

July 25, 2024

RESULT REPORT Q1 FY25 | Sector: Energy

# Mangalore Refinery & Petrochemicals Ltd

**Weak performance on lower GRMs from higher discounted product exports**

## Our View

Mangalore Refinery Petrochemical's Q1FY25 core performance was weaker at USD 3.8/bbl, with an EBITDA of Rs 6.1bn; \$4.7/bbl of reported GRM (our est. USD5) on narrowing Russian crude discounts, higher freight due to shutdown of SPM and exports of higher discounted products. As per our calculations, the inventory gains could be at USD0.9/bbl. There was no impact of SAED during the quarter. We maintain ADD rating on stock with an unchanged TP of Rs257.

## Result Highlights

- EBITDA/PAT at Rs bn 6.1/0.7, weaker performance on YoY basis declining by 70.7%/93.5% and on QoQ basis it declined by 74%/94.3%. The EBITDA was significantly lower than ours and the consensus estimates on weak core GRMs despite no SAED impact.
- MRPL's Q1FY25 reported GRM was USD4.7/bbl (USD11.4 the previous quarter, USD9.8 a year ago). The GRM was lower than our expectations of USD5/bbl. Higher exports (~30% of revenue) where the product realization were at a discount and much lower than the domestic prices lead to this under performance as compared to other Indian refiners who sell most in the domestic market. SPM was also not under works for May-Jun'24 which also resulted in higher freights costs (expected to resume early Sep'24). The assumed core GRM at USD3.8/bbl (USD710.4 the quarter prior, USD11.5 a year back) was at a marginal premium of USD0.4/bbl to the benchmark of USD3.4. The Russian crude discounts continued to be lower at ~USD2-3/bbl. As per our assumptions, the Inventory gain could be at USD0.9/bbl (Rs2.45bn) vs a gain of USD1.0 the previous quarter and a loss of USD1.6 a year ago. Refinery throughput was 4.35mmt at ~115% utilization (119% the prior quarter, 117% a year ago).
- The opex stood lower at USD3.6/bbl, higher than 8-qtr average of 2.8, was largely on higher sourcing of RLNG which was expensive. The Rs 107mn forex loss marginally impacted the profitability.
- Capex for the qtr was Rs950mn, as per the management FY25 capex is targeted at Rs 12bn. The debt stood at Rs118.3bn, down Rs6.2bn QoQ and Rs33.3bn on YoY basis supported by stronger GRMs, FCF and reduction in working capital requirements.
- Crude sourcing mix. Russia at 35%, Saudi 30%, Iraq 10%, domestic 20% others 5%. The Russian crude discounts were lower as the system for booking of crude price changed from delivery to the port to Russian port exit. It takes ~30days for crude to reach Indian port when left Russian port.
- In terms of the slate mix, the contribution of diesel to slate was ~44%, gasoline ~15%, ATF ~10%, LPG ~7% and fuel & loss 10.4%.

## Valuation

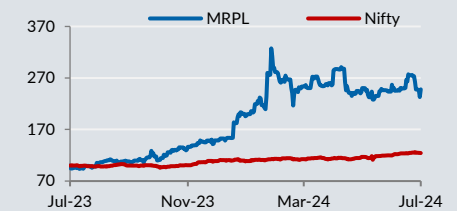
The GRM sensitivity for the stock is high: a \$1/bbl change in GRM changes EBITDA by Rs 10.3bn. BV/share for FY25e/26e: Rs 86/97; debt: equity at 0.7/0.6x FY25e/26e vs 0.9x in FY24. At CMP, stock trades at 9.5x/9.2x FY25e/26e EV/EBITDA & 2.5x/2.2x P/BV. We maintain ADD rating on stock with an unchanged TP of Rs257, valuing the stock at 10.7x FY26e EV/EBITDA.

