November 27 2025

Mahanagar Gas Limited: Ratings reaffirmed; Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term Non-Fund Based Limits	540.00	720.00	[ICRA]AAA (Stable); reaffirmed and assigned
Long-term Fund-based Limits	80.00	80.00	[ICRA]AAA (Stable); reaffirmed
Short-Term Non-Fund Based Limits	908.75	1128.75	[ICRA]A1+; reaffirmed and assigned
Short-term Non-Fund based Limits (Sublimit)	(80.00)	(80.00)	[ICRA]A1+; reaffirmed
Short-term Fund-based Limits	16.70	17.70	[ICRA]A1+; reaffirmed
Short-term Fund-based Limits (Sublimit)	(1.00)	(1.00)	[ICRA]A1+; reaffirmed
Long-term/ Short-term - Unallocated limits	79.55	78.55	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Total	**1625.00**	**2025.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings factor in the strong parentage of Mahanagar Gas Limited (MGL) and its leadership position in the city gas distribution (CGD) sector with presence across six geographical areas (GAs). MGL is one of the top five CGD entities in the country.

MGL benefits from its strong parent, GAIL India Limited (GAIL, rated [ICRA]AAA (Stable)/[ICRA]A1+), in terms of technical/management support and operational synergy through its tie-up for sourcing natural gas to meet a sizeable part of its requirements. The ratings consider the favourable outlook for demand growth in both compressed natural gas (CNG) and piped natural gas (PNG), given the push by the Government of India (GoI) to promote the use of cleaner fuels and the cost advantage of CNG and PNG over alternative fuels. The ratings also consider the company's strong financial profile, characterised by healthy profitability levels, zero debt and strong liquidity, with sizeable, unencumbered cash balances and liquid investments.

In H1 FY2026, MGL continued to deliver a steady operational performance, with volumes rising 6.82% sequentially to 4.52 mmscmd and the operating income increasing 14% year-on-year (YoY) to Rs. 4,133.4 crore. Despite the margin pressures from elevated gas procurement costs and weaker realisations in the industrial and commercial PNG segments, the OPBDITA stood at Rs. 838.5 crore, translating to a margin of 20%. The PAT for the period was Rs. 512.5 crore, with a NPM of 12%. The contribution per scm remained stable at Rs. 16.86, slightly above FY2025 levels, while EBITDA/scm was Rs. 10.13, broadly in line with the previous year. Operating expenses continued to inch up, reaching Rs. 6.73/scm in H1 FY2026, compared to Rs. 6.57/scm in FY2025.

In FY2025, MGL delivered a healthy operational performance with the volumes rising 13.3% YoY to 4.24 mmscmd, led by a sustained growth in the CNG segment (up 12.4%) and strong traction in PNG-Industrial (up 32%). The operating income increased 15% to Rs.7,263.8 crore, while the OPBDITA stood at Rs.1,574.2 crore, translating to a margin of 22%. The PAT was Rs.1,041.3 crore, with a PAT/OI margin of 14%. ICRA notes that the company's ability to hike prices and the long-term demand prospects remain exposed to the changes in the spread between CNG/PNG and alternative fuels. The contribution per scm moderated to Rs.16.69 in FY2025 from Rs.19.37 in FY2024, reflecting the impact of increased HPHT blending amid APM shortfall and elevated sourcing costs. The EBITDA/scm declined to Rs.10.18 in FY2025 from Rs.13.59 in the previous year.

CNG continued to account for 71.9% of the total volumes, supported by infrastructure expansion across GA-2 and GA-3, strategic station additions, and targeted commercial fleet schemes. PNG-Domestic contributed ~13% to the volumes, with growth driven by incremental connections in the already penetrated buildings.

The ratings are constrained by the exposure of MGL's margins to alternate fuel prices and the GoI's gas allocation policy. As was seen in H2 FY2025, APM gas allocation was curtailed for CNG which impacted the contribution margins of the segment as the company decided to pass on only a part of the increased costs, to maintain more stable CNG prices to support addition of CNG vehicle momentum. Similarly, in the PNG-Industrial (PNG-I) segment, the margins remain competitive compared to alternative fuel prices e.g. propane prices. As, the alternative fuel prices are linked to crude oil prices which have moderated recently, the price drop has softened the contribution margin from the PNG-I segment as well. Going forward, the company will need to maintain a fine balance between passing on increased gas costs to preserve the margins and also maintain competitiveness against alternative fuels to keep the volume growth steady.

