

# Mahanagar Gas | ADD

## Earnings miss on higher gas cost and opex

MGL's Q4FY26 EBITDA was INR 2.6bn, lower than JMFe/consensus of INR 3.1bn/3bn as EBITDA margin (INR 6.2/scm; lower than JMFe of INR 7.3/scm) fell on higher gas cost and opex. However, overall sales volume was in line with JMFe at 4.7mmscmd. Hence, PAT was also lower at INR 1.3bn (JMFe/consensus of INR 1.7bn/1.6bn). Sales volume was largely in line with JMFe at 4.7mmscmd; CNG volume was also in line at 3.3mmscmd (up 2% QoQ). Management guided for ~10% volume growth in FY27 driven by healthy expansion in domestic-PNG and Industrial and Commercial (I&C) segments due to various government policy initiatives while CNG volume growth may be steady. It hopes to maintain EBITDA margin above INR 8/scm but it is difficult to estimate in the near term. We have cut MGL's FY27 EBITDA by 7% to factor in near-term downside risk to margin on account of jump in gas cost but our FY28 EBITDA has risen by 4.3% factoring in normalisation of EBITDA margin at INR 8-9/scm, 8-9% volume growth and revised TP of INR 1,280 (from INR 1,090). We maintain ADD on valuation grounds (trading at FY28E P/E of 9.8x versus 3Y average of 11.6x) as the current share price factors in key concerns on margins due to higher gas cost led by ongoing Middle East tensions and gradual reduction in APM gas allocation.

- EBITDA margin (INR 6.2/scm) lower than JMFe (INR 7.3/scm) on higher gas cost and opex:** MGL's Q4FY26 EBITDA was INR 2.6bn, lower than JMFe/consensus of INR 3.1bn/3bn as EBITDA margin (INR 6.2/scm; lower than JMFe of INR 7.3/scm) fell on higher gas cost and opex. Overall sales volume was in line with JMFe at 4.7mmscmd. Hence, PAT was also lower at INR 1.3bn (JMFe/consensus of INR 1.7bn/1.6bn). In Q4FY26, gross margin was lower at INR 13.5/scm versus JMFe at INR 14.4/scm (INR 15.1/scm in Q3FY26) as: i) average cost of gas was higher at USD 10.7/mmbtu or INR 35.2/scm versus JMFe of USD 10.4/mmbtu or INR 34.2/scm (USD 10.4/mmbtu or INR 33.3/scm in Q3FY26). ii) This could be due to sourcing of pooled gas and spot LNG at relatively high prices but net sales realisation was also slightly higher at INR 48.8/scm in Q4FY26 versus JMFe of INR 48.6/scm (INR 48.4/scm in Q3FY26). Opex was also elevated at INR 7.4/scm in Q4FY26 versus JMFe of INR 7.1/scm (INR 6.8/scm in Q3FY26). Hence, EBITDA margin was INR 6.2/scm, lower than JMFe of INR 7.3/scm (INR 8.3/scm in Q3FY26).
- Sales volume largely in line with JMFe; CNG volume up 2% QoQ:** MGL's overall sales volume in Q4FY26 was largely in line with JMFe at 4.7mmscmd or 421mmscm (down 1.1% QoQ). CNG sales volume was also in line at 3.3mmscmd or 301mmscm (up 2% QoQ) while overall PNG sales volume was down 3.3% QoQ at 119mmscm. Industrial/commercial PNG volume was higher at 65mmscm (but lower by 4.4% QoQ) while domestic PNG volume was a bit lower at 54mmscm (down 2% QoQ). Please note MGL has amalgamated its 100% owned subsidiary UEPL (with appointed date being 1<sup>st</sup> Feb'24), but it started sharing its overall volume (including UEPL volume) details only from Q1FY26. Earlier period volume details including UEPL have not been disclosed, making YoY comparison difficult; hence, we have commented only on QoQ comparison.



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### Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	1,280
Upside/(Downside)	9.1%
Previous Price Target	1,090
Change	17.4%

### Key Data – MAHGL IN

Current Market Price	INR1,173
Market cap (bn)	INR115.9/US\$1.2
Free Float (%)	50.8
Shares in issue (mn)	98.8
Diluted share (mn)	98.8
3-mon avg daily val (mn)	INR485.9/US\$5.2
52-week range	INR1,587/900
Sensex/Nifty	77,328/24,176
INR/US\$	94.5

### Price Performance

%	1M	6M	12M
Absolute	16.3	-3.5	-14.3
Relative*	16.6	3.8	-11.0

\*To the NSE Nifty 50

### Financial Summary

	(INR mn)				
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	71,979	81,273	97,332	106,809	120,077
Sales Growth (%)	15.3	12.9	19.8	9.7	12.4
EBITDA	15,067	13,382	12,327	17,011	18,664
EBITDA Margin (%)	20.9	16.5	12.7	15.9	15.5
Adjusted Net Profit	9,779	7,340	6,538	9,705	10,603
Diluted EPS (INR)	99.0	74.3	66.2	98.2	107.3
Diluted EPS Growth (%)	-24.1	-25.0	-10.9	48.4	9.3
ROIC (%)	21.7	13.6	10.5	14.7	14.9
ROE (%)	17.7	11.9	9.8	13.4	13.4
P/E (x)	11.8	15.8	17.7	11.9	10.9
P/B (x)	2.0	1.8	1.7	1.5	1.4
EV/EBITDA (x)	6.8	7.7	8.5	6.1	5.4
Dividend Yield (x)	2.6	2.6	1.7	2.5	2.8

