

The PNGRB announced implementation of the unified tariff (UFT) rationalization wef 1-Jan-26, wherein Zone 3 and above would be eliminated and CNG and domestic PNG (CGD priority sector) put under Zone 1 UFT, irrespective of the distance from source. The revised rates imply Rs0.4/scm increase in gas cost for Z1 CGD customers like MGL, while gas cost would decrease by Rs0.9-1.8/scm for Z2 and Z3 customers like IGL. On the gas cost front, prices in India recorded contrasting trends, with most benchmarks including domestic gas and LNG seeing reduction in the last three months, but US Henry Hub (HH) based LNG (sourced by GAIL) saw sharp uptick on the back of cold weather and rising US LNG exports. This was accompanied by sharp rupee depreciation as well. However in the last few days, HH prices crashed to under USD4/mmbtu. Hence, the CGD sector should see some relief and, though UFT rationalization needs to be, most likely, passed on in the near term, it does provide some room to protect margins in the medium term for beneficiaries like IGL. Given the recent weakness in CGD stocks, we find valuations attractive for both MGL (BUY) and IGL (ADD), albeit maintain our neutral stance on Gujarat Gas (GUJGA; REDUCE).

Rationalized UFT to be implemented from Jan-26

The PNGRB has announced implementation of rationalized unified gas pipeline tariff (UFT) from 1-Jan-26. The reform measures replace multiple UFT zones with only two now—Zone 1 being the initial 300km from the source and Zone 2 covering the area beyond 300km. The revised rates are now Rs54.0/mmbtu for Z1 and Rs102.9/mmbtu for Z2 versus the existing Rs42.0 and Rs80.1, respectively, and Rs106.8/mmbtu for Z3. Hence, non-CGD Z2 customers would see a Rs22.8/mmbtu jump in gas cost, while Z1 customers as a whole would see a Rs12.0/mmbtu increase. However, for Z3 and above, gas transport cost would be lower. For the CGD priority sector, Z2 and above entities would benefit from the reduction in gas cost by Rs0.9-1.8+/scm, which implies an equivalent reduction in DPNG prices and a Rs1.25-2.50/kg cut in CNG prices (ex-taxes). Z1 entities, though, would see a Rs0.4/scm negative impact and a Rs0.6/kg CNG equivalent impact respectively. The PNGRB would expect CGD players to pass on the benefit to consumers, as the press release mentions the benefit leading to reduction in the delivered prices.

Spike in HH prices impacts CGD gas cost, but prices now lower

Natural gas prices in India recorded contrasting trends, with most benchmarks, including both domestic gas and LNG, seeing reduction in the last three months. However, US Henry Hub (HH)-based LNG (sourced by GAIL) played spoilsport, especially for CGDs like IGL and MGL. Prices jumped sharply, with early December HH spot at USD5.2/mmbtu on the back of cold weather and rising US LNG exports. Also, the settlement price for Dec-25 was set at USD4.4/mmbtu. The accompanying rupee depreciation was an added impact. However, since their peak, HH prices have corrected sharply, as severe weather expectations reversed and the current rate has fallen below USD4/mmbtu. Spot LNG prices are also down, at ~USD9.5/mmbtu (JKM). If the rupee is stable, gas cost (ex taxes and transport cost impact) is likely to be stable-to-declining for CGD players versus the Q3FY26 average. We expect Rs0.5-0.6 improvement in IGL's EBITDA/scm QoQ in Q3FY26 due to impact of Gujarat VAT reduction, while MGL and GUJGA could see slight improvement from the CNG and DPNG price-hikes and lower spot LNG prices, respectively. The management's margin guidance post-Q3FY26 results would be crucial, as the cost environment gains more stability.

Sabri Hazarika

sabri.hazarika@emkayglobal.com
+91-22-66121282

Arya Patel

arya.patel@emkayglobal.com
+91-22-66121285

Rating, Target Price and Valuation

	Rating	CMP	TP	Upside	P/E (x)		EV/EBITDA (x)		P/B (x)	
		(Rs)	(Rs)	(%)	FY26	FY27	FY26	FY27	FY26	FY27
Indraprastha Gas	ADD	193	230	19	16.5	13.8	9.9	8.0	2.6	2.4
Mahanagar Gas	BUY	1,117	1,540	38	10.8	10.9	6.7	6.0	1.7	1.5
Gujarat Gas	REDUCE	386	480	24	21.4	18.7	13.4	11.7	2.9	2.6

Source: Company, Emkay Research

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Exhibit 1: UFT zonal rationalization reduces the number of zones to two, benefiting Z3 and above

