat VAT (@15%)	USD/mmbtu	1.6	1.5	1.4
Marketing margin of seller @INR16.62/mmbtu	USD/mmbtu	0.2	0.2	0.2
Transportation tariff for pipeline - Zone 2 INR80.08/mmbtu	USD/mmbtu	0.9	0.9	0.9
GST on transportation @12%	USD/mmbtu	0.1	0.1	0.1
LNG landed cost (pre-state-specific VAT and S&D costs)	USD/mmbtu	13.2	12.4	11.7
LNG landed cost (pre-state-specific VAT and S&D costs)	INR/scm	42.0	39.5	37.2

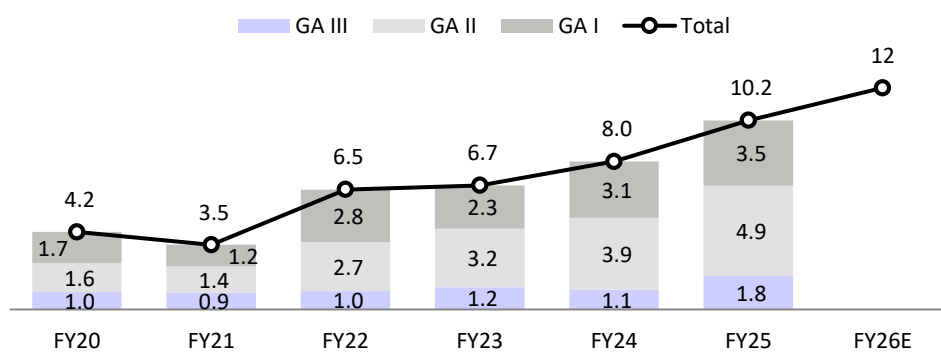
Source: PNGRB, MOFSL

Exhibit 3: APM/New Well Gas landed cost (pre-state-specific VAT and S&D cost) analysis

Particulars	Unit	APM		New Well Gas	
		Current	Scenario 1	Current	Scenario 1
Gas Cost (Ex-Hazira/Ex-Dahej)	USD/mmbtu	7.0	6.0	8.4	7.2
Gujarat VAT (@15%)	USD/mmbtu	1.0	0.9	1.3	1.1
Gas Cost (incl. Gujarat VAT)	USD/mmbtu	8.0	6.9	9.6	8.3
Exchange Rate	INR/USD	86.0	86.0	86.0	86.0
Gas Cost	INR/mmbtu	690.9	593.4	829.1	712.1
Marketing Margin	INR/mmbtu	11.7	11.7	11.7	11.7
Applicable Unified Tariff	INR/mmbtu	80.1	80.1	80.1	80.1
12% GST on Transportation charges	INR/mmbtu	9.6	9.6	9.6	9.6
LNG landed cost (pre-state-specific VAT and S&D cost)	INR/mmbtu	792.3	694.8	930.5	813.4
LNG landed cost (pre-state-specific VAT and S&D cost)	INR/scm	29.3	25.7	34.5	30.1

