

The Indian CGD sector outlook has become murkier with further APM gas allocation cut by the Government/nodal agency (GAIL). IGL/MGL has reported 20%/18% additional cuts wef 16-Nov on top of the ~20% cut earlier on 16-Oct, while Adani Total Gas (not rated) has indicated a 13% cut. While structural decline in APM allocation for the CGD sector is inevitable, the significant ~35% cut in the last one month with no proper policy communication is a negative. CGD companies highlighted post-Q2FY25 that the October cut was a major one with gradual cuts likely hereon and that prices would be hiked post-festive season to partially recover lost margins. However, no action has been seen so far and with this additional cut, the margin outlook has deteriorated with no near-term clarity on the course of action. Media reports quoting MOPNG officials have stated GoI asking for cost breakup, highlighting the high margins of CGDs vs OMCs, before green signaling them for retail price hikes (at least Rs4.5-5/kg required), which could add to negative sentiments. In the absence of price hikes, we estimate a 46%/25% hit on IGL/MGL's EBITDA/scm vs Q2 run-rate which is Rs3.5/8 and against the latest guidance of Rs6-7/10-12, and our earlier estimate of Rs6.7-6.9/10.5-10.8. Excise duty alignment between CNG, petrol and diesel can be done to avoid CNG price hikes amid a USD70-75/bbl oil price scenario, if the current margins and return ratios of CGDs are to be protected. Due to the lack of clarity, we now assume a 14% RoE model for both IGL/MGL (in line with original open access regulations) vs 17%/18% earlier estimated for FY26-27E and cut our SA EPS by 17%/25%. Our TP for IGL/MGL reduces 18%/26% to Rs385/1,400 and we downgrade IGL/MGL to REDUCE/ADD from Add/Buy earlier. We await further commentary from companies and GoI to assume a less conservative scenario. IGL is currently trading at 2.3-2.6x FY25-26E adjusted P/B and MGL at 1.7-1.8x, which at 14% sustainable RoE and potential 7-10% volume growth seems reasonable.

Unexpected 18-20% additional APM gas allocation cut for IGL-MGL

The cumulative cut vs Q2FY25 levels is 37% for IGL and 34% for MGL; APM gas share in CNG mix would now become 40% and 43%, respectively, assuming Q2 volumes. The implied non-APM blended gas price for the companies were USD13-14/mmmbtu, hence, replacement by such gases would impact blended EBITDA/scm by Rs2.7-3 and necessitate at least an Rs4.5-4.8/kg hike (just CNG segment would be Rs6.3-6.4/kg). This is on the back of new wells and HP-HT gas also being part of the mix, which we believe could come given OPaL requires 1.2mmscmd from the 2.5mmscmd additional diversion currently. A complete dependence on spot LNG can hit margins further.

Lower oil prices affect CGD economics, excise duty rejig can provide respite

With oil prices at USD70-75/bbl range, petrol and diesel prices also warrant cuts, which can affect CNG economics. But Rs9-10/kg of excise in CNG (14.4% rate) can be lowered coupled with hikes in petrol-diesel specific excise to provide respite to CGD margins. A halving of CNG excise to 7.2% can offset the entire margin hit from reduced allocation. While high CGD margins and returns among PSU and PSU-promoted oil and gas companies has been a topic of controversy, abruptly cutting allocation without any roadmap is unwarranted given GoI's aim to almost triple CNG station network and expand DPNG connections by over 9x by CY30 from now, entailing a capex of almost Rs2trn.

