MAHANAGAR GAS

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	1,483
12 month price target (INR)	1,300
52 Week High/Low	1,989/1,075
Market cap (INR bn/USD bn)	147/1.7
Free float (%)	55.0
Avg. daily value traded (INR mn)	1,021.6

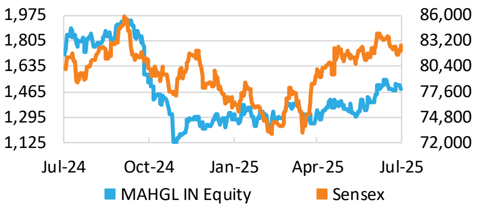
SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	32.5%	32.5%	32.5%
FII	23.76%	25.75%	34.2%
DII	33.82%	31.1%	25.46%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	62,445	69,237	79,432	86,741
EBITDA	18,426	15,098	16,491	18,254
Adjusted profit	12,891	10,449	10,969	11,846
Diluted EPS (INR)	130.5	105.8	111.0	119.9
EPS growth (%)	63.2	(18.9)	5.0	8.0
RoAE (%)	27.8	18.9	17.5	16.8
P/E (x)	11.4	14.0	13.4	12.4
EV/EBITDA (x)	7.8	9.6	8.8	7.9
Dividend yield (%)	2.0	2.0	2.2	2.4

PRICE PERFORMANCE



Optical beat; FY26 volume guidance cut

Management has cut FY26E volume growth guidance on below-par Q1 for CNG while also seeing INR0.6–0.7/kg adverse impact of higher gas pipe transportation cost due to restructuring of unified tariff zones.

Takeaways: i) MGL's Q1FY26 adjusted EBITDA (ex-one off amounting to INR1.1bn) missed our/consensus estimate by 6%/12%. ii) EBITDA/scm (ex-one-off) dipped 19% YoY due to an 18% rise in gas costs and 10% opex increase. iii) Volumes expanded 10% YoY with CNG/PNG growth at 8%/15%. iv) Q1 CNG vehicle adds fell 25% QoQ due to a one–third fall in passenger vehicle adds. Retain 'REDUCE' on sector multiples' de-rating due to ad-hoc government policies causing uncertainty (similar to OMCs, which trade at a considerable discount).

FY26E volume guidance cut; INR0.6–0.7/kg impact of higher tariff

Management has cut FY26E volume growth guidance to high-single digit from 10–12% earlier primarily on the back of weaker-than-expected CNG volumes in Q1, which came in at ~3mmsmcd, 3% below our estimates. CNG vehicle additions also fell 25% sequentially to 20,332 from 27,000 in Q4 primarily on the back of a one–third fall in passenger vehicle adds to ~9–10,000 from 15,000 QoQ on account of higher car prices. Moreover, management expects an increase in landed cost of gas by INR0.6–0.7/kg due to restructuring of unified tariff zones, pressuring margins.

One-off driven EBITDA beat; rising gas costs, opex squeeze margins

Reported Q1FY26 EBITDA at INR4.9bn (+16% YoY) optically beat consensus by 22% and our estimates by 14% on a one-off provision reversal of OMC trade margins on CNG sales for earlier years amounting to INR1.1bn. Adjusted for that, EBITDA missed consensus by 6% and our estimates by 12%. Adjusted EBITDA/scm came in at INR9.7/scm (11% below our estimates), down 19% YoY primarily on the back of decreasing APM gas allocation for CNG resulting in higher input gas costs (+18% YoY), squeezing gross margin by 9% YoY and a 10% rise in opex. Overall volumes expanded 10% YoY to 4.2mmscmd (1% below our estimate) led by CNG sales (+8% YoY) and PNG I/C (+26% YoY). Reported PAT came in at INR3.2bn (+14% YoY/+29% QoQ), +12% versus our estimates and 27% above consensus on the back of reported EBITDA beat partially offset by higher D&A expenses (+9%) and lower other income (-8%).

Sector multiples to de-rate on policy *ad hocism*; retain 'REDUCE'

CGD multiples shall de-rate as the sector faces uncertainty from ad-hoc government policies (similar to OMCs, trading at sizable discount). We are raising FY26E EBITDA by 3% as we factor in one-off provision reversal while trimming our volume forecast. We are raising TP to INR1,300 (from INR1,224); retain **'REDUCE'**.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	19,759	15,896	24.3	18,649	6.0
EBITDA	4,854	4,185	16.0	3,784	28.3
Adjusted Profit	3,243	2,845	14.0	2,522	28.6
Diluted EPS (INR)	32.8	28.8	14.0	25.5	28.6

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	62,445	69,237	79,432	86,741
Gross profit	26,265	24,658	26,598	28,942
Employee costs	1,181	1,378	1,516	1,667
Other expenses	6,657	8,182	8,591	9,021
EBITDA	18,426	15,098	16,491	18,254
Depreciation	2,736	3,063	3,628	4,312
Less: Interest expense	115	134	137	140
Add: Other income	1,753	1,840	1,932	2,029
Profit before tax	17,328	13,741	14,658	15,831
Prov for tax	4,437	3,292	3,689	3,985
Less: Other adj	0	0	0	0
Reported profit	12,891	10,449	10,969	11,846
Less: Excp.item (net)	0	0	0	0
Adjusted profit	12,891	10,449	10,969	11,846
Diluted shares o/s	99	99	99	99
Adjusted diluted EPS	130.5	105.8	111.0	119.9
DPS (INR)	30.0	30.0	33.3	36.0
Tax rate (%)	25.6	24.0	25.2	25.2

