BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,402 | ▲ 10%

MAHANAGAR GAS | Oil & Gas | 30 October 2025

Below expectation operational performance on higher gas cost

- **Lower APM gas allocation led to weak operational performance; EBITDA decreased by 18%YoY**
- **Positive on demand environment, expect volume growth to sustain in FY26E**
- **Assuming coverage with HOLD and TP of Rs1,402, based on 12.5x P/E on Sept'27 EPS**

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Operational performance below expectations on higher gas cost: Revenue came at Rs205bn (+14.7%YoY, -1.5%QoQ) and was 3% above consensus estimates. EBITDA came at Rs3bn (-18.3%YoY, -32.5%QoQ), was 13% below consensus estimates. EBITDA spread was Rs8/scm for the quarter; lower by 28%YoY.

Volumes: Volumes came at 423mnscm, higher by 13.6%YoY and 9.8%QoQ. CNG volumes growth was 12.8%YoY while PNG volume growth was 15.8%YoY. Management is positive on the outlook and expects it to sustain, driven by the adjoining areas of Mumbai.

Operational performance outlook: EBITDA was impacted due to lower allocation of APM gas. APM allocation got reduced for the quarter. As there are production constraints for gas from ONGC, we expect allocation to gradually reduce for CGD companies. This is likely to have higher cost as MGL procures imported LNG gas at market rates. Management has indicated they would look for long-term contracts to offset the increase in costs. We expect EBITDA spread to remain soft owing to EV adoption risk.

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 to diversify revenue streams amidst competition in the core CNG business. These other businesses are expected to benefit after 5-6years in terms of financials.

Capex intensity: It incurred a capex of Rs4,629mn in H1FY26 and guided a capex of Rs10,000mn for FY26E. Capex intensity is likely to remain ~Rs+10,000mn/year.

Coverage with HOLD: We remain positive on volume growth. However, lower APM gas allocation and adoption of EV in various segments will remain a concern on operational performance. We are assuming coverage with HOLD and TP of Rs1,402 based on 12.5x P/E on Sept'27 EPS.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	MAHGL IN/Rs 1,272
Market cap	US$ 1.4bn
Free float	68%
3M ADV	US$ 4.2mn
52wk high/low	Rs 1,587/Rs 1,075
Promoter/FPI/DII	33%/24%/23%

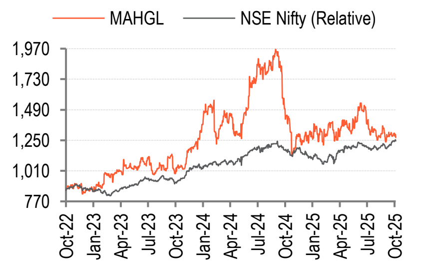
Source: NSE | Price as of 30 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	72,638	76,926	84,417
EBITDA (Rs mn)	15,700	15,968	16,797
Adj. net profit (Rs mn)	10,406	10,674	10,854
Adj. EPS (Rs)	105.3	108.1	109.9
Consensus EPS (Rs)	105.3	112.0	117.6
Adj. ROAE (%)	18.9	17.0	15.4
Adj. P/E (x)	12.1	11.8	11.6
EV/EBITDA (x)	7.1	6.9	6.5
Adj. EPS growth (%)	(19.0)	2.6	1.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

(Rs mn)	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
Revenue	20,493	20,814	(1.5)	17,863	14.7	41,307	34,520	19.7
EBITDA	3,380	5,007	(32.5)	4,135	(18.3)	8,387	8,319	0.8
EBITDA margin (%)	16.5	24.1		23.1		20.3	24.7	
Depreciation	1,038	959	8.2	842	23.3	1,997	1,666	19.9
Interest	50	45	11.6	31	60.1	95	63	51.3
Other income	289	319	(9.6)	468	(38.3)	608	823	(26.1)
PBT	2,580	4,322	(40.3)	3,729	(30.8)	6,902	7,598	(9.2)
Tax	646	1,127	(42.6)	861	(24.9)	1,773	1,838	(3.5)
Reported PAT	1,934	3,196	(39.5)	2,868	(32.6)	5,129	5,760	(10.9)
PATM (%)	9.4	15.4		16.1		12.4	16.7	
EPS (Rs)	19.6	32.4	(39.5)	29.0	(32.6)	51.9	58.3	(10.9)