Sabri Hazarika

sabri.hazarika@emkayglobal.com
+91 22 6612 1282

Harsh Maru

harsh.maru@emkayglobal.com
+91 22 6612 1336

Arya Patel

arya.patel@emkayglobal.com
+91 22 6612 1285

Rating, Target Price and Valuation

	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EV/EBITDA (x)		P/E (x)	
					FY25E	FY26E	FY25E	FY26E
Indraprastha Gas	REDUCE	406	385	(5)	11.8	11.5	18.7	19.1
Mahanagar Gas	ADD	1,313	1,400	7	8.2	8.5	13.4	14.8

Source: Company, Emkay Research, Standalone

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Exhibit 1: Impact of ~35% cumulative APM gas allocation cut on MGL and IGL

Q2FY25-Based	MGL		IGL	
	Volume	Price	Volume	Price
	mmscmd	USD/mmbtu	mmscmd	USD/mmbtu
CNG	2.9		6.8	
DPNG	0.5		0.7	
Total Priority	3.4		7.4	
I/C+	0.6	Average	1.6	Average
Total	4.0	9.8	9.0	11.0
APM	2.4	7.5	5.0	8.5
Other Gases	1.6	13.2	4.0	14.1
Q2FY25 Runrate-Based	66%		64%	
CNG	2.9	9.5	6.8	10.5
APM	1.9	7.5	4.3	8.5
Other Gases	1.0	13.2	2.5	14.1
After ~35% APM Cut	43%		40%	
CNG	2.9	10.7	6.8	11.9
APM	1.2	7.5	2.7	8.5
Other Gases	1.6	13.2	4.0	14.1
Margin Hit in CNG (Rs/scm)		3.8		4.0
Margin Hit in CNG (Rs/kg)		5.3		5.6
CNG RSP Hike Required for Full CNG (Rs/kg)		6.3		6.4
Overall Margin Hit (Rs/scm)		2.7		3.0
CNG RSP Hike Required (Rs/kg)		4.5		4.8
Q2FY25 EBITDA/scm (Rs)		10.7		6.5
%age Hit		25%		46%
Other Gases Rate (USD/mmbtu)		13.2		14.1
NWG 50%		9.8		10.8
Spot LNG 50%		16.6		17.5

Source: Company, Industry, Emkay Research; Note: We are yet to touch base with any management on the latest APM allocation cut

Exhibit 2: Excise duty scenario and potential respite from the same

Excise duties on CNG			Potential cut to offset RSP hikes	
Rs/kg	Mumbai	Delhi	Mumbai	Delhi
CNG RSP	75.0	75.1	70.3	70.4
Excise Duty	14.4%	14.4%	7.2%	7.2%
Excise Duty	9.5	9.5	4.7	4.7
Pre Excise Price	65.5	65.6	65.5	65.6
Difference in Excise			-4.7	-4.7
				7.2% cut

Source: Company, Industry, Emkay Research

Exhibit 3: ONGC to gain structurally while GAIL's marketing margins would improve, but GAIL's CGD exposure as a whole would lose

ONGC's positive impact			GAIL marketing division impact		
Volumes	mmscmd	6.5	Volumes	mmscmd	6.5
Indian Crude Price	USD/bbl	71.5	APM Margin	USD/mmbtu	0.06
Previous Price	USD/mmbtu	6.5	Non APM Margin	USD/mmbtu	0.20
Revised Price	USD/mmbtu	8.6	Change in Margin	USD/mmbtu	0.14
Change in Price	USD/mmbtu	2.08	PBT Impact (+ve)	Rs mn	1,195
PBT Impact (+ve)	Rs mn	18,367	EPS Impact (+ve)	Rs	0.1
EPS Impact (+ve)	Rs	1.1			