Source: Company data, JM Financial. Note: Valuations as of May 08, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Q4FY26 conference call takeaways

i) Management expects ~10% volume growth in FY27 driven by double-digit growth in domestic PNG (D-PNG) and Industrial and Commercial (I&C) segments due to various government policy initiatives like reduction in road reinstatement charges and other costs, faster approval and introduction of deemed approval, and need for customers to mandatorily switch to D-PNG (from LPG) within three months of their building getting connected with PNG gas supply. Hence, it expects to connect more I&C customers (commercial registration customers jumped 10x now due to LPG curtailment), though volume may not rise immediately due to the government's directive to supply only 80% of last six-month average. However, it highlighted constraint in availability of labour and material as all CGD companies are fighting for limited labour and material availability. Separately, CNG segment growth may be steady.

ii) Hence, FY27 capex may be a bit higher than the usual run-rate of INR 12bn due to faster approvals for laying pipeline infrastructure and rising demand for D-PNG and I&C connections.

iii) Management hopes to maintain EBITDA margin of above INR 8/scm but it is difficult to estimate margins in the near term as it is not clear when LNG supply is likely to improve and at what cost. The current focus is to build infrastructure and grow volumes, not margins, using this opportunity as margins can be regained very quickly at a later stage as well.

MGL hiked CNG price by INR 1/kg on 22<sup>nd</sup> Apr'26. Management highlighted that it has not been able to fully pass on the jump in gas cost as the company decided to absorb this temporary volatility because it expects the situation to normalise soon. It will increase CNG price if high gas cost persists as there is enough headroom to increase them (more so if there is a hike in petrol/diesel price).

iv) There was some rise in gas sourcing via expensive spot LNG and pooled gas due to: a) some impact on long-term LNG supply due to force majeure impact; and b) all contracted gas supply being restricted to take or pay levels (instead of 100%) and balance gas pooled by GAIL for supply under government-announced pooled gas mechanism (GAIL had cut US HH gas supply for everyone to take or pay levels of ~60% and used the same for pooled gas). Pooled gas price has varied around USD 11–13/mmbtu though there is limited clarity on how these prices are determined.

v) MGL's gas sourcing breakdown in Mar'26 was: a) ~1.6mmscmd APM (1.7mmscmd in first fortnight and ~1.56mmscmd in second fortnight); b) 0.73–0.75mmscmd NWG and pooled gas (NWG was ~0.4mmscmd and the rest pooled gas, which was available for two-third of Mar); c) 0.9mmscmd HPHT; d) ~0.65mmscmd via term US HH-linked LNG contract (~0.75mmscmd in first fortnight and ~0.5mmscmd in second fortnight – only ~50% of contracted supplies of 1.5mmscmd curtailed due to pooled gas mechanism); and e) ~0.4mmscmd spot LNG (including spot purchases from IGX).

Furthermore, MGL's gas sourcing breakdown in Q4FY26 was: i) ~1.73mmscmd APM; ii) 0.4mmscmd NWG; iii) 0.7mmscmd HPHT; iv) ~0.78mmscmd via term US HH-linked LNG contract (took lower volume in Jan–Feb'26 due to elevated US HH gas prices at ~USD 7.5/mmbtu); and v) balance from pooled gas and spot LNG (including spot purchases from IGX).

Hence, APM gas allocation met ~34% of CNG's requirements in Q4FY26 (~39% in Q3FY26, 35% in Q2FY26, 37% in Q1FY26, 47% in Q4FY25) while NWG met ~12% of the CNG requirement in Q4FY26 (~6% in Q3FY26 and ~10% in Q2FY26). Hence, APM and NWG gas cumulatively (~2.15mmscmd) met 46% of CNG volume in Q4FY26 (46% in Q3FY26).

vi) Management highlighted that in Q4FY26 100% gas supply was ensured for D-PNG (entirely from APM) and CNG segment (majorly from domestically procured gas and balance via pooled gas) while PNG supply to the I&C segment was curtailed to ~80% in line with government directives in Mar'26 (led to 0.125–0.13mmscmd volume loss in industrial PNG segment). Furthermore, Apr'26 I&C volume was at Mar'26 levels. In Q4FY26, industrial PNG volume was 0.57mmscmd and commercial PNG volume was 0.15mmscmd.

vii) 27 CNG stations (net) were added in Q4FY26, total CNG stations at 518 as of end-Q4FY26 (152 in GA1, 182 in GA2, 75 in GA3, 109 in UEPL GAs).

The company added ~1.18L CNG vehicles in FY26: ~26,000 taxis, 48,238 private cars, 33,200 three-wheelers, 223 private buses, 188 mini-buses, 48 MSRTC buses, 318 trucks, 105 tempos, 7,400 small commercial vehicles and 1,465 two-wheelers. It also highlighted that CNG vehicle conversion in H2FY26 was better than in H1FY26.

viii) Management highlighted in its presentation that CNG price continues to be 46% cost competitive versus petrol in Apr'26 while it is 9% cost competitive versus diesel.

# Q4FY26 result review

## Exhibit 1: Quarterly snapshot

INR Mn	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	% YoY	% QoQ
Net Sales*	15,896	17,116	17,576	19,625	20,814	20,493	20,583	20,512	4.5%	-0.3%
Operating expenditure	(11,712)	(13,131)	(14,432)	(15,676)	(15,807)	(17,114)	(17,062)	(17,909)	14.2%	5.0%
<b>EBITDA</b>	<b>4,185</b>	<b>3,985</b>	<b>3,144</b>	<b>3,950</b>	<b>5,007</b>	<b>3,380</b>	<b>3,521</b>	<b>2,603</b>	<b>-34.1%</b>	<b>-26.1%</b>
Depreciation	(719)	(735)	(791)	(951)	(959)	(1,038)	(1,034)	(1,061)		
Interest	-31	-31	-34	-41	-45	-50	-63	-48		
Other Income	402	512	463	418	319	289	294	290		
PBT	3,837	3,731	2,782	3,376	4,322	2,580	2,718	1,785		
Tax	(992)	(903)	(529)	(953)	(1,127)	(646)	(698)	(466)		
<b>PAT</b>	<b>2,845</b>	<b>2,828</b>	<b>2,254</b>	<b>2,423</b>	<b>3,196</b>	<b>1,934</b>	<b>2,020</b>	<b>1,319</b>	<b>-45.6%</b>	<b>-34.7%</b>
EPS (INR)	28.8	28.6	22.8	24.5	32.4	19.6	20.4	13.4	-45.6%	-34.7%
Tax rate	26%	24%	19%	28%	26%	25%	26%	26%		

Source: Company, JM Financial Note: Note: MGL financials include "amalgamated UEPL" from 1QFY26 onwards while the same is not included in prior quarters\* Net Sales include one-off income of INR 1.1bn in 1QFY26 and INR 0.6bn in 4QFY25 on account of reversal of provision for trade margin paid to OMCs after negotiation with OMCs got concluded

## Exhibit 2: Operational details

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	% YoY	% QoQ
<b>Macro Assumptions</b>										
Brent (USD/bbl)	85	80	75	76	68	69	64	81	27.2	7.0
Exchange Rate (INR/USD)	83	84	84	87	86	87	89	91	2.6	5.6
Spot LNG (USD/mmbtu)	11	13	14	14	12	12	11	13	25.5	(4.4)
US HH (USD/mmbtu)	2	2	3	4	4	3	4	4	(10.1)	(6.0)
<b>Gas Volume</b>										
CNG sales volume (mmscm)	252	265	269	264	290	299	302	301	14.1%	-0.2%
PNG overall sales volume-(mmscm)	99	106	110	113	115	123	123	119	5.1%	-3.3%
PNG - Domestic (mmscm)	50	49	51	54	52	54	56	54	1.2%	-2.0%
PNG - Industry/Commercial (mmscm)	49	58	59	60	63	70	68	65	7.3%	-4.4%
Overall sales volume-(mmscm)	351	372	379	377	405	423	425	421	11.4%	-1.1%
<b>Overall sales volume-(mmscmd)</b>	<b>3.9</b>	<b>4.0</b>	<b>4.1</b>	<b>4.2</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>	<b>11.4%</b>	<b>1.1%</b>
CNG sales volume-(mmscmd)	2.8	2.9	2.9	2.9	3.2	3.3	3.3	3.3	14.1%	2.0%
<b>Gas Volume growth (% QoQ)</b>										
CNG sales volume	4.0%	5.2%	1.2%	-1.7%	9.8%	3.3%	0.8%	-0.2%		
PNG overall sales volume	-2.5%	7.6%	3.5%	3.0%	1.8%	6.7%	0.0%	-3.3%		
PNG - Domestic	-2.8%	-2.4%	4.3%	6.1%	-3.4%	3.1%	3.7%	-2.0%		
PNG - Industry/Commercial	-2.1%	17.9%	2.9%	1.5%	5.3%	9.7%	-2.8%	-4.4%		
Overall sales volume	2.1%	5.9%	1.8%	-0.3%	7.4%	4.3%	0.6%	-1.1%		
<b>Gas Volume growth (% YoY)</b>										
CNG sales volume	11.7%	11.7%	10.9%	8.9%	14.9%	12.8%	12.4%	14.1%		
PNG overall sales volume	16.7%	16.6%	15.3%	11.9%	16.8%	15.8%	11.9%	5.1%		
PNG - Domestic	10.5%	7.6%	3.9%	5.0%	4.3%	10.2%	9.5%	1.2%		
PNG - Industry/Commercial	23.8%	25.4%	27.1%	20.4%	29.5%	20.5%	13.8%	7.3%		
Overall sales volume	13.1%	13.1%	12.1%	9.7%	15.4%	13.6%	12.2%	11.4%		
<b>Per unit break-up (INR/scm) *</b>										
Net Realisation	45.3	46.0	46.4	52.0	48.6	48.5	48.4	48.8	-6.2%	0.7%
Average cost of gas	27.3	29.0	31.8	33.9	32.3	33.7	33.3	35.2	3.9%	5.8%
Blended gross spread	17.9	17.0	14.6	18.1	16.2	14.8	15.1	13.5	-25.1%	-10.4%
Other expense	6.0	6.3	6.3	7.6	6.7	6.8	6.8	7.4	-3.5%	7.6%
<b>EBITDA</b>	<b>11.9</b>	<b>10.7</b>	<b>8.3</b>	<b>10.5</b>	<b>9.6</b>	<b>8.0</b>	<b>8.3</b>	<b>6.2</b>	<b>-40.8%</b>	<b>-25.3%</b>
Depreciation	2.0	2.0	2.1	2.5	2.4	2.5	2.4	2.5	0.1%	3.7%
Interest exp net of other income	-1.1	-1.3	-1.1	-1.0	-0.7	-0.6	-0.5	-0.6	-42.4%	5.9%
PBT	10.9	10.0	7.3	8.9	7.9	6.1	6.4	4.2	-52.5%	-33.6%
Tax	2.8	2.4	1.4	2.5	2.8	1.5	1.6	1.1	-56.1%	-32.6%
<b>PAT</b>	<b>8.1</b>	<b>7.6</b>	<b>6.0</b>	<b>6.4</b>	<b>5.1</b>	<b>4.6</b>	<b>4.8</b>	<b>3.1</b>	<b>-51.1%</b>	<b>-34.0%</b>

Source: Company, JM Financial Note: Above MGL data includes "amalgamated UEPL" from 1QFY26 onwards while the same is not included in prior quarters\* Adjusted for one-off income of INR 1.1bn in 1QFY26 and INR 0.6bn in 4QFY25 on account of reversal of provision for trade margin paid to OMCs after negotiation with OMCs got concluded

# Assumptions and estimates

## Exhibit 3: Key assumptions

	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E	Comments
<b>Gas volume break-up (mmscm)</b>									
CNG	772	909	948	1,112	1,193	1,276	1,378	1,488	
PNG- Domestic	170	178	190	203	215	237	261	287	
PNG-Industrial	83	87	99	125	143	161	180	198	
PNG-Commercial	70	75	84	106	122	140	161	181	
<b>Total sales volume</b>	<b>1,095</b>	<b>1,249</b>	<b>1,321</b>	<b>1,546</b>	<b>1,673</b>	<b>1,814</b>	<b>1,980</b>	<b>2,154</b>	
Internal consumption and normal loss	23	27	28	33	36	38	42	46	Internal consumption is 2.1% of sales
Total quantity of gas purchased	1,118	1,276	1,349	1,579	1,709	1,852	2,022	2,199	
Total gas purchased (mmscmd)	3.1	3.5	3.7	4.3	4.7	5.1	5.5	6.0	
<b>Total gas sold (mmscmd)</b>	<b>3.0</b>	<b>3.4</b>	<b>3.6</b>	<b>4.2</b>	<b>4.6</b>	<b>5.0</b>	<b>5.4</b>	<b>5.9</b>	
<b>Gas sales volume change Y-o-Y</b>									
CNG	49.4%	17.9%	4.3%	17.3%	7.2%	7.0%	8.0%	8.0%	
PNG- Domestic	0.4%	4.5%	7.0%	6.6%	6.1%	10.0%	10.0%	10.0%	
PNG-Industrial	26.2%	6.0%	12.6%	26.4%	15.0%	12.0%	12.0%	10.0%	
PNG-Commercial	26.2%	6.0%	12.6%	26.4%	15.0%	15.0%	15.0%	12.0%	
<b>Overall</b>	<b>35.6%</b>	<b>14.1%</b>	<b>5.7%</b>	<b>17.0%</b>	<b>8.2%</b>	<b>8.4%</b>	<b>9.2%</b>	<b>8.8%</b>	
<b>Gas sales volume composition</b>									
CNG	70%	73%	72%	72%	71%	70%	70%	69%	CNG to continue to dominate gas mix with ~70% volume
PNG- Domestic	16%	14%	14%	13%	13%	13%	13%	13%	Domestic PNG segment share at 13-14%
PNG-Industrial	8%	7%	7%	8%	9%	9%	9%	9%	Industrial segment share to be ~9%
PNG-Commercial	6%	6%	6%	7%	7%	8%	8%	8%	Commercial segment share to be ~8%
<b>Gas sourcing and cost break-up</b>									
<b>Gas sourcing mix (mmscmd)</b>									
APM gas	2.4	2.5	2.6	2.3	1.7	1.7	1.5	1.3	As per domestic APM gas allocation policy
Non-APM/RIL/Vedanta/Cairn	0.1	0.2	0.4	0.3	1.1	1.2	1.4	1.7	Sourcing more HPHT gas after recent priority given to CGD Demand of Industrial and commercial segment to be met via
Long- Medium term LNG	0.2	0.5	0.7	0.9	1.2	1.4	1.6	1.7	import of LNG from short-term contracts or from spot market
Spot LNG	0.4	0.3	0.0	0.9	0.7	0.8	1.1	1.4	
<b>Total gas purchased</b>	<b>3.1</b>	<b>3.5</b>	<b>3.7</b>	<b>4.3</b>	<b>4.7</b>	<b>5.1</b>	<b>5.5</b>	<b>6.0</b>	
<b>Gas cost (USD/mmbtu)</b>									
APM gas	3.7	7.5	7.5	7.5	7.8	7.8	7.8	7.8	Based on domestic gas price formula
Non-APM/RIL/Vedanta/Cairn									
HPHT/NWG gas	5.5	11.3	9.0	11.0	10.4	12.2	11.0	11.0	
Long- Medium term LNG	15.5	19.1	14.2	11.5	11.5	13.5	12.1	12.1	
Spot LNG	21.0	37.0	22.0	14.5	13.5	16.5	14.1	14.1	
<b>Total gas cost</b>	<b>6.9</b>	<b>12.0</b>	<b>9.0</b>	<b>9.9</b>	<b>10.1</b>	<b>11.7</b>	<b>11.1</b>	<b>11.3</b>	
<b>Overall margins (INR/scm)</b>									
<b>CNG</b>									
Gross realisation	33.4	55.1	53.2	51.9	55.6	61.6	61.6	63.6	
Less discount and excise duty	4.2	6.8	6.5	6.4	6.9	7.7	7.7	8.0	
Net realisation	29.2	48.3	46.7	45.5	48.8	53.9	53.9	55.7	
Less: Average cost of gas	10.1	22.5	23.0	24.1	27.9	32.0	32.0	33.4	
<b>Gross margin</b>	<b>11.8</b>	<b>25.8</b>	<b>23.7</b>	<b>21.5</b>	<b>20.9</b>	<b>20.9</b>	<b>21.2</b>	<b>21.6</b>	
<b>PNG</b>									
Gross realisation	42.7	55.4	47.9	48.1	47.0	52.0	53.1	55.1	
Less: Average cost of gas	31.4	48.8	32.7	31.8	33.3	40.3	38.1	39.3	
<b>Gross margin</b>	<b>11.4</b>	<b>6.6</b>	<b>15.2</b>	<b>16.4</b>	<b>13.7</b>	<b>11.7</b>	<b>15.0</b>	<b>15.7</b>	
<b>Overall</b>									
Net realisation	32.5	50.4	47.3	46.2	47.9	53.7	53.9	55.8	
Average cost of gas	18.7	35.5	27.4	30.3	33.7	40.1	38.6	40.3	
Blended gross spread	13.8	14.9	19.9	15.9	14.2	13.5	15.3	15.4	
Other expense	5.4	5.4	5.9	6.6	6.9	6.8	6.8	6.8	
<b>EBITDA</b>	<b>8.4</b>	<b>9.5</b>	<b>14.0</b>	<b>9.3</b>	<b>7.3</b>	<b>6.8</b>	<b>8.6</b>	<b>8.7</b>	Expect EBITDA at ~INR 8-9/scm (post FY27)
Depreciation	1.8	1.9	2.1	2.3	2.4	2.6	2.6	2.6	
Interest exp net of other income	(0.7)	(0.8)	(1.2)	(1.0)	(0.6)	(0.6)	(0.6)	(0.5)	
PBT	7.4	8.4	13.1	8.0	5.5	4.8	6.6	6.6	
Tax	1.9	2.1	3.4	2.1	1.8	1.2	1.7	1.7	
<b>PAT</b>	<b>5.4</b>	<b>6.3</b>	<b>9.8</b>	<b>5.9</b>	<b>3.7</b>	<b>3.6</b>	<b>4.9</b>	<b>4.9</b>	Hence, expect PAT/scm at ~INR 5/scm (post FY27)

