

| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|-----------------------|------------|--|----------------------|----------------------|--------------|
| City Gas Distribution | Rs 1904.65 | Buy in Rs 1885-1925 band and add on dips in Rs 1700- 1735 band | Rs 2080 | Rs 2245 | 2-3 quarters |

| | |
|------------------------|----------|
| HDFC Scrip Code | MAHGAS |
| BSE Code | 539957 |
| NSE Code | MGL |
| Bloomberg | MAHGL IN |
| CMP Sept 20, 2024 | 1904.65 |
| Equity Capital (Rs Cr) | 98.8 |
| Face Value (Rs) | 10.0 |
| Equity Share O/S (Cr) | 9.9 |
| Market Cap (Rs Cr) | 18814.2 |
| Book Value (Rs) | 521.0 |
| Avg. 52 Wk Volumes | 684,866 |
| 52 Week High | 1942.0 |
| 52 Week Low | 979.05 |

| Share holding Pattern % (June, 2024) | |
|--------------------------------------|------|
| Promoters | 32.5 |
| Institutions | 48.2 |
| Non Institutions | 19.3 |
| Total | 100 |



**HDFCsec Retail research
stock rating meter**

for details about the ratings, refer at the end of the report
* Refer at the end for explanation on Risk Ratings

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Our Take:

Mahanagar Gas Limited, (MGL) one of the India's leading Natural Gas Distribution Companies enjoys a dominant position in Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) distribution in Greater Mumbai (GA1), its expansion areas (GA2) and Raigad (GA3). At present, GAIL is the only promoter in the company, holding 32.5% stake in the company. By the provisions of the PNGRB Act, the company enjoys infrastructure exclusivity in GA3 for a 25-year period, i.e., till 2040. Despite the expiry of MGL's marketing exclusivity in both GA1 and GA2 a few years ago and infrastructure exclusivity in May 2020 for GA1, we expect it to continue to enjoy a dominant market share because of its established infrastructure network.

MGL achieved its highest-ever capex spent of ~Rs 250 crore in Q1FY25 and Rs 870 crore in FY24 vs. Rs 686 crore in FY23. Internal budget approval for capex is in the range of Rs 900-1,000 crore for FY25E (for MGL ~Rs 800 crore and UEPL ~Rs 200 crore) and capex for FY26 and FY27 is expected to be around Rs 1,000 crore p.a. MGL is undertaking capex to expand its network in Raigad (GA3) as well as the existing GAs. MGL continues to expand its CGD infrastructure and has connected more than 2.5 million households. MGL has put in place large plans to augment its gas distribution network in the existing Mumbai region and expand its network in the surrounding regions of Mumbai.

MGL's domestic PNG customers stood at 2.53 mn, total pipeline length stood at 7,054 km, it added two CNG stations to 348 CNG stations in Q1FY25 and added 104 Industrial & commercial customers, that stood at 4,845 as of June 30, 2024. In Raigad GA, household connections stand at 80,854, 47 CNG stations were operational and total pipeline length stands at 424 km. Expanding its infrastructure across the geographies could help to fill the demand at its GAs.

The growth of the CNG segment largely depends on further conversion of auto-rickshaws and taxis to CNG and its cost advantage over alternative fuels. The domestic PNG segment will continue to benefit from the cessation of LPG subsidy by the government. The conversion of vehicles in Mumbai and its adjoining areas improved in Q1FY25, stood at ~20,000. However, the industrial and commercial PNG segment could continue to face intense competition from alternative liquid fuels and lithium-ion batteries. Focus on expanding its gas network in its existing and new GAs, favourable economics vs alternate fuels, expectation of new demand from CNG-2 Wheeler, and the acquisition of UEPL could support ~10% CAGR volume growth over FY24-26E with estimated volumes of 4.1/4.4mmcmd for FY25/26E.

On March 26, 2024, we had issued Stock Update report ([Link](#)) on Mahanagar Gas Ltd and recommended to buy in the Rs 1326-1354 band and add further on dips to Rs 1194-1218 band for base case target of Rs 1485 and bull case target of Rs 1577. The stock achieved its both