4th September 2025

INITIATING COVERAGE

MAHANAGAR GAS LTD

AXIS SECURITIES

BUY
Target Price
1,540

Robust Fundamentals at Attractive Valuation; Initiate with BUY

We initiate coverage on Mahanagar Gas Limited (MGL) with a BUY recommendation and a target price of Rs 1,540/share, implying a potential upside of 20% from the current market price (CMP). MGL is a leading player in India's city gas distribution (CGD) sector, operating in the Mumbai Metropolitan Region and surrounding areas, where it is a dominant player. Leveraging its presence in one of the country's most urbanised and high-income regions, MGL has established a strong foundation in the natural gas industry. The company is now entering a new growth phase, supported by geographical expansion, favorable policy tailwinds, and a renewed focus on customer acquisition across multiple segments. As of June 30, 2025, MGL serves ~4.8 Mn urban households, with infrastructure that includes 471 CNG stations, ~1.2 Mn CNG vehicles, ~2.9 Mn PNG household connections, and 5,224 industrial and commercial customers. Over the next five years, the company targets to add 180 km of steel pipelines (over 690 km of existing pipeline), 250 CNG filling stations, alongside increasing market penetration, accelerating digital initiatives, ensuring cost-effective and reliable gas sourcing, and pursuing growth through inorganic CGD expansion and diversification within the broader energy space. We project a robust 9.5%/8% EBITDA/PAT CAGR over FY25–28E, driven by a 9.4% volume CAGR over the same period, supported primarily by network expansion in GA-3 (Raigad) and UEPL.

Investment Thesis

- **Strategic Expansion Unlocking New Growth Avenues:** MGL's volume growth stood at 4.9% CAGR over FY19-24, which lagged the CGD sector growth of 7.9% CAGR over the same period. This was due to the lower capex spend of Rs 300-400 Cr per annum till FY21. The company has stepped up capex from FY22 onwards, reaching ~1,000 Cr in FY25 and guided for higher capex of Rs 1,100-1,300 Cr at least for the next couple of years. It also acquired Unison Enviro Pvt Ltd (UEPL) in Feb'24, adding the prospective Ratnagiri, Latur-Osmanabad, and Chitradurga-Davangere districts to its portfolio. These newer geographical areas (GAs) offer large untapped potential, especially in commercial and industrial segments where PNG penetration remains low. Higher capex spending will boost the infrastructure in newer GAs, which along with the marketing initiatives will drive volume growth in future. In FY25, it achieved gas volumes of 4.24 mmscmd (up 13% YoY), a 17.6% CAGR over FY21-25 (FY21 impacted base). Management guides at high single-digit to low double-digit volume growth for at least 2-3 years. We estimate volume to grow at 9.4% CAGR over FY25-28E and 8.7% CAGR over FY25-30E.
- **Volume Growth to Support Earnings:** We estimate a robust 9.5%/8% EBITDA/PAT CAGR over FY25–28E, driven by a 9.4% volume CAGR over the same period. Volume growth should be driven by network expansion in GA-3 (Raigad) and UEPL (~50%/~40% YoY growth in GA-3 and UEPL in FY25). Growth could get a further boost if regulatory or legislative actions pick up to promote clean air in the Mumbai Metropolitan Region (MMR). We expect EBITDA margin to sustain between ~Rs 9-10/scm in the medium term, in line with the management guidance. MGL's margin is higher than peers due to lower gas costs, helped by better sourcing (low dependence on crude-linked LNG). We expect this to sustain as more Henry-Hub-linked gas is becoming available, which should come to MGL from the parent GAIL.
- **Policy Tailwinds and Priority Gas Allocation:** MGL benefits from policy support through priority allocation of low-cost domestic gas under the Administered Pricing Mechanism (APM). Regulatory initiatives aimed at improving air quality in metros like Mumbai are expected to drive volume growth by promoting cleaner fuel adoption in the industrial and transportation sectors. Currently, natural gas accounts for 7% of India's primary energy mix, with a government target to raise this to 15% by 2030. A key driver of this growth will be the expansion of the City Gas Distribution (CGD) segment, which plays a critical role in the broader natural gas ecosystem. India's CGD market is projected to nearly double from $11.33 Bn in 2025 to $20.93 Bn by 2030. As of Mar'25, there were ~1.5 Cr domestic piped gas connections and around 8,000 CNG stations. By 2032, CGD companies aim to scale up the network to 12.6 Cr residential consumers, significantly expand commercial and small industrial coverage, and increase the number of CNG stations to 18,300 nationwide.

Valuation & Recommendation: We initiate coverage on the company with a **BUY** rating and arrive at our TP of Rs 1,540 using DCF, implying 20% upside from the CMP. We value MGL on a DCF basis, with a WACC of 11.6% and a terminal growth rate of 3%. The key downside risks to our TP are i) slower-than-expected volume growth due to slower growth in CNG vehicles, ii) rising input costs due to reduced allocation of low-cost domestic gas (APM Gas) and greater reliance on market-linked imported gas, affecting its margins, and iii) Faster EV adoption and lower alternative fuel prices.

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E	FY28E
Net Sales	6,924	8,524	9,225	10,384
EBITDA	1,510	1,685	1,828	1,985
Net Profit	1,041	1,122	1,222	1,316
EPS (Rs.)	105.3	113.6	123.7	133.2
PER (x)	12.2	11.3	10.4	9.7
P/BV (x)	2.2	1.9	1.7	1.5
EV/EBITDA (x)	7.5	6.5	5.9	5.3
ROE (%)	18%	17%	16%	15%

Source: Company, Axis Securities

(CMP as of 03rd September, 2025)

CMP (Rs)	1,285
Upside /Downside (%)	20%
High/Low (Rs)	1,989/1,075
Market cap (Rs Cr)	12,695
Avg. daily vol. (6m) Shrs.	5,92,375
No. of shares (Cr)	9.87

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	32.50	32.50	32.50
FIIs	25.75	23.76	25.48
MFs / UTI	10.27	13.27	10.86
Banks / FIs	0.00	0.00	0.00
Others	31.48	30.47	31.16

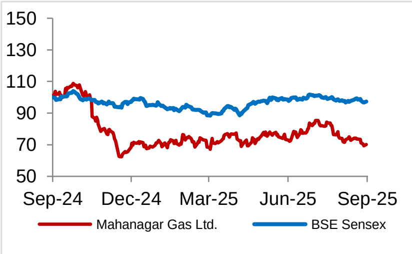
Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	6,924	8,524	9,225
EBITDA	1,510	1,685	1,828
Net Profit	1,041	1,122	1,222
EPS (Rs.)	105.3	113.6	123.7
PER (x)	12.2	11.3	10.4
P/BV (x)	2.2	1.9	1.7
EV/EBITDA (x)	7.5	6.5	5.9
ROE (%)	18%	17%	16%

(Key Growth %)

Y/E Mar	FY26E	FY27E	FY28E
Net Sales	23	8	13
EBITDA	12	9	9
Net Profit	8	9	8

Relative Performance



Source: Ace Equity, Axis Securities

Aditya Welekar
Sr. Research Analyst
aditya.welekar@axissecurities.in

Darsh Solanki
Research Associate
darsh.solanki@axissecurities.in

Story in Charts

Exhibit 1: 9.4% Volume CAGR FY25-28E driven by higher capex

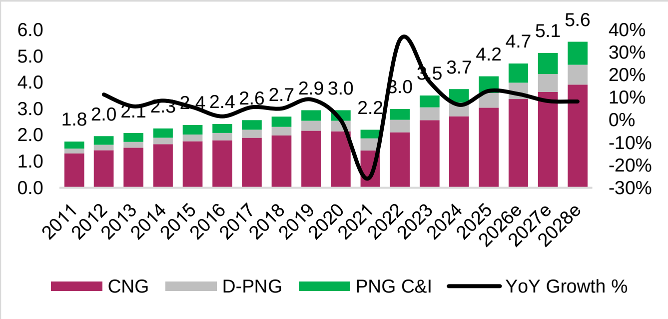
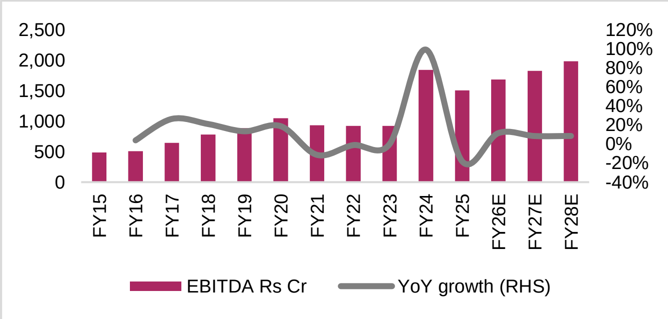


Exhibit 2: 9.5% EBITDA CAGR over FY25-28E led by Volume growth



Source: Company, Axis Securities

Exhibit 3: PAT (Rs Cr) to grow led by EBITDA growth

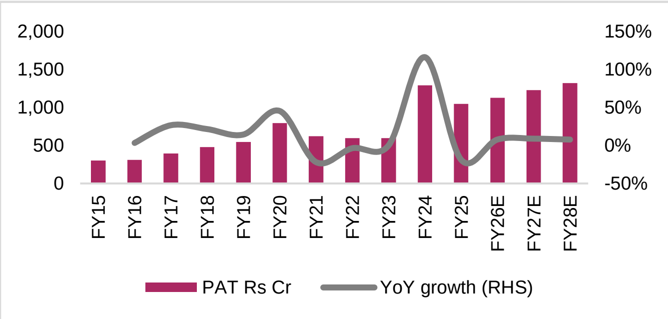
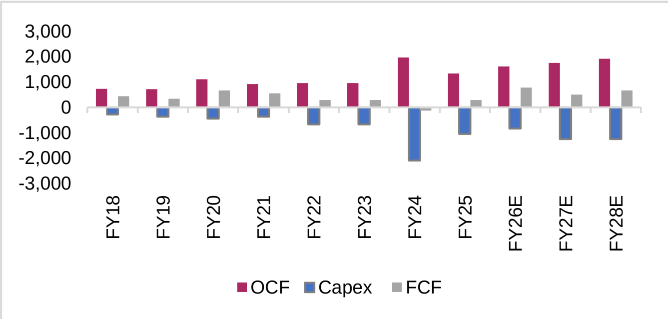


Exhibit 4: FCF to remain positive despite higher capex led by higher OCF on account of volume growth



Source: Company, Axis Securities

Exhibit 5: APM allocation to decline structurally for CGDs

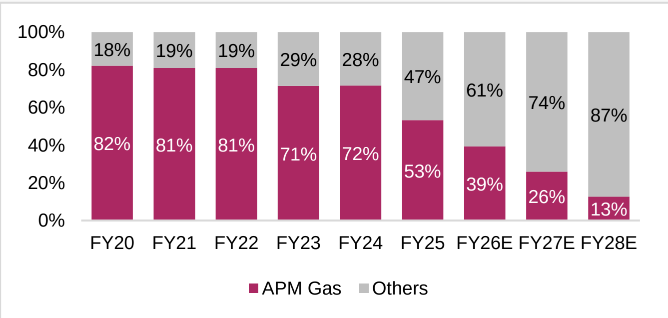
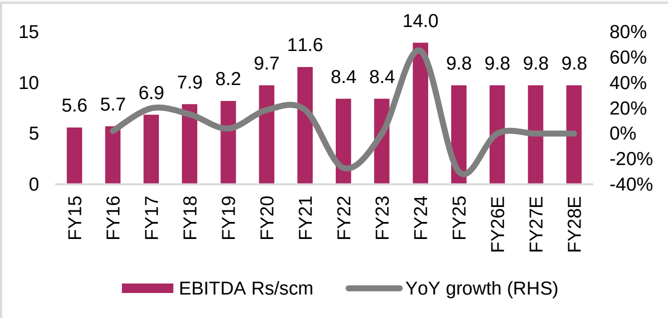


