

Estimate change



TP change



Rating change



CMP: INR104

TP: INR110 (+6%)

Neutral

Cautious outlook in the short term

	MRPL IN
Equity Shares (m)	3630
M.Cap.(INRb)/(USDb)	182.1 / 2.2
52-Week Range (INR)	118 / 49
1, 6, 12 Rel. Per (%)	12/57/87
12M Avg Val (INR M)	539

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	1,089	944	998
EBITDA	78	81	62
Adj. PAT	26	39	25
Adj. EPS (INR)	15.1	22.5	14.3
EPS Gr. (%)	-11.4	49.0	-36.2
BV/Sh.(INR)	56.1	73.3	84.3
Ratios			
Net D:E	1.7	0.9	0.7
RoE (%)	31.0	34.7	18.2
RoCE (%)	15.6	17.4	12.0
Payout (%)	23.4	23.4	23.4
Valuation			
P/E (x)	6.9	4.6	7.3
P/BV (x)	1.9	1.4	1.2
EV/EBITDA (x)	4.5	3.7	4.5
Div. Yield (%)	2.9	4.3	2.8
FCF Yield (%)	31.1	28.8	21.8

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	88.6	88.6	88.6
DII	1.1	0.7	0.4
FII	1.5	1.1	1.6
Others	8.8	9.6	9.5

FII Includes depository receipts

- MRPL's 2QFY24 missed our EBITDA and PAT estimates due to a lower-than-estimated reported GRM of USD17.1/bbl. Refining throughput was lower than our estimate of 3.2mmt, as the Phase-III refinery was shut down for maintenance during 2QFY24. Opex also increased because of the shutdown and reduced throughput.
- MRPL achieved its highest ever monthly MS-VI production of 195tmt/month in Aug'23. The company also clocked the highest ever MS-VI domestic dispatch at 188mt in Jul'23. Total retail outlets stood at 75 as of 2QFY24 vs. 68 as of 1QFY24. MRPL has also reduced its total debt to INR139.8b as of end-2Q from INR151.7b as of end-1Q.
- SG GRM has contracted to USD3.3/bbl during 3QFY24'td after surging 1.5x QoQ to USD9.8/bbl in 2QFY24. The SG GRM trend highlights that sustained good performance remains a concern given the highly volatile macro environment at least in the short term. We forecast a GRM of USD10/bbl in 3Q and USD8/bbl in 4QFY24.
- MRPL aspires to capture the domestic retail market to the tune of 1mmtpa. It has already rolled out advertisements for another 1,800 retail outlets, which would be completed soon. Management expects to add 500 outlets in the next three years, with Phase 1 focusing on South India followed by West and North India in Phase II.
- Considering the underperformance in 2QFY24, we cut our PAT estimate by 14% for FY24 while increasing our EBITDA estimate by 8% for FY25. Multiple initiatives are in place to improve the contribution from marketing margins in both domestic and export markets, along with the B2B segment. **We maintain our Neutral rating with a TP of INR110 (valuing the entity at 5x FY25E EBITDA of INR63b).**

A miss due to lower-than-estimated throughput and GRM

- Refining throughput was below our est. at 3.2mmt (vs. our est. of 4.3mmt, down 19% YoY). Reported GRM stood at USD17.1/bbl (vs. our est. of USD18.8/bbl) in 2QFY24.
- Resultant EBITDA was below our est. at 22.4b (est. EBITDA of INR43.8b).
- PAT was also below our est. at INR10.6b (est. of INR28.9b) due to higher-than-estimated forex loss of INR1b (our est. INR106m) and higher tax rate.
- Total borrowings for MRPL decreased to INR139.8b at the end of 2QFY24 from INR151.7b at the end of 1QFY24.
- The Domestic Refinery Transfer Price (RTP) for MRPL decreased due to the imposition of SAED and Road and Infrastructure Cess (RIC) by the Government in Jul'22.
- The estimated windfall tax implication on RTP was INR3.7b, while the actual windfall tax paid on exports was INR910m in 2QFY24.

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- For 1HFY24, EBITDA stood at INR43b (vs. INR39b in 1HFY23), with PAT at INR20.7b (vs. PAT of INR9.2b in 1HFY23).
- Refining throughput was down 8% YoY at 7.6mmt. Reported GRM stood at USD13.5/bbl, up 35% YoY.