Source: Company

Fig 2 – Q2FY26 Actual v/s consensus

Particulars	Q2 Actual	Consensus	VAR (%)
Revenue (Rs mn)	20,493	19,837	3.3
EBITDA (Rs mn)	3,380	3,896	(13.3)
EBITDA margin (%)	16.5	19.6	-
PAT (Rs mn)	1,934	2,532	(23.6)
EPS (Rs)	19.6	25.6	(23.6)

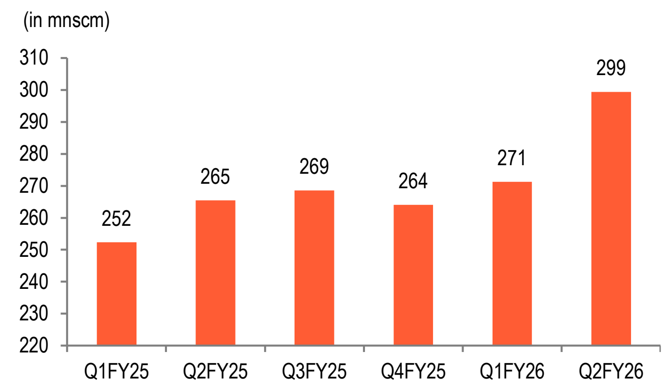
Source: Bloomberg, Company

Fig 3 – Business parameters

Particulars	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
CNG Volumes (mnscm)	299.5	271.3	10.4	265.5	12.8	570.8	517.8	10.2
PNG Volumes (mnscm)	123.1	113.6	8.4	106.4	15.8	236.7	205.2	15.3
Total Volumes (mnscm)	422.6	384.9	9.8	371.9	13.6	807.5	723.0	11.7
Realization/scm (Rs.)	48.5	54.1	(10.3)	48.0	1.0	102.6	93.3	9.9
EBITDA/scm (Rs.)	8.0	13.0	(38.5)	11.1	(28.1)	10.4	11.5	(9.7)

