

Mahanagar Gas

Estimate change	
TP change	
Rating change	

Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USDb)	116.7 / 1.3
52-Week Range (INR)	1587 / 1019
1, 6, 12 Rel. Per (%)	11/-17/-23
12M Avg Val (INR M)	587

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	82.9	90.2	100.7
EBITDA	15.2	15.8	17.2
Adj. PAT	9.0	9.3	10.3
Adj. EPS (INR)	91.2	94.5	104.0
EPS Gr. (%)	-13.5	3.6	10.1
BV/Sh.(INR)	650.9	707.6	770.0
Ratios			
Net D:E	-0.1	0.0	0.0
RoE (%)	14.6	13.9	14.1
RoCE (%)	14.8	14.1	14.4
Payout (%)	40.0	40.0	40.0
Valuation			
P/E (x)	13.0	12.5	11.4
P/BV (x)	1.8	1.7	1.5
EV/EBITDA (x)	7.5	7.2	6.6
Div. Yield (%)	3.1	3.2	3.5
FCF Yield (%)	4%	3%	4%

Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	32.5	32.5	32.5
DII	30.8	32.9	31.1
FII	24.9	23.6	25.8
Others	11.8	11.0	10.6

FII includes depository receipts

CMP: INR1,181

TP: INR1,455 (+23%)

Buy

Resilient performance amid margin headwinds

- **Mahanagar Gas' (MAHGL) 3QFY26 EBITDA margin of INR8.3/scm was 14% above our est. of INR8.7/scm.** Total volumes for MAHGL were in line at 4.6mmscmd. On a sequential basis, EBITDA/scm improved INR0.3, as gas costs were down INR0.4/scm QoQ. EBITDA/PAT came in 14%/10% above estimates.
- **Key things we liked about the result:** 1) Raw material costs declined INR0.4/scm QoQ amid margin headwinds, as Henry Hub (HH) price was up 23% QoQ and rupee depreciated 2% QoQ in 3QFY26. 2) The company has signed new Brent-linked contracts of 12,500/10,000mmbtu starting in Jan'26/Apr'26, which is likely to lower its exposure to HH. Moreover, the company remains focused on further lowering its exposure to HH-linked contracts over the medium to longer term amid a lower expected crude price environment. 3) Management has guided for a robust double-digit YoY growth trajectory in 4QFY26 and FY27, and EBITDA margins sustaining at INR8-9/scm over the medium term.
- **Key investor concerns:** 1) CNG volume growth in Mumbai stood at only ~2% YoY, primarily due to falling volumes from BEST buses and limited land availability. However, management has highlighted plans to set up large CNG stations at key locations in Mumbai over the next 18 months, which is expected to drive volume growth. 2) With HH prices averaging USD7.2/mmbtu in Jan'26 compared to USD3.7/mmbtu in 3QFY26, EBITDA/scm margins are likely to face pressure in 4QFY26. However, management's plan to curb HH-linked RNLG offtake, along with the INR0.5/kg CNG price hike effective Feb'26, should provide margin support.
- **Valuation and view:** We model MAHGL's volumes to clock a 10% CAGR over FY26-28 and estimate an EBITDA margin of INR8.5 per scm during the period. MAHGL currently trades at 11.4x FY28E SA P/E. We value MAHGL at 14x Dec'27 P/E, resulting in a TP of INR1,455. Reiterate BUY.

Strong EBITDA margin drives beat

- **Total volumes were in line with our estimate at 4.6mmscmd (+7% YoY).**
- CNG/D-PNG/I&C PNG volumes clocked 6%/9%/14% YoY growth.
- **EBITDA/scm came in 14% above our estimate at INR8.3.**
- On a QoQ basis, EBITDA/scm improved INR0.3/scm as gas costs declined INR0.4/scm QoQ.
- Reported EBITDA came 14% above our est. at INR3.5b (+8% YoY).
- MAHGL's PAT also came 10% above our est. at INR2b (down 9% YoY).
- Depreciation and interest cost stood above our est., while other income came in below our est.

