

Estimate change

TP change

Rating change



CMP: INR57

TP: INR58 (+2%)

Neutral

Volatile macro environment puts a dent on earnings

Bloomberg	MRPL IN
Equity Shares (m)	3,630
M.Cap.(INRb)/(USD b)	99.4 / 1.2
52-Week Range (INR)	128 / 37
1, 6, 12 Rel. Per (%)	-9/-22/14
12M Avg Val (INR M)	617

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	697.3	998.5	968.3
EBITDA	49.3	63.9	44.9
Adj. PAT	29.8	17.7	15.4
Adj. EPS (INR)	8.2	4.9	4.3
EPS Gr. (%)	(491.7)	(40.5)	(12.9)
BV/Sh.(INR)	19.9	23.6	26.3

Ratios

Net D:E	2.9	2.2	1.8
RoE (%)	52.0	22.5	17.0
RoCE (%)	15.2	11.9	8.8
Payout (%)	-	23.4	19.7

Valuation

P/E (x)	6.9	11.6	13.3
P/BV (x)	2.9	2.4	2.2
EV/EBITDA (x)	8.4	6.2	8.3
Div. Yield (%)	-	1.7	1.3
FCF Yield (%)	22.8	12.2	14.8

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	88.6	88.6	88.6
DII	1.6	2.1	2.7
FII	1.6	0.8	0.7
Others	8.3	8.6	8.1

FII Includes depository receipts

- MRPL reported a miss on our EBITDA and PAT estimates, with the company posting a GRM loss of USD4.46/bbl. Refining throughput stood at 3.96mmt (v/s our est. of 3.22mmt; 3.24mmt in 2QFY22 and 4.29mmt in 1QFY23).
- MRPL achieved its highest ATF production in Sep'22 (178tmt v/s previous peak of 170tmt in Dec'18). Reformate Cargo of 30tmt from aromatic complex was dispatched for the first time in Aug'22. MRPL also achieved its highest ever Sulphur dispatch of 36.76tmt in the domestic market in Sep'22.
- Singapore GRM declined to USD7.1/bbl QoQ in 2QFY23, led by a decline in all the product cracks including Gasoline, Gasoil and ATF. This was in sharp contrast to what we saw in 1QFY23 (SG GRM at USD21.4/bbl) and highlights that a **sustained good performance remains a concern given the highly volatile macro environment at present.**
- Net debt stood at INR182b at end-1HFY23 v/s INR210b at end-FY22. We forecast a core GRM of USD8.2/USD5.5 per bbl for MRPL in FY23/24E. Given the underperformance in 2QFY23 we cut our FY23E EBITDA/EPS by 36%/69%, respectively.
- Multiple initiatives are in place to improve the contribution from marketing margins in both domestic and export markets along with the B2B segment. However, our doubt still remains strong on the capability of the company to deliver sustainable earnings. **Considering the above factors, we maintain our Neutral rating on the stock with a TP of INR58.**

Reports net loss with negative GRM

- MRPL's refining throughput was at 3.96mmt (v/s our est. of 3.22mmt; 3.24mmt in 2QFY22 and 4.29mmt in 1QFY23). Reported GRM loss stood at USD4.46/bbl including inventory loss of USD5.52/bbl in 2QFY23.
- EBITDA loss stood at 15.3b (v/s est. EBITDA of INR10.3b in 2QFY23). Forex loss was at INR4.6b. **Net loss came in at INR17.9b (v/s our PAT est. of INR3.1b) during the quarter.**
- For 1HFY23**, MRPL's EBITDA stood at INR39b (v/s INR2.8b in 1HFY22), with PAT at INR9.2b (v/s net loss of INR5b in 1HFY22). Refining throughput was up 31% YoY at 8.25mmt. Reported GRM at USD10.33/bbl, rose 205% YoY.
- There was a further decline in the Domestic Refinery Transfer Price (RTP) for MRPL because of SAED and RIC (Road and Infrastructure Cess) imposed by the government in Jul'22. The impact on the financials of the company on account of the same stood at INR10.3b and INR11.6b, respectively.