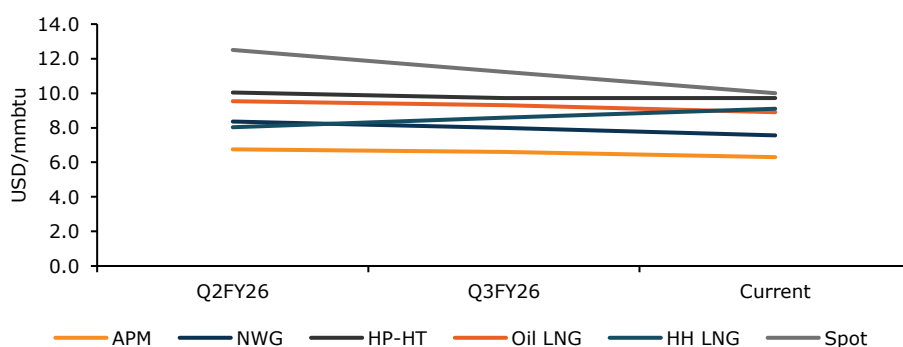
wef	29-Mar-23	27-Jun-23	28-Jun-24	1-Jan-26	Difference
Z1 (Rs/mmbtu)	39.5	40.0	42.0	54.0	12.0
Z2 (Rs/mmbtu)	75.0	79.0	80.1	102.9	22.8
Z3 (Rs/mmbtu)	99.9	114.5	106.8		-3.9

Source: PNGRB, Emkay Research

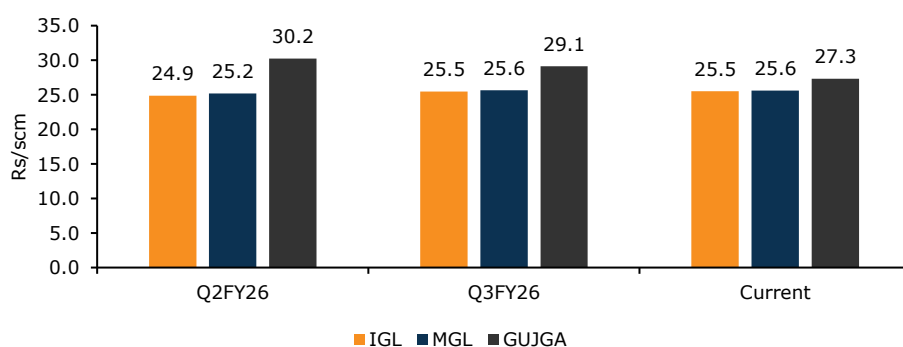
Exhibit 2: CGD entities (priority mix) in Z2 and above to benefit from the lower gas pipeline transport cost

Benefit	Z1	Z2	Z3
Rs/mmbtu	-12.0	26.1	52.8
Rs/scm (DPNG and overall)	-0.4	0.9	1.8
Rs/kg (CNG)	-0.6	1.3	2.5

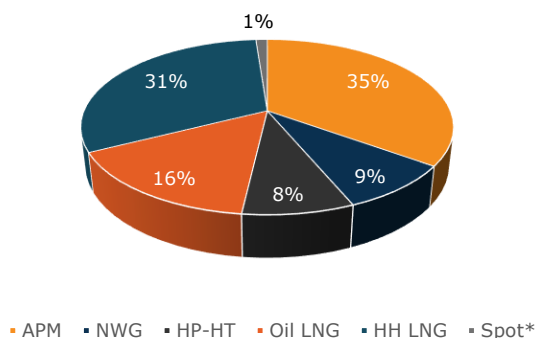
Source: PNGRB, Emkay Research

Exhibit 3: Indian gas prices, except that for HH based LNG, saw a downtrend in USD terms

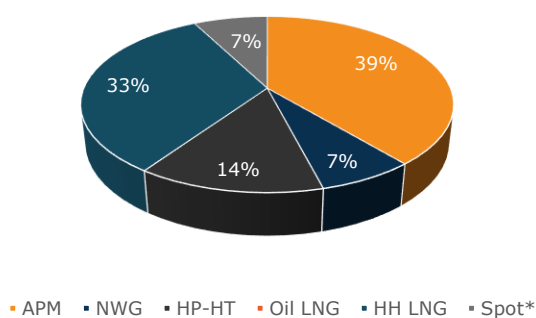
Source: Bloomberg, Emkay Research

Exhibit 4: Delivered ballpark gas cost trend for Indian players

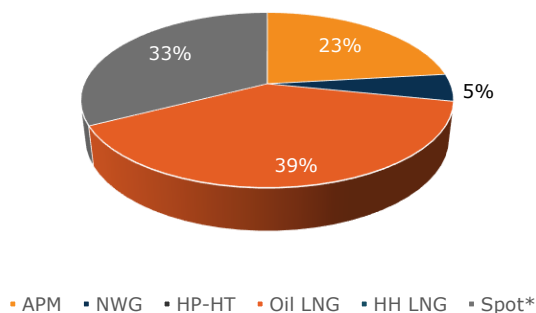
Source: Company, Bloomberg, Emkay Research

Exhibit 5: Gas mix of IGL (based on Q2FY26 disclosures, in terms of mmscmd)