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	988	988	988	988
Reserves	50,441	57,905	65,583	73,876
Shareholders funds	51,429	58,893	66,571	74,864
Minority interest	0	0	0	0
Borrowings	1,393	1,643	1,643	1,643
Trade payables	3,342	4,154	5,066	5,542
Other liabs & prov	15,567	16,726	16,726	16,726
Total liabilities	72,260	82,039	90,629	99,397
Net block	33,192	38,664	45,358	52,270
Intangible assets	70	63	91	117
Capital WIP	7,743	9,742	10,892	12,142
Total fixed assets	41,005	48,468	56,340	64,528
Non current inv	6,172	6,858	6,858	6,858
Cash/cash equivalent	3,985	3,150	3,657	3,857
Sundry debtors	2,806	3,456	3,578	3,904
Loans & advances	11,211	11,588	11,588	11,588
Other assets	608	712	802	856
Total assets	72,260	82,039	90,629	99,397

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
CNG volumes (mmscmd)	2.6	2.9	3.1	3.4
PNG volumes (mmscmd)	1.0	1.2	1.3	1.4
Total vols (mmscmd)	3.6	4.1	4.5	4.8
EBITDA margin (%)	29.5	21.8	20.8	21.0
Net profit margin (%)	20.6	15.1	13.8	13.7
Revenue growth (% YoY)	(0.9)	10.9	14.7	9.2
EBITDA growth (% YoY)	55.6	(18.1)	9.2	10.7
Adj. profit growth (%)	63.2	(18.9)	5.0	8.0

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	17,328	13,741	14,658	15,831
Add: Depreciation	2,736	3,063	3,628	4,312
Interest (net of tax)	(269)	(393)	0	0
Others	(831)	(870)	0	0
Less: Changes in WC	907	830	700	96
Operating cash flow	15,631	13,685	15,297	16,255
Less: Capex	(7,698)	(10,686)	(11,500)	(12,500)
Free cash flow	7,933	2,999	3,797	3,755

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	7.2	7.0	6.8
Repo rate (%)	6.5	6.0	5.0	4.5
USD/INR (average)	82.8	84.4	86.5	85.0
Sales vol. YoY (%)	5.7	12.3	10.0	8.8
CNG stations (#)	347.0	385.0	425.0	467.0
PNG customers ('000)	1,694.8	1,866.1	2,066.5	2,286.8
EBITDA marg(INR/scm)	13.9	10.2	10.1	10.3
Gross marg(INR/scm)	19.9	16.7	16.4	16.4
Opex (INR/scm)	5.9	6.5	6.2	6.0

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	27.8	18.9	17.5	16.8
RoCE (%)	32.9	21.2	20.0	19.3
Inventory days	4	4	4	4
Receivable days	17	17	16	16
Payable days	33	31	32	33
Working cap (% sales)	(3.0)	(3.4)	(3.8)	(3.6)
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	0	0	0
Interest coverage (x)	136.1	89.6	93.9	99.8

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	11.4	14.0	13.4	12.4
Price/BV (x)	2.8	2.5	2.2	2.0
EV/EBITDA (x)	7.8	9.6	8.8	7.9
Dividend yield (%)	2.0	2.0	2.2	2.4

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	63.2	(18.9)	5.0	8.0
RoE (%)	27.8	18.9	17.5	16.8
EBITDA growth (%)	55.6	(18.1)	9.2	10.7
Payout ratio (%)	23.0	28.4	30.0	30.0

Source: Company and Nuvama estimates

Q1FY26 conference call: Key takeaways

Sourcing dynamics: APM allocation down to 1.69mmscmd, ~40% of total volumes in Q1

Following is the gas sourcing mix of MGL in Q1FY26 and its QoQ comparison:-

Exhibit 1: APM gas sourcing down from 47% in Q4FY25 to 40% in Q1FY26

	Q1FY26		Q4FY25	
Source	**Sourced Volume (mmscmd)**	**Mix (%)**	**Sourced Volume (mmscmd)**	**Mix (%)**
APM	1.7	40%	2.0	47%
New Well Gas (NWG)	0.5	12%	0.1	2%
HPHT	0.9	21%	0.7	17%
Contracted	1.2	27%	1.4	34%
	4.2	**100%**	**4.2**	**100%**

Source: Company, Nuvama Research

Management clarified that the reduction in APM sourcing is likely to be replaced primarily by new-well gas going forward.

Volume growth guidance cut to high single digits from low double digits, EBITDA margin guidance at INR9–9.5/scm

Management cut volume growth guidance of high-single digits for FY26E, down from previously guided 10–12% (*volumes grew 9.6% YoY in Q1*). July-25's volume run-rate stands marginally higher than that of Q1. Furthermore, management provided EBITDA margin guidance of INR 9–9.5/scm (previously guided: INR 9–11/scm). Management is also willing to make some price adjustments, if needed, in order to achieve the guided margin range, in situations like increase in gas cost, tariff regulation change, etc. New tariff regulations may have an impact of INR0.6-0.7/kg on CNG margins.