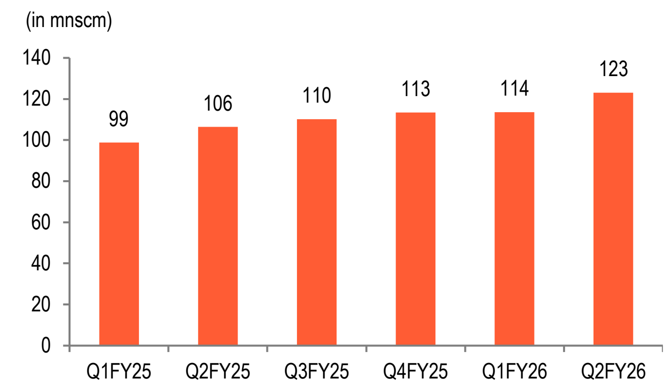
Source: Company

Fig 4 – CNG volumes



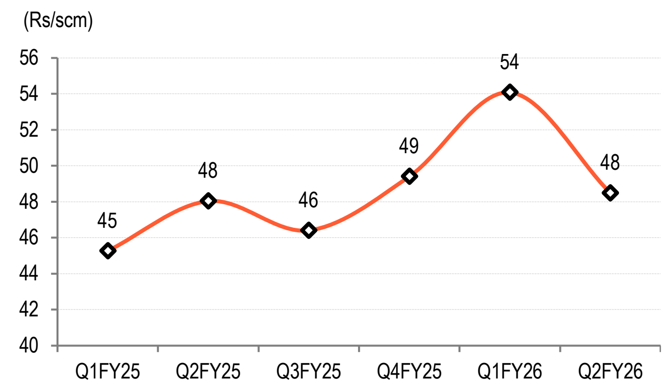
Source: Company

Fig 5 – PNG volumes



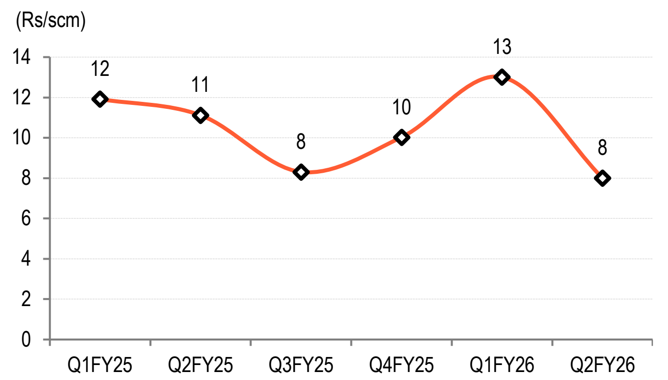
Source: Company

Fig 6 – Blended realization



Source: Company

Fig 7 – EBITDA spread



Source: Company

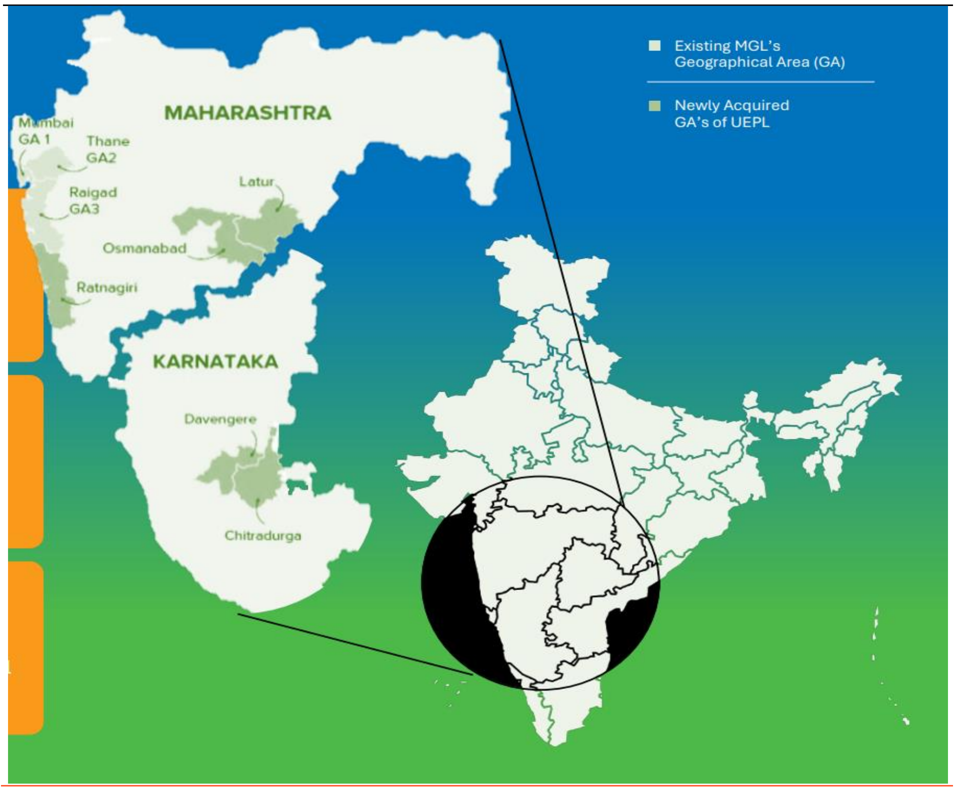
Call Highlights

- **Volumes performance:** Management is positive about the volume outlook and expects volume growth to sustain. This would be driven by CNG infrastructure expansion, foray to new Gas and private vehicle conversions. .Management expects Mumbai area to see a growth of 6-7%, Thane area to see growth of 10-12% and Raigad area – a growth of +15%.
- **Operational performance:** Gas costs increased in Q2 due to lower APM gas allocation. MGL catered to RLNG and HPHT gas at market rate, which led to higher costs and impacted EBITDA spread for the quarter. APM gas volumes reduced from 1.70 in Q2FY25 to 1.68 in Q2FY26. There was also an impact of exchange rate QoQ.
- **Strategy:** To offset the hike in gas cost, MGL has taken price increase in Q2FY26 and 50paise hike in October. MGL targets to convert spot volumes into long-term contracts. One long-term contract is likely to come in Jan 2026, which will benefit in Q4FY26 in terms of cost. Management guided an EBITDA spread of atleast Rs8.5-9.0, going forward.
- **Gas sourcing:** The company sourced 2mmsmcd of its gas through domestic allocation, followed by HPHT of 0.5mmscmd. Of the domestic sourcing APM allocation is 1.65mmscmd, NWG (new well gas) 0.35mmscmd. For D-PNG, the company receives 100% APM allocation while for the rest, the company uses multiple sources.
