Margin Compression on Higher Gas Costs; Volume Momentum Intact

Est. Vs. Actual for Q2FY27: Revenue – BEAT; EBITDA – MISS; PAT – MISS

Change in Estimates post Q2FY27

FY27E/FY28E: Revenue: -0.04%/-0.5.%; **EBITDA:** -0.6%/ -1.1%, **PAT:** -1.9%/-2.9%

Recommendation Rationale

- **Q2FY27 EBITDA/scm Declined Sequentially:** EBITDA/scm declined by 13% QoQ to Rs 6.77/scm (down 15% YoY from Rs 8.00/scm in Q2FY26), as gas cost/scm rose further to Rs 42.34/scm (Q1FY27: Rs 39.85/scm; Q2FY26: Rs 33.65/scm) on continued RLNG supply restrictions and incremental spot purchases at ~$22–23/MMBTU following the abrupt HPHT allocation change. The QoQ decline was driven by (i) a 5% QoQ contraction in gross spread to Rs 13.77/scm, as the 3% rise in realisation to Rs 56.11/scm failed to offset higher gas costs, with FO/LDO-linked industrial prices falling 6–15% QoQ, and (ii) elevated opex from volume-linked costs and a one-off Rs 10–12 Cr employee cost, adjusting for which EBITDA/scm stood at ~Rs 7.0/scm. Management refrained from FY27/FY28 margin guidance given the volatility, but indicated that a Rs 1–1.5/kg CNG price hike would restore Rs 7/scm, with headroom intact at a ~45%/~9% discount to petrol/diesel.
- **Volume Growth Sustained; I&C Recovers Sequentially:** Total sales volume grew 6.5%/2.6% YoY/QoQ to 4.892 mmscmd in Q2FY27, led by CNG at 3.552 mmscmd (up 9.12%/1.60% YoY/QoQ) and D-PNG at 0.639 mmscmd (up 9.79%/2.57% YoY/QoQ), while I&C volume recovered to 0.700 mmscmd (up 8.02% QoQ, down 7.53% YoY) despite continued RLNG supply curtailment. Small commercial volumes grew ~9–12% YoY, and management highlighted that contracted daily offtake has increased, positioning I&C for a double-digit rebound once supply normalises. Management reiterated 8–9%+ volume growth for FY27/FY28, contingent on supply normalisation.
- **Sourcing Shifting Toward Domestic Gas; HPHT Allocation a Key Cost Lever:** D-PNG remains 100% APM-sourced, I&C is fully met through RLNG (largely HH-linked term contracts with a small Brent-linked portion), and ~60% of CNG is met through domestic gas (APM, NWG and HPHT). Pure spot RLNG was only ~2.5% of company volumes. The revised HPHT formula allocates on proportional priority-segment consumption, phased at 25%/50%/75% through Jun-27 and 100% from Jul-27, lifting MGL's allocation from ~5,000–6,000 MMBTU/day to ~16,000–18,000 MMBTU/day (3–3.5x) at full implementation. MGL has also tied up ~40,000 MMBTU of new term LNG, which is already flowing, and partially hedged winter exposure by converting index-based contracts to fixed pricing.

Sector Outlook: Cautiously Positive

Company Outlook & Guidance: MGL remains on track for volume growth, even as near-term margins stay hostage to the West Asia crisis and elevated RLNG costs. Management maintained FY27 capex guidance of Rs 1,500–1,800 Cr, with execution back-ended to H2 as pipeline-laying permissions resume post-monsoon. The plan will be funded through internal accruals, ~Rs 1,000 Cr of surplus cash and customer deposits, with management ruling out the need for debt despite FCF expected to be negative by Rs 200–300 Cr in FY27/FY28. On margins, management refrained from giving explicit FY27/FY28 guidance given the volatility, but reiterated its endeavour to maintain earlier guided levels. It indicated that a Rs 1–1.5/kg CNG price hike would restore EBITDA/scm to Rs 7/scm, while the phased HPHT allocation changes and the new ~40,000 MMBTU term contracts should progressively ease gas costs. Long-term volume growth is guided at 8–9%+, with I&C volumes expected to rebound by double digits once supply normalises, as the segment remains supply- rather than demand-constrained.