Exhibit 6: EBITDA (Rs/scm) at Rs 9-10/scm despite rise in gas cost



Source: Company, Axis Securities

Exhibit 7: Net cash and cash equivalent position to strengthen (Rs Cr)

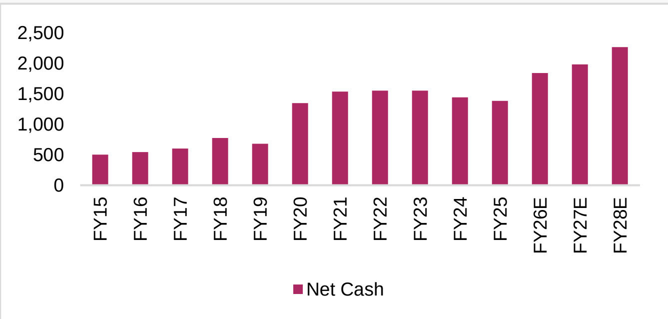
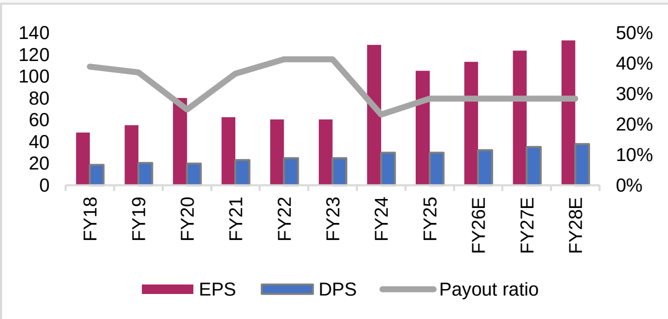


Exhibit 8: Consistent payout ratio maintained



Source: Company, Axis Securities

Company Background

MGL is one of the largest city gas distribution (CGD) Companies in India, providing Compressed Natural Gas (CNG) for mobility and Piped Natural Gas (PNG) to residential (D-PNG), commercial, and industrial customers, serving Mumbai, Urban Thane, and Raigad district of Maharashtra

Mahanagar Gas Ltd (MGL) was incorporated in 1995, with GAIL and British Gas (BG) as its promoters. It was listed on 1st Jul'16 on NSE & BSE. Post IPO, GAIL & BG held 32.5% each, and the Government of Maharashtra held a 10% stake of the company. BG group was globally taken over by Shell in 2016 & by Aug'19, BG had completely divested its shareholding in the company. Currently, GAIL (32.5% stake) is the promoter, and public shareholding includes the Maharashtra government (10% stake) with ~48% share held by domestic and foreign institutions, while the balance 9.4% held by non-institutional public and others.

MGL is one of the largest city gas distribution (CGD) companies in India, providing Compressed Natural Gas (CNG) for mobility and Piped Natural Gas (PNG) to residential (D-PNG), commercial, and industrial customers (C&I), serving Mumbai, Urban Thane, and the Raigad district of Maharashtra. MGL did a strategic acquisition of 100% equity share capital of Unison Enviro Private Limited (UEPL) on 1st Feb'24 at a cash consideration of Rs 562 Cr. UEPL (100% wholly-owned subsidiary) has been authorised by PNGRB to implement the City Gas Distribution (CGD) network in the Geographical Areas (GAs) of Ratnagiri, Latur & Osmanabad in the state of Maharashtra and Chitradurga & Davanagere in the State of Karnataka. **UEPL was amalgamated into MGL on 16th Aug'25.**

Business Segments and Areas of Operations

The Company has a single operating segment that is "Sale of Natural Gas" in India. MGL operates across 3 GAs, viz:

- GA-1 - Mumbai & Greater Mumbai,
- GA-2 - Thane Urban and adjoining Municipalities and
- GA-3 - Raigad District.

Through the UEPL acquisition, MGL got access to new territories, viz. Ratnagiri (GA-4), Latur-Osmanabad (GA-5) in Maharashtra and Chitradurga & Davanagere (GA-6) in Karnataka. This expansion has broadened the customer base and network and derived synergies, positioning MGL to take advantage of the burgeoning CGD sector in India.

Including UEPL, MGL's area of operation stands at ~45,700 sq. ft. Km, domestic household connections at 28.9 Lc, 11.91 Lc CNG vehicles, 471 CNG stations aided by 690 and 7,284 km of steel and PE pipeline, respectively. In addition to the domestic household connections, MGL also supplies natural gas to Industrial and commercial customers.

Exhibit 9: MGL Current Infrastructure & Areas of Operations

		Area of operation (Sq. Km.)	PNG Household Connections (Lc)	CNG Vehicles ('000)	CNG Stations (Nos.)	Pipeline (Steel) in Km	Pipeline (PE) in Km	Industrial & Commercial Customers
MGL	GA 1	465	14.03	525.00	152.00	244.00	3,365.00	3,539.00
	GA 2	990	13.50	581.00	168.00	267.00	3,183.00	1,585.00
	GA 3	6,917	0.97	28.00	65.00	140.00	339.00	37.00
	Total MGL SA	**8,372**	**28.50**	**1,134.00**	**385.00**	**651.00**	**6,887.00**	**5,161.00**
UEPL	Ratnagiri	8,276	0.24	21.00	27.00	9.00	141.00	56.00
	Latur & Osmanabad	14,726	0.04	25.00	35.00	23.00	62.00	3.00
	Chitradurga & Davanagere	14,360	0.14	11.00	24.00	6.00	194.00	4.00
	Total UEPL	**37,362**	**0.42**	**57.00**	**86.00**	**38.00**	**397.00**	**63.00**
	Total	**45,734**	**28.92**	**1,191.00**	**471.00**	**690.00**	**7,284.00**	**5,224.00**

Source: Company

Priority Segment Forms Majority of Sales Volumes

The Ministry of Petroleum and Natural Gas (MoPNG) oversees the allocation of domestic natural gas in India, giving precedence to sectors vital for economic growth. Top priority is assigned to piped natural gas (D-PNG) for domestic household cooking and compressed natural gas (CNG) for transportation. Natural gas is also distributed to sectors such as power generation, Urea manufacturing, and LPG production.

MGL's majority of sales volume comes from the priority segment of CNG and D-PNG. In FY25, 84.7% revenue was from the priority sector, while the balance 15.3% was from C&I, i.e., the Commercial and Industrial PNG sector.

The majority of the company's sales volume comes from the mature markets of GA I (Mumbai) and GA II (Thane) and forms 90% of the total sales volume in FY25. GA I and GA II sales volume grew by 1% and 9% CAGR, while the newer GA, i.e., GA III (Raigad), is growing at a much faster pace at 53% CAGR over FY19-25. UEPL has also started contributing to volume growth, with sales volume growing by 42% YoY in FY25. In FY25, overall sales volume grew by 13% YoY to 4.24 mmscmd, led by growth across all GAs.

MGLs majority of sales volume comes from the priority segment of CNG and D-PNG. In FY25, 84.7% revenue was from the priority sector while the balance 15.3% was from C&I i.e., commercial and Industrial PNG sector.

Exhibit 10: Sales volume by GAs

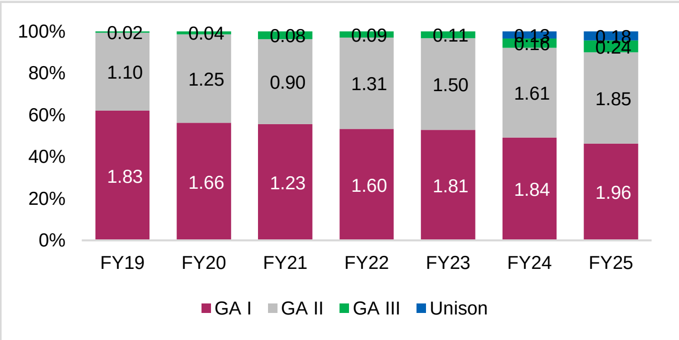
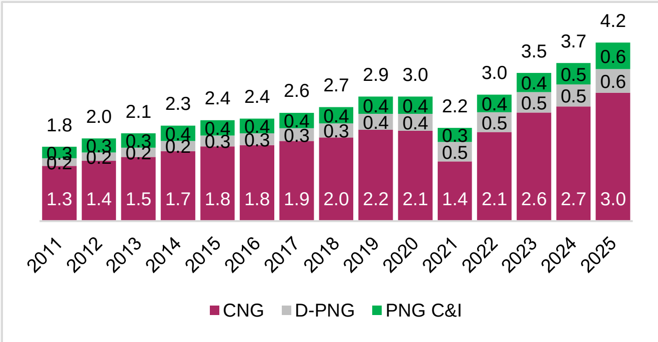


Exhibit 11: Priority segment forms majority of sales volume (mmscmd)



Source: Company

Exhibit 12: Priority segment share in FY25

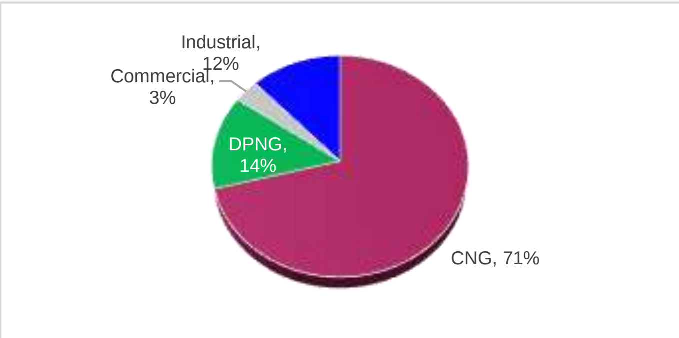
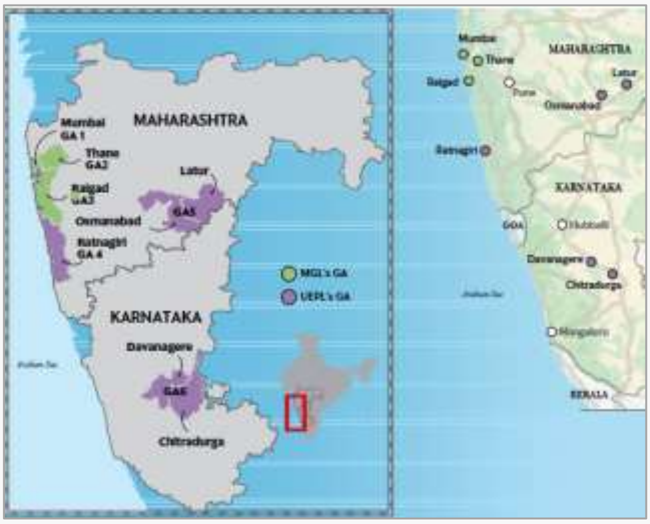


Exhibit 13: MGL GAs (Geographical Areas)



MGL		(Sq. Km.)	UEPL		(Sq. Km.)
GA-1	Mumbai	465	GA-4	Ratnagiri	8,276
GA-2	Thane	990	GA-5	Latur-Osmanabad	14,726
GA-3	Raigad	6,917	GA-6	Chitradurga-Davanagere	14,360
	Total Area	8,372		Total Area	37,362

Total Area of Operation (Sq. Km.) **45,734**

Source: Company

Key Growth Drivers

Good Volume Growth Outlook

Management expects volumes to grow by high single digit / low double digits for at least 2-3 years supported by incentives being given to new industrial consumers, network expansion in new geographical areas (GA)

MGL’s volume growth stood at 4.9% CAGR over FY19-24, which lagged the CGD sector growth of 7.9% CAGR over the same period. This was due to the lower capex spend of Rs 300-400 Cr per annum till FY21. Capex spending picked up from FY22 onwards, with capex increasing to Rs 648/672/800 Cr in FY22/23/24. In FY25, the capex grew further to Rs 1,023 Cr. Led by the higher capex, MGL's infrastructure has grown over the last few years. Over FY18-25, the domestic connectivity has increased by 156%, CNG stations have increased by 73%, and overall volumes have grown by 50%.