Source: JM Financial, Company

**Exhibit 4: Changes in estimates**

	<b>New</b>	<b>Old</b>	<b>Divergence</b>
<b>TP (INR)</b>	1,280	1,090	17.5%
<b>Rating</b>	ADD	ADD	
<b>EBITDA (INR Mn)</b>			
FY27	12,327	13,256	-7.0%
FY28	17,011	16,314	4.3%
<b>PAT (INR Mn)</b>			
FY27	6,538	7,254	-9.9%
FY28	9,705	9,189	5.6%
<b>EPS (INR)</b>			
FY27	66.2	73.4	-9.9%
FY28	98.2	93.0	5.6%

Source: JM Financial

**Exhibit 5: DCF-based valuation**

Terminal FCF (INR Mn)	13,179
Terminal Growth Rate	4%
WACC	10.9%
Terminal Value (INR Mn)	205,498
PV of Terminal Value (INR Mn)	89,655
PV of Cash Flow (INR Mn)	37,079
Enterprise Value	126,734
Net Debt/(Net cash)	281
Total Equity value (INR Mn)	126,453
No of shares (Mn)	99
<b>Valuation (INR)</b>	<b>1,280</b>

Source: JM Financial

If EBITDA margin for FY28 onwards changes by +/- INR0.2/scm, our valuation will change by +/- INR 18/share (or +/-1.4%). Similarly, if our long term volume CAGR assumption changes by +/- 1%, our valuation will change by +/- INR 113/share (or +/- 8.8%).

**Exhibit 6: Valuation sensitivity to volume growth and EBITDA margin**

		Long term volume CAGR						
		2%	3%	4%	5%	6%	7%	8%
FY28 onwards EBITDA (INR/scm)	8.0	930	1,024	1,123	1,228	1,337	1,452	1,572
	8.2	944	1,040	1,140	1,245	1,355	1,471	1,593
	8.4	959	1,055	1,156	1,263	1,374	1,491	1,614
	8.6	974	1,071	1,173	<b>1,280</b>	1,393	1,511	1,635
	8.8	988	1,086	1,189	1,298	1,411	1,531	1,656
	9.0	1,003	1,102	1,206	1,315	1,430	1,551	1,677
	9.2	1,017	1,117	1,222	1,333	1,449	1,570	1,698

Source: Company, JM Financial

If FY28 EBITDA margin changes by +/- INR0.2/scm, our EPS will change by +/-0.9%. Similarly, if FY28 volume growth changes by +/- 1%, our EPS will change by +/- 1.3%.

**Exhibit 7: FY28 EPS sensitivity to volume growth and EBITDA margin**

		FY28 volume growth						
		6%	7%	8%	9%	10%	11%	12%
FY28 EBITDA (INR/scm)	8.0	91.9	93.1	94.3	95.5	96.7	97.9	99.1
	8.2	92.8	94.0	95.2	96.4	97.6	98.8	100.0
	8.4	93.7	94.9	96.1	97.3	98.5	99.8	101.0
	8.6	94.5	95.8	97.0	<b>98.2</b>	99.5	100.7	101.9
	8.8	95.4	96.7	97.9	99.1	100.4	101.6	102.9
	9.0	96.3	97.6	98.8	100.1	101.3	102.5	103.8
	9.2	97.2	98.5	99.7	101.0	102.2	103.5	104.7

