

Mahanagar Gas

Estimate change



TP change



Rating change



Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USDb)	106.1 / 1.3
52-Week Range (INR)	1098 / 666
1, 6, 12 Rel. Per (%)	6/22/29
12M Avg Val (INR M)	457

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	63.0	54.0	54.2
EBITDA	11.8	13.2	12.3
Adj. PAT	7.9	8.6	7.7
Adj. EPS (INR)	80.0	86.6	78.1
EPS Gr. (%)	32.3	8.3	-9.8
BV/Sh.(INR)	418.5	470.5	517.4

Ratios

Net D:E	-0.1	0.0	-0.1
RoE (%)	20.4	19.5	15.8
RoCE (%)	20.5	19.6	15.9
Payout (%)	32.5	40.0	40.0

Valuation

P/E (x)	13.4	12.4	13.7
P/BV (x)	2.6	2.3	2.1
EV/EBITDA (x)	8.8	7.9	8.3
Div. Yield (%)	2.4	3.2	2.9
FCF Yield (%)	2.4	2.7	3.6

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	32.5	32.5	32.5
DII	24.9	25.6	27.3
FII	31.0	29.7	25.0
Others	11.6	12.2	15.2

FII Includes depository receipts

CMP: INR1,073
TP: INR1,250 (+16%)
Buy

Margins improve amid declining gas cost

- Mahanagar Gas (MAHGL) reported higher-than-estimated EBITDA of INR3.9b (est. INR2.6b), mainly led by higher-than-estimated EBITDA/scm of INR12.8 (est. INR8.2). Volumes were in line with our est. at 3.4mmscmd in 4QFY23.
- EBITDA/scm improved 57% QoQ due to a lower portion of spot gas in the sourcing mix. The cost of both spot LNG and long-term contracts also declined for MHGL in the quarter. The management expects EBITDA/scm to remain at current levels for the next few months.
- Management also highlighted that CNG penetration in commercial goods carriers stands at a meager 2-3%. It is expected to improve going forward, led by the launch of company-fitted CNG goods carriers and a substantial improvement in CNG availability on highways.
- Given strong margins in 4QFY23, we raise our EBITDA/scm assumption to INR10 for FY24 from INR9 previously and keep it unchanged at INR9 for FY25. Subsequently, we increase our EBITDA/PAT assumption by 11%/12% for FY24 while keeping it unchanged for FY25.
- The stock trades at 12.4x FY24E EPS of INR87. We value it at 16x FY25E EPS to arrive at a TP of INR1,250. **Maintain BUY on MAHGL.**

Volumes in line; beat on margin

- 4QFY23 total volumes were in line with our est. at 3.4mmscmd (+6% YoY).
- CNG volumes came in at 2.4mmscmd (3% below est., +6% YoY) in 4QFY23.
- PNG total volumes stood at 1mmscmd (2% below est., +8% YoY, +3% QoQ).
- MAHGL's EBITDA/scm at INR12.8 beat our estimate of INR8.2 due to lower-than-estimated gas costs.
- Thus, EBITDA at INR3.9b exceeded our estimate of INR2.6b (+81% YoY, +52% QoQ) during the quarter.
- PAT stood at INR2.7b (est. of INR1.6m, +104% YoY, +56% QoQ).
- FY23 revenue stood at INR63b (+77% YoY), EBITDA was INR11.8b (+28% YoY), and EBITDA/scm came in at INR9.5 (v/s INR8.8 in FY22). Reported PAT stood at INR7.9b (+32% YoY).
- Total volumes were at 3.4mmscmd (+14% YoY).
- CNG volumes stood at 2.5mmscmd (+18% YoY), and total PNG volumes came in at 0.9mmscmd (+5% YoY).
- The board has declared a final dividend of INR16/share for the year.