Valuation and view

- We expect a 10% CAGR in volume over FY26-28, driven by multiple initiatives implemented by the company, such as collaborating with OEMs and transporters to drive conversions of commercial CNG vehicles and providing guaranteed price discounts to new I/C-PNG customers.
- MAHGL currently trades at 11.4x FY28E SA P/E. We value MAHGL at 14x Dec'27 P/E, resulting in a TP of INR1,455/sh. Reiterate BUY.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone - Quarterly Earning Model												(INR m)		
Y/E March	FY25						FY26E				FY25	FY26E	FY26 3QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Net Sales	16,658	17,863	18,467	19,625	20,814	20,493	20,583	20,927	72,613	82,869	20,043	3%		
YoY Change (%)	8.3	13.7	17.7	25.2	25.0	14.7	11.5	6.6	16.3	14.1	14.0			
EBITDA	4,368	4,135	3,248	3,950	5,007	3,380	3,521	3,186	15,701	15,166	3,086	14%		
EBITDA/SCM	11.6	10.7	8.2	10.0	12.4	8.0	8.3	7.4	10.1	9.0	7.3	14%		
Margins (%)	26.2	23.1	17.6	20.1	24.1	16.5	17.1	15.2	21.6	18.3	15.4			
Depreciation	823	842	900	951	959	1,038	1,034	1,051	3,517	4,082	948			
Interest	32	31	34	41	45	50	63	56	138	214	47			
Other Income	355	468	419	418	319	289	294	260	1,660	1,162	372			
PBT	3,869	3,729	2,733	3,376	4,322	2,580	2,718	2,339	13,706	12,033	2,464	10%		
Tax	977	861	503	953	1,127	646	698	557	3,294	3,029	620			
Rate (%)	25.2	23.1	18.4	28.2	26.1	25.1	25.7	23.8	24.0	25.2	25.2			
Reported PAT	2,892	2,868	2,230	2,423	3,196	1,934	2,020	1,782	10,413	9,004	1,844	10%		
YoY Change (%)	-21.5	-15.3	-29.7	-8.6	10.5	-32.6	-9.4	-26.5	-19.2	-13.5	-18.2			
Margins (%)	17.4	16.1	12.1	12.3	15.4	9.4	9.8	8.5	14.3	10.9	9.2			
Sales Volumes (mmSCMD)														
CNG	3.1	3.0	3.1	3.1	3.2	3.3	3.3	3.3	3.1	3.3	3.3	1%		
PNG - Domestic	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	4%	
PNG - Industrial/ Commercial	0.5	0.6	0.7	0.7	0.7	0.8	0.8	0.8	0.6	0.7	0.8	-1%		
PNG - Total	1.1	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.2	1.3	1.3	1%		
Total Volumes	4.2	4.2	4.3	4.4	4.5	4.6	4.6	4.8	4.3	4.6	4.6	1%		

Operational highlights

Operational Highlights	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	FY23	FY23	FY23	FY23	FY24	FY24	FY24	FY24	FY25	FY25	FY25	FY25	FY26	FY26	FY26
CNG (mmSCMD)	2.5	2.5	2.5	2.4	2.5	2.6	2.6	2.7	3.1	3.0	3.1	3.1	3.2	3.3	3.3
Growth YoY (%)	64%	14%	3%	6%	-2%	2%	6%	11%	23%	18%	18%	17%	4%	7%	6%
PNG (mmSCMD)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Growth YoY (%)	0%	4%	5%	8%	6%	4%	6%	10%	11%	8%	4%	5%	4%	10%	9%
Total Volumes (mmSCMD)	3.0	3.0	3.0	2.9	3.0	3.1	3.2	3.2	3.6	3.6	3.7	3.7	3.8	3.8	3.9
Growth YoY (%)	49%	12%	4%	6%	-1%	2%	6%	11%	21%	16%	15%	15%	4%	8%	6%
EBITDA/SCM (INR)	9.1	7.9	8.2	12.8	16.8	14.6	13.3	11.5	11.6	10.7	8.2	10.0	12.4	8.0	8.3
Growth YoY (%)	-35%	-24%	140%	70%	84%	83%	63%	-11%	-31%	-27%	-38%	-13%	7%	-25%	1%