MGL's marketing exclusivity in GA1, GA2 and GA3 had expired, while the infrastructure exclusivity also expired in GA1 in April 2021. Additionally, the marketing exclusivity expired for the Ratnagiri GA in December 2023. While the infrastructure exclusivity expired for GA1 in April 2021, the same was rolled back under an order by the regulator in May 2024. At present, MGL continues to enjoy network/infrastructure exclusivity at all its GAs. There are significant entry barriers for third-party marketers or new entrants because of concerns regarding gas availability at competitive prices and lack of clarity on open-access for CGD networks in the country. Nevertheless, the company remains exposed to the threat of new entrants in the GAs.

ICRA notes that there was a shortfall in meeting the inch-KM pipeline target for the Ratnagiri GA and domestic connection target for the Chitradurga & Davengere GA, against the Minimum Works Programme (MWP). Given the shortfall in meeting the MWP targets, MGL remains exposed to partial encashment of the bank guarantees. Nevertheless, the estimated cash outflow for such encashment remains low against the liquidity position of MGL. ICRA will continue to monitor the developments on this front.

The Stable outlook reflects ICRA's expectation that the credit profile will remain robust, aided by continued healthy demand for CNG and PNG in the GAs, thereby aiding a steady cash accrual.

Key rating drivers and their description

Credit strengths

Established presence as one of the large players in the CGD industry with expanding infrastructure – MGL is present across six geographical areas (GAs) i.e. three GAs originally allocated to MGL i.e. GA-1 (Greater Mumbai area), GA-2 (includes Thane Urban and surrounding areas) and GA-3 (Raigad district). MGL also acquired, Unison Enviro Private Limited in February 2024 with its two GAs in Maharashtra i.e. 1. Ratnagiri and 2. Latur & Osmanabad along with 3rd GA in Karnataka i.e. Chitradurga & Davanagere. MGL has grown over the years and by H1 FY2025 sold 4.52 mmscmd of gas volumes under the CGD business making it one of the top-5 CGD players in the country. The company has been expanding infrastructure in its GAs resulting in healthy volume growth.

Operational benefits of strong parentage - MGL is promoted by GAIL (India) Limited {GAIL, [ICRA]AAA (Stable)/[ICRA]A1+}, with a 32.5% ownership and has a deep understanding and interest in the domestic gas distribution business. GAIL's Chairman is the Chairman on MGL's board as well too. Further, a favourable allocation policy assures gas availability from GAIL for the CNG and PNG-D segments.

Favourable outlook on demand growth – The demand for the CNG and PNG-D segments continues to be healthy, supported by their competitiveness over alternative fuels. While the competitiveness of CNG over petrol has been declining because of lower allocation of APM gas, it still remains healthy. The demand for PNG-D tends to remain sticky. With rapidly expanding infrastructure and ease of using PNG-D, the demand for the segment is expected to witness healthy growth. While the APM gas allocation has been lowered, the GoI continues to provide preference to CGD entities in bidding for NWG and HPHT gas which will support the gas sourcing for the industry. Thus, ICRA expects the sector to continue to grow at a rate of 10-12%, driven by a combination of factors such as expanding infrastructure, continued competitiveness against alternative fuels and the GoI's supportive policies.

Strong financial profile, comfortable capital structure and healthy liquidity – MGL's financial risk profile remains robust, marked by its sizeable scale of operations, strong cash accruals, a comfortable liquidity profile and capital structure with healthy debt protection metrics and high profitability and return indicators. MGL is expected to generate cash flow from operations of Rs. 1200-1300 crore per annum, going forward supported by growth in the sales volume. This will also favour MGL's capex and investment plans going forward through internal accruals. At present, MGL has nil debt on its books while having a cash and cash balance of Rs. 1,298.7 crore as on September 30, 2025. Hence, the superior liquidity will keep MGL's credit profile robust.

Credit challenges

Operations exposed to changes in spread between CNG/PNG and alternative fuel prices - MGL derives nearly 71% of its volumes from the CNG segment and ~16% volumes from the PNG (I&C). CNG competes with alternative fuels i.e. petrol and diesel. The competitiveness of CNG against petrol has moderated over the last one year, because of an incremental cut in APM gas allocation, resulting in cost pressures. Going forward, as the APM gas allocation falls further, CGD entities may have to walk a fine balance between raising prices to conserve margins or maintain the competitiveness to grow volumes.

