

April 16, 2025

Mahanagar Gas (MAHGL IN)

Rating: Accumulate | CMP: Rs1,316 | TP: Rs1,393

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	62	68	67	75
EBITDA (Rs. bn)	18	15	16	18
Margin (%)	29.5	21.9	24.4	23.9
PAT (Rs. bn)	13	10	11	13
EPS (Rs.)	130.5	104.7	113.5	126.7
Gr. (%)	63.2	(19.8)	8.4	11.6
DPS (Rs.)	30.0	41.9	45.4	50.7
Yield (%)	2.3	3.2	3.5	3.9
RoE (%)	27.8	19.0	18.4	18.4
RoCE (%)	33.7	21.6	21.4	21.5
EV/Sales (x)	2.0	1.8	1.9	1.6
EV/EBITDA (x)	6.8	8.4	7.7	6.8
PE (x)	10.1	12.6	11.6	10.4
P/BV (x)	2.5	2.3	2.0	1.8

Indraprastha Gas (IGL IN)

Rating: REDUCE | CMP: Rs179 | TP: Rs152

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	140	148	149	159
EBITDA (Rs. bn)	24	19	21	23
Margin (%)	16.9	12.6	14.4	14.2
PAT (Rs. bn)	17	14	15	16
EPS (Rs.)	12.5	9.8	10.4	11.1
Gr. (%)	21.0	(21.5)	6.4	6.7
DPS (Rs.)	4.5	4.1	4.2	4.5
Yield (%)	2.5	2.3	2.4	2.5
RoE (%)	22.4	15.2	14.7	14.3
RoCE (%)	25.0	15.4	16.7	16.5
EV/Sales (x)	1.6	1.5	1.5	1.4
EV/EBITDA (x)	9.7	12.0	10.6	9.9
PE (x)	14.3	18.2	17.1	16.1
P/BV (x)	2.9	2.6	2.4	2.2

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Payal Shah

payalshah@plindia.com |

A Tale of Two Cities: +ve on MGL, -ve on IGL

Quick Pointers:

- APM allocation for MGL and IGL reduced by 18% and 20%, respectively, higher than the anticipated 7.5% cut annually
- Owing to sharp decline in Brent prices and fall in spot gas prices as well, overall sourcing cost not to increase adversely
- A Tale of Two Cities: MGL continues to post robust volume growth, while IGL faces stagnation in its core Delhi market

MoPNG has cut APM allocation for CGD entities and accordingly revised domestic gas allocation for MGL and IGL is ~18% and ~20% lower than previous allocation. The shortfall will be met by New Well Gas which is Brent linked. We believe sourcing cost post de-allocation may not increase significantly due to softening Brent and LNG prices, and with price hikes undertaken by both the companies in April, the impact may not be detrimental. We re-iterate positive stance on MGL, given its consistent volume traction, backed by resilient margins and regulatory tailwinds. However, we remain cautious on IGL with concerns on demand saturation in Delhi-NCR, lower margin buffers and fresh policy risks from the EV transition clouding its outlook. We maintain 'Accumulate' rating on MGL with a TP of Rs1,393 based on 11x FY27 EPS, and re-rate IGL from 'Sell' to 'Reduce' post correction in stock price with TP of Rs152 based on 12x adj FY27 EPS.

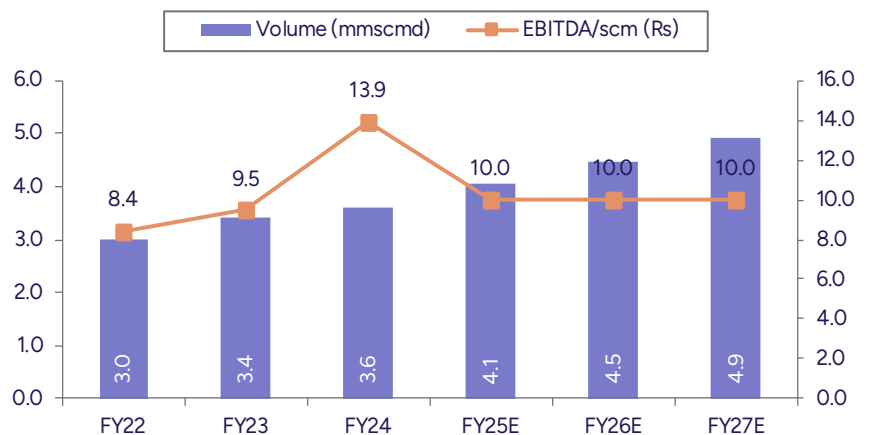
Volume growth plateauing in Delhi: APM allocation for IGL has been cut by 20% and the company has been allocated additional ~125% of reduction in domestic gas as NWG. Despite this cut, sourcing cost for IGL may not increase much due to softening of Brent and gas prices. IGL also announced a price hike of Rs1-3/kg on CNG on 7th April. Thus, margins may not be impacted adversely. However, on the volume front, the company has been reporting single-digit volume growth with its Q3 sales at 9.1mmcmd (up 7% YoY). Delhi, its core market which accounts for ~70% of overall volume, saw tepid growth of 3%- reflecting maturity and early signs of stagnation. While other newer GAs with a low base have been growing at 15-30% YoY, these volumes remain too small to meaningfully offset Delhi's maturity in near to medium term. Moreover, the Delhi government's April 2025 proposal to phase out CNG-driven autorickshaws—a key demand driver for IGL's CNG volumes—adds to long-term concerns. Owing to these reasons, we remain negative on IGL.