Source: Company, Industry, Emkay Research

Indraprastha Gas

Exhibit 4: Financial and operational snapshot

Standalone	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues (Rs mn)	77,100	141,326	140,000	151,852	169,026	188,315
EBITDA (Rs mn)	18,811	20,255	23,669	21,165	21,168	23,483
Reported PAT (Rs mn)	13,150	14,450	17,481	15,161	14,838	16,380
Adjusted PAT (Rs mn)	12,896	14,450	17,481	15,161	14,838	16,380
Growth	28%	12%	21%	-13%	-2%	10%
Reported EPS (Rs)	18.8	20.6	25.0	21.7	21.2	23.4
Adjusted EPS (Rs)	18.4	20.6	25.0	21.7	21.2	23.4
Consol EPS (Rs)	21.0	23.5	28.8	24.7	24.1	26.6
Adjusted P/E (x)	22.0	19.7	16.3	18.7	19.2	17.4
Consol P/E (x)	19.3	17.3	14.1	16.4	16.8	15.2
P/B (x)	4.1	4.0	3.3	3.0	2.7	2.5
EV/EBITDA (x)	13.5	12.8	10.7	11.8	11.4	10.0
RoE	19%	20%	20%	16%	14%	14%
RoCE	19%	19%	19%	14%	12%	12%
EBITDA/scm (Rs)	7.4	6.9	7.7	6.3	5.7	5.8
Volumes (mmscmd)	7.0	8.1	8.4	9.2	10.1	11.2
Growth	31%	16%	4%	10%	10%	10%

Source: Company, Emkay Research

Exhibit 5: Change in assumptions

	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
EBITDA/scm (Rs)	6.7	6.3	-6%	6.8	5.7	-16%	6.9	5.8	-16%
Sales Volumes (mmscmd)	9.3	9.2	-1%	10.2	10.1	-1%	11.3	11.2	-1%

Source: Emkay Research

Exhibit 6: Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	153,233	151,852	-1%	170,564	169,026	-1%	190,029	188,315	-1%
EBITDA	22,713	21,165	-7%	25,464	21,168	-17%	28,257	23,483	-17%
EBITDA margin	14.8%	13.9%		14.9%	12.5%		14.9%	12.5%	
PAT	16,281	15,161	-7%	17,955	14,838	-17%	19,832	16,380	-17%
EPS (Rs)	23.3	21.7	-7%	25.7	21.2	-17%	28.3	23.4	-17%

Source: Emkay Research

Valuations

Exhibit 7: DCF-based valuation (Sep-25E)

DCF Assumptions		Sep-26E (Rs mn)	Core IGL	CUGL 50%	MNGL 50%	Consol
Risk-Free Rate	7.0%	NPV Of FCF	111,883	3,973	21,198	
Risk Premium	5.3%	Terminal Value	248,841	8,866	37,269	
Beta	0.7	PV Of TV	74,845	2,667	11,209	
Cost Of Equity	10.5%	Total Value	186,727	6,640	32,407	
Cost Of Debt	8.0%	Less: Adj. Net Debt (Sep-25E)	(43,868)	(1,135)	1,225	
Post Tax Cost Of Debt	6.0%	Equity Value	230,595	7,775	31,182	269,552
Average Debt: Equity Ratio	0.0%	No of Shares O/S (mn)	700	700	700	700
WACC	10.5%	Target Price (Rs)	329	11	45	385
Terminal Growth Rate						
IGL	0.0%					
CUGL	0.0%					
MNGL	0.0%					

Source: Emkay Research

Exhibit 8: PER-based valuation (Sep-26E EPS)

(Rs)	FY22	FY23	FY24	FY25E	FY26E	FY27E
IGL's Core EPS	18.4	20.6	25.0	21.7	21.2	23.4
Less: CU/MNGL Div. Inc.	0.7	0.8	1.0	0.9	0.8	0.9
IGL Adjusted EPS	17.8	19.8	23.9	20.8	20.4	22.5
CUGL/MNGL EPS Contri	3.2	3.6	4.9	3.9	3.8	4.2
Consol EPS	21.0	23.5	28.8	24.7	24.1	26.6
Implied Target Multiple (x)						15.2
DCF Target Price (Rs)						385

