

Retail Equity Research

Mahanagar Gas Ltd

Gas Distribution

CMP Rs. ₹ 1,362
Rating: Overweight
NSE CODE: MGL BSE CODE: 539957

Mahanagar Gas Ltd (MGL) reported subdued financial performance in Q3FY25, with net profit declining 25% QoQ to ₹225.37 crore despite a 3% growth in revenue. Operating profit fell sharply by 21% QoQ to ₹314.42 crore, impacted by rising input costs—evident from a 10% sequential increase in expenses. This marks the third consecutive quarter of EBITDA contraction, indicating persistent margin pressure. Although other income remained stable and interest costs were low, depreciation edged higher, contributing to a weaker profit before tax (down 25%). Despite strong volume growth and expansion initiatives, margin sustainability remains a concern amid volatile APM allocations and rising procurement costs. The company's strategic focus on LNG, EV battery ventures, and favorable regulatory tailwinds offer long-term positives. However, near-term earnings visibility is clouded by cost pressures and the need for better margin control. We remain cautiously optimistic, watching for Q4 margin rebound and regulatory clarity.

Company Data

Market Cap (cr)	Rs.	13,815.06	
Enterprise Value (cr)	Rs.	13,217.60	
Outstanding Shares (cr)		9.88	
52 week high	Rs.	1,989.00	
52 week low	Rs.	1,075.00	
1m average volume (lacs)		7.27	
Face value	Rs.	10.00	
	FY22	FY23	FY24
Sales	3560.19	6299.28	6244.53
Growth(%)	65%	77%	-1%
EBITDA	1010.06	1296.07	2017.93
EBITDA Margin(%)	28.4%	20.6%	32.3%
PAT	596.95	790.05	1,289.07
Growth(%)	-4%	32%	63%
EPS	60.4	80.0	130.5
P/E	12.9	12.3	10.5
P/B	2.1	2.4	2.6
EV/EBITDA	7.3	7.4	6.6
ROE(%)	17%	19.1%	25%
ROCE(%)	22%	25.1%	33.0%
ROIC(%)	23%	27.1%	35.6%
D/E	0.03	0.03	0.03

Strong Operational and Volume Growth

Mahanagar Gas Ltd (MGL) added ~98,500 households and 9 new CNG stations in Q3 FY25, bringing totals to 2.68 million connections and 361 stations. Total gas sales rose 12.75% YoY to 4.006 MMSCMD in 9MFY25, driven by strong growth in CNG (11.44%) and industrial/commercial PNG (25.52%).

Solid Financials and Strategic Expansion

MGL reported ₹1,131 crore EBITDA and ₹793 crore PAT for 9MFY25. It merged UEPL and commissioned its first LNG station in Aurangabad. Additionally, it entered the EV battery space with a ₹35 crore investment in a JV with IBC.

Favorable Policy Tailwinds Amid Margin Uncertainty

Court orders promoting CNG/EV adoption in Mumbai and the state's policy review bode well for MGL. However, margin guidance remains cautious (₹9–₹11/SCM), with risks from APM allocation cuts partly offset by strategic procurement.

Key Highlights

1. Strong Presence in CNG Segment with Expanding Infrastructure

Mahanagar Gas Ltd (MGL) has established itself as a market leader in the automotive CNG segment, contributing 69% to total volume as of Q2 FY25, up from 63% in FY22. The company has built an extensive network of 347 CNG stations and services nearly 10 lakh vehicles, including over 2,346 buses operated by major transport undertakings like BEST, MSRTC, and NMMT. Additionally, it has over 110 exclusive CNG outlets. The CNG sales volume has grown by 22% from FY22 to FY24, and reached 2.886 MMSCMD in Q2 FY25, underscoring the increasing adoption of CNG and MGL's strong positioning in this growing market.

