

Mahanagar Gas

Focused on volume growth

We attended the Mahanagar Gas (MGL) Analyst Meet on 6 June 2025. Following are the key takeaways: (1) volume growth for the next 2-3 years is expected to be in double digits on the back of higher volumes from new GAs, investments in expansion of CNG/D-PNG infrastructure, and various promotional activities undertaken across segments to boost gas consumption. (2) Current gas sourcing split is as follows, 1.65mmscmd of APM gas, 0.5mmscmd each of HPHT and NWG, 1.5mmscmd HH linked contracts and 0.1mmscmd Brent-linked contracts. (3) MGL to add 250 CNG stations in the next five years. 80 CNG stations will be added in FY26E to its existing count of 467 stations. (4) EBITDA margin for FY26E to remain in the range of INR 9-11/scm. We expect MGL to have an accelerated addition of retail outlets and customer additions in the industrial segment and to observe a continued firm CNG vehicle registration. Competitive CNG prices vs. auto fuels should support robust volume growth for MGL at 10% CAGR over FY25-27E. We maintain our BUY rating on MGL with target prices of INR 1,960/sh.

- **Recap of FY25 operational performance:** MGL added 40 CNG stations and 3,43,000 domestic connections during the year, taking the total number of stations to 467 and domestic connections to 2.87mn as of 31st March 2025. Volume grew by ~13% (~12% ex UEPL) in FY25. Domestic volume increased from 0.52 mmscmd to 0.56mmscmd, recording a growth of ~7% YoY. Industrial & Commercial (I&C) vertical posted volume growth of ~24% YoY to 0.63mmscmd. CNG volumes increased by ~12% YoY to 3.05mmscmd.
- **Recap of FY25 financial performance:** FY25 EBITDA per unit declined by ~27% YoY to INR 10.21/scm due to a ~10% YoY rise in gas cost to INR 30.14/scm and ~9% YoY increase in opex to INR 6.46/scm. The increase in gas cost was due to a reduction in APM gas allocation and rise in opex was on account of higher marketing and maintenance costs.
- **MGL's CNG vehicle addition in core GAs was up ~26% in FY25:** According to the Vahan data, CNG vehicle addition in MGL's core GAs was up ~26% YoY from 69,027 in FY24 to 86,710 in FY25. The recent Vahan data indicates a ~4% YoY decline in new CNG vehicle registrations in MGL's core GAs for FY26YTD to 12,557 (April and May 2025), from 13,053 vehicles over April and May 2024. We believe the competitiveness of CNG against auto fuels in Mumbai and the increasing footprint of retail outlets will continue to support vehicle conversions to CNG.
- **Valuation:** At the current price, MGL is trading at 10.7x June-26E EPS, a 15% discount to its five-year average, despite a strong volume growth outlook in the medium term. Maintain BUY rating with target price of INR 1,960/sh.

Financial Summary

YE March (INR bn)	FY21*	FY22*	FY23*	FY24*	FY25*	FY26E*	FY27E*
Revenue	21.53	35.60	62.99	62.45	69.24	74.50	89.00
EBITDA	9.34	9.24	11.84	18.43	15.10	17.28	20.08
APAT	6.20	5.97	7.90	13.38	10.92	11.87	13.62
AEPS (INR)	62.72	60.43	79.98	135.39	110.54	120.16	137.93
P/E (x)	21.1	21.9	16.5	9.8	12.0	11.0	9.6
EV / EBITDA (x)	12.3	12.4	9.7	6.3	7.7	6.4	5.2
RoE (%)	20.0	17.5	20.4	28.8	19.8	19.0	19.4

Source: Company, HSIE Research | *Consolidated

BUY

CMP (as on 06 Jun 2025) INR 1,330

Target Price INR 1,960

NIFTY 25,003

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,960	INR 1,960
EPS %	FY26E	FY27E
	-	-

KEY STOCK DATA

Bloomberg code	MAHGL IN
No. of Shares (mn)	99
MCap (INR bn) / (\$ mn)	131/1,534
6m avg traded value (INR mn)	807
52 Week high / low	INR 1,989/1,075