- **Infrastructure and connectivity:** MGL added 14 CNG stations during the quarter taking the total to 485. The company added 166 Industrial & commercial customers, taking the total to 5,316 customers. Added 27,150CNG vehicles taking the total to +1.2mn CNG vehicles registered in the gas of MGL.
- **Unison Environ (UEPL):** Volume growth is strong here on a low base and is rising at 30-35%.
- **LNG businesses:** This business will see growth over long term. it currently has only 3 stations, selling roughly 4000-4500 kg per day. LNG is cheaper by Rs12-15/l in comparison to diesel. As the cost of LNG trucks reduces, volume will rise. It is more of a B2B business vs that of CNG business.

Business Overview

- Mahanagar Gas Limited (MGL) is the sole authorised distributor of compressed natural gas (CNG) and piped natural gas (PNG) in Mumbai, Thane and Raigad.
- Unison Enviro Private Limited (UEPL) – wholly owned subsidiary of MGL: MGL acquired a 100% stake in UEPL from its promoters, Ashoka Buildcon Limited and North Haven India Infrastructure Fund for a consideration of Rs5,620mn in February 2024. It expanded MGL's core city gas distribution business into new areas like Ratnagiri, Latur, Osmanabad in Maharashtra, and two districts in Karnataka.
- MGL has a strong customer base: 1.2mn CNG vehicles and 2.8mn PNG households. It has an infrastructure reach of 485 CNG stations.

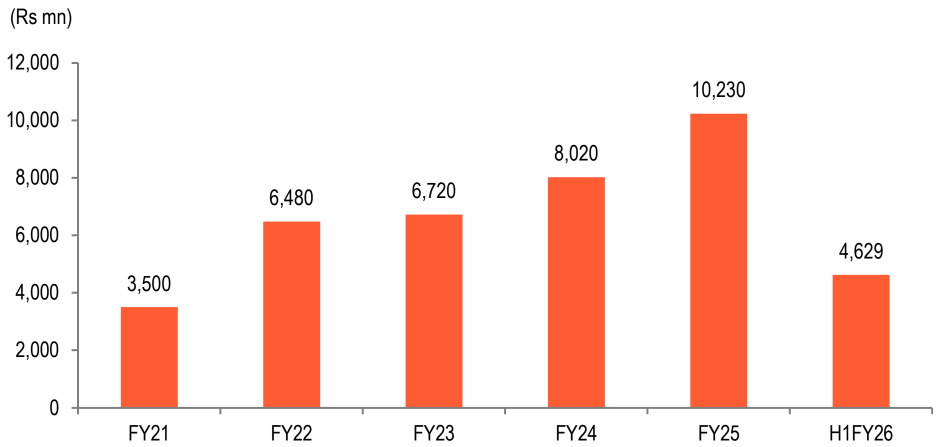
Fig 8 – Geographical area



Source: Company

- MGL has been investing in infrastructure on a consistent basis:

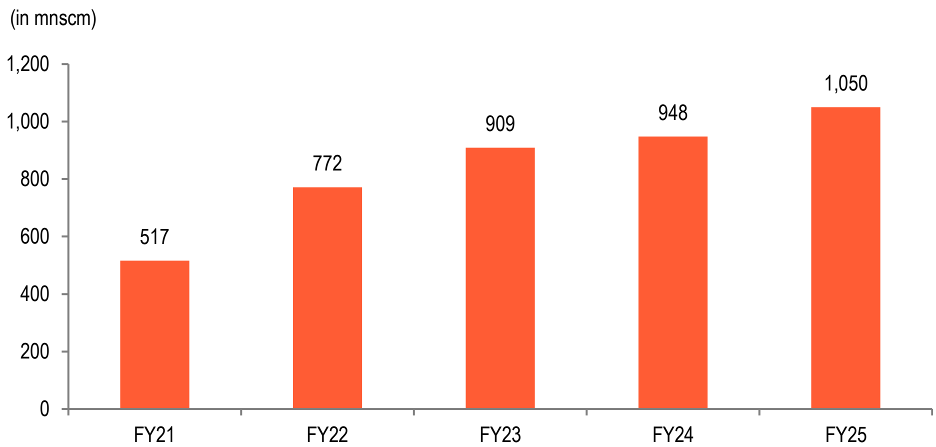
Fig 9 – Capex



Source: Company

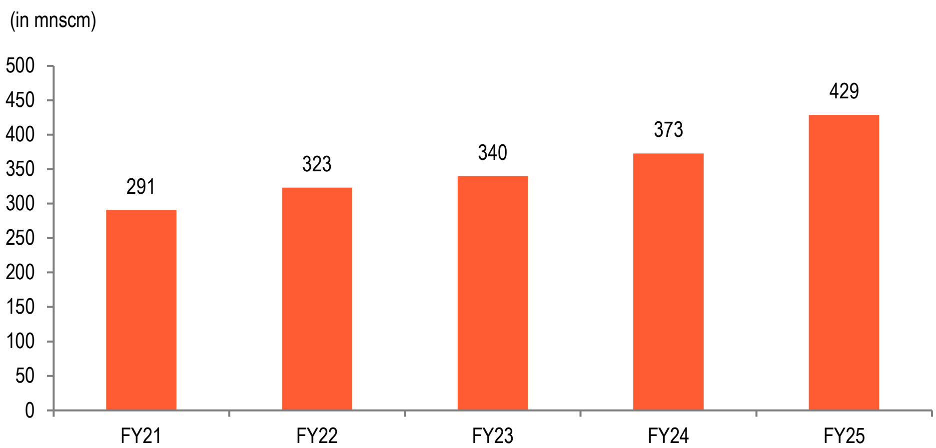
- Volume performance for CNG and PNG has been good over the years:

Fig 10 – CNG volumes



Source: Company

Fig 11 – PNG volumes



Source: Company

- CNG/PNG offers benefits:
  - Price advantage – Natural gas provides economic benefits over most alternate liquid fuels
  - Fuel efficiency – CNG vehicles typically enjoy higher fuel efficiency
  - Payback period – Lower running costs result in lower CNG/PNG. MGL has been investing in infrastructure on a consistent basis:
- CNG running cost savings are to an extent of 51% vs Petrol and 17% vs Diesel.

Fig 12 – CNG running cost savings v/s petrol/diesel

Particulars	For Petrol/Diesel	Petrol	Diesel	For CNG	CNG
Cost	Rs/litre	103.5	90.0	Rs/kg	77.0
Mileage	Km/litre	16.0	18.0	km/kg	18.0
Cost per km	Rs/km	6.5	5.0	Rs/km	4.3
Savings	%	51.2	16.9		

Source: Company

- Pricing of CNG/PNG is decided by MGL based on:
  - Price of CNG is benchmarked to the price of diesel and petrol.
  - Price of PNG:
    - Domestic customers: Price is benchmarked to the price of subsidised LPG cylinders
    - Commercial customers: Price is indexed to alternate fuels such as low sulphur heavy stock (LSHS), light diesel oil (LDO) and commercial LPG.
    - Industrial customers: Price is indexed to the price of low sulphur heavy stock (LSHS).
- New Businesses-
  - In LNG retailing, MGL has a JV with Baidyanath LNG Private Limited. MGL has committed Rs153mn for a 51% stake in JV.
  - MGL has invested in 3EV Industries Private Limited (3EV). 3EV is in the business of manufacturing 3W cargo and passenger EVs. The committed investment is Rs960mn for 30% stake.
  - MGL has entered into Battery Cell manufacturing by forming a Joint Venture (JV) with International Battery Company Inc., USA. The JV will focus initially on manufacturing prismatic Li-ion Battery cells for 2W-3W wheeler electric vehicles. Financial commitment in the JV is Rs3,500mn. The phase 1 capacity of 500 MWh is expected to get commissioned by Q1FY27E.