2. Diversified PNG Portfolio Across Domestic and Commercial Segments

The company maintains a robust PNG business that contributed 30% to its volume in Q2 FY25. It connects more than 24.9 lakh households through an expansive 600 km steel and 6,400 km polyethylene pipeline network, making it one of the country's largest domestic PNG providers. MGL also supplies PNG to 4,769 industrial and commercial units including restaurants, hotels, and healthcare facilities. Sales volumes have witnessed healthy growth across both domestic (up 12% since FY22) and industrial/commercial (up 19%), demonstrating stable demand across residential and business segments.

3. Strategic Expansion into LNG and Renewable Energy Initiatives

MGL is actively diversifying its energy offerings with a focus on LNG and biogas. The company set up its first LNG station at Savroli, targeting long-haul trucking, where daily sales rose from under 700 kg to nearly 4,000 kg by FY24. It plans to expand with six more LNG stations by FY25. Additionally, MGL has announced a Compressed Biogas plant project in collaboration with the Brihanmumbai Municipal Corporation. This plant will process 1,000 TPD of organic waste, tapping into Mumbai's vast food and organic waste generation from restaurants, hotels, and markets, reinforcing MGL's push towards clean energy.

4. Widening Geographic Reach through Acquisitions and Area Exclusivity

MGL's operations span three key Geographical Areas (GA1: Mumbai, GA2: Thane and adjoining areas, GA3: Raigad), covering over 8,300 sq. km. It enjoys infrastructure exclusivity in GA2 and GA3 till 2030 and 2040 respectively. In February 2024, MGL significantly expanded its footprint by acquiring Unison Enviro Pvt Ltd (UEPL) for ₹562 Cr, gaining access to additional districts in Maharashtra and Karnataka. UEPL operates 56 CNG stations and services 0.27 lakh PNG customers, with average sales volume of 0.164 MMSCMD in Q2 FY25. This acquisition, followed by an approved amalgamation in October 2024, strengthens MGL's regional dominance and growth prospects.

5. Robust Investment Pipeline and Infrastructure Development

To support its expansion and service efficiency, MGL has laid out a capital expenditure plan of ₹1,000 Cr for FY25. This includes ₹200 Cr earmarked for UEPL integration. The company plans to add 25 km of steel pipeline, 200 km of PE pipeline, 90 new CNG stations (60 for MGL, 30 for UEPL), and over 3 lakh new domestic PNG connections. Long-term plans (FY25–FY29) include adding 180 km of steel pipeline, 1,000 km of PE pipeline, and 200 CNG filling stations. These investments demonstrate MGL's strong focus on infrastructure enhancement and network scalability to meet rising demand.

6. Strategic Collaborations and Future-Focused Diversification

MGL is actively forming strategic alliances to diversify and future-proof its business. It signed an MoU with the Indian Navy in FY24 to provide gas connections to over 8,000 households in Navy Nagar and has similar agreements with the Indian Army and Navy units in South Mumbai and Ghatkopar. In October 2024, it signed a non-binding term sheet with International Battery Company for a proposed ₹385 Cr investment in a battery-focused joint venture. The company also acquired a 31% stake in 3EV Industries to tap into the electric 3-wheeler segment. These moves reflect MGL's commitment to organic and inorganic growth in adjacent clean energy domains, aiming for 6–7% volume growth annually.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	1,568.76	1,567.05	1,589.63	1,711.62	1,757.58
Growth(%)	0%	0%	1%	8%	3%
Expenses	1,120.07	1,173.26	1,171.15	1,313.11	1,443.16
Operating Profit	448.69	393.79	418.48	398.51	314.42
Growth(%)	-6%	-12%	6%	-5%	-21%
Other Income	48.07	44.57	40.16	51.15	46.29
Depreciation	68.29	77.52	71.85	73.48	79.11
Interest	2.72	3.83	3.10	3.07	3.38
Profit before tax	425.75	357.01	383.69	373.11	278.22
Tax	108.57	92.02	99.16	90.31	52.85
Net profit	317.18	264.99	284.53	282.80	225.37
Growth(%)	-7%	-20%	7%	-1%	-25%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	2,972.13	2,152.53	3,560.19	6,299.28	6,244.53
Growth(%)	6%	-28%	65%	77%	-1%
Expenses	1,919.29	1,218.57	2,635.87	5,115.09	4,401.90
Operating Profit	1,052.84	933.96	924.32	1,184.19	1,842.63
Growth(%)	19%	-11%	-1%	28%	56%
Other Income	98.95	80.51	85.74	111.88	175.30
Depreciation	161.73	173.67	196.27	231.14	273.64
Interest	6.53	7.19	7.53	9.39	11.53
Profit before tax	983.53	833.61	806.26	1,055.54	1,732.76
Tax	190.03	214.03	209.31	265.49	443.69
Net profit	793.51	619.58	596.95	790.05	1,289.07
Growth(%)	45%	-22%	-4%	32%	63%