Valuation and view

- MHGL added 12 new CNG stations, ~92k households, and 115 PNG-I/C customers. For Raigad GA, ~68k households were connected and 10kms of pipeline was completed.
- The management expects a 5-6% volume CAGR over the next few years, led by the recent cut in CNG prices and growth potential in Raigad GA.
- The stock trades at 12.4x FY24E EPS of INR87. We value it at 16x FY25E EPS to arrive at a TP of INR1,250. **We maintain our BUY rating on MAHGL owing to its relatively cheaper valuations.**

Swarnendu Bhushan – Research Analyst (Swarnendu.Bhushan@MotilalOswal.com)

Research Analyst: Aman Chowdhary (Aman.Chowdhary@MotilalOswal.com) | Rohit Thorat (Rohit.Thorat@MotilalOswal.com)

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Standalone - Quarterly Earning Model

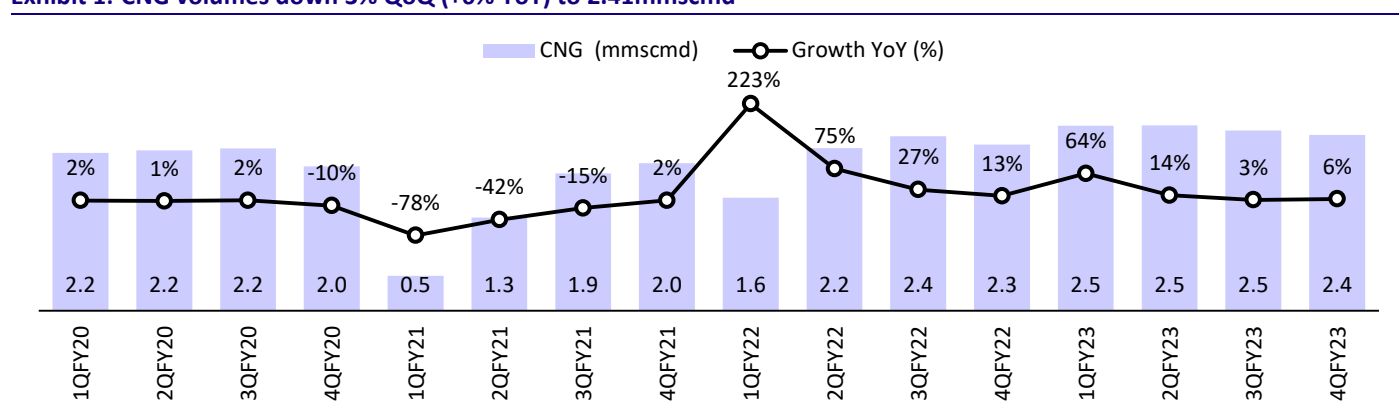
(INR m)

Y/E March	FY22				FY23				FY22	FY23	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	6,155	8,301	10,278	10,868	14,548	15,627	16,714	16,105	35,602	62,993	15,829	2%
YoY Change (%)	135.1	63.8	54.2	51.4	136.4	88.2	62.6	48.2	65.4	76.9	45.7	
EBITDA	3,040	3,018	1,031	2,155	2,856	2,528	2,561	3,897	9,243	11,842	2,570	52%
EBITDA/SCM	13.9	10.5	3.4	7.6	9.1	7.9	8.2	12.8	8.4	9.5	8.2	56%
Margins (%)	49.4	36.4	10.0	19.8	19.6	16.2	15.3	24.2	26.0	18.8	16.2	
Depreciation	453	473	482	555	537	551	585	638	1,963	2,311	593	
Interest	17	20	15	23	23	25	24	22	75	94	31	
Other Income	186	226	218	227	200	260	323	336	857	1,119	226	
PBT	2,756	2,751	752	1,804	2,496	2,213	2,274	3,573	8,063	10,555	2,172	64%
Tax	716	708	184	486	644	573	553	885	2,093	2,655	548	
Rate (%)	26.0	25.7	24.5	26.9	25.8	25.9	24.3	24.8	26.0	25.2	25.2	
Reported PAT	2,041	2,043	568	1,318	1,852	1,640	1,721	2,688	5,970	7,901	1,624	65%
YoY Change (%)	351.0	41.5	-73.9	-38.1	-9.3	-19.7	203.0	104.0	-3.6	32.3	23.2	
Margins (%)	33.2	24.6	5.5	12.1	12.7	10.5	10.3	16.7	16.8	12.5	10.3	
Sales Volumes (mmscmd)												
CNG	1.6	2.2	2.4	2.3	2.5	2.5	2.5	2.4	2.1	2.5	2.5	-3%
PNG - Domestic	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3%
PNG - Industrial/ Commercial	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.5	-7%
PNG - Total	0.8	0.9	0.9	0.9	0.9	0.9	0.9	1.0	0.9	0.9	1.0	-2%
Total Volumes	2.4	3.1	3.3	3.2	3.4	3.5	3.4	3.4	3.0	3.4	3.5	-3%

