

Estimate change



TP change



Rating change



CMP: INR58

TP: INR66 (+14%)

Neutral

Operational performance better than expected

	MRPL IN
Bloomberg	
Equity Shares (m)	3630
M.Cap.(INRb)/(USDb)	100.9 / 1.2
52-Week Range (INR)	128 / 37
1, 6, 12 Rel. Per (%)	5/-24/21
12M Avg Val (INR M)	650

Financials & Valuations (INR b)

Y/E March	FY23E	FY24E	FY25E
Sales	1,001.0	901.4	891.0
EBITDA	52.6	53.4	53.3
Adj. PAT	8.5	20.5	20.7
Adj. EPS (INR)	2.3	5.7	5.7
EPS Gr. (%)	(71.5)	141.8	0.6
BV/Sh.(INR)	21.6	26.0	30.3
Ratios			
Net D:E	2.6	1.9	1.4
RoE (%)	11.3	23.8	20.2
RoCE (%)	8.6	10.8	10.7
Payout (%)	23.4	23.4	23.4

Valuation

P/E (x)	24.6	10.2	10.1
P/BV (x)	2.7	2.2	1.9
EV/EBITDA (x)	7.8	7.2	6.8
Div. Yield (%)	0.8	2.0	2.0
FCF Yield (%)	0.3	21.8	18.3

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	88.6	88.6	88.6
DII	0.3	0.4	2.3
FII	1.1	1.6	0.7
Others	10.1	9.5	8.3

FII Includes depository receipts

- MRPL reported a beat on our EBITDA and PAT estimates with the company posting a GRM of USD3.88/bbl in 3QFY23. Refining throughput was at 4.48mmt (v/s our est. of 3.93mmt; 4.35mmt in 3QFY22 and 3.96mmt in 2QFY23).
- MRPL achieved the highest ATF production in Oct'22 (209tmt v/s previous peak of 178tmt in Sep'22). It also dispatched its highest ever MS of 154tmt in domestic market in Oct'22 (previous best was 140tmt in Oct'21). The company also exported ATF cargo of 65tmt for the first time ever in Nov'22.
- Singapore GRM remained steady and has been at USD10.2/bbl in Jan'23YTD; it touched a record high of USD21.7/bbl in 1QFY23. It stood at USD6.2/bbl in 3Q and USD7.1/bbl in 2QFY23; this trend highlights that a **sustained good performance remains a concern given the highly volatile macro environment at present.**
- We forecast a core GRM of USD8.7/USD5.5/ USD5.5/bbl for MRPL in FY23/24/25, respectively. Given the outperformance in 3QFY23, we raise our EBITDA/EPS estimates to INR52.6b/INR2.3 from INR41.5b/ -INR1.2 in FY23, and leave our estimates unchanged for FY24/FY25.
- 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 INR66.**

Reports a net loss, but GRM positive

- MRPL's refining throughput was 14% above our est. at 4.48mmt (+3% YoY, +13% QoQ). Reported GRM stood at USD3.88/bbl including an inventory loss of USD3.88/bbl in 3QFY23.
- EBITDA was at INR5.4b (v/s est. EBITDA loss of INR7.2b) in 3QFY23. Forex loss was at INR2.5b in 3QFY23.
- Net loss came in at INR1.9b in 3QFY23 (v/s our loss est. of INR15.5b).** An amount of INR300m had been provided towards stamp duty for the amalgamation of OMPL with MRPL. The company paid INR275m in 3QFY23 and has written back INR25m under exceptional items during the quarter.
- There was a further decrease in the Domestic Refinery Transfer Price (RTP) for MRPL because of SAED and Road & Infrastructure Cess (RIC) imposed by the Government in Jul'22. The impact on the financials of the company on account of the same was INR529m and INR15.1b, respectively in 3QFY23.
- For 9MFY23,** EBITDA stood at INR44.4b (v/s INR20.1b in 9MFY22), with PAT at INR7.3b (v/s PAT of INR905m in 9MFY22). Refining throughput was up 20% YoY at 12.7mmt. Reported GRM at USD8.2/bbl improved 56% YoY.

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).

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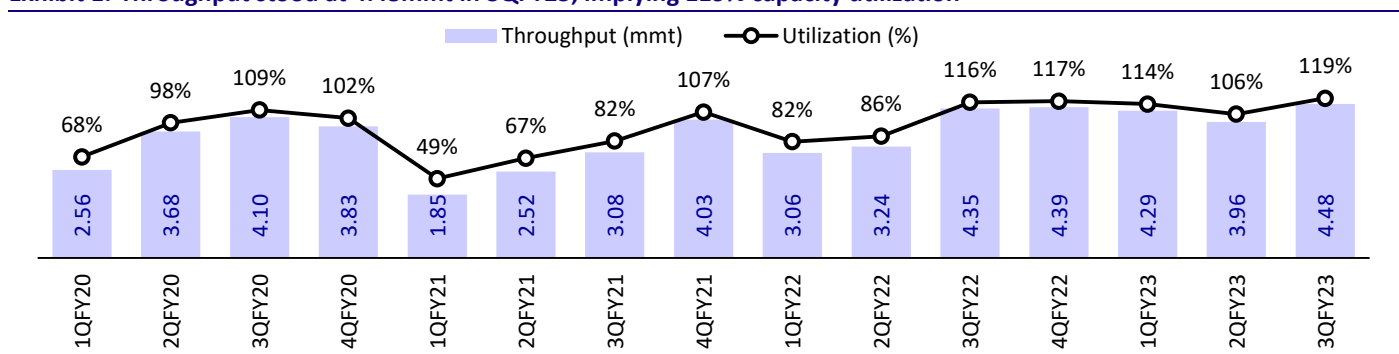
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- Despite these expansions and modernization, the company has failed to deliver sustained healthy performance in the past few years. Since 1QFY13, the refinery has suffered at times due to inadequate availability of water during the summer season. 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 7.2x FY24E EV/EBITDA. Valuing the entity at 6x Dec'24E EBITDA of INR53b, we arrive at a TP of INR66. We maintain our **Neutral** rating on the stock.

