

10 February 2026

## Strong volume growth maintained

The stock price of Mahanagar Gas (MAHGL IN) has declined 3% in the past three months, broadly in-line with the benchmark Nifty Small-Cap Index, due to falling administered price mechanism (APM) gas availability and hike in zone-1 transmission cost for CNG & households. MAHGL delivered a stable Q3FY26, with 7% YoY volume growth cushioning margins amid a higher-cost gas mix. Management commentary was realistic, guiding INR 8-9/scm EBITDA margin, reflecting declining APM gas availability and greater reliance on market-linked gas. Compared with IGL, MAHGL continues to outperform on volume growth since FY24, even as near-term margin upside remains capped. Overall, MAHGL is transitioning from an APM-heavy, Mumbai-centric CGD to a geographically diversified player. While peak margins are behind, durability of volume growth is strong.

We reiterate MAHGL is best placed among listed CGDs due to strong growth in volume driven by outside Mumbai geographies. Based on 9MFY26 earnings trend and management commentary, we cut FY26E/27E/28E EPS by 6%/7%/5%. We roll-over our TP to FY28E estimates and cut TP to INR 1,383 from INR 1,502. **We maintain Accumulate.**

**Volume growth offsets lower margin due to gas mix:** Adjusted EBITDA in Q3 was INR 3.6bn, (Elara: INR 3.9bn), up 11% YoY as lower EBITDA/scm margin was offset by higher volume. PAT declined 6% YoY on lower other income. Cost of gas in INR/scm was mostly flat YoY and QoQ.

**Sales volume growth was at 7% YoY** to 4.6mm scmd post amalgamation with Unison Enviro. CNG sales volume grew 6% YoY to 3.3mm scmd. Domestic PNG grew 9% YoY to 0.6mm scmd. Industrial/commercial PNG volume grew 12% YoY to 0.7mm scmd. Growth was faster in GA2/GA3 and UEPL (UEPL ~0.28mm scmd in Q3 versus ~0.19 last year). Mumbai growth was constrained by BEST bus transition and land availability. Zonal unified transportation tariff may add INR 0.10-0.20/scm to cost.

**Management guided INR 8-9/scm sustainable EBITDA** versus INR 10.5/scm in the past five years, reflecting new reality of falling APM gas availability and INR weakening. This indicates that future earnings growth would be volume-led, and not margin-led. A notable strategic shift is to large-format, high-throughput CNG stations rather than a higher count of small stations. Management cited upcoming mega stations at Modala, South Mumbai port land, Goregaon (Western Express Highway), and Mulund (Eastern Express Highway) as key growth enablers.

**Reiterate Accumulate; TP cut to INR 1,383:** Based on 9MFY26 earnings trend and management commentary, we cut FY26E/27E/28E EPS by 6%/7%/5%. We lower EBITDA/scm margin assumption to INR 8.5/scm (from INR 8.7-9.0/scm). So, we cut our TP to INR 1,383 from INR 1,502. We roll-over our TP to FY28E estimates.

Our DCF-based TP assumes a long-term EBITDA/scm margin at INR 8.5/scm (from INR 8.7/scm), a WACC of 11.5% (unchanged) and FY25-28E volume CAGR of 11.0% (from 12.5%).

## Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	62,445	71,979	92,258	106,562	120,073
YoY (%)	(0.9)	15.3	28.2	15.5	12.7
EBITDA (INR mn)	18,426	15,067	16,000	17,217	19,187
EBITDA margin (%)	29.5	20.9	17.3	16.2	16.0
Adj PAT (INR mn)	12,891	9,931	9,729	10,674	12,133
YoY (%)	63.2	(23.0)	(2.0)	9.7	13.7
Fully DEPS (INR)	130.5	100.5	98.5	108.1	122.8
RoE (%)	27.8	18.0	15.6	15.4	15.7
RoCE (%)	32.9	20.4	18.7	18.3	18.6
P/E (x)	9.1	11.7	12.0	10.9	9.6
EV/EBITDA (x)	5.8	7.0	6.6	6.2	5.5

Note: Pricing as on 09 February 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 1,383**

