

Mahanagar Gas

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USDb)	128 / 1.5
52-Week Range (INR)	1587 / 1075
1, 6, 12 Rel. Per (%)	-3/-9/-16
12M Avg Val (INR M)	814

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	81.7	89.0	99.2
EBITDA	15.5	16.2	17.7
Adj. PAT	9.7	10.2	11.2
Adj. EPS (INR)	98.5	102.8	113.8
EPS Gr. (%)	-7.3	4.4	10.7
BV/Sh.(INR)	655.3	717.0	785.3

Ratios

Net D:E	-0.1	0.0	-0.1
RoE (%)	15.7	15.0	15.2
RoCE (%)	15.8	15.1	15.2
Payout (%)	40.0	40.0	40.0

Valuation

P/E (x)	13.0	12.4	11.2
P/BV (x)	1.9	1.8	1.6
EV/EBITDA (x)	7.9	7.6	6.9
Div. Yield (%)	3.1	3.2	3.6
FCF Yield (%)	2.5	1.9	3.1

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	32.5	32.5	32.5
DII	32.9	32.5	25.5
FII	23.6	25.5	34.2
Others	11.0	9.5	7.8

FII includes depository receipts

CMP: INR1,296 TP: INR1,700 (+33%) Buy

EBITDA margin below est.; medium-term outlook healthy

- Mahanagar Gas (MAHGL)'s 2QFY26 EBITDA margin of INR8/scm was below our est. of INR8.7/scm. Total volumes for MAHGL (ex-UEPL) were in line at 4.4mmscmd. On a sequential basis, EBITDA/scm (adjusted for one-off items in 1QFY26) declined INR1.6, as 1) gas costs grew INR1.4/scm QoQ to INR32.1/scm; 2) realization declined INR0.1/scm QoQ, and operating costs rose INR0.1/scm.
- Management guided a robust double-digit growth trajectory, with volumes likely to rise over 10% YoY and EBITDA margins sustaining at INR8-9/scm over the medium term. Incorporating the amalgamation of UEPL, we now forecast 11% CAGR in volumes over FY25-28 (vs. 9% earlier). However, we have marginally trimmed our EBITDA/scm estimates to INR9.2/8.7/8.7 for FY26/27/28, reflecting a more conservative margin outlook. Consequently, our EBITDA estimates for FY26-28 are lower by 2-3%, while PAT estimates have been revised down by 5-8%, factoring in higher depreciation post-amalgamation and a reduction in other income assumptions.
- We model MAHGL's volumes to clock an 11% CAGR over FY25-28 and estimate an EBITDA margin of INR8.7-9.2 per scm during the period. MAHGL currently trades at 11.2x FY28E SA P/E. We now value MAHGL at 15x Dec'27 P/E (15x FY27 P/E earlier), resulting in a TP of INR1,700. Reiterate BUY.

Focus remains on volume growth; plans to add 80 CNG stations in FY26

- Management guided a robust 10%+ YoY growth in volumes and a stable EBITDA/scm margin of INR8-9 in the medium term.
- **FY26 capex guidance:** MAHGL has guided for a consolidated capex of INR10.5-12b in FY26. Of this, INR9-10b will be deployed across MAHGL's three geographical areas (GAs), while INR1.5-2b will be incurred towards network expansion and infrastructure development in UEPL's GAs.
- **Gas sourcing split (MAHGL-ex UEPL):** MAHGL's total gas requirement is met through: 1) APM gas: ~1.68mmscmd, 2) New well gas: 0.35mmscmd, 3) HH-linked term contracts: 1.45mmscmd, 4) HPHT term contracts: 0.5mmscmd, and 5) IGX: 0.3-0.4mmscmd.
- **CNG stations:** For FY26, MAHGL targets commissioning around 80 new CNG stations, of which 17 have already been added.
- On the cost front, APM gas continues to offer the lowest landed cost at INR24-25/scm, while NWG HPHT gas is priced at INR32-37/scm and R-LNG at INR40-42/scm.