Standalone - Quarterly Earnings Model

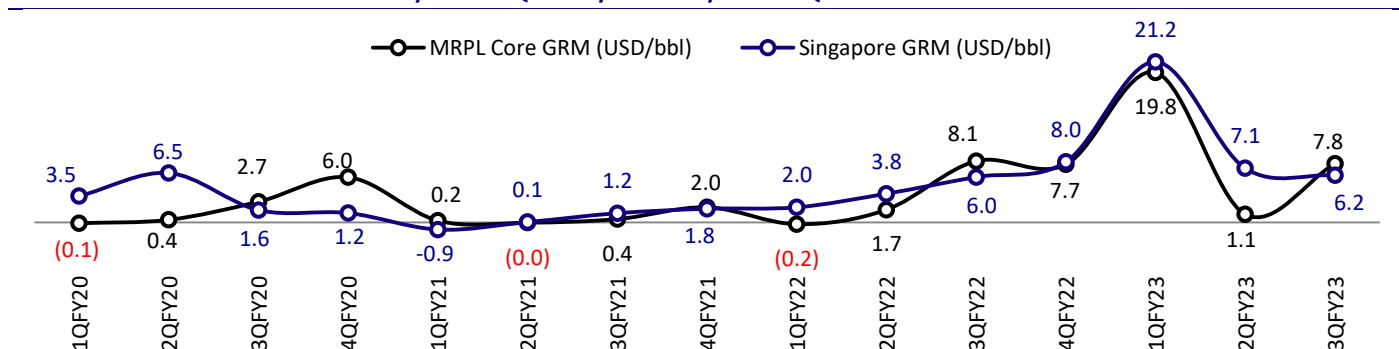
Y/E March	FY22				FY23				FY22	FY23E	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Net Sales	113.0	133.0	204.2	248.0	322.9	246.1	265.6	166.4	697.3	1,001.0	198.1	34%
YoY Change (%)	152.6	115.2	156.8	82.6	185.8	85.0	30.1	-32.9	118.2	43.6	-2.9	
EBITDA	3.7	-0.9	17.3	29.4	54.4	-15.3	5.4	8.2	49.3	52.6	-7.2	LP
Margin (%)	3.2	-0.7	8.5	11.9	16.8	-6.2	2.0	4.9	7.1	5.3	-3.6	
Depreciation	2.1	2.9	2.9	2.2	3.0	3.0	3.0	3.1	10.9	12.0	3.0	
Forex loss	1.1	-0.8	0.2	0.0	7.2	4.6	2.5	0.0	0.0	14.3	2.7	
Interest	2.0	2.7	2.4	3.9	3.0	3.2	3.4	3.7	12.1	13.3	2.8	
Other Income	0.2	0.2	0.4	0.3	0.4	0.3	0.6	0.3	1.0	1.6	0.2	
PBT before EO expense	-1.3	-5.5	12.3	23.5	41.5	-25.8	-2.9	1.6	27.3	14.5	-15.5	Loss
PBT	-1.3	-5.5	12.3	23.2	41.5	-25.8	-2.9	1.6	27.0	14.5	-15.5	Loss
Tax	-0.5	-1.4	6.5	-6.9	14.5	-7.9	-1.0	0.4	-2.5	6.0	0.0	
Rate (%)	35.1	25.5	52.5	-29.5	34.8	30.5	34.8	25.2	-9.1	41.3	0.0	
Reported PAT	-0.9	-4.1	5.9	30.1	27.1	-17.9	-1.9	1.2	29.6	8.5	-15.5	Loss
YoY Change (%)	Loss	PL	LP	1,039.0	LP	Loss	PL	-96.0	-492.9	-71.6	PL	
Margin (%)	-0.8	-3.1	2.9	12.3	8.4	-7.3	-0.7	0.7	4.3	0.8	-7.8	
Key Assumptions												
Refining throughput (mmt)	3.1	3.2	4.4	4.4	4.3	4.0	4.5	3.0	15.0	15.7	3.9	14%
Reported GRM (USD/bbl)	4.5	2.3	9.0	15.7	25.1	-4.5	3.9	6.0	7.9	7.6	-2.0	LP

Exhibit 1: Throughput stood at 4.48mmt in 3QFY23, implying 119% capacity utilization



Source: Company, MOFSL

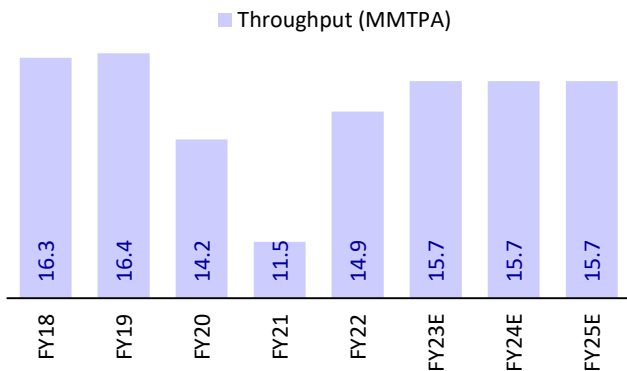
Exhibit 2: Core GRM stood at USD7.8/bbl in 3QFY23 v/s USD1.1/bbl in 2QFY23



Source: Company, MOFSL

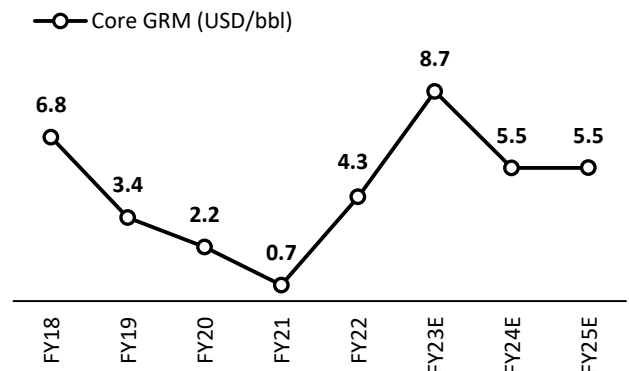
Story in charts

Exhibit 3: Expect throughput of ~15.7mmt each...



