

**CMP: Rs 947**  
**Outlook: Positive**

**Mahanagar Gas Limited (MGL) is one of leading natural gas distribution companies. MGL is a joint venture between GAIL (India) Ltd, the BG Group, (U.K.) and the Government of Maharashtra. MGL has to its credit the distinction of pioneering the natural gas distribution network in Mumbai and its neighboring areas. MGL today is an ISO and OHSAS certified organization. Its products are domestic PNG, commercial PNG, Industrial PNG and CNG.**

**Key Extracts from Annual Report:**

- The oil and gas sector is among the 8th core industries in India and plays a major role in influencing the decision making for all the other important sections of the economy. India's primary energy consumption has more than doubled between 2000 and 2018, reaching ~809 MToe.
- MGL's FY19 sales composition includes CNG, Domestic PNG, Commercial PNG and Industrial PNG as 73.5%, 12.7%, 6.1% & 7.7% respectively.
- Its shareholders are GAIL India Ltd. (GAIL) - 32.5%, BG Asia Pacific Holding Pte. Ltd. (BGAPH) (Now a Royal Dutch Shell Co.) -10%, Government of Maharashtra (GoM) - 10.0% and Public - 47.5%.
- The growth in sales volume of MGL was at 5.5% CAGR for PNG and 5.5% CAGR for CNG between FY14 to FY19.
- Company has registered a growth of 9.2% YoY basis in terms of overall sales volume in FY19, as compared to the previous year. The growth can be attributed to an increase in sales volume of CNG by 9.2%, domestic PNG grew by 10.7%, industrial and commercial PNG grew by 7.8%.
- The Company was also successful in supplementing its current CNG network of 236 stations and upgraded the capacity of 28 stations, serving an estimated 0.69 mn vehicles. The Company propelled its current compression capacity to about 33.37 lakhs kg/day, an increase in the capacity by 3.17 lakhs kg/ day.
- Having a domain expertise and capacity to access the most cost competitive price of gas, any new competition in the industry will have to pay MGL an additional transportation tariff for using the MGL's distribution network, which will in turn increase its competitor's price as compared to that supplied by MGL.

**Management Outlook:**

The long-term vision of the company is to be a socially responsible, world class, customer friendly gas Company committed to provide safe, efficient and reliable energy. Company is pursuing towards capturing the market for piped gas and reach every customer requiring gas in their licensed areas. Further, they are exploring new avenues and opportunities for further growth.

**Risk & Concern:**

Potential risks and uncertainties include such factors as general economic conditions, competitive product and pricing pressures and regulatory developments.

**Valuation:**

At CMP of Rs 947, MGL is trading at FY20 and FY21 consensus estimates, P/E multiples of 14.7x and 13.8x respectively.

Stock Info	
NSE	MGL
Bloomberg	MAHGL IN
Sector	Gas Transmission
Face Value (Rs)	10
Equity Capital (Rs Cr)	99
Market Cap (Rs Cr)	9,354
52w H/L (Rs)	1,057 / 755

Shareholding Pattern	
<b>(As on June, 2019)</b>	
Promoters	32.5
FII	28.9
DII	28.2
Public & Others	10.4

Source: Ace Equity, Arihant Research

Stock Performance (%)	3m	6m	12m
MGL	22.8	-2.3	16.4
SENSEX	3.1	-0.1	14.7

**MGLvs SENSEX**



Source: ACE Equity, Arihant Research

**Company's Business Overview:**

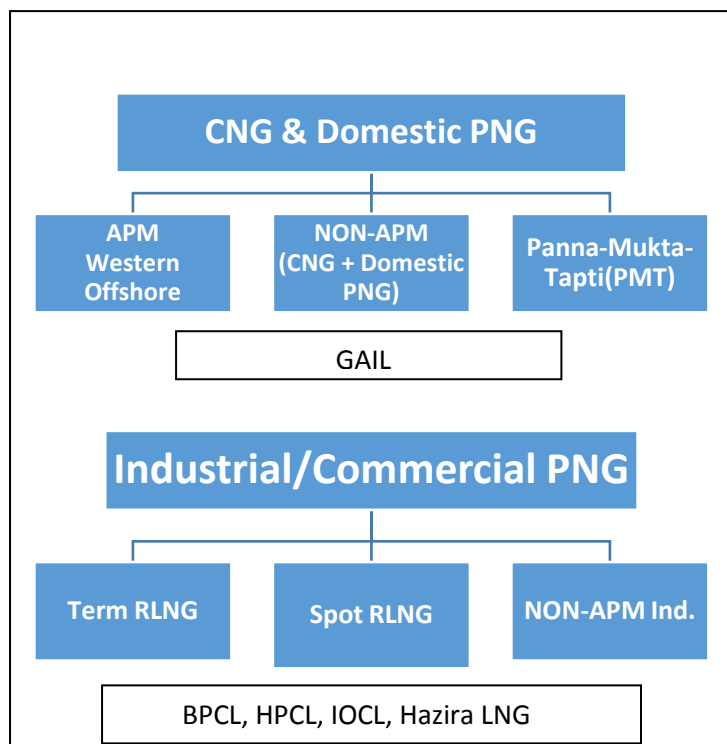
<b>Population (mn)</b>	20.7 mn population and 3.1 mn households
<b>Pipelines</b>	5,367 Kms
<b>PNG connections</b>	~ 1.32 mn
<b>CNG Stations</b>	240
<b>CNG Customer Base</b>	~ 0.71 mn

As on June, 2019

**Bloomberg Estimate:**

	FY19A	FY20E	FY21E
<b>EPS (Rs)</b>	55.3	64.4	68.5
<b>ROE (%)</b>	24.3	24.2	22.6
<b>EV/EBIDTA(x)</b>	10.4	8.6	8.1
<b>P/E(x)</b>	17.4	15.0	14.0

## Diversified Sourcing of Gas &amp; Its Business Operations:



MGL is sole authorized distributor of CNG and PNG in Mumbai.



