

Mahanagar Gas Ltd.

31st July, 2025

SELL

Data as of: 30-Julv-2025, 18:00 hrs

Lower margins hurt growth prospects

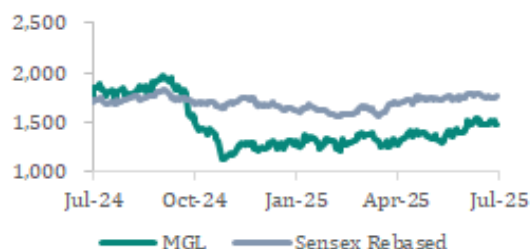
- In Q1FY26, the company's consolidated revenue rose 24.6% YoY to Rs. 2,282cr due to growth in sales volume and the customer base.
- Gas volume increased 9.6% YoY to 4.229 MMSCMD, comprising 2.981 MMSCMD compressed natural gas (CNG), 0.569 MMSCMD domestic CNG and 0.679 MMSCMD industrial and commercial segment supply.
- The company has a strong customer base, with over 1.13mn CNG vehicles (vs 1.11mn+ in Q4FY25) and 2.85mn households (vs. 2.83mn+) with piped natural gas.
- UEPL, an MGL subsidiary, reported a strong Q1FY26 performance, with the addition of four new CNG stations, 3,338 new domestic households, and one new industrial customer. It also laid 73.8 km of pipeline, suggesting strong growth momentum with potential for further expansion in the coming quarters.
- EBITDA increased 14.6% YoY to Rs. 501cr, driven by strong revenue growth. However, the EBITDA margin contracted by 190bps to 21.9%, primarily due to a 30.5% increase in the cost of materials and a 22.0% rise in other expenses.

MGL delivered a steady performance, driven by its robust infrastructure network, strong customer base and a reliable, albeit costlier, gas sourcing strategy. However, looking ahead, we expect MGL's focus on expanding its footprint in newly acquired geographical areas to come at the behest of discounts as it tries to balance lost volumes due to faster EV adoption and declining institutional demand. Additionally, we also factor in the management's reduced margin guidance and unpredictability in APM and new well gas allocations. Further pass-through of cost increases could be limited, which can hurt margins. Hence, **we downgrade our rating from ACCUMULATE to SELL on the stock, with a revised target price of Rs. 1,266, based on 11x FY27E adj. EPS.**

Quarterly Financials Consol.

Rs.cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	2,282	1,832	24.6	2,152	6.0
EBITDA	501	437	14.6	395	26.8
Margin (%)	21.9	23.8	-190bps	18.4	350bps
EBIT	405	353	14.5	302	33.8
PBT	431	386	11.8	339	27.1
Rep. PAT	318	289	10.0	247	28.7
Adj PAT	318	289	10.0	247	28.7
Adj. EPS (Rs)	32.2	29.2	10.0	25.0	28.7

*over or under performance to benchmark index

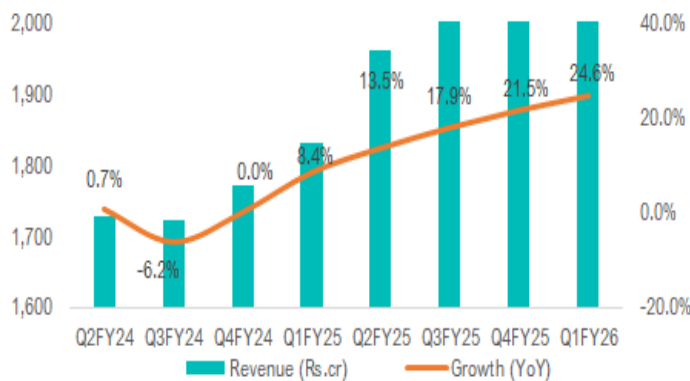


Y.E March (Rs.cr)	FY25A	FY26E	FY27E
Sales	7,979	8,438	9,324
Growth (%)	15.4	5.8	10.5
EBITDA	1,570	1,641	1,735
EBITDA Margin (%)	19.7	19.5	18.6
PAT Adjusted	1,040	1,066	1,136
Growth (%)	-19.0	2.5	6.5
Adjusted EPS	105.3	108.0	115.0
Growth (%)	-19.0	2.5	6.5
P/E	13.2	12.8	12.1
P/B	2.3	2.1	1.8
EV/EBITDA	8.5	8.1	7.7
ROE (%)	17.7	16.0	15.2
D/E	0.0	0.0	0.0