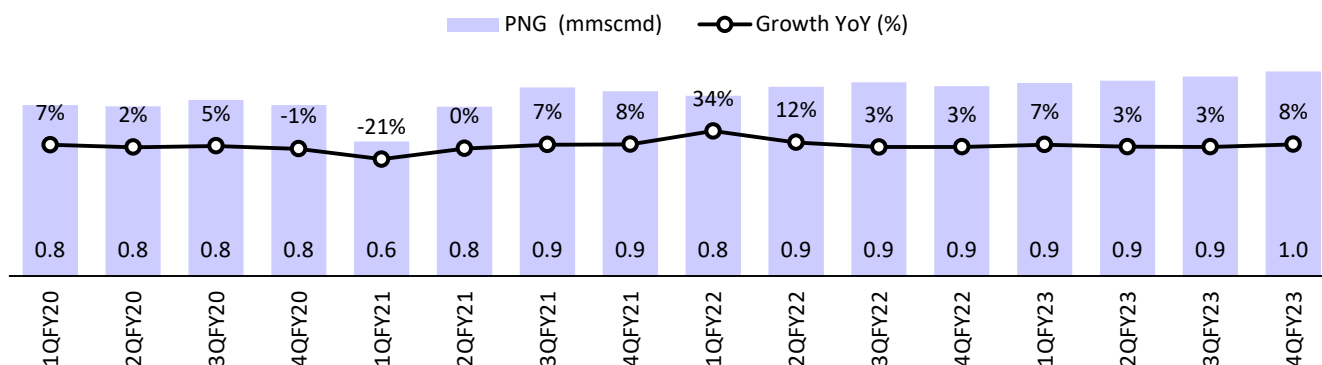
Operational Highlights

	FY21				FY22				FY23				QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
CNG (mmscmd)	0.5	1.3	1.9	2.0	1.6	2.2	2.4	2.3	2.5	2.5	2.5	2.4	-3
Growth YoY (%)	-78%	-42%	-15%	2%	223%	75%	27%	13%	64%	14%	3%	6%	
PNG (mmscmd)	0.6	0.8	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9	0.9	1.0	3
Growth YoY (%)	-21%	0%	7%	8%	34%	12%	3%	3%	7%	3%	3%	8%	
Total Volumes (mmscmd)	1.1	2.1	2.8	2.9	2.4	3.1	3.3	3.2	3.4	3.5	3.4	3.4	-1
Growth YoY (%)	-62%	-31%	-9%	4%	115%	51%	19%	10%	44%	11%	3%	6%	
EBITDA/SCM (INR)	7.9	11.6	12.4	12.1	13.9	10.5	3.4	7.6	9.1	7.9	8.2	12.8	57

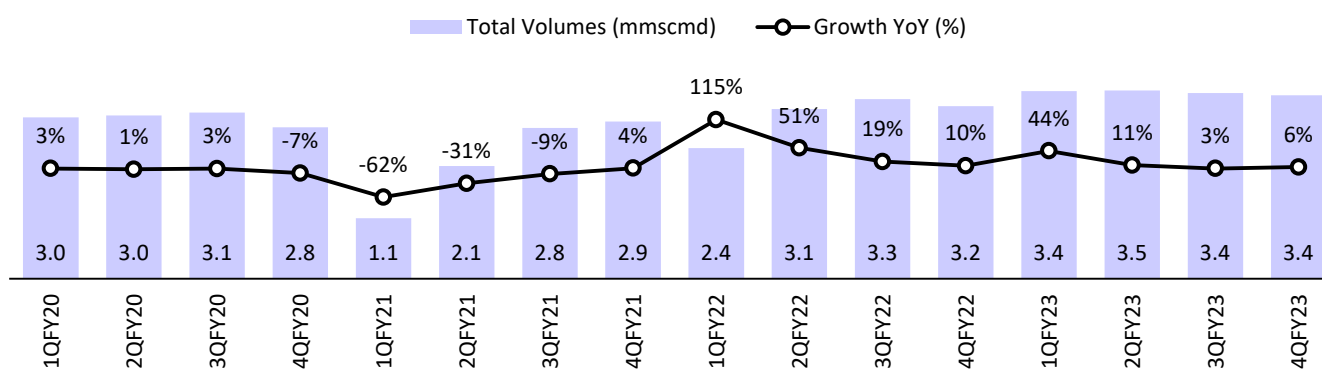
Exhibit 1: CNG volumes down 3% QoQ (+6% YoY) to 2.41mmscmd