Current Valuation: DCF Basis (Unchanged)

Current TP: Rs 1,255/share (Earlier TP: Rs 1,300/share)

Recommendation: We **maintain our BUY** recommendation on the stock.

Financial Performance: Consolidated Net Sales (net of excise duty) stood at Rs 2,538 Cr, up 24%/7% YoY/QoQ, an 8% beat on the consensus estimates. EBITDA stood at Rs 305 Cr, down 10%/11% YoY/QoQ due to higher Cost of natural gas and operating expenses, an 11% miss vs. consensus. EBITDA/scm stood at Rs 6.95/scm, down 13%/11 YoY/QoQ. PAT was down 29%/30% YoY/QoQ to Rs 135 Cr, a 28% miss on the consensus estimates.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Consensus Est	Var (%)
Net Sales	2,538	7.0%	2,355	8%	2,538
EBITDA	305	-11%	343	-11%	305
EBITDA Margin (%)	12%	-244bps	15%	-255bps	12%
Reported PAT	136	-30%	187	-28%	136
EPS (Rs)	13.7	-30%	19.4	-29%	13.7

Source: Company, Axis Securities

(CMP as of 04th November, 2026)

CMP (Rs)	1,059
Upside /Downside (%)	18%
High/Low (Rs)	1,286/900
Market cap (Cr)	10,463
Avg. daily vol. (6m) Shrs.	2,60,896
No. of shares (Cr)	9.9

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	32.5	32.5	32.5
FII	24.1	23.2	23.5
Mutual Funds / UTI	8.8	11.2	12.0
Financial Institutions	0.0	0.0	0.0
Others	34.6	33.1	32.1

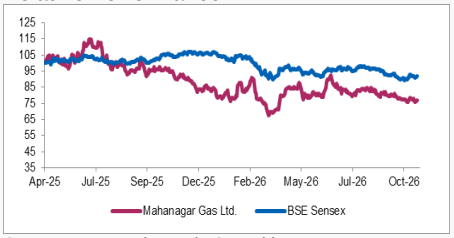
Financial & Valuations

Y/E Mar (Rs Cr)	FY26A	FY27E	FY28E
Net Sales	8,240	9,523	10,471
EBITDA	1,451	1,438	1,505
Attributable Net Profit	841	769	824
EPS (Rs)	85.2	77.8	83.4
PER (x)	13.0	13.5	12.6
P/BV (x)	1.7	1.5	1.4
EV/EBITDA (x)	6.8	6.2	5.9
ROE (%)	13%	11.1%	11.0%

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-0.04%	-0.5%
EBITDA	-0.6%	-1.1%
PAT (Attrib)	-1.9%	-2.9%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery
Q1FY27
Q4FY26
Q3FY26
Q2FY26

Manisha Kesari
Research Analyst
Email: Manisha.kesari@axissecurities.in

Keval Barot
Research Associate
Email: keval.barot@axissecurities.in

Valuation & Recommendation

- We value the company using the DCF method, considering a WACC of 11.7% (previously 11.5%). We forecast cash flows for 15 years and, post that, use a terminal growth rate of 3.0% to arrive at the terminal value. **We add net cash and investments at a 30% discount to arrive at our target price of Rs 1,255/share (Earlier TP: Rs 1,300/share), which reflects an upside of 18% from the CMP. We maintain our BUY rating on the stock.**

Outlook

- We revise our EBITDA estimates downwards for FY27/FY28 post Q2FY27 results, as we factor in higher gas costs and marginally lower sales volume estimates.

