



TM

Mahanagar Gas

29 January 2025

RESULT UPDATE

Sector: Natural Gas Rating: BUY

CMP: Rs 1,269 Target Price: Rs 1,573

Stock Info

Sensex/Nifty 76,533/23,163

Bloomberg MAHGL IN

Equity shares (mn) 99

52-wk High/Low Rs 1,989/1,075

Face value Rs 10

M-Cap Rs 125bn/ USD 1.5bn

3-m Avg Value USD 22mn

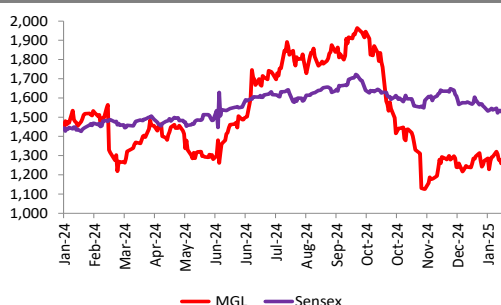
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	62	68	72
EBITDA	18	16	18
PAT	13	10	12
EPS (Rs)	131	112	120
PE (x)	9.7	12.0	10.4
EV/EBITDA (x)	6.0	6.6	5.4
RoE (%)	25.1	18.1	18.6
RoCE (%)	24.3	17.8	18.4
Dividend yield (%)	2.4	2.9	3.4

Shareholding Pattern (%)

	Jun'24	Sep'24	Dec'24
Promoter	32.5	32.5	32.5
FII	31.5	34.2	25.8
DII	16.7	15.5	21.1
Others	19.3	17.8	20.6

Stock Performance (1-year)



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Strong result amid tough conditions; Upgrade to BUY

MGL's Q3FY25 EBITDA/PAT beats our estimates by 5%/12% led by higher-than-expected gross margins and lower ETR while volume came in line with estimates. Total volume grew 12.1% YoY/1.8% QoQ to 4.1mmscmd led by 11% growth at CNG (2.92mmscmd) and 27% surge in I/C PNG to 0.65mmscmd. DPNG grew 3.9% YoY to 0.55mmscmd. However, due to lower APM allocation, gas cost increased 16.4% YoY to Rs31.8/scm while CNG realisation remained flattish YoY (+2.2% QoQ). Consequently, gross margin declined 24% YoY (-14% QoQ) to Rs14.5, better than our estimate of Rs13.7. EBITDA/scm also therefore declined to Rs8.3, -38% YoY. Absolute EBITDA declined 30% YoY to Rs3.1 bn but ETR came lower at 19% vs 24.2% QoQ and 25.5% YoY. MGL's net profit declined 29% YoY to Rs2.25 bn, better than our estimate of Rs2.0 bn.

They added 9 CNG stations in Q3FY25 (5 in Q2/16 in 9MFY25) and expect 50 new CNG stations in FY25E (majority to come in Q4). The management expects double digit volume growth in FY25 and maintained EBITDA/scm guidance of Rs9-12, depending on its sourcing situation. We cut EBITDA estimates by 4.5% for FY25 and keeping FY26E estimates unchanged. Due to the sharp correction since our last report, we upgrade the stock to a BUY from earlier HOLD with a revised TP of Rs1,573 from earlier Rs1,680 based on PER of 13x FY26E.

Higher APM gas allocations to ease margins from Q4

Recently, the government has partially reinstated the allocation of APM gas to CGD players which had been significantly curtailed during Oct-Nov'24. Previously, the proportion of domestic gas allocated to CGDs was ~70% as of mid-Oct'24, now after successive monthly revisions, this stands at ~50%. While the upward revision in allocations has provided marginal relief to CGD entities, we expect some pressure to remain in margins until spot LNG price falls. MGL hiked prices in late Nov'24 and in Jan'25 cumulative by ~₹3/kg. However, we keep our FY26E EBITDA/scm expectations unchanged on the back of expectation of sharp spot LNG price fall.

Strong vehicle addition to fuel growth

MGL core GAs witnessed 24.1% YoY growth in vehicle addition during Apr-Dec'24 which came in at 62,033 vehicles. As per Vahan data, in Dec-24 around 5,700 new CNG vehicles were added which is a jump of 8% YoY. CNG's cost advantage over traditional auto-fuels in Mumbai, along with the growing presence of retail stations, will likely drive continued adoption of CNG vehicles. In last 5 years, PNG/CNG volumes have shown 5.4%/3.6% CAGR whereas PNG/CNG customer addition has shown 9.7%/7.6% CAGR, with robust capex spending of ~7bn+ in last three years, we believe this count to rise further eventually benefiting bottomline performance.