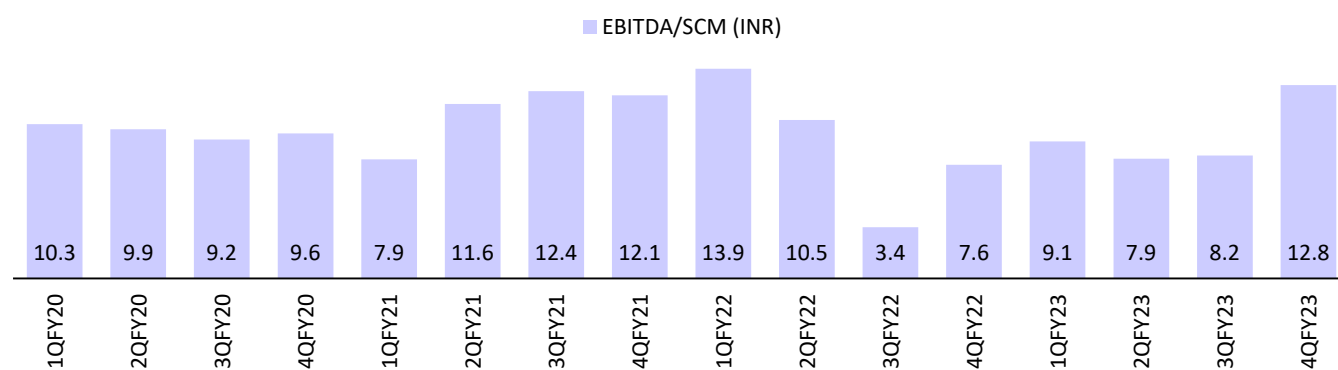
Source: Company, MOFSL

Exhibit 2: PNG volumes up 3% QoQ (+8% YoY) to 0.96mmscmd

Source: Company, MOFSL

Exhibit 3: Total volumes down 1% QoQ (+6% YoY) to 3.37mmscmd

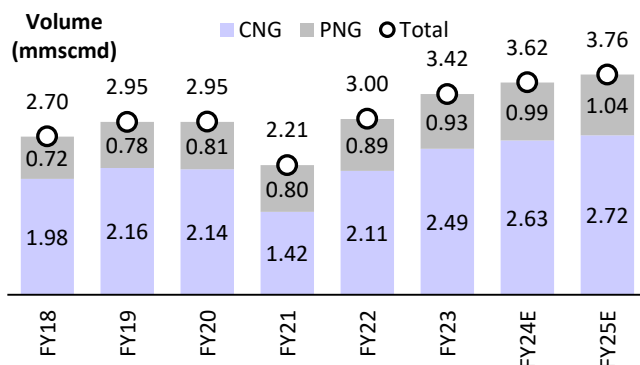
Source: Company, MOFSL

Exhibit 4: EBITDA/scm at INR12.8 (+70% YoY, +57% QoQ)