In the PNG(I&C) segment, the industry has to compete with alternative fuels e.g. Low Sulphur Heavy Stok (LSHS), Light Diesel Oil (LDO), Furnace Oil (FO), Bulk LPG and propane, wherein the prices are linked to crude oil prices. As the segment is served by imported LNG, the competitive sourcing of the same remains a key driving factor for the profitability of the segment. Thus, the profitability of the CGD entities remains exposed to the variation in alternative fuel prices and competitive sourcing of natural gas.

Expiry of marketing and physical exclusivity in key GAs - MGL's marketing exclusivity for GA1 and GA2 expired during 2012-2014 while in case of GA 3 it expired on 31 March 2022, exposing the company to the threat of new entrants. However, it continues to benefit from the first-mover advantage and the steady development of its CGD infrastructure in these areas. While the physical exclusivity period had also expired for GA1 in April 2021, PNGRB reinstated the infrastructure exclusivity via an order in May 2024 till further instructions. However, any third-party marketer looking to utilise MGL's infrastructure for CNG/PNG sales will face issues such as ability to secure gas supplies at competitive rates, operational challenges related to retail management set-up/expertise (billing, collection and metering along with after-sales/repair related services) and unattractive returns in case of lower sales volume.

Environmental and Social Risks

Environmental considerations – MGL is promoting the use of natural gas, which reduces CO_2 emissions, and is a cleaner fuel, and hence, is favourable with regard to environmental concerns. Moreover, for its PNG segment, it offers attractive terms to new customers to switch to natural gas, thereby promoting the use of cleaner fuel. Also, wherever possible, MGL has taken initiatives to conserve natural resources such as water, paper and electricity. Such initiatives include the implementation of IoT-based HVAC automation System at MGL-owned offices to reduce energy usage, integration of HVAC with solar module for an efficient use of energy and procurement of green power to mitigate Scope 2 emission partially. Further, MGL has taken significant strides towards sustainable water management through the implementation of two sewage treatment plants (STPs) at CGS Savroli and CGS Taloja.

Social considerations – The worldwide trend towards a shift to less carbon-intensive sources of energy could structurally increase the demand for natural gas. However, for emerging markets like India, such a change in consumer behaviour, or any other driver of change is expected to be moderately paced. Therefore, MGL would benefit from the structural shift in the longer term, which would support its credit profile as well.

Liquidity position: Superior

MGL's liquidity profile remains robust supported by large cash and bank balances of ~Rs. 1,298.65 crore as on September 30, 2025, and expectations of cash flow from operations in the range of Rs. 1200-1400 crore per annum over FY2026-FY2028. The free cash on the books and the annual cashflow from operations are more than adequate to meet the planned capex and investments by MGL. The company remains debt free and, thus, has no scheduled debt repayments.

Rating sensitivities

Positive factors – NA

Negative factors – Pressure on the ratings may arise from any large debt-funded acquisition or any adverse regulatory developments impacting the revenues and profitability on a sustained basis. Any significant decline in profitability due to increased competition from new entrants may also weigh on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology City Gas Distribution
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of Mahanagar Gas Limited

About the company

Mahanagar Gas Limited (MGL) was incorporated in 1995 as a joint venture between GAIL (India) Limited (GAIL) and BG Asia Pacific Holdings Pte Limited (BGAPH) - a Royal Dutch Shell Plc subsidiary. Subsequently, the company was listed in June 2016, after which both GAIL and BGAPH's stake were reduced to 32.5% each, with the remaining 35% stake being held by the public (of which 10% is with the state government of Maharashtra). Further, in August 2019, BGAPH sold its entire stake in the company. At present, GAIL is the only promoter in the company.

Over the past two decades, MGL has established a firm presence in the Greater Mumbai gas distribution business, where it is the dominant player. Its growth is primarily driven by the CNG business, which contributes 70-75% of its revenues at present. The company also supplies piped natural gas (PNG) to the industrial, commercial, and residential segments. The company sources most of its gas requirements from GAIL, while a small part is bought from the spot market. MGL has put in place large plans to augment its gas distribution network in the existing Mumbai region and expand its network in the surrounding regions of Mumbai. The company currently operates in three geographical areas (GAs) — GA1, which includes the Greater Mumbai region; GA2, which includes expansion areas, such as Mira-Bhayander, Thane-Vashi-Belapur (TVB), Kharghar-Panvel-Taloja (KPT), Kalyan-Dombivli-Ambernath and Ulhasnagar (KD& AB); and GA3, which is the Raigad district (won by the company in 2015).