Balance Sheet

(Rs Cr)

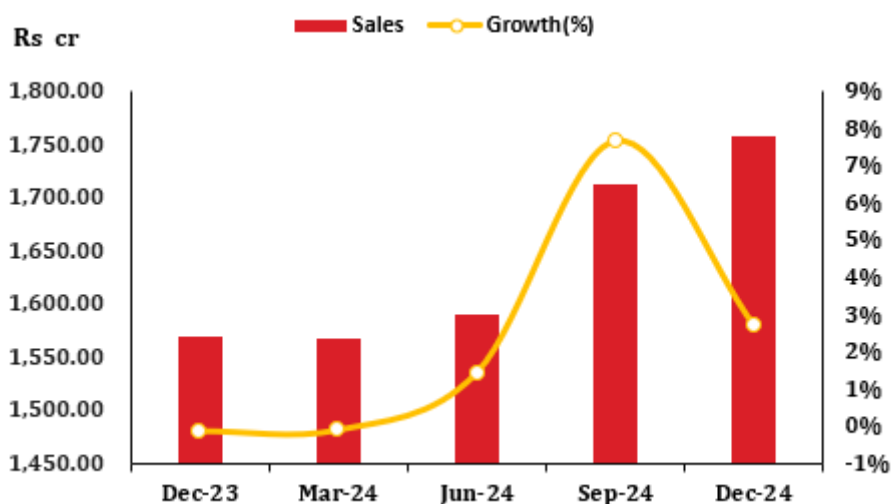
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	98.78	98.78	98.78	98.78	98.78
Reserves	2,853.89	3,133.59	3,498.53	4,035.44	5,044.09
Borrowings	66.61	74.10	102.98	114.61	139.26
Other Liabilities	1,108.74	1,294.67	1,533.51	1,783.48	1,943.86
Total	4,128.02	4,601.14	5,233.80	6,032.31	7,225.99
Net Block	2,049.19	2,169.32	2,613.73	3,025.70	3,542.96
Capital Work in Progress	486.53	560.32	615.94	708.62	774.29
Investments	1,121.47	1,024.98	1,088.28	1,309.82	1,635.96
Other Assets	470.83	846.52	915.85	988.17	1,272.78
Total	4,128.02	4,601.14	5,233.80	6,032.31	7,225.99