Source: Company, Emkay Research

Mahanagar Gas

Exhibit 9: Financial and operational snapshot

Standalone	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues (Rs mn)	35,602	62,993	62,445	67,780	73,744	79,831
EBITDA (Rs mn)	9,243	11,842	18,426	13,921	13,129	14,106
Reported PAT (Rs mn)	5,969	7,901	12,891	9,668	8,777	9,619
Adjusted PAT (Rs mn)	5,969	7,901	12,891	9,668	8,777	9,619
Growth	-3.7%	32.3%	63.2%	-25.0%	-9.2%	9.6%
Reported EPS (Rs)	60.4	80.0	130.5	97.9	88.9	97.4
Adjusted EPS (Rs)	60.4	80.0	130.5	97.9	88.9	97.4
Reported P/E (x)	21.7	16.4	10.1	13.4	14.8	13.5
Adjusted P/E (x)	21.7	16.4	10.1	13.4	14.8	13.5
P/B (x)	3.6	3.1	2.5	2.3	2.1	1.9
EV/EBITDA (x)	12.5	9.8	6.3	8.2	8.5	7.6
RoE	17%	19%	25%	17%	14%	14%
RoCE	16%	18%	24%	15%	12%	12%
Debt: Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA/scm (Rs)	8.4	9.5	13.9	9.5	8.3	8.3
Volumes (mmscmd)	3.0	3.4	3.6	4.0	4.3	4.6
Growth	36%	14%	5%	12%	7%	7%

Source: Company, Emkay Research

Exhibit 10: Change in assumptions

	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
EBITDA/scm (Rs)	10.5	9.5	-10%	10.8	8.3	-23%	10.9	8.3	-23%
Sales Volumes (mmscmd)	4.0	4.0	0%	4.3	4.3	0%	4.6	4.6	0%

Source: Emkay Research

Exhibit 11: Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	67,780	67,780	0%	73,744	73,744	0%	79,831	79,831	0%
EBITDA	15,495	13,921	-10%	16,994	13,129	-23%	18,329	14,106	-23%
EBITDA margin	22.9%	20.5%		23.0%	17.8%		23.0%	17.7%	
PAT	10,845	9,668	-11%	11,657	8,777	-25%	12,756	9,619	-25%
EPS (Rs)	109.8	97.9	-11%	118.0	88.9	-25%	129.1	97.4	-25%

Source: Emkay Research

Valuations

Exhibit 12: DCF-based valuation (Sep-25E)

DCF Assumptions	MGL Std	UEPL	Sep-26E (Rs mn)	MGL Std	UEPL	Total
Risk-Free Rate	7.0%	7.0%	NPV Of FCF	87,281	24,769	112,050
Risk Premium	5.3%	5.3%	Terminal Value	81,647	33,703	115,351
Beta	0.7	0.7	PV Of TV	6,154	2,862	9,016
Cost Of Equity	10.5%	10.5%	Total Value	93,435	27,632	121,066
Cost Of Debt	8.0%	8.0%	Less: Adjusted Net Debt (Y/E)	(20,989)	3,767	(17,222)
Post Tax Cost Of Debt	6.0%	6.0%	Equity Value	114,424	23,865	138,288
Average Debt: Equity Ratio	0.0%	12.8%	No of Shares O/S (mn)	99	99	99
WACC	10.5%	9.9%	Target Price (Rs)	1,158	242	1,400
Terminal Growth Rate	0.0%	0.0%				

Source: Emkay Research

Exhibit 13: PER-based valuation (Sep-26E EPS)

	FY22	FY23	FY24	FY25E	FY26E	FY27E
MGL's Adjusted Consol EPS (Rs)	60.4	80.0	130.5	97.6	88.2	99.2
Target Multiple (x)						14.9
DCF-based Target Price (Rs)						1,400