Source: Company, Emkay Research; *Note: Spot includes LNG, CBM, CBG, and IGX

Exhibit 6: MGL's gas mix (based on Q2FY26 disclosures, in terms of mmscmd)

Source: Company, Emkay Research; *Note: Spot includes LNG, CBM, CBG, and IGX

Exhibit 7: GUJGA's gas mix (based on Q2FY26 disclosures, in terms of mmscmd)

Source: Company, Emkay Research; *Note: Spot includes LNG, CBM, CBG, and IGX

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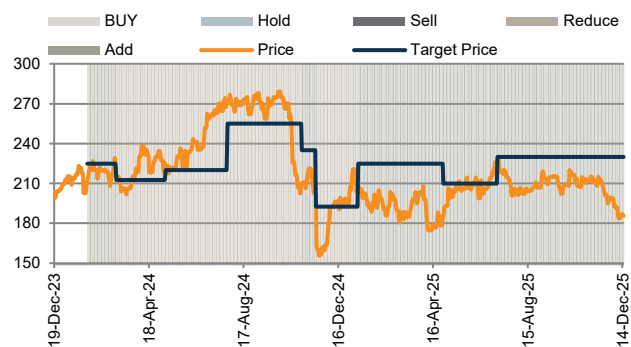
INDRAPRASTHA GAS

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
01-Aug-25	202	230	Add	Sabri Hazarika
07-Jul-25	227	230	Add	Sabri Hazarika
29-Apr-25	185	210	Add	Sabri Hazarika
29-Jan-25	195	225	Add	Sabri Hazarika
10-Jan-25	206	225	Add	Sabri Hazarika
24-Dec-24	199	193	Reduce	Sabri Hazarika
17-Nov-24	203	193	Reduce	Sabri Hazarika
30-Oct-24	210	235	Add	Sabri Hazarika
18-Oct-24	226	255	Reduce	Sabri Hazarika
27-Jul-24	270	255	Reduce	Sabri Hazarika
09-May-24	220	220	Reduce	Sabri Hazarika
07-Mar-24	215	213	Reduce	Sabri Hazarika
30-Jan-24	213	225	Add	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

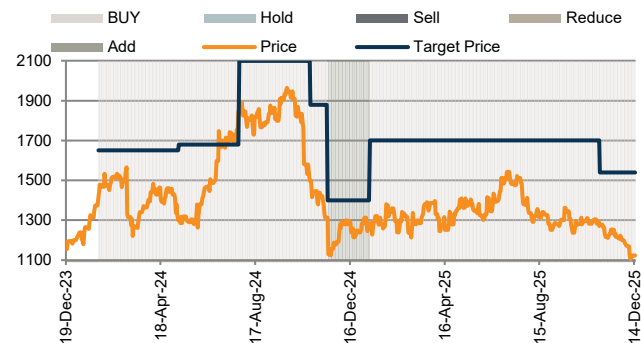
MAHANAGAR GAS

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
31-Oct-25	1,277	1,540	Buy	Sabri Hazarika
24-Jul-25	1,429	1,700	Buy	Sabri Hazarika
07-Jul-25	1,543	1,700	Buy	Sabri Hazarika
08-May-25	1,369	1,700	Buy	Sabri Hazarika
30-Jan-25	1,304	1,700	Buy	Sabri Hazarika
10-Jan-25	1,286	1,700	Buy	Sabri Hazarika
24-Dec-24	1,249	1,400	Add	Sabri Hazarika
17-Nov-24	1,313	1,400	Add	Sabri Hazarika
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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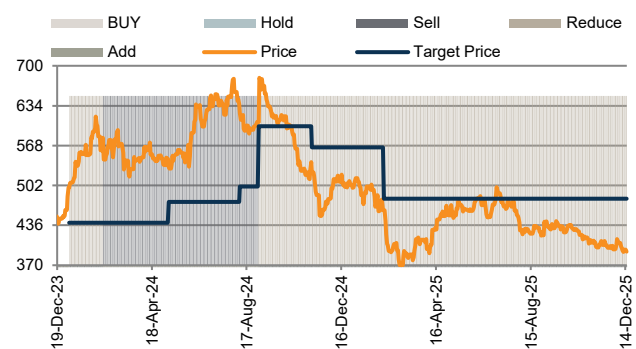
GUJARAT GAS

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
13-Aug-25	424	480	Reduce	Sabri Hazarika
07-Jul-25	485	480	Reduce	Sabri Hazarika
24-May-25	462	480	Reduce	Sabri Hazarika
08-Feb-25	461	480	Reduce	Sabri Hazarika
08-Nov-24	524	565	Reduce	Sabri Hazarika
18-Oct-24	563	600	Reduce	Sabri Hazarika
01-Sep-24	607	600	Reduce	Sabri Hazarika
08-Aug-24	622	500	Sell	Sabri Hazarika
09-May-24	532	475	Sell	Sabri Hazarika
15-Feb-24	581	440	Sell	Sabri Hazarika
03-Jan-24	499	440	Reduce	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

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