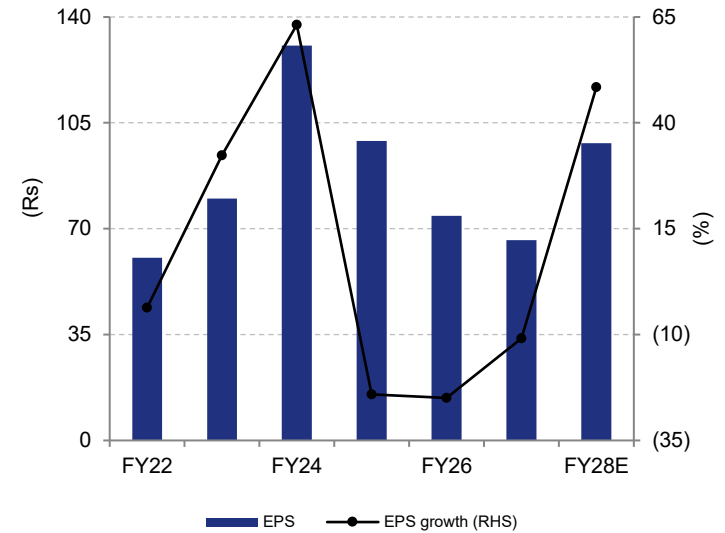
Source: Company, JM Financial

Exhibit 8: One-year forward PE chart



Source: JM Financial, Bloomberg

Exhibit 9: EPS versus EPS growth



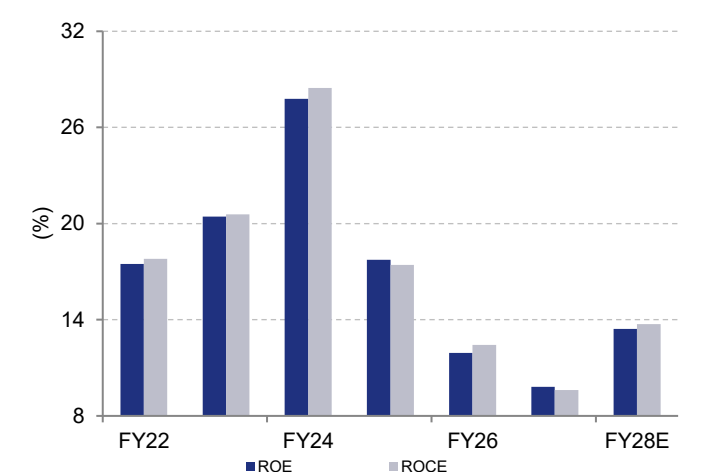
Source: JM Financial, Bloomberg

Exhibit 10: One-year forward PB chart



Source: JM Financial, Company

Exhibit 11: RoE versus RoCE



Source: JM Financial, Company

Exhibit 12: Global gas companies' valuation snapshot

Company	EV/EBITDA (x)			P/E (x)			P/B (x)			EBITDA Margins (%)			ROE (%)			FY26-FY28 CAGR (%)	
	FY26/CY25	FY27/CY26	FY28/CY27	FY26/CY25	FY27/CY26	FY28/CY27	FY26/CY25	FY27/CY26	FY28/CY27	FY26/CY25	FY27/CY26	FY28/CY27	FY26/CY25	FY27/CY26	FY28/CY27	EBITDA CAGR	PAT CAGR
<b>US Peers</b>																	
Sempra Energy	17.6	16.8	17.0	20.0	17.9	16.6	1.6	1.6	1.6	42.3	43.1	43.6	8.3	9.8	9.9	1.7	10.5
Nsource	14.2	12.4	11.3	24.9	22.9	21.0	2.2	2.0	1.9	47.7	47.8	49.8	9.4	9.3	9.5	11.9	11.8
Atmos Energy	15.0	13.3	11.7	21.8	20.5	18.9	2.0	1.9	1.7	50.9	52.8	55.3	9.5	9.3	9.2	13.2	11.3
<b>US peers average</b>	<b>15.6</b>	<b>14.2</b>	<b>13.3</b>	<b>22.2</b>	<b>20.4</b>	<b>18.8</b>	<b>2.0</b>	<b>1.8</b>	<b>1.7</b>	<b>46.9</b>	<b>47.9</b>	<b>49.5</b>	<b>9.1</b>	<b>9.4</b>	<b>9.5</b>	<b>8.9</b>	<b>11.2</b>
<b>European Peers</b>																	
Enagas	10.6	11.3	10.2	15.1	18.1	15.2	1.8	1.9	1.9	74.3	75.8	79.7	11.9	10.4	12.2	1.5	NM
<b>European peers average</b>	<b>10.6</b>	<b>11.3</b>	<b>10.2</b>	<b>15.1</b>	<b>18.1</b>	<b>15.2</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>74.3</b>	<b>75.8</b>	<b>79.7</b>	<b>11.9</b>	<b>10.4</b>	<b>12.2</b>	<b>1.5</b>	<b>NM</b>
<b>Asian peers</b>																	
ENN Energy	6.4	6.4	6.1	9.2	9.3	9.0	1.2	1.2	1.1	10.7	10.7	10.9	13.7	12.4	12.1	2.7	0.4
Towngas China	8.9	8.0	7.7	7.8	7.9	7.5	0.5	0.5	0.5	16.0	17.6	17.9	6.7	6.1	6.2	7.4	2.9
Hong Kong & China Gas	16.2	15.8	15.3	23.2	22.9	22.2	2.4	2.3	2.3	22.1	22.9	23.3	10.3	9.9	10.1	3.1	2.3
China Resources Gas	7.8	7.7	7.4	11.4	12.2	11.5	1.0	1.0	0.9	10.7	10.7	10.9	9.0	7.9	8.1	2.3	-0.1
China Gas Holdings	10.5	10.2	9.8	12.7	12.1	11.2	0.7	0.7	0.7	12.0	12.2	12.5	5.8	5.9	6.2	3.1	7.6
Beijing Enterprises	7.9	7.7	6.8	7.0	6.9	6.9	0.4	0.4	0.4	15.2	15.2	16.6	6.2	5.8	5.7	7.6	-4.0
Korea Gas	8.9	9.4	9.4	4.3	4.5	4.1	0.3	0.3	0.3	12.2	11.9	12.0	7.2	6.9	7.1	-2.7	2.1
Petronas Gas BHD	10.3	10.0	9.8	19.5	19.1	18.5	2.5	2.4	2.4	53.2	54.2	54.5	12.8	12.9	12.8	2.7	3.0
<b>Asian peers average</b>	<b>9.7</b>	<b>8.3</b>	<b>7.4</b>	<b>15.5</b>	<b>13.7</b>	<b>12.3</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>	<b>12.1</b>	<b>12.9</b>	<b>13.5</b>	<b>15.2</b>	<b>15.7</b>	<b>16.1</b>	<b>14.6</b>	<b>12.7</b>
JKL	7.2	7.0	6.3	13.1	13.0	11.8	1.8	1.6	1.5	17.9	16.8	16.9	14.8	13.4	13.7	6.9	5.3
Gujarat Gas	14.7	13.7	11.7	24.8	23.1	18.8	3.0	2.8	2.5	12.1	11.6	12.3	12.6	12.4	13.7	12.4	13.9
Retronet LNG	7.0	6.5	5.4	12.0	11.4	10.1	2.0	1.8	1.6	10.9	11.4	11.3	17.3	16.3	16.8	13.6	9.2
GAIL	10.7	9.0	8.2	14.4	12.4	11.3	1.5	1.4	1.3	8.5	9.6	10.0	10.2	11.1	11.5	14.1	13.6
GSPL	20.3	18.0	16.4	22.0	21.6	19.9	1.4	1.4	1.3	64.0	68.6	68.7	6.5	6.5	6.7	11.3	6.2
<b>Asian peers average</b>	<b>10.5</b>	<b>9.8</b>	<b>9.1</b>	<b>14.1</b>	<b>13.6</b>	<b>12.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>19.8</b>	<b>20.4</b>	<b>20.8</b>	<b>10.6</b>	<b>10.2</b>	<b>10.5</b>	<b>7.1</b>	<b>5.4</b>
<b>Global peers average</b>	<b>11.3</b>	<b>10.6</b>	<b>9.9</b>	<b>15.5</b>	<b>15.0</b>	<b>13.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>27.4</b>	<b>28.1</b>	<b>28.9</b>	<b>10.4</b>	<b>10.1</b>	<b>10.4</b>	<b>7.1</b>	<b>6.4</b>
<b>Global peers median</b>	<b>10.4</b>	<b>9.7</b>	<b>9.6</b>	<b>14.7</b>	<b>13.4</b>	<b>12.0</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>15.6</b>	<b>16.0</b>	<b>16.7</b>	<b>9.9</b>	<b>9.8</b>	<b>10.0</b>	<b>7.2</b>	<b>6.2</b>