Upside: **17%**

CMP: **INR 1,181**

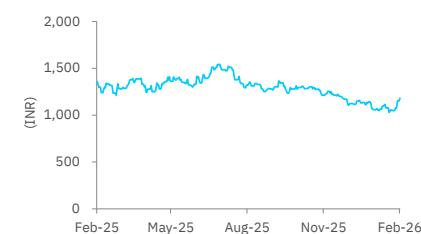
As on 09 February 2026

## Key data

Bloomberg	MAHGL IN
Reuters Code	MGAS.NS
Shares outstanding (mn)	99
Market cap (INR bn/USD mn)	117/1,285
EV (INR bn/USD mn)	106/1,168
ADTV 3M (INR mn/USD mn)	304/3
52 week high/low	1,587/1,019
Free float (%)	57

Note: as on 09 February 2026; Source: Bloomberg

## Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	32.5	32.5	32.5	32.5
% Pledge	0.0	0.0	0.0	0.0
FII	23.7	25.5	23.6	24.9
DII	33.9	22.5	22.9	20.8
Others	9.9	19.5	21.0	21.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	1.5	6.2	9.8
Mahanagar Gas	(2.8)	(10.5)	(13.1)
NSE Mid-cap	1.2	6.5	11.2
NSE Small-cap	(4.4)	(1.7)	1.5

Source: Bloomberg

## Gagan Dixit

Aviation, Chemicals, Oil & Gas

+91 22 6164 8504  
gagan.dixit@elaracapital.com



Associates  
Amogh Deshpande  
amogh.deshpande@elaracapital.com

Kartik Bhandari  
kartik.bhandari@elaracapital.com

## Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	62,445	71,979	92,258	106,562	120,073
Gross Profit	26,265	25,204	27,265	30,147	33,816
EBITDA	18,426	15,067	16,000	17,217	19,187
EBIT	15,690	11,550	11,931	12,978	14,697
Interest expense	115	138	192	186	180
Other income	1,753	1,660	1,302	1,516	1,748
Exceptional/ Extra-ordinary items	-	481	772	-	-
PBT	17,328	13,554	13,813	14,308	16,265
Tax	4,437	3,142	3,312	3,634	4,131
Minority interest/Associates income	-	-	-	-	-
Reported PAT	12,891	10,413	10,501	10,674	12,133
Adjusted PAT	12,891	9,931	9,729	10,674	12,133
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	51,429	58,785	65,595	73,066	81,560
Minority Interest	-	-	-	-	-
Trade Payables	3,342	4,309	5,160	6,020	6,779
Provisions & Other Current Liabilities	13,126	14,436	15,639	15,661	15,685
Total Borrowings	1,393	1,626	1,576	1,526	1,476
Other long term liabilities	2,970	3,690	3,706	3,723	3,741
<b>Total liabilities &amp; equity</b>	<b>72,260</b>	<b>82,845</b>	<b>91,676</b>	<b>99,997</b>	<b>109,241</b>
Net Fixed Assets	43,102	54,742	62,173	69,934	77,444
Goodwill	-	-	-	-	-
Intangible assets	70	4,212	4,212	4,212	4,212
Business Investments / other NC assets	10,477	4,599	2,249	2,306	2,339
Cash, Bank Balances & treasury investments	1,027	1,517	2,438	1,851	2,515
Inventories	398	523	1,045	1,102	1,106
Sundry Debtors	2,806	3,632	4,297	4,963	5,592
Other Current Assets	14,379	13,620	15,263	15,629	16,032
<b>Total Assets</b>	<b>72,260</b>	<b>82,845</b>	<b>91,676</b>	<b>99,997</b>	<b>109,241</b>
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Cashflow from Operations</b>	<b>15,631</b>	<b>13,684</b>	<b>16,443</b>	<b>14,666</b>	<b>16,354</b>
Capital expenditure	(7,709)	(10,754)	(11,500)	(12,000)	(12,000)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	-	-	-	-	-
<b>Free Cash Flow</b>	<b>7,922</b>	<b>2,930</b>	<b>4,943</b>	<b>2,666</b>	<b>4,354</b>
Cashflow from Financing	(8,075)	(2,440)	(4,022)	(3,253)	(3,689)
Net Change in Cash / treasury investments	(152)	490	921	(588)	665
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	30.0	30.0	30.0	30.0	30.0
Book value per share (INR)	520.7	595.1	664.1	739.7	825.7
RoCE (Pre-tax) (%)	32.9	20.4	18.7	18.3	18.6
ROIC (Pre-tax) (%)	33.7	20.9	19.3	18.9	19.2
ROE (%)	27.8	18.0	15.6	15.4	15.7
Asset Turnover (x)	1.6	1.5	1.6	1.6	1.6
Net Debt to Equity (x)	0.0	0.0	0.0	0.0	0.0
Net Debt to EBITDA (x)	0.0	0.0	(0.1)	0.0	(0.1)
Interest cover (x) (EBITDA/ int exp)	159.8	109.2	83.3	92.5	106.5
Total Working capital days (WC/rev)	12.5	3.0	10.0	6.8	9.0
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	9.1	11.7	12.0	10.9	9.6
P/Sales (x)	1.9	1.6	1.3	1.1	1.0
EV/ EBITDA (x)	5.8	7.0	6.6	6.2	5.5
EV/ OCF (x)	6.8	7.7	6.4	7.2	6.5
FCF Yield	7.5	2.8	4.7	2.5	4.1
Price to BV (x)	2.3	2.0	1.8	1.6	1.4
Dividend yield (%)	2.5	2.5	2.5	2.5	2.5