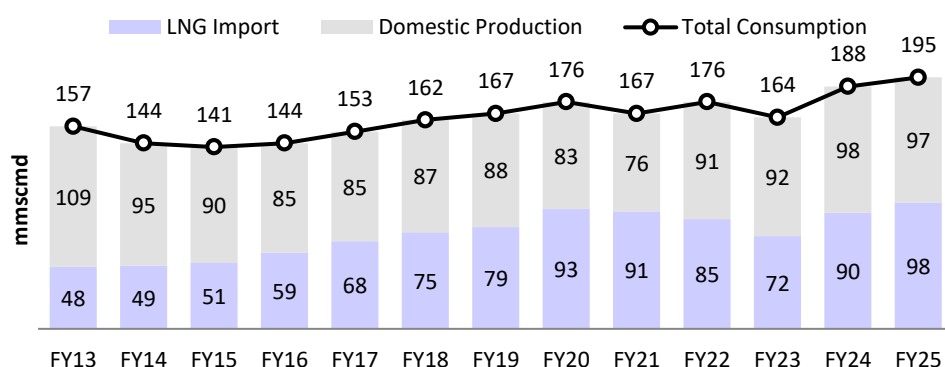
Source: PNGRB, MOFSL

Exhibit 4: MAHGL's GA wise capex trend



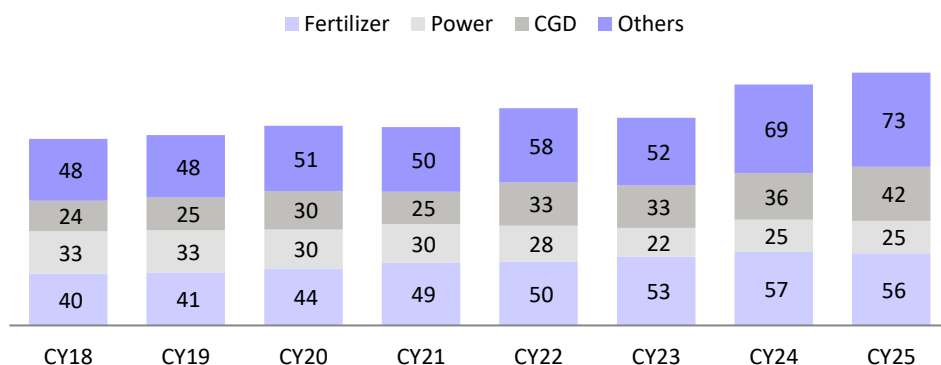
Source: Company, MOFSL

Exhibit 5: Natural gas consumption pattern in India over FY13-25



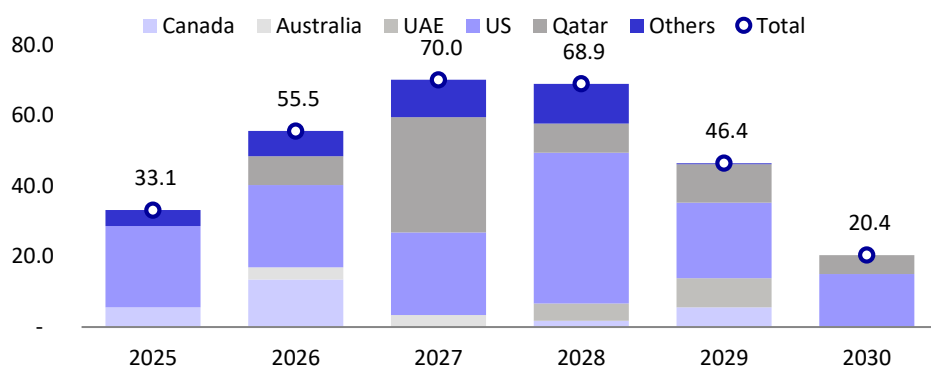
Source: Industry, MOFSL

Exhibit 6: Sectoral natural gas consumption pattern in India over FY18-25



Source: Industry, MOFSL

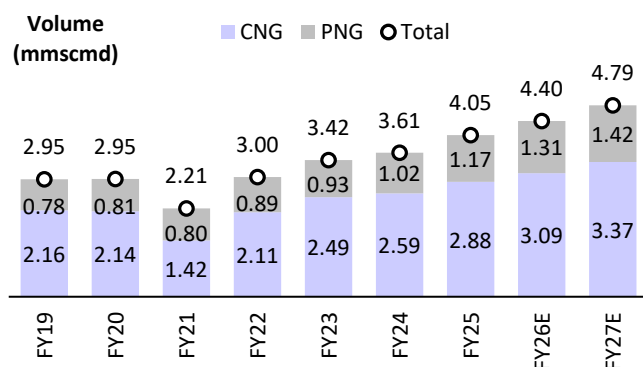
Exhibit 7: ~295bcm/year LNG liquefaction capacity upcoming globally during CY25-30