Miss on EBITDA/scm margin; stable volume growth

- MAHGL's total volumes stood at 4.6mmscmd (+3% QoQ).
- CNG/D-PNG volumes grew 2% QoQ, while I&C-PNG volumes grew 8% QoQ.
- EBITDA/scm came in at INR8 (vs. adjusted EBITDA/scm of INR9.6 in 1QFY26).
- On a QoQ basis, adj. EBITDA/scm margin declined by INR1.6, as 1) gas cost increased INR1.4/scm QoQ to INR32.1/scm; 2) realization declined INR0.1/scm QoQ, and operating cost increased INR0.1/scm QoQ.
- Reported EBITDA came in at INR3.4b (-18%/-33% YoY/QoQ).
- MAHGL's PAT stood at INR1.9b (-33%/-39% YoY/QoQ) for the quarter.

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- **UEPL was amalgamated with MAHGL during the quarter. Accordingly, the comparative financials for 1QFY26 and 2QFY25 have been restated to reflect the impact of the amalgamation, and other quarters are not comparable. Due to the unavailability of data, we assume UEPL's EBITDA/PAT of INR160m/ INR50m for 2QFY26 (similar QoQ) and total volume of 0.21mmscmd (up 30% YoY). Comparison of MAHGL SA estimated numbers vs. actuals is as below:**
- EBITDA came in 8% below our estimate at INR3.2b, as EBITDA/scm stood 8% below our estimate of INR8/scm.
- APAT stood 21% below estimates at INR1.9b.
- Total volumes came in line with our estimate at 4.4mmscmd.

Valuation and view

- We expect an 11% CAGR in volume over FY25-28, driven by multiple initiatives implemented by the company. These initiatives include collaborating with OEMs to drive conversions of commercial CNG vehicles and providing guaranteed price discounts to new I/C-PNG customers.
- MAHGL currently trades at 11.2x FY28E SA P/E. We now value MAHGL at 15x Dec'27 P/E (15x FY27 P/E earlier), resulting in a TP of INR1,700/sh. **Reiterate BUY.**

Standalone - Quarterly Earnings Model

Standalone - Quarterly Earnings Model												(INR m)
Y/E March	FY25				FY26E				FY25	FY26E	FY26	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Net Sales	15,896	17,863	17,576	18,649	20,814	20,493	20,452	19,935	69,983	81,694	19,475	5%
YoY Change (%)	3.4	13.7	12.0	19.0	30.9	14.7	16.4	6.9	12.1	16.7	13.8	
EBITDA	4,185	4,135	3,144	3,784	5,007	3,380	3,615	3,497	15,247	15,498	3,510	-4%
EBITDA/SCM	11.9	11.1	8.3	10.0	12.4	8.0	8.4	8.1	10.3	9.2	8.7	-8%
Margins (%)	26.3	23.1	17.9	20.3	24.1	16.5	17.7	17.5	21.8	19.0	18.0	
Depreciation	719	842	791	818	959	1,038	977	940	3,170	3,914	801	
Interest	31	31	34	39	45	50	38	18	135	151	34	
Other Income	402	468	463	464	319	289	403	554	1,796	1,565	528	
PBT	3,837	3,729	2,782	3,391	4,322	2,580	3,004	3,093	13,739	12,999	3,202	-19%
Tax	992	861	529	869	1,127	646	756	743	3,250	3,272	806	
Rate (%)	25.8	23.1	19.0	25.6	26.1	25.1	25.2	24.0	23.7	25.2	25.2	
Reported PAT	2,845	2,868	2,254	2,522	3,196	1,934	2,248	2,350	10,489	9,727	2,396	-19%
YoY Change (%)	-22.8	-15.3	-28.9	-4.8	12.3	-32.6	-0.3	-6.8	-18.6	-7.3	-15.3	
Margins (%)	17.9	16.1	12.8	13.5	15.4	9.4	11.0	11.8	15.0	11.9	12.3	
Sales Volumes (mmscmd)												
CNG	2.8	2.9	2.9	2.9	3.2	3.3	3.4	3.4	2.9	3.3	3.1	5%
PNG - Domestic	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	5%
PNG - Industrial/ Commercial	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.6	0.7	0.7	6%
PNG - Total	1.1	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.2	1.3	1.3	5%
Total Volumes	3.9	4.0	4.1	4.2	4.5	4.6	4.7	4.8	4.1	4.6	4.4	5%