Note: FY25 and 9MFY26 volumes are for MAHGL and erstwhile UEPL combined



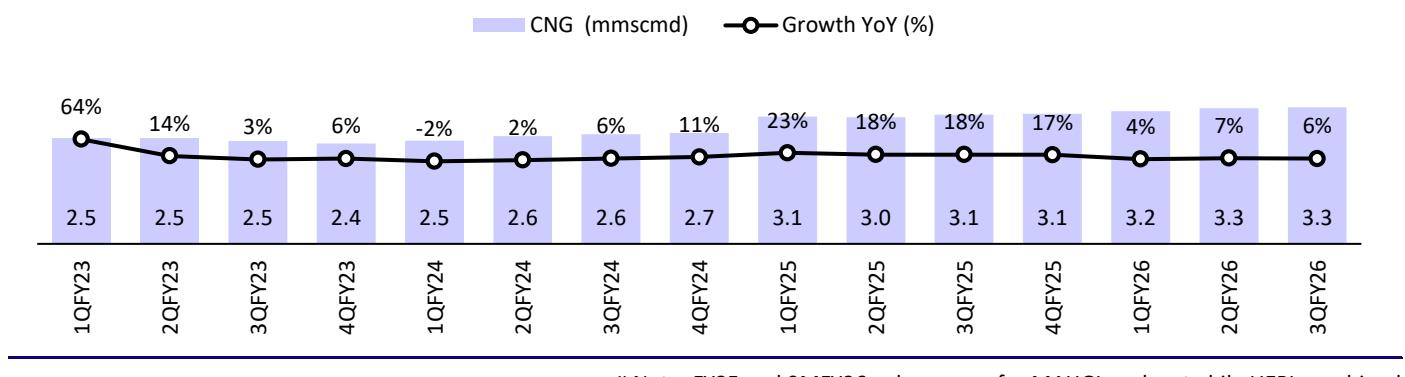
Highlights from the management commentary

- **Operational performance:**
 - 6 CNG stations have been added in 3QFY26, taking the total to 491 CNG stations.
 - 32,315 CNG vehicles have been added, taking the total to 1.25m vehicles.
 - The split of new vehicles added is approximately:
 - 6600 taxis
 - 14000 private cars
 - 9000 3-wheelers
 - 2200 small commercial vehicles
 - 337 I&C customers added, taking the total to 5,618 customers
 - 124,908 domestic households connected, taking the total to ~3.01m households
- **Volumes details:**
 - Total volumes in 3QFY26 at 4.62mmSCMD (vs 5.593mmSCMD in 3QFY25)
 - CNG – 3.281mmSCMD in 3QFY26 (vs 3.098mmSCMD in 3QFY25)
 - DPNG – 0.604mmSCMD in 3QFY26 (vs 0.554 mmSCMD in 3QFY25)
 - I&C PNG – 0.735mmSCMD in 3QFY26 (vs 0.659mmSCMD in 3QFY25)