Source: Company, MOFSL

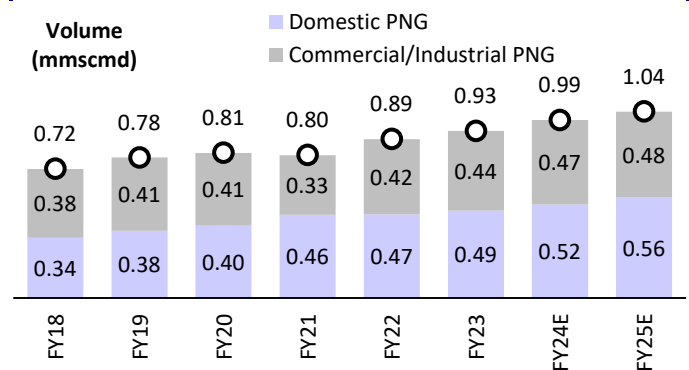
Story in charts

Exhibit 5: Volume growth snapshot



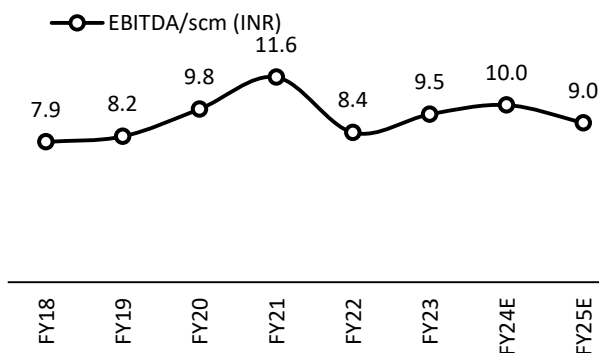
Source: Company, MOFSL

Exhibit 6: PNG segment-wise volumes



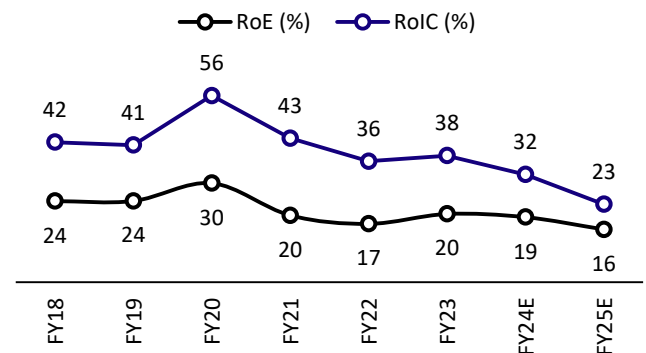
Source: Company, MOFSL

Exhibit 7: EBITDA/scm snapshot



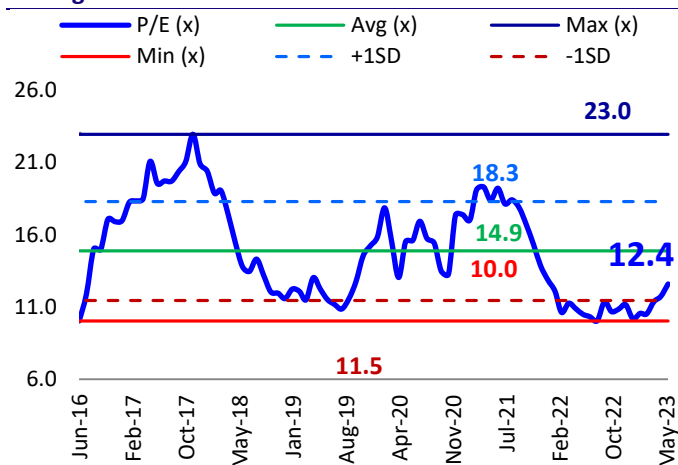
Source: Company, MOFSL

Exhibit 8: RoE to hover below 20% over FY24-25E



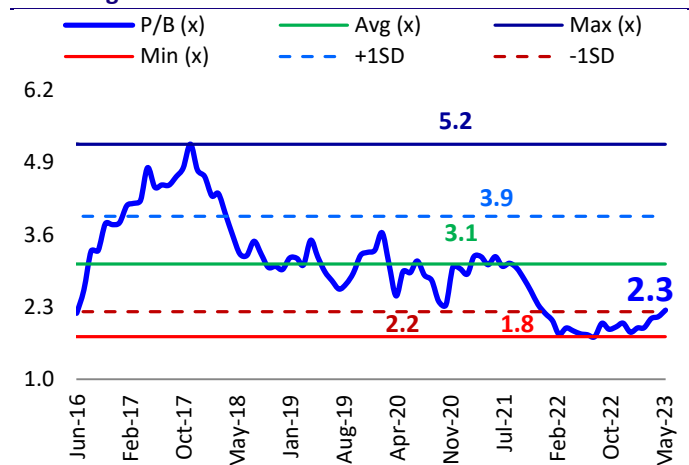
Source: Company, MOFSL

Exhibit 9: 1-year fwd. P/E trades at 17% discount to LT average of 14.9x...