Source: Bloomberg, JM Financial

## Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E	
Net Sales	71,979	81,273	97,332	106,809	120,077	
Sales Growth (%)	15.3	12.9	19.8	9.7	12.4	
Other Operating Income	-	-	-	-	-	
<b>Total Revenue</b>	<b>71,979</b>	<b>81,273</b>	<b>97,332</b>	<b>106,809</b>	<b>120,077</b>	
Cost of Goods Sold/Op. Exp	46,776	56,312	72,759	76,430	86,821	
Personnel Cost	1,468	1,764	1,940	2,134	2,347	
Other Expenses	8,669	9,816	10,307	11,234	12,245	
<b>EBITDA</b>	<b>15,067</b>	<b>13,382</b>	<b>12,327</b>	<b>17,011</b>	<b>18,664</b>	
EBITDA Margin (%)	20.9	16.5	12.7	15.9	15.5	
EBITDA Growth (%)	-18.2	-11.2	-7.9	38.0	9.7	
Depn. & Amort.	3,517	4,092	4,632	5,145	5,663	
EBIT	11,550	9,290	7,695	11,866	13,001	
Other Income	1,660	1,192	1,252	1,314	1,380	
Finance Cost	138	206	206	206	206	
PBT before Excep. & Forex	13,073	10,277	8,741	12,975	14,176	
Excep. & Forex Inc./Loss(-)	-	-	-	-	-	
PBT	13,073	10,277	8,741	12,975	14,176	
Taxes	3,294	2,937	2,203	3,270	3,572	
Extraordinary Inc./Loss(-)	-	-	-	-	-	
Assoc. Profit/Min. Int.(-)	-	-	-	-	-	
Reported Net Profit	9,779	7,340	6,538	9,705	10,603	
<b>Adjusted Net Profit</b>	<b>9,779</b>	<b>7,340</b>	<b>6,538</b>	<b>9,705</b>	<b>10,603</b>	
Net Margin (%)	13.6	9.0	6.7	9.1	8.8	
Diluted Share Cap. (mn)	99	99	99	99	99	
<b>Diluted EPS (INR)</b>	<b>99.0</b>	<b>74.3</b>	<b>66.2</b>	<b>98.2</b>	<b>107.3</b>	
Diluted EPS Growth (%)	-24.1	-25.0	-10.9	48.4	9.3	
Total Dividend + Tax	2,963	2,964	1,981	2,941	3,213	
Dividend Per Share (INR)	30.0	30.0	20.1	29.8	32.5	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E	
Profit before Tax	13,073	10,277	8,741	12,975	14,176	
Depn. & Amort.	3,517	4,092	4,632	5,145	5,663	
Net Interest Exp. / Inc. (-)	-209	87	-1,046	-1,108	-1,174	
Inc (-) / Dec in WCap.	731	-793	170	-272	-37	
Others	-230	468	-	-	-	
Taxes Paid	-2,687	-2,655	-2,203	-3,270	-3,572	
<b>Operating Cash Flow</b>	<b>14,196</b>	<b>11,475</b>	<b>10,294</b>	<b>13,470</b>	<b>15,055</b>	
Capex	-11,771	-10,618	-10,950	-10,466	-10,597	
Free Cash Flow	2,425	857	-656	3,004	4,458	
Inc (-) / Dec in Investments	-275	425	905	-1,330	-1,449	
Others	1,485	1,449	1,252	1,314	1,380	
<b>Investing Cash Flow</b>	<b>-10,561</b>	<b>-8,744</b>	<b>-8,794</b>	<b>-10,482</b>	<b>-10,666</b>	
Inc / Dec (-) in Capital	-	-	-	-	-	
Dividend + Tax thereon	-3,145	-3,681	-2,187	-3,147	-3,419	
Inc / Dec (-) in Loans	-	-	730	764	800	
Others	-	-	-	-	-	
<b>Financing Cash Flow</b>	<b>-3,145</b>	<b>-3,681</b>	<b>-1,457</b>	<b>-2,383</b>	<b>-2,619</b>	
<b>Inc / Dec (-) in Cash</b>	<b>490</b>	<b>-951</b>	<b>43</b>	<b>605</b>	<b>1,770</b>	
Opening Cash Balance	1,027	1,517	566	608	1,214	
Closing Cash Balance	1,517	566	608	1,214	2,983	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E	
Shareholders Fund	58,785	64,343	68,900	75,664	83,054	
Share Capital	988	988	988	988	988	
Reserves & Surplus	57,797	63,355	67,912	74,676	82,066	
Preference Share Capital	-	-	-	-	-	
Minority Interest	-	-	-	-	-	
Total Loans	-	-	-	-	-	
Def. Tax Liab. / Assets (-)	3,111	3,739	3,739	3,739	3,739	
Other non-current liabilities / Lease Liabilities	13,205	13,110	13,766	14,454	15,176	
<b>Total - Equity &amp; Liab.</b>	<b>71,990</b>	<b>77,453</b>	<b>82,665</b>	<b>90,118</b>	<b>98,231</b>	
Net Fixed Assets	59,064	66,326	72,644	77,966	82,900	
Gross Fixed Assets	68,841	78,223	88,544	98,348	108,251	
Intangible Assets	-	-	-	-	-	
Less: Depn. & Amort.	20,398	24,490	29,122	34,266	39,929	
Capital WIP	10,621	12,593	13,222	13,883	14,577	
Investments	11,779	11,693	10,524	11,576	12,734	
Current Assets	12,003	11,634	12,970	14,460	17,372	
Inventories	523	625	748	821	923	
Sundry Debtors	3,632	4,584	5,489	6,024	6,772	
Cash & Bank Balances	1,517	566	608	1,214	2,983	
Loans & Advances	2,284	2,408	2,528	2,654	2,787	
Other Current Assets	4,047	3,452	3,596	3,747	3,906	
Current Liab. & Prov.	7,745	8,461	9,734	10,146	11,037	
Current Liabilities	4,309	4,756	5,955	6,291	7,105	
Provisions & Others	3,436	3,705	3,779	3,855	3,932	
Net Current Assets	4,258	3,172	3,236	4,315	6,335	
Other Non Current Assets/ROU Assets	-	-	-	-	-	
<b>Total - Assets</b>	<b>71,990</b>	<b>77,453</b>	<b>82,665</b>	<b>90,118</b>	<b>98,231</b>	