- 9MFY26 average volumes were 4.556mmscmd (vs 4.181 mmcmd in 9MFY25)
- UEPL 0.283mmscmd in 3QFY26 (vs 0.194mmscmd in 3QFY25)
- **MAHGL is expected to reach double-digit volume growth in 4Q. In FY27, total volumes should increase in double digits.**
- **CNG volumes impacted by outages:**
 - CNG volumes would have clocked 1% higher growth in the absence of outages.
 - CNG volume growth in Mumbai was down to ~2% YoY:
 - The decline was largely due to dipping volumes from BEST buses.
 - Buses are down from 3,000 to a few hundred now. So, ~0.1m+ kgs/day volumes are lost.
 - Land unavailability is another significant issue.
- **New CNG Stations:**
 - Wadala mega CNG station could support CNG volumes in Mumbai. It will have 60 dispensers and start in phases, with the first phase to begin in April/May'26.
 - Two large CNG stations in South Mumbai are expected to be developed in FY27, with two additional large stations planned—one each on the Western and Eastern express highways.
- **The company is targeting large fleet owners and transporters:**
 - MAHGL is in talks with a transporter in JNPT to convert a fleet of 300 trucks. It provides fuel cards and other schemes to assist conversion.
- **GA wise break-up:**
 - GA 1: 2mmscmd
 - GA2: 2mmscmd
 - GA3 + UEPL: 0.6mmscmd to 0.65mmscmd
- **Margin guidance:**
 - FY26: INR8-9/scm, down vs INR9.5/scm in 9mFY26 due to high volatility in HH prices.
 - 4QFY26 margin guidance: Margins could be marginally lower QoQ.
- **Price changes:**
 - INR0.5/kg CNG price hike taken on 1st Feb'26.
- **Henry hub pricing:**
 - Price rose only USD0.14/mmbtu; However, lower Brent rate by USD0.2/mmbtu supported margins.
 - In 3Q, HH was taken as low as possible, replacing it with Spot LNG and HPHT.
 - MAHGL has ~1.6mmscmd of HH-linked contracts.
 - It has 4-5 contracts priced at a lag of 1-2 months.
 - The company optimizes contract utilization to reduce margin impact. 60% take-or-pay threshold is to be maintained over the calendar year
- **Gas sourcing split: 3QFY26:**
 - APM: 39%, NWG: 6% -Total APM+NWG 2.1mmscmd
 - HH-linked offtake: 1.3mmscmd (down 4% QoQ)
 - HPHT (contracted is 0.6mmscmd. Additional is sourced from IGX).
 - Spot and Brent linked sourcing is largely similar QoQ and is compensating for HH-linked.

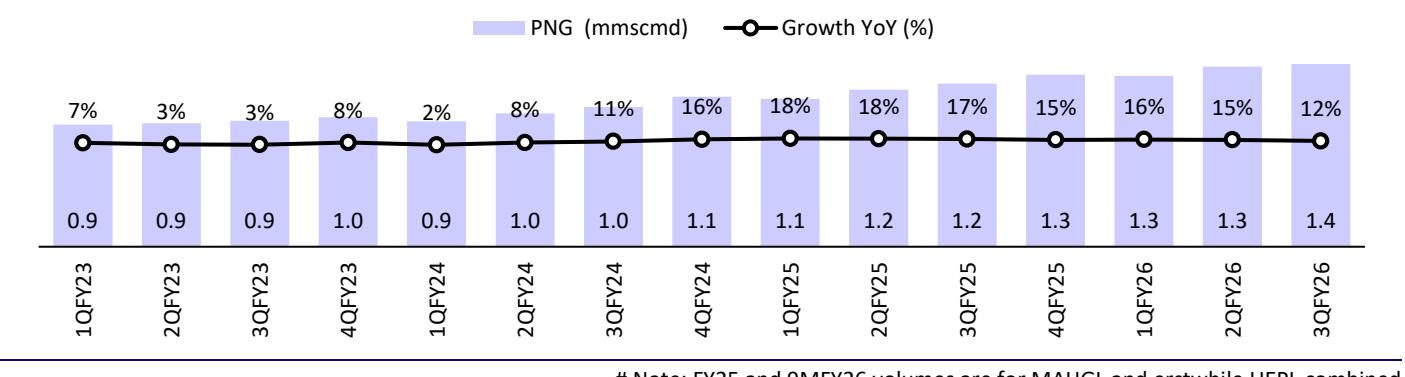
- The company plans to increase Brent-linked sourcing while reducing HH dependence.
- From Jan'26, MAHGL has a new Brent-linked contract of ~12500mmbtu. From Apr'26, it will have bilateral contracts on a take-or-pay basis of ~10,000mmbtu.
- **Zonal tariff:**
 - Earlier, 70% of volumes were attributed to Zone 1 and 30% to Zone 2.
 - Management expects to maintain 90% volume under the Zone 1 unified tariff structure to minimize the transportation cost impact going forward, and 10% in Zone 2.
- **Capex:**
 - Capex of INR7.6b has been incurred in 9MFY26.
 - Capex Guidance: INR11-12b in FY26 and INR12b in FY27.
 - INR3.8b of capex has been approved for battery in phases. However, actual could be lower.
- **CBG blending:**
 - Currently, CBG blending is of a very small proportion.
 - Excise duty impact will be over a period of time.
 - APM + CBG blended price: USD6.95/mmbtu vs USD6.75mmbtu non-blended.