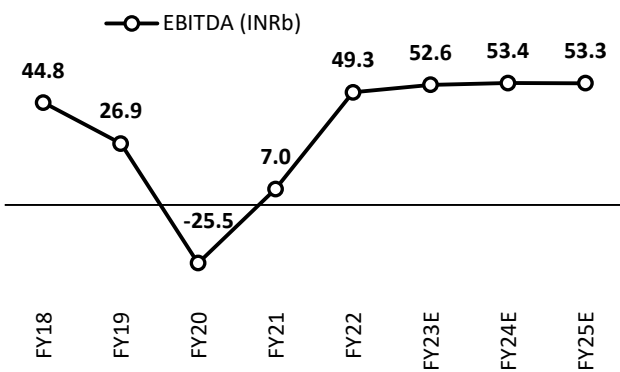
Source: Company, MOFSL

Exhibit 4: ...with core GRM of ~USD8.7/5.5bbl in FY23/FY24



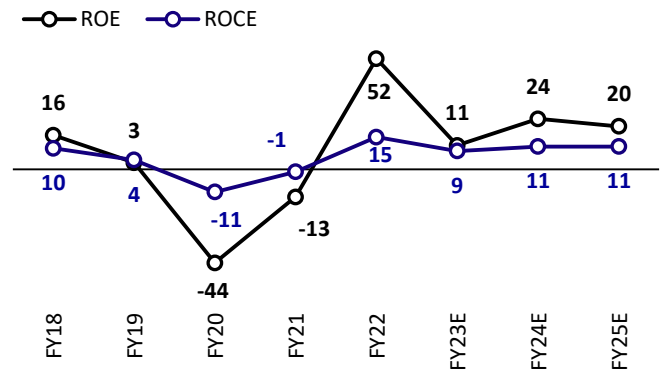
Source: Company, MOFSL

Exhibit 5: EBITDA to be at ~INR53b in FY24E



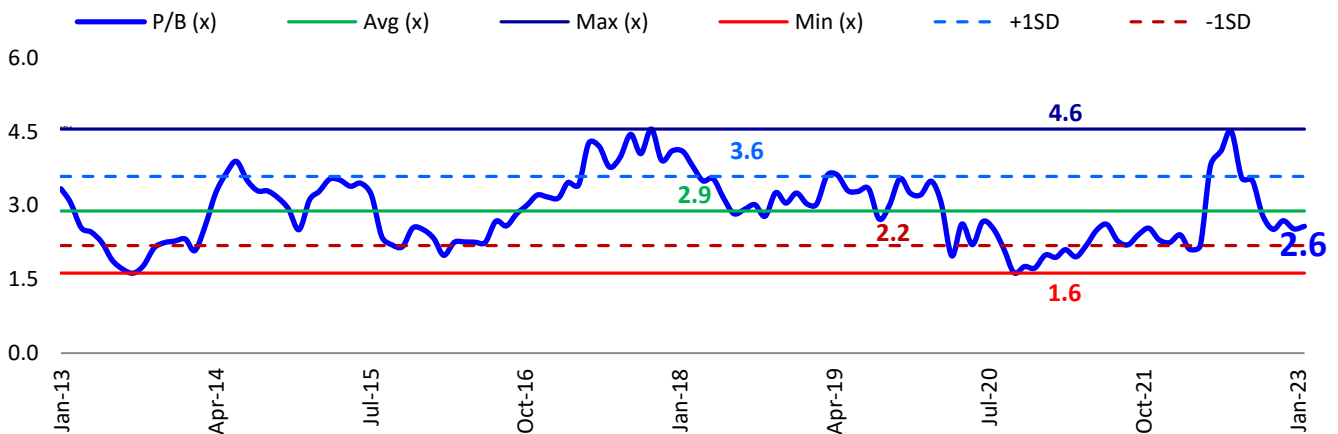
Source: Company, MOFSL

Exhibit 6: RoE/RoCE profiles of MRPL



Source: Company, MOFSL

Exhibit 7: One year forward P/B trades at 2.6x, at a 10% discount to its long-term average