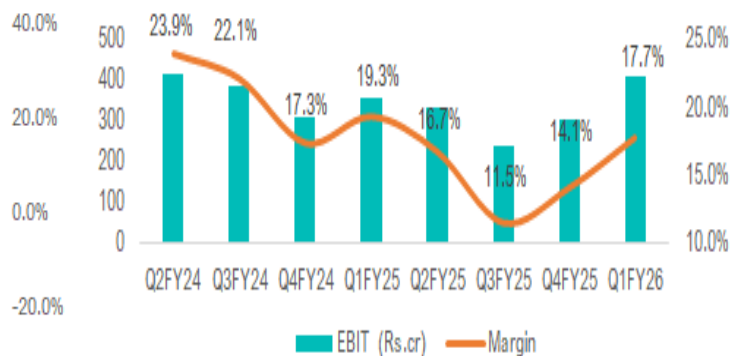
Key concall highlights

- The company has connected approximately 2.85 million households, with 16,348 domestic households added in Q1FY26, indicating a steady expansion of its customer base.
- MGL laid 79.08 kilometres of pipeline in Q1FY26, increasing the total length to 7,538.63 kilometres, demonstrating a significant investment in infrastructure development to support growth.
- It also added 84 new industrial and commercial customers in Q1FY26, increasing the total customer base to 5,161, representing growth in customer acquisition.
- The addition of 20,332 CNG vehicles in Q1FY26 represents a notable increase, demonstrating the company's ability to attract new customers and expand its market share in the CNG segment.
- The scheme of amalgamating Unison Enviro Private Limited (UEPL) with MGL received final approval from the National Company Law Tribunal on July 9, with an appointed date of amalgamation of February 1, 2024.
- The capex for MGL, including UEPL, is expected to be around Rs. 1,100cr to Rs. 1,300cr for the next 2 years.

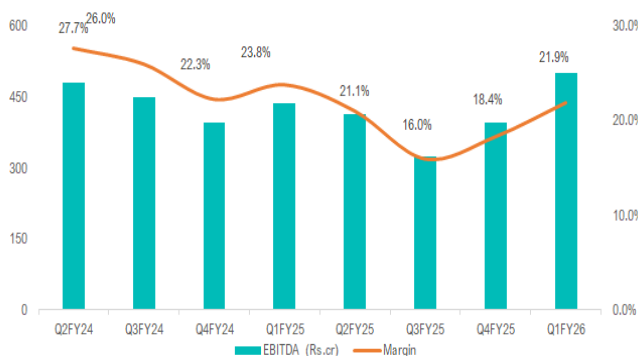
Revenue



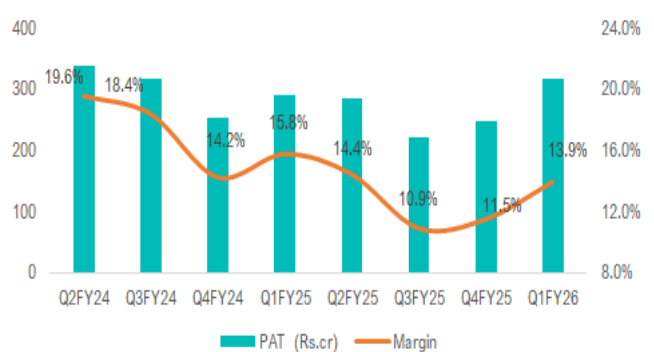
EBIT



EBITDA



PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	7,694	8,233	8,438	9,324	9.7	13.3
EBITDA	1,725	1,867	1,641	1,735	-4.9	-7.1
Margins (%)	22.4	22.7	19.5	18.6	-290bps	-410bps
Adj. PAT	1,157	1,276	1,066	1,136	-7.9	-11.0
EPS	117.2	129.3	108.0	115.0	-7.8	-11.1



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	6,921	6,914	7,979	8,438	9,324
% change	78.2	-0.1	15.4	5.8	10.5
EBITDA	1,184	1,844	1,570	1,641	1,735
% change	28.1	55.7	-14.9	4.5	5.7
Depreciation	231	277	352	385	440
EBIT	953	1,567	1,218	1,256	1,295
Interest	9	13	14	17	17
Other Income	112	175	166	182	237
PBT	1,056	1,728	1,370	1,422	1,515
% change	30.9	63.7	-20.7	3.8	6.5
Tax	265	443	329	355	379
Tax Rate (%)	25.2	25.7	24.0	25.0	25.0
Reported PAT	790	1,285	1,040	1,066	1,136
PAT att. to common shareholder-	790	1,285	1,040	1,066	1,136
Adj.*	-	-	-	-	-
Adj. PAT	790	1,285	1,040	1,066	1,136
% change	32.3	62.6	-19.0	2.5	6.5
No. of shares (cr)	9.9	9.9	9.9	9.9	9.9
Adj EPS (Rs.)	80.0	130.1	105.3	108.0	115.0
% change	32.3	62.6	-19.0	2.5	6.5
DPS (Rs.)	26.0	30.0	30.0	30.7	32.8