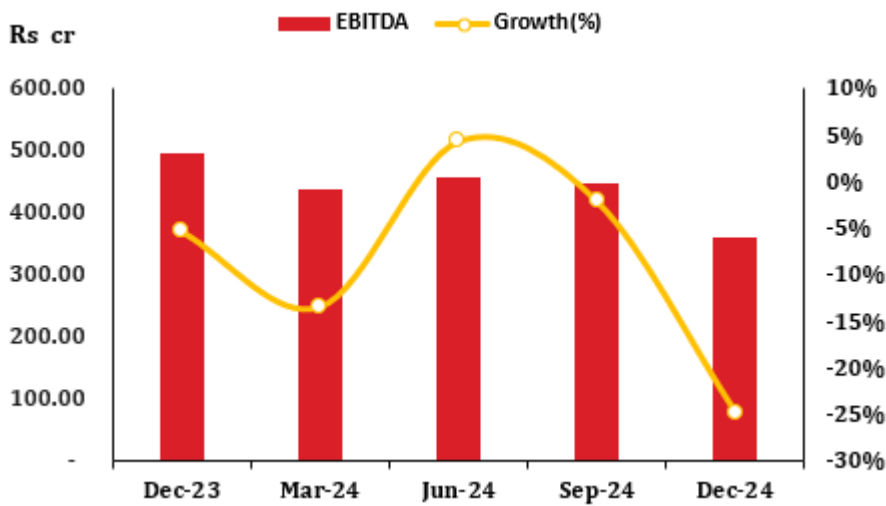
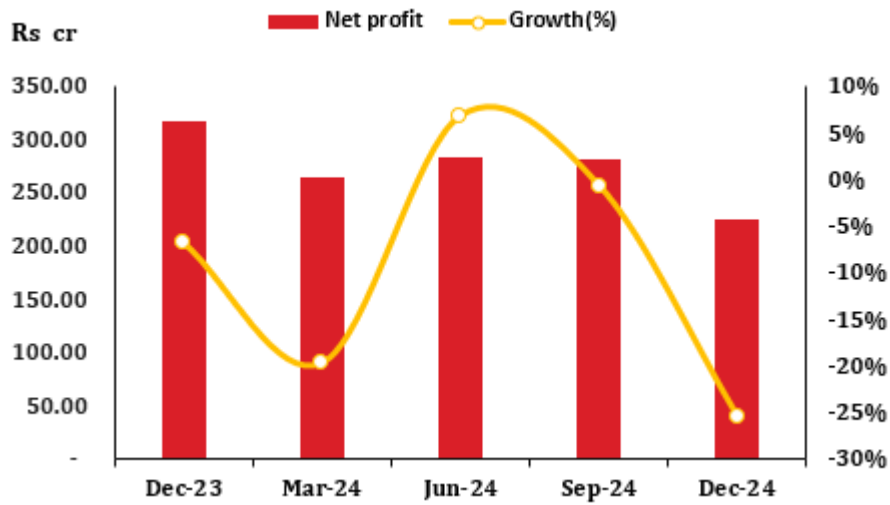
Cash Flow

(Rs Cr)

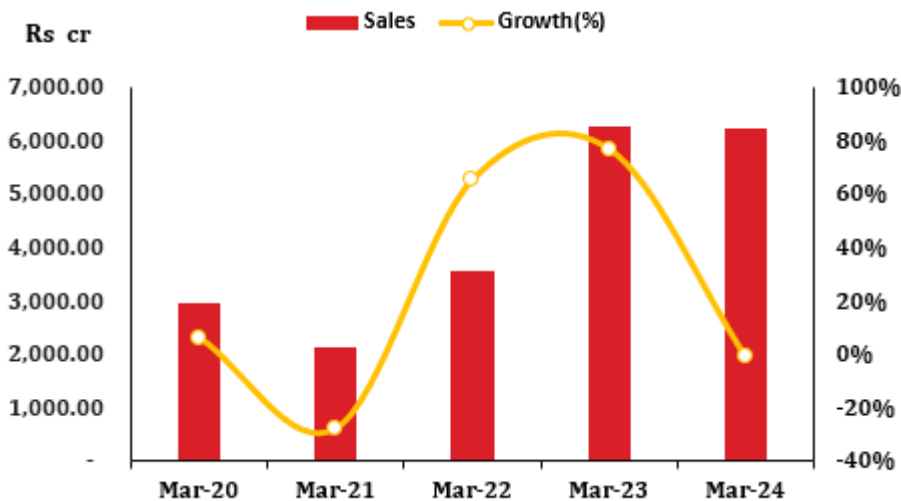
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	985.24	805.53	903.67	969.3	1563.1
Cash from Investing Activity	-754.84	-443.91	-539.05	-649.09	-1266.75
Cash from Financing Activity	-241.55	-348.8	-310.34	-284.79	-311.56
Net Cash Flow	-11.16	12.81	54.28	35.42	-15.21