Source: Company, Emkay Research

Indraprastha Gas: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	141,326	140,000	151,852	169,026	188,315
Revenue growth (%)	83.3	(0.9)	8.5	11.3	11.4
EBITDA	20,255	23,669	21,165	21,168	23,483
EBITDA growth (%)	7.7	16.9	(10.6)	0.0	10.9
Depreciation & Amortization	3,634	4,138	4,809	5,621	6,427
EBIT	16,621	19,531	16,356	15,546	17,056
EBIT growth (%)	6.3	17.5	(16.3)	(4.9)	9.7
Other operating income	0	0	0	0	0
Other income	2,762	3,632	4,012	4,390	4,943
Financial expense	106	92	98	99	100
PBT	19,277	23,072	20,269	19,837	21,899
Extraordinary items	0	0	0	0	0
Taxes	4,827	5,591	5,108	4,999	5,518
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	14,450	17,481	15,161	14,838	16,380
PAT growth (%)	9.9	21.0	(13.3)	(2.1)	10.4
Adjusted PAT	14,450	17,481	15,161	14,838	16,380
Diluted EPS (Rs)	20.6	25.0	21.7	21.2	23.4
Diluted EPS growth (%)	12.0	21.0	(13.3)	(2.1)	10.4
DPS (Rs)	13.0	9.0	7.6	7.4	8.2
Dividend payout (%)	63.0	36.0	35.0	35.0	35.0
EBITDA margin (%)	14.3	16.9	13.9	12.5	12.5
EBIT margin (%)	11.8	14.0	10.8	9.2	9.1
Effective tax rate (%)	25.0	24.2	25.2	25.2	25.2
NOPLAT (pre-IndAS)	12,459	14,798	12,234	11,629	12,758
Shares outstanding (mn)	700.0	700.0	700.0	700.0	700.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	19,277	23,072	20,269	19,837	21,899
Others (non-cash items)	1,393	984	896	1,331	1,584
Taxes paid	(4,833)	(4,871)	(4,601)	(4,492)	(5,012)
Change in NWC	6,469	(3,828)	2,932	2,725	2,519
Operating cash flow	22,306	15,357	19,496	19,400	20,990
Capital expenditure	(11,221)	(12,021)	(13,021)	(12,022)	(12,022)
Acquisition of business	0	0	0	0	0
Interest & dividend income	1,618	2,096	4,012	4,390	4,943
Investing cash flow	(1,015)	(11,849)	(9,186)	(7,811)	(7,262)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(638)	(540)	0	0	0
Payment of lease liabilities	(638)	(540)	(540)	(540)	(540)
Interest paid	0	0	(98)	(99)	(100)
Dividend paid (incl tax)	(12,948)	(2,797)	(5,306)	(5,193)	(5,733)
Others	0	0	0	0	0
Financing cash flow	(13,586)	(3,337)	(5,405)	(5,293)	(5,833)
Net chg in Cash	7,705	171	4,905	6,296	7,895
OCF	22,306	15,357	19,496	19,400	20,990
Adj. OCF (w/o NWC chg.)	15,837	19,185	16,564	16,675	18,471
FCFF	11,085	3,335	6,475	7,378	8,969
FCFE	12,597	5,339	10,388	11,669	13,812
OCF/EBITDA (%)	110.1	64.9	92.1	91.6	89.4
FCFE/PAT (%)	87.2	30.5	68.5	78.6	84.3
FCFF/NOPLAT (%)	89.0	22.5	52.9	63.4	70.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,400	1,400	1,400	1,400	1,400
Reserves & Surplus	69,466	84,117	93,972	103,617	114,264
Net worth	70,866	85,517	95,372	105,017	115,664
Minority interests	0	0	0	0	0
Deferred tax liability (net)	3,168	3,695	4,202	4,709	5,215
Total debt	828	812	820	828	836
Total liabilities & equity	74,861	90,025	100,394	110,553	121,716
Net tangible fixed assets	55,138	63,763	73,351	80,986	87,690
Net intangible assets	130	86	86	86	86
Net ROU assets	2,067	2,139	2,161	2,182	2,204
Capital WIP	14,337	13,964	12,568	11,311	10,180
Goodwill	0	0	0	0	0
Investments [JV/Associates]	7,891	5,896	5,896	5,896	5,896
Cash & equivalents	25,513	30,299	35,380	41,856	49,934
Current assets (ex-cash)	12,710	15,057	16,082	17,514	19,113
Current Liab. & Prov.	42,925	41,181	45,130	49,279	53,389
NWC (ex-cash)	(30,215)	(26,124)	(29,048)	(31,765)	(34,276)
Total assets	74,861	90,025	100,394	110,553	121,716
Net debt	(24,685)	(29,487)	(34,560)	(41,028)	(49,098)
Capital employed	74,861	90,025	100,394	110,553	121,716
Invested capital	27,120	39,865	46,549	51,490	55,705
BVPS (Rs)	101.2	122.2	136.2	150.0	165.2
Net Debt/Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(1.2)	(1.2)	(1.6)	(1.9)	(2.1)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	26.2	28.1	21.4	18.9	18.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	19.7	16.2	18.7	19.1	17.3
P/CE(x)	16.0	13.4	14.5	14.1	12.7
P/B (x)	4.0	3.3	3.0	2.7	2.5
EV/Sales (x)	1.8	1.8	1.6	1.4	1.3
EV/EBITDA (x)	12.8	10.8	11.8	11.5	10.0
EV/EBIT(x)	15.9	13.3	15.6	16.0	14.1
EV/IC (x)	9.8	6.5	5.5	4.8	4.3
FCFF yield (%)	4.2	1.3	2.5	3.0	3.7
FCFE yield (%)	4.4	1.8	3.6	4.0	4.8
Dividend yield (%)	3.2	2.2	1.9	1.8	2.0
DuPont-RoE split					
Net profit margin (%)	10.2	12.5	10.0	8.8	8.7
Total asset turnover (x)	1.9	1.7	1.6	1.6	1.6
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	20.6	22.4	16.8	14.8	14.8
DuPont-RoIC					
NOPLAT margin (%)	8.8	10.6	8.1	6.9	6.8
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	47.3	44.2	28.3	23.7	23.8
Operating metrics					
Core NWC days	(2.6)	(3.0)	(3.2)	(3.3)	(3.4)
Total NWC days	(2.6)	(3.0)	(3.2)	(3.3)	(3.4)
Fixed asset turnover	2.1	1.7	1.6	1.6	1.6
Opex-to-revenue (%)	11.8	13.0	12.8	12.8	12.8