Valuation Methodology

We remain positive on business growth, driven by volume growth.

- **CNG growth to continue:** We estimate growth to continue on account of strong growth in adjoining areas of Mumbai. We estimate CNG growth to be 8.5% in FY27E and 8.5% in FY28E.
- **PNG growth:** We estimate growth to continue for PNG with 7.5% in FY27E and 6.5% in FY28E.
- **EBITDA spread:** We expect EBITDA spread to moderate from a level of RS10 in FY25 to Rs9.5 in FY26E and Rs9.2 in FY27E.

Fig 13 – Key assumptions

	FY23	FY24	FY25	FY26E	FY27E	FY28E
USD-INR rate	74.0	82.8	85.0	87.0	89.0	91.0
CNG sales price (Rs/kg)	63.5	61.4	60.3	78.0	79.0	82.0
Landed APM gas cost (USD/mmbtu)	9.6	8.7	8.7	9.0	9.3	9.6
Spot gas cost (USD/mmbtu)	8.0	13.0	12.0	12.5	13.0	13.5
CNG volumes (mnscm)	909	948	1,050	1,155	1,254	1,360
PNG volumes(mnscm)	340	373	429	461	495	527
Total volumes (mnscm)	1,249	1,321	1,479	1,616	1,749	1,887
Volumes (mmscmd)						
CNG	2.5	2.6	2.9	3.2	3.4	3.7
YoY %	17.9	4.3	10.8	10.0	8.5	8.5
PNG	0.9	1.0	1.2	1.3	1.4	1.4
YoY %	5.2	9.7	15.0	7.5	7.5	6.5
Total volumes	3.4	3.6	4.1	4.4	4.8	5.2
YoY %	14.1	5.7	12.0	9.3	8.2	7.9
Margins						
EBITDA spread (Rs/scm)	9.5	13.9	10.2	9.5	9.2	9.2

Source: BOBCAPS Research

P/E based valuation rationale

We are assuming coverage with HOLD and TP of Rs1,402 based on 12.5x P/E on Sept'27 EPS. The multiple is in line with historical 10Y average P/E.

Fig 14 – Valuation summary

	Sept.27E EPS(Rs)	Multiple (x)	Value (Rs/share)
MGL	112	12.5	1,402
Target price (Rs)			1,402

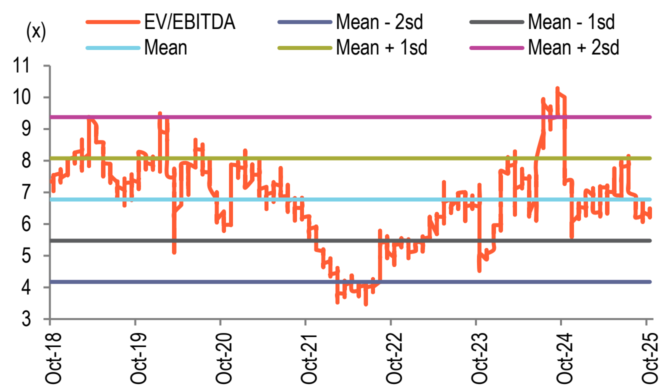
Source: BOBCAPS Research

Key risks

Key downside risks to our estimates:

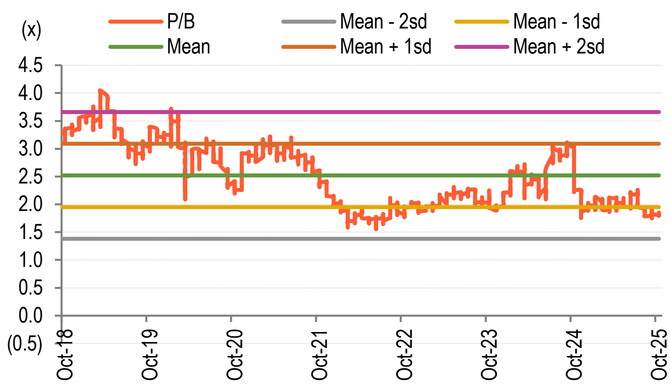
- **APM allocation reduction can increase gas cost**: APM gas has been reduced over the last 1 year for CGD companies due to production constraints from ONGC. This led MGL to procure imported gas at market prices. Current APM allocations stands at 37% and any further reduction in APM can increase cost for the company and reduce EBITDA spread.
- **Faster adoption of EV :** There has been a adoption of EV in Mumbai BEST buses, 2-wheeler and 3-wheelers. Faster adoption can impact volume performance for MGL. Management indicated that 3-wheeler penetration is minimal in Mumbai and so don't see a risk. However volumes in buses have come down,. CNG volumes from BEST buses has come down to a level of 98,000kg per day from a level of 125,000kg per day one year ago period.

Fig 15 – EV/EBITDA 2YF



Source: Bloomberg

Fig 16 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**62,901**	**72,638**	**76,926**	**84,417**	**94,138**
EBITDA	18,439	15,700	15,968	16,797	18,032
Depreciation	(2,774)	(3,520)	(3,838)	(4,465)	(5,149)
EBIT	17,414	13,845	13,829	14,065	14,651
Net interest inc./(exp.)	(133)	(141)	(145)	(150)	(155)
Other inc./(exp.)	1,749	1,666	1,699	1,733	1,768
Exceptional items	0	0	0	0	0
EBT	17,281	13,705	13,684	13,915	14,496
Income taxes	(4,434)	(3,291)	(3,010)	(3,061)	(3,189)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	1	0	0	0
Reported net profit	**12,847**	**10,406**	**10,674**	**10,854**	**11,307**
Adjustments	0	0	0	0	0
Adjusted net profit	**12,847**	**10,406**	**10,674**	**10,854**	**11,307**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,479	4,313	4,539	4,982	5,557
Other current liabilities	13,376	14,239	14,239	14,239	14,239
Provisions	143	198	198	198	198
Debt funds	0	0	0	0	0
Other liabilities	4,103	5,005	5,005	5,005	5,005
Equity capital	988	988	988	988	988
Reserves & surplus	50,396	57,814	65,524	73,415	81,758
Shareholders' fund	51,433	58,948	66,658	74,548	82,892
Total liab. and equities	**72,534**	**82,702**	**90,639**	**98,972**	**107,890**
Cash and cash eq.	4,261	3,329	4,885	5,751	7,205
Accounts receivables	2,965	3,641	3,602	4,205	4,409
Inventories	421	523	761	1,092	1,482
Other current assets	1,242	1,429	1,429	1,429	1,429
Investments	500	1,075	1,075	1,075	1,075
Net fixed assets	35,585	41,530	47,692	54,227	61,078
CWIP	8,234	10,681	10,681	10,681	10,681
Intangible assets	6,657	6,902	6,902	6,902	6,902
Deferred tax assets, net	0	0	0	0	0
Other assets	2,983	4,126	4,126	4,126	4,126
Total assets	**72,534**	**82,702**	**90,639**	**98,972**	**107,890**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**17,676**	**15,286**	**14,664**	**14,979**	**16,572**
Capital expenditures	(15,906)	(12,158)	(10,000)	(11,000)	(12,000)
Change in investments	2,411	(930)	0	0	0
Other investing cash flows	544	(568)	0	0	0
Cash flow from investing	**(12,951)**	**(13,656)**	**(10,000)**	**(11,000)**	**(12,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(133)	(141)	(145)	(150)	(155)
Dividends paid	(2,963)	(2,963)	(2,963)	(2,963)	(2,963)
Other financing cash flows	354	541	0	0	0
Cash flow from financing	**(2,742)**	**(2,563)**	**(3,108)**	**(3,113)**	**(3,118)**
Chg in cash & cash eq.	**1,983**	**(932)**	**1,556**	**866**	**1,454**
Closing cash & cash eq.	**4,261**	**3,329**	**4,885**	**5,751**	**7,205**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	130.1	105.3	108.1	109.9	114.5
Adjusted EPS	130.1	105.3	108.1	109.9	114.5
Dividend per share	30.0	30.0	30.0	30.0	30.0
Book value per share	520.2	595.3	673.3	753.2	837.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.8	1.5	1.4	1.3	1.2
EV/EBITDA	6.0	7.1	6.9	6.5	6.0
Adjusted P/E	9.8	12.1	11.8	11.6	11.1
P/BV	2.4	2.1	1.9	1.7	1.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.3	76.0	78.0	78.0	78.0
Interest burden (PBT/EBIT)	1.0	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Revenue)	27.7	19.1	18.0	16.7	15.6
Asset turnover (Rev./Avg TA)	0.9	0.9	0.9	0.9	0.9
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	27.7	18.9	17.0	15.4	14.4