Valuation and view – maintain Neutral

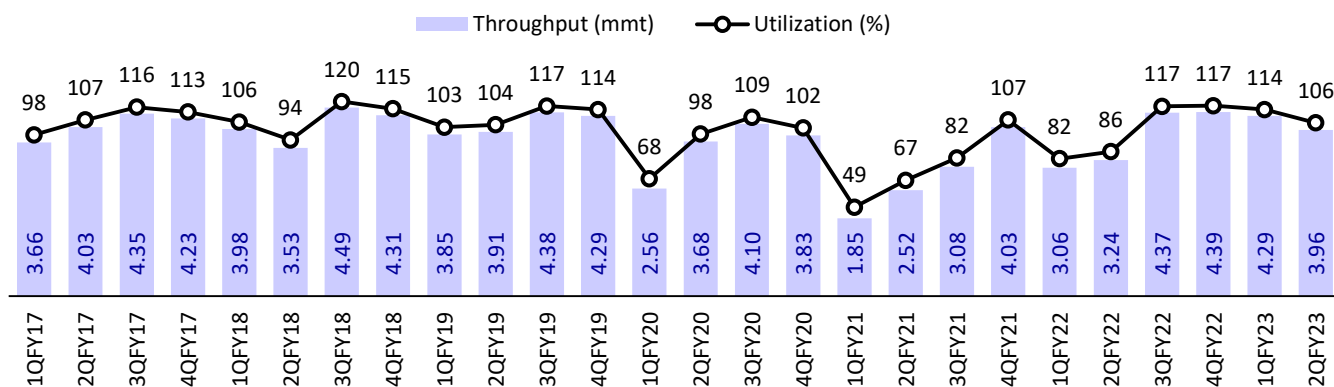
- MRPL completed expansion/modernization-related capex of ~INR150b (Phase III) over FY12-15. This included a polypropylene plant and Single Point Mooring (SPM) for facilitating the anchoring of Very Large Crude Carriers (VLCCs).
- Despite these expansions and modernization, the company has failed to deliver sustained good performance in the past few years. Since 1QFY13, the refinery has suffered at times due to inadequate availability of water during the summer season. However, with operationalization of the desalination plant in late CY21, the problem seems to be largely taken care of.

- While we do not expect any performance disruptions due to inadequate water supply, it remains to be seen how MRPL fares given the volatile macro environment at present. The stock trades at 8.3x FY24E EV/EBITDA. Valuing the entity at 6.5x FY24E EBITDA of INR45b, we arrive at a TP of INR58. We maintain our **Neutral** rating on the stock.

Standalone - Quarterly Earning Model

Y/E March	FY22				FY23				(INR b)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY22	FY23	FY23 2QE
Net Sales	113.0	133.0	204.1	248.0	322.9	246.1	231.0	198.6	697.3	998.5	195.2
YoY Change (%)	152.6	115.2	156.7	82.6	185.8	85.0	13.2	-20.0	118.2	43.2	47.4
EBITDA	3.7	-0.9	17.2	29.4	54.4	-15.3	13.5	11.4	49.3	63.9	10.3
Margin (%)	3.2	-0.7	8.4	11.9	16.8	-6.2	5.8	5.7	7.1	6.4	5.3
Depreciation	2.1	2.9	2.9	2.2	3.0	3.0	3.3	3.7	10.9	12.9	3.2
Forex loss	1.1	-0.8	0.0	0.0	7.2	4.6	0.0	0.0	0.0	11.9	0.0
Interest	2.0	2.7	2.4	3.9	3.0	3.2	3.0	2.9	12.1	12.1	3.0
Other Income	0.2	0.2	0.4	0.3	0.4	0.3	0.0	-0.7	1.0	0.0	0.1
PBT before EO expense	-1.3	-5.5	12.3	23.5	41.5	-25.8	7.2	4.2	27.3	27.2	4.2
PBT	-1.3	-5.5	12.3	23.2	41.5	-25.8	7.2	4.2	27.0	27.2	4.2
Tax	-0.5	-1.4	6.5	-6.9	14.5	-7.9	1.8	1.1	-2.5	9.5	1.1
Rate (%)	35.1	25.5	52.5	-29.5	34.8	30.5	25.2	25.2	-9.1	34.8	25.2
Reported PAT	-0.9	-4.1	5.9	30.1	27.1	-17.9	5.4	3.1	29.6	17.7	3.1
YoY Change (%)	-83.5	PL	LP	1,039.0	LP	336.8	-7.9	-89.7	LP	-40.7	-229.8
Margin (%)	-0.8	-3.1	2.9	12.3	8.4	-7.3	2.3	1.6	4.3	1.8	1.6
Key Assumptions											
Refining throughput (mmt)	3.1	3.2	4.4	4.4	4.3	4.0	3.9	3.5	15.1	15.7	3.2
Reported GRM (USD/bbl)	4.5	2.3	9.3	15.7	25.1	-4.5	6.0	6.0	7.9	8.2	5.2