Note: Pricing as on 09 February 2026; Source: Company, Elara Securities Estimate

**Exhibit 1: Quarterly financials**

(INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
<b>Revenue</b>	<b>20,583</b>	<b>18,467</b>	<b>11.5</b>	<b>20,493</b>	<b>0.4</b>	<b>20,970</b>	<b>(1.8)</b>
<b>EBITDA</b>	<b>3,620</b>	<b>3,248</b>	<b>11.5</b>	<b>3,380</b>	<b>7.1</b>	<b>3,938</b>	<b>(8.1)</b>
Depreciation	1,034	900	14.8	1,038	(0.4)	1,094	(5.5)
EBIT	2,586	2,348	10.2	2,342	10.5	2,844	(9.0)
Other income	294	419	(29.8)	289	1.9	319	(7.9)
Finance cost	63	34	84.2	50	25.7	49	28.3
<b>PBT</b>	<b>2,818</b>	<b>2,733</b>	<b>3.1</b>	<b>2,580</b>	<b>9.2</b>	<b>3,114</b>	<b>(9.5)</b>
Tax	723	503	43.9	646	11.9	771	(6.2)
Effective tax rate (%)	25.7	18.4		25.1		24.8	
<b>Adj. PAT</b>	<b>2,094</b>	<b>2,230</b>	<b>(6.1)</b>	<b>1,934</b>	<b>8.3</b>	<b>2,343</b>	<b>(10.6)</b>
EPS (INR)	21.2	22.6	(6.1)	19.6	8.3	23.7	(10.6)

Source: Company, Elara Securities Estimate

**Exhibit 2: Quarterly operational performance**

Sales volume (mmscmd)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
CNG	3.3	3.1	6.0	3.3	0.8
PNG-domestic	0.6	0.6	9.0	0.6	3.8
PNG-industrial & commercial	0.7	0.7	11.6	0.8	(2.8)
<b>Total</b>	<b>4.6</b>	<b>4.3</b>	<b>7.2</b>	<b>4.6</b>	<b>0.6</b>
Realization and Margin(INR/scm)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
CNG realization	48.8	43.0	13.7	48.7	0.4
PNG realization	46.6	47.2	(1.2)	47.2	(1.4)
Blended realization	48.42	46.6	3.9	48.5	(0.1)
Gross margin	15.12	14.6	3.5	14.8	2.3
Opex	6.6	6.4	2.8	6.8	(2.7)
EBITDA	8.5	8.2	3.9	8.0	6.5