## Latest Quarter Result:

Particulars (in Cr.)	Jun-19	Jun-18	YoY (%)	Mar-19	QoQ (%)
Revenue	831.2	676.3	23%	793.2	5%
Other Income	20.3	15.3	33%	23.8	-15%
Total Income	851.5	691.6	23%	817.1	4%
Expenditure	555.7	465.4	19%	579.3	-4%
PBDT	295.8	226.2	31%	237.7	24%
PBDTM (%)	35.6	33.5	-	30.0	-
Depreciation	37.2	29.5	26%	32.9	13%
PBT	258.6	196.7	31%	204.9	26%
Tax	88.4	68.4	29%	71.4	24%
PAT	170.2	128.3	33%	133.5	28%
PATM (%)	20.5	19.0	-	16.8	-
EPS	17.2	13.0	33%	13.5	28%

## Peer-Group Comparison:

Rs in Cr.	MGL			GGL			IGL		
	FY18	FY19	%Change	FY18	FY19	%Change	FY18	FY19	%Change
Revenue(Gross)	2,453	3,057	25%	6,339	7,962	26%	5,015	6,362	27%
EPS (Rs)	48	55	14%	21	6	-71%	10	11	17%
EBIDTA Margin	34.2	31.5	-8%	14.8	13.9	-6%	24.2	22.0	-9%
PAT Margin	19.5	17.8	-8%	4.6	5.2	14%	13.4	12.4	-8%
EV/EBIDTA (x)	11.2	10.4	-7%	14.5	10.9	-25%	15.5	14.7	-6%
FCF Per Share	41	36	-13%	6	2	-67%	7	8	23%
ROA	17.0	16.9	0%	4.5	6.1	35%	14.8	14.5	-2%
ROE	24.3	24.3	0%	16.7	20.7	24%	20.8	20.6	-1%

**Balance sheet:**

Particulars (Rs. in Cr.)	FY18	FY19	%Change
<b>Liabilities</b>			
Shareholder's Funds	2095.35	2398.87	14%
Long-Term Borrowings	16.81	16.12	-4%
Deferred Tax Assets / Liabilities	174.83	204.84	17%
Current Liabilities	613.23	668.75	9%
Trade Payables	110.03	152.45	39%
<b>Total Liabilities</b>	<b>3010.24</b>	<b>3441.02</b>	<b>14%</b>
<b>Assets</b>			
Net Block	1531.95	1763.41	15%
Currents Investments	687.68	654.02	-5%
Total Non-Current Assets	502.79	501.74	0%
Cash and Bank	91.88	298.84	225%
Total Current Assets	195.94	223.01	14%
<b>Total Assets</b>	<b>3010.24</b>	<b>3441.02</b>	<b>14%</b>

**Profit & Loss Account:**

Particulars (Rs. in Cr.)	FY18	FY19	% Change
<b>Net Sales</b>	<b>2233.0</b>	<b>2791.1</b>	<b>25%</b>
EXPENDITURE :			
Increase/Decrease in Stock	0.0	-0.1	-
Raw Material Consumed	1029.2	1399.3	36%
Power & Fuel Cost	104.9	116.2	11%
Employee Cost	67.0	70.9	6%
Other Manufacturing Expenses	251.9	319.4	27%
Total Expenditure	1452.9	1905.6	31%
<b>EBITDA</b>	<b>780.1</b>	<b>885.5</b>	<b>14%</b>
<b>EBITDAM (%)</b>	<b>34.9</b>	<b>31.7</b>	<b>-</b>
<b>EBITDA/SCM (Rs)</b>	<b>7.9</b>	<b>8.2</b>	<b>-</b>
Other Income	57.7	77.7	35%
Depreciation	111.2	125.9	13%
<b>EBIT</b>	<b>726.6</b>	<b>837.2</b>	<b>15%</b>
Interest	0.1	0.3	-
<b>PBT</b>	<b>726.5</b>	<b>836.9</b>	<b>15%</b>
Tax	248.6	290.5	17%
<b>Profit After Tax</b>	<b>477.9</b>	<b>546.4</b>	<b>14%</b>
<b>PATM (%)</b>	<b>21.4</b>	<b>19.6</b>	<b>-</b>
Adjusted EPS (Rs.)	48.4	55.3	14%

**Technical Outlook:**

**Mahanagar Gas Ltd. = 947**  
**Stocks with Price Momentum and Growth**

**Technical View:**

The stock after a three-week consolidation in the range of 877 and 900 has given strong breakout with higher volumes. This suggests that momentum on the upside is likely to continue. We are of the opinion that stock is likely to test 1067 (the all-time high) or even extend its gains up to 1100 - 1200 levels in 6 to 12 months.

**Arihant Research Desk**Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park ,  
 Building No. 10, 1<sup>st</sup> Floor,  
 Andheri Ghatkopar Link Road  
 Chakala, Andheri (E).  
 Mumbai – 400093  
 Tel: (91-22) 42254800  
 Fax: (91-22) 42254880

**Registered Office**

Arihant House  
 E-5 RatlamKothi  
 Indore - 452003, (M.P.)  
 Tel: (91-731) 3016100  
 Fax: (91-731) 3016199

**Research****Analyst****Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[research@arihantcapital.com](mailto:research@arihantcapital.com)

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**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No.  
 10, 1st Floor, Andheri Ghatkopar Link Road  
 Chakala, Andheri (E) Tel. 022-42254800 Fax.  
 022-42254880