Exhibit 1: CNG volumes up 6% YoY to 3.3mmscmd



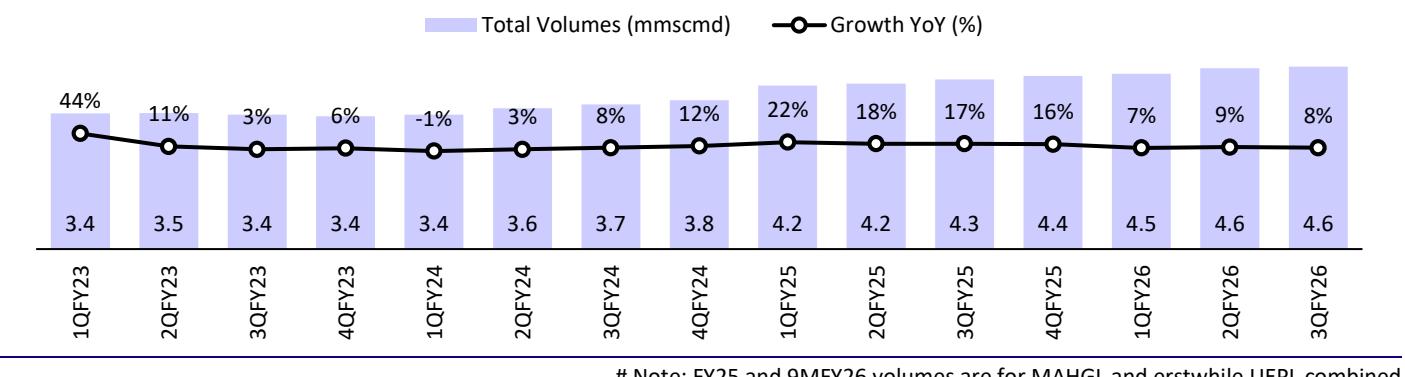
Note: FY25 and 9MFY26 volumes are for MAHGL and erstwhile UEPL combined

Exhibit 2: PNG volumes up 12% YoY to 1.4mmscmd



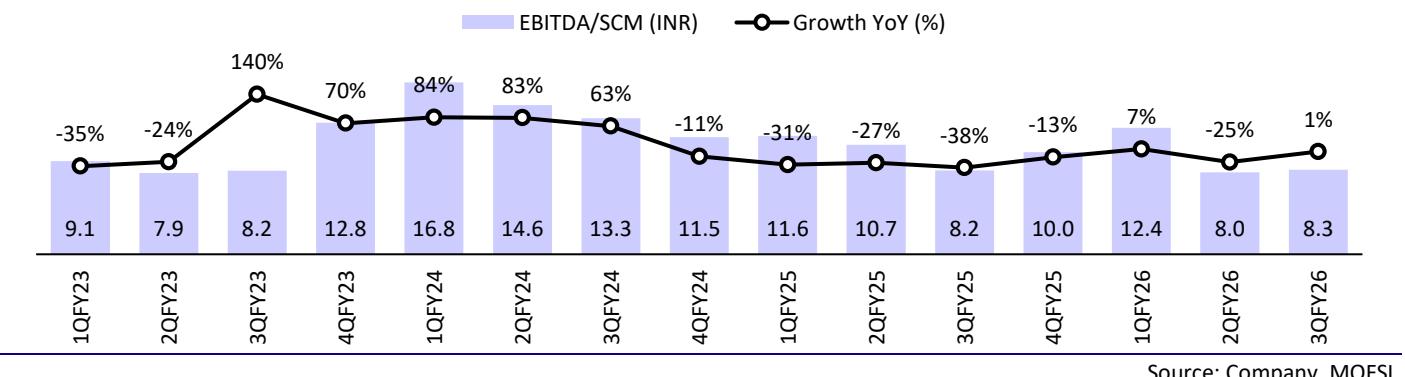
Note: FY25 and 9MFY26 volumes are for MAHGL and erstwhile UEPL combined

