Mahanagar Gas

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USDb)	110.7 / 1.2
52-Week Range (INR)	1407 / 900
1, 6, 12 Rel. Per (%)	-7/10/-16
12M Avg Val (INR M)	372

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	82.4	96.6	107.1
EBITDA	14.5	15.2	19.3
Adj. PAT	8.5	8.9	11.8
Adj. EPS (INR)	85.7	89.8	119.9
EPS Gr. (%)	-18.7	4.8	33.5
BV/Sh. (INR)	651.4	705.3	777.2
Ratios			
Net D:E	0.0	0.0	0.0
RoE (%)	13.8	13.2	16.2
RoCE (%)	13.5	12.9	15.4
Payout (%)	35.0	40.0	40.0
Valuation			
P/E (x)	12.5	11.9	8.9
P/BV (x)	1.6	1.5	1.4
EV/EBITDA (x)	7.4	7.1	5.5
Div. Yield (%)	2.8	3.4	4.5
FCF Yield (%)	0.8	2.0	3.5

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	32.5	32.5	32.5
DII	32.5	31.0	32.5
FII	23.2	24.1	25.5
Others	11.8	12.4	9.5

FII includes depository receipts

CMP: INR1,121 TP: INR1,560 (+39%) Buy

Resilient 1QFY27 amid headwinds

- Mahanagar Gas (MAHGL)'s 1QFY27 **EBITDA/scm came in 43% above our estimate at INR7.9/scm.** Total **volumes were in line at 4.8mmscmd** (+7% YoY). On a QoQ basis, EBITDA/scm increased by INR1.7/scm as gas cost and realization increased by INR4.7/scm and INR5.9/scm, while opex declined INR0.5/scm. Reported EBITDA/PAT stood 42%/62% above our estimate.
- **Things we liked about the result:** 1) MAHGL reported stable 7% YoY volume growth in 1Q with CNG volumes growing at 9% YoY. 2) The company clocked 97,461 DPNG conversions under PNG Drive 2.0, taking total D-PNG connections to 2.2m. 3) Expected normalized volume growth over the long term has been guided at 8-9% YoY. 4) MAHGL saw a sequential rise of INR27-32/scm in I&C-PNG realization, underpinning strong margin performance.
- **Key monitorables:** 1) Recovery in I&C-PNG volumes remains key after a 7% YoY decline in 1QFY27. 2) Full allocation of the contracted 1.5mmscmd Henry Hub-linked gas (vs. 1.0mmscmd currently under the pooled gas mechanism) would reduce gas sourcing costs. 3) To achieve the guided FY27 capex of INR15-18b, the company may need to raise debt. 4) A sharp correction in I&C-PNG realizations (primarily linked to alternate crude-based fuels) could put QoQ pressure on margins.
- **Valuation and view:** We model MAHGL's volumes to clock a 9% CAGR over FY26-28 and estimate an EBITDA margin of INR8.3/INR9.7 per scm in FY27/28. MAHGL currently trades at 8.9x FY28E SA P/E. We value MAHGL at 13x Dec'27 P/E, resulting in a TP of INR1,560. **Reiterate BUY.**

Beat on EBITDA/scm margin; stable volume growth

- Total **volumes were in line with our estimate at 4.8mmscmd** (+7% YoY).
  - CNG/D-PNG volumes clocked 10%/9% YoY growth, whereas I&C PNG declined 7% YoY.
- **EBITDA/scm came in 43% above our estimate at INR7.9/scm.**
  - On a QoQ basis, EBITDA/scm increased INR1.7/scm as realizations increased INR5.9/scm QoQ and opex decreased INR0.5/scm. However, gas costs rose INR4.7/scm.
- Reported EBITDA was 42% above our est. at INR3.4b (-32% YoY).
- MAHGL's PAT also stood 62% above our est. at INR1.9b (-39% YoY).
  - Depreciation, interest, and other income came in below our estimate.
- During the quarter, MAHGL invested INR49m, including INR10m in 3EV Industries (through Optionally Convertible Debentures) and INR39m to acquire a 26% equity stake in FPEL Reliant Energy Pvt. Ltd. as a captive user.