Key financial indicators (audited)

MGL Consolidated	FY2024	FY2025	H1FY2026*
Operating income	6290.1	7263.8	4133.4
PAT	1284.7	1041.3	512.5
OPBDIT/OI	29%	22%	20%
PAT/OI	20%	14%	12%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	0.4
Total debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	139.1	112.0	86.5

*Source: Company, ICRA Research; * Unaudited; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs Crore)	3-Oct-2024	Date	Rating	Date	Rating	Date	Rating
Short term-others-non fund based	Short term	1128.75	**[ICRA]A1+**	Oct 3, 2024	[ICRA]A1+	Sep 01, 2023	[ICRA]A1+	23-SEP-2022	[ICRA]A1+
			-	-	-			14-MAR-2023	[ICRA]A1+
Short term-others-fund based	Short term	17.70	**[ICRA]A1+**	Oct 3, 2024	[ICRA]A1+	Sep 01, 2023	[ICRA]A1+	23-SEP-2022	[ICRA]A1+
			-		-			14-MAR-2023	[ICRA]A1+
Long term / short term-unallocated-unallocated	Long term/ Short term	78.55	**[ICRA]AAA (Stable)/ [ICRA]A1+**	Oct 3, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Sep 01, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+	23-SEP-2022	[ICRA]AAA (Stable)/ [ICRA]A1+
			-					14-MAR-2023	[ICRA]AAA (Stable)/ [ICRA]A1+
Long term-others-non fund based	Long term	720.00	**[ICRA]AAA (Stable)**	Oct 3, 2024	[ICRA]AAA (Stable)	Sep 01, 2023	[ICRA]AAA (Stable)	23-SEP-2022	[ICRA]AAA (Stable)
			-	-	-			14-MAR-2023	[ICRA]AAA (Stable)
Short term-others-interchangeable	Short term	(80.00)	**[ICRA]A1+**	Oct 3, 2024	[ICRA]A1+	Sep 01, 2023	[ICRA]A1+	23-SEP-2022	[ICRA]A1+
			-					14-MAR-2023	[ICRA]A1+
Long term-others-fund based	Long term	80.00	**[ICRA]AAA (Stable)**	Oct 3, 2024	[ICRA]AAA (Stable)	Sep 01, 2023	[ICRA]AAA (Stable)	23-SEP-2022	[ICRA]AAA (Stable)
			-		-			14-MAR-2023	[ICRA]AAA (Stable)
Short term-others-interchangeable	Short term	(1.00)	**[ICRA]A1+**	Oct 3, 2024	[ICRA]A1+	Sep 01, 2023	[ICRA]A1+	23-SEP-2022	[ICRA]A1+
			-	-	-			14-MAR-2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term non-fund based limits	Very Simple
Long-term fund-based limits	Simple
Short-term non-fund based limits	Very Simple
Short-term non-fund based limits (Sublimit)	Very Simple
Short-term fund-based limits	Simple
Short-term fund-based limits (Sublimit)	Simple
Long-term/Short-term - Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long-term non-fund based limits**	NA	NA	NA	720.00	[ICRA]AAA (Stable)
NA	**Long-term fund-based limits**	NA	NA	NA	80.00	[ICRA]AAA (Stable)
NA	**Short-term non-fund based limits**	NA	NA	NA	1128.75	[ICRA]A1+
NA	**Short-term non-fund based limits (Sublimit)**	NA	NA	NA	(80.00)	[ICRA]A1+
NA	**Short-term fund-based limits**	NA	NA	NA	17.70	[ICRA]A1+
NA	**Short-term fund-based limits (Sublimit)**	NA	NA	NA	(1.00)	[ICRA]A1+
NA	**Long-term/Short-term unallocated limits**	NA	NA	NA	78.55	[ICRA]AAA (Stable)/ [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Mahanagar Gas Limited	100.00% (rated entity)	Full Consolidation
Mahanagar LNG Private Limited	51.0%	Full Consolidation

Source: MGL annual report

ANALYST CONTACTS

Prashant Vasisht
+91 124 4545 322
Prashant.vasisht@icraindia.com

Varun Gogia
+91 98 7115 6542
varun.gogia1@icraindia.com

Aryan Jaiswal
+91 77 6184 2638
aryan.jaiswal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches