BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,314 | ▲ 17%

MAHANAGAR GAS | Oil & Gas | 31 July 2026

Results beats expectations on better volumes & realisation

- **Revenue grew by 13.9%YoY, on volume growth of 9.7%YoY in CNG. However, higher costs led to decline in EBITDA**
- **Outlook positive on volume growth driven by CNG and PNG. EBITDA spread is likely to improve with stability in imported LNG price**
- **Raise to BUY from HOLD; considering better volume performance & rollover to June'28 EPS, revise TP upwards Rs1,314 from Rs1,268**

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Performance above expectations: Revenue came at Rs23bn (+13.9%YoY, +15.6%QoQ) and was 7% above our estimates. EBITDA came at Rs3bn (-31.5%YoY, +31.7%QoQ) and was 27% above our estimates. EBITDA spread for Q1FY27 was Rs7.9/scm; lower by 36%YoY. Better performance was due to higher-than-expected volumes and realisation. Realisation came at Rs54.7/scm — higher by 6.5%YoY – aided by price hikes in month of May.

Volumes: Volumes came at 434mnscm — higher by 7%YoY and higher by 3%QoQ. CNG volume growth was 9.7%YoY, while PNG volumes grew 0.2%YoY. Management is positive about the volume growth and expect growth to be 9-10% for FY27E driven by CNG.

Operational performance: EBITDA spread came at Rs7.9/scm – lower by 36.0%YoY and higher by 27.7%QoQ. Gas cost was higher YoY at 73% of sales for the quarter vs 63% for Q1FY26. MGL has been increasing the mix of long-term contracts to offset the impact of cost hikes through spot LNG. Management targets EBITDA spread of Rs8.0-9.0 over medium term , though see uncertainty on LNG supply/pricing in near term.

Foray into new businesses to benefit over long term: MGL has forayed into other businesses of LNG retailing, EV manufacturing and battery cell manufacturing. All these investments are targeted at diversifying revenue streams amidst the competition in the core CNG business. In terms of financials, the other businesses will likely accrue benefits after 5-6years.

Raise to BUY from HOLD; revise TP upwards: Raise to BUY on recent correction in stock; considering better volume performance & rollover to June'28 EPS, revise TP upwards Rs1,314 from Rs1,268, based on 12.5x P/E on June.28 EPS.

Key changes

Target	Rating
▲	▲

Ticker/Price	MAHGL IN/Rs 1,121
Market cap	US$ 1.2bn
Free float	68%
3M ADV	US$ 3.1mn
52wk high/low	Rs 1,378/Rs 900
Promoter/FPI/DII	33%/24%/21%

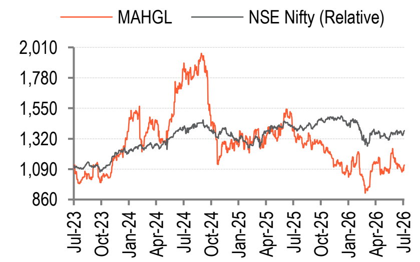
Source: NSE | Price as of 31 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	82,457	90,343	100,722
EBITDA (Rs mn)	14,506	15,495	17,345
Adj. net profit (Rs mn)	8,412	9,183	10,151
Adj. EPS (Rs)	85.2	93.0	102.8
Adj. ROAE (%)	13.7	13.6	13.7
Adj. P/E (x)	13.2	12.1	10.9
EV/EBITDA (x)	6.8	6.4	5.8
Adj. EPS growth (%)	(19.2)	9.2	10.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

(Rs mn)	Q1FY27	Q4FY26	QoQ (%)	Q1FY26	YoY (%)
Revenue	**23,717**	**20,512**	**15.6**	**20,814**	**13.9**
EBITDA	**3,430**	**2,603**	**31.7**	**5,007**	**(31.5)**
EBITDA margin (%)	14.5	12.7	177bps	24.1	(960bps)
Depreciation	1,086	1,061	2.3	959	13.2
Interest	57	48	20.1	45	27.6
Other income	304	290	4.8	319	(4.9)
PBT	2,591	1,785	45.2	4,322	(40.1)
Tax	654	466	40.4	1,127	(42.0)
Reported PAT	**1,937**	**1,319**	**46.8**	**3,196**	**(39.4)**
PATM (%)	8.2	6.4	174bps	15.4	(719bps)
EPS (Rs)	**19.6**	**13.4**	**46.8**	**32.4**	**(39.4)**