Valuation and view

- We expect a 9% CAGR in volume over FY26-28, driven by multiple initiatives implemented by the company, such as collaborating with OEMs and transporters to drive conversions of commercial CNG vehicles and providing guaranteed price discounts to new I/C-PNG customers.
- MAHGL currently trades at 8.9x FY28E SA P/E. We value MAHGL at 13x Dec'27 P/E, resulting in a TP of INR1,560/sh. **Reiterate BUY.**

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Standalone - Quarterly Earnings Model (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	FY27	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**20,814**	**20,493**	**20,583**	**20,512**	**23,717**	**23,965**	**24,649**	**24,238**	**82,402**	**96,569**	**23,071**	**3%**
YoY Change (%)	25.0	14.7	11.5	4.5	13.9	16.9	19.8	18.2	13.5	17.2	10.8	
EBITDA	**5,007**	**3,380**	**3,521**	**2,603**	**3,430**	**3,395**	**4,167**	**4,184**	**14,511**	**15,174**	**2,422**	**42%**
EBITDA/SCM	12.4	8.0	8.3	6.2	7.9	7.5	8.9	9.1	8.7	8.3	5.5	
Margins (%)	24.1	16.5	17.1	12.7	14.5	14.2	16.9	17.3	17.6	15.7	10.5	
Depreciation	959	1,038	1,034	1,061	1,086	1,108	1,108	1,130	4,092	4,430	1,108	
Interest	45	50	63	48	57	64	64	71	206	257	64	
Other Income	319	289	294	290	304	343	343	382	1,192	1,371	343	
PBT	**4,322**	**2,580**	**2,718**	**1,785**	**2,591**	**2,565**	**3,337**	**3,364**	**11,405**	**11,858**	**1,593**	**63%**
Tax	1,127	646	698	466	654	646	840	845	2,937	2,985	401	
Rate (%)	26.1	25.1	25.7	26.1	25.2	25.2	25.2	25.1	25.8	25.2	25.2	
Reported PAT	**3,196**	**1,934**	**2,020**	**1,319**	**1,937**	**1,920**	**2,497**	**2,519**	**8,468**	**8,873**	**1,192**	**62%**
YoY Change (%)	10.5	-32.6	-9.4	-45.6	-39.4	-0.7	23.6	91.0	-18.7	4.8	-62.7	
Margins (%)	15.4	9.4	9.8	6.4	8.2	8.0	10.1	10.4	10.3	9.2	5.2	
Sales Volumes (mmscmd)												
CNG	3.2	3.3	3.3	3.3	3.5	3.5	3.6	3.6	3.3	3.6	3.4	2%
PNG - Domestic	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6	1%
PNG - Industrial/ Commercial	0.7	0.8	0.7	0.7	0.6	0.8	0.8	0.8	0.7	0.8	0.7	-13%
PNG - Total	1.3	1.3	1.3	1.3	1.3	1.4	1.5	1.5	1.3	1.4	1.4	-7%
Total Volumes	**4.5**	**4.6**	**4.6**	**4.7**	**4.8**	**4.9**	**5.1**	**5.1**	**4.6**	**5.0**	**4.8**	**-1%**