Source: Company, Elara Securities Research

**Conference call highlights****Volume and pricing**

- ▶ CNG price increased by INR 0.5/kg in February.
- ▶ Per management, if there was no supply disruption, CNG volume would have been higher by 1%. Restoration of supply took two days and supply was available to BEST and some critical CNG stations. Industrial volume was impacted too.
- ▶ Realization for the industrial segment is likely to start increasing as brent crude prices are up.
- ▶ Mumbai CNG growth is limited due to reducing BEST CNG fleet and land constraint to setup CNG stations. At its peak, BEST CNG buses fleet was 3,000 (now in few hundreds). The volume lost is ~100,000/kg.
- ▶ MAHGL will set up a large station with 30 dispensers in Wadala. Two large stations are expected in geographic area -1 (GA), and 1 each, to be set up in Goregaon and Mulund in the coming year.
- ▶ Ex-UEPL, CNG segment volume growth is 7%.
- ▶ MAHGL is trying to contact fleet operators and large transport owners to drive volume growth of CNG in CVs.
- ▶ CNG vehicle addition in Q3 was 32,000, comprising 6,600 taxis, 14,000 private cars, 9,000 three-wheelers and 2,200 small commercial vehicles.

- ▶ Volume from GA1 and GA2 was ~2mmscmd each. Volume for GA3 and Raigad combined was ~0.6mmsmd.

### Gas sourcing

- ▶ MAHGL tried to lower Henry Hub (HH) sourcing and replace it with HPHT/spot LNG. Cost of Brent linked volume was lower due to a decline in brent crude price. The company had hiked prices in Q2FY26 and full benefit of it was realized in Q3, leading to higher EBITDA/scm in Q3.
- ▶ Henry Hub linked contract is for 1.6mmscmd, while remaining volume is directly/indirectly linked to Brent crude.
- ▶ MAHGL is sourcing Brent-linked volume of 12,500mmbtu from January, with one year contract. From April, -10,000mmbtu brent linked volume is also in pipeline.
- ▶ Sourcing in Q3 was as follows: APM-39%, new-well-gas (NWG)-6%. Henry Hub linked volume reduced by 4% and the remaining was spot LNG volume and high pressure high temperature (HPHT).

### Guidance

- ▶ MAHGL has guided for volume growth of 10% in FY26 and near-double digit volume growth for FY27. Margin guidance for FY26 was INR ~9/scm and INR 8-9/scm for FY27. Per the company, it will adjust sourcing strategies, enter into new sourcing contracts and also consider hedging.

### Others

- ▶ Infrastructure network includes 491 CNG stations, 5,618 industrial and commercial customers, and 3.07mn households.
- ▶ Zone 1 tariff rate has increased from INR 40/mmbtu to INR 54/mmbtu, while zone 2 tariff has increased from INR 80/mmbtu to INR 102/mmbtu. Earlier, 70% volume was already in zone 1 and 30% volume in zone 2. Now, after changes in zonal tariff, 90% volume will fall under zone 1 and 10% volume in zone 2.
- ▶ Draft for Pollution Control is prepared by the committee and is under discussion now.
- ▶ CNG revenue break-down is as follows: PV/taxis contribute 35-40%, and three-wheeler 35-40%. State transport contributes 7-8% and the remaining CVs, private buses etc.
- ▶ In Q4 ,transport cost per scm may go up to INR 0.1-0.2/scm post changes in zonal tariffs. Realization of industrial customers may increase as brent prices are up. The management will try to postpone sourcing of HH.
- ▶ MAHGL will comply to Net Zero scope 1&2 regulations by 2036.
- ▶ Capex in 9MFY26 was INR 7.6bn and INR 11-12bn capex is likely in FY26. Capex in FY27 is expected to be INR 12bn and will be primarily spent in GA2 and GA3.
- ▶ Compressed biogas (CBG) blending is below 1% in volume mix, i.e., 14,000kg per day CBG blended out of total volume of 230,000kg per day.
- ▶ Per MAHGL, CBG procurement cost depends on the scheme. Currently there are three schemes: 1) CBG producer is free to sell in the market, 2) SATAT scheme under which there is discounted pricing, and 3) synchronization scheme in which an agreement is signed between CBG producer, CGD company and GAIL. CGD players procure CBG at APM price.
- ▶ For the battery manufacturing project with International Battery Company, MAHGL noted that battery prices have come down. MAHGL is reassessing the situation and is trying to find strategic partners for the project.