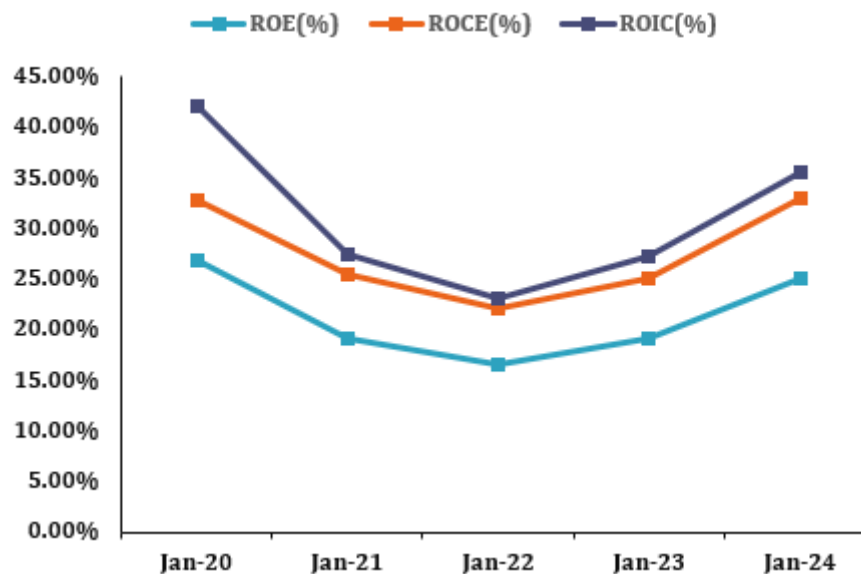
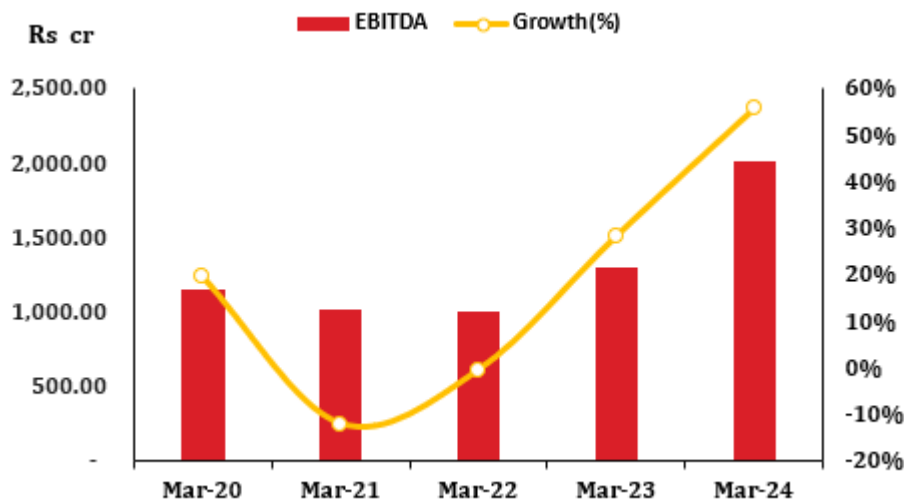
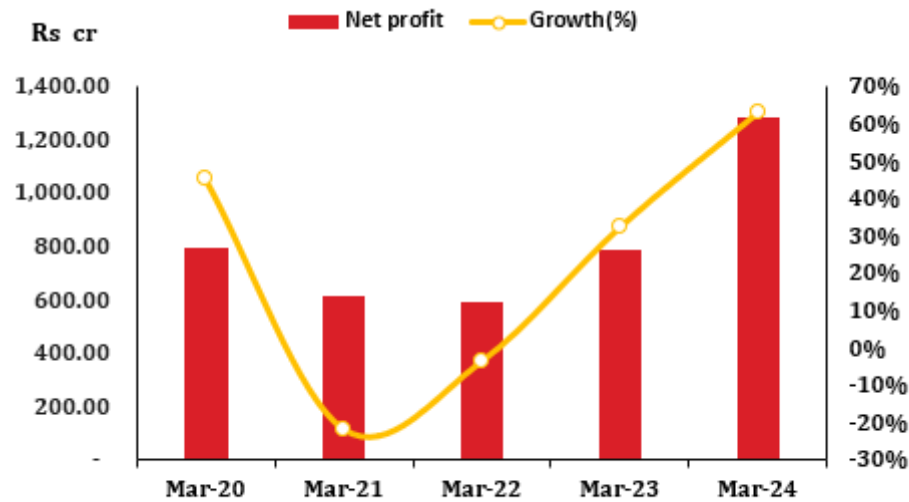
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	0.02	0.02	0.03	0.03	0.03
Debt/Assets	0.02	0.02	0.02	0.02	0.02
Debt/Ebitda	0.06	0.07	0.10	0.09	0.07
Debt/Capital Ratio	2%	2%	3%	3%	3%
Cash flow/Debt	14.79	10.87	8.78	8.46	11.22
Interest coverage ratio	151.62	116.94	108.07	113.41	151.28
Sales Change	6%	-28%	65%	77%	-1%
Ebit Change	18%	-15%	-3%	31%	64%
Operating Leverage	2.91	0.41	-0.02	0.37	-63.97
Financial Leverage	1.40	1.42	1.45	1.46	1.41

Efficiency ratios					
Receivable days	8	22	19	17	16
Receivable turnover	43.43	16.88	19.34	21.42	22.25
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	103	55	96	151	110
Net Fixed assets turnover	1.45	0.99	1.36	2.08	1.76
Sales/capital employed	0.98	0.65	0.96	1.48	1.18
Total Asset Turnover	0.72	0.47	0.68	1.04	0.86

Profitability ratios					
Ebitda	1151.79	1014.47	1010.06	1296.07	2017.93
Ebitda margin	39%	47%	28%	21%	32%
Gross Profit	1377.76	1243.74	1272.08	1577.46	2313.08
Gross Profit Margin	46%	58%	36%	25%	37%
EBIT	990.06	840.8	813.79	1064.93	1744.29
EBIT Margin	33%	39%	23%	17%	28%
ROE	27%	19%	17%	19%	25%
Net profit margin	27%	29%	17%	13%	21%
EPS	80.31	62.71	60.42	79.96	130.47
DU Pont ROE	27%	19%	17%	19%	25%
Net Profit Margin	27%	29%	17%	13%	21%
Sales/Total assets	0.72	0.47	0.68	1.04	0.86
Financial Leverage	1.40	1.42	1.45	1.46	1.41
DU PONT ROA	19%	13%	11%	13%	18%
Net Profit Margin	27%	29%	17%	13%	21%
Sales/Total assets	0.72	0.47	0.68	1.04	0.86

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	50%	32%	26%	31%	39%
EBIT Margin	33%	39%	23%	17%	28%
Sales/cap employed	0.98	0.65	0.96	1.48	1.18
NOPAT	798.77	624.92	602.53	797.08	1297.65
Capital employed	3019.28	3306.47	3700.29	4248.83	5282.13
ROIC	26%	19%	16%	19%	25%

Valuation Ratios					
Price/Earnings	10.19	18.64	12.89	12.30	10.45
Price/Book	2.74	3.57	2.14	2.35	2.62
Marketcap	8,086.29	11,549.23	7,697.01	9,716.49	13,476.81
Enterprise Value	7,923.43	11,111.47	7,334.82	9,603.23	13,217.60
EV/EBITDA	6.88	10.95	7.26	7.41	6.55

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