Exhibit 3: Total volumes up 8% YoY to 4.6mmscmd



Note: FY25 and 9MFY26 volumes are for MAHGL and erstwhile UEPL combined

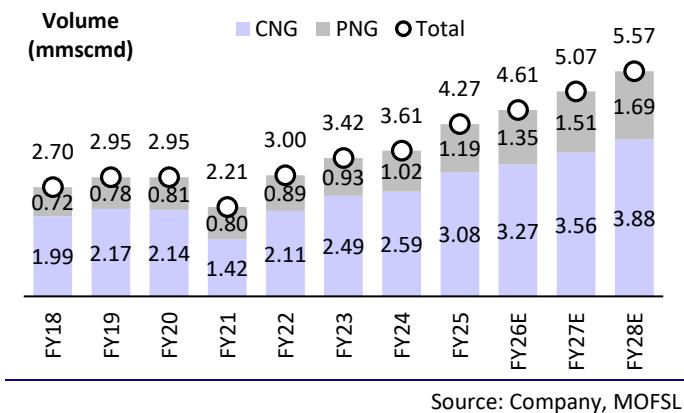
Exhibit 4: EBITDA/scm at INR8.3 (up 1% YoY)



Source: Company, MOFSL

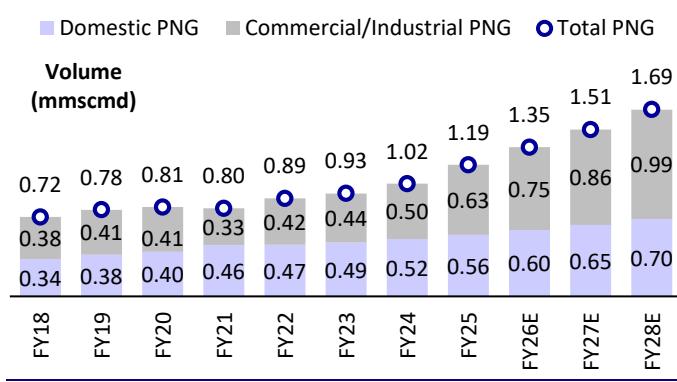
Story in charts

Exhibit 5: Volume growth snapshot



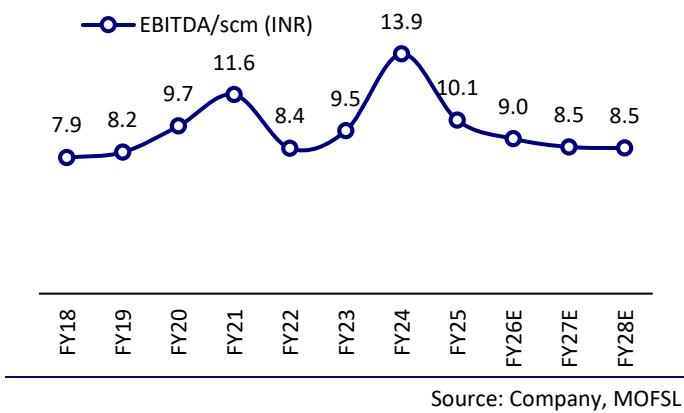
Source: Company, MOFSL

Exhibit 6: PNG segment-wise volumes



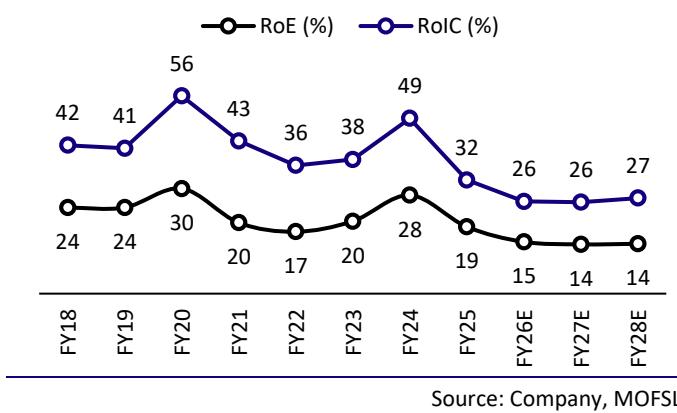
Source: Company, MOFSL

Exhibit 7: EBITDA/scm snapshot



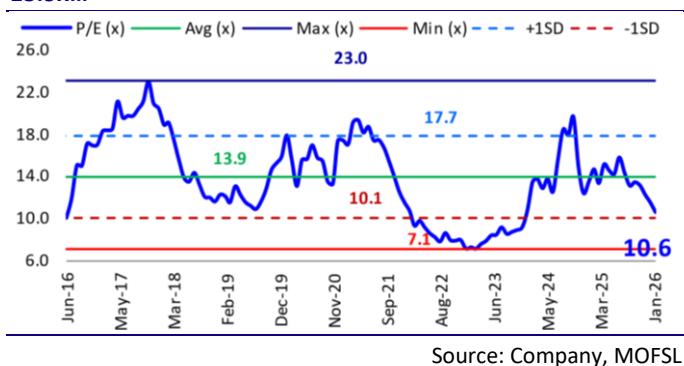
Source: Company, MOFSL

Exhibit 8: Return ratios for MAHGL



Source: Company, MOFSL

Exhibit 9: 1-year fwd P/E trades at 10.6, with LT average of 13.9x...



Source: Company, MOFSL

Exhibit 10: ...and 1-year fwd P/B trades at 1.5x, with LT average of 2.8x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement						
Y/E March	FY23	FY24	FY25	FY26E	FY27E	(INR m) FY28E
Total Income from Operations	62,993	62,445	72,613	82,869	90,164	1,00,710
Change (%)	76.9	-0.9	16.3	14.1	8.8	11.7
EBITDA	11,842	18,426	15,701	15,166	15,782	17,208
Margin (%)	18.8	29.5	21.6	18.3	17.5	17.1
Depreciation	2,311	2,736	3,517	4,082	4,382	4,685
EBIT	9,531	15,690	12,184	11,084	11,400	12,523
Int. and Finance Charges	94	115	138	214	267	334
Other Income	1,119	1,753	1,660	1,162	1,337	1,537
PBT bef. EO Exp.	10,555	17,328	13,706	12,033	12,469	13,726
PBT after EO Exp.	10,555	17,328	13,706	12,033	12,469	13,726
Total Tax	2,655	4,437	3,294	3,029	3,139	3,455
Tax Rate (%)	25.2	25.6	24.0	25.2	25.2	25.2
Reported PAT	7,901	12,891	10,413	9,004	9,331	10,271