Source: Company, Emkay Research

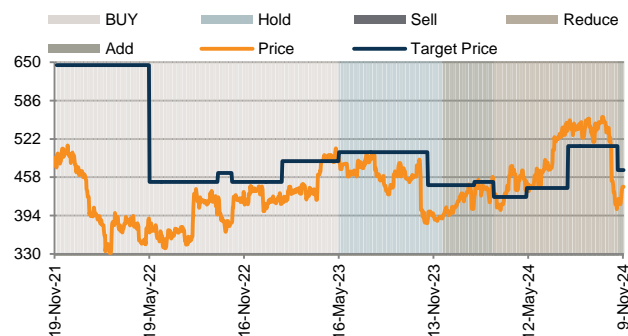
Indraprastha Gas

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-Oct-24	421	470	Add	Sabri Hazarika
18-Oct-24	452	510	Reduce	Sabri Hazarika
27-Jul-24	541	510	Reduce	Sabri Hazarika
09-May-24	440	440	Reduce	Sabri Hazarika
07-Mar-24	430	425	Reduce	Sabri Hazarika
30-Jan-24	426	450	Add	Sabri Hazarika
30-Nov-23	389	445	Add	Sabri Hazarika
02-Nov-23	390	445	Hold	Sabri Hazarika
20-Oct-23	403	500	Hold	Sabri Hazarika
26-Jul-23	470	500	Hold	Sabri Hazarika
23-Jul-23	494	500	Hold	Sabri Hazarika
16-May-23	485	500	Hold	Sabri Hazarika
30-Mar-23	438	485	Buy	Sabri Hazarika
28-Jan-23	418	485	Buy	Sabri Hazarika
01-Dec-22	434	450	Buy	Sabri Hazarika
24-Oct-22	383	450	Buy	Sabri Hazarika
02-Oct-22	397	465	Buy	Sabri Hazarika
27-Sep-22	423	465	Buy	Sabri Hazarika
10-Aug-22	380	450	Buy	Sabri Hazarika
19-May-22	366	450	Buy	Sabri Hazarika
23-Nov-21	494	645	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