Operational highlights

	FY23				FY24				FY25				FY26		QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	(%)
CNG (mmscmd)	2.5	2.5	2.5	2.4	2.5	2.6	2.6	2.7	2.8	2.9	2.9	2.9	3.2	3.3	2%
Growth YoY (%)	64%	14%	3%	6%	-2%	2%	6%	11%	12%	12%	11%	10%	15%	13%	
PNG (mmscmd)	0.9	0.9	0.9	1.0	0.9	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.3	6%
Growth YoY (%)	7%	3%	3%	8%	2%	8%	11%	16%	17%	17%	15%	13%	17%	16%	
Total Volumes (mmscmd)	3.4	3.5	3.4	3.4	3.4	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.5	4.6	3%
Growth YoY (%)	44%	11%	3%	6%	-1%	3%	8%	12%	13%	13%	12%	11%	15%	14%	
EBITDA/SCM (INR)	9.1	7.9	8.2	12.8	16.8	14.6	13.3	11.5	11.9	11.1	8.3	10.0	12.4	8.0	-35%
Growth YoY (%)	-35%	-24%	140%	70%	84%	83%	63%	-11%	-29%	-24%	-38%	-12%	4%	-28%	



Highlights from the management commentary

Operational performance:

- 14 CNG stations added, taking the total to 485 CNG stations.
- 27,150 CNG vehicles added, taking the total to 1.22m vehicles.
- 116 I&C customers added, taking the total to 5,316 customers.
- 53,556 domestic households connected, taking the total to ~2.94m households.

Reason for the increase in costs QoQ:

- Gas costs increased sequentially due to:
 - Increase in allocation of R-LNG and spot gas as total volumes increased
 - The company plans to increase term contracts instead of buying from IGX.
 - Long-term Henry Hub (HH) contract is also going to come up in Jan'26.
 - APM + NW Gas allocation has reduced QoQ, resulting in an INR0.75/scm EBITDA margin impact.
- 1.7mmscmd in 1Q down to 1.68mmscmd in 2Q (CNG APM allocation: 35%)
- 0.5mmscmd in 1Q down to 0.35mmscmd in 2Q
- Rupee depreciation resulted in an INR0.5/scm negative EBITDA margin impact
- While the applicable price of APM is USD6.75/mmbtu, the CBG-blended effective price was ~USD6.98/mmbtu.
- About INR0.2/scm increase in opex.

Gas sourcing split (MAHGL-ex UEPL):

- APM: ~1.68mmscmd
- HH linked term contract: 1.45mmscmd
- HPHT term contract: 0.5mmscmd
- IGX: 0.3-0.4mmscmd (Spot, R-LNG or RIL HPHT)
- NMG: 0.35mmscmd

Gas sourcing split - UEPL:

- 36% APM allocation towards CNG
- Rest via HH linked and HPHT

Margin guidance (MAHGL + UEPL):

- INR8.5/scm in 3QFY26. Margins should improve in 4Q as the LT HH-linked contract comes up.
- **Medium-term margin guidance: INR8-9/scm. The company remains focused on volume growth.**

Volume growth:

- 3QFY26 could see better volume growth YoY vs. 1HFY26 (grew 10% YoY).
Overall, management has guided for a 10%+ YoY growth in volumes.

CNG stations:

- FY26: **80 stations** (17 stations added; most of the stations shall be added in 4Q)
- Some station upgradations are also planned

Maharashtra EV policy:

- BEST EV buses – While EV buses have come up, MAHGL is in talks with BEST to increase CNG penetration as well.

Promotional schemes:

- Mahotsav scheme: The company plans to launch another CNG B2B scheme this year (Nov'25).

Landed gas cost:

- APM: INR24-25/scm
- NWG HPHT: INR32-37/scm
- R-LNG: INR40-42/scm

FY26 capex guidance:

- MAHGL's three GAs: INR9b-10b
- UEPL's GAs: INR1.5b-2b

GA-wise volumes:

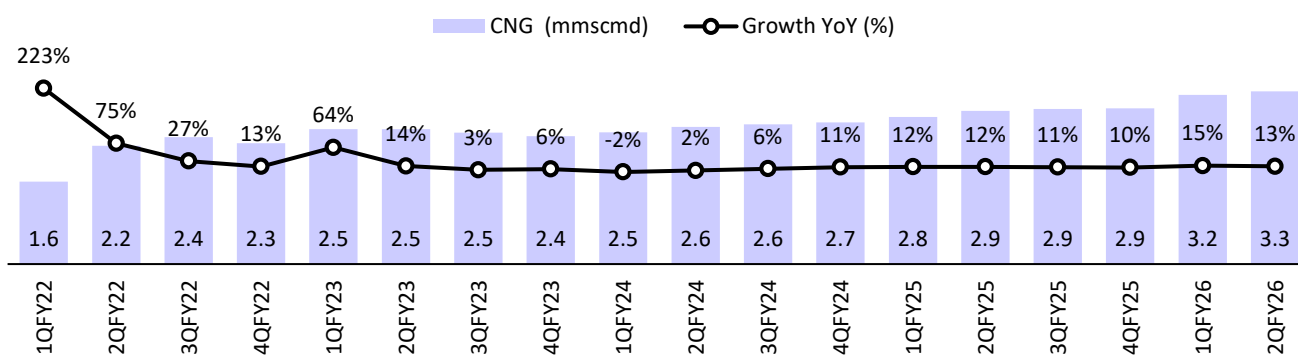
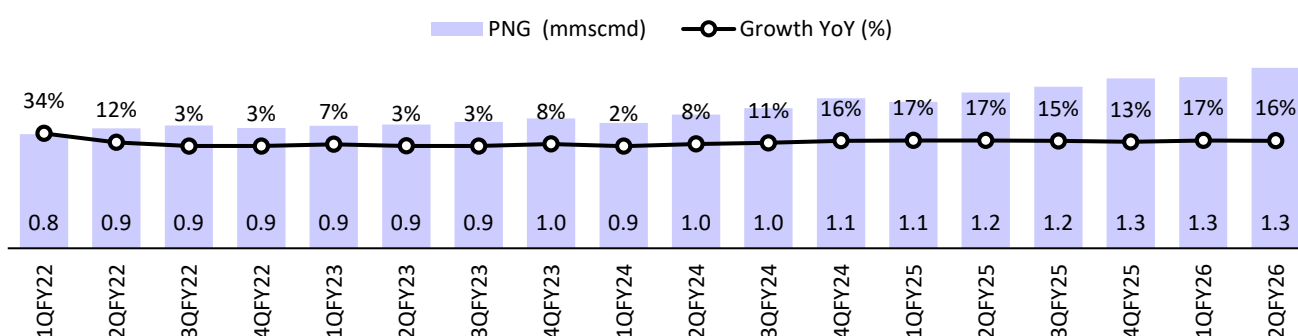
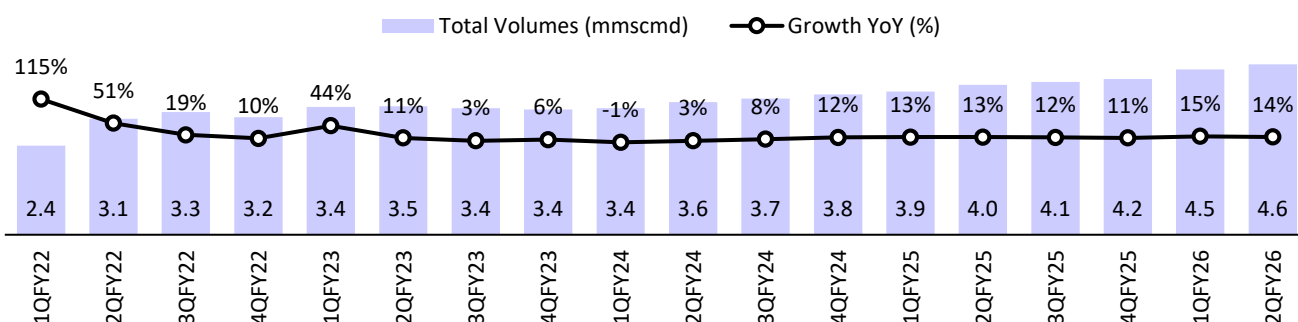
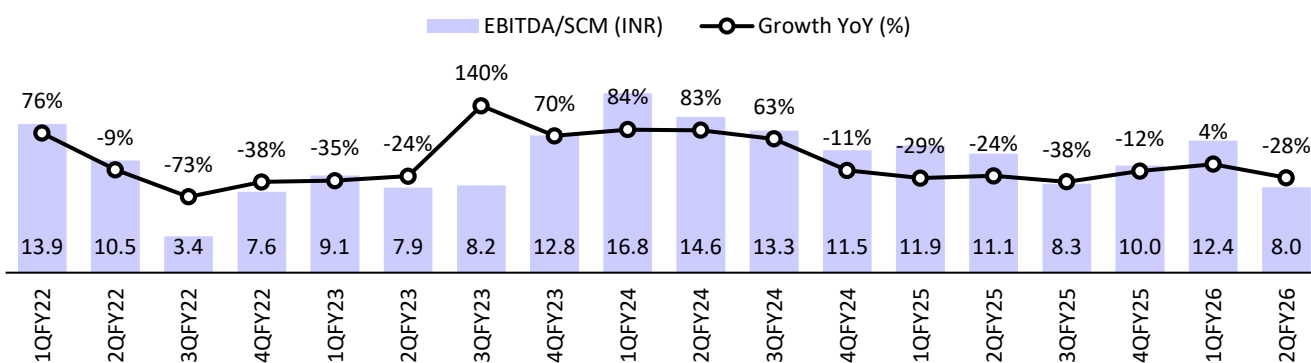
- GA1: 1.95-2mmscmd (+6-7% YoY)
- GA2: 1.95-2mmscmd (+10-12% YoY)
- GA3: 0.35mmscmd (+15% YoY)