CNG vehicle-adds down QoQ led by high vehicular prices; MSRTC buses–potential opportunity

Total 20,332 CNG vehicles were added in Q1FY26, ~25% lower compared with ~27,000 in Q4FY25, led by high vehicle prices coupled with seasonality effects of Q1 and now more than 11mn CNG vehicles are plying across all GAs. Usually, ~15,000 CNG PVs are added every quarter; but Q1 saw a sharp decline with merely 9–10k CNG PV additions.

Currently, MSRTC has ~600 CNG buses plying on roads, with a total fleet of 18,000. MSRTC is evaluating adding hybrid CNG-LNG buses to its fleet and therefore, MGL may benefit from such an addition. This may replace the current reduction in BEST buses consumption of CNG from 125,000 kgpd earlier to 98,000 kgpd currently.

Pulse of operations: A closer look at MGL's performance

During the quarter, MGL's operational reach increased to 2.85mn households (16,348 households added in Q1. Total 385 CNG stations were operational as on June 30, 2025. The company also added 84 industrial and commercial (I/C) customers during Q1FY26, and has a total of 5,161 customers with pipeline length at 7,538km. MGL targets to add ~80CNG stations (including UEPL) in FY26.

Volume mix on basis of GAs; GA-2 and GA-3 exhibit growth

Volumes in GA-1 were down in Q1FY26, offset by healthy volume growth in GA-2 and GA-3:-

Exhibit 2: Volume share of each GA: MGL

	Q1FY26		Q4FY25	
	Volume (mmscmd)	Share (%)	Volume (mmscmd)	Share (%)
GA-1	1.9	45%	2.1	50%
GA-2	2	47%	1.85	44%
GA-3	0.33	8%	0.24	6%
	4.23		**4.19**	

Source: Company, Nuvama Research

Capex continuity: Charting steady growth with ~INR11–13bn each for next two years

Management guided for INR11–13bn consolidated CNG capex for the next couple of years. Breakdown: CNG station capex would be INR3–3.5bn for MGL; INR 2.5–3bn for pipelines; INR500mn–1bn for O&M and CRM purposes; INR500mn-2bn for IT and other purposes.

Capital infusion in Li-ion battery JV planned at INR3.75bn

MGL currently holds 44% equity stake in the JV with IBC US. MGL is set to infuse ~INR3.75bn in the JV in the next 18 months. ~50% of the infusion is planned in Apr-June 2026 with the remaining portion to be infused in a progressive manner over 6 months post that.

UEPL growth steady; merger with MGL likely to be effective from mid-Aug

UEPL has laid 73.78 km of steel and PE pipeline taking the total length to 436km. There was an addition of 3,939 CNG vehicles in UEPL GAs during this quarter, and with this now, UPL has nearly 57,537 CNG vehicles registered in its geographies as of 30 June, 2025.

UEPL achieved volumes of 0.225 mmscmd in Q1 versus 0.208 mmscmd in Q4FY25 (+9%QoQ). Current quarter volume consists of CNG volume of 0.204 mmscmd and PNG volume of 0.021 mmscmd compared with the previous quarter, sales volume in case of CNG has increased to 0.204 from 0.189 mmscmd (+8% QoQ). For Q1FY26, MGL has consolidated entity has achieved total gas volumes sale of 4.455 mmscmd.

The NCLT has approved the merger of UEPL with MGL and the companies expect to receive a written order from NCLT in two–three days. The merger will further be approved by RoC (expected by Aug'25 –mid).

MGL explores B2B promotional scheme to boost CNG sales

MGL closed the existing promotional scheme on 31st March 2025 as Q1 is usually weak in terms of volumes. The company is currently evaluating a B2B promotional scheme in order to add large fleet owners (such as transporters, etc.) to its customer list to enhance CNG volumes.

LNG infrastructure ramping up with sight of demand

The company currently has one owned LNG station at Savroli. Its LNG fuel retailing JV added one station in Aurangabad and one in Madhya Pradesh. Three more LNG stations are set to come up at Bhivandi, Amravati and Maharashtra (place not decided) each.

MGL's CBG project: ~INR1.3bn; capital infusion planned

The overall project cost is in the range of INR6–6.5bn. This was an assessment made in the past MGL may be required to reassess the cost. Since there is a JV partner and there is going to be funding through debt and equity both, equity funding from MGL's side is likely to be in the range of around INR1.3bn.

Opex expansion of 10% YoY led by increased CSR, repairs & maintenance and lease rent expenses

Opex per unit during Q1 was INR6.6/SCM, which is generally in the range of INR6.1-6.2/scm. This is on account of higher CSR spends, which would result in lower CSR expenses in the subsequent quarters of FY26. Furthermore, repair, maintenance and some amount of lease rent expenses, in relation to some new plots, increased in Q1. Also, there was a one-off in the form of past period demand for lease rent.