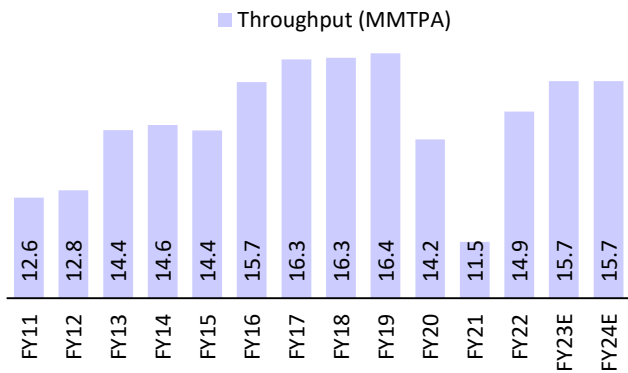
Exhibit 1: Throughput stood at 3.96mmt in 2QFY23, implying 106% capacity utilization



Source: Company, MOSL

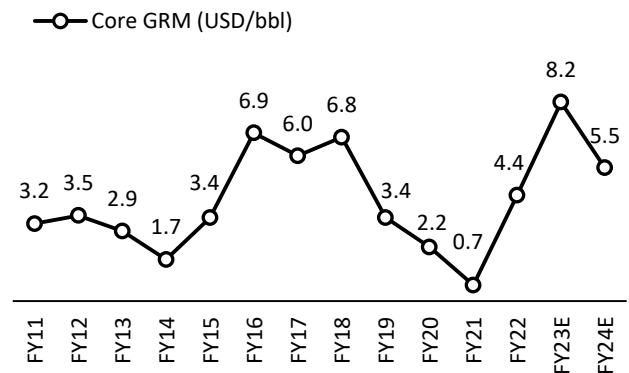
Story in charts

Exhibit 2: Expect throughput of ~15.7mmt each...



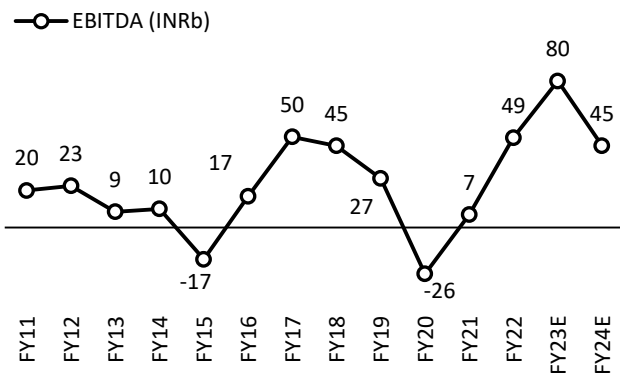
Source: Company, MOFSL

Exhibit 3: ...with core GRM of ~USD8.2/5.5bbl in FY23/FY24E



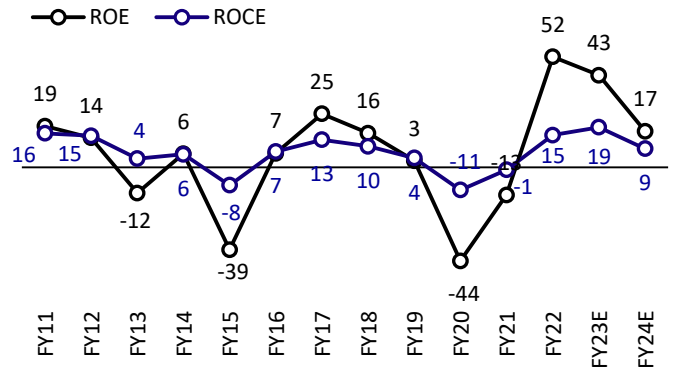
Source: Company, MOFSL

Exhibit 4: EBITDA to be at ~INR45b in FY24E...