Reco	: ADD
CMP	: Rs 217
Target Price	: Rs 257
Potential Return	: +18.5%

## Stock data (as on Jul 25, 2024)

Nifty	24,406
52 Week h/l (Rs)	289 / 80
Market cap (Rs/USD mn)	381681 / 4559
Outstanding Shares (mn)	1,753
6m Avg t/o (Rs mn):	1,584
Div yield (%):	0.9
Bloomberg code:	MRPL IN
NSE code:	MRPL

## Stock performance



## Shareholding pattern (As of Mar '24 end)

Promoter	88.6%
FII+DII	4.2%
Others	7.2%

## Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	257	257

## Δ in estimates

(1-Yr)	FY25e	FY26e
EPS (New)	12.2	12.4
EPS (Old)	12.2	12.4
% Change	-	-

## Financial Summary

(Rs bn)	FY24	FY25E	FY26E
Revenue	904.1	869.3	779.0
YoY Growth	(19.2)	(1.1)	(11.3)
EBIDTA	77.0	51.4	53.2
OPM %	8.5	5.9	6.8
PAT	36.0	21.5	21.8
YoY Growth	36.6	(40.4)	1.7
ROE	31.2	15.1	13.6
EPS	20.5	12.2	12.4
P/E	10.6	17.7	17.4
BV	75.6	86.3	96.8
EV/EBITDA	6.6	9.5	9.2

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Lead Analyst

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## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	232,470	249,642	243,142	-6.88	-4.39	Weak performance on lower GRMs from higher discounted product exports
EBITDA	6,056	8,795	10,015	-31.14	-39.53	
EBITDA Margin (%)	2.61	3.52	4.12	-92bps	-151bps	
Adjusted PAT	656	2,359	3,438	-72.21	-80.93	

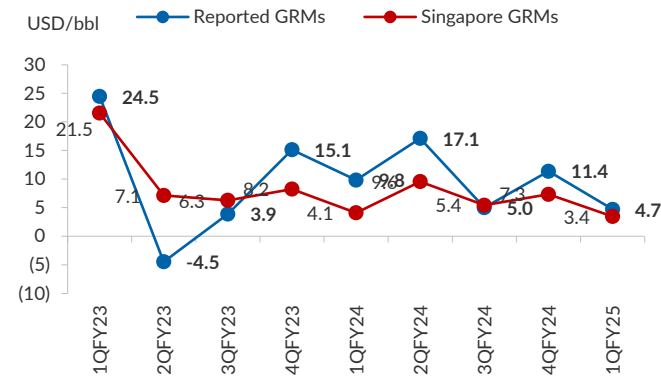
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenue	211,731	192,297	246,671	253,287	232,470	9.8	(8.2)	1,088,561	903,985	(17.0)
Expenditure	191,048	170,914	235,076	229,990	226,414	18.5	(1.6)	1,023,595	827,028	(19.2)
-Raw Material	183,945	160,308	231,944	220,613	218,844	19.0	(0.8)	986,691	796,809	(19.2)
-Staff Cost	1,494	1,597	1,626	3,004	1,666	11.5	(44.6)	6,978	7,721	10.6
- Other Expenses	5,609	9,010	1,507	6,373	5,905	5.3	(7.4)	29,926	22,498	(24.8)
<b>Operating Profit</b>	<b>20,683</b>	<b>21,382</b>	<b>11,595</b>	<b>23,297</b>	<b>6,056</b>	<b>(70.7)</b>	<b>(74.0)</b>	<b>64,966</b>	<b>76,958</b>	<b>18.5</b>
OPM(%)	9.8	11.1	4.7	9.2	2.6	-716 bps	(71.7)	6.0	8.5	255 bps
Other Income	518	745	396	393	447	(13.6)	13.9	2,117	2,051	(3.1)
Depreciation	2,940	2,960	3,343	3,330	3,352	14.0	0.7	11,867	12,573	5.9
Interest	2,673	3,112	2,736	2,617	2,145	(19.8)	(18.1)	12,853	11,138	(13.3)
Excpnl Loss/(Profit)	-	-	-	83	-	n.a.	(100.0)	(25)	83	n.a.
<b>PBT</b>	<b>15,588</b>	<b>16,055</b>	<b>5,912</b>	<b>17,825</b>	<b>1,006</b>	<b>(93.5)</b>	<b>(94.4)</b>	<b>42,339</b>	<b>55,380</b>	<b>30.8</b>
Tax	5,461	5,462	2,041	6,291	351	(93.6)	(94.4)	16,005	19,255	20.3
<b>PAT</b>	<b>10,127</b>	<b>10,593</b>	<b>3,871</b>	<b>11,534</b>	<b>656</b>	<b>(93.5)</b>	<b>(94.3)</b>	<b>26,334</b>	<b>36,125</b>	<b>37.2</b>
Adj PAT	10,127	10,593	3,871	11,451	656	(93.5)	(94.3)	26,359	36,042	36.7

