

January 20, 2025

RESULT REPORT Q3 FY25 | Sector: Energy

Mangalore Refinery & Petrochemicals Ltd

Performance better than expectations on higher GRMs, supported by better products realization on exports

Mangalore Refinery Petrochemical's Q3FY25 core performance was a beat with an EBITDA of Rs 10.3bn; a USD6.21/bbl of reported GRM (our est. USD5.4) on improved realizations of exported products which are now at par with the domestic and international prices. The Russian crude discounts continued to be lower ~USD2/bbl adding marginal benefit. As per our calculations, the inventory gain could be at USD0.03/bbl. There was no impact of SAED during the quarter. We maintain NEUTRAL rating on stock with a revised TP of Rs159.

Result Highlights

- EBITDA/PAT at Rs bn 10.3/3.04, better performance on QoQ basis and flattish on YoY. The reported GRMs are better than expectations on better exported products realization and supported by marginal inventory gains.
- MRPL's Q3FY25 reported GRM was USD6.21/bbl (USD0.55 the previous quarter, USD5 a year ago) while the Arab heavy-light difference was USD1.9/bbl (lower than the prior quarter's 1.3). The GRM was higher than our expectations of USD5.4/bbl. Higher exports (~32% of revenue) where the product realization were now at par with the domestic and international prices which lead to an improvement over H1FY25 where it was sold at a discount. The assumed core GRM at USD6.18/bbl (USD3.48 the quarter prior, USD7.5 a year back) was at a premium of USD1.18/bbl to the benchmark of USD5.0. The Russian crude discounts continued to be lower ~USD2/bbl adding marginal benefit. As per our assumptions, the **Inventory gains** could be at USD0.03/bbl (Rs87mn) versus a loss of USD2.93 the previous quarter and USD2.5 a year ago. **Refinery throughput** was 4.6mmt at ~122% utilisation (121% the prior quarter, 117% a year ago).
- The **opex** stood lower at USD2.4/bbl, lower than 8-qtr average of 2.8. There was a higher sourcing of RLNG which could be 0.6mmscmd (versus last quarter's 0.5mmscmd) and has a peak potential of 0.65mmscmd. The Rs 1.61bn **forex loss** impacted the profitability.
- Capex** for the quarter was Rs2bn, (9MFY25 at Rs 5.87bn), FY25 capex is targeted at Rs 9bn. The **debt** stood at Rs133bn, up Rs514mn QoQ and down Rs7.2bn on YoY basis. The marginal sequential increase is due to working capital requirements.
- Crude sourcing mix.** Russia at 45%, Saudi 25%, Iraq 10%, domestic 20%. MRPL also sourced ONGC KG 98/2 crude in this quarter which is priced marginally below the Indian crude basket price. In terms of the **slate mix**, the contribution of diesel to slate was ~45%, gasoline ~14%, ATF ~10%, LPG ~7% and fuel & loss 10.4%.
- Retail outlets:** It has 123 operational retail outlets (+5 QoQ) and targeting 1,000 outlets by FY27, initially focusing in southern India, post which it plans to expand in the West and Northern part of India. MRPL outlets doing better than competitors by ~20-30kl per outlet at 150kl/month.
- 9MFY25 performance:** EBITDA at Rs 11.63bn (vs Rs 53.7bn last year) while PAT loss at Rs 3.1bn (vs a profit of Rs 24.6bn previous period last year) and the reported GRM at USD3.8/bbl (vs USD10).

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/27e: Rs 76.3/85.3/92.9; debt:equity at 0.9/0.8/0.6x FY25e/26e/27e vs 0.9x in FY24. At CMP, stock trades at 17x/7.8x/8.7x FY25e/26e/27e EV/EBITDA & 1.9x/1.7x/1.6x P/BV. We maintain NEUTRAL rating on stock with a revised TP of Rs159, valuing the stock at 9.5x FY27e EV/EBITDA.

Reco	: NEUTRAL
CMP	: Rs 145
Target Price	: Rs 159
Potential Return	: +9.6%

Stock data (as on Jan 20, 2025)

Nifty	23,358
52 Week h/l (Rs)	289 / 133
Market cap (Rs/USD mn)	242858 / 2807
Outstanding Shares (mn)	1,753
6m Avg t/o (Rs mn):	892
Div yield (%):	2.2
Bloomberg code:	MRPL IN
NSE code:	MRPL

Stock performance



	1M	3M	1Y
Absolute return	1.8%	-12.5%	-17.2%

Shareholding pattern (As of Dec'24 end)

Promoter	88.6%
FII+DII	3.0%
Others	8.4%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	159	175

Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	0.3	9.4	6.9
EPS (Old)	4.5	10.3	7.7
% Change	(94.0)	(8.2)	(10.9)

Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	832.3	775.3	768.3
YoY Growth	(2.1)	(10.1)	(0.2)
EBIDTA	22.2	47.1	41.3
OPM %	2.7	6.1	5.4
PAT	0.5	16.5	12.1
YoY Growth	(98.7)	3,376.2	(26.9)
ROE	0.4	11.7	7.7
EPS	0.3	9.4	6.9
P/E	534.0	15.4	21.0
BV	76.3	85.3	92.9
EV/EBITDA	17.0	7.8	8.7

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Acquisition

MRPL has acquired 1,34,80,000 equity shares of Mangalore SEZ Limited (MSEZ) from IL&FS at a revised price of Rs 48.708/shr, amounting to Rs 656.6mn, increasing its equity stake from 0.96% to 27.92%. The acquisition, executed under IL&FS's "Right of First Refusal" to ONGC/MRPL, enhances MRPL's control over MSEZ, a multi-product SEZ operating since 2014, which spans 1,607 acres with ~85% area leased out and investments exceeding USD 2bn. MSEZ's primary business includes industrial land leasing and utility services, supporting tenants like MRPL's Aromatic Complex, Syngene, and ISPRL. With exports worth USD 3.2bn and a turnover that rose to Rs 3.45bn in FY23 before moderating to Rs 1.88bn in FY24, this acquisition strategically positions MRPL to capitalize on MSEZ's infrastructure and operational potential for long-term growth. The Indicative timeline for completion is 1 year.

Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	218,709	217,090	215,919	0.75	1.29	Performance better than expectations on higher GRMs, supported by better products realization on exports
EBITDA	10,311	7,325	8,401	40.77	22.74	
EBITDA Margin (%)	4.71	3.37	3.89	134bps	82bps	
Adjusted PAT	3,042	1,067	1,912	185.20	59.10	

Exhibit 2: Earnings snapshot

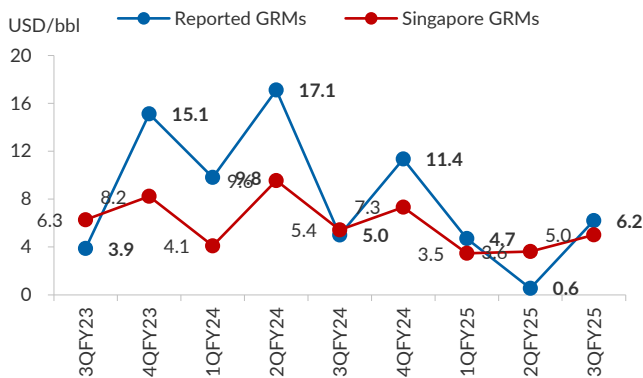
Particulars (Rs mn)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Revenue	246,671	253,287	232,470	249,679	218,709	(11.3)	(12.4)	650,699	700,858	7.7
Expenditure	235,076	229,990	226,414	254,418	208,397	(11.3)	(18.1)	597,038	689,229	15.4
-Raw Material	231,944	220,613	218,844	247,020	199,807	(13.9)	(19.1)	576,196	665,671	15.5
-Staff Cost	1,626	3,004	1,666	1,693	1,698	4.4	0.3	4,717	5,056	7.2
- Other Expenses	1,507	6,373	5,905	5,705	6,892	357.4	20.8	16,125	18,502	14.7
Operating Profit	11,595	23,297	6,056	(4,739)	10,311	(11.1)	(317.6)	53,660	11,629	(78.3)
OPM(%)	4.7	9.2	2.6	(1.9)	4.7	1 bps	661 bps	8.2	1.7	-659 bps
Other Income	396	393	447	599	333	(15.8)	(44.4)	1,658	1,380	(16.8)
Depreciation	3,343	3,330	3,352	3,424	3,315	(0.8)	(3.2)	9,243	10,091	9.2
Interest	2,736	2,617	2,145	2,847	2,636	(3.7)	(7.4)	8,521	7,628	(10.5)
Excpnl Loss/(Profit)	-	83	-	-	-	n.a.	n.a.	-	-	n.a.
PBT	5,912	17,825	1,006	(10,411)	4,693	(20.6)	n.a.	37,555	(4,711)	n.a.
Tax	2,041	6,291	351	(3,588)	1,652	(19.1)	n.a.	12,964	(1,586)	n.a.
PAT	3,871	11,534	656	(6,823)	3,042	(21.4)	n.a.	24,591	(3,126)	n.a.
Adj PAT	3,871	11,451	656	(6,823)	3,042	(21.4)	n.a.	24,591	(3,126)	n.a.

Exhibit 3: Operating highlights

Particulars	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Volumes										
Throughput	4.4	4.5	4.4	4.6	4.6	4.1	0.4	12.0	13.5	12.8
Utilisation %	116.9	119.3	115.1	121.1	121.7	4.1	0.4	106.1	119.3	12.4
GRMs										
Reported GRMs	5.0	11.4	4.7	0.6	6.2	24.2	1,029.1	10.0	3.8	(61.9)
Inv gains/ (loss)	(2.5)	1.0	0.9	(2.9)	0.0	(101.2)	(101.0)	0.4	(0.7)	(286.8)
Core GRMs	7.5	10.4	3.8	3.5	6.2	(17.6)	77.6	9.6	4.5	(53.2)
Singapore GRMs	5.4	7.3	3.5	3.6	5.0	(7.7)	38.3	6.0	4.0	(33.1)
Export duty - SAED										
Rs mn	1,880	80	-	-	-	(100.0)	-	2,810	-	(100.0)

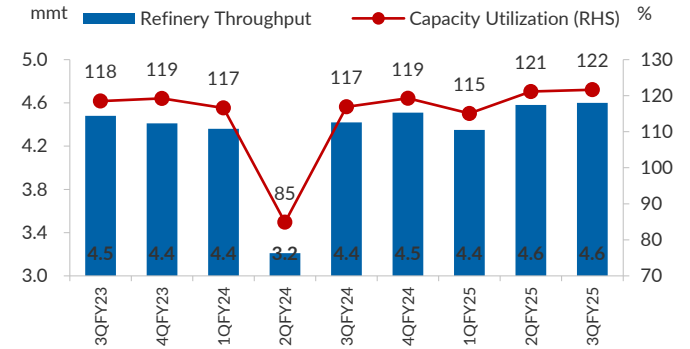
Particulars	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
US\$/bbl	0.7	0.0	-	-	-	(100.0)	-	0.4	-	(100.0)
Export duty - RTP Reduction										
Rs mn	2,530	360	-	-	-	(100.0)	-	6,420	-	(100.0)
US\$/bbl	0.9	0.1	-	-	-	(100.0)	-	0.9	-	(100.0)
Rs mn										
Standalone Debt (Incl. OMPL)	140,134	124,518	118,314	132,448	132,962	(5.1)	0.4	140,134	132,962	(5.1)
Capex	3,380	7,750	950	2,920	2,000	(40.8)	(31.5)	7,380	5,870	(20.5)
Forex Gains/(losses)	(248)	(98)	(107)	(404)	(1,611)	-	-	(1,228)	(2,122)	-
FCF (PAT+Dep-Capex)	3,833	6,949	3,058	(6,319)	4,357	13.7	(168.9)	26,454	1,096	(95.9)

Exhibit 4: GRMs



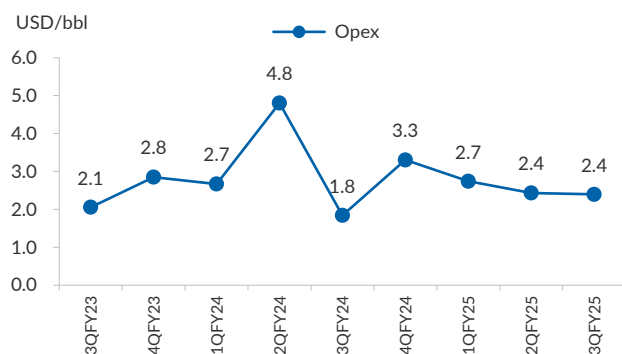
Source: Company, YES Sec

Exhibit 5: Refining throughput, capacity utilisation



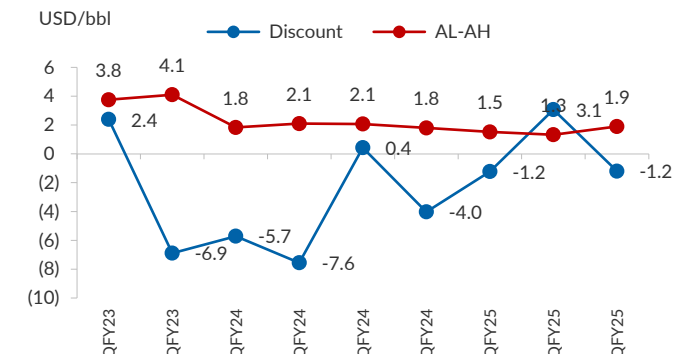
Source: Company, YES Sec

Exhibit 6: Refining Opex



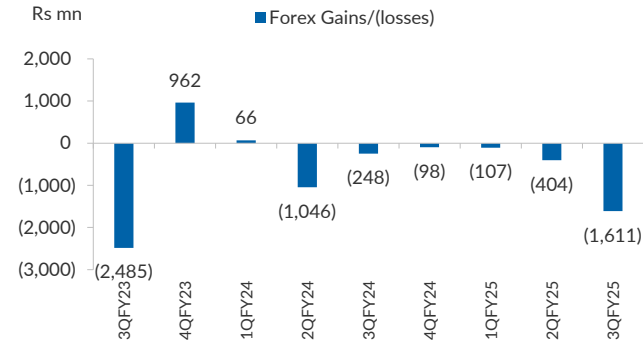
Source: Company, YES Sec

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



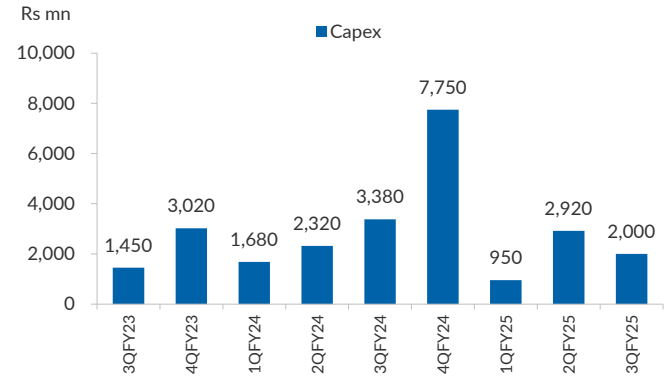
Source: Company, YES Sec

Exhibit 8: Forex gains / (losses)



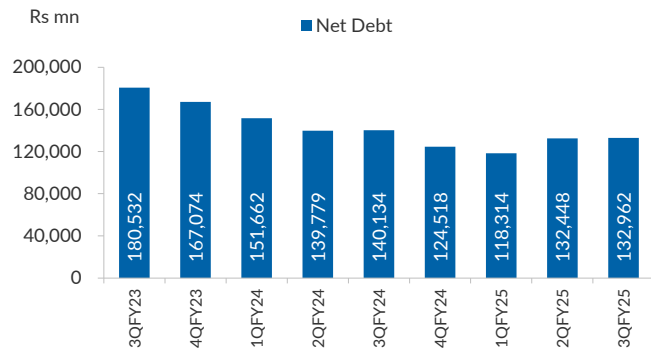
Source: Company, YES Sec

Exhibit 9: Capex



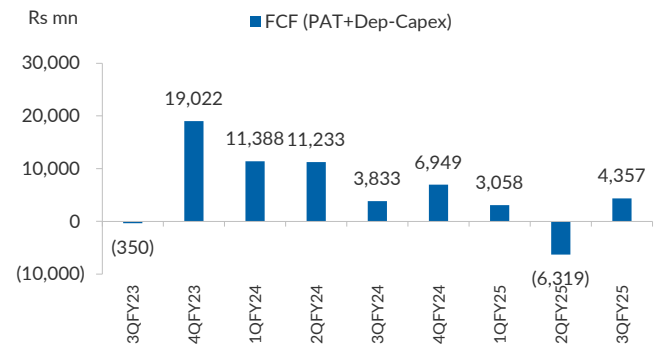
Source: Company, PPAC, YES Sec

Exhibit 10: Debt



Source: Company, YES Sec

Exhibit 11: FCF changes



Source: Company, YES Sec

VIEW & VALUATION

NEUTRAL with a TP of Rs 159/sh.

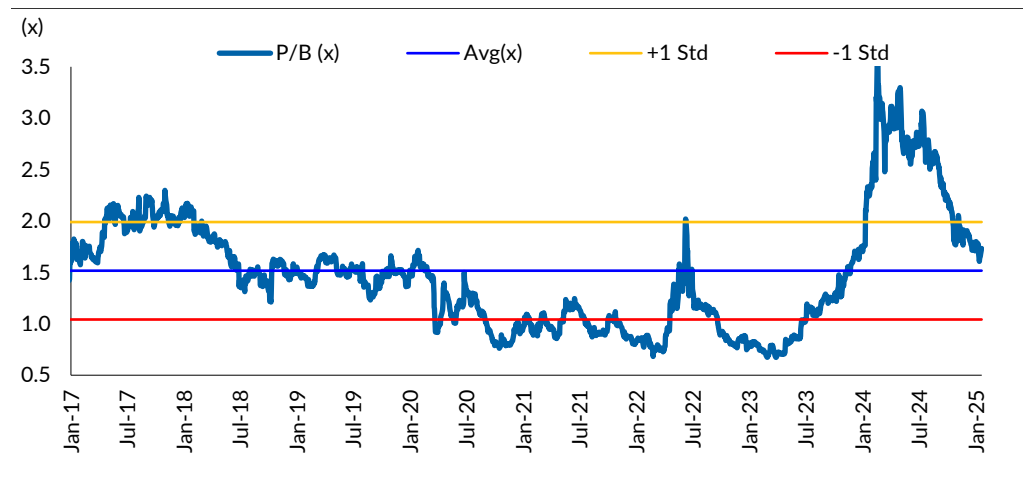
The GRM sensitivity for the stock is high: a \$1/bbl change in GRM changes EBITDA by Rs 10.3bn. BV/share for FY25e/26e/27e: Rs 76.3/85.3/92.9; debt:equity at 0.9/0.8/0.6x FY25e/26e/27e vs 0.9x in FY24. At CMP, stock trades at 17x/7.8x/8.7x FY25e/26e/27e EV/EBITDA & 1.9x/1.7x/1.6x P/BV. We maintain NEUTRAL rating on stock with a revised TP of Rs159, valuing the stock at 9.5x FY27e EV/EBITDA.

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

Exhibit 12: Valuation table

EV/EBITDA	FY27E
Multiple	9.50
EBITDA	41,307
Debt	132,119
Cash	18,243
EV	392,413
Equity value	278,537
No of shares	1,753
VPS	159

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	FY27E
Revenue	697,271	1,090,260	904,067	832,278	775,316	768,348
Total Expense	647,965	1,025,294	827,109	810,066	728,237	727,041
Operating Profit	49,306	64,966	76,957	22,212	47,079	41,307
Other Income	1,028	2,117	2,051	2,112	2,260	2,418
Depreciation	10,877	11,867	12,573	13,033	13,667	14,811
EBIT	39,456	55,216	66,435	11,292	35,671	28,914
Interest	12,073	12,853	11,138	10,570	10,570	10,570
Extraordinary Item	(300)	25	(83)	-	-	-
PBT	27,083	42,389	55,214	722	25,102	18,344
Tax	(2,469)	16,005	19,255	246	8,560	6,255
PAT	29,553	26,384	35,959	476	16,542	12,089
Adj. PAT	29,853	26,365	35,995	476	16,542	12,089
Eps	16.9	15.1	20.5	0.3	9.4	6.9

Exhibit 15: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	17,527	17,527	17,527	17,527	17,527	17,527
Reserves	54,437	80,820	114,988	116,198	131,982	145,327
Net worth	71,963	98,347	132,515	133,724	149,509	162,854
Debt	211,092	167,332	124,760	123,460	123,460	123,460
Deferred tax liab (net)	-	-	-	-	-	-
Capital Employed	283,055	265,678	257,275	257,184	272,969	286,314
Fixed assets	215,536	208,706	211,538	208,005	226,337	231,526
Investments	155	161	173	173	173	173
Net working capital	67,364	56,811	45,564	49,007	46,458	54,615
Inventories	104,869	67,766	83,060	78,267	68,750	64,842
Sundry debtors	43,277	44,694	38,601	40,132	38,538	37,006
Cash & Bank Balance	439	389	386	278	8,324	18,243
Other current assets	36,308	29,990	20,231	20,231	20,231	20,231
Sundry creditors	93,672	61,688	72,036	65,223	64,706	61,027
Other liabilities	23,856	24,341	24,679	24,679	24,679	24,679
Application of Funds	283,055	265,678	257,275	257,184	272,969	286,314

Exhibit 16: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	27,083	42,389	55,214	722	25,102	18,344
Depreciation & amortization	10,877	16,005	12,573	13,033	13,667	14,811
Interest expense	12,073	12,853	11,138	10,570	10,570	10,570
(Inc)/Dec in working capital	(400)	(384)	(296)	734	1,871	3,009
Tax paid	(1,901)	3,099	1,131	(3,550)	10,594	1,762
Less: Interest/Dividend Income Received	(2,630)	(7,658)	(9,502)	(246)	(8,560)	(6,255)
Other operating Cash Flow	(139)	(2,659)	191	-	-	-
Cash flow from operating activities	44,963	63,644	70,450	21,262	53,244	42,241
Capital expenditure	(6,113)	(7,028)	(15,560)	(9,500)	(32,000)	(20,000)
Inc/(Dec) in investments	167	324	201	-	-	-
Add: Interest/Dividend Income Received	(1)	(28)	181	-	-	-
Cash flow from investing activities	(5,948)	(6,732)	(15,179)	(9,500)	(32,000)	(20,000)
Inc/(Dec) in share capital	-	-	-	-	-	-
Inc/(Dec) in debt	(31,361)	(45,698)	(43,249)	(1,300)	-	-
Interest Paid	(7,857)	(11,201)	(10,241)	(10,570)	(10,570)	(10,570)
Dividend Paid			(1,753)	-	(2,629)	(1,753)
Others	-	-	-	-	-	-
Cash flow from financing activities	(39,218)	(56,899)	(55,242)	(11,870)	(13,199)	(12,322)
Net cash flow	(203)	13	29	(108)	8,046	9,919

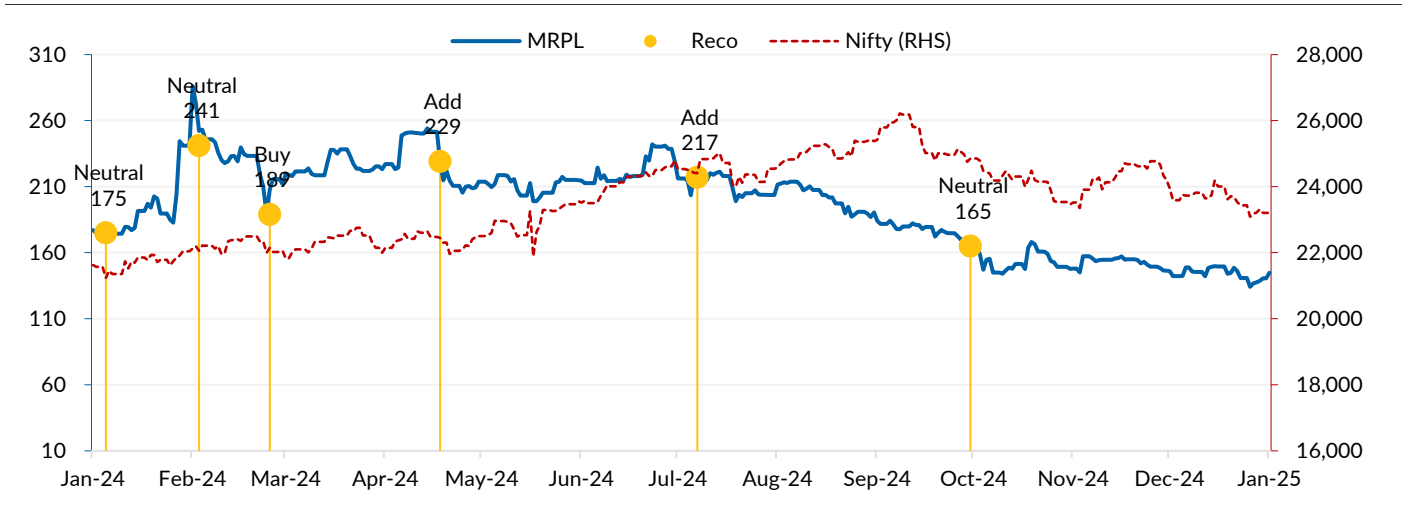
Exhibit 17: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	1.1	0.6	0.7	0.7	0.7	0.7
Interest burden (x)	0.7	0.8	0.8	0.1	0.7	0.6
EBIT margin (x)	0.1	0.1	0.1	0.0	0.0	0.0
Asset turnover (x)	1.9	2.9	2.6	2.4	2.2	2.1
Financial leverage (x)	6.5	4.4	3.1	2.6	2.5	2.4
RoE (%)	51.7	31.0	31.2	0.4	11.7	7.7

Exhibit 18: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)						
Revenue growth	107.3	58.2	(19.3)	(2.1)	(10.1)	(0.2)
Op profit growth	2.1	106.0	(3.1)	3.0	7.0	7.0
EBIT growth	117.7	6.5	(13.3)	(5.1)	-	-
Net profit growth	(492.2)	(11.7)	36.5	(98.7)	n.a.	(26.9)
Profitability ratios (%)						
OPM	7.1	6.0	8.5	2.7	6.1	5.4
EBIT margin	5.7	5.1	7.3	1.4	4.6	3.8
Net profit margin	4.2	2.4	4.0	0.1	2.1	1.6
RoCE	14.0	20.1	25.4	4.4	13.5	10.3
RoE	51.7	31.0	31.2	0.4	11.7	7.7
RoA	9.0	7.1	9.6	0.1	4.7	3.4
Per share ratios						
EPS	16.9	15.1	20.5	0.3	9.4	6.9
Dividend per share	-	-	3.0	-	1.5	1.0
Cash EPS	23.1	21.8	27.7	7.7	17.2	15.3
Book value per share	41.1	56.1	75.6	76.3	85.3	92.9
Valuation ratios						
P/E	2.5	3.5	7.1	534.0	15.4	21.0
P/CEPS	1.8	2.4	5.2	18.8	8.4	9.4
P/B	1.0	0.9	1.9	1.9	1.7	1.6
EV/EBIDTA	5.8	4.0	4.9	17.0	7.8	8.7
Payout (%)						
Dividend payout	-	-	14.6	-	15.9	14.5
Tax payout	(9.1)	23.5	57.0	34.1	34.1	34.1
Liquidity ratios						
Debtor days	14.4	12.9	14.4	14.0	14.0	14.0
Inventory days	51.6	31.9	34.5	36.0	34.0	34.0
Creditor days	39.2	28.7	30.6	30.0	32.0	32.0

Recommendation Tracker



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Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) and YES Wealth Maximiser AIF (Cat III AIF) SEBI Registration No.: IN/AIF3/20- 21/0818 | AMFI ARN Code - 94338

Details of Compliance Officer: Aditya Goenka | Email: compliance@ysil.in / Contact No.: 022-65078127 | **Grievances Redressal Cell:** customer.service@ysil.in / igc@ysil.in

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Analyst signature

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