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.5)	3.5	(2.2)
Relative (%)	(11.1)	2.9	(11.7)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	32.50	32.50
FIs & Local MFs	17.40	16.67
FPIs	30.55	31.49
Public & Others	19.55	19.34
Pledged Shares	0.0	0.0

Source: BSE

Nilesh Ghuge

nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Dhawal Doshi

dhawal.doshi@hdfcsec.com
+91-22-6171-7361

Prasad Vadnere

prasad.vadnere@hdfcsec.com
+91-22-6171-7356

Key Annual Analyst Meet Takeaways

CGD industry by 2030

- ~USD 67bn planned investments to be made in Indian natural gas sector, which will result in CGD consumption increasing from 41mmscmd to 103mmscmd, number of CNG stations rising from ~7,000 to ~17,500 and Domestic PNG (DPNG) connections growing from 12.9mn to 120mn by 2030.
- CGD industry will undergo consolidation of smaller players with larger ones as volumes grow.
- EV and CNG vehicles to coexist. CNG enjoys an edge over EV in heavy commercial vehicles category. Low-end PV segment will face low EV penetration as the on-road cost of EV is 1.4x-1.5x that of CNG PV.

MGL growth strategy – next five years

- Raigad GA, which currently contributes 0.25mmscmd to the total volumes, is expected to touch 0.7mmscmd of volumes in the next 3-4 years, owing to (i) opening of three city gate stations in this GA which will reduce the service time significantly, (ii) upcoming airport will result in economic activity in adjoining areas leading to increased consumption volumes, and (iii) acceleration in addition of CNG stations and household connections.
- UEPL to record volume growth of ~40% in FY26, reaching to 0.2mmscmd, and post double-digit volume growth in the coming years, resulting in volumes of ~1mmscmd in the next 4-5 years.
- MGL to add 180kms of steel pipeline and 250 CNG stations to its existing infrastructure of 668 kms of steel pipeline and 467 CNG stations.
- Focus on improving the utilization of CNG stations at 15 BEST bus depots by allowing to cater to the CNG demands of large commercial vehicles at these stations during the daytime.
- Currently, a few large I&C customers are provided a discount of 10% over the gross calorific value of the competing fuel (FO for industrial customers and commercial LPG for commercial customers) for three years. This strategy has provided positive results and will be continued.
- Smaller I&C customers are being helped and incentivized by MGL to switch to PNG.
- CNG bikes have received strong interest from end-users. Rural market should contribute to the growth of this opportunity in the next five years.
- CNG sales promotional scheme of providing fuel card loaded with some amount to commercial vehicle owners has resulted in addition of more than 600 customers in FY25. MGL will continue to invest in such promotional activities as and when required in the future as well.

CNG

- In FY25, MGL invested INR 320-340mn to run a CNG promotion scheme. This scheme resulted in the addition of 624 vehicles. Most of these vehicles were medium and large commercial vehicles and there were ~30 buses.

Mahanagar Gas: Company Update

- 98,215 CNG vehicles were added during the year in MGL's GAs as against 77,000 in FY24. Vehicle category-wise split of the addition was as follows – 55,000 private cars, 7,000 taxis, 25,000 three wheelers, 7,000 small and commercial vehicles, 3,000 two wheelers and 450 buses (MSRTC and NMMT).
- There are currently ~2,700 BEST buses in Maharashtra, of which ~1,800 are CNG buses while ~900 are electric. CNG buses offer a vast economic benefit over their electric counterparts – cost of electric bus is ~INR 20mn while that of CNG bus is INR ~4.5mn. Additionally, for electric buses to cover the distance that CNG buses are presently covering, their fleet size will have to be increased 1.3x.

I&C

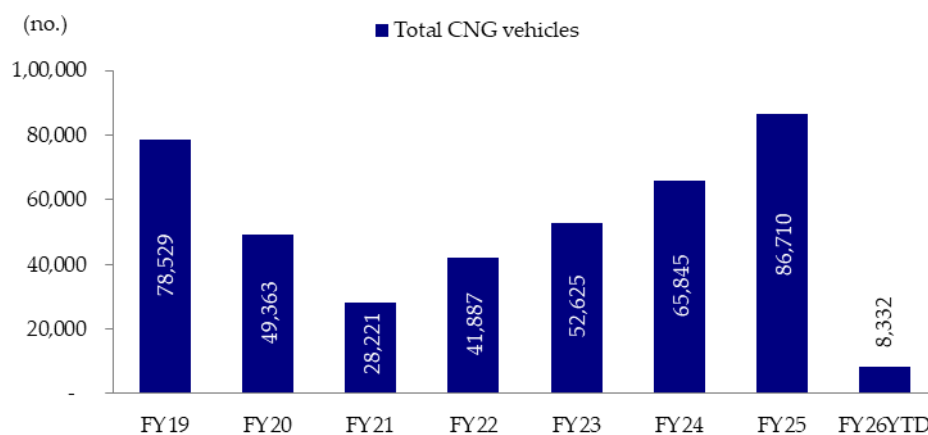
- I&C vertical recorded a strong growth of ~24% in FY25 on the back of addition of a few large industries, which were previously not consuming gas and price discount on alternative fuel prices without any floor. Though the company expects strong growth to continue in the near term, maintaining this robust growth may not be sustainable in the long term. MGL is hopeful of achieving volumes of 0.9-1.0mmscmd in the coming few years.
- The company will focus on breaking into the solid fuel market as it believes this market provides a potential opportunity of 1.0-1.1mmscmd.

UEPL

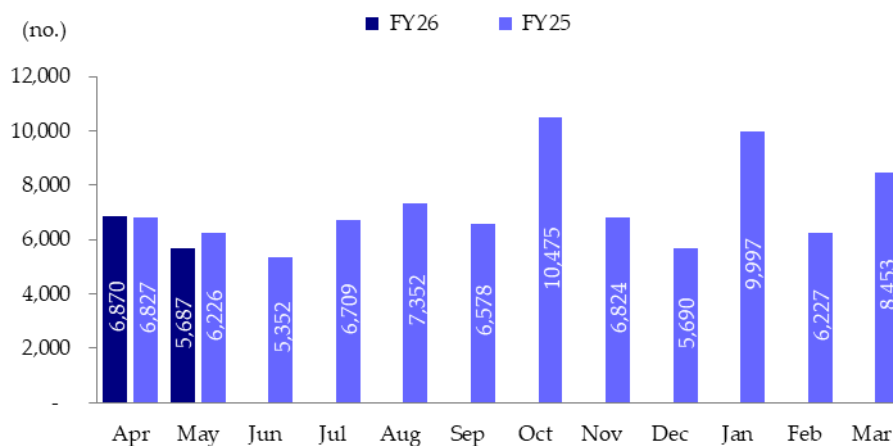
- UEPL recorded volumes of 0.18mmscmd in FY25, growing by ~42% YoY. MGL expects UEPL to grow at a similar pace in FY26E and post volumes of ~0.2mmscmd. UEPL volumes could touch 1mmscmd in the next five years.

New business

- MGL has committed INR 960mn worth of investment for a 32% stake in 3EV, which manufactures electric-3 wheelers. INR 230mn is yet to be invested. 3EV produced 850 vehicles in FY25 and has achieved production output of 200 vehicles per month.
- The company has committed a 40% stake in International Battery Company (IBC), which produces lithium-ion batteries.
- MGL's LNG station at Savroli is currently selling ~4.5 tons of LNG every day. One LNG station has been commissioned in Aurangabad and another will be commissioned in Seoni (MP) by the end of Q1FY26E. One station each in Amravati and JNPT is expected to be completed by Q3FY26E.
- For the LNG business, MGL currently has three main customers. Management believes that 10-12 stations will be required in Maharashtra alone to cater to the LNG demand from trucks.
- Mahanagar LNG Pvt Ltd (a subsidiary of MGL) currently makes INR 12-13/mmcmd as gross margin in the LNG business and a similar amount of opex is incurred, so it breaks even at EBITDA level. MLPL should record positive EBITDA in FY26E.
- For the Mumbai Compressed Biogas (CBG) unit with 1,000 ton per day capacity, MGL has signed an MoU with BMC. According to this, the land for setting up of the CBG plant will be provided to MGL free of cost and 90% segregation of the bio waste will be done by BMC.

Exhibit 1: FY26YTD CNG vehicle registrations in MGL's core GAs down 4% YoY


Source: Vahan, HSIE Research

Exhibit 2: CNG vehicle registration growth in MGL's core GAs was flat YoY in Apr-25 and declined YoY in May-25


Source: Vahan, HSIE Research

Income Statement - MGL

(INR bn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	36	63	62	69	74	89
Growth (%)	65.4	76.9	(0.9)	10.9	7.6	19.5
Raw Material	20	44	36	45	47	56.88
Employee Cost	1	1	1	1	2	1.67
Other Expenses	5	6	7	8	9	10.37
EBITDA	9	12	18	15	17	20
EBIDTA Margin (%)	26.0	18.8	29.5	21.8	23.2	22.6
EBITDA Growth %	(1.0)	28.1	55.6	(18.1)	14.4	16.2
Depreciation	2	2	3	3	4	4
EBIT	7	10	16	12	14	16
Other Income (Including EO Items)	1	1	2	2	2	2
Interest	0	0	-	-	-	-
PBT	8	11	17	14	16	18
Tax	2	3	4	3	4	4
RPAT	6	8	13	11	12	14
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-
APAT	6	8	13	10.9	11.9	14
APAT Growth (%)	(3.7)	32.3	69.3	(18.4)	8.7	14.8
AEPS (INR/sh)	60.4	80.0	135.4	110.5	120.2	137.9
AEPS Growth (%)	(3.7)	32.3	69.3	(18.4)	8.7	14.8

Source: Company, HSIE Research

Balance Sheet - MGL

(INR bn)	FY22	FY23	FY24	FY25P	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	1	1	1	1	1	1
Reserves And Surplus	35	40	50	58	65	73
Total Equity	36	41	51	59	66	74
Long-term Debt	-	-	-	-	-	-
Short-term Debt	-	-	-	-	-	-
Total Debt	-	-	-	-	-	-
Deferred Tax Liability	2	2	2	3	3	4
Long-term Provision	1	1	2	2	2	2
TOTAL SOURCES OF FUNDS	39	45	56	64	71	80
APPLICATION OF FUNDS						
Net Block	26	30	35	41	46	51
Capital WIP	6	7	8	10	9	9
LT Loans and Advances	2	3	4	5	6	6
Total Non-current Investments	-	-	6	7	7	7
Inventories	0	0	0	0	1	1
Debtors	2	3	3	3	4	4
Cash and Cash Equivalents	16	15	14	14	17	24
Other Current Assets	1	1	1	1	1	2
Total Current Assets	18	20	19	19	26	32
Creditors	3	3	3	4	4	5
Other Current Liabilities & Provisions	11	12	13	14	15	18
Total Current Liabilities	13	16	17	18	19	23
Net Current Assets	5	4	2	1	7	9
TOTAL APPLICATION OF FUNDS	39	45	56	64	71	80

Source: Company, HSIE Research

Cash Flow Statement - MGL

(INR bn)	FY22	FY23	FY24	FY25P	FY26E	FY27E
Reported PBT	8	11	17	14	16	18
Non-operating & EO Items	(1)	(1)	(2)	(2)	(2)	(2)
Interest Expenses	0	0	-	-	-	-
Depreciation	2	2	3	3	4	4
Working Capital Change	1	(1)	0	0	0	3
Tax Paid	(2)	(3)	(4)	(3)	(3)	(4)
OPERATING CASH FLOW (a)	8	9	15	13	14	19
Capex	(7)	(7)	(9)	(11)	(8)	(9)
Free Cash Flow (FCF)	1	1	6	2	6	10
Investments	(0)	(0)	(6)	(1)	(0)	(0)
Non-operating Income	1	1	2	2	2	2
INVESTING CASH FLOW (b)	(6)	(6)	(13)	(10)	(6)	(7)
Debt Issuance/(Repaid)	1	0	(0)	(0)	0	0
Interest Expenses	(0)	(0)	-	-	-	-
FCFE	2	1	6	2	6	10
Dividend	(3)	(3)	(3)	(3)	(5)	(5)
FINANCING CASH FLOW (c)	(2)	(3)	(3)	(3)	(5)	(5)
NET CASH FLOW (a+b+c)	0	(0)	(1)	(0)	3	7
Closing Cash & Equivalents	16	15	14	14	17	24

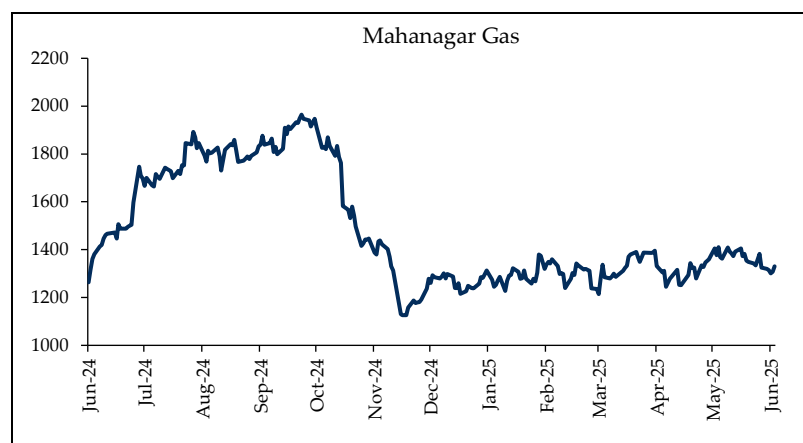
Source: Company, HSIE Research

Key Ratios - MGL

	FY22	FY23	FY24	FY25P	FY26E	FY27E
PROFITABILITY (%)						
EBITDA Margin	26.0	18.8	29.5	21.8	23.2	22.6
EBIT Margin	20.4	15.1	25.1	17.4	18.4	17.9
APAT Margin	16.8	12.5	21.4	15.8	15.9	15.3
RoE	17.5	20.4	28.8	19.8	19.0	19.4
RoIC	19.4	20.8	29.3	19.7	19.7	21.0
RoCE	16.3	19.0	26.7	18.3	17.6	18.0
EFFICIENCY						
Tax Rate (%)	26.0	25.2	23.3	21.3	24.0	24.0
Fixed Asset Turnover (x)	1.1	1.6	1.4	1.3	1.2	1.2
Inventory (days)	3	2	2	3	3	3
Debtors (days)	19	17	16	18	18	18
Other Current Assets (days)	8	8	7	7	7	7
Payables (days)	28	19	20	22	21	22
Other Current Liab & Provns (days)	108	72	78	75	73	74
Cash Conversion Cycle (days)	(106)	(63)	(72)	(70)	(67)	(69)
Net Debt/EBITDA (x)	(1.7)	(1.3)	(0.8)	(0.9)	(1.2)	(1.3)
Net D/E (x)	(0.4)	(0.4)	(0.3)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	0.0	0.0	-	-	-	-
PER SHARE DATA (INR)						
EPS	60.4	80.0	135.4	110.5	120.2	137.9
CEPS	80.3	103.4	163.1	141.5	156.4	179.8
Dividend	25.0	26.0	30.0	30.0	48.1	55.2
Book Value	364.2	418.5	520.7	596.2	668.3	751.1
VALUATION						
P/E (x)	21.9	16.5	9.8	12.0	11.0	9.6
P/Cash EPS (x)	16.5	12.8	8.1	9.3	8.5	7.4
P/BV (x)	3.6	3.2	2.5	2.2	2.0	1.8
EV/EBITDA (x)	12.4	9.7	6.3	7.7	6.4	5.2
EV/Revenue (x)	3.2	1.8	1.9	1.7	1.5	1.2
Dividend Yield (%)	1.9	2.0	2.3	2.3	3.6	4.2
OCF/EV (%)	7.3	7.5	12.6	11.0	13.0	18.4
FCFF/EV (%)	1.3	1.1	5.3	1.9	5.7	9.9
FCFE/M Cap (%)	1.8	1.0	4.7	1.5	4.8	8.0

Source: Company, HSIE Research

Price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Mahanagar Gas: Company Update

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Mahanagar Gas: Company Update

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Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com