## Exhibit 3: Operating highlights

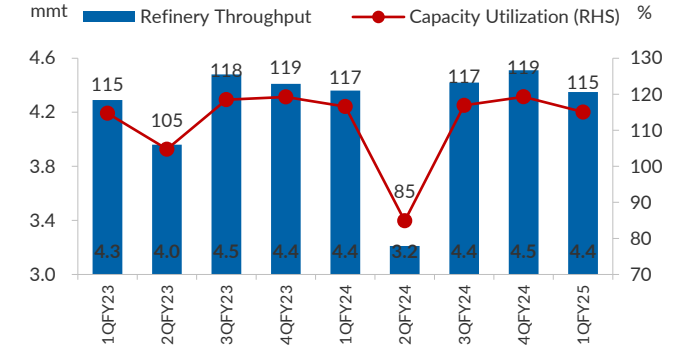
Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
<b>Volumes</b>										
Throughput	4.4	3.2	4.4	4.5	4.4	(0.2)	(3.5)	17.1	16.5	(3.7)
Utilisation %	116.6	84.9	116.9	119.3	115.1	(1.3)	(3.5)	114.3	109.4	(4.3)
<b>GRMs</b>										
Reported GRMs	9.8	17.1	5.0	11.4	4.7	(52.1)	(58.6)	10.0	10.4	3.7
Inv gains/ (loss)	(1.6)	7.0	(2.5)	1.0	0.9	(156.3)	(10.0)	(1.7)	0.5	(132.9)
Core GRMs	11.4	10.1	7.5	10.4	3.8	(66.7)	(63.3)	11.6	9.8	(15.7)
Singapore GRMs	4.1	9.6	5.4	7.3	3.4	(15.8)	(52.9)	10.8	6.4	(40.8)
<b>Export duty - SAED</b>										
Rs mn	20	910	1,880	80	-	(100.0)	(100.0)	17,360	2,890	(83.4)
US\$/bbl	0.0	0.5	0.7	0.0	-	(100.0)	(100.0)	1.7	0.3	(83.2)
<b>Export duty - RTP Reduction</b>										
Rs mn	170	3,720	2,530	360	-	(100.0)	(100.0)	33,790	6,780	(79.9)
US\$/bbl	0.1	1.9	0.9	0.1	-	(100.0)	(100.0)	3.2	0.7	(79.6)
<b>Rs mn</b>										
Standalone Debt (Incl. OMPL)	151,662	139,779	140,134	124,518	118,314	(22.0)	(5.0)	167,074	124,518	(25.5)
Capex	1,680	2,320	3,380	7,750	950	(43.5)	(87.7)	6,410	15,130	136.0
Forex Gains/(losses)	66	(1,046)	(248)	(98)	(107)	(261.3)	9.0	(13,375)	(1,326)	(90.1)
FCF (PAT+Dep-Capex)	11,388	11,233	3,833	6,949	3,058	(73.1)	(56.0)	31,841	33,402	4.9