The company has guided that its core MGL capex will continue to remain high at Rs 1,100-1,300 Cr per annum at least for the next couple of years as it builds up its pipeline network and CNG infrastructure in newer GAs, i.e., Raigad, Ratnagiri, Latur, and Osmanabad in Maharashtra, and Chitradurga and Davanagere in Karnataka. The higher capex in the upcoming years will catalyse further growth for the company.

Exhibit 14: Infrastructure Growth

		Mar'18	Mar'25	% Growth
Domestic Connectivity	Nos.	11,08,686	28,32,747	156%
Domestic Conversions	Nos.	9,51,115	18,61,304	96%
CNG Stations	Nos.	223	385	73%
Online	Nos.	186	269	45%
DBS	Nos.	37	116	214%
Steel Pipeline	KMs	427	641	50%
PE Pipelines (MP + LP)	KMs	4,615	6,819	48%
DRS	Nos.	57	82	44%
CNG Vehicles	Nos.	6,09,276	11,13,402	83%
I&C Customers	Nos.	3,604	5,105	42%
Volumes	MMSCMD	2.7	4.05	50%

Source: Company

Volume guidance: Management expects volumes to grow by high single-digit/low double-digits for at least 2-3 years, supported by incentives being given to new industrial consumers, network expansion in new geographical areas (GA) and high capex.

In the newer GA III production is expected to rise from the level of 0.35 mmscmd in FY25 to 0.6-0.7 mmscmd in 3-4 years. Currently, UEPL is clocking volumes of 0.25 mmscmd, and it will scale up to >1 mmscmd in the next 4-5 years. In FY26, 40% YoY volume growth is expected at UEPL.

We project strong volume growth, with a CAGR of 9.4% over FY25–28E and 8.7% over FY25–30E, factoring in the volumes from the UEPL acquisition. We project CNG volumes to grow at a CAGR of 8% during FY25–30E, and PNG growth at a healthy 10% CAGR, supported by ongoing market expansion efforts with slightly higher growth in C&I as against D-PNG.

Exhibit 15: Capex picked up from FY22 onwards

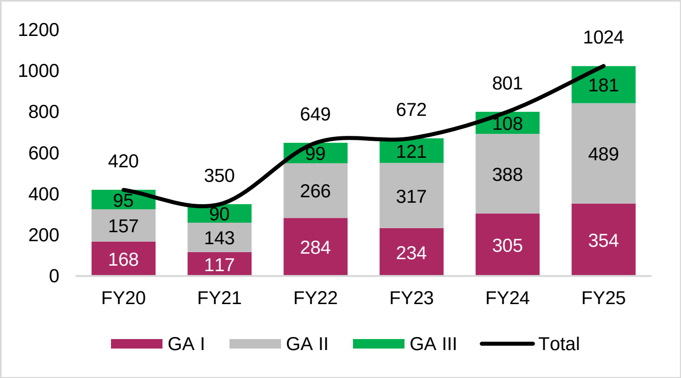
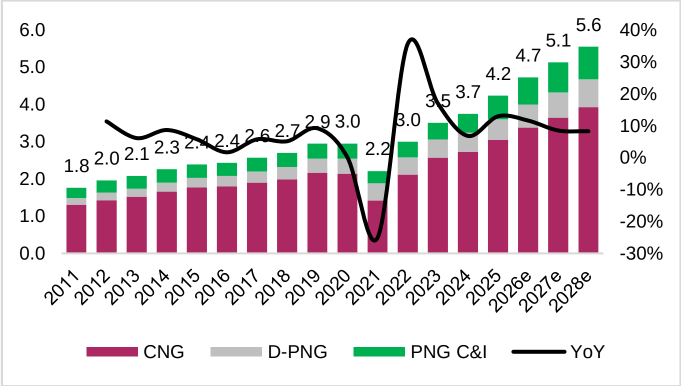


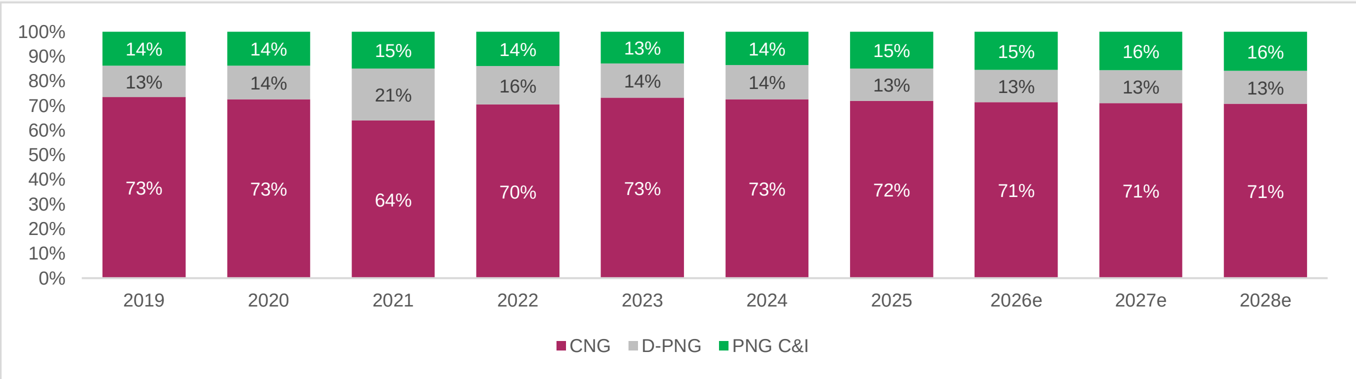
Exhibit 16: Double-digit volume growth (mmscmd)



Source: Company, Axis Securities

The volume mix is projected to remain stable, with CNG contributing around 71% in FY28. Meanwhile, the share of domestic PNG may remain muted at 13%, whereas industrial and commercial PNG is expected to rise to 16%.

Exhibit 17: Volume mix is projected to remain stable



Source: Company, Axis Securities

Strengthening the Infrastructure

MGL is focused on strengthening its existing infrastructure for supporting rapid customer growth and geographic expansion, especially following the UEPL acquisition. It has plans for expanding areas of operations in the next 5 years by adding:

- **180 km of steel pipeline:** Over the coming years, the company plans to add more than 180 km of steel pipeline to this existing infrastructure. MGL, together with UEPL, currently operates 690 km of steel pipelines.
- **250 CNG filling stations:** It plans to add 250 CNG filling stations to its existing infrastructure of 471 CNG stations.
- **Better utilisation of capacity (BEST Tez):** MGL Tez, a mobile platform launched in collaboration with BEST, enables commercial CNG vehicle users to pre-book refuelling slots at designated BEST bus depots. Piloted at Ghatkopar and Goregaon in 2023, it expanded to 13 more depots by Apr'25, and MGL now plans to cover all 15 BEST depots across Mumbai. The initiative enhances depot utilisation by:
  - Reducing congestion through scheduled time slots and digital payments.
  - Maximising infrastructure usage by opening underutilised high-capacity dispensers to private vehicles.

Improving efficiency, allowing higher vehicle throughput and smoother traffic flow around depots.

Strategic expansion into diverse segments

- **Battery Manufacturing JV:** The company has entered into a JV (44% holding will be accounted as an associate company) with US-based 'International Battery Company' (IBC US) to manufacture lithium-ion battery cells in India at Bangalore. It will cater to applications in 2 & 3-wheeler electric vehicles (EVs) as well as Battery Energy Storage Systems (BESS) in India. The project will have a 1 GWh capacity, which is expected to be commissioned in two phases beginning in 2026. The 1st phase of 500 MWh is expected to start from Q1CY26, and the 2nd phase by Q2CY27. The expected capex on the project is Rs 350 Cr, and MGL has already disbursed Rs 35 Cr in Jan'25. The facility aims to scale up production to 5 GWh by 2030 and explore new technologies such as solid-state, sodium-ion and LFP/LFMP batteries. Land for the project has been secured from the Karnataka Industrial Areas Development Board (KIADB).
- **EV Mobility (3EV):** The company holds a 25% stake (associate company) in 3EV Industries Pvt Ltd, a Bangalore-based manufacturer of L5-category 3W EVs across cargo and passenger segments. An investment of Rs 73 Cr has been made out of a total commitment of Rs 96 Cr. Post receipt of investment from MGL, 3EV has demonstrated significantly better performance, with revenue increasing by ~200% & vehicle sales by ~90% in FY25.
- **Renewable Energy and Hydrogen:** The company has also initiated a pilot project to evaluate green hydrogen applications in transport and the blending process. MGL is expanding its footprint in renewable energy, starting with a 6.5 MW plant to meet the power requirement at COCO (Company-Owned, Company-Operated) CNG stations.
- **Compressed Biogas (CBG):** The company is also developing a large-scale CBG project in Mumbai & a medium-sized project in Davanagere in Karnataka using municipal solid waste (MSW) as feedstock. MGL's Deonar Mumbai CBG plant will be the largest in India with a source segregated organic MSW processing capacity of 1,000 Tonnes Per Day (TPD). MGL has signed an MOU with the City Corporation of Davanagere to establish a 150 TPD CBG plant again, based on MSW. Currently, land is awaited from BMC for the Mumbai project, and an MOU has been signed with Davangere Municipal Corporation. Total CBG cost will be ~Rs 600-650 Cr as per preliminary assessment. MGL investment will be through a JV partner through a mix of debt and equity; with equity from MGL will be ~Rs 130 Cr.

- **LNG Infrastructure:** Through its JV Mahanagar LNG Pvt. Ltd. (MLPL) (51% stake in JV with Baidyanath LNG Private Limited), the company commissioned its 1^{st} LNG station in Aurangabad in Oct'24, touching daily sales of 4.5 tons and technically commissioned its 2^{nd} LNG station at Seoni (MP), and commercial sales are expected to start soon. MLPL has plans to commission an additional 3 LNG stations (at Amravati, Bhiwandi, and JNPT) in FY26 to support long-haul freight decarbonisation. MLPL positions the company to capture an estimated 15-20% market share in key corridors such as Mumbai-Pune, Mumbai-Nashik, and Mumbai-Nagpur in the newly opened Samruddhi Mahamarg. LNG sales at MGL's existing Savroli station have shown steady growth, reaching a peak sales volume of 4.6 tonnes per day. LNG offers lower fuel costs and a cleaner alternative to diesel with significant reductions in CO_2 and particulate emissions.