Key Concall Highlights

- **Infrastructure Addition:** During Q2FY27, MGL achieved 70,501 DPNG conversions, taking cumulative DPNG conversions to 2.24 Mn (and total household connections to 3.27 Mn). The company laid 65 km of steel and PE pipeline during the quarter, extending total pipeline coverage to over 8,542 km (762 km steel and 7,780 km PE). MGL added 9 CNG stations (total 528 stations) and 248 industrial and commercial customers (total 6,409 customers).
- **Sales Volumes:** Total sales volume for Q2FY27 stood at 4.892 MMSCMD, up 6.51% YoY and 2.64% QoQ. This comprised 3.552 MMSCMD of CNG (up 9.12%/1.60% YoY/QoQ), 0.639 MMSCMD of Domestic PNG (up 9.79%/2.57% YoY/QoQ), and 0.700 MMSCMD of Industrial & Commercial PNG (down 7.53% YoY but up 8.02% QoQ, as RLNG supply restrictions persisted). H1FY27 volume grew 6.75% YoY, with CNG and D-PNG growing ~9.5%.
- **Sales Volume Composition:** CNG continues to dominate the mix at 72.62% of total Q2FY27 sales, followed by Domestic PNG at 13.07%, Industrial PNG at 11.04%, and Commercial PNG at 3.27%. Priority segments (CNG and D-PNG) form ~85.7% of total sales, supported by 100% APM allocation for D-PNG and partial APM/NWG support for CNG.
- **Unison Enviro Gas (UEPL) MWP Shortfall:** At the time of the GA authorisation transfer from Unison to MGL, PNGRB sought recovery of the MWP shortfall. The JV agreement covered this largely through the erstwhile promoters, with a nominal balance borne from UEPL's own accounts, not out of the consideration committed to the promoters.
- **Impact of West Asia Crisis on Gas Sourcing:** RLNG supplies remained restricted to ~70–80% of contracted volumes. MGL relied on spot LNG at ~$22–23/MMBTU, though pure spot RLNG was only ~2.5% of company volumes (~11% including HPHT bought on IGX). MGL has tied up term LNG in excess of requirement, with take-or-pay thresholds giving it flexibility to switch between spot and term. This includes ~40,000 MMBTU of new term LNG (mostly HH-linked, smaller Brent-linked), which is already flowing. It has also partially hedged winter exposure by converting index-based contracts to fixed pricing.
- **HPHT Allocation Change:** The revised formula allocates HPHT gas in proportion to priority-segment (CNG and D-PNG) consumption, replacing equal allocation per bidding entity. It is phased at 25% (Nov–Dec), 50% (Jan–Mar), 75% (Apr–Jun) and 100% from Jul-27. MGL's allocation is expected to rise from ~5,000–6,000 MMBTU/day to ~7,000–8,000 MMBTU/day initially, and to ~16,000–18,000 MMBTU/day (3–3.5x) at full implementation. Management continues to push for a similar priority allocation for NWG, noting NWG pricing is now close to RLNG.
- **I&C Realization Dynamics:** I&C prices ranged between Rs 65–100/scm, reset monthly against alternate-fuel benchmarks. Commercial PNG prices, linked to 19 kg commercial LPG, rose >25% QoQ, while Industrial PNG prices, linked to LDO/FO, declined ~6–15% QoQ. Overall I&C margins were broadly flat QoQ. Small commercial customers form ~22% of I&C volume, and the entire I&C base remains on alternate-fuel-linked pricing.
- **CNG Pricing Headroom:** CNG currently offers a ~45% discount to petrol and ~9% to diesel. Management indicated that a Rs 1–1.5/kg price hike would restore EBITDA/scm to Rs 7/scm (Q2FY27: Rs 6.77/scm), though it refrained from providing FY27/FY28 margin guidance given the volatility.
- **Heavy CV Incentive Scheme:** MGL has secured registrations for over 800 vehicles under its incentive scheme for large commercial vehicles (above 10 tonnes), of which ~110 have been delivered. This resulted in a Rs 3.5–4 Cr expense in Q2FY27 (~Rs 3.5 lakh/vehicle). Incentives for LCVs have been discontinued, as CNG models already enjoy strong market share in that segment.
- **CNG Vehicle Addition:** MGL added 29,524 CNG vehicles during Q2FY27, taking the total registered vehicle base across its geographies to over 1.34 Mn vehicles as of 30th September 2026.
- **Capex & Cash Flow**: H1FY27 capex stood at Rs 643 Cr, seasonally lower as the monsoon restricts pipeline-laying permissions. Management maintained FY27 capex guidance of Rs 1,500–1,800 Cr. FCF is expected to be negative by Rs 200–300 Cr in FY27/FY28, funded through ~Rs 1,000 Cr surplus cash and Rs 1,000–1,200 Cr operating cash flow, with no debt required.