**Exhibit 4: GRMs**



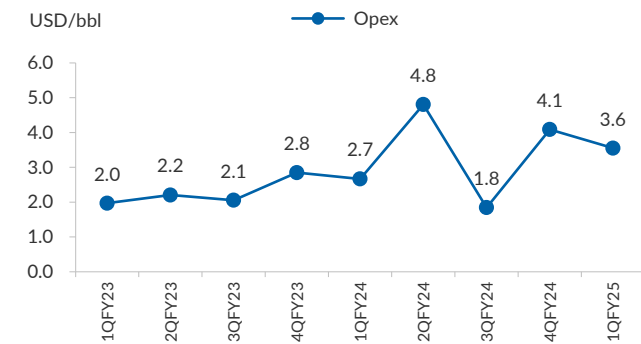
Source: Company, YES Sec

**Exhibit 5: Refining throughput, capacity utilisation**



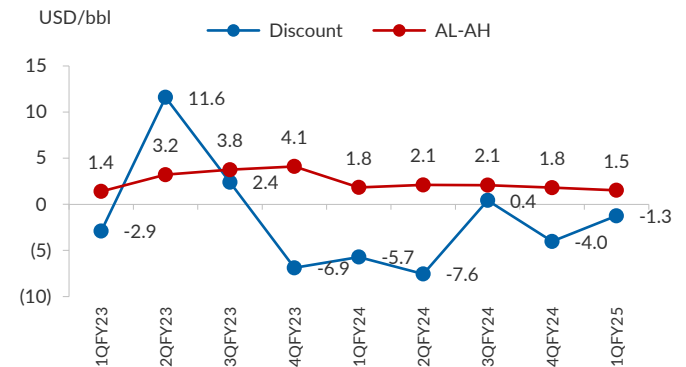
Source: Company, YES Sec

**Exhibit 6: Refining Opex**



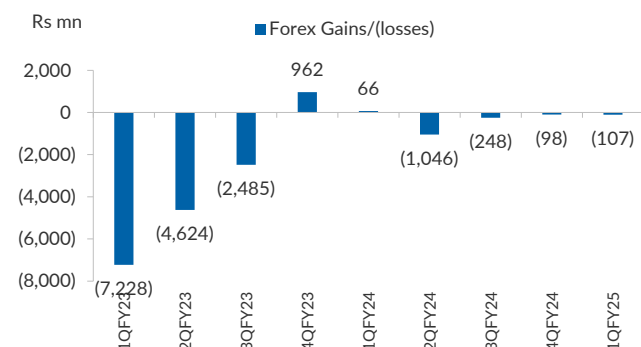
Source: Company, YES Sec

**Exhibit 7: Premium to the benchmark and AL-AH difference**



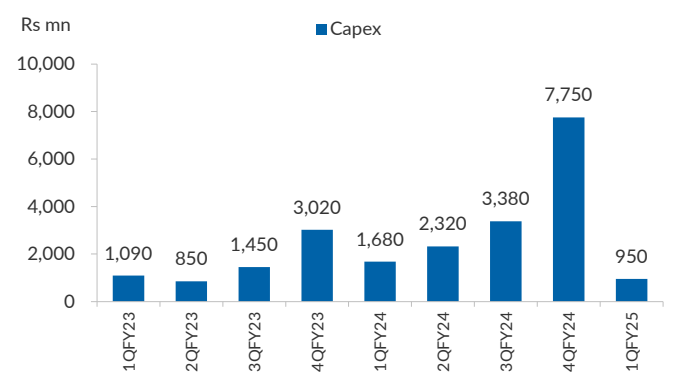
Source: Company, YES Sec

**Exhibit 8: Forex gains / (losses)**



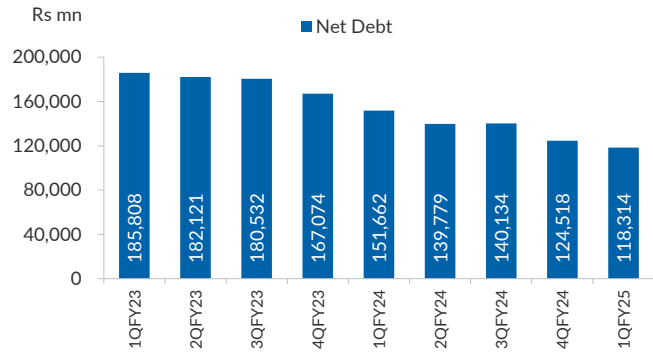
Source: Company, YES Sec

**Exhibit 9: Capex**



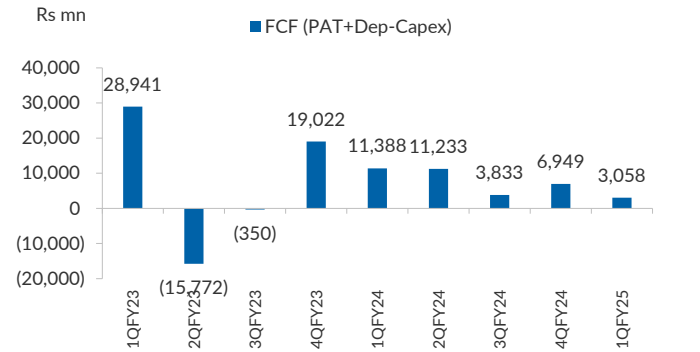
Source: Company, PPAC, YES Sec

**Exhibit 10: Debt**



Source: Company, YES Sec

**Exhibit 11: FCF changes**



Source: Company, YES Sec

## VIEW & VALUATION

### ADD with a TP of Rs 257/sh.

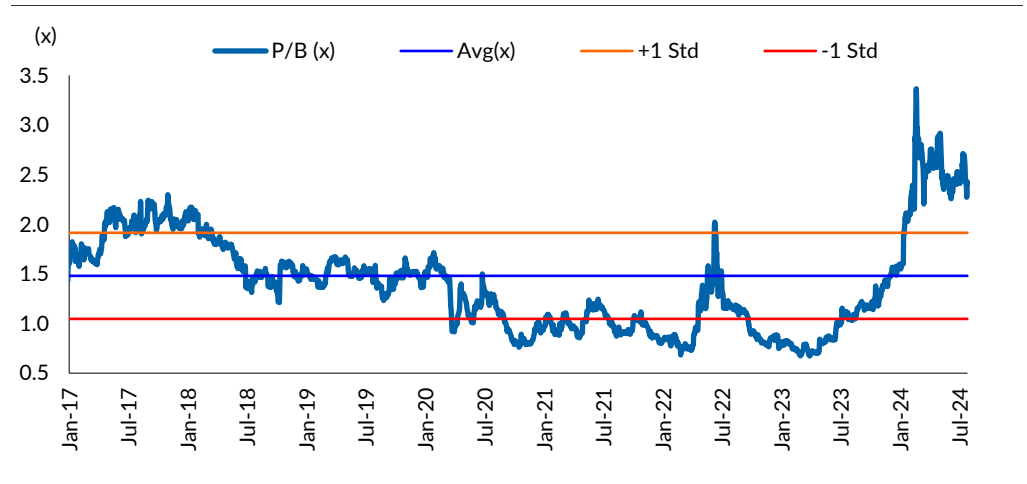
The GRM sensitivity for the stock is high: a \$1/bbl change in GRM changes EBITDA by Rs 10.3bn. BV/share for FY25e/26e: Rs 86/97; debt: equity at 0.7/0.6x FY25e/26e vs 0.9x in FY24. At CMP, stock trades at 9.5x/9.2x FY25e/26e EV/EBITDA & 2.5x/2.2x P/BV. We maintain ADD rating on stock with an unchanged TP of Rs257, valuing the stock at 10.7x FY26e EV/EBITDA.

