

July 29, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL	
Target Price	1,492		1,303	
Sales (Rs. bn)	57	58	56	58
% Chng.	1.2	-		
EBITDA (Rs. bn)	15	15	14	15
% Chng.	5.0	-		
EPS (Rs.)	95.0	93.2	89.6	93.0
% Chng.	6.0	0.2		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	63	62	57	58
EBITDA (Rs. bn)	12	18	15	15
Margin (%)	18.8	29.5	25.6	25.1
PAT (Rs. bn)	8	13	9	9
EPS (Rs.)	80.0	130.5	95.0	93.2
Gr. (%)	32.3	63.2	(27.2)	(1.8)
DPS (Rs.)	26.0	30.0	38.0	37.3
Yield (%)	1.4	1.6	2.1	2.0
RoE (%)	20.4	27.8	17.3	15.4
RoCE (%)	24.5	33.7	20.8	18.6
EV/Sales (x)	2.9	2.9	3.2	3.1
EV/EBITDA (x)	15.2	9.7	12.4	12.4
PE (x)	23.1	14.1	19.4	19.8
P/BV (x)	4.4	3.5	3.2	2.9

Key Data

MGAS.BO | MAHGL IN

52-W High / Low	Rs.1,859 / Rs.971
Sensex / Nifty	81,333 / 24,835
Market Cap	Rs.182bn/ \$ 2,178m
Shares Outstanding	99m
3M Avg. Daily Value	Rs.1220.41m

Shareholding Pattern (%)

Promoter's	32.50
Foreign	31.49
Domestic Institution	16.67
Public & Others	19.34
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	23.1	34.3	69.9
Relative	19.1	16.8	39.3

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Total volume grows 13% YoY

Quick Pointers:

- Vehicle conversion stood at 20,800 during Q1FY25 (against 20,100 in Q1FY24)
- EBITDA/scm came in strong at Rs11.9, up by Rs0.4/scm QoQ.

MAHGL reported an EBITDA of Rs4.2bn in Q1FY25, up 6.3% QoQ (PLe: Rs3.8bn). PAT came in at Rs2.8bn, up 7.4% QoQ (PLe: Rs2.4bn). Total volume grew 13.1% YoY to ~3.9mmscmd aided by strong growth across all segments. On a QoQ basis, total volume increased 2.1%. EBITDA/scm came in higher than estimates at Rs11.9. Going ahead, given lack of GA expansion opportunities, we build in a muted volume growth of 5% CAGR over FY24-26E with an EBITDA/scm of Rs10.5/10/scm for FY25/26. The stock is currently trading at 19.4x/19.8x FY25/26 EPS and 12.4x/12.4x FY25/26 EV/EBITDA. We raise our multiple but maintain 'Sell' rating with a TP of Rs1,492 based on 16x FY26 EPS

- Healthy YoY volume growth:** Gas sales volume stood at 3.86mmscmd, up 13% YoY. CNG volume grew 11.7% YoY to 2.77mmscmd. Total PNG volume increased 16.7% YoY to 1.09mmscmd. Within this segment, D-PNG grew 10.5% YoY to 0.55 mmscmd, while industrial/commercial segment grew 23.8% YoY to 0.54mmscmd. On a QoQ basis, total PNG sales were down 2.5%, while CNG volume grew 4%. LNG sales during the quarter stood at 4,100 kg/day. The company has guided for a volume growth of 6-7% YoY, but on a conservative basis, we build in a volume growth of 5% CAGR over FY24-26E to reach ~4mmscmd.
- Sequential improvement in EBITDA/scm:** Gross margin came in at Rs17.9/scm, flat QoQ. EBITDA at Rs4.2bn was up 6.3% QoQ. Subsequently, EBITDA/scm came in at Rs11.9/scm, up by Rs0.4/scm QoQ (above PLe of Rs10.8/scm). On the domestic gas front, prices remain capped at US\$6.5/mmBtu. Spot LNG prices continue to remain at ~US\$12/mmBtu. Going ahead, we estimate an EBITDA/scm Rs10.5/10 for FY25/26E.
- Conference call highlights:** **1)** MGL set up 2 new CNG stations and added 35,544 households and 104 ind/comm customers in Q1. **2)** Unison Enviro added 1 CNG station (total 57 stations till date) and 341 households. Total ind/comm customers stood at 57. **3)** Unison Enviro clocked a volume of 0.17mmscmd and growth guidance stands at more than 10% YoY given a small base. Revenue for the quarter was Rs880mn. **4)** MGL expects volume growth opportunities with the launch of Bajaj Auto's 2-wheeler in Mumbai and TVS looking to launch CNG scooters in the first half of 2025. **5)** Vehicle conversion stood at 20,800. Within this, PV/taxis conversions were 14,400, 3-wheelers were 5,000, small commercial vehicles were 1,200-1,300, BEST buses were 59 and MSRTC buses were 90. **6)** Capex incurred in Q1 was Rs2.5bn. Target of setting up 50 CNG stations in MGL alone and another 25 stations in Unison Enviro in FY25

Exhibit 1: MGL Quarterly Financials

(Rs bn)	Q1 FY25	Q4 FY24	QoQ gr.	Q1 FY25E	% Var	Q1 FY24	YoY gr.
Revenue	15.9	15.7	1.4%	15.3	4.0%	15.4	3.4%
YoY Change (%)	3.4	-2.7		-0.6		5.7	
Total Expenditure	11.7	11.7	-0.2%	11.5	1.6%	10.2	15.2%
EBITDA	4.2	3.9	6.3%	3.8	11.4%	5.2	-19.7%
EBITDA/SCM	11.9	11.5		10.8		16.8	
Margins (%)	26.3	25.1		24.6		33.9	
Depreciation	0.7	0.8	-7.3%	0.8	-10.0%	0.6	15.8%
Interest	0.0	0.0	-19.1%	0.0	-20.3%	0.0	23.5%
Other Income	0.4	0.4	-9.9%	0.3	21.6%	0.4	3.1%
PBT	3.8	3.6	7.5%	3.3	18.0%	5.0	-22.6%
Tax	1.0	0.9	7.8%	0.8	21.2%	1.3	-22.1%
Rate (%)	25.8	25.8		25.2		25.7	
PAT	2.8	2.6	7.4%	2.4	17.0%	3.7	-22.8%
Adj PAT	2.8	2.6	7.4%	2.4	17.0%	3.7	-22.8%
Margin (%)	17.9	16.9		15.9		24.0	

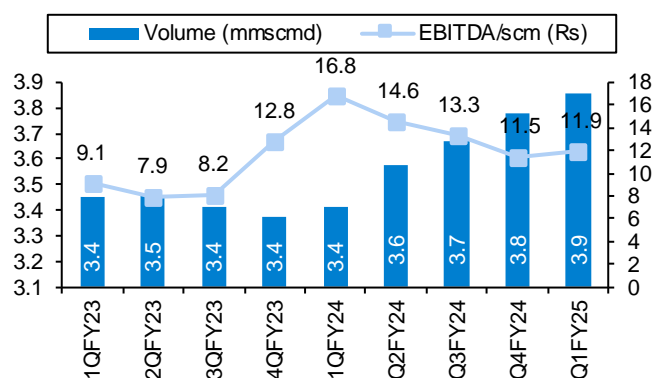
Source: Company, PL

Exhibit 2: Total volume grew 13% YoY

Volume (mmscmd)	Q1 FY25	Q4 FY24	QoQ gr.	Q1 FY25E	% Var	Q1 FY24	YoY gr.
CNG	2.77	2.7	4.0%	2.70	2.5%	2.5	11.7%
PNG - Ind/Comm	0.54	0.6	-2.1%	0.57	-4.7%	0.4	23.8%
PNG - Domestic	0.55	0.6	-2.8%	0.57	-3.9%	0.5	10.5%
PNG - Total	1.09	1.1	-2.5%	1.14	-4.3%	0.9	16.7%
Total Volumes	3.86	3.8	2.1%	3.84	0.5%	3.4	13.1%

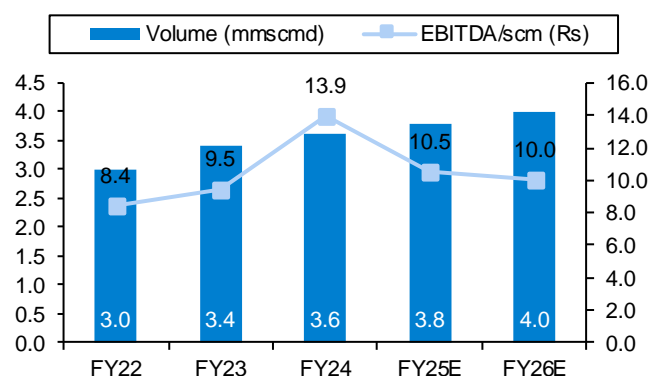
Source: Company, PL

Exhibit 3: Margin improved sequentially by Rs0.4/scm



Source: Company, PL

Exhibit 4: EBITDA/scm anticipated at Rs10.5/10/scm going ahead



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	63	62	57	58
YoY gr. (%)	76.9	(0.9)	(9.2)	2.0
Cost of Goods Sold	44	36	34	35
Gross Profit	19	26	22	23
Margin (%)	26.9	38.3	35.8	35.5
Employee Cost	1	1	1	1
Other Expenses	8,937	8,686	9,312	9,422
EBITDA	12	18	15	15
YoY gr. (%)	28.1	55.6	(21.2)	0.1
Margin (%)	18.8	29.5	25.6	25.1
Depreciation and Amortization	2	3	3	3
EBIT	10	16	11	11
Margin (%)	15.1	25.1	20.0	19.3
Net Interest	35,887	43,589	48,137	52,925
Other Income	1	2	1	1
Profit Before Tax	17,368	18,308	14,277	14,414
Margin (%)	16.8	27.7	22.1	21.3
Total Tax	5,566	5,691	4,621	4,386
Effective tax rate (%)	57.2	56.7	57.5	55.6
Profit after tax	8	13	9	9
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8	13	9	9
YoY gr. (%)	32.3	63.2	(27.2)	(1.8)
Margin (%)	12.5	20.6	16.5	15.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8	13	9	9
YoY gr. (%)	32.3	63.2	(27.2)	(1.8)
Margin (%)	12.5	20.6	16.5	15.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8	13	9	9
Equity Shares O/s (bn)	0	0	0	0
EPS (Rs)	80.0	130.5	95.0	93.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	40	48	59	69
Tangibles	40	48	59	69
Intangibles	-	-	-	-
Acc: Dep / Amortization	12	14	18	21
Tangibles	12	14	18	21
Intangibles	-	-	-	-
Net fixed assets	28	33	41	47
Tangibles	28	33	41	47
Intangibles	-	-	-	-
Capital Work In Progress	7	8	6	6
Goodwill	-	-	-	-
Non-Current Investments	15	19	19	19
Net Deferred tax assets	(2)	(2)	(2)	(2)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	0	0	0	0
Trade receivables	3	3	3	3
Cash & Bank Balance	2	4	3	2
Other Current Assets	-	-	-	-
Total Assets	60	72	76	82
Equity				
Equity Share Capital	1	1	1	1
Other Equity	40	50	56	62
Total Network	41	51	57	63
Non-Current Liabilities				
Long Term borrowings	0	0	0	0
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	3	3	3	3
Other current liabilities	13	15	13	14
Total Equity & Liabilities	60	72	76	82

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	11	17	13	12
Add. Depreciation	2	3	3	3
Add. Interest	0	0	0	0
Less Financial Other Income	1	2	1	1
Add. Other	(1)	(1)	(1)	(1)
Op. profit before WC changes	12	19	15	15
Net Changes-WC	0	1	(1)	0
Direct tax	(3)	(4)	(3)	(3)
Net cash from Op. activities	10	16	11	12
Capital expenditures	(7)	(8)	(10)	(10)
Interest / Dividend Income	0	1	-	-
Others	0	(5)	1	1
Net Cash from Invt. activities	(6)	(13)	(8)	(8)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3)	(3)	(4)	(4)
Interest paid	-	-	0	0
Others	0	0	-	-
Net cash from Fin. activities	(3)	(3)	(4)	(4)
Net change in cash	0	0	(1)	0
Free Cash Flow	3	8	1	2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	80.0	130.5	95.0	93.2
CEPS	103.4	158.2	127.3	127.3
BVPS	418.5	520.6	577.6	633.6
FCF	26.0	80.3	11.3	21.3
DPS	26.0	30.0	38.0	37.3
Return Ratio(%)				
RoCE	24.5	33.7	20.8	18.6
ROIC	16.4	23.0	15.4	13.9
RoE	20.4	27.8	17.3	15.4
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	0.0	0.0
Net Working Capital (Days)	1	1	0	0
Valuation(x)				
PER	23.1	14.1	19.4	19.8
P/B	4.4	3.5	3.2	2.9
P/CEPS	17.9	11.7	14.5	14.5
EV/EBITDA	15.2	9.7	12.4	12.4
EV/Sales	2.9	2.9	3.2	3.1
Dividend Yield (%)	1.4	1.6	2.1	2.0

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	16	16	16	16
YoY gr. (%)	0.5	(6.1)	(2.7)	3.4
Raw Material Expenses	9	9	10	10
Gross Profit	7	6	6	6
Margin (%)	42.8	41.2	39.3	39.6
EBITDA	5	4	4	4
YoY gr. (%)	89.4	75.2	1.0	(19.8)
Margin (%)	30.5	28.6	25.1	26.3
Depreciation / Depletion	1	1	1	1
EBIT	4	4	3	3
Margin (%)	26.3	24.2	20.2	21.8
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	5	4	4	4
Margin (%)	28.9	27.1	22.8	24.1
Total Tax	1	1	1	1
Effective tax rate (%)	25.5	25.5	25.8	25.9
Profit after Tax	3	3	3	3
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3	3	3	3
YoY gr. (%)	106.4	84.3	(1.4)	(22.8)
Margin (%)	21.5	20.2	16.9	17.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3	3	3	3
YoY gr. (%)	106.4	84.3	(1.4)	(22.8)
Margin (%)	21.5	20.2	16.9	17.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3	3	3	3
Avg. Shares O/s (bn)	-	-	-	-
EPS (Rs)	34.3	32.1	26.8	28.8

Source: Company Data, PL Research

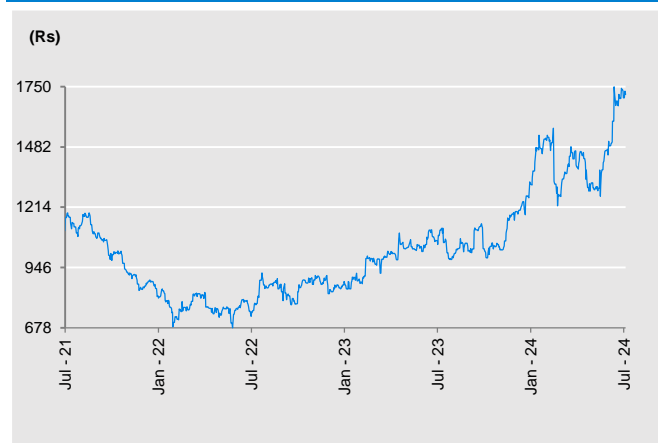
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales Volume (mmscmd)	3.4	3.6	3.8	4.0
EBITDA (Rs/scm)	9.5	13.9	10.5	10.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Sell	1,303	1,685
2	11-May-24	Sell	1,116	1,300
3	09-Apr-24	Sell	1,125	1,485
4	31-Mar-24	Sell	1,124	1,370
5	24-Jan-24	Reduce	1,124	1,345
6	08-Jan-24	Reduce	1,065	1,238
7	30-Oct-23	Hold	1,065	1,015
8	06-Oct-23	Hold	1,056	1,114
9	04-Aug-23	Hold	1,056	1,056

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	634	718
2	Ashok Leyland	Accumulate	249	230
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Hold	1,615	1,672
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,618	1,430
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,489	1,482
9	Deepak Nitrite	Reduce	2,268	2,677
10	Divgi Torqtransfer Systems	Accumulate	831	742
11	Eicher Motors	BUY	5,335	4,737
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	568
14	Fine Organic Industries	Accumulate	5,685	5,337
15	GAIL (India)	Sell	170	223
16	Gujarat Fluorochemicals	Reduce	2,775	3,250
17	Gujarat Gas	Accumulate	623	645
18	Gujarat State Petronet	BUY	409	311
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	280	332
21	Indian Oil Corporation	Reduce	151	171
22	Indraprastha Gas	Sell	374	522
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	264
25	Mahanagar Gas	Sell	1,303	1,685
26	Mahindra & Mahindra	BUY	3,250	2,881
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	14,432	12,104
29	Navin Fluorine International	Accumulate	3,883	3,659

PL's Recommendation Nomenclature (Absolute Performance)

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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