Upgrade to a BUY from HOLD with a revised TP of Rs 1,573

MGL's growth strategy focuses on expanding customer conversions, optimizing sourcing, and enhancing infrastructure. The company in 9MFY25 has added/converted 71,139 vehicles vs 77,226 in FY24 while it aims to close FY25 with 1 lakh conversions. They have added 237 CPNG and 49 IPNG customers which takes their total count now to 4,477 and 498. We forecast volume/EBITDA/PAT CAGR growth of 8.1%/-1.6%/-3.7% during FY24-FY26E. We cut our TP to Rs1,573 from earlier Rs1,680 but upgrade the stock to a BUY from earlier HOLD.

Q3FY25 Concall Highlights

Developments:

- MGL added 9 CNG stations in Q3FY25 (5 in Q2FY25, Total: 361 stations), achieved 98,469 DPNG connections (vs 58,845 in Q2; total 2.68mn DPNG in three GAs).
- Covered 99.1kms of steel and PE pipeline (vs 70.6kms in Q2; Total PE pipeline 7,224 km). Also added 83 I/C PNG customers (Total of 4,974 I/C PNG customers).
- UPL added 3 CNG station (Total: 67 CNG stations). 4,774 DPNG connected (Total DPNG connections are 34,000) and UPL I/C PNG customers stand at 63.

Guidance:

- Maintain EBITDA/scm at Rs9-12/scm, depending on sourcing situation
- Volume growth guidance of 12%-12.5% in FY25, and also at least double-digit growth next year.
- Expects capital expenditure of Rs2-2.5bn in Q4, with a focus on steel and low-pressure pipelines.
- The company expects the 500 MW plant to start operating in 14 months.
- Expects to improve margins in the LNG market due to a predicted surplus in the next 2-3 years.
- Expect ~50 new CNG stations in FY25. ~100 MSRTC buses targeted in each of the next few quarters.

CNG conversions/addition:

- ~71,139 conversions took place in 9MFY25 vs 77,226 in FY24, targets to cross 1 lakh conversions in FY25
- In 9MFY25, the company has added 16 CNG stations, whereas last year they had added 36 stations and target to add total 50 stations in FY25

Capex:

- MGL has already spent Rs6.5bn on CapEx in the last nine months, with an additional expected spend of Rs2-2.5bn in Q4, primarily on steel and low pressure pipelines, CNG, and steel grid connectivity
- The capex for FY25 shall be approx. Rs8-9bn (Rs8bn in FY24), group capex will cross Rs 10bn.
- Investing Rs3.8 bn in the first phase of a JV with International Battery Company, with a total CapEx of Rs8.7bn (with 40% equity contribution).
- An additional Rs3.7bn for phase 2 to increase capacity from 1 GW to 4 GW.

Gas Sourcing:

- 0.5mmscmd (APM) for DPNG, 1.5mmscmd (APM) for CNG, 1.25mmscmd HH linked (now increased to 1.45mmscmd). 0.5mmscmd HPHT and 0.1mmscmd old Reliance contract which is brent linked. Small amount of ~0.25mmscmd new well gas will start receiving in Q4FY25.

Exhibit 1: Actual vs Estimates

(Rs mn)	Actual	Systematix	%Variance
Net sales	17,576	17,732	(0.9)
EBITDA	3,144	2,995	5.0
EBITDA margin (%)	17.9	16.9	100bps
Adj net income	2,254	2,005	12.4
Adj EPS (Rs)	22.8	20.3	12.4