Mahanagar Gas: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	62,993	62,445	67,780	73,744	79,831
Revenue growth (%)	76.9	(0.9)	8.5	8.8	8.3
EBITDA	11,842	18,426	13,921	13,129	14,106
EBITDA growth (%)	28.1	55.6	(24.4)	(5.7)	7.4
Depreciation & Amortization	2,311	2,736	3,072	3,737	4,097
EBIT	9,530	15,690	10,849	9,392	10,009
EBIT growth (%)	30.9	64.6	(30.9)	(13.4)	6.6
Other operating income	0	0	0	0	0
Other income	1,119	1,753	2,196	2,459	2,954
Financial expense	94	115	120	117	104
PBT	10,555	17,328	12,925	11,734	12,860
Extraordinary items	0	0	0	0	0
Taxes	2,655	4,437	3,257	2,957	3,241
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	7,900	12,891	9,668	8,777	9,619
PAT growth (%)	32.3	63.2	(25.0)	(9.2)	9.6
Adjusted PAT	7,900	12,891	9,668	8,777	9,619
Diluted EPS (Rs)	80.0	130.5	97.9	88.9	97.4
Diluted EPS growth (%)	32.3	63.2	(25.0)	(9.2)	9.6
DPS (Rs)	26.0	30.0	39.2	35.5	39.0
Dividend payout (%)	32.5	23.0	40.0	40.0	40.0
EBITDA margin (%)	18.8	29.5	20.5	17.8	17.7
EBIT margin (%)	15.1	25.1	16.0	12.7	12.5
Effective tax rate (%)	25.2	25.6	25.2	25.2	25.2
NOPLAT (pre-IndAS)	7,133	11,672	8,115	7,025	7,487
Shares outstanding (mn)	98.8	98.8	98.8	98.8	98.8

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	10,555	17,328	12,925	11,734	12,860
Others (non-cash items)	355	538	0	0	0
Taxes paid	(2,638)	(4,240)	(2,886)	(2,582)	(2,862)
Change in NWC	731	1,852	2,519	1,874	1,591
Operating cash flow	9,693	15,631	12,983	11,822	12,228
Capital expenditure	(7,358)	(8,566)	(8,000)	(8,000)	(8,000)
Acquisition of business	(1,328)	(7,560)	(199)	(223)	(228)
Interest & dividend income	460	507	2,196	2,459	2,954
Investing cash flow	(9,218)	(10,810)	(6,823)	(5,653)	(5,159)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	116	247	10	10	10
Payment of lease liabilities	(330)	(350)	(350)	(350)	(350)
Interest paid	(94)	(115)	(120)	(117)	(104)
Dividend paid (incl tax)	0	0	0	0	0
Others	(2,870)	(3,247)	(3,866)	(3,510)	(3,847)
Financing cash flow	(2,848)	(3,116)	(3,976)	(3,617)	(3,940)
Net chg in Cash	(2,373)	1,706	2,184	2,552	3,128
OCF	9,693	15,631	12,983	11,822	12,228
Adj. OCF (w/o NWC chg.)	8,962	13,780	10,464	9,948	10,638
FCFF	2,335	7,065	4,983	3,822	4,228
FCFE	2,701	7,456	7,059	6,164	7,078
OCF/EBITDA (%)	81.9	84.8	93.3	90.0	86.7
FCFE/PAT (%)	34.2	57.8	73.0	70.2	73.6
FCFF/NOPLAT (%)	32.7	60.5	61.4	54.4	56.5