Cashflow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	1,021	1,562	1,393	1,451	1,576
Non-cash adj.	15	-20	6	41	82
Other adjustments	-	-	-	-	-
Changes in W.C	-67	26	7	13	33
C.F. Operation	969	1,568	1,406	1,505	1,691
Capital exp.	-713	-782	-1,177	-1,055	-1,165
Change in inv.	18	-350	86	-139	-262
Other invest.CF	46	51	40	-	-
C.F - Investment	-649	-1,082	-1,052	-1,194	-1,427
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-220	-33	-	-
Dividends paid	-252	-277	-296	-304	-324
Other finance.CF	-33	-3	-2	-	-
C.F - Finance	-285	-499	-332	-304	-324
Chg. in cash	35	-13	22	8	-60
Closing Cash	228	426	333	341	281

Balance Sheet

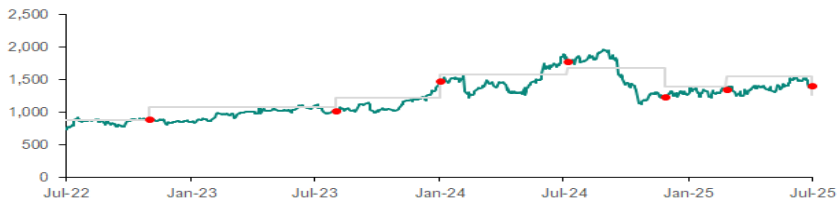
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	228	426	333	341	281
Accts. Receivable	294	296	364	377	404
Inventories	34	42	52	53	58
Other Cur. Assets	1,450	1,143	1,197	1,211	1,330
Investments	-	-	-	-	-
Gross Fixed As-sets	4,297	5,079	6,257	7,311	8,477
Net Fixed Assets	2,832	3,558	4,153	4,823	5,549
CWIP	709	823	1,068	1,068	1,068
Intangible Assets	194	677	701	820	960
Def. Tax -Net	83	100	73	107	117
Other Assets	209	187	328	345	362
Total Assets	6,032	7,253	8,270	9,145	10,128
Current Liabilities	1,561	1,700	1,875	1,907	1,978
Provisions	33	46	55	56	57
Debt Funds	-	-	-	-	-
Other Liabilities	303	365	445	524	623
Equity Capital	99	99	99	99	99
Res. & Surplus	4,035	5,045	5,796	6,559	7,371
Shareholder Funds	4,134	5,143	5,895	6,657	7,470
Minority Interest	-	-	-	-	-
Total Liabilities	6,032	7,253	8,270	9,145	10,128
BVPS	418	521	597	674	756

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	17.1	26.7	19.7	19.5	18.6
EBIT margin (%)	13.8	22.7	15.3	14.9	13.9
Net profit mgn.(%)	11.4	18.6	13.0	12.6	12.2
ROE (%)	19.1	25.0	17.7	16.0	15.2
ROCE (%)	23.1	30.5	20.7	18.9	17.3
W.C & Liquidity					
Receivables (days)	15.3	15.4	16.4	16.1	15.6
Inventory (days)	2.4	3.5	3.5	3.4	3.3
Payables (days)	22.9	29.3	28.8	29.5	30.1
Current ratio (x)	1.3	1.1	1.0	1.0	1.0
Quick ratio (x)	1.2	1.0	0.9	0.9	0.9
Turnover & Leverage					
Gross asset T.O (x)	1.8	1.5	1.4	1.2	1.2
Total asset T.O (x)	1.2	1.0	1.0	1.0	1.0
Int. covge. ratio (x)	101.5	117.8	86.6	75.5	76.0
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	1.4	1.9	1.7	1.6	1.4
EV/EBITDA (x)	7.9	7.1	8.5	8.1	7.7
P/E (x)	12.2	10.5	13.2	12.8	12.1
P/BV (x)	2.3	2.6	2.3	2.1	1.8



Recommendation Summary - (last 3 years)



Dates	Rating	Target
18-Feb-22	ACCUMULATE	872
30-Nov-22	BUY	1,082
31-Aug-23	BUY	1,224
31-Jan-24	HOLD	1,575
05-Aug-24	REDUCE/SELL	1,673
26-Dec-24	ACCUMULATE	1,392
26-Mar-25	ACCUMULATE	1,552
31-Jul-25	SELL	1,266


Investment Rating Criteria


Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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