Operational highlights

Operational Highlights	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
CNG (mmscmd)	**2.5**	**2.6**	**2.6**	**2.7**	**3.1**	**3.0**	**3.1**	**3.1**	**3.2**	**3.3**	**3.3**	**3.3**	**3.5**
Growth YoY (%)	-2%	2%	6%	11%	23%	18%	18%	17%	4%	7%	6%	7%	10%
PNG (mmscmd)	**0.9**	**1.0**	**1.0**	**1.1**	**1.1**	**1.2**	**1.2**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**
Growth YoY (%)	2%	8%	11%	16%	18%	18%	17%	15%	16%	15%	10%	3%	0%
Total Volumes (mmscmd)	**3.4**	**3.6**	**3.7**	**3.8**	**4.2**	**4.2**	**4.3**	**4.4**	**4.5**	**4.6**	**4.6**	**4.7**	**4.8**
Growth YoY (%)	-1%	3%	8%	12%	22%	18%	17%	16%	7%	9%	7%	6%	7%
EBITDA/SCM (INR)	**16.8**	**14.6**	**13.3**	**11.5**	**11.6**	**10.7**	**8.2**	**10.0**	**12.4**	**8.0**	**8.3**	**6.2**	**7.9**
Growth YoY (%)	84%	83%	63%	-11%	-31%	-27%	-38%	-13%	7%	-25%	1%	-38%	-36%

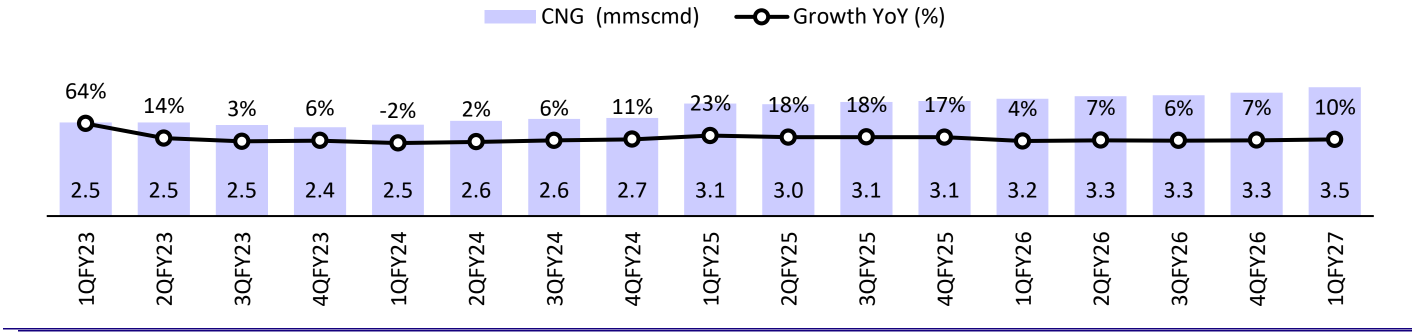
Note: FY25 onwards volumes are for MAHGL and erstwhile UEPL combined