Source: Company, MOFSL

Exhibit 10: ...and 1-year fwd. P/B trades at ~26% discount to LT average of 3.1x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	22,330	27,911	29,721	21,525	35,602	62,993	54,031	54,223
Change (%)	9.8	25.0	6.5	-27.6	65.4	76.9	-14.2	0.4
EBITDA	7,806	8,855	10,528	9,340	9,243	11,842	13,222	12,343
Margin (%)	35.0	31.7	35.4	43.4	26.0	18.8	24.5	22.8
Depreciation	1,112	1,259	1,617	1,737	1,963	2,311	2,444	2,760
EBIT	6,694	7,595	8,911	7,603	7,281	9,531	10,778	9,583
Int. and Finance Charges	3	3	65	72	75	94	114	93
Other Income	574	777	990	805	857	1,119	770	824
PBT bef. EO Exp.	7,265	8,369	9,835	8,336	8,063	10,555	11,434	10,313
PBT after EO Exp.	7,265	8,369	9,835	8,336	8,063	10,555	11,434	10,313
Total Tax	2,487	2,905	1,900	2,140	2,093	2,655	2,878	2,596
Tax Rate (%)	34.2	34.7	19.3	25.7	26.0	25.2	25.2	25.2
Reported PAT	4,779	5,464	7,935	6,196	5,970	7,901	8,556	7,717
Adjusted PAT	4,779	5,464	7,935	6,196	5,970	7,901	8,556	7,717
Change (%)	21.5	14.3	45.2	-21.9	-3.6	32.3	8.3	-9.8
Margin (%)	21.4	19.6	26.7	28.8	16.8	12.5	15.8	14.2

Standalone - Balance Sheet							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	988	988	988	988	988	988	988	988
Total Reserves	19,966	23,001	28,539	31,336	34,985	40,354	45,488	50,118
Net Worth	20,954	23,989	29,527	32,324	35,973	41,342	46,476	51,106
Total Loans	12	0	176	168	206	208	208	208
Deferred Tax Liabilities	1,748	2,048	1,607	1,773	2,008	2,086	2,086	2,086
Capital Employed	22,714	26,037	31,310	34,264	38,187	43,636	48,770	53,400
Gross Block	18,159	21,732	25,024	27,918	34,048	40,096	48,788	55,365
Less: Accum. Deprn.	2,839	4,098	5,716	7,452	9,415	11,727	14,171	16,931
Net Fixed Assets	15,320	17,634	19,309	20,466	24,633	28,369	34,618	38,434
Capital WIP	3,566	3,697	4,865	5,603	6,159	7,086	4,441	3,912
Total Investments	6,877	6,540	11,215	10,250	10,883	13,098	13,098	13,098
Rights to use assets	0	0	1,183	1,228	1,504	1,888	1,888	1,888
Curr. Assets, Loans&Adv.	4,340	6,539	4,708	8,465	9,158	9,882	8,845	10,297
Inventory	240	191	186	222	275	338	270	277
Account Receivables	914	996	685	1,275	1,840	2,940	2,522	2,531
Cash and Bank Balance	919	2,988	2,295	5,119	4,652	2,279	2,344	3,766
Cash	150	265	154	282	825	1,179	1,245	2,667
Bank Balance	769	2,723	2,141	4,837	3,827	1,100	1,100	1,100
Loans and Advances	2,268	2,364	1,543	1,850	2,391	4,324	3,709	3,722
Curr. Liability & Prov.	7,389	8,373	9,971	11,747	14,151	16,687	14,120	14,228
Account Payables	1,100	1,524	1,318	1,559	2,719	3,222	2,571	2,638
Other Current Liabilities	6,089	6,637	8,390	9,839	11,076	12,967	11,123	11,162
Provisions	199	212	263	350	356	498	427	428
Net Current Assets	-3,049	-1,834	-5,263	-3,282	-4,993	-6,806	-5,275	-3,932
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	22,714	26,037	31,310	34,264	38,187	43,636	48,770	53,400