Valuation and view – maintain Neutral

- MRPL used its 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).
- Since 1QFY13, the refinery has suffered at times due to inadequate availability of water during the summer season. However, with the 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 4.5x FY25E EV/EBITDA. Valuing the entity at 5.0x FY25E EBITDA of INR63b, we arrive at our TP of INR110. We maintain our **Neutral** rating on the stock

Standalone - Quarterly Earning Model

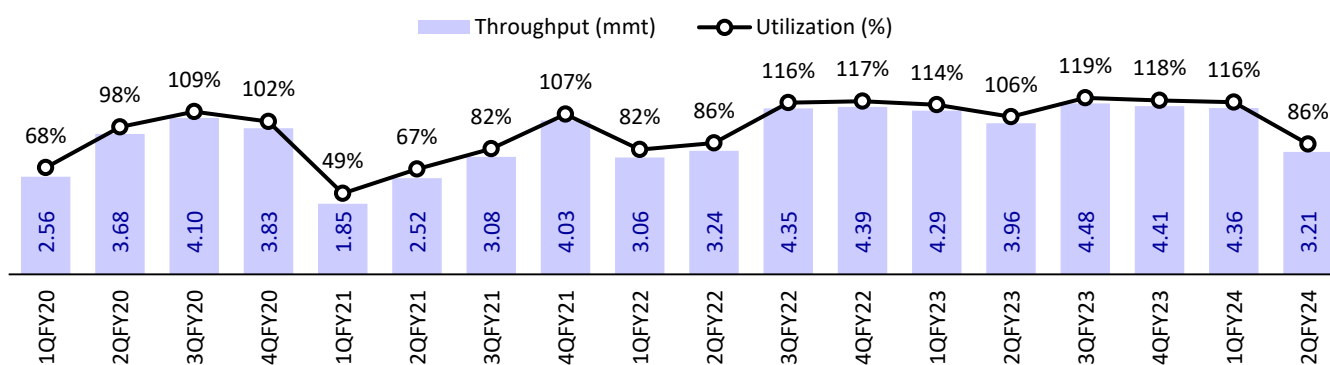
Y/E March	FY23				FY24				FY23	FY24E	FY24	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Var. (%)
Net Sales	322.9	246.1	265.6	254.0	211.7	192.3	240.4	302.6	1,088.6	947.1	264.4	-27%
YoY Change (%)	185.8	85.0	30.1	2.4	-34.4	-21.9	-9.5	19.1	56.1	-13.0	7.5	
EBITDA	54.4	-15.3	5.4	33.9	20.6	22.4	20.9	17.6	78.3	81.6	43.8	-49%
Margin (%)	16.8	-6.2	2.0	13.4	9.7	11.7	8.7	5.8	7.2	8.6	16.6	
Depreciation	3.0	3.0	3.0	3.0	2.9	3.0	3.2	3.2	11.9	12.3	3.0	
Forex loss	7.2	4.6	2.5	-1.0	-0.1	1.0	0.0	0.0	13.4	1.0	0.1	
Interest	3.0	3.2	3.4	3.3	2.7	3.1	2.7	2.2	12.9	10.7	2.7	
Other Income	0.4	0.3	0.6	0.9	0.5	0.7	0.6	0.6	2.1	2.5	0.6	
PBT before EO expense	41.5	-25.8	-2.9	29.5	15.6	16.1	15.7	12.8	42.4	60.1	38.6	-58%
PBT	41.5	-25.8	-2.9	29.5	15.6	16.1	15.7	12.8	42.4	60.1	38.6	-58%
Tax	14.5	-7.9	-1.0	10.4	5.5	5.5	5.3	4.3	16.0	20.6	9.7	
Rate (%)	34.8	30.5	34.8	35.3	35.0	34.0	34.0	34.0	37.8	34.3	25.2	
Reported PAT	27.1	-17.9	-1.9	19.1	10.1	10.6	10.4	8.4	26.4	39.5	28.9	-63%
YoY Change (%)	LP	Loss	PL	-37.4	-62.6	LP	LP	-55.9	-11.8	49.8	LP	
Margin (%)	8.4	-7.3	-0.7	7.5	4.8	5.5	4.3	2.8	2.4	4.2	10.9	
Key Assumptions												
Refining throughput (mmt)	4.3	4.0	4.5	4.4	4.4	3.2	4.3	5.2	17.1	17.0	4.3	-24%
Reported GRM (USD/bbl)	24.5	-4.5	3.9	15.1	9.8	17.1	10.0	8.0	9.7	11.2	18.8	-9%

Exhibit 1: Major assumptions for MRPL

Year-end: March (INRm)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Exchange Rate (USD/INR)	64.5	70.0	70.9	74.3	74.5	80.4	83.1	84.6
Brent Crude (USD/bbl)	57.6	70.1	61.2	44.4	80.5	96.1	85.0	90.0
Capacity (mmt)	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Throughput (mmt)	16.3	16.4	14.2	11.5	14.9	17.2	17.0	17.0
Utilization (%)	109%	110%	94%	77%	99%	115%	113%	113%
MRPL Core GRM (USD/bbl)	6.8	3.4	2.2	0.7	4.3	11.3	11.1	8.0
Singapore	7.3	4.9	3.2	0.5	5.0	10.7	6.4	6.0
Premium/discount	(0.5)	(1.4)	(1.0)	0.1	(0.6)	0.7	4.6	2.0
EPS	4.9	0.9	(9.6)	(4.3)	17.0	15.1	22.5	14.5

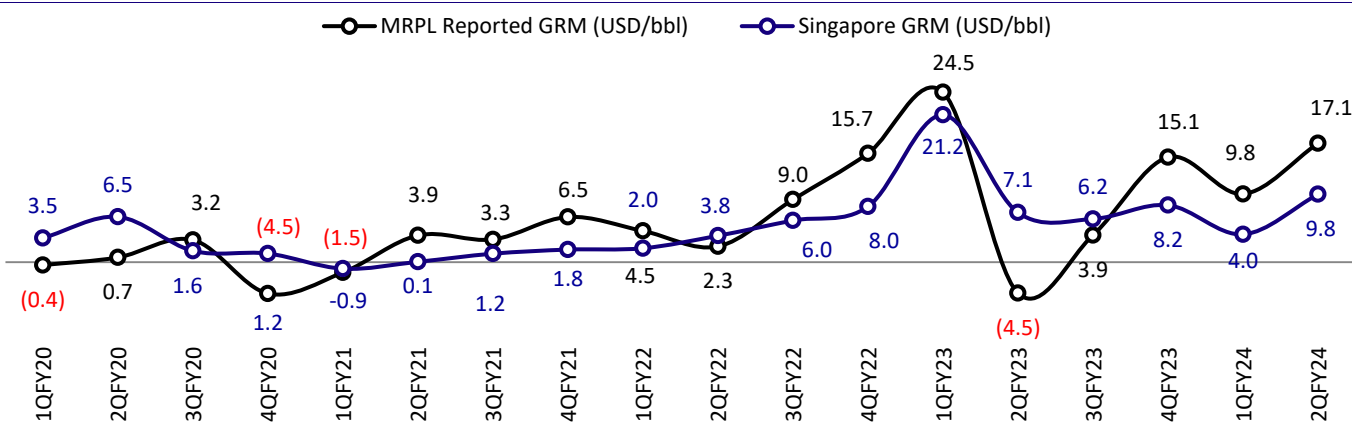
Source: Company, MOFSL

Exhibit 2: Throughput stood at 3.21mmt in 2QFY24, implying 86% capacity utilization



Source: Company, MOFSL

Exhibit 3: Reported GRM stood at USD17.1/bbl in 2QFY24 v/s -USD4.5/bbl in 2QFY23



Source: Company, MOFSL

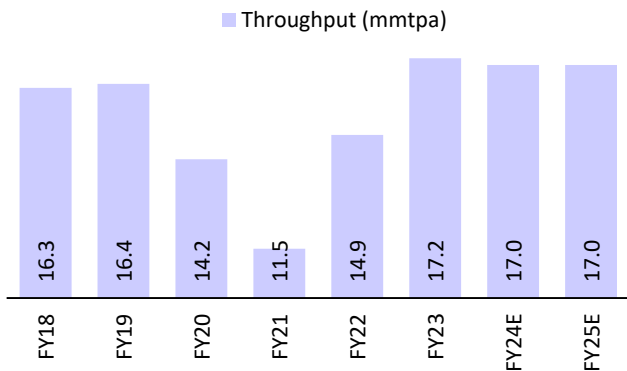


Management concall highlights

- There was a Phase 3 refinery (with lots of complex units) shutdown of 45 days Opex increased partially because of this and reduced throughput
- Management does not expect any shutdown in 3Q; therefore, the full throughput is expected in 3Q
- There would be a shutdown (which is mandatory) in FY25 in Phase 2. More than 100% utilization is expected in FY25
- Committed to bring on value added products in the portfolio
- Focus to be on optimizing operating costs and reducing debt
- Russian crude discount at 35-40%; higher discounts of 1Q have reduced right now but it was still available for procurement in 2Q
- Current discounts in line with media reports
- No new procurements as of now
- Management is having an alternate thought about the Green Hydrogen tender
- MRPL is also going to go along with ONGC since they are doing it in a such bigger scale.
- Would either go for a very minimal investment initially and then maybe buy for ONGC
- FY24/FY25 capex to be INR10b each as of now
- 2H capex would be driven by existing projects that is ongoing
- Marketing terminal would be coming up
- Bitumen blowing unit to be completed in 3Q
- Retail marketing capex also included in the above capex figure
- Inventory gain is USD2.1/bbl in the quarter (inventory gain of INR9.6b)
- Inventory levels have come down
- If prices remain at current levels, this inventory gain would be realized going ahead
- Fuel & loss of 11.28% in 2Q; likely to improve going forward; some efficiency issues because of Phase 3 refinery shutdown
- Included aromatic complex fuel & loss as well
- MRPL aspires to capture the domestic retail market to the tune of 1mmtpa. It has already rolled out advertisements for another 1,800 retail outlets, which would be completed soon. Management expects to add 500 outlets in the next three years, with Phase 1 focusing on South India followed by West and North India in Phase II.
- Connectivity with Kochi gas pipeline of GAIL
- Currently not taking because this is not economical as of now
- In the past, MRPL has switched over to gas and may be it would do the same in the future as well (both as a fuel and feedstock).

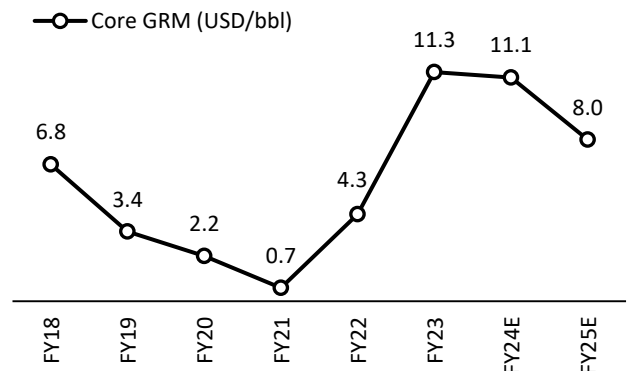
Story in charts

Exhibit 4: Expect throughput of ~17mmt...