Majority of stations in GA-2 and GA-3 coming up in 'daughter-booster' mode; volume ramp-up in two–three months

In far-flung areas of GA-2 and GA-3, where MGL's pipelines have not yet reached, the typical throughput of a daughter-booster station is much lower than the throughput of an online station. Hence, if the ratio of daughter boosters to online is higher, the overall throughput decreases. However whenever a new daughter booster station is opened, it reaches its plateau volumes quickly, in about 2-3 months.

New Unified Tariff Regulation: 68% volumes under Zone-1 tariff; rest 32% under Zone 2 tariff

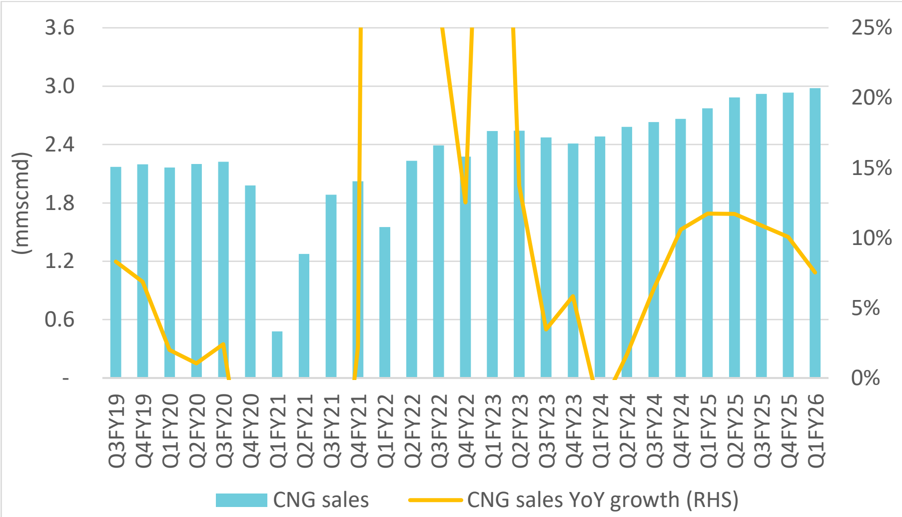
Currently, MGL's 68% of sourced volumes fall under Zone-1 tariff and the remaining 32% fall under Zone 2 tariff. Total ~84–85% of MGL's total volume is priority volume. Therefore, ~50% of current Zone-2 volumes would be liable to Zone-1 tariff under the new regulation, which would result in some gains for MGL.

Exhibit 3: Q1FY26 EBITDA up 16% YoY, beating consensus by 14%; volume growth at 10% YoY

MGL (INR mn)	Q1FY26	Q1FY25	YoY	Q4FY25	QoQ	Nuvama Est.	Var (%)	Consensus	Var (%)
Net revenues	19,759	15,896	24%	18,649	6%	19,095	3%	18,786	5%
EBITDA	4,854	4,185	16%	3,784	28%	4,241	14%	3,965	22%
Adjusted PAT	3,243	2,845	14%	2,522	29%	2,901	12%	2,556	27%
Volumes (mmscmd)									
CNG	2.98	2.77	8%	2.93	2%	3.09	-3%		
PNG	1.25	1.09	15%	1.26	-1%	1.18	6%		
PNG-D	0.57	0.55	4%	0.59	-4%	0.58	-3%		
PNG-I/C	0.68	0.54	26%	0.67	1%	0.59	15%		
Total	**4.23**	**3.86**	**10%**	**4.19**	**1%**	**4.26**	**-1%**		
EBITDA margin	12.61	11.92	6%	10.02	26%	10.93	15%		
Gross margin	19.22	17.94	7%	17.26	11%	17.02	13%		