Risks to Our Estimates and TP

- Slower growth in CNG vehicles.
- Rising input costs due to reduced allocation of low-cost domestic gas (APM Gas) and greater reliance on market-linked imported gas, affecting its margins.
- Faster EV adoption and lower alternative fuel prices.

Changes in Estimates

	Revised			Old			% Change		
	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Net Sales	8,240	9,523	10,471	8,240	9,527	10,522	0.0%	-0.04%	-0.5%
EBITDA	1,451	1,438	1,505	1,451	1,447	1,521	0.0%	-0.6%	-1.1%
Attrib. Net Profit	841	769	824	841	784	849	0.0%	-1.9%	-2.9%
Sales Volume (mmscmd)	4.59	4.91	5.26	4.59	4.92	5.3	-0.1%	-0.2%	-0.7%

Q2FY27 Results Review

Particulars (Rs Cr)	Q2FY26 Act	Q1FY27 Act	Q2FY27 Consensus	Q2FY27 Act	YoY (%)	QoQ (%)	Consensus Var (%)
CNG (mmscmd)	3.255	3.496		3.552	9%	1.6%	
PNG - Domestic (mmscmd)	0.582	0.623		0.639	10%	3%	
PNG- Industry/ Commercial (mmscmd)	0.757	0.648		0.700	-8%	8%	
PNG -total (mmscmd)	1.339	1.271		1.339	0%	5%	
Total Volumes (mmscmd)	**4.594**	**4.767**		**4.892**	**6%**	**3%**	
Total Volumes (SCM Cr)	42	44		45	6%	3%	
Net Sales (Net of excise duty)	**2,050**	**2,373**	**2,355**	**2,538**	**24%**	**7.0%**	**10%**
Cost of natural gas	1,426	1,734		1,915	34%	10%	
Change in inventories	-0	-1		-3	NM	NM	
Direct expenses	1,426	1,733		1,912			
Gross Profit	**625**	**639**		**627**	**0%**	**-2%**	
Employee benefit expenses	49	46		60	24%	30%	
Other expenses	238	250		262	10%	5%	
EBITDA	**338**	**343**	**343**	**305**	**-10%**	**-11%**	**5%**
EBITDA/scm	**7.99**	**7.82**		**6.77**	**-15%**	**-13%**	
Depreciation & amortisation	104	109		117	12%	7%	
EBIT	**234**	**234**		**188**	**-20%**	**-20%**	
Finance cost	5	6		8	53%	32%	
Other income	29	30		24	-19%	-23%	
PBT	**258**	**258**		**204**	**-21%**	**-21%**	
Tax	65	65		50	-23%	-24%	
Profit / (loss) from associates / JV	-2	-0		-1.18	NM	NM	
Exceptional items	-	-		17.33	NM	NM	
PAT	**191**	**193**	**187**	**135**	**-29%**	**-30%**	**-1%**
Non-controlling interest	-0	-0		-0	NM	NM	
Attrib PAT	**191**	**193**		**136**	**-29%**	**-30%**	
Shares Outstanding	10	10		10	0%	0%	
EPS	**19.55**	**19.54**	**19.40**	**13.73**	**-30%**	**-30%**	**-1%**
Realisation Rs/scm	48.5	54.1		56.4	16%	4%	NM
Unit cost Rs/scm	33.7	39.5		42.5	26%	7%	NM
EBITDA margins (%)	16.5%	14.4%	14.6%	12.0%	-447bps	-244bps	-255bps
PAT margins (%)	9%	8%	8%	5%	-399bps	-278bps	-260bps