Financials and valuations

Ratios	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	48.4	55.3	80.3	62.7	60.4	80.0	86.6	78.1
Cash EPS	59.6	68.1	96.7	80.3	80.3	103.4	111.4	106.1
BV/Share	212.1	242.8	298.9	327.2	364.2	418.5	470.5	517.4
DPS	21.5	20.0	35.0	23.0	23.0	26.0	34.6	31.3
Payout (%)	53.5	43.5	52.4	36.7	38.1	32.5	40.0	40.0
Valuation (x)								
P/E	22.2	19.4	13.4	17.1	17.8	13.4	12.4	13.7
Cash P/E	18.0	15.8	11.1	13.4	13.4	10.4	9.6	10.1
P/BV	5.1	4.4	3.6	3.3	2.9	2.6	2.3	2.1
EV/Sales	4.7	3.7	3.5	4.7	2.9	1.6	1.9	1.9
EV/EBITDA	13.5	11.6	9.9	10.8	11.0	8.8	7.9	8.3
Dividend Yield (%)	2.0	1.9	3.3	2.1	2.1	2.4	3.2	2.9
FCF per share	38.8	32.6	56.6	47.2	26.0	26.0	28.7	38.3
Return Ratios (%)								
RoE	24.3	24.3	29.7	20.0	17.5	20.4	19.5	15.8
RoCE	24.3	24.3	29.8	20.1	17.5	20.5	19.6	15.9
RoIC	41.9	41.0	55.8	43.1	36.2	37.9	32.2	23.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.2	1.3	1.2	0.8	1.0	1.6	1.1	1.0
Asset Turnover (x)	1.0	1.1	0.9	0.6	0.9	1.4	1.1	1.0
Inventory (Days)	4	3	2	4	3	2	2	2
Debtor (Days)	15	13	8	22	19	17	17	17
Creditor (Days)	18	20	16	26	28	19	17	18
Leverage Ratio (x)								
Current Ratio	0.6	0.8	0.5	0.7	0.6	0.6	0.6	0.7
Net Debt/Equity	0.0	-0.1	-0.1	-0.2	-0.1	-0.1	0.0	-0.1

Standalone - Cash Flow Statement	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	7,265	8,369	9,835	8,336	8,063	10,555	11,434	10,313
Depreciation	1,112	1,259	1,617	1,737	1,963	2,311	2,444	2,760
Direct Taxes Paid	-2,284	-2,709	-2,380	-2,065	-2,122	-2,638	-2,878	-2,596
(Inc)/Dec in WC	822	366	1,369	602	1,640	134	-1,465	79
Others	-395	-443	-655	-627	-583	-764	-770	-824
CF from Operations	6,521	6,846	9,852	8,055	9,037	9,693	8,879	9,826
(Inc)/Dec in FA	-2,692	-3,625	-4,258	-3,395	-6,473	-7,127	-6,048	-6,048
Free Cash Flow	3,829	3,221	5,594	4,660	2,563	2,566	2,831	3,779
(Pur)/Sale of Investments	-2,042	474	-4,316	1,287	-357	-1,748	0	0
Others	547	-1,234	1,026	-2,331	1,440	2,384	770	824
CF from Investments	-4,187	-4,385	-7,548	-4,439	-5,390	-6,491	-5,277	-5,224
Dividend Paid	-2,236	-2,330	-2,183	-3,221	-2,810	-2,518	-3,422	-3,087
CF from Fin. Activity	-2,258	-2,346	-2,416	-3,488	-3,103	-2,848	-3,537	-3,180
Inc/Dec of Cash	76	115	-112	128	543	354	65	1,422
Opening Balance	74	150	265	154	282	825	1,179	1,245
Closing Balance	150	265	154	282	825	1,179	1,245	2,667

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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