Source: Company

Fig 2 – Q1FY27 Actual vs Estimates

Particulars	Q1 Actual	Estimates	VAR (%)
Revenue (Rs mn)	23,717	22,081	7.4
EBITDA (Rs mn)	3,430	2,710	26.6
EBITDA margin (%)	14.5	12.3	219 bps
PAT (Rs mn)	1,937	1,367	41.7
EPS (Rs)	19.6	13.8	41.7

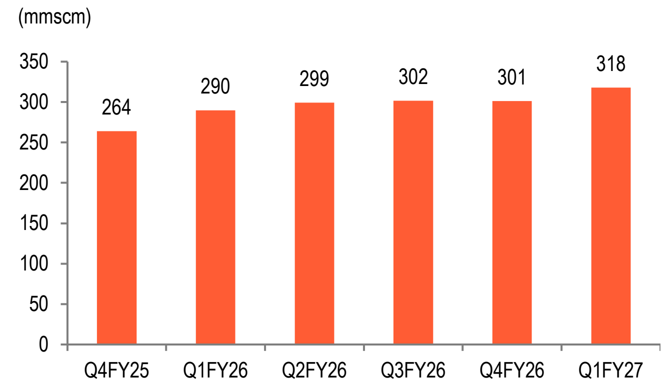
Source: Company, BOBCAPS Research

Fig 3 – Business parameters

Particulars	Q1FY27	Q4FY26	QoQ (%)	Q1FY26	YoY (%)
CNG Volumes (mmscm)	318.1	301.4	5.5	289.9	9.7
PNG Volumes (mmscm)	115.6	119.1	(2.9)	115.4	0.2
Total Volumes (mmscm)	**433.7**	**420.5**	**3.1**	**405.3**	**7.0**
Realisation/scm (Rs.)	54.7	48.8	12.1	51.4	6.5
EBITDA/scm (Rs.)	**7.9**	**6.2**	**27.7**	**12.4**	**(36.0)**

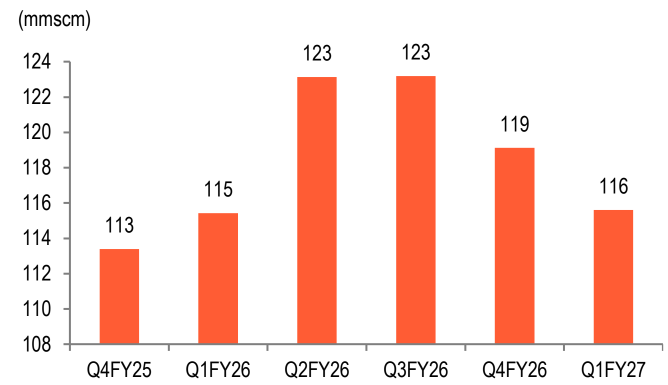
Source: Company

Fig 4 – CNG volumes



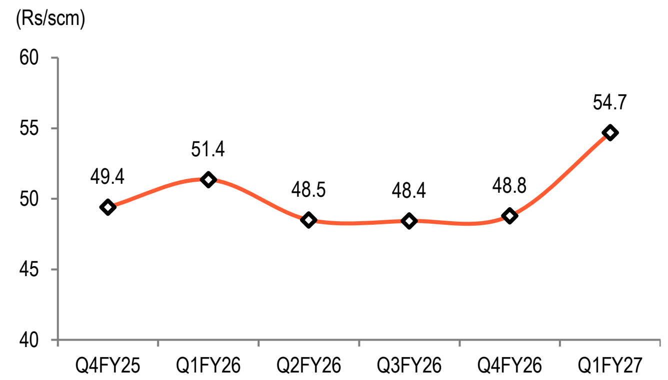
Source: Company

Fig 5 – PNG volumes (commercial + domestic)