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY26A	FY27E	FY28E	FY29E
Total Operating Income	8,240	9,523	10,471	11,460
Cost of Natural Gas	5,632	6,793	7,534	7,830
Change in inventories	(1)	-	-	-
Employees Cost	176	189	199	209
Other Expenses	982	1,104	1,234	1,406
Total Expenditure	6,789	8,085	8,966	9,446
EBITDA	**1,451**	**1,438**	**1,505**	**2,014**
Depreciation and Amortisation	409	501	531	614
EBIT	**1,042**	**938**	**974**	**1,399**
Other Income	119	126	165	168
Less: Interest & Fin Chg.	21	21	21	22
Profit before tax	**1,141**	**1,043**	**1,118**	**1,545**
Provision for Tax	294	269	288	398
Net Profit from associates/JVs	(6)	(6)	(6)	(6)
Reported PAT	**841**	**769**	**824**	**1,141**
EPS (Rs/sh)	**85.2**	**77.8**	**83.4**	**115.6**
DPS (Rs/sh)	**30.0**	**27.4**	**29.4**	**40.6**

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY26A	FY27E	FY28E	FY29E
Net Block	4,689	5,280	6,036	6,847
CWIP	1,270	981	894	468
Intangible assets	396	396	396	396
Investments	1,036	1,036	1,036	1,036
Inventories	63	75	84	87
Trade Receivables	459	530	583	638
Cash / Bank balance	114	469	488	977
Misc. Assets	956	969	983	997
Total assets	**8,981**	**9,737**	**10,499**	**11,446**
Equity capital	99	99	99	99
Reserves	6,329	6,840	7,379	8,125
Minority Interest	14	14	14	14
Borrowings	-	-	-	-
Deferred tax Liabilities	374	374	374	374
Other Liabilities	1,600	1,745	1,906	2,082
Provisions	86	86	86	86
Trade Payables	479	578	641	667
Capital employed	**8,981**	**9,737**	**10,499**	**11,446**

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY26A	FY27A	FY28E	FY29E
Profit After tax	847	774	830	1,147
Depreciation	409	501	531	614
Change in W/C	61	160	162	143
Operating Cash Flow	**1,317**	**1,435**	**1,523**	**1,905**
Capital Expenditure	(1,121)	(804)	(1,200)	(1,000)
Free Cash Flow	**196**	**632**	**323**	**905**
Other Investments	(90)	(14)	(14)	(14)
Investing Cash Flow	**(1,211)**	**(817)**	**(1,214)**	**(1,014)**
Dividend paid	(296)	(296)	(271)	(290)
Other Financing cash flow	(27)	33	(19)	(111)
Financing Cash Flow	**(324)**	**(263)**	**(290)**	**(401)**
Change in Cash	**(218)**	**355**	**19**	**489**
Opening Cash	333	114	469	488
Closing Cash	**115**	**469**	**488**	**977**