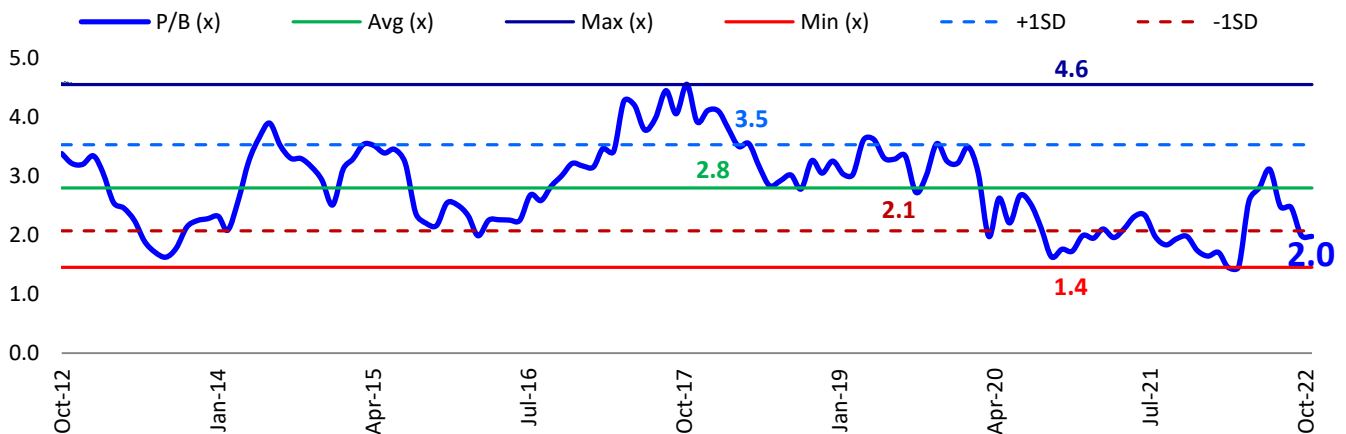
Source: Company, MOFSL

Exhibit 5: ...RoE/RoCE profiles of MRPL



Source: Company, MOFSL

Exhibit 6: One year forward P/B trades at 2x, at a 29% discount to its long-term average



Source: MOSL, Company

Financials and valuations

Standalone - Income Statement							(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	484.6	540.1	704.2	559.6	319.6	697.3	998.5	968.3
Change (%)	1%	1%	3%	-2%	-4%	12%	43%	-3%
EBITDA	49.7	44.8	26.9	-25.5	7.0	49.3	63.9	44.9
Depreciation	9.8	9.7	10.5	10.9	11.6	10.9	12.9	14.3
EBIT	39.8	35.2	16.4	-36.4	-4.6	38.4	51.0	30.6
Forex loss	0.0	-0.1	2.9	6.9	0.0	0.0	11.9	0.0
Int. and Finance Charges	9.7	9.1	10.4	12.6	5.5	12.1	12.1	10.8
Other Income	4.3	2.8	3.6	1.1	1.0	1.0	0.0	0.0
PBT bef. EO Exp.	34.4	29.0	6.7	-54.7	-9.2	27.3	27.2	19.8
EO Items	16.0	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0
PBT after EO Exp.	50.4	28.7	6.5	-54.7	-9.2	27.3	27.2	19.8
Total Tax	17.6	11.0	3.0	-13.3	-1.5	-2.5	9.5	4.4
Tax Rate (%)	34.9	38.2	45.8	24.3	16.8	-9.0	34.8	22.1
Reported PAT	32.8	17.7	3.5	-41.4	-7.6	29.8	17.7	15.4
Adjusted PAT	22.4	17.9	3.6	-41.4	-7.6	29.8	17.7	15.4

Standalone - Balance Sheet							(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	36.3	36.3	38.8	43.0	17.5	17.5	17.5	17.5
Total Reserves	72.0	77.1	74.8	32.0	25.0	54.6	68.1	78.1
Net Worth	108.3	113.5	113.6	75.0	42.5	72.1	85.7	95.6
Total Loans	135.7	115.5	145.6	169.7	238.3	210.9	190.8	168.9
Deferred Tax Liabilities	1.5	10.5	13.2	4.4	-13.8	-21.0	0.0	0.0
Capital Employed	245.5	239.4	272.4	249.1	267.0	261.9	276.5	264.5
Gross Block	217.5	223.0	230.1	230.1	252.7	281.3	281.3	291.3
Less: Accum. Deprn.	75.9	82.6	90.2	98.0	60.7	71.4	84.3	98.6
Net Fixed Assets	141.6	140.4	140.0	132.1	184.3	202.5	197.1	192.7
Capital WIP	2.2	6.8	10.0	17.5	23.4	1.7	11.7	11.7
Total Investments	13.5	13.5	15.0	21.8	0.1	0.1	0.1	0.1
Curr. Assets, Loans, and Adv.	126.9	120.8	128.3	86.9	118.0	168.0	223.3	195.5
Inventory	44.4	52.6	63.3	41.8	71.0	104.9	140.6	121.6
Account Receivables	28.2	28.1	26.8	11.2	24.5	43.3	62.0	52.8
Cash and Bank Balance	21.4	8.3	4.9	0.3	0.5	0.4	0.8	1.4
Loans and Advances	32.9	31.9	33.3	33.7	21.9	19.4	20.0	19.7
Curr. Liability and Prov.	99.5	100.1	77.1	77.7	66.5	117.8	155.7	135.5
Account Payables	96.0	95.6	71.7	74.7	59.6	111.4	149.3	129.1
Provisions	3.5	4.5	5.4	2.9	6.9	6.4	6.4	6.4
Net Current Assets	27.4	20.7	51.2	9.3	51.5	50.2	67.6	60.0
Appl. of Funds	184.7	181.4	216.2	185.2	267.0	261.9	276.5	264.5