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly Highlights

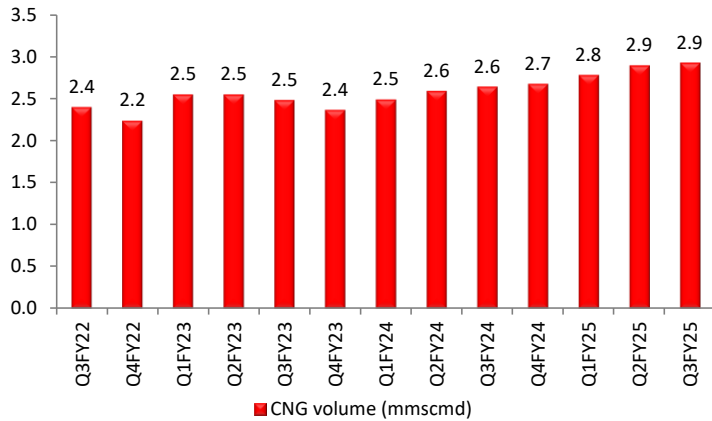
(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY %	QoQ%
Net revenue	15,688	15,671	15,896	17,116	17,576	12.0%	2.7%
Expenditure	11,201	11,733	11,712	13,131	14,432	28.8%	9.9%
EBITDA	4,487	3,938	4,185	3,985	3,144	-29.9%	-21.1%
Depreciation	683	775	719	735	791	15.8%	7.7%
EBIT	3,804	3,163	3,466	3,250	2,353	-38.1%	-27.6%
Interest	27	38	31	31	34	24.3%	10.1%
Other Income	481	446	402	512	463	-3.7%	-9.5%
PBT	4,258	3,570	3,837	3,731	2,782	-34.7%	-25.4%
Tax	1,086	920	992	903	529	-51.3%	-41.5%
ETR (%)	25.5	25.8	25.8	24.2	19.0	-25.5%	-21.5%
PAT	3,172	2,650	2,845	2,828	2,254	-28.9%	-20.3%
EPS	32.1	26.8	28.8	28.6	22.8	-28.9%	-20.3%
Volumes MMSCM							
CNG	242.2	242.6	252.3	265.5	268.6	10.9%	1.2%
PNG - Domestic	48.8	51.3	49.8	48.6	50.7	3.9%	4.3%
PNG - Industrial/ Commercial	46.8	50.1	49.0	57.8	59.4	27.1%	2.9%
Total (mmscm)	337.7	343.9	351.1	371.9	378.7	12.1%	1.8%
Total (mmscmd)	3.7	3.8	3.9	4.04	4.12	12.1%	1.8%
CNG realisation (Rs/scm)	52.1	51.0	50.0	50.8	52.0	-0.3%	2.2%
PNG realisation (Rs/scm)	47.7	46.5	48.0	48.8	47.6	-0.3%	-2.4%
Net Realisation (Rs/scm)	46.3	45.4	45.1	45.9	46.3	0.0%	0.8%
Gas cost (Rs/scm)	27.3	27.7	27.3	29.0	31.8	16.4%	9.5%
Gross Margin/scm	19.0	17.7	17.8	16.8	14.5	-23.8%	-14.2%
Opex/scm	5.8	6.4	6.0	6.3	6.3	7.9%	0.4%
EBITDA/scm	13.3	11.5	11.9	10.7	8.3	-37.5%	-22.5%

Source: Company, Systematix Institutional Research

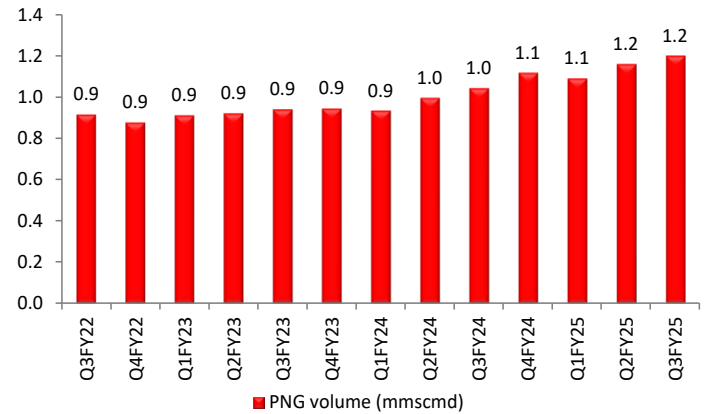
Exhibit 3: Change in estimates

Key Parameters (Rs mn)	FY25E			FY26E		
	Old	New	%Chg	Old	New	%Chg
Volume (mmscmd)	4.0	4.0	-	4.2	4.2	-
Revenue	68,244	68,244	-	71,596	71,596	-
EBITDA	16,426	15,691	(4.5)	17,540	17,849	1.8
Net Profit	11,078	10,408	(6.1)	11,851	11,955	0.9
EPS (Rs)	112.1	105.4	(6.1)	120.0	121.0	0.9