Source: MOFSL, Company

Financials and valuations

Standalone - Income Statement

	(INR b)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	540.1	704.2	559.6	319.6	697.3	1,001.0	901.4	891.0
Change (%)	11%	30%	-21%	-43%	118%	44%	-10%	-1%
EBITDA	44.8	26.9	-25.5	7.0	49.3	52.6	53.4	53.3
Depreciation	9.7	10.5	10.9	11.6	10.9	12.0	13.3	14.6
EBIT	35.2	16.4	-36.4	-4.6	38.4	40.6	40.1	38.7
Forex loss	-0.1	2.9	6.9	0.0	0.0	14.3	0.0	0.0
Int. and Finance Charges	9.1	10.4	12.6	5.5	12.1	13.3	13.7	12.3
Other Income	2.8	3.6	1.1	1.0	1.0	1.6	1.1	1.2
PBT bef. EO Exp.	29.0	6.7	-54.7	-9.2	27.3	14.5	27.5	27.6
EO Items	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
PBT after EO Exp.	28.7	6.5	-54.7	-9.2	27.3	14.5	27.5	27.6
Total Tax	11.0	3.0	-13.3	-1.5	-2.5	6.0	6.9	6.9
Tax Rate (%)	38.2	45.8	24.3	16.8	-9.0	41.4	25.2	25.2
Reported PAT	17.7	3.5	-41.4	-7.6	29.8	8.5	20.5	20.7
Adjusted PAT	17.9	3.6	-41.4	-7.6	29.8	8.5	20.5	20.7

Standalone - Balance Sheet

	(INR b)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	36.3	38.8	43.0	17.5	17.5	17.5	17.5	17.5
Total Reserves	77.1	74.8	32.0	24.9	54.4	60.9	76.7	92.5
Net Worth	113.5	113.6	75.0	42.4	72.0	78.5	94.2	110.0
Total Loans	115.5	145.6	169.7	238.3	210.9	210.9	186.6	165.1
Deferred Tax Liabilities	10.5	13.2	4.4	-13.8	-21.0	0.0	0.0	0.0
Capital Employed	239.4	272.4	249.1	266.9	261.8	289.3	280.8	275.2
Gross Block	281.0	286.4	293.9	297.9	326.9	336.9	346.9	356.9
Less: Accum. Deprn.	82.6	90.2	98.0	109.6	120.5	132.5	145.8	160.3
Net Fixed Assets	198.4	196.2	195.9	188.3	206.4	204.4	201.1	196.5
Capital WIP	6.8	10.0	17.5	23.4	1.7	9.1	9.1	9.1
Total Investments	13.5	15.0	21.8	0.2	0.2	0.2	0.2	0.2
Curr. Assets, Loans, and Adv.	120.8	128.3	86.9	113.9	163.9	233.6	212.3	209.6
Inventory	52.6	63.3	41.8	71.0	104.9	142.6	127.5	126.0
Account Receivables	28.1	26.8	11.2	24.5	43.3	62.1	55.9	55.3
Cash and Bank Balance	8.3	4.9	0.3	0.5	0.4	6.8	9.7	9.4
Loans and Advances	31.9	33.3	33.7	17.8	15.3	22.0	19.1	18.9
Curr. Liability and Prov.	100.1	77.1	77.7	66.5	117.8	157.9	141.9	140.2
Account Payables	95.6	71.7	74.7	59.6	111.4	151.5	135.5	133.8
Provisions	4.5	5.4	2.9	6.9	6.4	6.4	6.4	6.4
Net Current Assets	20.7	51.2	9.3	47.4	46.1	75.7	70.4	69.4
Appl. of Funds	239.4	272.4	249.1	266.9	261.8	289.3	280.8	275.2