Increasing Market Penetration

Building on the strong response to its first edition, it launched 'CNG Mahotsav 2.0' from Sep'24 to Mar'25, focusing exclusively on accelerating CNG adoption in the CV segment

CNG Mahotsav Accelerated CNG Adoption in the CV segment

MGL launched the 'MGL CNG Mahotsav 1.0' from Sept'23 to Mar'24 to promote the adoption of CNG vehicles in Mumbai, Thane, and Raigad. The scheme offered attractive incentives from Rs 19,999 for new or retrofitted CNG cars up to Rs 5 lakh for commercial vehicles (CVs) - either as fuel cards or upfront benefits. MGL collaborated with leading OEMs and CNG kit distributors to ensure quality retrofitting and wider adoption. The fuel cards were usable at over 310 CNG outlets, including select BEST bus depots via the "MGL Tez" app. The initiative saw strong traction, leading to a 4x growth in heavy commercial vehicle (HCV) conversions and a 73% increase in CV retrofitments. This campaign reinforced MGL's commitment to clean energy and further strengthened its position in the green mobility segment.

CNG Mahotsav 2.0 Reinforced MGL's Push for Green Commercial Transport

Building on the strong response to its first edition, it launched 'CNG Mahotsav 2.0' from Sep'24 to Mar'25, focusing exclusively on accelerating CNG adoption in the CV segment. Under the scheme, an incentive was available as a fuel card up to Rs 4.5 lakh for purchasing new CNG CV from partner OEMs or converting existing diesel vehicles to CNG. MGL also issued a work order to Nawgati, a domestic fuel aggregator startup, to run a dedicated fleet program during the initiative across Mumbai, Thane, and Raigad. Through this partnership, Nawgati enabled seamless digital fleet management and dual-payment CNG refuelling options, enhancing convenience for operators and supporting cleaner mobility. The CNG Mahotsav 2.0 scheme led to the addition of 624 vehicles (~30 buses), primarily in the medium and heavy commercial vehicles of >=3.5 tons capacity. It invested Rs 32-34 Cr for the scheme.

The initiative further demonstrated MGL's leadership in clean fuel solutions and its continued commitment to driving sustainable urban transportation.

Exhibit 18: Incentive amounts for CNG Mahotsav 1.0 and 2.0

Type	Gross Vehicle Weight (GVW) in Tons	Fuel Card / Incentive Value (Rs/ Vehicle)	
		Sep'23 to Mar'24	Sep'24 to Mar'25
Car	NA	19,999	19,999
Light Commercial Vehicle (LCV)	> 3.5, < 10	2,00,000	1,80,000
Intermediate Commercial Vehicle (ICV)	≥10, < 15 tons	3,50,000	3,15,000
Heavy Commercial Vehicle (HCV)	≥15	5,00,000	4,50,000
Buses	NA	3,00,000	2,70,000

Source: Company

While the incentive values for CNG Mahotsav 2.0 saw a moderate reduction, the scheme was successful for fleet conversions. This reduction reflects a shift towards sustainable incentive optimisation following strong uptake in phase 1, and increased collaboration with OEMs and CNG retrofit partners. Importantly, the incentive for cars remains unchanged at ₹19,999, preserving retail momentum. The improvements show MGL's balanced strategy, aiming to increase CNG adoption while keeping costs under control and making sure the program can grow sustainably in the Mumbai Metropolitan Region (MMR).

PNG Promotional Drives

To enhance penetration and ease of access across consumer segments, MGL rolled out several targeted promotional schemes in FY25.

- **Special drives for bakeries:** For small businesses like bakeries impacted by statutory directives, MGL launched a relief initiative by waiving security deposits and actual charges for upgrading existing metering units, helping them transition smoothly to safer and more compliant gas infrastructure.
- **Commercial A initiative:** MGL deployed 23 dedicated downstream contractors to complete internal pipeline work at no cost to customers. Furthermore, it took ownership of securing fire compliance certifications before initiating gas supply, with no extra charge, significantly reducing onboarding complexity and costs for commercial establishments.
- **Special waivers for gasified buildings**, including the complete removal of application charges and registration fees under its Fixed Daily Charges (FDC) and EMI schemes.
- **On the marketing and sales front**, incentive programs such as PNG IRONMAN (rewarding individual sales achievements) and MISSION FATEH (team-based, zone-wise performance rewards) were introduced to boost direct sales effectiveness. Institutional and digitally registered customers were also offered one-time credits of Rs 1,500 and Rs 1,000, respectively, on their first bill to encourage new connections.

Complementing these offers, the high-impact Khushiyan Lakhon Ki campaign ran between 15th Nov and 31st Dec'24 and was extended till Mar'25, and featured a lucky draw for new PNG customers, with prizes ranging from Rs 1,000 to Rs 1,00,000. As a result of the program, MGL saw nearly double the number of new registrations from gasified buildings in Mumbai and its neighbouring areas of Navi Mumbai, Thane, Mira-Bhayander, Kalyan, Dombivili, Ambernath, Badlapur, Bhiwandi, Taloja, Ulwe, etc. (source)

Regulatory Judicial intervention could drive volume growth.

Bombay High Court directives and BMC enforcement led to faster transitioning from wood/charcoal to PNG in commercial sectors, plus rising CNG use in transport fleets, aligning with MGL's network. Compliance notices to 400+ eateries and 260 bakeries should boost industrial/commercial customer growth, supporting volume growth. Maharashtra is also considering phasing out diesel vehicles in the Mumbai MMR (Mumbai Metropolitan Region). Management expects potential court orders favouring CNG adoption for CVs and PNG mandates for eateries, enhancing MGL's growth trajectory.

Gas Sourcing Mix to turn adverse; however, efficient gas sourcing to minimise the impact

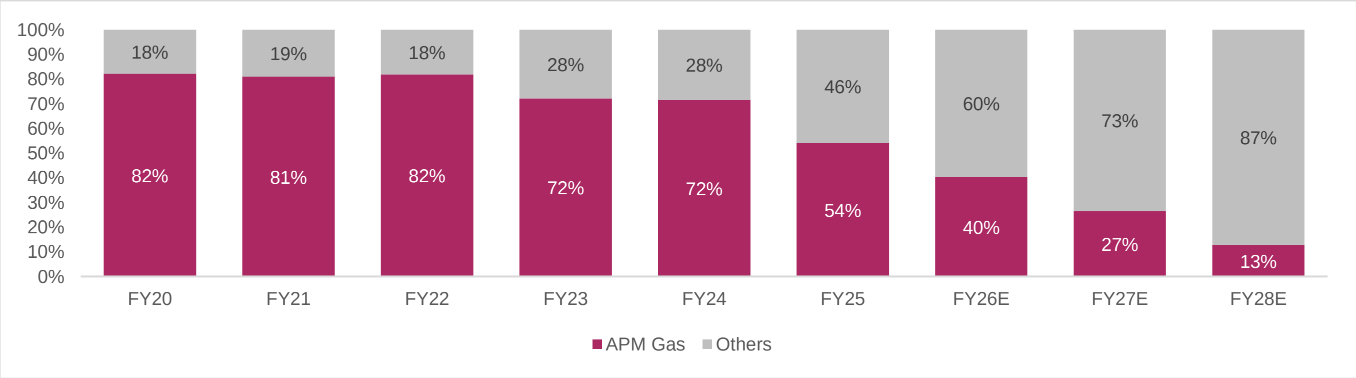
Due to the declining APM (Administered Price Mechanism) gas allocation, the sourcing mix is turning adverse for CGDs, including MGL.

- **Reason for lower APM allocation:** Production from mature APM fields is declining annually by ~9–10% as recovery from old and ageing fields continues to fall, reducing the share of lower-priced domestic gas.
- **Sourcing Mix:** Priority segment (D-PNG and CNG) forms the majority (~85% of sales volume in FY25) for MGL. For D-PNG - 100% APM allocation is available. For CNG, it sources a mix of APM, HPHT, NWG and market-determined price Term & spot. Cheaper APM currently comprises 35% of gas sourcing for CNG.
- **Sourcing mix in Q1FY26:** In the overall gas sourcing in Q1FY26, APM was 1.69 mmscmd, New Well Gas (NWG) and HPHT were about 0.5 mmscmd each, term LNG was 1.15 mmscmd (majority of which

was Henry-Hub linked), and the remaining 0.4 mmscmd was from spot through IGX (which was HPHT). Management expects APM gas to fall by 10-12% each year and eventually become zero.

- **Policy response:** To aid CGD planning, MoPNG introduced advance allocation (quarter ahead) and pro-rata NWG sharing via GAIL from Q1FY26.
- **MGL's flexible sourcing strategy:** MGL endeavours to source natural gas most cost-effectively, with its sourcing linked to multiple indices, smaller contracts at regular intervals to enable changeover based on market trends. It enters into term contracts with flexible conditions, enabling the mixing of cheaper *spot* prices whenever available.

Exhibit 19: Gas Sourcing mix – APM Gas share to keep falling



Source: Company, Axis Securities

Key Financial Metrics

Demonstrated good pricing power

Due to a decline in the cheaper domestic APM gas sourcing, MGL has witnessed an increase in its gas sourcing cost. However, it has been able to pass on the increase in gas prices to its customers. Management has guided at a 9-10% volume CAGR for the next 2-3 years and a stable EBITDA/scm of Rs 9-10/scm.

Exhibit 20: Spread between realisation and gas cost likely to be maintained

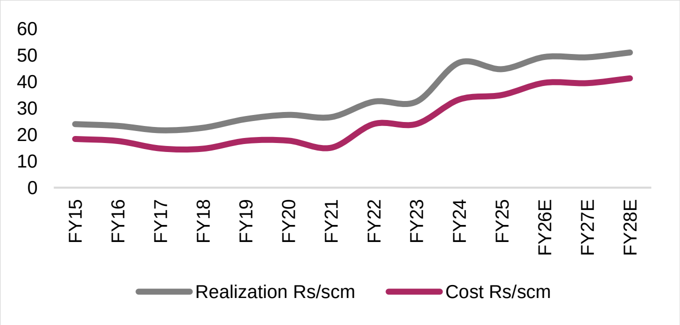
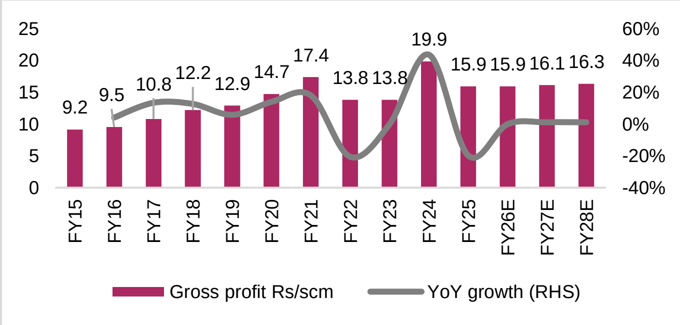