Financials and valuations

Ratios								
Y/E March (INR)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	6.2	4.9	1.0	-11.4	-2.1	8.2	4.9	4.3
Cash EPS	8.9	7.6	3.9	-8.4	1.1	11.2	8.4	8.2
BV/Share	29.8	31.3	31.3	20.6	11.7	19.9	23.6	26.3
DPS	2.9	12.7	1.9	0.0	0.0	0.0	1.0	0.7
Payout (%)	38.6	303.8	226.2	0.0	0.0	0.0	23.4	19.7
Valuation (x)								
P/E	9.2	11.5	56.7	-5.0	-27.0	6.9	11.6	13.3
Cash P/E	6.4	7.5	14.6	-6.7	51.9	5.1	6.7	6.9
P/BV	1.9	1.8	1.8	2.7	4.8	2.9	2.4	2.2
EV/Sales	0.7	0.6	0.5	0.7	1.4	0.6	0.4	0.4
EV/EBITDA	6.4	7.0	12.9	-14.7	63.7	8.4	6.2	8.3
Dividend Yield (%)	5.1	22.4	3.3	0.0	0.0	0.0	1.7	1.3
FCF per share	-5.3	8.0	0.7	-3.4	-10.3	12.9	6.9	8.4
Return Ratios (%)								
RoE	25.2	16.1	3.2	-44.0	-13.0	52.0	22.5	17.0
RoCE	13.0	9.9	4.4	-10.6	-1.1	15.2	11.9	8.8
RoIC	20.0	10.4	3.9	-12.2	-1.7	16.7	12.7	9.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.2	2.4	3.1	2.4	1.3	2.5	2.5	2.5
Asset Turnover (x)	2.6	3.0	3.3	3.0	1.2	2.7	2.7	2.7
Inventory (Days)	33	36	33	27	81	55	55	55
Debtor (Days)	21	19	14	7	28	23	23	23
Creditor (Days)	72	65	37	49	68	58	58	58
Leverage Ratio (x)								
Current Ratio	1.3	1.2	1.7	1.1	1.8	1.4	1.4	1.4
Interest Coverage Ratio	4.1	3.9	1.6	-2.9	-0.8	3.2	4.2	2.8
Net Debt/Equity ratio	1.1	0.9	1.2	2.3	5.6	2.9	2.2	1.8

Standalone - Cash Flow Statement								(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	51.7	29.0	6.0	-53.6	-8.0	27.3	34.7	10.8
Depreciation	9.8	9.7	10.5	10.9	11.6	10.9	15.9	17.4
Interest and Finance Charges	5.2	4.4	4.7	7.4	3.5	12.1	12.1	10.8
Direct Taxes Paid	-11.2	-7.2	-0.5	-0.9	0.1	2.5	-9.5	-4.4
(Inc.)/Dec. in WC	-67.6	-0.9	-11.0	27.6	-36.1	1.2	-19.3	8.5
CF from Operations	-11.7	39.7	12.3	2.7	-28.1	53.9	35.1	40.5
(Inc.)/Dec. in FA	-7.6	-10.7	-9.6	-14.9	-9.1	-7.0	-10.0	-10.0
Free Cash Flow	-19.3	29.0	2.6	-12.2	-37.3	46.9	25.1	30.5
Others	5.3	0.9	-0.4	-2.1	-11.9	-7.2	21.0	0.0
CF from Investments	-2.3	-9.8	-10.1	-17.0	-21.0	-14.3	11.0	-10.0
Inc./(Dec.) in Debt	21.9	-9.4	2.7	44.7	51.3	-27.5	-20.0	-21.9
Interest Paid	-5.0	-4.4	-5.0	-7.1	-3.3	-12.1	-12.1	-10.8
Dividend Paid	0.0	-12.7	-6.3	-2.1	0.0	0.0	-4.1	-3.0
Others	-118.7	-16.6	0.0	-30.8	1.4	-0.2	-6.0	2.0
CF from Fin. Activity	-101.7	-43.0	-5.7	9.7	49.4	-39.8	-42.2	-33.8
Inc./Dec. in Cash	-115.7	-13.1	-3.4	-4.6	0.2	-0.1	3.8	-3.3
Opening Balance	138.1	21.4	8.3	4.9	0.3	0.5	0.4	0.8
Closing Balance	22.4	8.3	4.9	0.3	0.5	0.4	4.2	-2.5

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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