**Exhibit 3: Valuation**

(INR/share)	
PV of FCF from FY28E to FY45E	968
PV of terminal value	412
<b>EV</b>	<b>1,380</b>
Add: Net Cash	3
<b>Target Price</b>	<b>1,383</b>

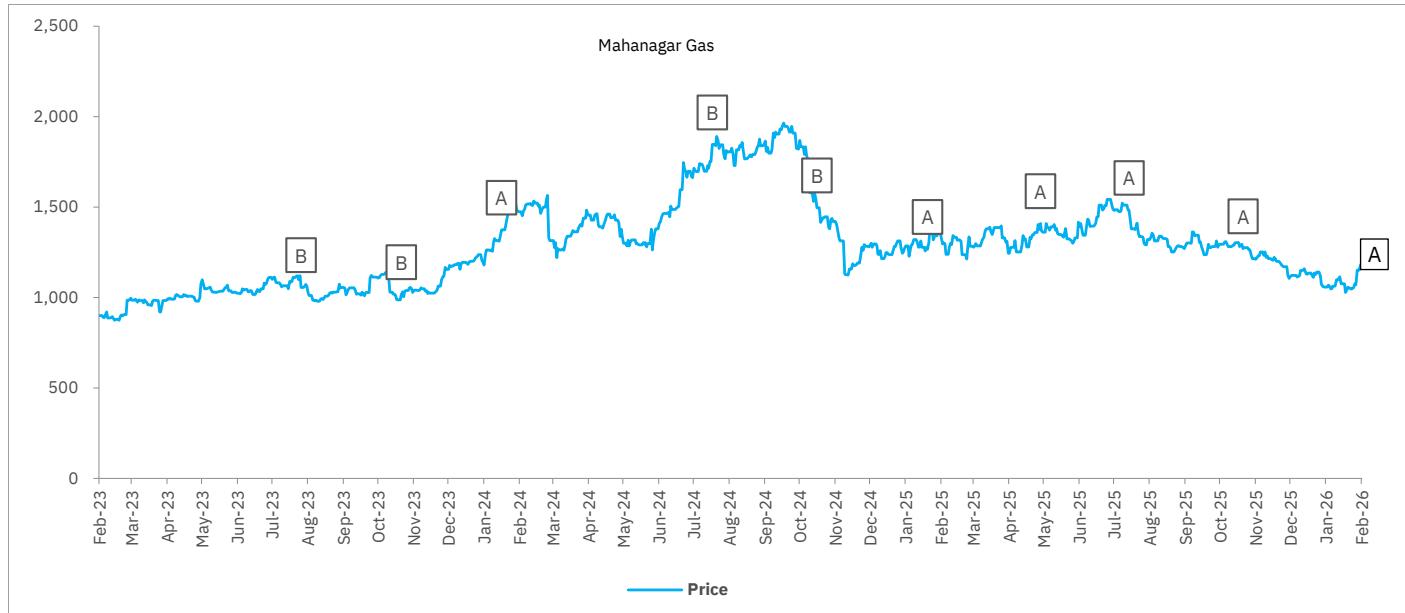
Source: Elara Securities Estimate

**Exhibit 4: Change in estimate**

(INR mn)	Earlier			Revised			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	93,029	106,703	121,422	92,258	106,562	120,073	(0.8)	(0.1)	(1.1)
EBITDA	16,772	18,382	20,483	16,000	17,217	19,187	(4.6)	(6.3)	(6.3)
EBITDA Margin(%)	18.0	17.2	16.9	17.3	16.2	16.0	(68.6)	(107.0)	(88.9)
Net Profit	10,367	11,423	12,770	9,729	10,674	12,133	(6.2)	(6.6)	(5.0)
EPS (INR)	105.0	115.6	129.3	98.5	108.1	122.8	(6.2)	(6.6)	(5.0)
<b>Target price (INR)</b>	<b>1,502</b>			<b>1,383</b>			<b>(7.9)</b>		