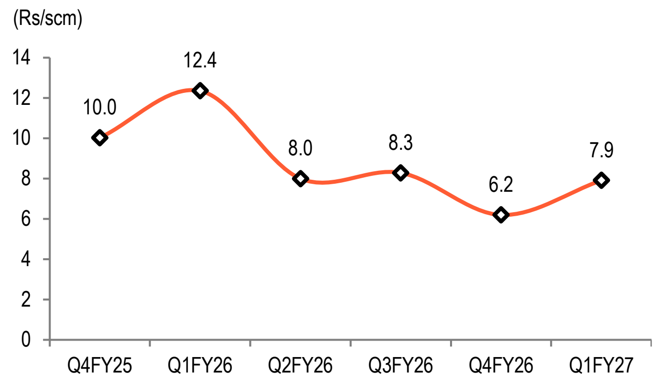
Source: Company

Fig 6 – Blended realisation



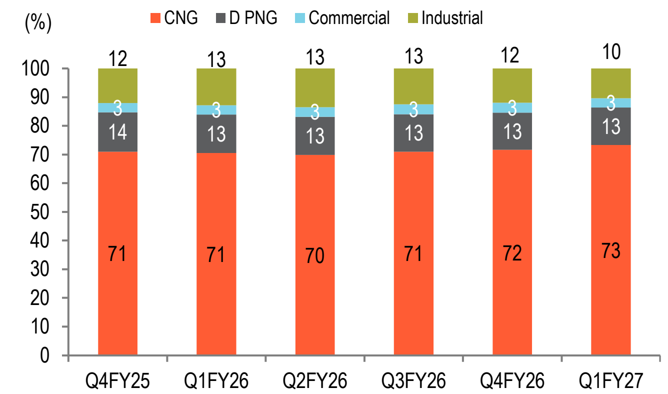
Source: Company

Fig 7 – EBITDA spread



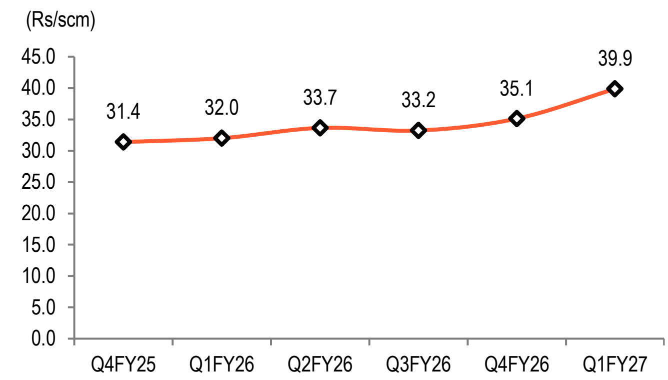
Source: Company

Fig 8 – Sales composition mix



Source: Company

Fig 9 – Gas cost



Source: Company

Call Highlights

- **Volumes performance:** Volumes performance was good at 7.0%YoY in Q1, with growth in CNG & PNG being 9.7%YoY and 0.2%YoY respectively. Because of RLNG supply from middle east, volume to Industrial customers were impacted in month of March. Management is positive about the volume growth and expect growth to be 9-10% for FY27E driven by CNG .
- **Operational performance:** Gas costs were higher YoY at 73% of sales for the quarter vs 63% for Q1FY26 due to imported RLNG gas cost increase and USD INR rate . EBITDA spread came at Rs7.9/scm. It was lower YoY but shown QoQ improvement from Rs6.2/scm in Q4FY26. Management targets EBITDA spread of Rs8.0-9.0 over medium term , though see uncertainty on LNG supply/pricing in near term.
- **Gas sourcing:** Gas sourcing for DPNG was 100% met through APM ; CNG was partially met through APM allocation, while the balance is from market determined price term and spot gas. Gas sourcing mix: APM-30%, NWG-8%, Henry hub contract -35%, HPHT gas – 13% & balance spot – 14%.
- **Strategy:** To offset the hike in gas costs, MGL targets to convert the sourcing of spot gas volumes into long-term contracts. MGL has entered a long-term contract in Jan 2026 for a period of 1 year.
- **Unison Environ (UEPL):** Growth in volumes is strong on a low base and is rising at +30-35%;sales volume of 0.3mmscmd which are 6% of overall MGL volumes
- **Capex and Infra:** Incurred capex of Rs3.5bn in Q1 and guided a capex of Rs18bn for FY27E. MGL added 1 CNG station during Q1 taking total to 519 stations and added 274 industrial and commercial customers taking total to 6,198 customers.

Valuation Methodology

We are positive on volumes growth that is driven by the growth in CNG and PNG volumes.

We revise estimates upwards based on good volume performance

CNG growth: We estimate CNG growth at 9.0% vs the earlier 8.0% in FY27E; at 9.5% vs earlier 9.0% in FY28E and estimate at 9.5% growth vs earlier 9.0% in FY29E.

PNG growth: Growth remains unchanged for PNG at 13% for FY27E, 12.5% for FY28E and 12.5% for FY29E.

EBITDA spread: Kept unchanged at Rs8.4 in FY27E, at Rs8.5 in FY28E and Rs8.5 in FY28E.

USD/INR assumption revised to Rs97 vs Rs95 for FY27E; FY28E and FY29E.

Fig 10 – Revision in Estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	82,457	90,343	100,722	111,621	84,061	95,760	106,332	7.5	5.2	5.0
EBITDA	14,506	15,495	17,345	19,151	15,351	17,179	18,795	0.9	1.0	1.9
EBITDA % margin	17.6	17.2	17.2	17.2	18.3	17.9	18	(111 bps)	(72 bps)	(52 bps)
PAT	8,412	9,183	10,151	11,071	9,073	10,023	10,799	1.2	1.3	2.5
EPS (Rs)	85.2	93.0	102.8	112.1	91.8	101.5	109	1.2	1.3	2.5

Source: Company, BOBCAPS Research

Fig 11 – Key assumptions

	FY25	FY26	FY27E	FY28E	FY29E
USD-INR rate	85.0	90.0	97.0	97.0	97.0
CNG sales price (Rs/kg)	60.3	77.5	85.5	86.0	86.5
Landed APM gas cost (USD/mmbtu)	8.7	9.0	9.3	9.6	9.6
Spot gas cost (USD/mmbtu)	12.0	11.5	12.5	12.8	12.8
CNG volumes (mmscm)	1,050	1,193	1,300	1,423	1,559
PNG volumes(mmscm)	429	481	543	611	688
Total volumes (mmcm)	1,479	1,673	1,843	2,035	2,246
Volumes (mmscmd)					
CNG	2.9	3.3	3.6	3.9	4.3
YoY %	10.8	7.2	9.0	9.5	9.5
PNG	1.2	1.3	1.5	1.7	1.9
YoY %	15.0	10.9	13.0	12.5	12.5
Total volumes	4.1	4.6	5.1	5.6	6.2
YoY %	12.0	8.2	10.1	10.4	10.4
Margins					
EBITDA spread (Rs/scm)	10.2	8.7	8.4	8.5	8.5

Source: Company

P/E-based Valuation Rationale

Raise to BUY on recent correction in stock; considering better volume performance & rollover to June'28 EPS, revise TP upwards Rs1,314 from Rs1,268, based on 12.5x P/E on June.28 EPS The multiple is in line with the historical 10Y average P/E.

Fig 12 – Valuation summary

	June.28E EPS(Rs)	Multiple (x)	Value (Rs/share)
MGL	105	12.5	1,314
Target price (Rs)			**1,314**

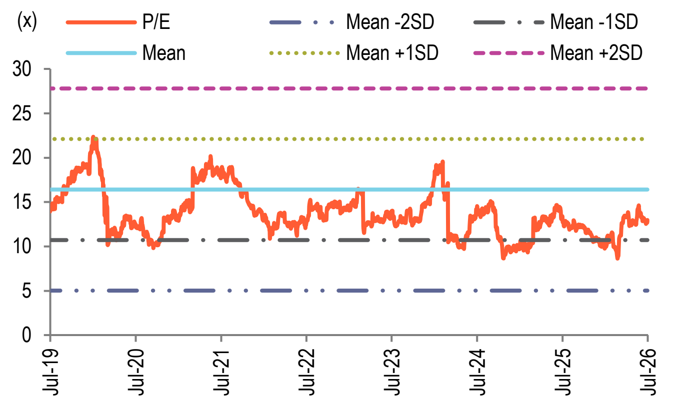
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