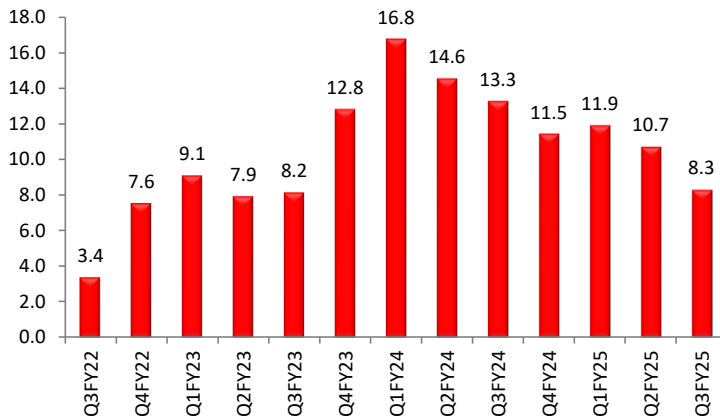
Source: Company, Systematix Institutional Research

Exhibit 4: CNG volumes (mmscmd) up 1.2%QoQ at 2.92mmscmd

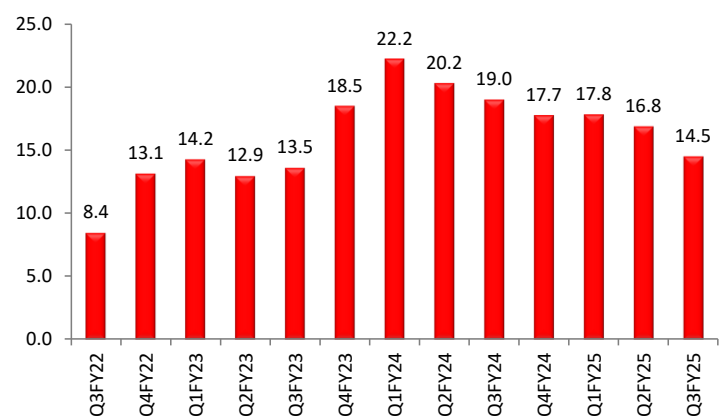
Source: Company, Systematix Institutional Research

Exhibit 5: PNG Volumes (mmscmd) up 3.5% QoQ to 1.2mmscmd

Source: Company, Systematix Institutional Research

Exhibit 6: EBITDA/scm (Rs) declined 22.5% QoQ to Rs.8.3/scm

Source: Company, Systematix Institutional Research

Exhibit 7: Gross margin (Rs/scm) dipped 14.2% QoQ to Rs14.5/scm

Source: Company, Systematix Institutional Research

FINANCIAL STATEMENTS

Profit & Loss Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenue	35,602	62,993	62,445	68,244	71,596
Raw Material cost	20,454	44,349	36,181	43,681	44,235
Gross Profit	15,148	18,644	26,265	24,563	27,361
Employee cost	833	1,079	1,181	1,240	1,302
Other expenses	5,072	5,724	6,657	7,631	8,209
EBITDA	9,243	11,842	18,426	15,691	17,849
Depreciation	1,963	2,311	2,736	3,029	3,199
EBIT	7,281	9,531	15,690	12,662	14,650
Interest Cost	75	94	115	118	98
Other Income	857	1,119	1,753	1,445	1,517
PBT Before Exceptionals	8,063	10,555	17,328	13,990	16,070
Exceptional Items	0	0	0	0	0
PBT	8,063	10,555	17,328	13,990	16,070
Tax	2,093	2,655	4,437	3,582	4,115
Reported PAT	5,970	7,901	12,891	10,408	11,955
Adjusted PAT	5,970	7,901	12,891	10,408	11,955
Reported EPS (Rs)	60.4	80.0	130.5	105.4	121.0
Adjusted EPS (Rs)	60.4	80.0	130.5	105.4	121.0

Source: Company, Systematix Institutional Research

Cash Flow

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Pre-Tax Profit	8,063	10,555	17,328	13,990	16,070
Depreciation	1,963	2,311	2,736	3,029	3,199
Change in Working Capital	1,652	134	907	2,000	989
Tax Paid	-2,122	-2,638	-4,240	-3,211	-3,740
Other Operating Activities	-519	-670	-1,100	-1,327	-1,420
Operating Cash Flow	9,037	9,693	15,631	14,480	15,099
Capital Expenditure	-6,473	-7,127	-7,698	-3,714	-4,000
Change in Investments	-357	-1,748	-2,403	-813	-848
Other Investing Activities	1,440	2,384	-2,567	1,445	1,517
Investing Cash Flow	-5,391	-6,491	-12,668	-3,082	-3,330
Free Cash Flow	3,646	3,202	2,964	11,399	11,768
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	0	0	-622	-99
Other Financing Activities	-4,113	-5,575	-1,258	-4,489	-5,119
Financing Cash Flow	-4,113	-5,575	-1,258	-5,111	-5,218
Change in Cash	-467	-2,373	1,706	6,288	6,550
Opening Cash Balance	5,119	4,652	2,279	3,985	10,272
Closing Cash Balance	4,652	2,279	3,985	10,272	16,822