CONFERENCE CALL

Highlights from the management commentary

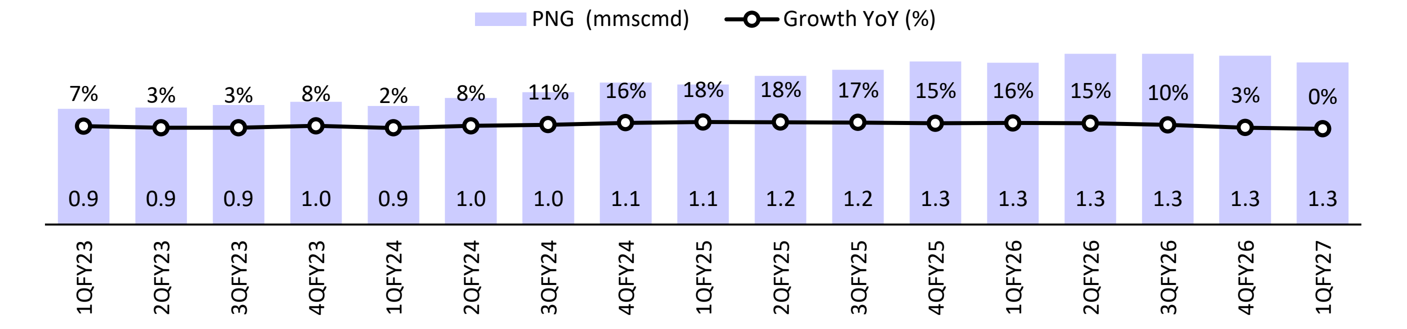
- **Operational performance:**
  - Operational infrastructure expanded with 97,461 new domestic PNG conversions (cumulative 2.17m), 156.57 km of new pipeline (cumulative 8477km), one new CNG station (total 519), 291 new industrial/commercial customers (total 6198), and 26,007 new CNG vehicles registered (total over 1.31m).
- Expected normalized volume growth over the long term: **8-9% YoY**
- **Volumes details:**
  - Total volume: 4.766mmscmd in 1QFY27 (vs 4.456mmsmcd in 1QFY26)
  - CNG – 3.496mmsmcd in 1QFY27 (vs 3.185mmscmd in 1QFY26)
  - DPNG – 0.623mmscmd in 1QFY27 (vs 0.571mmscmd in 1QFY26)
  - I&C PNG – 0.648mmscmd in 1QFY27 (0.698mmscmd in 1QFY26)
- **Gas sourcing split: Mar'26:**
  - APM gas: 30%
  - NWG and pooled gas: 22%
    - Pooled gas price: USD12.5-13/mmbtu. Discontinued from 4 Jul'26.
  - HP-HT: 15%
  - HH linked: 21%
    - 1.5mmscmd of contracted HH linked gas shall not be fully available due to force majeure.
  - Rest: Brent-linked (very minimal), IGX and spot
    - Brent-linked price: USD15/mmbtu
    - Spot went as high as USD20/mmbtu
- **Sales realisation:**
  - I&C pricing is linked to alternate fuels. Company saw a QoQ increase of INR27-32/scm in realization.
    - Industrial/commercial pricing is linked to bulk LPG (some discount)/FO, LSHS and LDO.
- **UEPL:**
  - Volume: 0.322mmscmd out of total 4.766mmscmd (0.224mmscmd in 1QFY26).
- **Bus segment & EV impact:**
  - BEST: 90k kg/day, MSRTC: 35k kg/d, others: 3.5-4k kg/d
- **Capex:**
  - PNG drive will lead to an increase in capex.
  - 1QFY27 capex: INR3.5b (strong D-PNG connection additions)
  - FY27 guidance: INR15-18b
    - There could be some increase in debt during the year
- **GA-wise volumes:**
  - GA2 - 2.1mmscmd (1.9mmscmd in 1QFY26)
  - Unison - 0.3mmscmd (0.224mmscmd in 1QFY26)
  - GA1 - 1.95msmcd
  - Raigad - 0.4mmscmd (0.3mmscmd in 1QFY26)

Exhibit 1: CNG volumes up 10% YoY to 3.5mmscmd



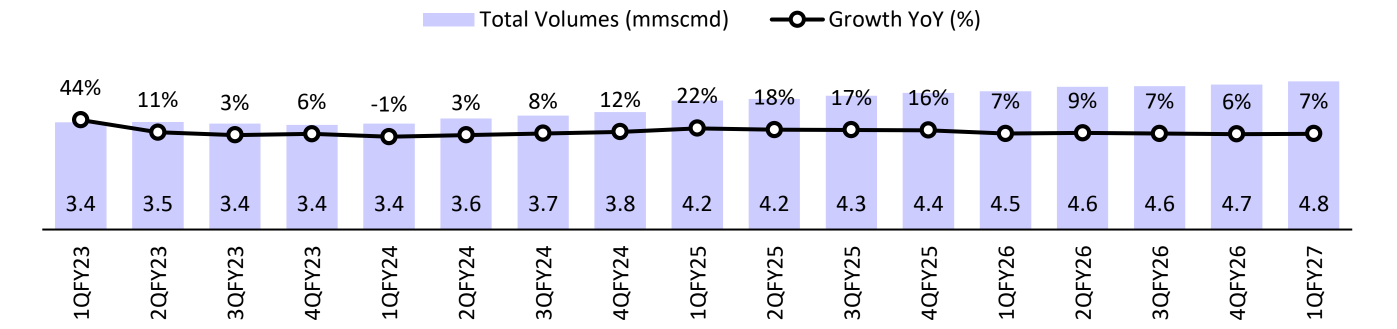
Note: FY25 onwards volumes are for MAHGL and erstwhile UEPL combined

Exhibit 2: PNG volumes in line at 1.3mmscmd



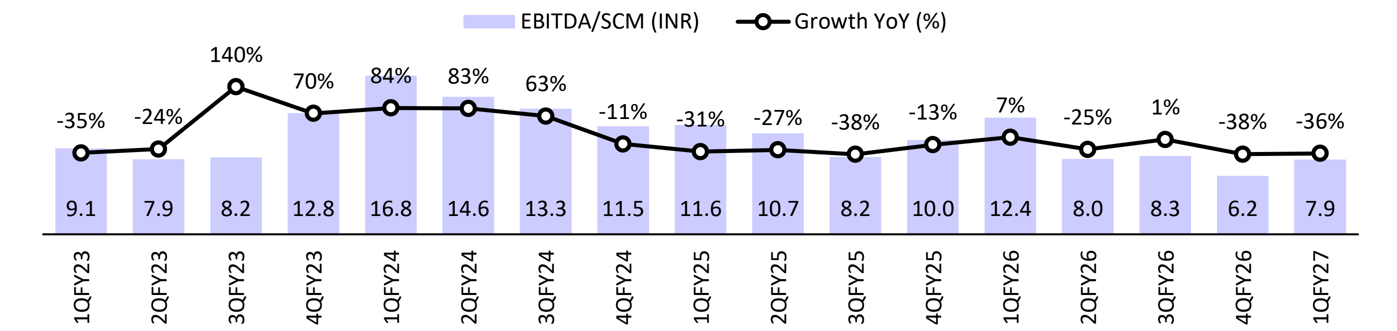
Note: FY25 onwards volumes are for MAHGL and erstwhile UEPL combined

Exhibit 3: Total volumes up 7% YoY to 4.8mmscmd



Note: FY25 onwards volumes are for MAHGL and erstwhile UEPL combined

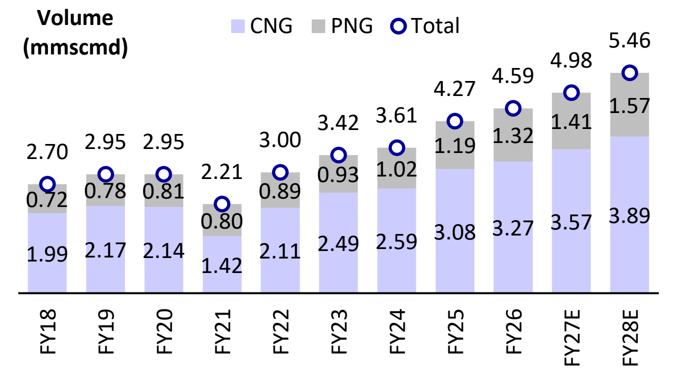
Exhibit 4: EBITDA/scm at INR7.9 (down 36% YoY)



Source: Company, MOFSL

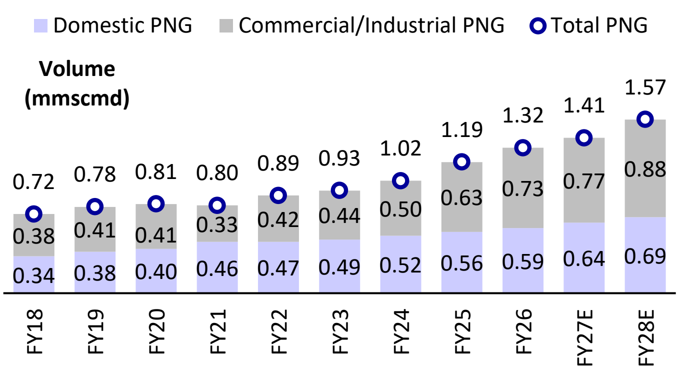
Story in charts

Exhibit 5: Volume growth snapshot



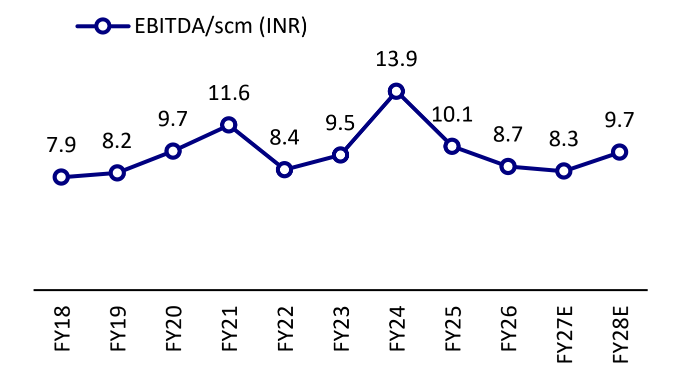
Source: Company, MOFSL

Exhibit 6: PNG segment-wise volumes



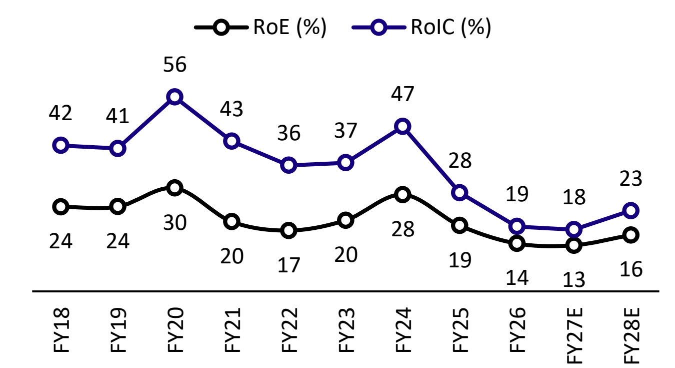
Source: Company, MOFSL

Exhibit 7: EBITDA/scm snapshot



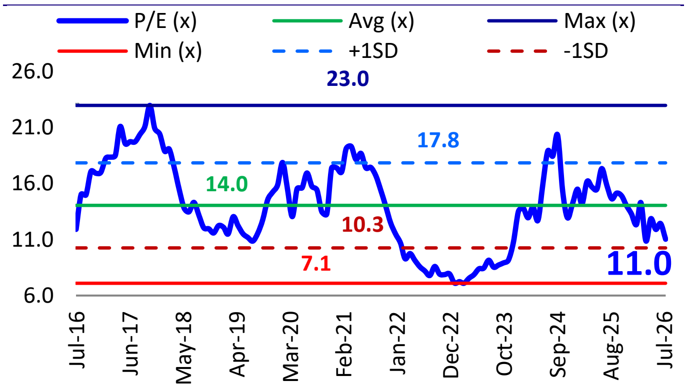
Source: Company, MOFSL

Exhibit 8: Return ratios for MAHGL



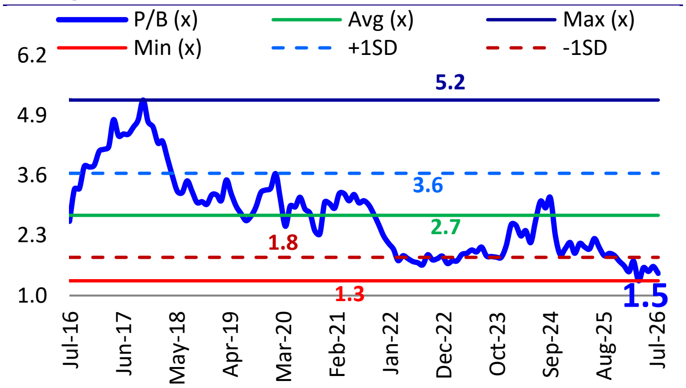
Source: Company, MOFSL

Exhibit 9: 1-year fwd P/E trades at 11, with an LT average of 14 x…



Source: Company, MOFSL

Exhibit 10: …and 1-year fwd P/B trades at 1.5x, with an LT average of 2.7x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement						(INR m)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**62,993**	**62,445**	**72,613**	**82,402**	**96,569**	**107,079**
Change (%)	*76.9*	*-0.9*	*16.3*	*13.5*	*17.2*	*10.9*
Raw Materials	44,349	36,181	46,776	56,312	68,277	73,059
Employees Cost	1,079	1,181	1,468	1,764	0	0
Other Expenses	5,724	6,657	8,669	9,816	13,117	14,750
Total Expenditure	**51,151**	**44,019**	**56,912**	**67,891**	**81,394**	**87,809**
% of Sales	81.2	70.5	78.4	82.4	84.3	82.0
EBITDA	**11,842**	**18,426**	**15,701**	**14,511**	**15,174**	**19,270**
Margin (%)	*18.8*	*29.5*	*21.6*	*17.6*	*15.7*	*18.0*
Depreciation	2,311	2,736	3,517	4,092	4,430	4,695
EBIT	**9,531**	**15,690**	**12,184**	**10,419**	**10,744**	**14,575**
Int. and Finance Charges	94	115	138	206	257	321
Other Income	1,119	1,753	1,660	1,192	1,371	1,576
PBT bef. EO Exp.	**10,555**	**17,328**	**13,706**	**11,405**	**11,858**	**15,830**
PBT after EO Exp.	**10,555**	**17,328**	**13,706**	**11,405**	**11,858**	**15,830**
Total Tax	2,655	4,437	3,294	2,937	2,985	3,984
Tax Rate (%)	*25.2*	*25.6*	*24.0*	*25.8*	*25.2*	*25.2*
Reported PAT	**7,901**	**12,891**	**10,413**	**8,468**	**8,873**	**11,845**
Adjusted PAT	**7,901**	**12,891**	**10,413**	**8,468**	**8,873**	**11,845**
Change (%)	*32.3*	*63.2*	*-19.2*	*-18.7*	*4.8*	*33.5*
Margin (%)	*12.5*	*20.6*	*14.3*	*10.3*	*9.2*	*11.1*

Standalone - Balance Sheet						(INR m)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	988	988	988	988	988	988
Total Reserves	40,354	50,441	57,797	63,355	68,679	75,786
Net Worth	**41,342**	**51,429**	**58,785**	**64,343**	**69,666**	**76,774**
Total Loans	1,146	1,393	1,981	2,187	4,687	5,687
Deferred Tax Liabilities	2,086	2,441	3,111	3,739	3,739	3,739
Capital Employed	**44,574**	**55,262**	**63,877**	**70,268**	**78,092**	**86,199**
Gross Block	40,096	47,725	59,438	68,816	75,716	82,616
Less: Accum. Deprn.	11,727	14,463	17,980	22,071	26,502	31,197
Net Fixed Assets	**28,369**	**33,262**	**41,458**	**46,744**	**49,214**	**51,419**
Capital WIP	7,086	7,743	10,621	12,593	17,193	21,793
Total Investments	**13,098**	**16,360**	**11,779**	**11,693**	**11,693**	**11,693**
Rights to use assets	1,888	2,167	2,663	2,917	2,917	2,917
Curr. Assets, Loans&Adv.	**9,882**	**12,728**	**16,324**	**15,705**	**18,779**	**20,659**
Inventory	338	398	523	625	732	812
Account Receivables	2,940	2,806	3,632	4,584	5,372	5,956
Cash and Bank Balance	2,279	3,985	3,328	1,136	3,314	4,530
Cash	1,179	1,027	1,517	566	2,744	3,960
Bank Balance	1,100	2,958	1,812	571	571	571
Loans and Advances	4,324	5,539	8,841	9,360	9,360	9,360
Curr. Liability & Prov.	**15,749**	**16,998**	**18,968**	**19,384**	**21,703**	**22,281**
Account Payables	3,222	3,342	4,309	4,756	5,767	6,171
Other Current Liabilities	12,029	13,063	13,909	13,768	15,077	15,251
Provisions	498	593	750	859	859	859
Net Current Assets	**-5,867**	**-4,270**	**-2,645**	**-3,679**	**-2,924**	**-1,622**
Appl. of Funds	**44,574**	**55,263**	**63,877**	**70,268**	**78,092**	**86,199**

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)						
EPS	**80.0**	**130.5**	**105.4**	**85.7**	**89.8**	**119.9**
Cash EPS	103.4	158.2	141.0	127.2	134.7	167.4
BV/Share	418.5	520.6	595.1	651.4	705.3	777.2
DPS	26.0	52.2	30.0	30.0	35.9	48.0
Payout (%)	32.5	40.0	28.5	35.0	40.0	40.0
Valuation (x)						
P/E	13.4	8.2	10.2	12.5	11.9	8.9
Cash P/E	10.4	6.8	7.6	8.4	7.9	6.4
P/BV	2.6	2.1	1.8	1.6	1.5	1.4
EV/Sales	1.7	1.7	1.4	1.3	1.1	1.0
EV/EBITDA	8.8	5.6	6.6	7.4	7.1	5.5
Dividend Yield (%)	2.4	4.9	2.8	2.8	3.4	4.5
FCF per share	26.0	80.2	25.2	8.8	21.4	37.4
Return Ratios (%)						
RoE	20.4	27.8	18.9	13.8	13.2	16.2
RoCE	20.3	27.2	18.5	13.5	12.9	15.4
RoIC	37.0	47.4	28.3	18.6	17.7	23.2
Working Capital Ratios						
Fixed Asset Turnover (x)	1.6	1.3	1.2	1.2	1.3	1.3
Asset Turnover (x)	1.4	1.1	1.1	1.2	1.2	1.2
Inventory (Days)	2	2	3	3	3	3
Debtor (Days)	17	16	18	20	20	20
Creditor (Days)	19	20	22	21	22	21
Leverage Ratio (x)						
Current Ratio	0.6	0.7	0.9	0.8	0.9	0.9
Net Debt/Equity	0.0	-0.1	0.0	0.0	0.0	0.0

Standalone - Cash Flow Statement **(INR m)**

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	10,555	17,328	13,706	11,405	11,858	15,830
Depreciation	2,311	2,736	3,517	4,092	4,430	4,695
Interest & Finance Charges	94	115	138	206	257	321
Direct Taxes Paid	-2,638	-4,240	-2,688	-2,655	-2,985	-3,984
(Inc)/Dec in WC	134	907	733	-793	1,424	-86
Others	-764	-1,215	-1,210	-780	-1,371	-1,576
CF from Operations	**9,693**	**15,631**	**14,196**	**11,475**	**13,614**	**15,199**
(Inc)/Dec in FA	-7,127	-7,709	-11,703	-10,604	-11,500	-11,500
Free Cash Flow	**2,566**	**7,922**	**2,493**	**870**	**2,114**	**3,699**
(Pur)/Sale of Investments	-1,748	-65,334	-274	425	0	0
Others	2,384	60,375	1,417	1,435	1,371	1,576
CF from Investments	**-6,491**	**-12,668**	**-10,561**	**-8,744**	**-10,129**	**-9,924**
Interest Paid	0	0	-17	0	-257	-321
Dividend Paid	-2,518	-2,766	-2,964	-2,965	-3,549	-4,738
Others	-330	-350	-429	-717	0	0
CF from Fin. Activity	**-2,848**	**-3,116**	**-3,410**	**-3,681**	**-1,306**	**-4,060**
Inc/Dec of Cash	**354**	**-152**	**225**	**-951**	**2,178**	**1,216**
Opening Balance	825	1,179	1,292	1,517	566	2,744
Closing Balance	**1,179**	**1,027**	**1,517**	**566**	**2,744**	**3,960**

NOTES

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
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