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	988	988	988	988	988
Reserves & Surplus	40,354	50,441	56,242	61,508	67,279
Net worth	41,342	51,429	57,230	62,496	68,267
Minority interests	0	0	0	0	0
Deferred tax liability (net)	2,086	2,441	2,812	3,187	3,566
Total debt	1,146	1,393	1,403	1,413	1,423
Total liabilities & equity	44,574	55,262	61,444	67,096	73,256
Net tangible fixed assets	28,318	33,192	38,507	43,138	47,390
Net intangible assets	51	70	70	70	70
Net ROU assets	1,888	2,167	2,167	2,167	2,167
Capital WIP	7,086	7,743	7,356	6,988	6,639
Goodwill	0	0	0	0	0
Investments [JV/Associates]	2,918	10,477	10,677	10,900	11,127
Cash & equivalents	15,377	14,172	17,375	20,040	23,281
Current assets (ex-cash)	4,685	4,438	4,817	5,241	5,673
Current Liab. & Prov.	15,749	16,998	19,524	21,447	23,092
NWC (ex-cash)	(11,064)	(12,560)	(14,708)	(16,207)	(17,419)
Total assets	44,574	55,262	61,444	67,096	73,256
Net debt	(14,231)	(12,780)	(15,973)	(18,627)	(21,858)
Capital employed	44,574	55,262	61,444	67,096	73,256
Invested capital	19,194	22,869	26,037	29,168	32,209
BVPS (Rs)	418.5	520.6	579.4	632.7	691.1
Net Debt/Equity (x)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
Net Debt/EBITDA (x)	(1.2)	(0.7)	(1.1)	(1.4)	(1.5)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	25.5	34.9	22.4	18.4	18.5

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	16.4	10.1	13.4	14.8	13.5
P/CE(x)	12.7	8.3	10.2	10.4	9.5
P/B (x)	3.1	2.5	2.3	2.1	1.9
EV/Sales (x)	1.8	1.9	1.7	1.5	1.4
EV/EBITDA (x)	9.7	6.3	8.2	8.5	7.6
EV/EBIT(x)	12.1	7.4	10.5	11.8	10.8
EV/IC (x)	6.0	5.1	4.4	3.8	3.3
FCFF yield (%)	2.0	6.0	4.4	3.4	3.9
FCFE yield (%)	2.1	5.8	5.4	4.8	5.5
Dividend yield (%)	2.0	2.3	3.0	2.7	3.0
DuPont-RoE split					
Net profit margin (%)	12.5	20.6	14.3	11.9	12.0
Total asset turnover (x)	1.5	1.3	1.2	1.1	1.1
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	20.4	27.8	17.8	14.7	14.7
DuPont-RoIC					
NOPLAT margin (%)	11.3	18.7	12.0	9.5	9.4
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	40.9	55.5	33.2	25.5	24.4
Operating metrics					
Core NWC days	(4.0)	(9.0)	(9.0)	(9.0)	(9.0)
Total NWC days	(4.0)	(9.0)	(9.0)	(9.0)	(9.0)
Fixed asset turnover	1.6	1.4	1.3	1.2	1.1
Opex-to-revenue (%)	10.8	12.6	13.3	13.8	14.2

Source: Company, Emkay Research

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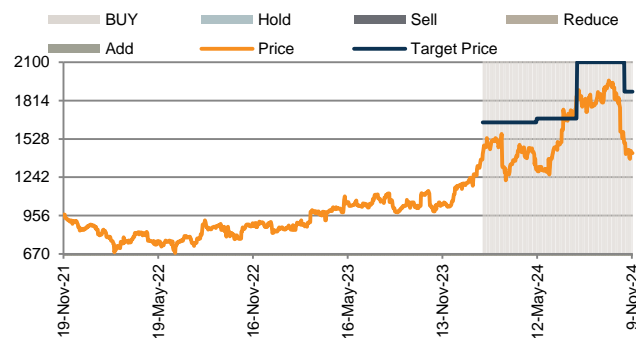
Mahanagar Gas

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
26-Oct-24	1,497	1,880	Buy	Sabri Hazarika
18-Oct-24	1,582	2,100	Buy	Sabri Hazarika
27-Jul-24	1,846	2,100	Buy	Sabri Hazarika
08-Jun-24	1,381	1,680	Buy	Sabri Hazarika
11-May-24	1,300	1,680	Buy	Sabri Hazarika
07-Mar-24	1,316	1,650	Buy	Sabri Hazarika
29-Jan-24	1,414	1,650	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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