

BUY**TP: Rs 1,369 | ▲ 16%****MAHANAGAR GAS**

Oil & Gas

09 February 2026

Revenue performance driven by volume growth

- Revenue & EBITDA grew by 11.5%YoY and 8.4%YoY resp., driven by a volume growth of 12.2%YoY and stable cost respectively
- Outlook positive on volume growth with likely double-digit growth for FY27E; EBITDA spread likely to sustain in range of Rs8.0-9.0/scm
- Revise to BUY from HOLD on account of correction in the stock; revise down TP to Rs1,369 from Rs1,402, based on 12.5x P/E on Dec'27 EPS

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Performance below expectations on lower realisation: Revenue came at Rs20bn (+11.5%YoY, +0.4%QoQ) and was 2% below our estimates. EBITDA came at Rs3bn (+8.4%YoY, +4.2%QoQ); 1% below estimates. EBITDA spread was Rs8.3/scm for the quarter; lower by 3%YoY. Underperformance was due to lower-than-expected blended realization. Realization came at Rs48.4/scm – lower by 0.7%YoY

Volumes: Volumes came at 425mnsbcm; higher by 12.2%YoY and 0.6%QoQ. Volume growth of CNG was 12.4%YoY, while that of PNG 11.9%YoY. Management is positive about the outlook and expects it to sustain, driven by the adjoining areas of Mumbai on infra expansion.

Operational performance: EBITDA spread came at Rs8.3/scm – lower by 2.45YoY and higher 3.6%QoQ. Overall cost was stable YoY at 68% of sales for the quarter. MGL has been increasing the mix of long-term contracts to offset the impact of cost hikes through spot LNG. It guided EBITDA spread in the range of Rs8.0-9.0 over medium 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 competition in the core CNG business. These other businesses are expected to benefit after 5-6years, in terms of financials.

Capex intensity: MGL has incurred a capex of Rs2,871mn for Q3FY26, totaling to Rs7,500mn for 9MFY26. Guided a capex of Rs12,000mn for FY26E.

Revise rating and lower TP: We upgrade our rating to BUY from HOLD on account of the stock correction while considering moderation in EBITDA spread, we revise down TP to Rs1,369 from Rs1,402, based on 12.5x P/E on Dec'27 EPS.

Key changes

Target	Rating
▼	▲

Ticker/Price	MAHGL IN/Rs 1,181
Market cap	US\$ 1.3bn
Free float	68%
3M ADV	US\$ 3.2mn
52wk high/low	Rs 1,587/Rs 1,019
Promoter/FPI/DII	33%/24%/23%

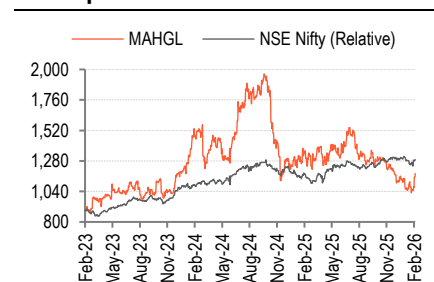
Source: NSE | Price as of 9 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	72,638	76,580	85,261
EBITDA (Rs mn)	15,700	15,592	16,576
Adj. net profit (Rs mn)	10,406	9,823	10,484
Adj. EPS (Rs)	105.3	99.4	106.1
Consensus EPS (Rs)	105.3	97.4	103.0
Adj. ROAE (%)	18.9	15.8	15.1
Adj. P/E (x)	11.2	11.9	11.1
EV/EBITDA (x)	6.5	6.6	6.1
Adj. EPS growth (%)	(19.0)	(5.6)	6.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Rs mn	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Revenue	20,583	20,493	0.4	18,467	11.5	61,890	52,226	18.5
EBITDA	3,521	3,380	4.2	3,248	8.4	11,907	11,567	2.9
EBITDA margin (%)	17.1	16.5		17.6		19.2	22.4	
Depreciation	1,034	1,038	(0.4)	900	14.8	3,031	2,461	23.2
Interest	63	50	25.7	34	84.2	158	97	63.7
Other income	294	289	1.9	419	(29.8)	902	1,288	(30.0)
PBT	2,718	2,580	5.3	2,733	(0.5)	9,620	10,298	(6.6)
Tax	698	646	8.0	503	38.9	2,471	2,356	4.9
Reported PAT	2,020	1,934	4.4	2,230	(9.4)	7,149	7,943	(10.0)
Exceptional item	0	0	NA	0	NA	0	0	NA
PATM (%)	9.8	9.4		12.1		11.5	15.2	
EPS (Rs)	20.4	19.6	4.4	22.6	(9.4)	72.4	80.4	(10.0)

Source: Company

Fig 2 – Q3FY26 Actual vs Estimates

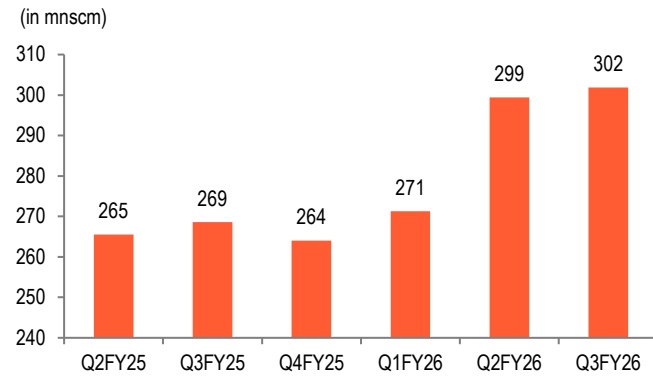
Particulars	Q3 Actual	Estimates	VAR(%)
Revenue (Rs mn)	20,583	20,900	(1.5)
EBITDA (Rs mn)	3,521	3,557	(1.0)
EBITDA margin (%)	17.1	17.0	-
PAT (Rs mn)	2,020	2,162	(6.6)
EPS (Rs)	20.4	21.9	(6.6)

Source: Company, BOBCAPS Research

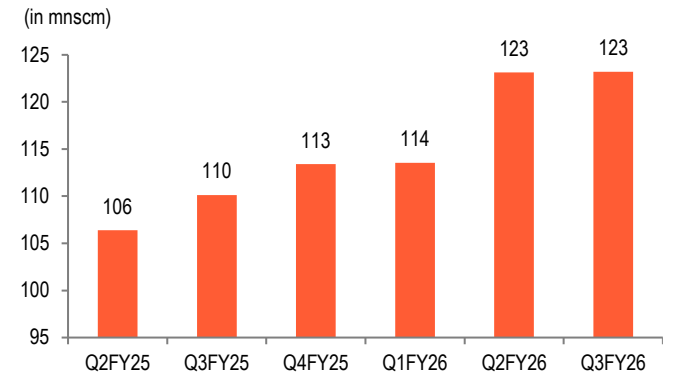
Fig 3 – Business parameters

Particulars	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
CNG Volumes (mnscm)	301.9	299.5	0.8	268.6	12.4	891.2	831.0	7.2
PNG Volumes (mnscm)	123.2	123.1	0.0	110.1	11.9	361.8	318.8	13.5
Total Volumes (mnscm)	425.1	422.6	0.6	378.7	12.2	1,253.0	1,149.8	9.0
Realization/scm (Rs.)	48.4	48.5	(0.1)	48.8	(0.7)	49.4	45.4	8.7
EBITDA/scm (Rs.)	8.3	8.0	3.6	8.6	(3.4)	9.5	10.1	(5.5)

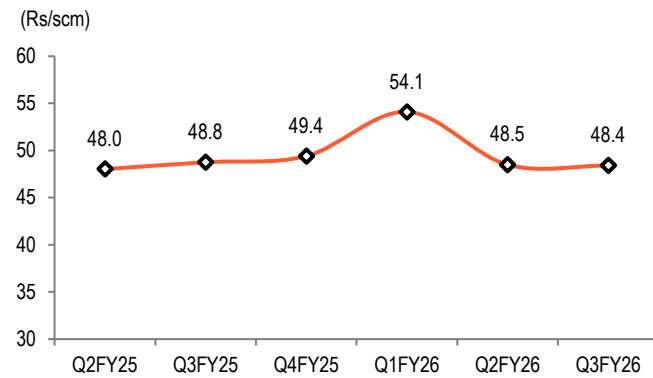
Source: Company

Fig 4 – CNG volumes


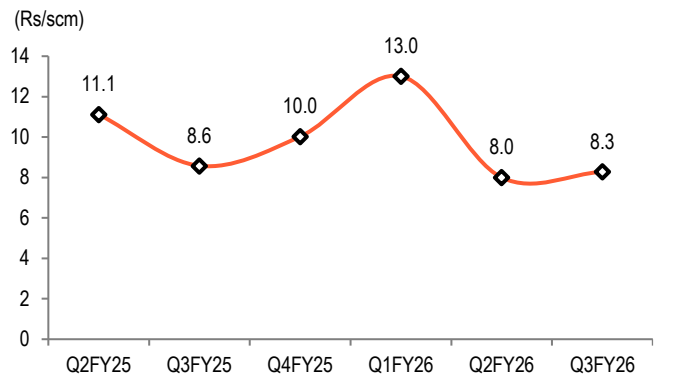
Source: Company

Fig 5 – PNG volumes


Source: Company

Fig 6 – Blended realisation


Source: Company

Fig 7 – EBITDA spread


Source: Company

Call Highlights

- **Volumes performance:** Volume performance was good at 12.0%YoY with CNG growth of 12.4% and PNG growth of 11.09%YoY in Q3. Overall volume growth was 9.0%YoY in 9MFY26. This includes Mumbai volume growth of 7.0%YoY – lower growth impacted by loss of volumes from BEST buses going to EV. Management is positive about the volume outlook, on account of CNG infrastructure expansion. It expects atleast double- digit growth for FY27E.
- **Operational performance:** Gas costs were stable at 68.8% of sales in Q3 vs 68.6% in Q3FY25. For Q3FY26, 100% APM gas allocation was available for Domestic PNG. Gas sourcing for CNG was partially met through APM allocation and balance from market determined price term and spot gas. EBITDA spread came at Rs8.3/scm; improving QoQ from Rs8.0/scm. It was Rs9.5/scm for 9MFY26. It took a price hike of Rs0.5/kg in CNG in Feb 2026. which will benefit in Q4FY26. Management guided EBITDA spread in the range of Rs8.0-9.0/ scm over medium term.
- **Strategy:** In order to offset the hike in gas costs, MGL targets to convert sourcing of spot gas volumes into long-term contracts. MGL has entered into one long-term contract in Jan.2026 for 1-year period. One more will start in April 2026 for a period of 2 years.
- **Gas sourcing:** 100% APM gas allocation was available for Domestic PNG. Gas sourcing for CNG was partially met through APM allocation and balance from market determined price term and spot gas. Gas sourcing mix: APM-39%, NWG-6%, Henry hub contract -35%, HPHT gas – 13% & spot – 6%
- **Unison Environ (UEPL):** Volume growth is strong on a low base and is rising at 30-35%. It has sales volume of 0.3mmscmd out of total MGL volumes of 4.6mmscmd. During Q3 – 100 CNG stations were commissioned. Since acquisition in Feb 2024, MGL has added 47 stations from a base of 53, bringing the total to 100 CNG stations.

Valuation Methodology

We remain positive on business growth, driven by the growth in volumes.

The revision in estimates is based on the 9M performance of volumes in CNG and PNG and moderation in EBITDA spread from current levels.

- **CNG growth:** We estimate growth to continue on strong growth in the adjoining areas of Mumbai. We estimate CNG growth to be 7.5% vs earlier 10.0% for FY26E, kept unchanged at 8.5% vs earlier 8.5% in FY27E and 9.0%YoY vs earlier 8.5% in FY28E.
- **PNG growth:** We estimate growth to continue for PNG at 13.5% vs earlier 7.5% for FY26E, at 13.0% vs earlier 7.5% in FY27E and 12.5% vs earlier 6.5% in FY28E.
- **EBITDA spread:** Estimate moderation in spread owing to risk of APM gas allocation. Estimated at Rs9.3 vs earlier Rs9.5 for FY26E, Rs9.0/scm vs earlier Rs9.2 for FY27E and Rs8.5 vs earlier Rs9.2 for FY28E
- **USD/INR assumption** revised to Rs89 vs Rs90 for FY26E; revised to Rs91 vs earlier Rs90 for FY27E and revised to Rs91 vs the earlier Rs90 for FY28E.

Fig 8 – Revision in Estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY25A	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	72,638	76,580	85,261	96,874	76,926	84,417	94,138	(0.4)	1.0	2.9
EBITDA	15,700	15,592	16,576	17,326	15,968	16,797	18,032	(2.4)	(1.3)	(3.9)
EBITDA % margin	21.6	20.4	19.4	17.9	20.8	19.9	19.2	-	-	-
PAT	10,406	9,823	10,484	10,932	10,674	10,854	11,307	(8.0)	(3.4)	(3.3)
EPS (Rs)	105.3	99.4	106.1	110.7	108.1	109.9	114.5	(8.0)	(3.4)	(3.3)

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

	FY23	FY24	FY25	FY26E	FY27E	FY28E
USD-INR rate	74.0	82.8	85.0	89.0	91.0	91.0
CNG sales price (Rs/kg)	63.5	61.4	60.3	77.5	78.5	81.5
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	11.5	12.5	12.8
CNG volumes (mnscm)	909	948	1,050	1,129	1,225	1,335
PNG volumes(mnscm)	340	373	429	486	549	618
Total volumes (mnscm)	1,249	1,321	1,479	1,616	1,774	1,953
Volumes (mmcmd)						
CNG	2.5	2.6	2.9	3.1	3.4	3.7
YoY %	17.9	4.3	10.8	7.5	8.5	9.0
PNG	0.9	1.0	1.2	1.3	1.5	1.7
YoY %	5.2	9.7	15.0	13.5	13.0	12.5
Total volumes	3.4	3.6	4.1	4.4	4.9	5.4
YoY %	14.1	5.7	12.0	9.2	9.8	10.1
Margins						
EBITDA spread (Rs/scm)	9.5	13.9	10.2	9.3	9.0	8.5

Source: Company

P/E based Valuation Rationale

We upgrade our rating to BUY from HOLD on account of the stock correction while considering moderation in EBITDA spread, we revise down TP to Rs1,369 from Rs1,402, based on 12.5x P/E on Dec'27 EPS. Multiple is in line with historical 10Y average P/E

Fig 10 – Valuation summary

	Dec.27E EPS(Rs)	Multiple (x)	Value (Rs/share)
MGL	110	12.5	1,369
Target price (Rs)			1,369

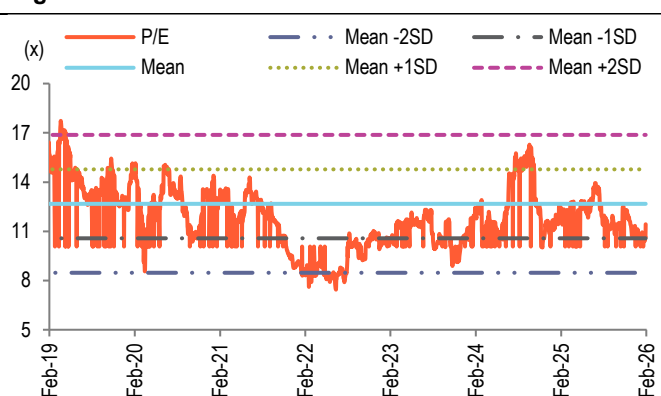
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

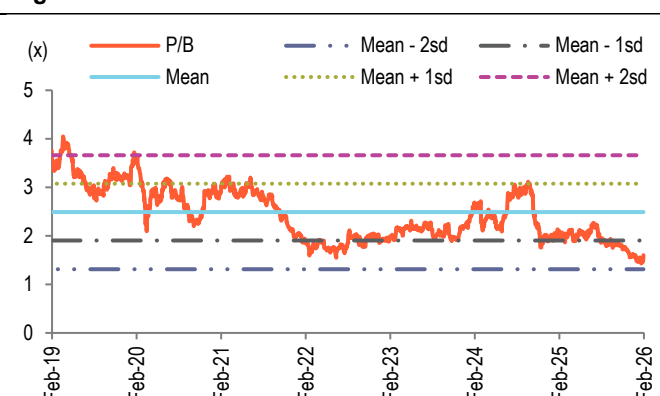
- **APM allocation reduction can raise gas cost:** APM gas has been reduced over the last 1 year for CGD companies, due to production constraints from ONGC. This led MGL to procure imported gas at market prices. Any further reduction in APM can increase costs for the company has also reduce the EBITDA spread.
- **Faster adoption of EV:** There has been an adoption of EV in Mumbai BEST buses, 2-wheeler and 3-wheelers. Faster adoption can impact the volumes performance for MGL. Management has stated that the penetration of 3W in Mumbai is minimal, and therefore, they do not perceive any risk. However, volumes in buses have come down. Thus, EV remains a risk in other segments.