Source: IEA, MOFSL

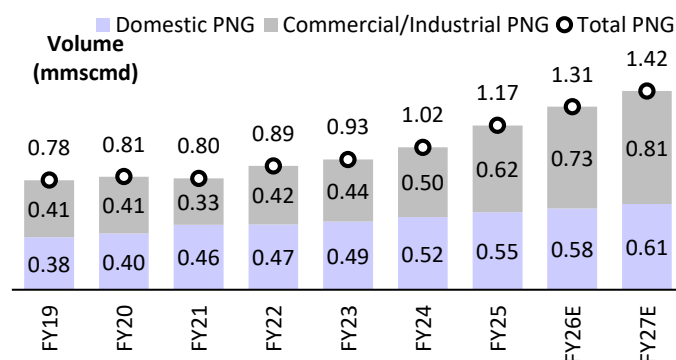
Story in charts

Exhibit 8: Volume growth snapshot



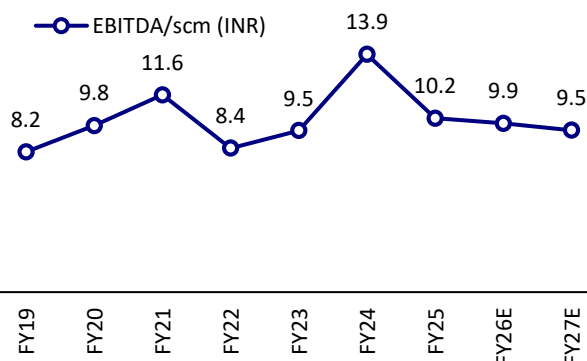
Source: Company, MOFSL

Exhibit 9: PNG segment-wise volumes



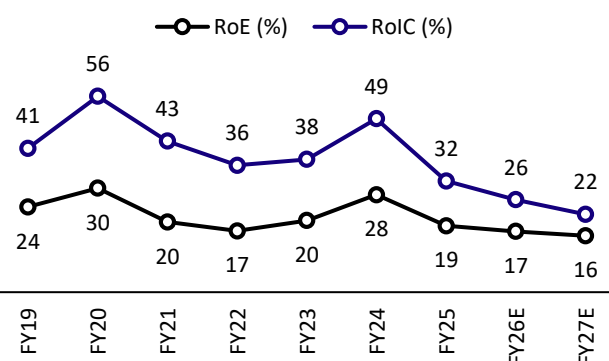
Source: Company, MOFSL

Exhibit 10: EBITDA/scm snapshot



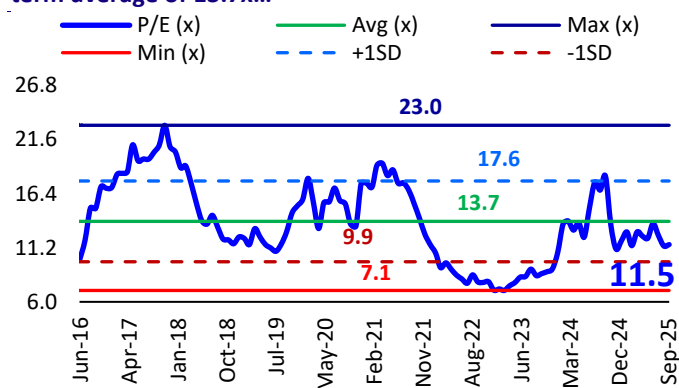
Source: Company, MOFSL

Exhibit 11: Return ratios for MAHGL



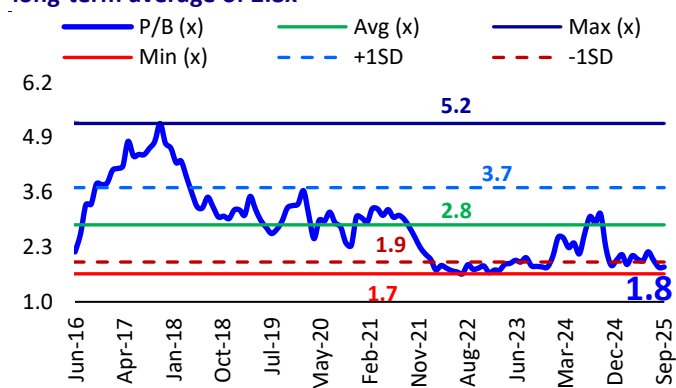
Source: Company, MOFSL

Exhibit 12: One-year fwd P/E trades at 11.5x, with a long-term average of 13.7x...



Source: Company, MOFSL

Exhibit 13: ...and one-year fwd P/B trades at 1.8x, with a long-term 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	15.5	9.5	11.7	11.4	11.1
Cash P/E	12.0	7.8	9.1	8.7	8.3
P/BV	3.0	2.4	2.1	1.9	1.7
EV/Sales	1.9	1.9	1.7	1.5	1.4
EV/EBITDA	10.2	6.4	7.9	7.5	7.2
Dividend Yield (%)	2.1	4.2	2.4	3.5	3.6
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

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

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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

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