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(0.1)	15.5	5.9	9.7	11.5
EBITDA	55.7	(14.9)	1.7	5.2	7.4
Adjusted EPS	62.6	(19.0)	2.6	1.7	4.2
Profitability & Return ratios (%)					
EBITDA margin	29.3	21.6	20.8	19.9	19.2
EBIT margin	27.7	19.1	18.0	16.7	15.6
Adjusted profit margin	20.4	14.3	13.9	12.9	12.0
Adjusted ROAE	27.7	18.9	17.0	15.4	14.4
ROCE	34.7	23.2	20.4	18.6	17.5
Working capital days (days)					
Receivables	17	18	17	18	17
Inventory	2	3	4	5	6
Payables	29	28	27	27	27
Ratios (x)					
Gross asset turnover	0.9	0.9	0.9	0.9	0.9
Current ratio	1.1	1.0	1.1	1.2	1.3
Net interest coverage ratio	130.9	98.5	95.4	93.8	94.5
Adjusted debt/equity	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)

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

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
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Trade Name: **www.barodaetrade.com**
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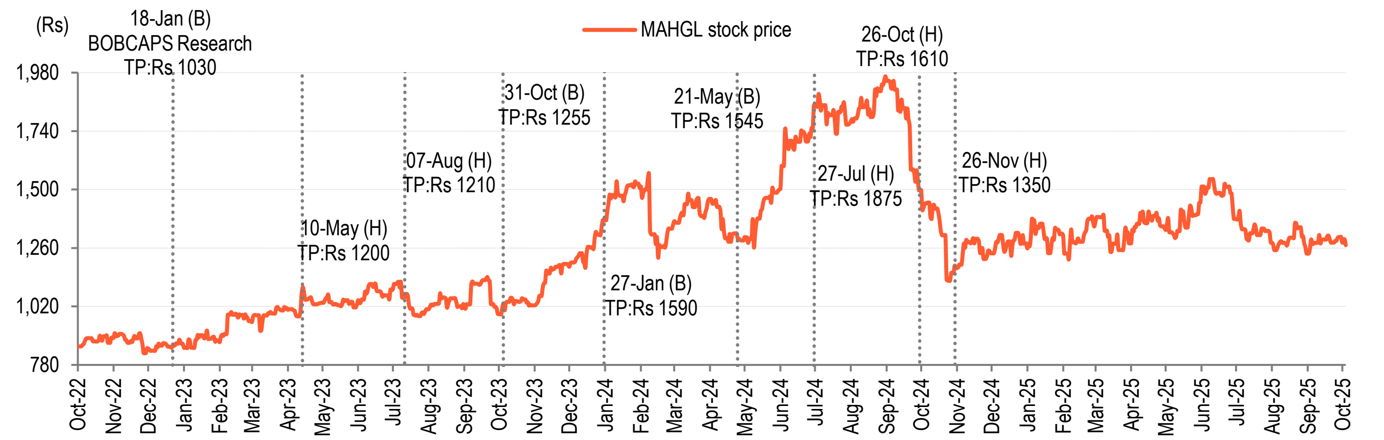
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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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