Fig 11 – P/E 1YF



Source: Bloomberg

Fig 12 – 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	76,580	85,261	96,874
EBITDA	18,439	15,700	15,592	16,576	17,326
Depreciation	(2,774)	(3,520)	(3,872)	(4,543)	(4,923)
EBIT	17,414	13,845	13,420	13,765	14,171
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	13,275	13,615	14,016
Income taxes	(4,434)	(3,291)	(3,451)	(3,132)	(3,083)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	1	0	0	0
Reported net profit	12,847	10,406	9,823	10,484	10,932
Adjustments	0	0	0	0	0
Adjusted net profit	12,847	10,406	9,823	10,484	10,932

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,479	4,313	4,519	5,032	5,719
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	64,674	72,194	80,163
Shareholders' fund	51,433	58,948	65,808	73,328	81,297
Total liab. and equities	72,534	82,702	89,768	97,802	106,457
Cash and cash eq.	4,261	3,329	4,068	4,639	5,486
Accounts receivables	2,965	3,641	3,585	4,248	4,538
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	47,658	54,115	61,192
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	89,768	97,802	106,457

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	17,676	15,286	13,847	14,685	15,965
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)	739	572	846
Closing cash & cash eq.	4,261	3,329	4,068	4,639	5,486

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	130.1	105.3	99.4	106.1	110.7
Adjusted EPS	130.1	105.3	99.4	106.1	110.7
Dividend per share	30.0	30.0	30.0	30.0	30.0
Book value per share	520.2	595.3	664.7	740.9	821.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.6	1.4	1.3	1.2	1.0
EV/EBITDA	5.5	6.5	6.6	6.1	5.8
Adjusted P/E	9.1	11.2	11.9	11.1	10.7
P/BV	2.3	2.0	1.8	1.6	1.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.3	76.0	74.0	77.0	78.0
Interest burden (PBT/EBIT)	1.0	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Revenue)	27.7	19.1	17.5	16.1	14.6
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	15.8	15.1	14.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(0.1)	15.5	5.4	11.3	13.6
EBITDA	55.7	(14.9)	(0.7)	6.3	4.5
Adjusted EPS	62.6	(19.0)	(5.6)	6.7	4.3

Profitability & Return ratios (%)

EBITDA margin	29.3	21.6	20.4	19.4	17.9
EBIT margin	27.7	19.1	17.5	16.1	14.6
Adjusted profit margin	20.4	14.3	12.8	12.3	11.3
Adjusted ROAE	27.7	18.9	15.8	15.1	14.2
ROCE	34.7	23.2	19.9	18.5	17.2

Working capital days (days)

Receivables	17	18	17	18	17
Inventory	2	3	4	5	6
Payables	29	28	27	27	26

Ratios (x)

Gross asset turnover	0.9	0.9	0.9	0.9	0.9
Current ratio	1.1	1.0	1.1	1.1	1.2
Net interest coverage ratio	130.9	98.5	92.6	91.8	91.4
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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BUY – Expected return >+15%

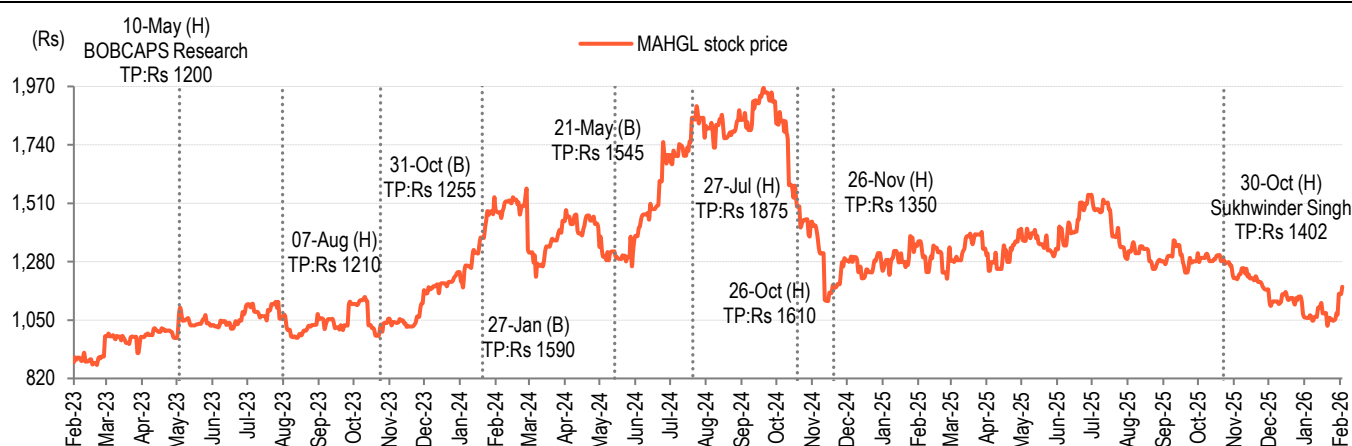
HOLD – Expected return from -6% to +15%

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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