Exhibit 21: leading to a stable gross margin



Source: Company, Axis Securities

Exhibit 22: Opex to rise led by infrastructure addition

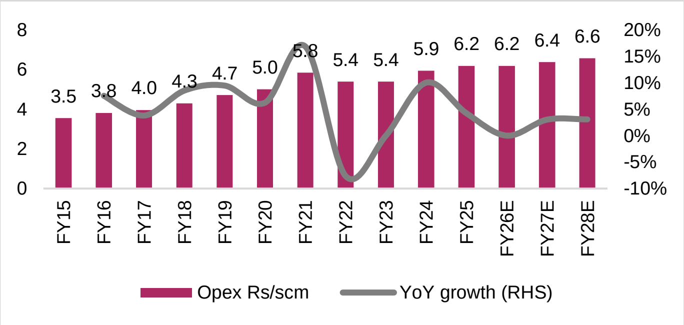
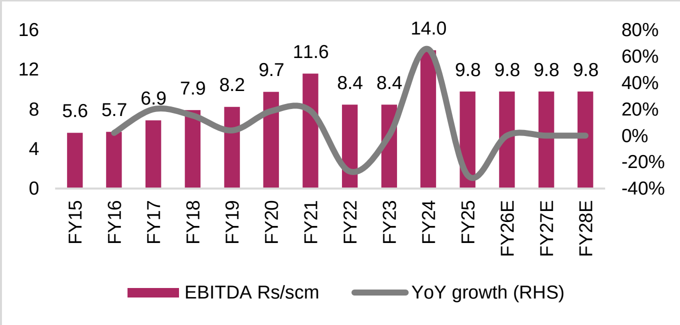


Exhibit 23: EBITDA/scm guidance at Rs 9-10/scm



Source: Company, Axis Securities

EBITDA: We model MGL's EBITDA to grow by 9.5% CAGR over FY25-28E, led by 9.4% volume CAGR over the same period. We estimate 8% CAGR in PAT over the same period, driven by EBITDA growth.

EBITDA margins came under pressure in FY25 due to a sharp decline in the APM gas allocation, leading to higher gas costs. However, it is likely to stabilise going forward, with EBITDA/scm likely to stabilise around Rs 9-10/scm. MGL's strategy is to source natural gas cost-effectively, with the sourcing linked to multiple indices, smaller contracts at regular intervals to enable changeover based on market trends.

We model MGL's EBITDA to grow by 9.5% CAGR over FY25-28E led by 9.4% volume growth. We estimate 8% CAGR in PAT over the same period, driven by EBITDA growth.

Exhibit 24: EBITDA CAGR of 9.5% FY25-28 led by 9.4% volume CAGR

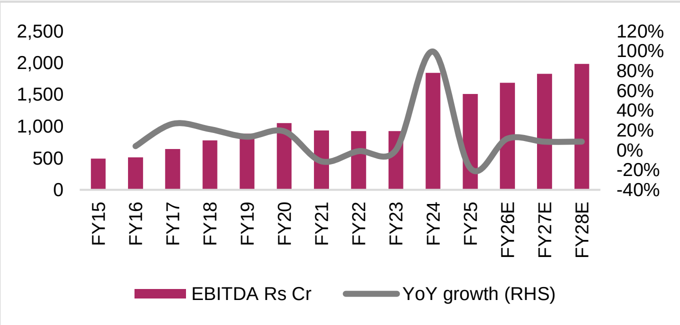
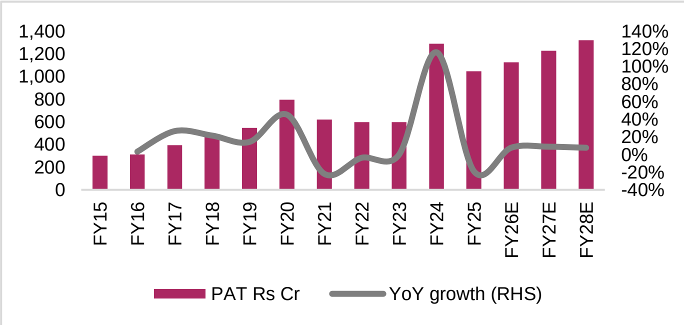


Exhibit 25: leading to 9% PAT CAGE over FY25-28



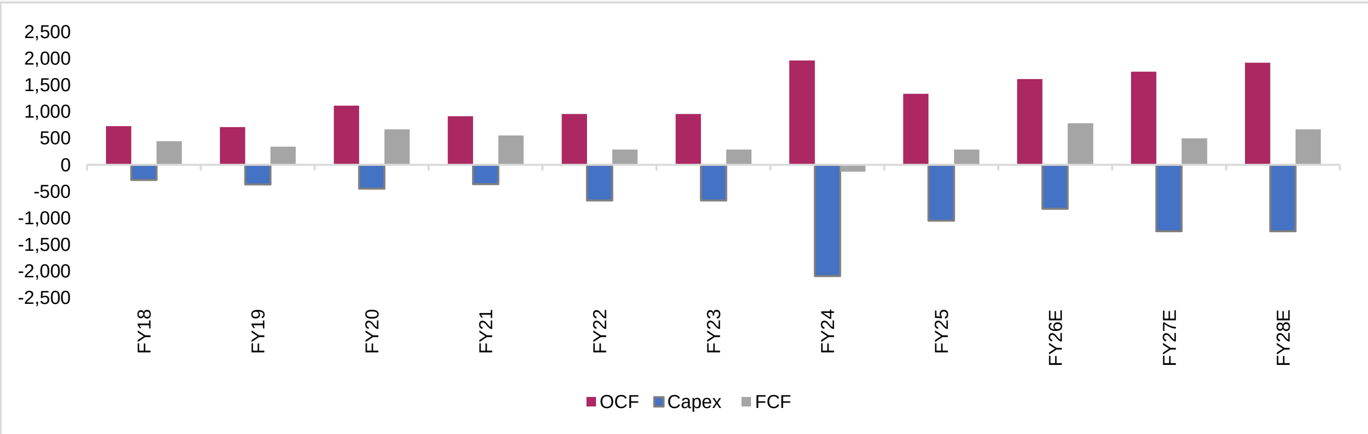
Source: Company, Axis Securities

Working capital: MGL's EBITDA to OCF conversion is healthy, as working capital is limited due to lower inventory days and stable receivable days. Due to the nature of the gas transmission business, which does not require storage of the gas as it is transported from GAIL/Oil India, the inventory days are in the low single digits. Over the years, MGL's receivables days stood low in the range of 15-20 days as the majority of the sales (~70%) are from CNG, where the vehicle owners pay the money whenever they fill the gas. The next major segment of sales (14%) is from D-PNG, which pays the bills within 15-20 days after the bill is generated. The Payable days are also stable around 35 days, with the change in numbers caused largely by variation in the gas cost.

MGL's FCF was consistently positive, led by lower capex spend of Rs 300-400 Cr per annum till FY21. Capex spending picked up from FY22 onwards; however, the infrastructure has also grown, leading to higher OCF. The company has guided that its capex will continue to remain high at Rs 1,000-1,300 Cr per annum in the coming years as it builds up its pipeline network and CNG infrastructure in newer GAs. With the accompanied volume growth, the FCF will continue to remain healthy post growth capex.

Company has guided that its capex will continue to remain high at Rs 1,000-1,300 Cr per annum in the coming years as it builds up its pipeline network and CNG infrastructure in newer GAs.

Exhibit 26: FCF to remain positive despite growth capex



Source: Company, Axis Securities

Net Debt: As of Mar'25, MGL is a net cash company with net cash and current investments at Rs 1,387 Cr. **DPS**: It has consistently paid dividends with a payout ratio in the range of 25-30% and a dividend yield of around 2.5-3%

Exhibit 27: Net cash to rise further (Rs Cr)

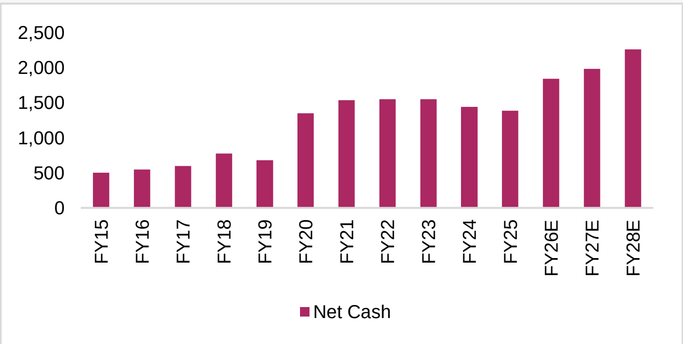
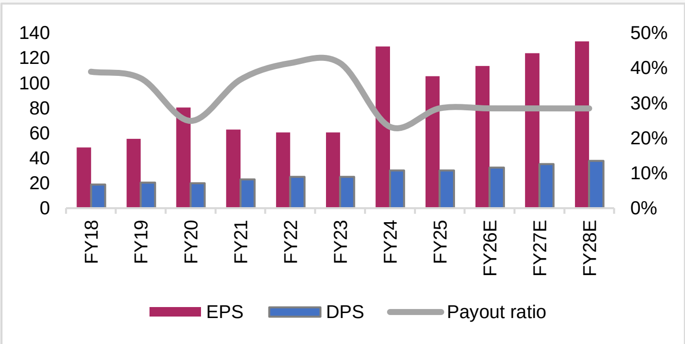


Exhibit 28: Consistent dividend payout



Source: Company, Axis Securities

Valuation & Recommendation

We initiate coverage of Mahanagar Gas Ltd (MGL) with a BUY recommendation and a target price of Rs 1,540/share, which implies an upside of 20% from the CMP.

With the acquisition of Unison Enviro Pvt Ltd (UEPL) and expansion into Raigad (GA-3), MGL is now pursuing multi-city growth. These newer geographical areas (GAs) offer large untapped potential, especially in commercial and industrial segments where PNG penetration remains low. MGL has been stepping up capital expenditure with a sharp increase in infrastructure investments to develop these regions. The company's targeted efforts to convert vehicle fleets and industrial users to gas, including initiatives like the 'CNG Mahotsav', are already reflecting in volume growth resumption and improved customer onboarding.

We value the company using the DCF method, considering a WACC of 11.6%. We forecast cash flows for 15 years and post that use a terminal growth rate of 3.0% to arrive at the terminal value. We add net cash and investments at a 30% discount to arrive at our **target price of Rs 1,540 per share reflects an upside of 20% from the CMP**. We recommend **BUY on the stock as the valuation is attractive at the CMP**.

Our TP of Rs 1,540 implies a FY27E EV/EBITDA of 7.3x, a P/E of 12.5x, against LT average of 6.9x and 12.0x respectively.

We value the company using DCF method, considering a WACC of 11.6%. Our target price of Rs 1,540 per share reflects an upside of 20% from the CMP. We recommend BUY.

