

HOLD
 TP: Rs 1,268 | ▲ 8%

MAHANAGAR GAS

Oil & Gas

08 May 2026

Results lower than expectations on volumes & higher costs

- Revenue grew by 10.0%YoY, on volume growth of 14.1%YoY in CNG and 5.1%YoY in PNG. However, higher costs led to decline in EBITDA
- Outlook positive on volume growth driven by CNG. EBITDA spread is likely to be subdued in near term
- Reduce to HOLD from BUY; considering weak operational performance & rollover to Mar'28 EPS, revise TP downwards to Rs1,268 from Rs1,369

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Performance below expectations: Revenue came at Rs20bn (+10.0%YoY, -0.3%QoQ) and was 4% below our estimates. EBITDA came at Rs3bn (-31.2%YoY, -26.1%QoQ) and was 25% below our estimates. EBITDA spread for Q4FY26 was Rs6.2/scm; lower by 38%YoY. Underperformance was due to lower-than-expected growth in volumes and higher-than-expected gas costs. Realisations came at Rs48.8/scm — lower by 1.3%YoY.

Volumes: Volumes came at 421mnsbcm — higher by 11.4%YoY and lower by 1.1%QoQ. CNG volume growth was 14.1%YoY, while PNG volumes grew 5.1%YoY. FY26 volume growth was 8.2%YoY. Management is positive about the volumes and expect growth for FY27E to be better than FY26 growth.

Operational performance: EBITDA spread came at Rs6.2/scm – lower by 38.2%YoY and 25.2%QoQ. Gas cost was higher YoY at 72% of sales for the quarter vs 65% for Q4FY25. MGL has been increasing the mix of long-term contracts to offset the impact of cost hikes through spot LNG. Spread for FY26 is Rs8.7/scm. Management guided EBITDA spread of more than Rs8.0 for FY27E.

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.

Capex intensity: MGL has incurred a capex of Rs10,756mn for FY26 vs Rs11,839mn for FY25. Capex is estimated at Rs12,000mn for FY27E.

Reduce to HOLD; revise TP downwards: We reduce to HOLD from BUY; considering the weak operational performance and rollover to Mar'28 EPS; revise TP downwards TP to Rs1,268 from Rs1,369, based on 12.5x P/E on Mar.28 EPS.

Key changes

Target	Rating
▼	▼

Ticker/Price	MAHGL IN/Rs 1,173
Market cap	US\$ 1.2bn
Free float	68%
3M ADV	US\$ 4.3mn
52wk high/low	Rs 1,587/Rs 900
Promoter/FPI/DII	33%/24%/21%

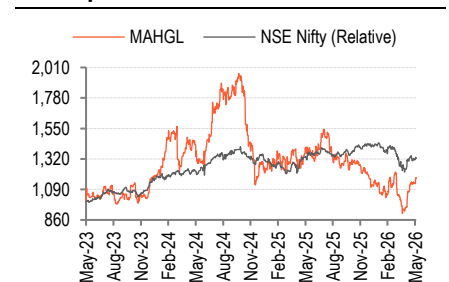
Source: NSE | Price as of 8 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	82,457	84,061	95,760
EBITDA (Rs mn)	14,506	15,351	17,179
Adj. net profit (Rs mn)	8,412	9,073	10,023
Adj. EPS (Rs)	85.2	91.8	101.5
Consensus EPS (Rs)	85.2	95.0	103.0
Adj. ROAE (%)	13.7	13.5	13.6
Adj. P/E (x)	13.8	12.8	11.6
EV/EBITDA (x)	7.1	6.8	6.1
Adj. EPS growth (%)	(19.2)	7.9	10.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Rs mn	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)	FY26	FY25	YoY (%)
Revenue	20,512	20,583	(0.3)	18,649	10.0	82,402	72,613	13.5
EBITDA	2,603	3,521	(26.1)	3,784	(31.2)	14,511	15,701	(7.6)
EBITDA margin (%)	12.7	17.1	(441bps)	20.3	(760bps)	17.6	21.6	(401bps)
Depreciation	1,061	1,034	2.6	818	29.7	4,092	3,517	16.4
Interest	48	63	(24.3)	39	22.9	206	138	49.1
Other income	290	294	(1.4)	464	(37.5)	1,192	1,660	(28.2)
PBT	1,785	2,718	(34.3)	3,391	(47.4)	11,405	13,706	(16.8)
Tax	466	698	(33.3)	869	(46.4)	2,937	3,294	(10.8)
Reported PAT	1,319	2,020	(34.7)	2,522	(47.7)	8,468	10,413	(18.7)
PATM (%)	6.4	9.8	(338bps)	13.5	(709bps)	10.3	14.3	(406bps)
EPS (Rs)	13.4	20.4	(34.7)	25.5	(47.7)	85.7	105.4	(18.7)