Financials and valuations

Ratios								
Y/E March (INR)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	4.9	1.0	-11.4	-2.1	8.2	2.3	5.7	5.7
Cash EPS	7.6	3.9	-8.4	1.1	11.2	5.7	9.3	9.7
BV/Share	31.3	31.3	20.6	11.7	19.8	21.6	26.0	30.3
DPS	12.7	1.9	0.0	0.0	0.0	0.5	1.1	1.1
Payout (%)	303.8	226.2	0.0	0.0	0.0	23.4	23.4	23.4
Valuation (x)								
P/E	11.7	57.6	-5.0	-27.4	7.0	24.6	10.2	10.1
Cash P/E	7.6	14.8	-6.8	52.6	5.1	10.2	6.2	5.9
P/BV	1.8	1.8	2.8	4.9	2.9	2.7	2.2	1.9
EV/Sales	0.6	0.5	0.7	1.4	0.6	0.4	0.4	0.4
EV/EBITDA	7.1	13.0	-14.8	64.1	8.5	7.8	7.2	6.8
Dividend Yield (%)	22.1	3.3	0.0	0.0	0.0	0.8	2.0	2.0
FCF per share	8.0	0.7	-3.4	-10.2	11.2	0.2	12.6	10.5
Return Ratios (%)								
RoE	16.1	3.2	-44.0	-13.0	52.1	11.3	23.8	20.2
RoCE	9.9	4.4	-10.6	-1.1	15.3	8.6	10.8	10.7
RoIC	10.4	3.9	-12.2	-1.7	16.7	8.9	11.2	11.2
Working Capital Ratios								
Fixed Asset Turnover (x)	1.9	2.5	1.9	1.1	2.1	2.1	2.1	2.1
Asset Turnover (x)	2.3	2.6	2.2	1.2	2.7	2.7	2.7	2.7
Inventory (Days)	36	33	27	81	55	55	55	55
Debtor (Days)	19	14	7	28	23	23	23	23
Creditor (Days)	65	37	49	68	58	58	58	58
Leverage Ratio (x)								
Current Ratio	1.2	1.7	1.1	1.7	1.4	1.5	1.5	1.5
Interest Coverage Ratio	3.9	1.6	-2.9	-0.8	3.2	3.1	2.9	3.1
Net Debt/Equity ratio	0.9	1.2	2.3	5.6	2.9	2.6	1.9	1.4
Standalone - Cash Flow Statement								
(INR b)								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	29.0	6.0	-53.6	-9.2	27.1	14.5	27.5	27.6
Depreciation	9.7	10.5	10.9	11.6	10.9	12.0	13.3	14.6
Interest and Finance Charges	4.4	4.7	7.4	5.5	12.1	13.3	13.7	12.3
Direct Taxes Paid	-7.2	-0.5	-0.9	0.1	-2.6	-6.0	-6.9	-6.9
(Inc.)/Dec. in WC	-0.9	-11.0	27.6	-34.3	-1.9	-23.2	8.1	0.7
CF from Operations	39.7	12.3	2.7	-28.2	46.9	10.7	55.6	48.3
(Inc.)/Dec. in FA	-10.7	-9.6	-14.9	-9.0	-6.1	-10.0	-10.0	-10.0
Free Cash Flow	29.0	2.6	-12.2	-37.2	40.8	0.7	45.6	38.3
Others	0.9	-0.4	-2.1	-12.0	0.2	21.0	0.0	0.0
CF from Investments	-9.8	-10.1	-17.0	-21.0	-5.9	11.0	-10.0	-10.0
Inc./(Dec.) in Debt	-9.4	2.7	44.7	56.6	-31.1	0.0	-24.2	-21.5
Interest Paid	-4.4	-5.0	-7.1	-6.8	-9.8	-13.3	-13.7	-12.3
Dividend Paid	-12.7	-6.3	-2.1	0.0	0.0	-2.0	-4.8	-4.8
Others	-16.6	0.0	-30.8	-0.3	-0.2	0.0	0.0	0.0
CF from Fin. Activity	-43.0	-5.7	9.7	49.4	-41.2	-15.3	-42.8	-38.6
Inc./Dec. in Cash	-13.1	-3.4	-4.6	0.2	-0.2	6.4	2.9	-0.3
Opening Balance	21.4	8.3	4.9	0.3	0.3	0.4	6.8	9.7
Closing Balance	8.3	4.9	0.3	0.5	0.1	6.8	9.7	9.4

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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