Lower other income on a YoY basis:

- Lower mutual fund return
- Delayed bill payment penalties, minimum bill pay, and registration connection fees are done away with.

Tax savings due to the amalgamation of UEPL:

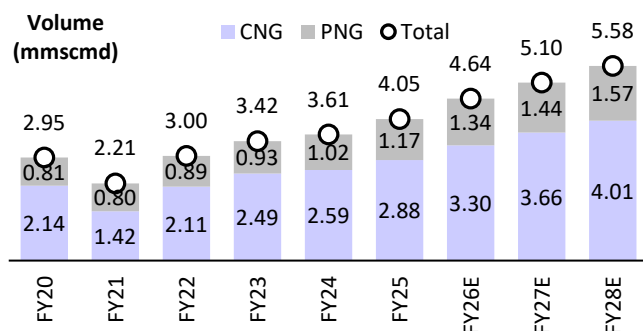
- ~INR350m of tax benefit should accrue in two years

Exhibit 1: CNG volumes up 13% YoY to 3.3mmscmd

Exhibit 2: PNG volumes up 16% YoY to 1.3mmscmd

Exhibit 3: Total volumes up 14% YoY to 4.6mmscmd

Exhibit 4: EBITDA/scm at INR8 (down 28% YoY)


Source: Company, MOFSL

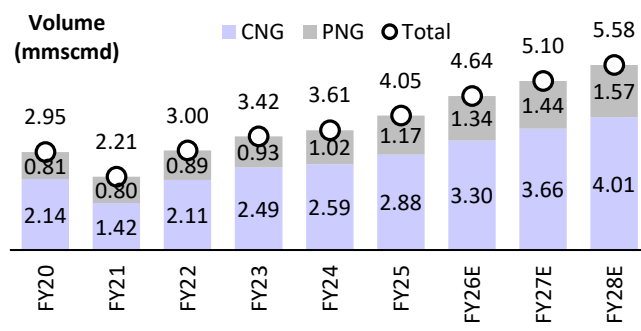
Story in charts

Exhibit 5: Volume growth snapshot



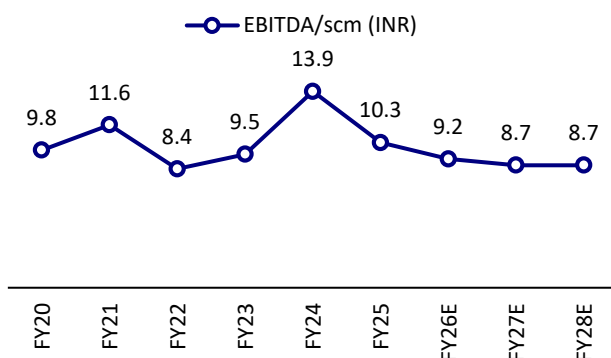
Source: Company, MOFSL

Exhibit 6: PNG segment-wise volumes



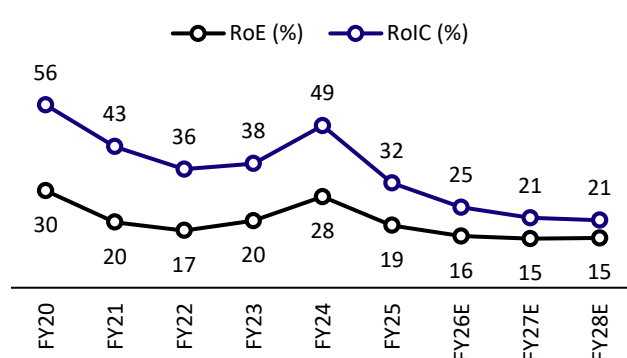
Source: Company, MOFSL

Exhibit 7: EBITDA/scm snapshot



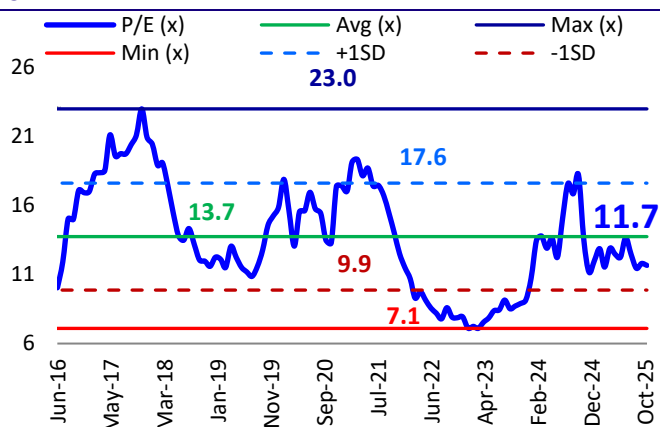
Source: Company, MOFSL

Exhibit 8: Return ratios for MAHGL



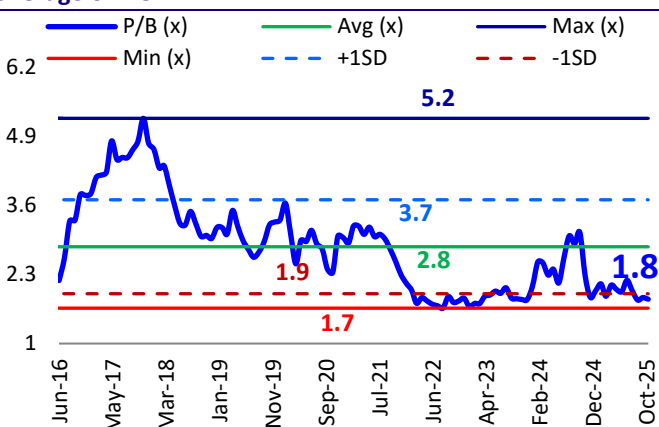
Source: Company, MOFSL