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
04-Aug-2023	Buy	1,358	1,056
30-Oct-2023	Buy	1,287	1,017
25-Jan-2024	Accumulate	1,535	1,374
26-Jul-2024	Buy	2,219	1,846
25-Oct-2024	Buy	1,869	1,497
18-Nov-2024	Reduce	1,093	1,131
29-Jan-2025	Accumulate	1,461	1,267
07-May-2025	Accumulate	1,561	1,410
23-Jul-2025	Accumulate	1,700	1,483
30-Oct-2025	Accumulate	1,502	1,272
09-Feb-2026	Accumulate	1,383	1,181

## Guide to Research Rating

**BUY (B)** Absolute Return >+20%

**ACCUMULATE (A)** Absolute Return +5% to +20%

**REDUCE (R)** Absolute Return -5% to +5%

**SELL (S)** Absolute Return < -5%

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**India**

**Elara Securities (India) Private Limited**  
 One International Center, Tower 3,  
 21st Floor, Senapati Bapat Marg,  
 Elphinstone Road (West)  
 Mumbai – 400 013, India  
 Tel : +91 22 6164 8500

**Europe**

**Elara Capital Plc.**  
 6th Floor, The Grove,  
 248A Marylebone Road,  
 London, NW1 6JZ,  
 United Kingdom  
 Tel : +44 20 7486 9733

**USA**

**Elara Securities Inc.**  
 230 Park Avenue, Suite 2415,  
 New York, NY 10169, USA  
 Tel: +1 212 430 5870  
 Fax: +1 212 208 2501

**Asia / Pacific**

**Elara Capital (Asia) Pte.Ltd.**  
 One Marina Boulevard,  
 Level 20,  
 Singapore 018989  
 Tel : +65 6978 4047


**Managing Director**

**Harendra Kumar** | [harendra.kumar@elaracapital.com](mailto:harendra.kumar@elaracapital.com) | +91 22 6164 8571


**Head of Research**

**Dr Bino Pathiparampil** | [bino.pathiparampil@elaracapital.com](mailto:bino.pathiparampil@elaracapital.com) | +91 22 6164 8572

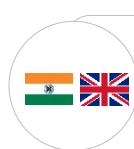
**Sales Team**

**India**

**Hitesh Danak** - [hitesh.danak@elaracapital.com](mailto:hitesh.danak@elaracapital.com) - +91 22 6164 8543  
**Ashok Agarwal** - [ashok.agarwal@elaracapital.com](mailto:ashok.agarwal@elaracapital.com) - +91 22 6164 8558  
**Himani Sanghavi** - [himani.sanghavi@elaracapital.com](mailto:himani.sanghavi@elaracapital.com) - +91 22 6164 8586


**India, APAC & Australia**

**Sudhanshu Rajpal** - [sudhanshu.rajpal@elaracapital.com](mailto:sudhanshu.rajpal@elaracapital.com) - +91 22 6164 8508  
**Joshua Saldanha** - [joshua.saldanha@elaracapital.com](mailto:joshua.saldanha@elaracapital.com) - +91 22 6164 8541  
**Shraddha Shrikhande** - [shraddha.shrikhande@elaracapital.com](mailto:shraddha.shrikhande@elaracapital.com) - +91 22 6164 8567  
**Suyash Maheshwari** - [suyash.maheshwari@elaracapital.com](mailto:suyash.maheshwari@elaracapital.com) - +91 22 4204 8698


**India & UK**

**Prashin Lalvani** - [prashin.lalvani@elaracapital.com](mailto:prashin.lalvani@elaracapital.com) - +91 22 6164 8544


**India & US**

**Karan Rathod** - [karan.rathod@elaracapital.com](mailto:karan.rathod@elaracapital.com) - +91 22 6164 8570


**Corporate Access, Conference & Events**

**Anita Nazareth** - [anita.nazareth@elaracapital.com](mailto:anita.nazareth@elaracapital.com) - +91 22 6164 8520  
**Tina D'souza** - [tina.dsouza@elaracapital.com](mailto:tina.dsouza@elaracapital.com) - +91 22 6164 8595

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Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500

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Investor Grievance Email ID: [investor.grievances@elaracapital.com](mailto:investor.grievances@elaracapital.com) - Tel. +91 22 6164 8509

Compliance Officer: Mr. Anand Rao - Email ID: [anand.rao@elaracapital.com](mailto:anand.rao@elaracapital.com) - Tel. +91 22 6164 8509