Exhibit 29: DCF Valuation

Rs Cr	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY36E	FY37E	FY38E	FY39E	FY40E
EBITDA	**1,510**	**1,685**	**1,828**	**1,985**	**2,137**	**2,292**	**2,447**	**2,609**	**2,761**	**2,922**	**3,082**	**3,227**	**3,363**	**3,510**	**3,662**	**3,825**
(-) Adjusted Tax	362	404	438	476	512	549	586	625	661	700	738	773	806	841	877	916
(+) D&A*Tax rate	73	76	88	99	115	133	132	143	154	165	176	165	173	181	189	196
(-) Capex	1,147	1,250	1,250	1,250	1,000	1,000	1,000	1,000	1,000	1,000	800	800	800	800	800	800
(+) Change in WC	6	28	(0)	12	3	2	11	13	(17)	16	16	16	16	18	22	23
FCFF	**80**	**134**	**228**	**371**	**743**	**878**	**1,003**	**1,140**	**1,237**	**1,402**	**1,736**	**1,835**	**1,947**	**2,068**	**2,196**	**2,327**
Discount Factor			1	2	3	4	5	6	7	8	9	10	11	12	13	14
WACC		12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Discount Factor		1.00	0.90	0.80	0.72	0.64	0.58	0.52	0.46	0.42	0.37	0.33	0.30	0.27	0.24	0.22
Discounted Cashflow		**134**	**204**	**297**	**535**	**566**	**580**	**590**	**574**	**583**	**647**	**612**	**582**	**554**	**527**	**501**

	Rs Cr	Rs/share
PV of Cash Flows	7,486	758
PV of Terminal Value	5,822	589
Total DCF Value (Core MGL)	**13,308**	**1,347**
Investments (at 30% discount to book)	90	9
F26E Net Cash	1,843	187
Equity value	**15,240**	**1,540**
CMP		1,285
% Upside		**20%**
Share count (Cr)	9.9	
Terminal Growth	3.0%	
WACC	11.6%	

Source: Axis Securities

Stock valuation is attractive compared to historical averages

MGL's valuation at CMP looks attractive as the stock has corrected by 19% from its recent high of Rs 1,543/share in Jul'25. Against the last 5-year average of 12.0x, 2.2x and 6.9x consensus 12MF P/E, P/B and EV/EBITDA, respectively, the stock is currently trading at 11.2x, 1.8x and 7.0x respectively, largely inline/slightly below with the LT averages.

Exhibit 30: MGL 12MF P/E: trading at 11x vs LT average of 12x

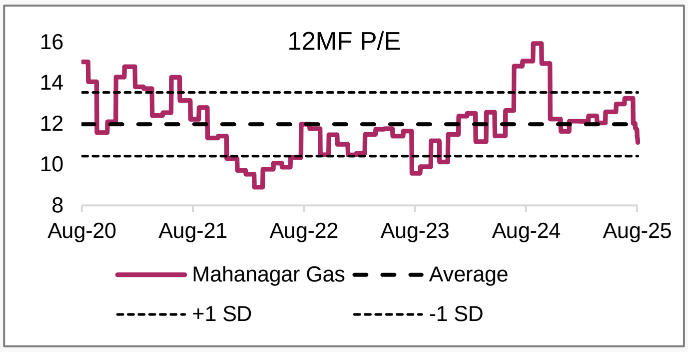
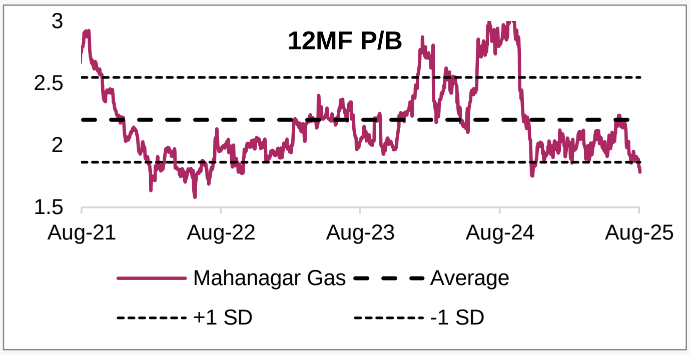


Exhibit 31: MGL 12MF P/B: trading at 1.8x vs LT average of 2.2x



Source: LSEG Workspaces

Exhibit 32: MGL 12MF EV/EBITDA: trading at 7.0x vs LT average of 6.9x

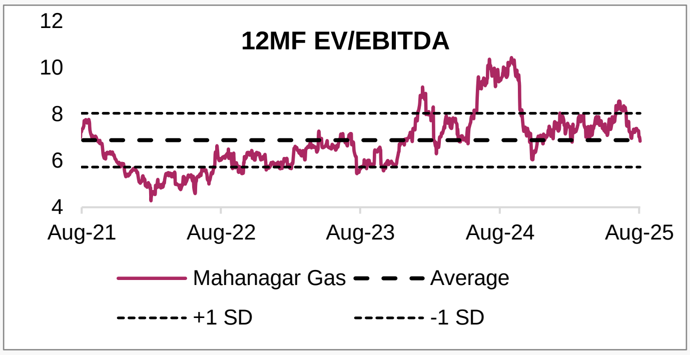
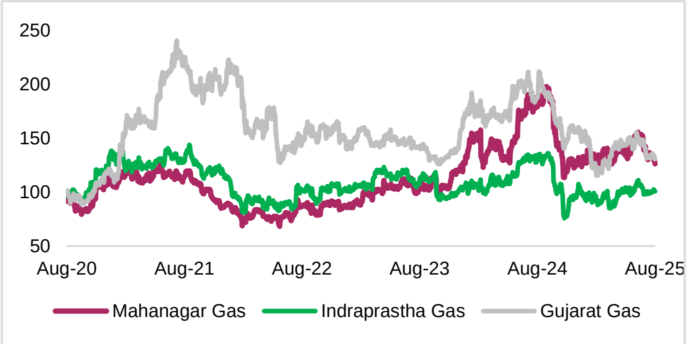


Exhibit 33: Share price performance CGD Peers



Source: LSEG Workspaces

Exhibit 34: Peers Comparison

Company	Mkt Cap	PE (x)				PB (x)				EV EBITDA (x)				ROE (%)			
	Rs Cr	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
Mahanagar Gas Ltd	12,607	12.32	11.61	10.97	10.85	2.17	1.90	1.70	1.53	7.59	7.04	6.42	6.13	18.55	17.30	16.39	15.10
Indraprastha Gas Ltd	30,361	18.55	17.13	15.67	15.43	2.99	2.79	2.51	2.26	13.70	11.98	10.81	10.35	16.69	17.19	17.20	15.77
Gujarat Gas Ltd	30,085	26.50	25.50	20.74	19.13	3.56	3.25	2.93	2.67	15.30	14.84	12.69	11.62	13.84	13.07	14.51	14.79
Mean		**19.12**	**18.08**	**15.79**	**15.14**	**2.91**	**2.65**	**2.38**	**2.16**	**12.20**	**11.29**	**9.97**	**9.36**	**16.36**	**15.86**	**16.03**	**15.22**

Source: LSEG Workspaces, priced as of 2nd Sep'25

Experienced Management Team

The Board consists of eight directors comprising five Independent Directors, including one Woman director.

Management Team	Details
Mr. Sandeep Kumar Gupta *Chairman*	Mr. Sandeep Gupta was appointed Chairman of Mahanagar Gas Limited on October 31, 2023. He is also CMD of GAIL (India) Limited. A Fellow Chartered Accountant with over 35 years in the oil & gas industry, he brings deep expertise in finance, international trade, and strategic operations, having held leadership roles at IOCL.
Mr. Ashu Shinghal *Managing Director*	Mr. Ashu Shinghal was appointed Managing Director on the Board of Mahanagar Gas Limited on December 23, 2022. A Mechanical Engineer from NIT Silchar with an MBA in Operations, he has over 31 years of experience in the hydrocarbon sector. Formerly Executive Director and Chief Risk Officer at GAIL, he has led strategic initiatives across project execution, LNG risk management, and profit maximisation, and currently holds directorships in Unison Enviro Pvt. Ltd. and Mahanagar LNG Pvt. Ltd.
Mr. Ajay Sinha *Deputy Managing Director*	Mr. Ajay Sinha brings with him over three decades of rich and diverse experience in the Oil and Gas industry. An Electrical Engineer from the University of Roorkee, he also holds an MBA degree from IIT, Delhi. He joined GAIL as a Graduate Engineer Trainee and rose through the ranks to his present position of Deputy Managing Director, Mahanagar Gas Limited..

Source: Company

Key Risks & Mitigation

Key Risks	Mitigation
Gas Cost and Margin Pressure: MGL faces rising input costs due to reduced allocation of low-cost domestic gas (APM Gas) and greater reliance on market-linked imported gas, affecting its margins.	• The company is diversifying gas sourcing, securing long-term contracts, and optimising procurement strategies to manage cost volatility.
Expiry of Exclusivity Rights: The potential expiry of both marketing and infrastructure exclusivity in Mumbai and Greater Mumbai poses risks for the company in terms of increased competition, which could impact the company's competitiveness and margins.	• The company has challenged for exclusivity rights on core legal principles and has also given its representation before the PNGRB, sharing its views on how the exclusivity can be opened while protecting the interests of the Company. The matter is currently pending for disposal before the Delhi High Court.
Infrastructure Expansion Delays: Delays in land acquisition, permissions, and vendor constraints could slow the expansion of CNG stations and PNG pipelines.	• MGL is working closely with authorities, improving project execution capabilities, and prioritising high-demand areas for rollout.
Regulatory and ESG Compliance: Stricter environmental and safety regulations may increase compliance burden and operational risks.	• MGL is enhancing internal audits, training, and ESG monitoring to meet regulatory standards proactively.
Market and Currency Volatility: Exposure to global oil and gas prices and currency fluctuations can impact procurement costs and profitability.	• A balanced gas sourcing mix and strategic pricing policies help cushion against market swings.
EV Transition Risk: Increasing adoption of electric vehicles may reduce long-term demand for CNG in the transport sector.	• MGL is co-locating EV chargers, expanding into industrial PNG and LNG segments, and diversifying its energy offerings.

Source: Company, Axis Securities

Industry Overview

India's Natural Gas Reserves are on a Declining Trend

India's Natural Gas reserves as of Mar'24 are estimated at 1,094 bcm, with the majority (31%) situated in the western offshore, followed by 24% in the Eastern Offshore and 15% in Assam. The reserves are on a declining trend, with the offshore reserves being more capital-intensive, requiring advanced technology for extraction.