Risks: Lower GRM environment, change in crude prices and inventory losses, adverse government policy – subsidy-sharing.

### Exhibit 12: Valuation table

EV/EBITDA	FY26E
Multiple	10.7
EBITDA	53,175
Debt	121,719
Cash	3,367
EV	568,969
Equity value	450,618
No of shares	1,753
VPS	257

### Exhibit 13: P/BV (x) band, one-year-forward



## FINANCIALS

**Exhibit 14: Income statement**

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	697,271	1,088,561	904,067	869,301	778,980
Total Expense	647,965	1,023,595	827,110	817,864	725,806
<b>Operating Profit</b>	<b>49,306</b>	<b>64,966</b>	<b>76,957</b>	<b>51,437</b>	<b>53,175</b>
Other Income	1,028	2,117	2,051	2,112	2,260
Depreciation	10,877	11,867	12,573	12,957	14,172
EBIT	39,456	55,216	66,435	40,593	41,263
Interest	12,073	12,853	11,138	8,033	8,155
Extraordinary Item	(300)	25	(83)	-	-
<b>PBT</b>	<b>27,083</b>	<b>42,389</b>	<b>55,214</b>	<b>32,560</b>	<b>33,108</b>
Tax	(2,469)	16,005	19,255	11,103	11,290
<b>PAT</b>	<b>29,553</b>	<b>26,384</b>	<b>35,959</b>	<b>21,457</b>	<b>21,818</b>
Adj. PAT	29,853	26,368	36,013	21,457	21,818
Eps	16.9	15.1	20.5	12.2	12.4

**Exhibit 15: Balance sheet**

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	17,527	17,527	17,527	17,527	17,527
Reserves	54,437	80,820	114,988	133,673	152,105
<b>Net worth</b>	<b>71,963</b>	<b>98,347</b>	<b>132,515</b>	<b>151,200</b>	<b>169,631</b>
Debt	211,092	167,332	124,760	113,060	113,060
Deferred tax liab (net)	-	-	-	-	-
<b>Capital Employed</b>	<b>283,055</b>	<b>265,678</b>	<b>257,275</b>	<b>264,260</b>	<b>282,691</b>
Fixed assets	215,536	208,706	211,538	212,081	231,909
Investments	155	161	173	173	173
Net working capital	67,364	56,812	45,564	52,006	50,609
Inventories	104,869	67,766	83,060	78,652	73,058
Sundry debtors	43,277	44,694	38,601	41,019	39,514
Cash & Bank Balance	439	389	386	2,326	3,367
Other current assets	36,308	29,440	20,231	20,231	20,231
Sundry creditors	93,672	61,688	72,036	65,543	60,882
Other liabilities	23,856	23,790	24,679	24,679	24,679
<b>Application of Funds</b>	<b>283,055</b>	<b>265,678</b>	<b>257,275</b>	<b>264,260</b>	<b>282,691</b>

## Exhibit 16: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	27,083	42,389	55,214	32,560	33,108
Depreciation & amortization	10,877	16,005	12,573	12,957	14,172
Interest expense	12,073	12,853	11,138	8,033	8,155
(Inc)/Dec in working capital	(400)	(384)	(296)	-	-
Tax paid	(1,901)	3,099	1,131	(4,502)	2,438
Less: Interest/Dividend Income Received	(2,630)	(7,658)	(9,502)	(11,103)	(11,290)
Other operating Cash Flow	(139)	(2,659)	191	-	-
<b>Cash flow from operating activities</b>	<b>44,963</b>	<b>63,644</b>	<b>70,450</b>	<b>37,945</b>	<b>46,583</b>
Capital expenditure	(6,113)	(7,028)	(15,560)	(13,499)	(34,000)
Inc/(Dec) in investments	167	324	201	-	-
Add: Interest/Dividend Income Received	(1)	(28)	181	-	-
<b>Cash flow from investing activities</b>	<b>(5,948)</b>	<b>(6,732)</b>	<b>(15,179)</b>	<b>(13,499)</b>	<b>(34,000)</b>
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(31,361)	(45,698)	(43,249)	(11,700)	-
Interest Paid	(7,857)	(11,201)	(10,241)	(8,033)	(8,155)
Dividend Paid			(1,753)	(3,505)	(5,258)
Others	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(39,218)</b>	<b>(56,899)</b>	<b>(55,242)</b>	<b>(23,239)</b>	<b>(13,413)</b>
<b>Net cash flow</b>	<b>(203)</b>	<b>13</b>	<b>29</b>	<b>1,207</b>	<b>(830)</b>