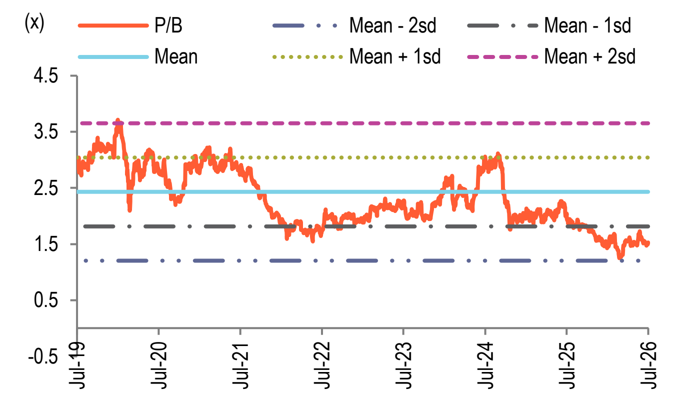
APM allocation reduction can raise gas cost: APM gas has been limited for CGD companies, due to production constraints from ONGC. This led MGL to procure imported gas at market prices. Any further reduction in APM can increase costs for the company has also reduce the EBITDA spread.

Fig 13 – P/E 1YF



Source: Bloomberg

Fig 14 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**72,638**	**82,457**	**90,343**	**100,722**	**111,621**
EBITDA	15,700	14,506	15,495	17,345	19,151
Depreciation	(3,520)	(4,099)	(4,423)	(5,192)	(5,728)
EBIT	13,845	11,606	12,294	13,400	14,694
Net interest inc./(exp.)	(141)	(210)	(212)	(217)	(222)
Other inc./(exp.)	1,666	1,199	1,223	1,247	1,272
Exceptional items	0	0	0	0	0
EBT	13,705	11,396	12,082	13,183	14,472
Income taxes	(3,291)	(2,940)	(2,900)	(3,032)	(3,401)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	6	0	0	0
Reported net profit	**10,406**	**8,412**	**9,183**	**10,151**	**11,071**
Adjustments	0	0	0	0	0
Adjusted net profit	**10,406**	**8,412**	**9,183**	**10,151**	**11,071**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,313	4,795	5,253	5,857	6,491
Other current liabilities	14,239	14,560	14,560	14,560	14,560
Provisions	198	231	231	231	231
Debt funds	0	0	1,300	1,300	1,300
Other liabilities	5,005	5,810	5,810	5,810	5,810
Equity capital	988	988	988	988	988
Reserves & surplus	57,814	63,288	69,507	76,695	84,803
Shareholders' fund	58,948	64,416	70,635	77,823	85,931
Total liab. and equities	**82,702**	**89,811**	**97,789**	**105,580**	**114,322**
Cash and cash eq.	3,329	1,143	1,246	1,538	3,283
Accounts receivables	3,641	4,587	5,297	5,602	5,873
Inventories	523	761	1,092	1,482	1,482
Other current assets	1,429	1,654	1,654	1,654	1,654
Investments	1,075	1,125	1,125	1,125	1,125
Net fixed assets	41,530	46,887	53,963	60,772	67,043
CWIP	10,681	12,695	12,695	12,695	12,695
Intangible assets	6,902	6,924	6,924	6,924	6,924
Deferred tax assets, net	0	0	0	0	0
Other assets	4,126	4,940	4,940	4,940	4,940
Total assets	**82,702**	**89,811**	**97,789**	**105,580**	**114,322**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**15,286**	**13,374**	**13,479**	**15,473**	**16,930**
Capital expenditures	(12,158)	(11,493)	(11,500)	(12,000)	(12,000)
Change in investments	(930)	136	0	0	0
Other investing cash flows	(568)	(764)	0	0	0
Cash flow from investing	**(13,656)**	**(12,121)**	**(11,500)**	**(12,000)**	**(12,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	1,300	0	0
Interest expenses	(141)	(210)	(212)	(217)	(222)
Dividends paid	(2,963)	(2,963)	(2,963)	(2,963)	(2,963)
Other financing cash flows	541	(267)	0	0	0
Cash flow from financing	**(2,563)**	**(3,440)**	**(1,875)**	**(3,180)**	**(3,185)**
Chg in cash & cash eq.	**(932)**	**(2,186)**	**103**	**292**	**1,745**
Closing cash & cash eq.	**3,329**	**1,143**	**1,246**	**1,538**	**3,283**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	105.3	85.2	93.0	102.8	112.1
Adjusted EPS	105.3	85.2	93.0	102.8	112.1
Dividend per share	30.0	30.0	30.0	30.0	30.0
Book value per share	595.3	650.7	713.7	786.4	868.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	6.1	6.8	6.4	5.8	5.2
Adjusted P/E	10.6	13.2	12.1	10.9	10.0
P/BV	1.9	1.7	1.6	1.4	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	76.0	74.2	76.0	77.0	76.5
Interest burden (PBT/EBIT)	1.0	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Revenue)	19.1	14.1	13.6	13.3	13.2
Asset turnover (Rev./Avg TA)	0.9	1.0	1.0	1.0	1.0
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	18.9	13.7	13.6	13.7	13.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.5	13.5	9.6	11.5	10.8
EBITDA	(14.9)	(7.6)	6.8	11.9	10.4
Adjusted EPS	(19.0)	(19.2)	9.2	10.5	9.1
Profitability & Return ratios (%)					
EBITDA margin	21.6	17.6	17.2	17.2	17.2
EBIT margin	19.1	14.1	13.6	13.3	13.2
Adjusted profit margin	14.3	10.2	10.2	10.1	9.9
Adjusted ROAE	18.9	13.7	13.6	13.7	13.5
ROCE	23.2	17.3	16.6	16.5	16.5
Working capital days (days)					
Receivables	18	20	21	20	19
Inventory	3	3	3	4	5
Payables	28	26	26	26	26
Ratios (x)					
Gross asset turnover	0.9	1.0	1.0	1.0	1.0
Current ratio	1.0	0.9	1.0	1.0	1.1
Net interest coverage ratio	98.5	55.4	58.0	61.8	66.2
Adjusted debt/equity	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