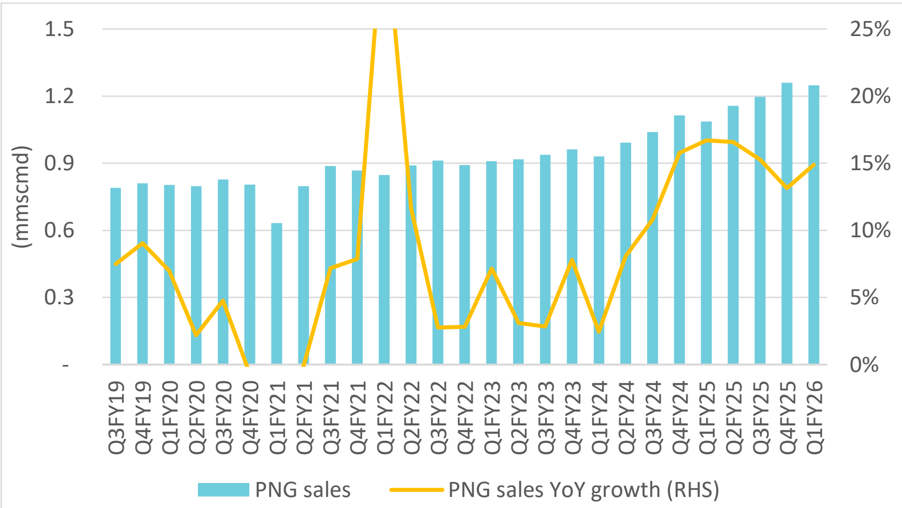
Source: Company, Nuvama Research

Exhibit 4: CNG volumes grow 8% YoY



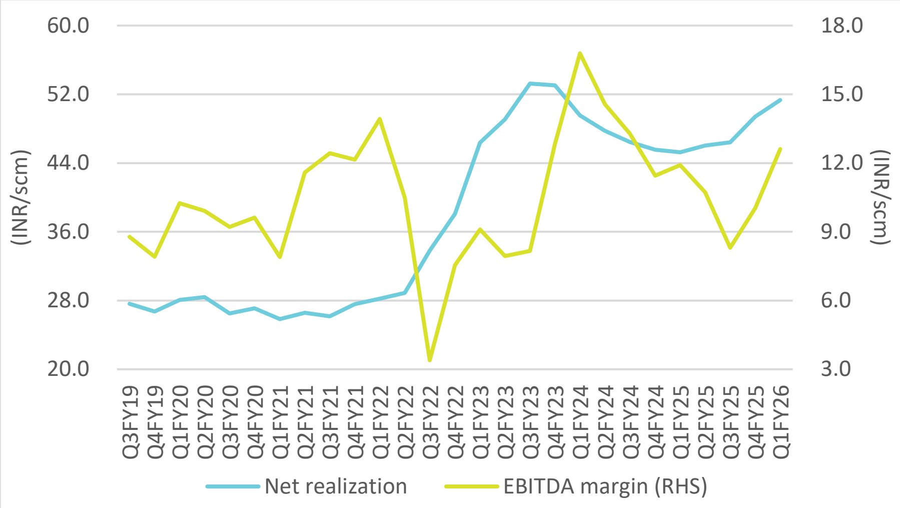
Source: Company, Nuvama Research

Exhibit 5: PNG volumes maintain healthy growth of 15% YoY



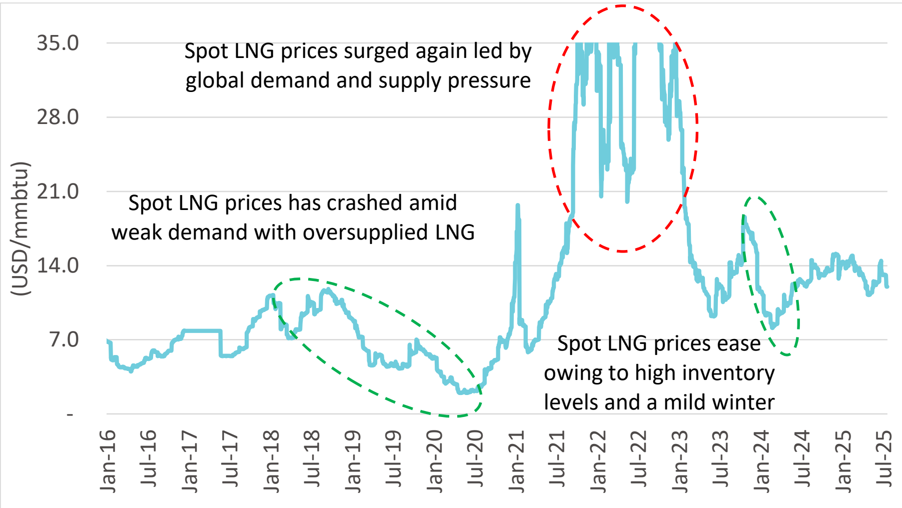
Source: Company, Nuvama Research

Exhibit 6: EBITDA margin +6% YoY on one-off offset by higher gas costs and opex



Source: Company

Exhibit 7: Spot LNG surges 11% YoY in Q1FY26, tails off in Jul-25 after slight surge due to Middle East geopolitical tensions