## Exhibit 17: Du-pont analysis

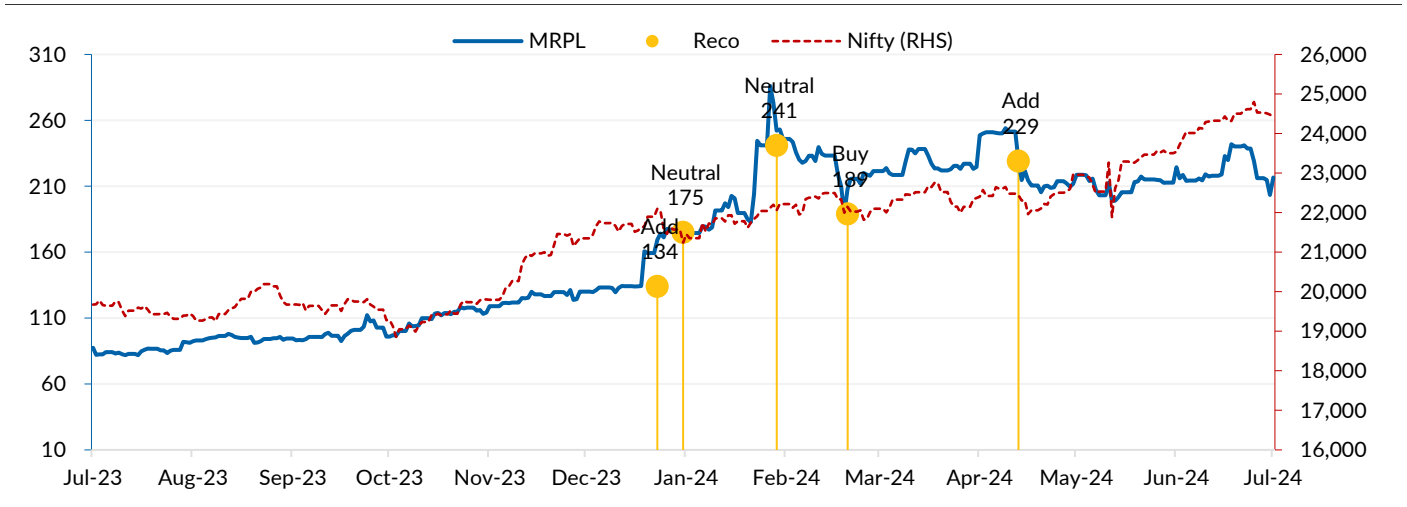
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	1.1	0.6	0.7	0.7	0.7
Interest burden (x)	0.7	0.8	0.8	0.8	0.8
EBIT margin (x)	0.1	0.1	0.1	0.0	0.1
Asset turnover (x)	1.9	2.9	2.6	2.5	2.2
Financial leverage (x)	6.5	4.4	3.1	2.5	2.3
RoE (%)	51.7	31.0	31.2	15.1	13.6

## Exhibit 18: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue growth	107.3	58.0	(19.2)	(1.1)	(11.3)
Op profit growth	2.1	106.0	(3.1)	3.0	7.0
EBIT growth	117.7	6.5	(13.3)	(27.9)	1.5
Net profit growth	(492.2)	(11.7)	36.6	(40.4)	1.7
<b>Profitability ratios (%)</b>					
OPM	7.1	6.0	8.5	5.9	6.8
EBIT margin	5.7	5.1	7.3	4.7	5.3
Net profit margin	4.2	2.4	4.0	2.5	2.8
RoCE	14.0	20.1	25.4	15.6	15.1
RoE	51.7	31.0	31.2	15.1	13.6
RoA	9.0	7.1	9.6	6.1	6.2
<b>Per share ratios</b>					
EPS	16.9	15.1	20.5	12.2	12.4
Dividend per share	-	-	3.0	2.0	3.0
Cash EPS	23.1	21.8	27.7	19.6	20.5
Book value per share	41.1	56.1	75.6	86.3	96.8
<b>Valuation ratios</b>					
P/E	2.5	3.5	10.6	17.7	17.4
P/CEPS	1.8	2.4	7.8	11.1	10.6
P/B	1.0	0.9	2.9	2.5	2.2
EV/EBIDTA	5.8	4.0	6.6	9.5	9.2
<b>Payout (%)</b>					
Dividend payout	-	-	14.6	16.3	24.1
Tax payout	(9.1)	37.8	34.9	34.1	34.1
<b>Liquidity ratios</b>					
Debtor days	14.4	12.9	14.4	14.0	14.0
Inventory days	51.6	31.9	34.5	36.0	36.0
Creditor days	39.2	28.7	30.6	30.0	30.0



## Recommendation Tracker



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