Strong volume growth potential for MGL: APM allocation for MGL has been cut by 18% and we expect this de-allocation to increase its sourcing cost by Rs0.8/scm. MGL too had undertaken a price hike of Rs1.5/kg on CNG and Rs1/scm on PNG on 8th April. It already has a high margin cushion and thus, this cut may not impact its margins severely. On the volume front, MGL has consistently been reporting a strong volume growth with its Q3 sales at 4.1mmcmd (up 12.1% YoY), driven by robust growth across both CNG and industrial/commercial customers. The company expects this momentum to continue with a 10% YoY growth

guidance for FY26. GA3 remains largely unpenetrated indicating scope for CNG sales. Additionally, the Mumbai High Court's directive to study the phasing out of petrol/diesel vehicles—if implemented—could provide a major boost to CNG volumes, lifting volumes by 15–20% YoY. The industrial segment, which has seen accelerated growth following the easing of minimum offtake clauses, remains a key volume lever. Regulatory actions mandating fuel switches to natural gas could further unlock ~3x peak demand potential in this segment. We thus, reiterate our positive stance on MGL.

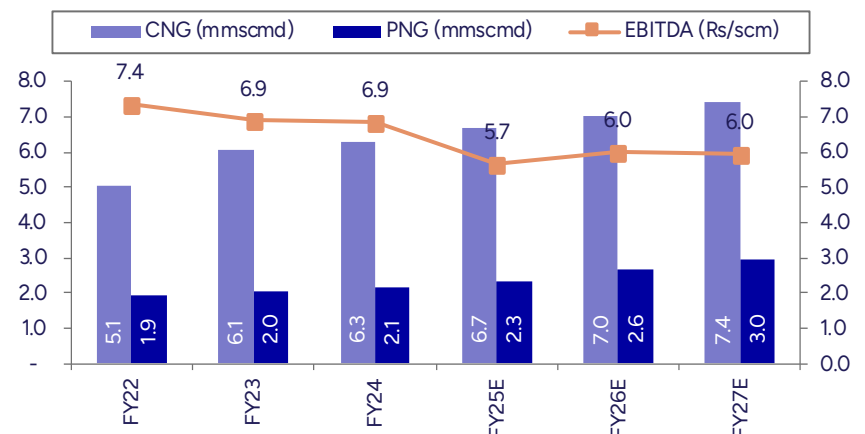
Valuations: MGL is trading at 10.4x FY27 EPS, offering a 36% discount to IGL's 16.1x, despite better growth momentum and margin visibility. With regulatory overhangs in Delhi and limited upside from new GAs in the medium term, IGL's premium valuation appears difficult to sustain. On the other hand, MGL offers a cleaner growth narrative and higher margin cushion. We thus, maintain 'Accumulate' rating on MGL and re-rate IGL post correction in stock price from 'Sell' to 'Reduce'.

Exhibit 1: We anticipate 10% YoY volume growth for MGL



Source: Company, PL

Exhibit 2: We anticipate 7% YoY volume growth for IGL



Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	330	356
2	Bharat Petroleum Corporation	Hold	261	274
3	Bharti Airtel	Accumulate	1,916	1,720
4	Clean Science and Technology	Hold	1,224	1,167
5	Deepak Nitrite	Reduce	1,645	1,835
6	Fine Organic Industries	BUY	4,798	3,960
7	GAIL (India)	Accumulate	185	169
8	Gujarat Fluorochemicals	Reduce	3,328	3,671
9	Gujarat Gas	Hold	395	393
10	Gujarat State Petronet	Hold	288	288
11	Hindustan Petroleum Corporation	Hold	322	353
12	Indian Oil Corporation	Hold	125	128
13	Indraprastha Gas	Sell	153	188
14	Jubilant Ingrevia	Hold	616	604
15	Laxmi Organic Industries	Reduce	160	169
16	Mahanagar Gas	Accumulate	1,393	1,310
17	Mangalore Refinery & Petrochemicals	Sell	109	129
18	Navin Fluorine International	Accumulate	4,454	3,880
19	NOCIL	Reduce	156	166
20	Oil & Natural Gas Corporation	BUY	264	220
21	Oil India	BUY	659	343
22	Petronet LNG	Reduce	248	278
23	Reliance Industries	BUY	1,481	1,166
24	SRF	Hold	2,780	2,721
25	Vinati Organics	Accumulate	1,620	1,459

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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