Source: Bloomberg, Nuvama Research

Exhibit 8: Comparative annual snapshot with peers

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	Average
Overall volume growth (%)											
IGL	12.9	14.1	9.0	(17.3)	31.2	15.8	4.2	6.6	7.4	7.4	9.1
MGL	5.1	9.2	0.1	(25.1)	35.6	14.2	5.4	12.3	10.0	8.8	7.6
GGL	15.0	5.1	44.7	(0.7)	13.7	(21.6)	11.6	2.4	6.1	5.8	8.2
Adani Total Gas	NM	12.9	7.6	-11.5	35.3	8.0	14.9	14.7			
IRM Energy	NM	NM	NM	(28.2)	139.8	30.0	(3.3)	8.1			
CNG growth (%)											
IGL	11.3	13.5	8.2	(21.7)	36.1	19.6	3.7	6.1	7.2	6.4	9.0
MGL	5.1	9.2	0.1	(25.1)	35.6	14.2	5.4	12.3	10.0	8.8	7.6
GGL	9.8	10.5	4.2	(12.2)	51.5	22.9	12.1	12.5	9.5	8.5	12.9
Adani Total Gas	NM	11.3	5.8	-22.6	59.3	27.5	21.4	19.0			
IRM Energy	NM	NM	NM	7.1	68.2	15.4	19.2	10.6			
Residential PNG growth (%)											
IGL	15.4	10.0	15.2	21.1	8.7	8.0	14.8	12.7	8.5	7.5	12.2
MGL	10.5	10.7	6.9	15.2	0.4	4.5	6.7	6.5	7.4	7.4	7.6
GGL	9.5	4.9	7.2	13.5	5.2	0.6	4.4	5.4	8.0	7.9	6.6
IRM Energy	NM	NM	NM	NM	(32.8)	(21.9)	180.0	22.9			
Industrial/Commercial growth (%)											
IGL	19.1	23.2	18.8	(4.9)	23.1	4.2	3.0	9.3	8.7	7.6	11.2
MGL	4.2	7.8	(0.2)	(18.1)	26.2	6.0	12.3	24.5	15.4	11.1	8.9
GGL	17.3	3.5	61.7	0.5	7.8	(34.4)	12.3	(2.6)	4.0	4.0	7.4
IRM Energy	NM	NM	NM	352.7	312.0	58.0	(27.8)	11.5			
EBITDA margin (INR/scm)											
IGL	5.9	5.8	6.4	7.6	7.4	6.9	7.7	6.0	6.1	6.9	6.7
MGL	7.9	8.2	9.8	11.6	8.4	9.5	14.0	10.2	10.1	10.3	10.0
GGL	3.9	4.1	4.7	6.1	5.3	7.8	5.5	5.2	5.5	5.9	5.4
Adani Total Gas	7.6	8.4	10.2	13.7	11.1	11.6	12.8	11.4			
IRM Energy	NM	NM	NM	11.7	12.5	5.7	7.8	4.7			
Gross margin (INR/scm)											
IGL	11.1	11.0	11.9	13.9	13.0	12.5	13.6	11.7	11.6	12.4	12.3
MGL	12.2	12.9	14.7	17.4	13.8	14.9	19.9	16.7	16.4	16.4	15.5
GGL	6.6	7.0	7.0	8.4	7.7	11.4	9.2	9.2	9.4	9.8	8.6
Adani Total Gas	10.5	11.6	14.0	18.0	15.9	17.1	18.8	17.4			
IRM Energy	NM	NM	NM	17.9	17.1	12.4	10.5	11.6			
No. of CNG stations											
IGL	446	500	555	612	711	791	882	954	1,044	1,134	
MGL	223	236	256	271	290	313	347	385	425	467	
GGL	291	344	396	546	701	800	950	1,040	1,130	1,220	
Adani Total Gas	NM	82	115	217	334	460	547	647			
IRM Energy	6	23	34	46	53	62	82	111			

Source: Company, Nuvama Research

Exhibit 9: Comparative quarterly snapshot with peers

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Average
Overall volume growth (YoY%)															
IGL	13.5	48.4	11.8	6.1	6.6	3.9	2.6	4.4	5.7	5.3	8.7	7.6	5.2	-	11.4
MGL	9.6	43.8	10.7	3.3	6.4	(1.0)	3.4	7.6	13.3	13.1	13.1	12.1	11.0	9.6	8.8
GGL	(18.5)	(2.6)	(33.2)	(36.0)	(10.4)	(5.4)	22.3	25.7	9.4	19.1	(6.1)	3.4	(5.3)	-	11.3
Adani Total Gas	13.9	30.7	8.6	(3.1)	2.1	8.2	11.1	20.4	20.2	16.2	14.7	14.7	13.4	-	18.5
IRM Energy	NA	NA	NA	NA	NA	NA	(6.3)	(0.7)	(3.2)	5.2	5.4	4.5	17.6	-	3.2
CNG growth (YoY%)															
IGL	16.2	62.7	14.9	7.8	8.1	4.0	2.6	4.2	4.3	4.6	8.5	5.9	5.2	-	12.2
MGL	12.5	63.8	13.7	3.5	5.8	(2.3)	1.6	6.4	11.8	11.7	11.7	10.9	10.1	7.5	12.1
GGL	30.3	57.5	18.6	12.0	13.5	7.0	12.9	14.4	14.2	14.2	11.8	12.2	12.0	-	15.2
Adani Total Gas	33.3	60.3	24.2	14.9	21.0	17.4	20.4	24.1	21.8	19.5	19.1	17.5	20.1	-	30.3
IRM Energy	NA	NA	NA	NA	NA	NA	21.1	30.7	26.3	18.4	8.5	4.8	11.9	-	17.4
Residential PNG growth (YoY%)															
IGL	13.3	(0.3)	11.2	13.5	9.5	19.9	14.7	10.8	15.6	16.0	12.4	16.8	5.8	-	13.3
MGL	3.8	0.4	4.3	5.4	7.7	5.5	4.3	6.3	11.6	10.5	7.6	3.9	4.7	3.9	8.3
GGL	11.8	(7.3)	7.8	0.0	1.2	9.1	1.4	6.0	2.4	3.3	8.6	4.2	4.0	-	6.7
IRM Energy	NA	NA	NA	NA	NA	NA	25.5	50.4	56.1	27.3	28.6	18.7	20.1	-	32.4
PNG I/C growth (YoY%)															
IGL	3.4	19.9	1.1	(4.0)	0.4	(1.7)	(1.8)	4.4	11.0	5.6	11.4	14.4	6.6	-	13.0
MGL	1.7	15.5	1.8	0.1	7.9	(0.9)	12.1	15.9	23.2	23.8	25.4	27.1	21.8	26.1	8.5
GGL	(29.4)	(14.1)	(47.7)	(51.0)	(19.6)	(11.1)	30.2	35.3	8.2	22.8	(15.7)	(1.1)	(15.0)	-	12.0
IRM Energy	NA	NA	NA	NA	NA	NA	(33.5)	(36.5)	(29.2)	(9.9)	11.0	23.4	25.4	-	(7.0)
EBITDA margin (INR/scm)															
IGL	7.2	8.6	7.1	5.7	6.2	8.6	8.6	7.2	6.6	7.4	6.5	4.3	6.0	-	6.7
MGL	7.6	9.1	7.9	8.2	12.8	16.8	14.6	13.3	11.5	11.9	10.7	8.3	10.0	12.6	9.8
GGL	7.8	6.8	9.2	8.7	7.0	4.6	5.8	4.8	6.8	5.4	6.4	4.4	4.6	-	5.2
Adani Total Gas	7.5	12.5	12.4	12.8	10.6	12.9	13.7	13.4	13.1	13.4	12.9	10.6	10.4	-	12.7
IRM Energy	NA	NA	5.7	7.3	3.1	9.2	8.9	8.4	4.8	6.3	5.3	4.2	3.2	-	6.0
Gross margin (INR/scm)															
IGL	12.7	14.3	12.7	11.3	12.0	14.4	14.1	12.9	13.1	13.2	11.9	9.7	12.2	-	12.4
MGL	13.3	14.4	13.0	13.7	18.7	22.3	20.4	19.1	17.9	17.9	17.0	14.6	17.3	19.2	15.1
GGL	10.7	9.8	13.0	12.8	10.6	8.2	9.2	8.4	10.9	8.6	10.4	8.3	9.3	-	8.2
Adani Total Gas	12.2	17.8	17.4	17.7	15.9	17.3	19.1	18.7	19.9	18.9	18.4	15.8	16.7	-	17.5
IRM Energy	NA	NA	9.9	11.4	8.1	13.6	13.3	12.5	12.0	13.2	12.2	11.0	10.4	-	11.6
No. of CNG stations															
IGL	711	713	725	751	791	791	799	819	882	882	884	899	954	-	
MGL	290	292	296	301	312	312	319	320	347	348	352	361	385	385	
GGL	711	721	741	NA	800	810	806	817	808	811	820	825		-	
Adani Total Gas	334	349	367	382	460	467	483	505	547	559	577	605	647	-	
IRM Energy	NA	NA	NA	NA	59	62	69	74	82	86	91	93	111	-	