Exhibit 9: 1-year fwd P/E trades at 11.7, with LT average of 13.7x...



Source: Company, MOFSL

Exhibit 10: ...and 1-year fwd P/B trades at 1.8x, 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	FY28E
Total Income from Operations	62,993	62,445	69,983	81,694	89,006	99,245
Change (%)	76.9	-0.9	12.1	16.7	9.0	11.5
EBITDA	11,842	18,426	15,247	15,498	16,194	17,708
Margin (%)	18.8	29.5	21.8	19.0	18.2	17.8
Depreciation	2,311	2,736	3,170	3,914	4,172	4,380
EBIT	9,531	15,690	12,078	11,584	12,022	13,328
Int. and Finance Charges	94	115	135	151	138	138
Other Income	1,119	1,753	1,796	1,565	1,690	1,838
PBT bef. EO Exp.	10,555	17,328	13,739	12,999	13,575	15,028
PBT after EO Exp.	10,555	17,328	13,739	12,999	13,575	15,028
Total Tax	2,655	4,437	3,250	3,272	3,417	3,783
Tax Rate (%)	25.2	25.6	23.7	25.2	25.2	25.2
Reported PAT	7,901	12,891	10,489	9,727	10,158	11,245
Adjusted PAT	7,901	12,891	10,489	9,727	10,158	11,245
Change (%)	32.3	63.2	-18.6	-7.3	4.4	10.7
Margin (%)	12.5	20.6	15.0	11.9	11.4	11.3