Source: Company

Fig 2 – Q4FY26 Actual vs Estimates

Particulars	Q4 Actual	Estimates	VAR(%)
Revenue (Rs mn)	20,512	21,395	(4.1)
EBITDA (Rs mn)	2,603	3,452	(24.6)
EBITDA margin (%)	12.7	16.1	(344bps)
PAT (Rs mn)	1,319	1,918	(31.2)
EPS (Rs)	13.4	19.4	(31.2)

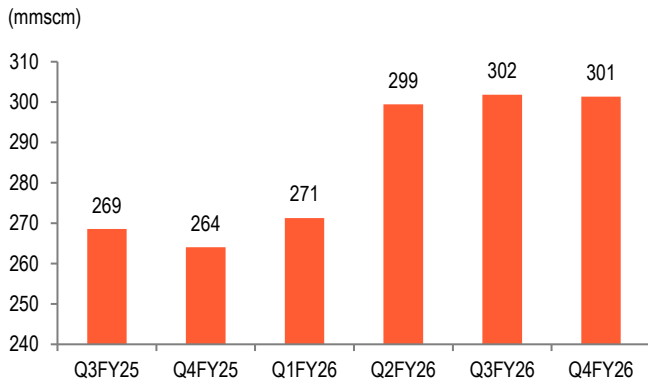
Source: Company, BOBCAPS Research

Fig 3 – Business parameters

Particulars	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)	FY26	FY25	YoY (%)
CNG Volumes (mmscm)	301.4	301.9	(0.2)	264.0	14.1	1,192.6	1,112.2	7.2
PNG Volumes (mmscm)	119.1	123.2	(3.3)	113.4	5.1	480.9	433.7	10.9
Total Volumes (mmscm)	420.5	425.1	(1.1)	377.4	11.4	1,673.4	1,545.9	8.2
Realisation/scm (Rs.)	48.8	48.4	0.7	49.4	(1.3)	49.2	47.0	4.8
EBITDA/scm (Rs.)	6.2	8.3	(25.2)	10.0	(38.2)	8.7	10.2	(14.6)

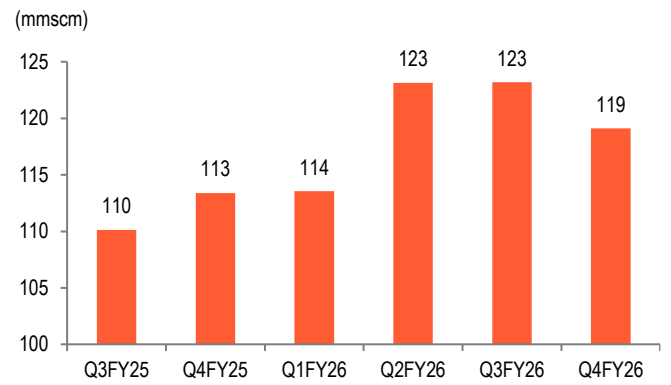
Source: Company

Fig 4 – CNG volumes



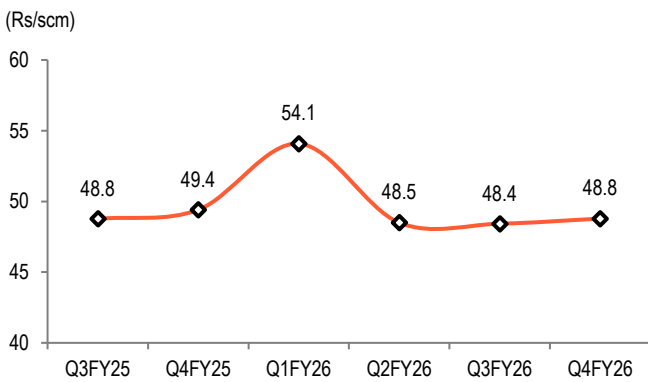
Source: Company

Fig 5 – PNG volumes (commercial + domestic)