As of the estimates of 2020, Russia has the largest gas reserves (at ~20% of the global gas reserves), followed by Iran at 17%, and Qatar at 13%, while Indian reserves are only 0.7% of the total global reserves. (Source: Energy Institute's Statistical Review of World Energy, 2024)

Exhibit 35: India's Natural Gas Reserves (Balance Recoverable) as on 31st March (BCM)

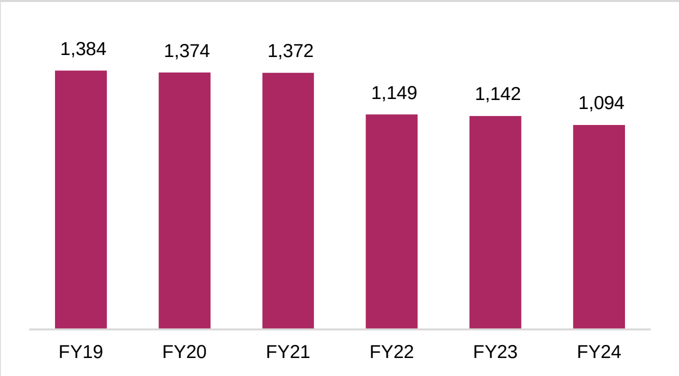
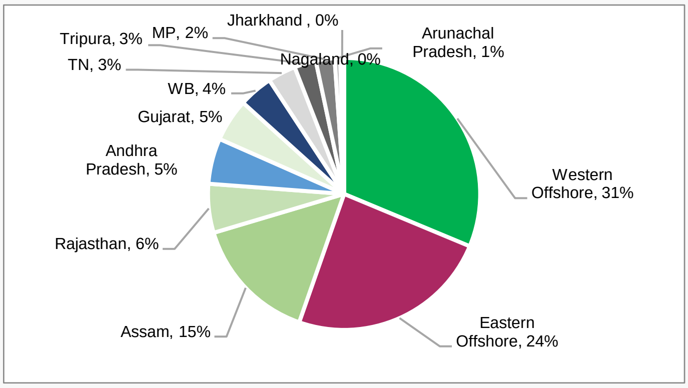
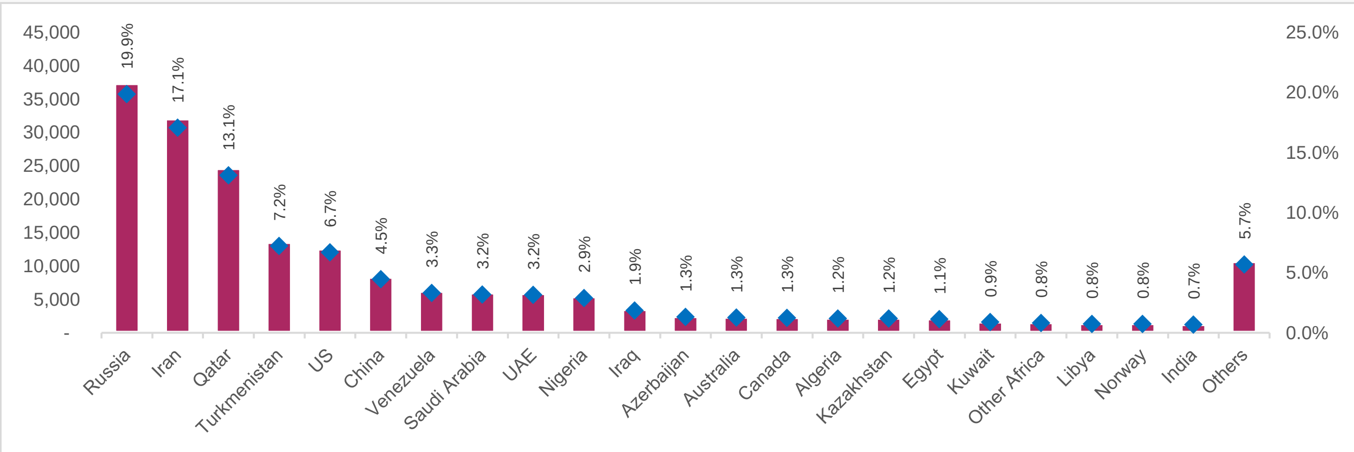


Exhibit 36: State-wise Balance Recoverable Reserves of Natural Gas



Source: IPNG Statistical report

Exhibit 37: Natural gas reserves by countries as of 2020 (BCM)



Source: Energy Institute's Statistical Review of World Energy, 2024.

Domestic Gas production is muted while LNG imports are rising.

India's overall natural gas production has declined steadily, and to meet its growing energy demands, it increasingly depends on Liquefied Natural Gas (LNG) imports. ONGC's natural gas production is decreasing, primarily due to Natural decline of its older mature fields, delays in new deep-water projects and difficulties in efficiently developing and bringing new gas discoveries to market. Net natural gas production has stood muted over the last decade, with FY14-25 production CAGR at just 0.3%. LNG imports have grown steadily over the same period, with the share of LNG imports rising from 33% in FY14 to 50% in FY25.

Exhibit 38: Natural gas Supply – LNG Imports rising

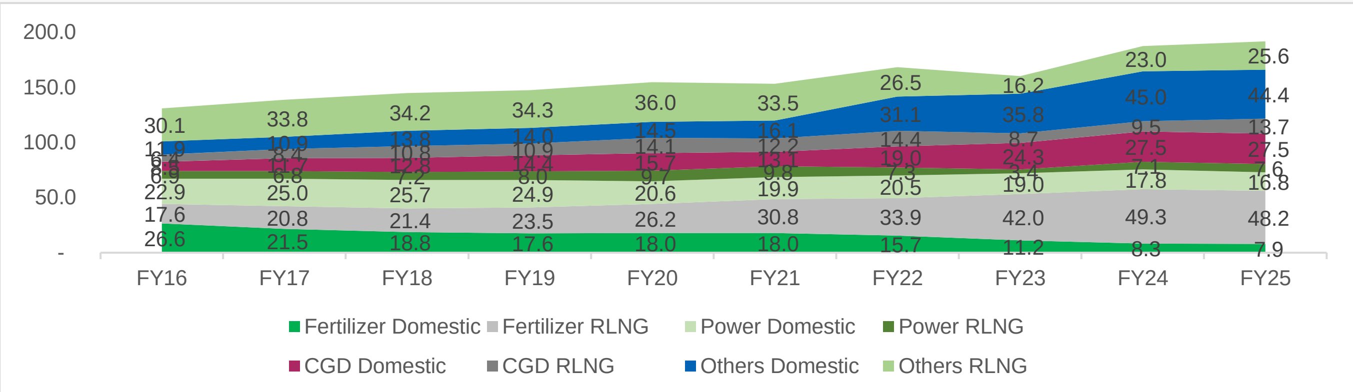
NG Supply [mmscmd]	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
ONGC	-	-	-	59.1	63.0	66.4	63.6	58.7	55.1	53.6	52.2	50.9
Oil India Limited	-	-	-	7.7	7.6	7.1	6.8	6.3	7.3	7.6	7.8	8.4
PSC/JVs fields	-	-	-	17.7	16.4	14.4	12.4	11.1	28.4	31.0	37.9	38.3
Net Domestic Production	**94.7**	**89.6**	**85.3**	**84.5**	**86.9**	**87.8**	**82.9**	**76.1**	**90.8**	**92.2**	**97.9**	**97.5**
LNG import	47.3	48.2	52.2	64.6	73.2	78.2	88.6	91.0	85.0	72.1	87.1	97.9
Total supply	**142.0**	**137.8**	**137.5**	**149.1**	**160.2**	**166.0**	**171.5**	**167.1**	**175.8**	**164.3**	**185.0**	**195.4**
% Share												
Net Domestic Production	67%	65%	62%	57%	54%	53%	48%	46%	52%	56%	53%	50%
LNG import	33%	35%	38%	43%	46%	47%	52%	54%	48%	44%	47%	50%
Growth %												
Net Domestic Production		-5%	-5%	-1%	3%	1%	-6%	-8%	19%	2%	6%	0%
LNG import		2%	8%	24%	13%	7%	13%	3%	-7%	-15%	21%	12%
Total supply		**-3%**	**0%**	**8%**	**7%**	**4%**	**3%**	**-3%**	**5%**	**-7%**	**13%**	**6%**

Source: PPAC

Consumption by Sector

The Natural Gas consumption in India is led by the fertiliser, CGD and the power sector. In FY25, 56% consumption was from fertilisers, 41% from CGD and 25% from the power sector. The percentage of consumption by the power sector has been on a downtrend over the last few years. Consumption by Fertiliser and CGD has been increasing gradually with a ~5% increase in percentage consumption vis-à-vis FY19.

Exhibit 39: India's Natural Gas consumption by sectors



Source: PPAC

Exhibit 40: India's Natural Gas Consumption Trend

Consumption by Sector [mmscmd]	FY14	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	CAGR FY14-25
Fertilizer Industry	43.5	44.2	42.3	40.2	41.1	44.2	48.7	49.5	53.2	57.7	56.1	2.3%
CGD	16	15.0	20.1	23.5	25.2	29.8	25.3	33.4	33.0	37.0	41.2	9.0%
Power	30.9	29.8	31.8	33.0	32.9	30.4	29.7	27.8	22.3	24.9	24.4	-2.1%
Refinery	10.9	13.9	14.7	17.9	19.3	21.3	21.7	14.6	10.7	16.0	16.1	3.6%
Petrochemical	6.6	10.2	11.4	11.0	9.3	9.8	8.4	7.8	5.4	7.3	9.2	3.1%
Others	35.6	24.3	28.7	34.6	38.3	36.1	33.3	42.7	39.8	42.2	48.4	2.8%
Total Consumption	**143.5**	**137.5**	**149.1**	**160.2**	**166.0**	**171.5**	**167.1**	**175.8**	**164.3**	**185.0**	**195.4**	**2.8%**
% Share												
Fertilizer Industry	30%	32%	28%	25%	25%	26%	29%	28%	32%	31%	29%	
CGD	11%	11%	14%	15%	15%	17%	15%	19%	20%	20%	21%	
Power	22%	22%	21%	21%	20%	18%	18%	16%	14%	13%	12%	
Refinery	8%	10%	10%	11%	12%	12%	13%	8%	7%	9%	8%	
Petrochemical	5%	7%	8%	7%	6%	6%	5%	4%	3%	4%	5%	
Others	25%	18%	19%	22%	23%	21%	20%	24%	24%	23%	25%	
Total Consumption	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	

Source: PPAC

Government's Focus on Natural Gas

Presently, the share of natural gas in India's energy mix is ~6%. The government targets to increase the share to 15% by FY30. **As per PNGRB, the projected consumption of Natural Gas is expected to reach 297 mmscmd by 2030 in the Good to Go Scenario, reflecting a healthy CAGR of ~8% from the base year of FY24.**

City Gas Distribution (CGD)

The CGD segment plays an important role in the nation's broader gas ecosystem. It supports the energy distribution architecture via a network of CNG stations and PNG connections. **India's CGD market is expected to nearly double from $11.33 bn in 2025 to $20.93 bn by 2030**.

Exhibit 41: CGD Growth Drivers

Segment	Usage	Competition	Type of Infra	Present Infra	Infra at Completion of MWP
CNG	Transport Fuel	MS, HSD	CNG Stations	~8,000	18,336
PNG-D	Cooking Fuel	LPG, Biomass	Connections	~1.5 Cr.	12.6 Cr.
PNG-Comml	Cooking Fuel	LPG, FO	Connections	~45,000	NA
PNG-Industrial	Heating etc	FO, LDO, Naphtha, Propane, Coal	Connections	~20,000	NA

Source: Company

To enable this, the government would focus on the expansion of the National Gas Grid (25,429 km operational and 10,429 km under construction), expansion of the City Gas Distribution network (307 Geographical Areas (GAs) with a Minimum Work Plan of approx. 12.60 crore PNG connections, 18,300 CNG Stations).

From 2023 to 2030, city gas demand is projected to grow at 8% CAGR by 9 bcm/yr. The majority of this increase will come from the CNG sector (5.8 bcm/yr) and small industries (2.8 bcm/yr). Meanwhile, residential and commercial users are expected to add ~0.5 bcm/yr by 2030.

Exhibit 42: CGD demand-wise forecast (CY21-30)

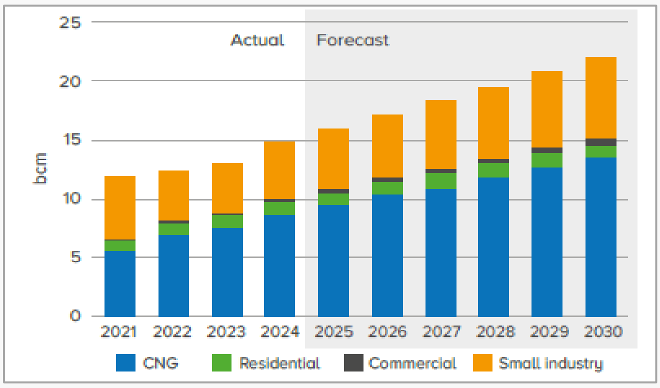
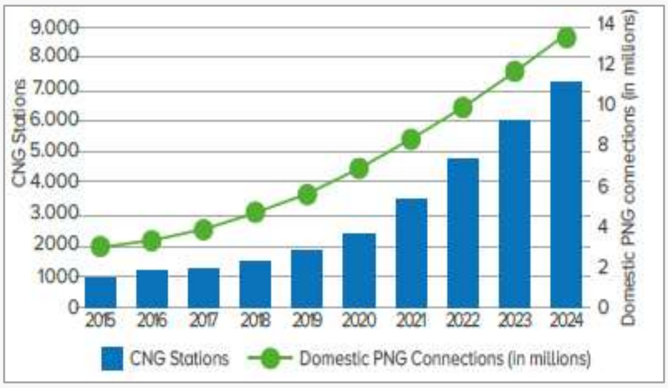


Exhibit 43: CNG & PNG connections growth in India



Source: Company

Gas Sourcing

MGL procures gas from various domestic and international sources, including domestically produced gas (APM/Non-APM, New Well, and HPHT gas) as well as imported Term and Spot RLNG and Market Determined Price (MDP) gas.

- **APM Gas:** The price is linked to imported crude oil and set at 10% of the monthly average import price, with a floor of $4/mmbtu and a cap of $6.5/mmbtu for FY24-FY25. The cap has increased to $6.75/mmbtu from FY26 onwards.
- **New Well Gas:** Priced at 12% of the monthly average Indian Crude Basket price.
- **HPHT Gas:** The contract price is tied to Brent and JKM prices, with a ceiling price determined by MoP&NG guidelines. The current ceiling price is US$10.04/MMBTU.
- **Term RLNG/MDP Gas:** These are 3–5-year contracts linked to global indices (Brent/JKM/Henry-Hub) that are used to meet the needs of non-priority sectors and cover any supply shortfalls. MGL has signed term agreements with multiple suppliers. The price of this gas is tied to different benchmarks to meet the demands of non-priority sectors, such as industrial or commercial PNG, and to cover any supply shortfalls in the D-PNG and CNG segments.
- **Spot RLNG:** Sourced from the spot market or gas exchange platforms like IGX to handle peak demand and fluctuations. MGL has existing framework agreements with multiple suppliers for these supplies.

CNG and PNG Running Cost Savings

CNG continues to be cost-effective when compared to petrol and diesel, while domestic PNG, though expensive as compared to domestic LPG it offers convenience to the customers.

Exhibit 44: CNG is price-competitive compared to alternatives

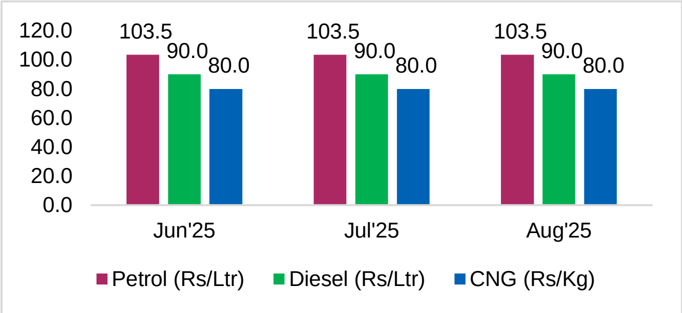
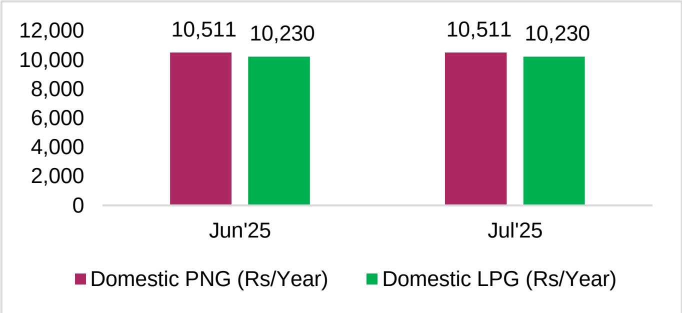


Exhibit 45: Despite being expensive, domestic PNG offers convenience



Source: Company, PPAC, Axis Securities

AXIS SECURITIES

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Total Operating income	6,924	8,524	9,225	10,384
Total Expenditure	5,414	6,839	7,397	8,399
EBITDA	**1,510**	**1,685**	**1,828**	**1,985**
Depreciation and Amortization	306	315	368	413
EBIT	**1,204**	**1,370**	**1,460**	**1,571**
Other Income	184	125	166	179
Less: Interest & Fin Chg.	13	14	14	14
Profit before tax	**1,374**	**1,481**	**1,612**	**1,736**
Provision for Tax	329	355	386	416
Net Profit from associates/JVs	(4)	(4)	(4)	(4)
Reported PAT	**1,041**	**1,122**	**1,222**	**1,316**
EPS (Rs/sh)	**105.3**	**113.6**	**123.7**	**133.2**
DPS (Rs/sh)	**30.0**	**32.3**	**35.2**	**37.9**

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Net Block	4,153	4,377	5,584	6,518
CWIP	1,068	1,358	1,032	935
Intangible assets	421	421	421	421
Investments	1,054	1,054	1,054	1,054
Inventories	52	68	73	83
Trade Receivables	364	448	485	546
Cash / Bank balance	333	788	930	1,212
Misc. Assets	824	836	847	858
Total assets	**8,270**	**9,350**	**10,426**	**11,627**
Equity capital	99	99	99	99
Reserves	5,781	6,591	7,470	8,415
Minority Interest	15	15	15	15
Borrowings	-	-	-	-
Def tax Liabilities	277	277	277	277
Other Liabilities	1,592	1,734	1,891	2,063
Provisions	75	75	75	75
Trade Payables	431	558	600	683
Capital employed	**8,270**	**9,350**	**10,426**	**11,627**

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Profit After tax	1,045	1,126	1,226	1,320
Depreciation	306	315	368	413
Change in W/C	(15)	170	156	184
Operating Cash Flow	**1,336**	**1,611**	**1,750**	**1,918**
Capital Expenditure	(1,051)	(829)	(1,250)	(1,250)
Free cash Flow	**286**	**782**	**500**	**668**
Other Investments	(141)	(11)	(11)	(12)
Investing Cash Flow	**(1,192)**	**(840)**	**(1,261)**	**(1,262)**
Dividend paid	(296)	(296)	(319)	(348)
Other Financing cash flow	59	(20)	(28)	(27)
Financing Cash Flow	**(238)**	**(316)**	**(348)**	**(374)**
Change in Cash	**(93)**	**456**	**141**	**282**
Opening Cash	426	333	788	930
Closing Cash	**333**	**788**	**930**	**1,212**

Source: Company, Axis Securities

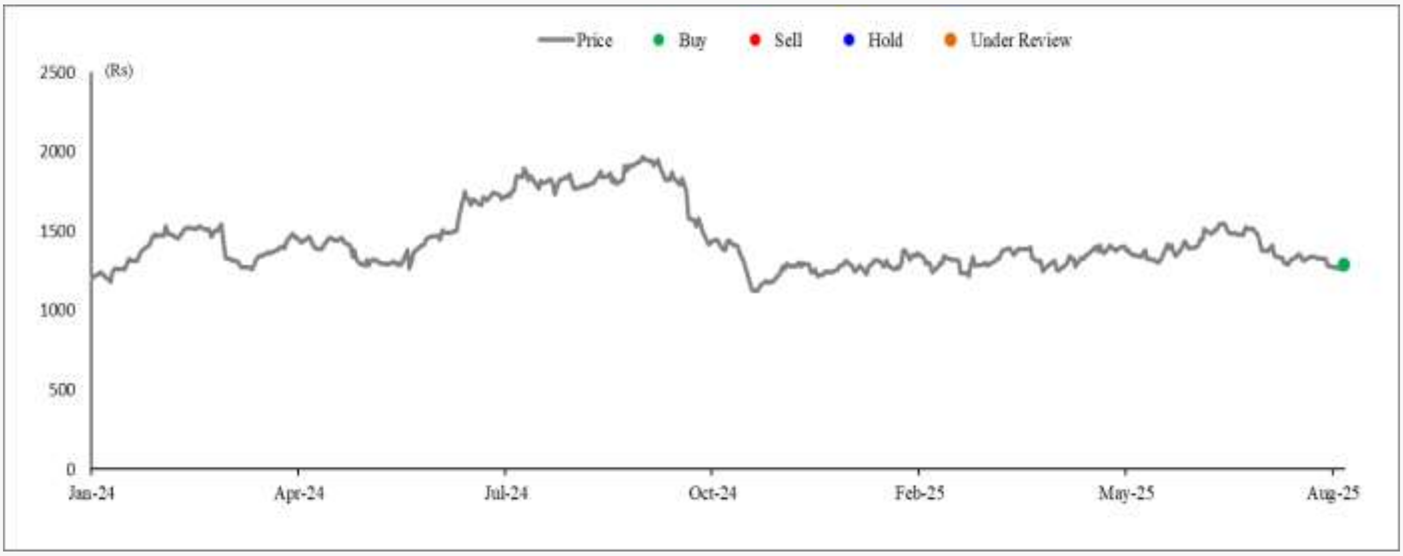
Ratio Analysis

(%)

Y/E March	FY25A	FY26E	FY27E	FY28E
Operational Ratios				
Sales growth (% YoY)	11%	23%	8%	13%
EBITDA growth (% YoY)	-18%	12%	9%	9%
Op. profit growth (% YoY)	-23%	14%	7%	8%
Net Profit growth (% YoY)	-18%	8%	9%	8%
EBITDA Margin %	22%	20%	20%	19%
Net profit Margin %	20%	17%	17%	17%
Tax Rate %	24%	24%	24%	24%
Efficiency Ratios				
Total Asset turnover (x)	0.9	1.0	0.9	0.9
Sales/Net block(x)	1.3	1.4	1.4	1.4
Working capital/Sales (x)	(0.0)	(0.0)	(0.0)	(0.0)
Valuation Ratios				
PER (x)	12.2	11.3	10.4	9.7
P/BV (x)	2.2	1.9	1.7	1.5
EV/EBITDA (x)	7.5	6.5	5.9	5.3
EV/Sales (x)	1.6	1.3	1.2	1.0
Return Ratios				
ROE	17.7%	16.7%	16.1%	15.4%
ROCE	19.9%	20.1%	19.1%	18.4%
ROIC	20.3%	21.4%	19.8%	19.1%
Leverage Ratios				
Debt / Equity (x)	-	-	-	-
Net debt / Equity (x)	(0.2)	(0.3)	(0.3)	(0.3)
Net debt / EBITDA (x)	(0.9)	(1.1)	(1.1)	(1.1)

Source: Company, Axis Securities

Mahanagar Gas Price Chart and Recommendation History



Date	Reco	TP	Research
04-Sep-25	BUY	1,540	Initiating Coverage

Source: Axis Securities Research

DISCLAIMER

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks, and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock'sprice movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.