Standalone - Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	988	988	988	988	988	988
Total Reserves	40,354	50,441	57,905	63,742	69,836	76,583
Net Worth	41,342	51,429	58,893	64,729	70,824	77,571
Total Loans	208	231	293	293	293	293
Deferred Tax Liabilities	2,086	2,441	2,771	2,771	2,771	2,771
Capital Employed	43,636	54,101	61,956	67,793	73,887	80,635
Gross Block	40,096	47,725	56,360	69,903	81,812	93,393
Less: Accum. Deprn.	11,727	14,463	17,633	21,547	25,719	30,099
Net Fixed Assets	28,369	33,262	38,727	48,356	56,092	63,294
Capital WIP	7,086	7,743	9,742	7,698	7,290	7,208
Total Investments	13,098	16,360	17,400	17,400	17,400	17,400
Rights to use assets	1,888	2,167	2,316	2,316	2,316	2,316
Curr. Assets, Loans&Adv.	9,882	12,728	13,855	13,656	14,402	16,768
Inventory	338	398	489	438	482	539
Account Receivables	2,940	2,806	3,456	3,813	4,155	4,632
Cash and Bank Balance	2,279	3,985	3,150	3,797	3,656	4,783
Cash	1,179	1,027	1,343	1,989	1,849	2,976
Bank Balance	1,100	2,958	1,807	1,807	1,807	1,807
Loans and Advances	4,324	5,539	6,759	5,608	6,110	6,813
Curr. Liability & Prov.	16,687	18,159	20,082	21,632	23,612	26,351
Account Payables	3,222	3,342	4,154	4,170	4,587	5,136
Other Current Liabilities	12,967	14,224	15,188	16,817	18,322	20,430
Provisions	498	593	740	645	703	784
Net Current Assets	-6,806	-5,431	-6,227	-7,977	-9,210	-9,582
Appl. of Funds	43,636	54,101	61,956	67,793	73,888	80,635

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	80.0	130.5	106.2	98.5	102.8	113.8
Cash EPS	103.4	158.2	138.3	138.1	145.1	158.2
BV/Share	418.5	520.6	596.2	655.3	717.0	785.3
DPS	26.0	52.2	30.0	39.4	41.1	45.5
Payout (%)	32.5	40.0	28.3	40.0	40.0	40.0
Valuation (x)						
P/E	16.0	9.8	12.0	13.0	12.4	11.2
Cash P/E	12.4	8.1	9.2	9.2	8.8	8.1
P/BV	3.1	2.5	2.1	1.9	1.8	1.6
EV/Sales	2.0	2.0	1.8	1.5	1.4	1.2
EV/EBITDA	10.5	6.6	8.1	7.9	7.6	6.9
Dividend Yield (%)	2.0	4.1	2.3	3.1	3.2	3.6
FCF per share	26.0	80.2	29.7	31.6	24.0	39.7
Return Ratios (%)						
RoE	20.4	27.8	19.0	15.7	15.0	15.2
RoCE	20.5	27.8	19.1	15.8	15.1	15.2
RoIC	37.9	49.5	32.0	24.6	21.3	20.6
Working Capital Ratios						
Fixed Asset Turnover (x)	1.6	1.3	1.2	1.2	1.1	1.1
Asset Turnover (x)	1.4	1.2	1.1	1.2	1.2	1.2
Inventory (Days)	2	2	3	2	2	2
Debtor (Days)	17	16	18	17	17	17
Creditor (Days)	19	20	22	19	19	19
Leverage Ratio (x)						
Current Ratio	0.6	0.7	0.7	0.6	0.6	0.6
Net Debt/Equity	-0.1	-0.1	0.0	-0.1	0.0	-0.1

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	10,555	17,328	13,741	12,999	13,575	15,028
Depreciation	2,311	2,736	3,063	3,914	4,172	4,380
Direct Taxes Paid	-2,638	-4,240	-2,687	-3,272	-3,417	-3,783
(Inc)/Dec in WC	134	907	830	2,396	1,093	1,500
Others	-764	-1,215	-1,397	-1,565	-1,690	-1,838
CF from Operations	9,693	15,631	13,685	14,622	13,870	15,425
(Inc)/Dec in FA	-7,127	-7,709	-10,754	-11,500	-11,500	-11,500
Free Cash Flow	2,566	7,922	2,931	3,122	2,370	3,925
(Pur)/Sale of Investments	-1,748	-65,334	-63,554	0	0	0
Others	2,384	60,375	64,298	1,565	1,690	1,838
CF from Investments	-6,491	-12,668	-10,010	-9,935	-9,810	-9,662
Dividend Paid	-2,518	-2,766	-2,964	-3,891	-4,063	-4,498
CF from Fin. Activity	-2,848	-3,116	-3,359	-4,042	-4,201	-4,636
Inc/Dec of Cash	354	-152	316	646	-140	1,127
Opening Balance	825	1,179	1,027	1,343	1,989	1,849
Closing Balance	1,179	1,027	1,343	1,989	1,849	2,976

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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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