BUY
TP: Rs 1,234 | ⮝ 17%

MAHANAGAR GAS

| Oil & Gas | 04 November 2026

Volumes hold up, but higher gas costs hit EBITDA

- **Revenue rose 23.8% YoY, driven by 7% volume growth and 16% higher realisation. Higher gas costs more than offset this, so EBITDA fell YoY**
- **We expect volume growth to stay healthy, led by CNG and PNG. The recovery in EBITDA spread depends on LNG prices normalizing**
- **Maintain BUY; considering subdued EBITDA performance, we revise TP downwards to Rs1,234 from Rs1,314**

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Operational performance below expectations: Revenue of Rs25bn (+23.8% YoY, +7.0% QoQ) was 7% above our estimate. EBITDA of Rs3bn (-9.8% YoY, -11.1% QoQ) was 18% below, as higher spot LNG costs squeezed margins.

Volumes: Volumes rose 6.5% YoY and 3.8% QoQ to 450mmscm. CNG grew 9.1% YoY while PNG was flat. PNG volumes were impacted as supply to Industrial & commercial customers were partially curtailed due to restricted supply from Middle East. Management expects near double-digit growth over the medium term, led by CNG.

Operational performance: EBITDA spread fell to Rs6.8/scm (-15.3% YoY, -14.4% QoQ). Gas cost rose to 75% of sales from 70% in Q2FY26. MGL is raising the share of long-term contracts to cut its spot LNG exposure. Management targets a medium-term spread of Rs8–9/scm but calls the near-term LNG supply and pricing outlook challenging.

Foray into new businesses to benefit over long term: MGL has entered LNG retailing, EV manufacturing and battery-cell manufacturing to diversify beyond CNG, where competition is rising. Earnings benefit is likely only after 5–6 years.

Maintain BUY; revise TP downwards: We maintain BUY,; considering subdued EBITDA performance, we revise TP downwards to Rs1,234 from Rs1,314, based on 12.5x P/E on Sep'28E EPS.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	MAHGL IN/Rs 1,059
Market cap	US$ 1.1bn
Free float	68%
3M ADV	US$ 2.3mn
52wk high/low	Rs 1,284/Rs 900
Promoter/FPI/DII	33%/24%/21%

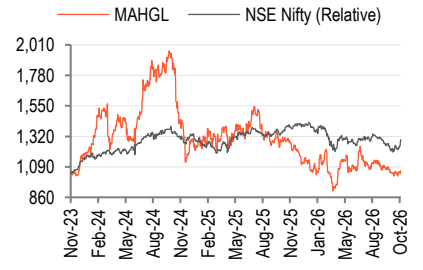
Source: NSE | Price as of 4 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	82,457	90,710	101,205
EBITDA (Rs mn)	14,506	13,603	16,168
Adj. net profit (Rs mn)	8,412	7,594	8,935
Adj. EPS (Rs)	85.2	76.9	90.5
Adj. ROAE (%)	13.7	11.4	12.4
Adj. P/E (x)	12.4	13.8	11.7
EV/EBITDA (x)	6.3	7.1	6.3
Adj. EPS growth (%)	(19.2)	(9.7)	17.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

Rs mn	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YoY (%)
Revenue	**25,371**	**23,717**	**7.0**	**20,493**	**23.8**	**49,088**	**41,307**	**18.8**
EBITDA	**3,048**	**3,430**	**(11.1)**	**3,380**	**(9.8)**	**6,477**	**8,387**	**(22.8)**
EBITDA margin (%)	*12.0*	*14.5*	*(245 bps)*	*16.5*	*(448 bps)*	*13.2*	*20.3*	*(711 bps)*
Depreciation	1,163	1,086	7.1	1,038	12.0	2,248	1,997	12.6
Interest	76	57	32.5	50	51.5	133	95	40.2
Other income	235	304	(22.6)	289	(18.6)	539	608	(11.4)
PBT	2,044	2,591	(21.1)	2,580	(20.8)	4,635	6,902	(32.9)
Tax	500	654	(23.5)	646	(22.6)	1,154	1,773	(34.9)
Reported PAT	**1,370**	**1,937**	**(29.3)**	**1,934**	**(29.1)**	**3,307**	**5,129**	**(35.5)**
Exceptional item	(173)	0	NA	0	NA	(173)	0	NA
Adjusted PAT	1,544	1,937	(20.3)	1,934	(20.2)	3,481	5,129	(32.1)
PATM (%)	*6.1*	*8.2*	*(208 bps)*	*9.4*	*(335 bps)*	*7.1*	*12.4*	*(533 bps)*
EPS (Rs)	**15.6**	**19.6**	**(20.3)**	**19.6**	**(20.2)**	**35.2**	**51.9**	**(32.1)**

Source: Company

Fig 2 – Q2FY27 Actual vs Estimates

Particulars	Q2 Actual	Estimates	VAR(%)
Revenue (Rs mn)	25,371	23,659	7.2
EBITDA (Rs mn)	3,048	3,707	(17.8)
EBITDA margin (%)	12.0	15.7	(366 bps)
PAT (Rs mn)	1,544	2,031	(24.0)
EPS (Rs)	15.6	20.6	(24.0)

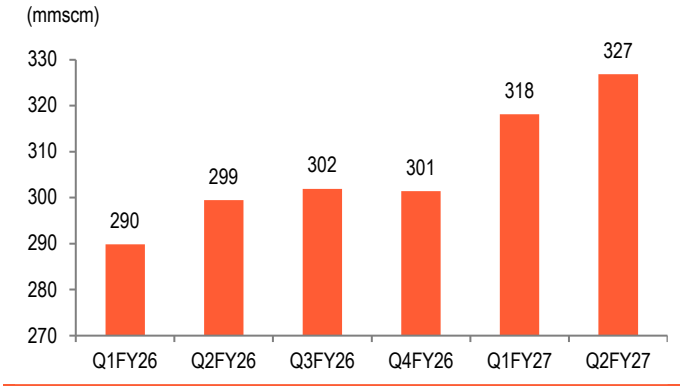
Source: Company, BOBCAPS Research

Fig 3 – Business parameters

Particulars	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YoY (%)
CNG Volumes (mmscm)	326.8	318.1	2.7	299.5	9.1	644.9	589.3	9.4
PNG Volumes (mmscm)	123.2	115.6	6.6	123.1	0.0	238.8	238.6	0.1
Total Volumes (mmscm)	450.0	433.7	3.8	422.6	6.5	883.7	827.9	6.7
Realisation/scm (Rs.)	56.4	54.7	3.1	48.5	16.3	55.5	49.9	11.3
EBITDA/scm (Rs.)	6.8	7.9	(14.4)	8.0	(15.3)	7.3	10.1	(27.6)

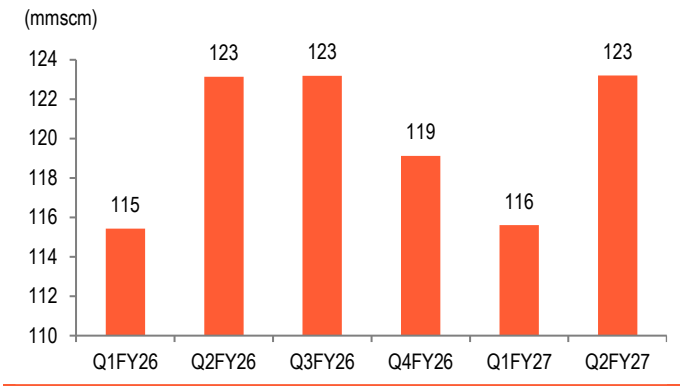
Source: Company

Fig 4 – CNG volumes



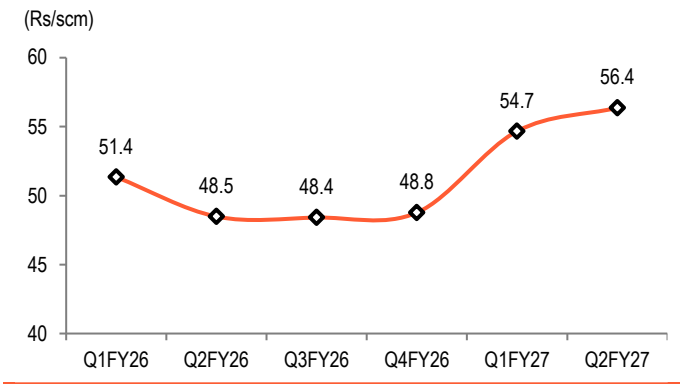
Source: Company

Fig 5 – PNG volumes (commercial + domestic)



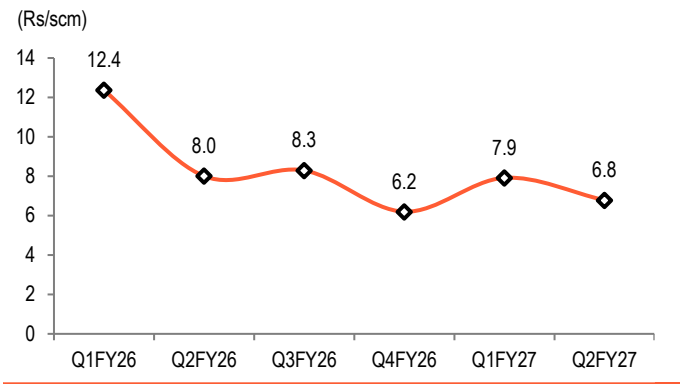
Source: Company

Fig 6 – Blended realization



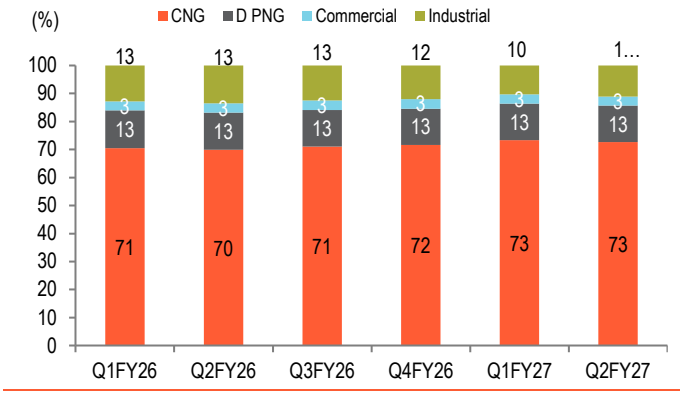
Source: Company

Fig 7 – EBITDA spread



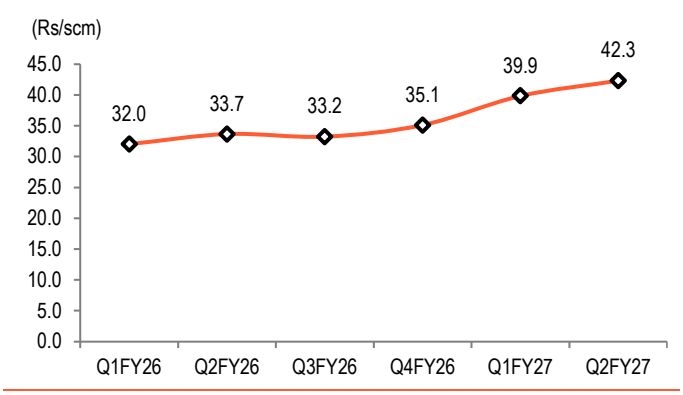
Source: Company

Fig 8 – Sales composition mix



Source: Company

Fig 9 – Gas cost



Source: Company

Call Highlights

- **Volumes performance:** Volumes rose 6.5% YoY (+2.6% QoQ per day) to 4.89mmscmd, led by CNG (+9.1%) and domestic PNG (+9.8%). I&C volumes fell 7.5% YoY because RLNG supply from the Middle East was curtailed (about 70% in H1, per management) and high alternate-fuel prices made customers cautious. Management expects growth of 9–10% in FY27–28, driven by CNG, and a double-digit rebound in I&C once supply normalises. CNG's 45% discount to petrol (blended) and 10–11% to diesel supports conversions.
- **Operational performance:** EBITDA fell 9.8% YoY as gas cost rose to 75% of sales (70% in Q2FY26) on costlier imported RLNG. EBITDA spread was Rs6.8/scm (-15.3% YoY vs Rs8.0; Rs7.9 in Q1FY27). Management called the near-term LNG supply and pricing environment challenging. It targets a Rs8–9/scm spread once supply normalises and said a Rs1–1.5/scm price hike would take the spread to about Rs7/scm.
- **Gas sourcing:** APM + NWG ~40% (split roughly 50:50), HPHT ~40%, Henry Hub/Brent-linked term ~16%, spot ~4%. Domestic PNG is 100% APM, and I&C is fully served through RLNG term contracts. Including HPHT bought on IGX, spot was ~11% of company volume. Spot LNG averaged US$22–23 in Q2.
- **Strategy:** MGL is replacing spot with term gas. It has tied up about 40,000 MMBtu/day of new term gas, which is already flowing, and is partly shifting from index-linked to fixed-price contracts. HPHT allocation is moving to a consumption basis, which should lower gas cost over time.
- **Capex and Infra:** Incurred capex of Rs6.5bn in H1 and guided a capex of Rs15-18bn for FY27E. MGL added 9 CNG station during Q2 taking total to 528 stations.

Valuation Methodology

We are positive on volumes growth that is driven by the growth in CNG volumes. However, elevated imported gas costs will continue to weigh on margins and EBITDA in the near term.

We revise EBITDA estimates downwards based on H1 operational performance.

- **CNG growth:** We raise our CNG volume growth estimates to 9.7% YoY for FY27E (earlier 9.0%), 10.0% for FY28E (earlier 9.5%) and 11.0% for FY29E (earlier 9.5%). CNG growth stood at 9.4% YoY in H1FY27.
- **PNG growth:** We reduce our PNG volume growth estimates to 7.0% YoY for FY27E (earlier13.0%), 11.5% for FY28E (earlier 12.5%) and 12.0% for FY29E (earlier 12.5%).
- **EBITDA spread:** We moderate our EBITDA/scm estimates based on the H1FY27 performance, to Rs7.5 for FY27E (earlier Rs8.4), Rs8.0 for FY28E (earlier Rs8.5) and unchanged at Rs8.5 for FY29E. H1 spread was Rs7.3/scm.

Fig 10 – Revision in Estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	82,457	90,710	101,205	113,081	90,343	100,722	111,621	0.4	0.5	1.3
EBITDA	14,506	13,603	16,168	19,002	15,495	17,345	19,151	(12.2)	(6.8)	(0.8)
EBITDA % margin	17.6	15.0	16.0	16.8	17.2	17.2	17	(216 bps)	(124 bps)	(35 bps)
PAT	8,412	7,594	8,935	10,573	9,183	10,151	11,071	(17.3)	(12.0)	(4.5)
EPS (Rs)	85.2	76.9	90.5	107.0	93.0	102.8	112	(17.3)	(12.0)	(4.5)

Source: Company, BOBCAPS Research

Fig 11 – Key assumptions

	FY25	FY26	FY27E	FY28E	FY29E
USD-INR rate	85.0	90.0	97.0	97.0	97.0
CNG sales price (Rs/kg)	60.3	77.5	87.0	87.5	88.0
Landed APM gas cost (USD/mmbtu)	8.7	9.0	9.3	9.6	9.6
CNG volumes (mmscm)	1,050	1,193	1,309	1,440	1,598
PNG volumes(mmscm)	429	481	515	574	643
Total volumes (mmcm)	1,479	1,673	1,824	2,014	2,241
Volumes (mmscmd)					
CNG	2.9	3.3	3.6	3.9	4.4
YoY %	10.8	7.2	9.7	10.0	11.0
PNG	1.2	1.3	1.4	1.6	1.8
YoY %	15.0	10.9	7.0	11.5	12.0
Total volumes	4.1	4.6	5.0	5.5	6.1
YoY %	12.0	8.2	9.0	10.4	11.3
Margins					
EBITDA spread (Rs/scm)	10.2	8.7	7.5	8.0	8.5

Source: Company

P/E-based Valuation Rationale

We maintain BUY, considering subdued EBITDA performance, we revise TP downwards to Rs1,234 from Rs1,314, based on 12.5x P/E on Sep'28E EPS.

Fig 12 – Valuation summary

	Sept.28E EPS(Rs)	Multiple (x)	Value (Rs/share)
MGL	99	12.5	1,234
Target price (Rs)			**1,234**

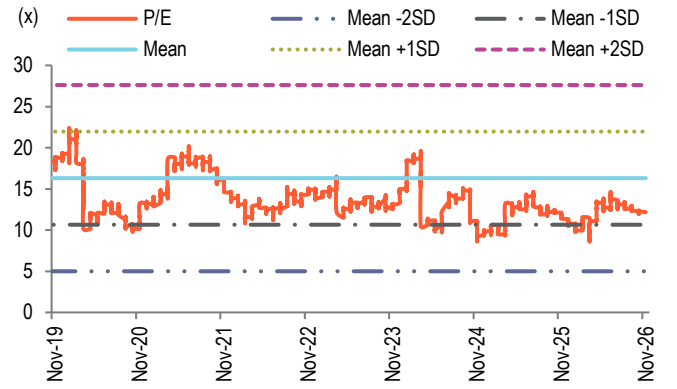
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