Adjusted PAT	7,901	12,891	10,413	9,004	9,331	10,271
Change (%)	32.3	63.2	-19.2	-13.5	3.6	10.1
Margin (%)	12.5	20.6	14.3	10.9	10.3	10.2

Standalone - Balance Sheet						
Y/E March	FY23	FY24	FY25	FY26E	FY27E	(INR m) FY28E
Equity Share Capital	988	988	988	988	988	988
Total Reserves	40,354	50,441	57,905	63,308	68,906	75,069
Net Worth	41,342	51,429	58,893	64,296	69,894	76,057
Total Loans	208	231	293	293	293	293
Deferred Tax Liabilities	2,086	2,441	2,771	2,771	2,771	2,771
Capital Employed	43,636	54,101	61,956	67,359	72,957	79,120
Gross Block	40,096	47,725	56,706	63,606	70,506	77,406
Less: Accum. Deprn.	11,727	14,463	17,980	22,061	26,443	31,128
Net Fixed Assets	28,369	33,262	38,727	41,545	44,063	46,278
Capital WIP	7,086	7,743	9,742	14,342	18,942	23,542
Total Investments	13,098	16,360	17,400	17,400	17,400	17,400
Rights to use assets	1,888	2,167	2,316	2,316	2,316	2,316
Curr. Assets, Loans&Adv.	9,882	12,728	13,855	14,799	14,251	14,934
Inventory	338	398	489	558	607	678
Account Receivables	2,940	2,806	3,456	3,944	4,292	4,794
Cash and Bank Balance	2,279	3,985	3,151	3,537	2,592	2,702
Cash	1,179	1,027	1,343	1,730	785	895
Bank Balance	1,100	2,958	1,807	1,807	1,807	1,807
Loans and Advances	4,324	5,539	6,759	6,759	6,759	6,759
Curr. Liability & Prov.	16,687	18,159	20,082	23,042	24,013	25,349
Account Payables	3,222	3,342	4,154	4,969	5,402	6,027
Other Current Liabilities	12,967	14,224	15,188	17,334	17,872	18,582
Provisions	498	593	740	740	740	740
Net Current Assets	-6,806	-5,431	-6,227	-8,243	-9,763	-10,415
Appl. of Funds	43,636	54,101	61,957	67,359	72,957	79,120