Source: Company, Nuvama Research

Exhibit 10: Quarterly financial snapshot

MGL (INR mn)	Q1FY26	Q1FY25	YoY	Q4FY25	QoQ	FY25	FY26E	FY27E
Net revenues	19,759	15,896	24%	18,649	6%	69,237	79,432	86,741
Cost of natural gas and traded items	12,364	9,597	29%	12,133	2%	44,579	52,835	57,798
Gross profit	7,396	6,299	17%	6,516	14%	24,658	26,598	28,942
Employee expenses	346	297	16%	330	5%	1,378	1,516	1,667
Other expenses	2,196	1,817	21%	2,402	-9%	8,182	8,591	9,021
EBITDA	**4,854**	**4,185**	**16%**	**3,784**	**28%**	**15,098**	**16,491**	**18,254**
Depreciation & Amortization	826	719	15%	818	1%	3,063	3,628	4,312
EBIT	4,028	3,466	16%	2,966	36%	12,035	12,863	13,942
Finance costs	37	31	19%	39	-5%	134	137	140
Other Income	387	402	-4%	464	-17%	1,840	1,932	2,029
PBT	4,378	3,837	14%	3,391	29%	13,741	14,658	15,831
Total Tax Expenses	1,135	992	14%	869	31%	3,292	3,689	3,985
Adjusted Profit	**3,243**	**2,845**	**14%**	**2,522**	**29%**	**10,449**	**10,969**	**11,846**
Exceptional items	-	-	NA	-	NA	-	-	-
Reported Profit	3,243	2,845	14%	2,522	29%	10,449	10,969	11,846
No. of shares outstanding	99	99	0%	99	0%	99	99	99
Adjusted EPS (INR/sh)	32.8	28.8	14%	25.5	29%	105.8	111.0	119.9
Adjusted P/E ratio (x)						**14.0**	**13.4**	**12.4**
EV/EBITDA (x)						**8.8**	**8.0**	**7.2**
Return on Average Equity						**18.9%**	**17.5%**	**16.8%**
As a % of net revenues								
Gross Profit	37.4%	39.6%		34.9%		35.6%	33.5%	33.4%
EBITDA	24.6%	26.3%		20.3%		21.8%	20.8%	21.0%
PBT	22.2%	24.1%		18.2%		19.8%	18.5%	18.3%
Adjusted Profit	16.4%	17.9%		13.5%		15.1%	13.8%	13.7%

Source: Company, Nuvama Research

Company Description

MGL is one of the largest city gas companies in India with over >30 years of experience in supplying natural gas in Mumbai, its adjoining areas and the Raigad district in Maharashtra. The company is promoted by GAIL (India) which hold 32.5% equity in the company

MGL operates in two business segments: CNG and PNG. The CNG business, which contributed ~71% to the company's sales volumes in FY25, involves distribution of CNG to automobiles through gas stations. Through its PNG business, the company supplies natural gas to homes and commercial and industrial establishments.