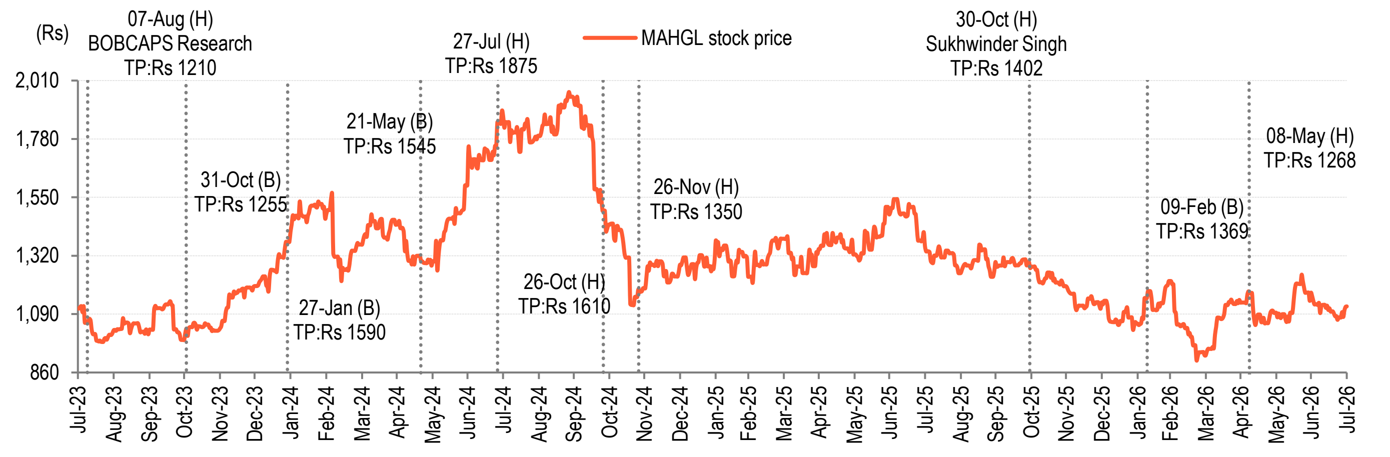
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): MAHANAGAR GAS (MAHGL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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