Source: Company, JM Financial

Dupont Analysis		FY25A	FY26A	FY27E	FY28E	FY29E
Y/E Mar						
Net Margin (%)		13.6	9.0	6.7	9.1	8.8
Asset Turnover (x)		1.0	1.0	1.2	1.2	1.2
Leverage Factor (x)		1.3	1.3	1.3	1.2	1.2
RoE (%)		17.7	11.9	9.8	13.4	13.4

Source: Company, JM Financial

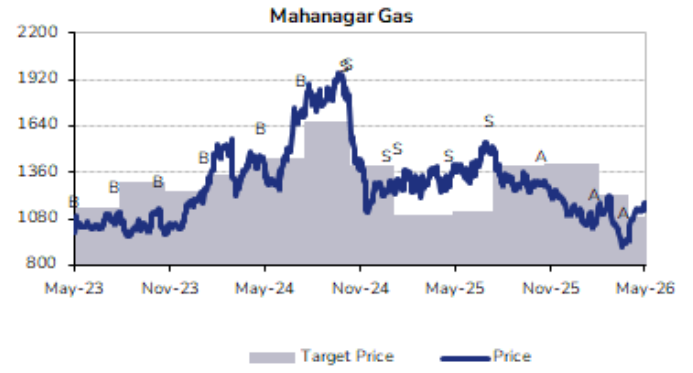
Key Ratios		FY25A	FY26A	FY27E	FY28E	FY29E
Y/E Mar						
BV/Share (INR)		595.1	651.2	697.4	765.8	840.6
ROIC (%)		21.7	13.6	10.5	14.7	14.9
ROE (%)		17.7	11.9	9.8	13.4	13.4
Net Debt/Equity (x)		-0.2	-0.2	-0.2	-0.2	-0.2
P/E (x)		11.8	15.8	17.7	11.9	10.9
P/B (x)		2.0	1.8	1.7	1.5	1.4
EV/EBITDA (x)		6.8	7.7	8.5	6.1	5.4
EV/Sales (x)		1.4	1.3	1.1	1.0	0.8
Debtor days		18	21	21	21	21
Inventory days		3	3	3	3	3
Creditor days		28	26	26	26	26

Source: Company, JM Financial

**Recommendation History Table**

Date	Recommendation	Target Price	% Chg.
7-Apr-26	Add	1,090	-10.7
8-Feb-26	Add	1,220	-13.8
29-Oct-25	Add	1,415	1.1
22-Jul-25	Sell	1,400	23.9
6-May-25	Sell	1,130	2.8
28-Jan-25	Sell	1,100	0.0
9-Jan-25	Sell	1,100	-21.4
24-Oct-24	Sell	1,400	0.0
18-Oct-24	Sell	1,400	-16.2
25-Jul-24	Buy	1,670	15.6
9-May-24	Buy	1,445	0.0
5-Apr-24	Buy	1,445	7.0
23-Jan-24	Buy	1,350	8.0
27-Oct-23	Buy	1,250	-3.9
3-Aug-23	Buy	1,300	13.1
8-May-23	Buy	1,150	15.0
2-Feb-23	Buy	1,000	0.0
11-Nov-22	Buy	1,000	0.0
5-Sep-22	Buy	1,000	0.0
7-Aug-22	Buy	1,000	

**Recommendation History Chart**



## APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

### Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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