Investment Theme

CGD sector is affected by government policy ad-hocism with regard to allocation and de-allocation of APM gas, causing uncertainty with regard to business environment. We have seen OMCs severely impacted by the same which trade at much lower multiples, increasing the risk of de-rating in the CGD sector as a whole.

Gas costs are expected to gradually rise as APM gas allocation shall reduce given high gas consumption growth and decreasing production from nomination blocks of ONGC and Oil India. Attempts to pass on cost increases may adversely impact volume growth due to lower competitiveness of CNG vs petrol, diesel and EVs.

We find risk-reward unfavourable at these levels.

Key Risks

Domestic city gas is accorded top priority in allocation of inexpensive domestic gas. Subsequent change in the allocation with city gas moving down the priority would increase reliance on expensive imports impacting profits.

We expect APM production to be stagnant, or possibly decline, as old fields reach maturity. Going ahead, increase in domestic production would be led by output from difficult fields and from blocks awarded in subsequent auctions, which would command market pricing. A cutback in domestic city gas allocation or allocation of the more expensive domestic gas can massively impact profitability.

Difficulty in passing on higher prices of gas sourced from RLNG could impact its margins. INR depreciation and higher APM prices in the subsequent rounds of price adjustments would test MGL’s ability to maintain margins.

Additional Data

Management

Chairman	Mr Sandeep Kumar Gupta
Managing Director	Mr Ashu Singhal
Deputy Managing Director	Mr Sanjay Shende
Nominee Director	Dr P Anbalagan
Auditor	Delloite Haskins & Sells LLP

Holdings – Top 10*

	% Holding		% Holding
GAIL India Ltd	32.50	Fidelity Invest	2.99
State of Mahara	10.00	Vanguard Group	2.25
FMR LLC	7.22	Stichting Depos	1.68
Life Insurance	6.91	La Caisse de de	1.28
Vontobel Holdin	5.09	UTI Asset Manag	1.25

**Latest public data*

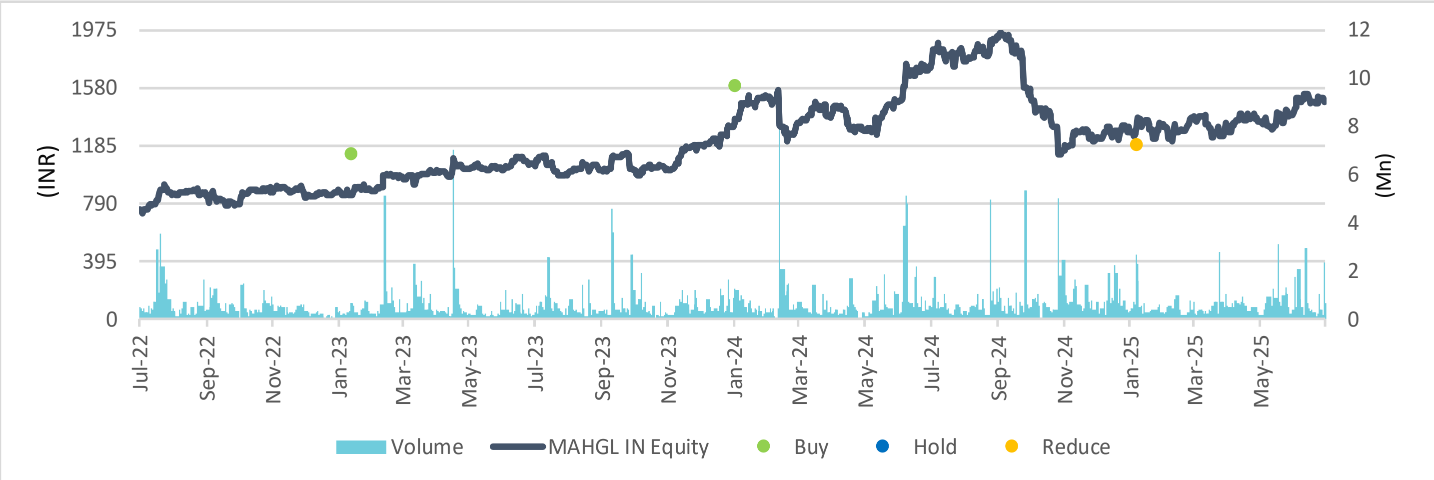
Recent Company Research

Date	Title	Price	Reco
07-Jun-25	Volume growth healthy; margins at risk; *Company Update*	1,328	Reduce
07-May-25	One-off driven beat; guided margin lower; *Result Update*	1,410	Reduce
29-Jan-25	Q3 in-line; sourcing mix to deteriorate; *Result Update*	1,291	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
19-Jul-25	Reliance Inds.	NE gaining pace; multi-decadal driver; *Result Update*
02-Jul-25	Oil & Gas	RIL, OMCs to outshine other segments; *Sector Update*
30-Jun-25	Reliance Inds.	Modules to add 6% PAT; valuation kicker; *Company Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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