Source: Company, Systematix Institutional Research

Key Assumptions

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Total volumes (mmscmd)	3.0	3.4	3.6	4.0	4.2
CNG (mmscmd)	2.1	2.5	2.6	2.9	3.0
PNG & Others (mmscmd)	0.9	0.9	1.0	1.1	1.2
Net Realization (Rs/scm)	32.3	50.2	46.9	46.2	46.1
Gross Margin (Rs/scm)	13.6	14.7	19.6	16.5	17.5
EBITDA/scm (Rs)	8.2	9.3	13.7	10.5	11.3

Source: Company, Systematix Institutional Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	988	988	988	988	988
Reserves & Surplus	34,985	40,354	50,441	56,477	63,411
Networth	35,973	41,342	51,429	57,465	64,399
Short + Long Term Debt	824	938	1,161	538	438
Deferred Tax Liabilities	7,158	8,213	9,486	10,428	11,464
Other LT Liabilities	2,008	2,086	2,441	2,812	3,187
Capital Employed	45,963	52,580	64,517	71,243	79,488
Gross Block	33,828	39,875	47,505	52,039	56,386
Accumulated Depreciation	9,195	11,506	14,242	17,271	20,470
Net Block	24,633	28,369	33,262	34,768	35,916
Capital WIP	6,159	7,086	7,743	6,922	6,576
Total Fixed Assets	30,793	35,455	41,005	41,690	42,491
Long Term Investments & Others	3,094	4,806	12,645	13,182	13,733
Current Assets	18,451	20,062	18,610	25,615	32,718
Short Term Investments	10,883	13,098	10,188	10,493	10,808
Inventories	275	338	398	435	457
Sundry Debtors	1,840	2,940	2,806	3,067	3,217
Cash & Bank Balance	4,652	2,279	3,985	10,272	16,822
Short Term Loans & Adv.	676	1,073	1,024	1,119	1,174
Others	126	334	209	229	240
Current Liabilities & Prov.	6,375	7,743	7,743	9,244	9,454
Creditors	2,719	3,222	3,342	3,990	4,080
Other Current Liabilities	3,656	4,521	4,401	5,254	5,374
Net Current Assets	12,076	12,319	10,867	16,371	23,264
Total Assets	45,963	52,580	64,517	71,243	79,488

Source: Company, Systematix Institutional Research

Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Growth					
Revenue growth	65.4%	76.9%	-0.9%	9.3%	4.9%
EBITDA growth	-1.0%	28.1%	55.6%	-14.8%	13.7%
Adjusted PAT growth	-3.7%	32.3%	63.2%	-19.3%	14.9%
Margins					
Gross margin	42.5%	29.6%	42.1%	36.0%	38.2%
EBITDA margin	26.0%	18.8%	29.5%	23.0%	24.9%
PBT margin	22.6%	16.8%	27.7%	20.5%	22.4%
Effective Tax rate	26.0%	25.2%	25.6%	25.6%	25.6%
Adjusted PAT margin	16.8%	12.5%	20.6%	15.3%	16.7%
Operating Cycle					
Inventory days	3	2	2	2	2
Debtor days	19	17	16	16	16
Creditor days	38	23	28	28	28
Working Capital Cycle	-16	-4	-9	-9	-9
Return Ratios					
ROE	16.6%	19.1%	25.1%	18.1%	18.6%
Pre-tax ROCE	15.8%	18.1%	24.3%	17.8%	18.4%
Capex/revenue	18.8%	11.1%	9.6%	8.8%	5.6%
Net debt / Equity	0.0	0.0	0.0	0.0	0.0
Yield Analysis					
CFO Yield	9.0%	9.9%	16.0%	14.2%	15.1%
FCF Yield	1.9%	2.1%	7.5%	6.8%	9.0%
Dividend Yield	2.0%	2.1%	2.4%	2.9%	3.4%
Valuation					
P/E (x)	20.8	15.8	9.7	12.0	10.4
P/B (x)	3.5	3.0	2.4	2.2	1.9
EV/Sales (x)	3.1	1.7	1.8	1.5	1.4
EV/EBITDA (x)	11.9	9.3	6.0	6.6	5.4

Source: Company, Systematix Institutional Research

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