Source: Company, Axis Securities

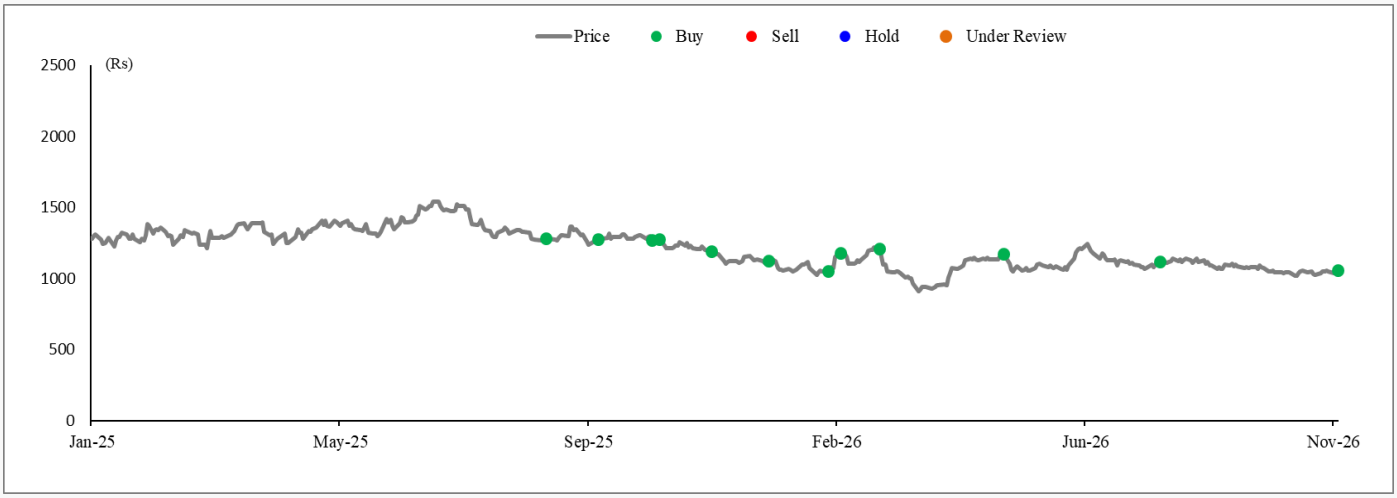
Ratio Analysis

(%)

Y/E March	FY26A	FY27E	FY28E	FY29E
Operational Ratios				
Sales growth (% YoY)	19%	16%	10%	9%
EBITDA growth (% YoY)	-4%	-1%	5%	34%
Op. profit growth (% YoY)	-14%	-10%	4%	44%
Net Profit growth (% YoY)	-19%	-9%	7%	38%
EBITDA Margin %	18%	15%	14%	18%
Net profit Margin %	14%	11%	11%	13%
Tax Rate %	26%	26%	26%	26%
Efficiency Ratios				
Total Asset turnover (x)	1.0	1.0	1.0	1.0
Sales/Net block(x)	1.4	1.5	1.5	1.5
Working capital/Sales (x)	0.0	0.0	0.0	0.0
Valuation Ratios				
PER (x)	12.4	13.5	12.6	9.1
P/BV (x)	1.6	1.5	1.4	1.3
EV/EBITDA (x)	6.4	6.2	5.9	4.2
EV/Sales (x)	1.1	0.9	0.9	0.7
Return Ratios				
ROE	13.1%	11.1%	11.0%	13.9%
ROCE	15.5%	12.9%	12.5%	16.6%
ROIC	14.6%	12.8%	12.1%	16.7%
Leverage Ratios				
Debt / Equity (x)	-	-	-	-
Net debt / Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net debt / EBITDA (x)	(0.8)	(1.0)	(1.0)	(1.0)

Source: Company, Axis Securities

MGL Power Infrastructures Chart and Recommendation History



Date	Reco	TP	Research
04-Sep-25	BUY	1,550	Initiating Coverage
01-Oct-25	BUY	1,540	Top Picks
31-Oct-25	BUY	1,540	Result Update
03-Nov-25	BUY	1,540	Top Picks
01-Dec-25	BUY	1,540	Top Picks
01-Jan-26	BUY	1,540	Top Picks
02-Feb-26	BUY	1,540	Top Picks
10-Feb-26	BUY	1,540	Result Update
02-Mar-26	BUY	1,540	Top Picks
11-May-26	BUY	1,325	Result Update
03-Aug-26	BUY	1,300	Result Update
05-Nov-26	BUY	1,255	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Ltd., Unit 002(A), Amiti Building, Piramal Corporate Park, Kamani Junction, LBS Marg, Kurla (West), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
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