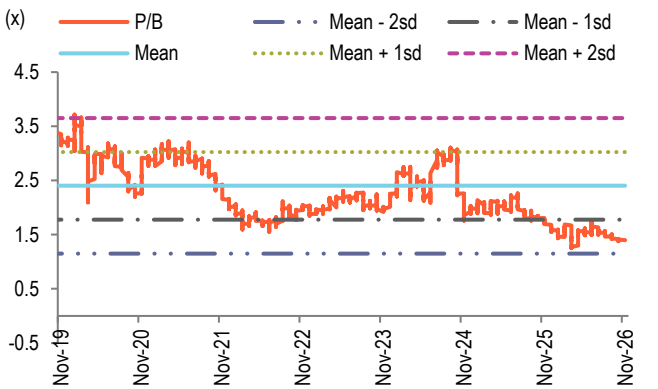
APM allocation reduction can raise gas cost: APM gas has been limited for CGD companies, due to production constraints from ONGC. This led MGL to procure imported gas at market prices. Any further reduction in APM can increase costs for the company has also reduce the EBITDA spread.

Fig 13 – P/E 1YF



Source: Bloomberg

Fig 14 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**72,638**	**82,457**	**90,710**	**101,205**	**113,081**
EBITDA	15,700	14,506	13,603	16,168	19,002
Depreciation	(3,520)	(4,099)	(4,621)	(5,594)	(6,231)
EBIT	13,845	11,606	10,204	11,821	14,043
Net interest inc./(exp.)	(141)	(210)	(212)	(217)	(222)
Other inc./(exp.)	1,666	1,199	1,223	1,247	1,272
Exceptional items	0	0	0	0	0
EBT	13,705	11,396	9,992	11,604	13,821
Income taxes	(3,291)	(2,940)	(2,398)	(2,669)	(3,248)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	6	0	0	0
Reported net profit	**10,406**	**8,412**	**7,594**	**8,935**	**10,573**
Adjustments	0	0	0	0	0
Adjusted net profit	**10,406**	**8,412**	**7,594**	**8,935**	**10,573**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,313	4,795	5,275	5,885	6,576
Other current liabilities	14,239	14,560	14,560	14,560	14,560
Provisions	198	231	231	231	231
Debt funds	0	0	6,000	10,500	13,000
Other liabilities	5,005	5,810	5,810	5,810	5,810
Equity capital	988	988	988	988	988
Reserves & surplus	57,814	63,288	67,919	73,891	81,500
Shareholders' fund	58,948	64,416	69,047	75,018	82,628
Total liab. and equities	**82,702**	**89,811**	**100,922**	**112,004**	**122,804**
Cash and cash eq.	3,329	1,143	1,052	1,530	1,771
Accounts receivables	3,641	4,587	5,319	5,629	5,950
Inventories	523	761	1,092	1,482	1,482
Other current assets	1,429	1,654	1,654	1,654	1,654
Investments	1,075	1,125	1,125	1,125	1,125
Net fixed assets	41,530	46,887	57,266	67,172	76,941
CWIP	10,681	12,695	12,695	12,695	12,695
Intangible assets	6,902	6,924	6,924	6,924	6,924
Deferred tax assets, net	0	0	0	0	0
Other assets	4,126	4,940	4,940	4,940	4,940
Total assets	**82,702**	**89,811**	**100,922**	**112,004**	**122,804**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**15,286**	**13,374**	**12,085**	**14,658**	**16,926**
Capital expenditures	(12,158)	(11,493)	(15,000)	(15,500)	(16,000)
Change in investments	(930)	136	0	0	0
Other investing cash flows	(568)	(764)	0	0	0
Cash flow from investing	**(13,656)**	**(12,121)**	**(15,000)**	**(15,500)**	**(16,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	6,000	4,500	2,500
Interest expenses	(141)	(210)	(212)	(217)	(222)
Dividends paid	(2,963)	(2,963)	(2,963)	(2,963)	(2,963)
Other financing cash flows	541	(267)	0	0	0
Cash flow from financing	**(2,563)**	**(3,440)**	**2,825**	**1,320**	**(685)**
Chg in cash & cash eq.	**(932)**	**(2,186)**	**(90)**	**478**	**241**
Closing cash & cash eq.	**3,329**	**1,143**	**1,052**	**1,530**	**1,771**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	105.3	85.2	76.9	90.5	107.0
Adjusted EPS	105.3	85.2	76.9	90.5	107.0
Dividend per share	30.0	30.0	30.0	30.0	30.0
Book value per share	595.3	650.7	697.6	758.0	835.1

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.2	1.1	1.1	1.0	0.9
EV/EBITDA	5.8	6.3	7.1	6.3	5.5
Adjusted P/E	10.1	12.4	13.8	11.7	9.9
P/BV	1.8	1.6	1.5	1.4	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	76.0	74.2	76.0	77.0	76.5
Interest burden (PBT/EBIT)	1.0	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Revenue)	19.1	14.1	11.2	11.7	12.4
Asset turnover (Rev./Avg TA)	0.9	1.0	1.0	1.0	1.0
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	18.9	13.7	11.4	12.4	13.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.5	13.5	10.0	11.6	11.7
EBITDA	(14.9)	(7.6)	(6.2)	18.9	17.5
Adjusted EPS	(19.0)	(19.2)	(9.7)	17.7	18.3
Profitability & Return ratios (%)					
EBITDA margin	21.6	17.6	15.0	16.0	16.8
EBIT margin	19.1	14.1	11.2	11.7	12.4
Adjusted profit margin	14.3	10.2	8.4	8.8	9.3
Adjusted ROAE	18.9	13.7	11.4	12.4	13.4
ROCE	23.2	17.3	13.5	13.7	14.6
Working capital days (days)					
Receivables	18	20	21	20	19
Inventory	3	3	3	4	5
Payables	28	26	25	25	26
Ratios (x)					
Gross asset turnover	0.9	1.0	1.0	1.0	1.0
Current ratio	1.0	0.9	1.0	1.0	1.0
Net interest coverage ratio	98.5	55.4	48.1	54.5	63.3
Adjusted debt/equity	(0.2)	(0.2)	(0.1)	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

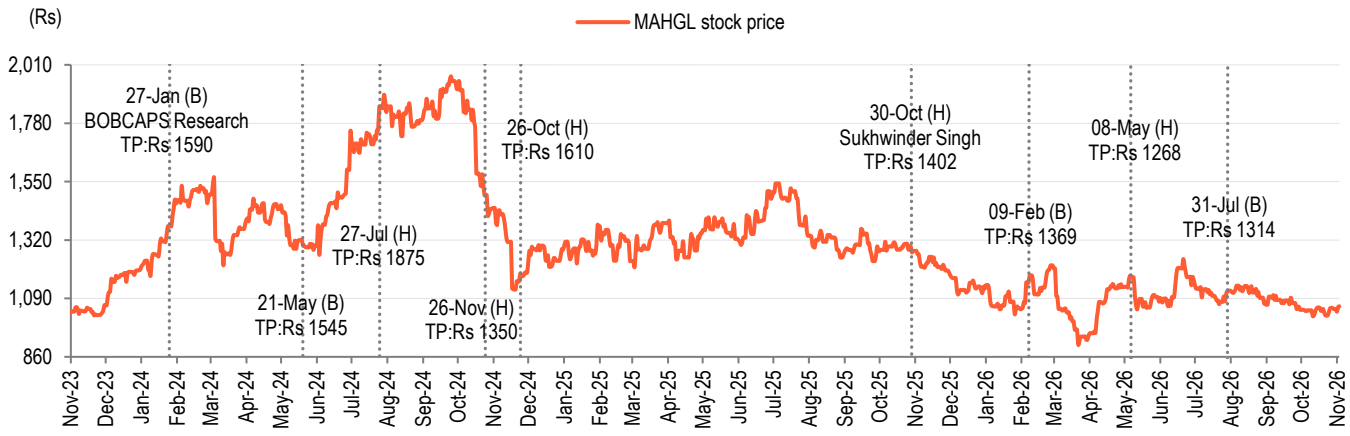
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): MAHANAGAR GAS (MAHGL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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