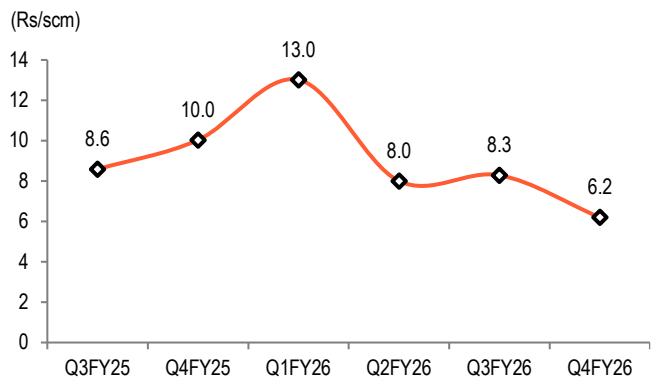
Source: Company

Fig 6 – Blended realisation



Source: Company

Fig 7 – EBITDA spread



Source: Company

Other Highlights

- **Volumes performance:** Volumes performance was good at 11.4%YoY in Q4, with growth in CNG & PNG being 14.1%YoY and 5.1%YoY respectively. Because of RLNG supply from middle east, volume to Industrial customers were impacted in month of March. Management is positive about the volumes and expect growth for FY27E to be better than FY26 growth of 8.2%YoY, on account of CNG infrastructure expansion.
- **Operational performance:** Gas costs were higher YoY at 72% of sales for the quarter vs 65% for Q4FY25 due to imported RLNG gas cost increase and USD INR rate . EBITDA spread came at Rs6.2/scm; declining QoQ from Rs8.3/scm. It was Rs10.0/scm for Q4FY25. Spread for FY26 is Rs8.7 – lower by 14.6%YoY from 10.2 in FY25. IManagement guided EBITDA spread of more than Rs8.0 for FY27E.
- **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-35%, NWG-8%, Henry hub contract -35%, HPHT gas – 13% & spot – 9%.
- **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 0.2mmscmd out of the total MGL volumes of 4.6mmscmd.
- **Capex:** is estimated at Rs12,000mn for FY27E which will majorly on expansion in outlets in areas outside Mumbai. It has currently 518 CNG stations, 3.2lakh domestic household PNG connections and 5,924 Industrial & commercial customers. Added 28 stations in Q4 and 52 in FY26.

Valuation Methodology

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

We revise estimates downwards, based on weak operational performance

- **CNG growth:** We estimate CNG growth at 8.0% vs the earlier 8.5% in FY27E; unchanged at 9.0% in FY28E and 9.0% in FY29E.
- **PNG growth:** Growth remains unchanged for PNG at 13.0% in FY27E, at 12.5% in FY28E and 12.5% in FY29E.
- **EBITDA spread:** Estimate moderation in spread due to FY26 performance. Estimated at Rs8.4 vs the earlier Rs9.0 in FY27E, kept unchanged at Rs8.5 in FY28E and Rs8.5 in FY28E.
- USD/INR assumption revised to Rs95 vs Rs91 for FY27E; FY28E and FY29E.

Fig 8 – Revision in Estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	82,457	84,061	95,760	106,332	85,701	98,048	-	(1.9)	(2.3)	-
EBITDA	14,506	15,351	17,179	18,795	16,131	17,619	-	(4.8)	(2.5)	-
EBITDA % margin	17.6	18.3	17.9	17.7	18.8	18.0	-	(56bps)	(3bps)	-
PAT	8,406	9,073	10,023	10,799	10,081	10,949	-	(10.0)	(8.5)	-
EPS (Rs)	85.1	91.8	101.5	109.3	102.1	110.8	-	(10.0)	(8.5)	-

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

	FY25	FY26	FY27E	FY28E	FY29E
USD-INR rate	85.0	90.0	95.0	95.0	95.0
CNG sales price (Rs/kg)	60.3	77.5	81.0	81.5	82.5
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	1,288	1,404	1,530
PNG volumes(mmscm)	429	481	543	611	688
Total volumes (mmcm)	1,479	1,673	1,831	2,015	2,218
Volumes (mmscmd)					
CNG	2.9	3.3	3.5	3.8	4.2
YoY %	10.8	7.2	8.0	9.0	9.0
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	5.0	5.5	6.1
YoY %	12.0	8.2	9.4	10.0	10.1
Margins					
EBITDA spread (Rs/scm)	10.2	8.7	8.4	8.5	8.5

Source: Company

P/E-based Valuation Rationale

We reduce to HOLD from BUY; considering the weak operational performance and roll over to Mar'28 EPS; revise TP downwards to Rs1,268 from Rs1,369, based on 12.5x P/E on Mar'28 EPS. The multiple is in line with the historical 10Y average P/E.

Fig 10 – Valuation summary

	Mar.28E EPS(Rs)	Multiple (x)	Value (Rs/share)
MGL	101	12.5	1,268
Target price (Rs)			1,268

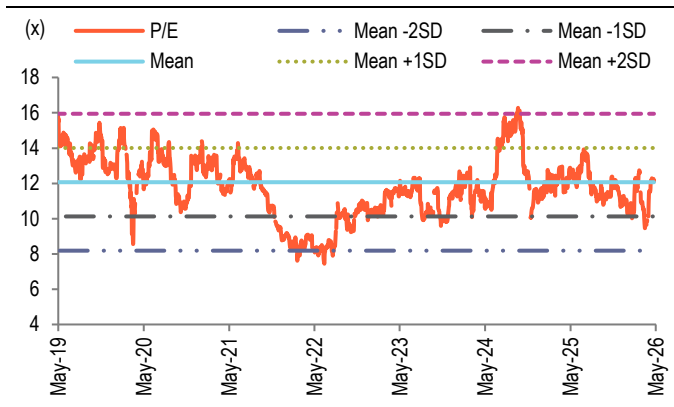
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

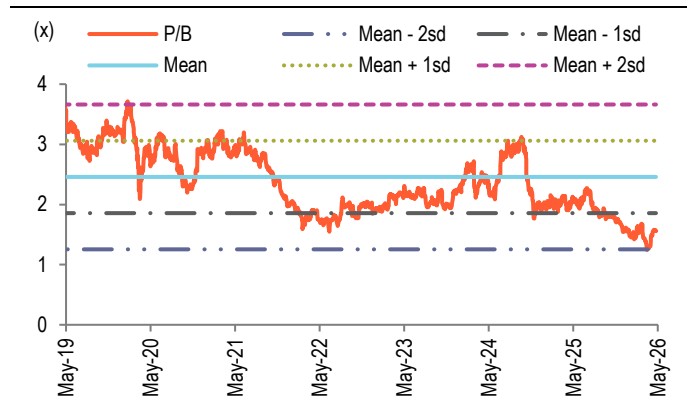
- **APM allocation reduction can raise gas cost:** APM gas has been limited for CGD companies, due to production constraints from ONGC. This led MGL to procure imported gas at market prices. Any further reduction in APM can increase costs for the company has also reduce the EBITDA spread.
- **Faster adoption of EV:** There has been an adoption of EV in Mumbai BEST buses, 2Ws and 3Ws. Faster adoption can impact the volumes performance for MGL. Management has stated that the penetration of 3Ws 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)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	72,638	82,457	84,061	95,760	106,332
EBITDA	15,700	14,506	15,351	17,179	18,795
Depreciation	(3,520)	(4,099)	(4,423)	(5,192)	(5,728)
EBIT	13,845	11,606	12,150	13,234	14,339
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	11,938	13,017	14,117
Income taxes	(3,291)	(2,940)	(2,865)	(2,994)	(3,317)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	6	0	0	0
Reported net profit	10,406	8,412	9,073	10,023	10,799
Adjustments	0	0	0	0	0
Adjusted net profit	10,406	8,412	9,073	10,023	10,799

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,313	4,795	4,888	5,568	6,183
Other current liabilities	14,239	14,560	14,560	14,560	14,560
Provisions	198	231	231	231	231
Debt funds	0	0	1,200	1,200	1,200
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	69,398	76,458	84,294
Shareholders' fund	58,948	64,416	70,525	77,585	85,421
Total liab. and equities	82,702	89,811	97,214	104,954	113,405
Cash and cash eq.	3,329	1,143	1,089	1,243	2,718
Accounts receivables	3,641	4,587	4,929	5,326	5,595
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	97,214	104,954	113,405

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	15,286	13,374	13,422	15,334	16,661
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	1,200	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)	(1,975)	(3,180)	(3,185)
Chg in cash & cash eq.	(932)	(2,186)	(54)	154	1,476
Closing cash & cash eq.	3,329	1,143	1,089	1,243	2,718

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	105.3	85.2	91.8	101.5	109.3
Adjusted EPS	105.3	85.2	91.8	101.5	109.3
Dividend per share	30.0	30.0	30.0	30.0	30.0
Book value per share	595.3	650.7	712.5	784.0	863.3

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.4	1.3	1.2	1.1	1.0
EV/EBITDA	6.5	7.1	6.8	6.1	5.6
Adjusted P/E	11.1	13.8	12.8	11.6	10.7
P/BV	2.0	1.8	1.6	1.5	1.4

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	14.5	13.8	13.5
Asset turnover (Rev./Avg TA)	0.9	1.0	0.9	0.9	1.0
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	18.9	13.7	13.5	13.6	13.3

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.5	13.5	1.9	13.9	11.0
EBITDA	(14.9)	(7.6)	5.8	11.9	9.4
Adjusted EPS	(19.0)	(19.2)	7.9	10.5	7.7
Profitability & Return ratios (%)					
EBITDA margin	21.6	17.6	18.3	17.9	17.7
EBIT margin	19.1	14.1	14.5	13.8	13.5
Adjusted profit margin	14.3	10.2	10.8	10.5	10.2
Adjusted ROAE	18.9	13.7	13.5	13.6	13.3
ROCE	23.2	17.3	16.4	16.3	16.2
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	0.9	0.9	1.0
Current ratio	1.0	0.9	0.9	1.0	1.0
Net interest coverage ratio	98.5	55.4	57.3	61.0	64.6
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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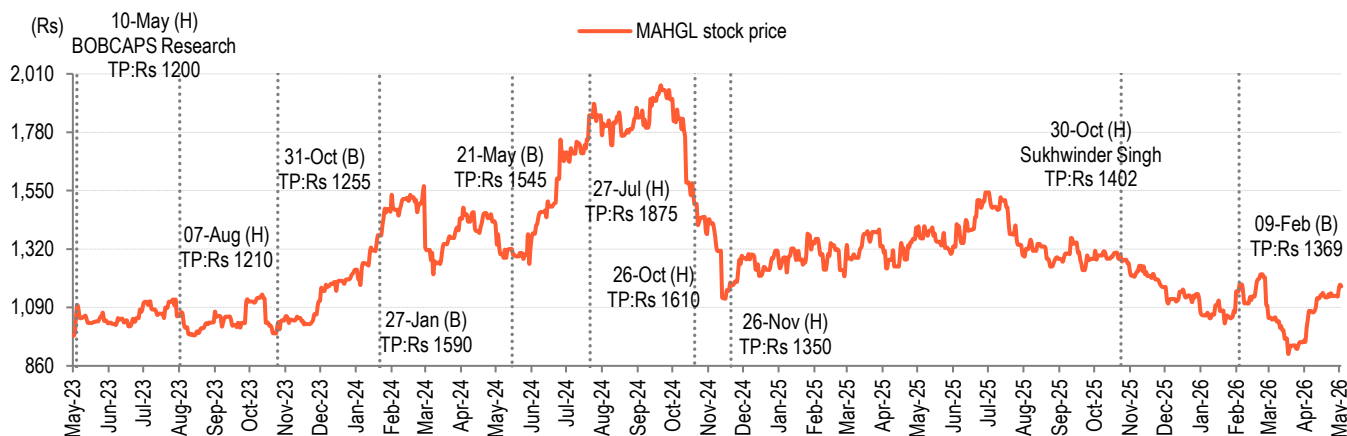
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- 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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