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	80.0	130.5	105.4	91.2	94.5	104.0
Cash EPS	103.4	158.2	141.0	132.5	138.8	151.4
BV/Share	418.5	520.6	596.2	650.9	707.6	770.0
DPS	26.0	52.2	30.0	36.5	37.8	41.6
Payout (%)	32.5	40.0	28.5	40.0	40.0	40.0
Valuation (x)						
P/E	14.8	9.0	11.2	13.0	12.5	11.4
Cash P/E	11.4	7.5	8.4	8.9	8.5	7.8
P/BV	2.8	2.3	2.0	1.8	1.7	1.5
EV/Sales	1.8	1.8	1.6	1.4	1.3	1.1
EV/EBITDA	9.7	6.1	7.2	7.5	7.2	6.6
Dividend Yield (%)	2.2	4.4	2.5	3.1	3.2	3.5
FCF per share	26.0	80.2	29.7	42.5	30.9	46.1
Return Ratios (%)						
RoE	20.4	27.8	18.9	14.6	13.9	14.1
RoCE	20.5	27.8	19.0	14.8	14.1	14.4
RoIC	37.9	49.5	32.1	26.0	25.8	27.0
Working Capital Ratios						
Fixed Asset Turnover (x)	1.6	1.3	1.3	1.3	1.3	1.3
Asset Turnover (x)	1.4	1.2	1.2	1.2	1.2	1.3
Inventory (Days)	2	2	2	2	2	2
Debtor (Days)	17	16	17	17	17	17
Creditor (Days)	19	20	21	22	22	22
Leverage Ratio (x)						
Current Ratio	0.6	0.7	0.7	0.6	0.6	0.6
Net Debt/Equity	-0.1	-0.1	0.0	-0.1	0.0	0.0

Standalone - Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
(INR m)						
OP/(Loss) before Tax	10,555	17,328	13,741	12,033	12,469	13,726
Depreciation	2,311	2,736	3,063	4,082	4,382	4,685
Interest & Finance Charges	94	115	134	214	267	334
Direct Taxes Paid	-2,638	-4,240	-2,687	-3,029	-3,139	-3,455
(Inc)/Dec in WC	134	907	830	2,403	575	762
Others	-764	-1,215	-1,397	0	0	0
CF from Operations	9,693	15,631	13,685	15,702	14,555	16,053
(Inc)/Dec in FA	-7,127	-7,709	-10,754	-11,500	-11,500	-11,500
Free Cash Flow	2,566	7,922	2,931	4,202	3,055	4,553
(Pur)/Sale of Investments	-1,748	-65,334	-63,554	0	0	0
Others	2,384	60,375	64,298	0	0	0
CF from Investments	-6,491	-12,668	-10,010	-11,500	-11,500	-11,500
Interest Paid	0	0	0	-214	-267	-334
Dividend Paid	-2,518	-2,766	-2,964	-3,602	-3,732	-4,109
Others	-330	-350	-395	0	0	0
CF from Fin. Activity	-2,848	-3,116	-3,359	-3,816	-4,000	-4,443
Inc/Dec of Cash	354	-152	316	387	-945	110
Opening Balance	825	1,179	1,027	1,343	1,730	785
Closing Balance	1,179	1,027	1,343	1,730	785	896

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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