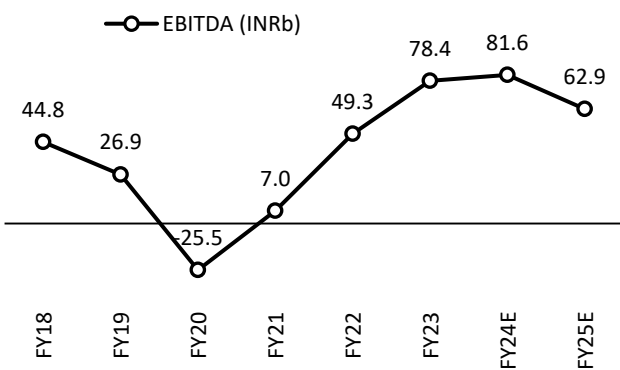
Source: Company, MOFSL

Exhibit 5: ...with core GRM of ~USD8bbl during FY24-25



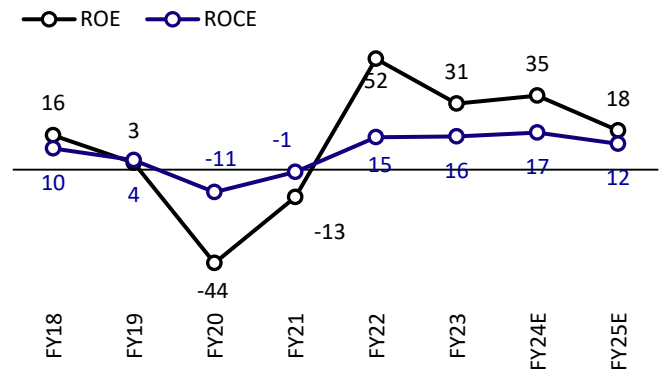
Source: Company, MOFSL

Exhibit 6: Expect EBITDA at ~INR82b in FY24



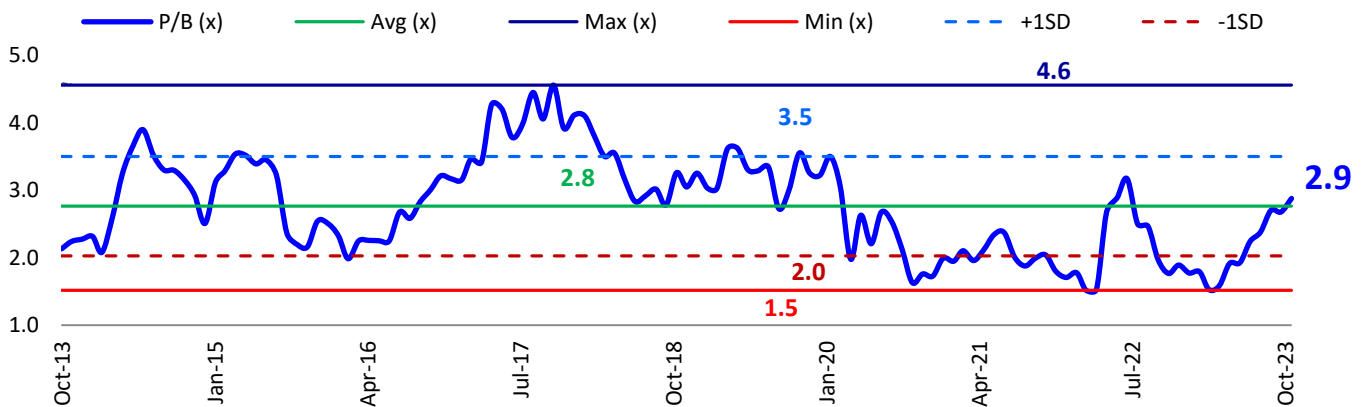
Source: Company, MOFSL

Exhibit 7: RoE/RoCE profiles of MRPL



Source: Company, MOFSL

Exhibit 8: One-year forward P/B trades at 2.9x, at a 4% premium to its long-term average



Source: MOFSL, Company

Financials and valuations

Standalone - Income Statement

	(INR b)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	540.1	704.2	559.6	319.6	697.3	1,088.6	943.9	997.9
Change (%)	11%	30%	-21%	-43%	118%	56%	-13%	6%
EBITDA	44.8	26.9	-25.5	7.0	49.3	78.4	81.4	62.5
Depreciation	9.7	10.5	10.9	11.6	10.9	11.9	12.3	14.5
EBIT	35.2	16.4	-36.4	-4.6	38.4	66.5	69.1	48.0
Forex loss	-0.1	2.9	6.9	0.0	0.0	13.4	1.0	0.0
Int. and Finance Charges	9.1	10.4	12.6	5.5	12.1	12.9	10.7	12.5
Other Income	2.8	3.6	1.1	1.0	1.0	2.1	2.5	2.6
PBT bef. EO Exp.	29.0	6.7	-54.7	-9.2	27.3	42.4	59.9	38.1
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	42.4	59.9	38.1
Total Tax	11.0	3.0	-13.3	-1.5	-2.5	16.0	20.5	12.9
Tax Rate (%)	38.2	45.8	24.3	16.8	-9.0	37.7	34.3	34.0
Reported PAT	17.7	3.5	-41.4	-7.6	29.8	26.4	39.4	25.1
Adjusted PAT	17.9	3.6	-41.4	-7.6	29.8	26.4	39.4	25.1

Standalone - Balance Sheet

	(INR b)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	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	80.8	111.0	130.2
Net Worth	113.5	113.6	75.0	42.4	72.0	98.3	128.5	147.7
Total Loans	115.5	145.6	169.7	238.3	210.9	167.1	147.9	130.9
Deferred Tax Liabilities	10.5	13.2	4.4	-13.8	-21.0	-12.4	0.0	0.0
Capital Employed	239.4	272.4	249.1	266.9	261.8	253.0	276.4	278.6
Gross Block	281.0	286.4	293.9	297.9	326.9	329.0	339.0	349.0
Less: Accum. Deprn.	82.6	90.2	98.0	109.6	120.5	132.3	144.6	159.1
Net Fixed Assets	198.4	196.2	195.9	188.3	206.4	196.6	194.3	189.9
Capital WIP	6.8	10.0	17.5	23.4	1.7	4.7	12.1	12.1
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	129.9	138.7	150.8
Inventory	52.6	63.3	41.8	71.0	104.9	67.8	53.7	58.2
Account Receivables	28.1	26.8	11.2	24.5	43.3	44.7	38.8	41.0
Cash and Bank Balance	8.3	4.9	0.3	0.5	0.4	0.4	26.1	30.5
Loans and Advances	31.9	33.3	33.7	17.8	15.3	17.0	20.1	21.2
Curr. Liability and Prov.	100.1	77.1	77.7	66.5	117.8	85.7	68.9	74.3
Account Payables	95.6	71.7	74.7	59.6	111.4	81.1	64.2	69.7
Provisions	4.5	5.4	2.9	6.9	6.4	4.6	4.6	4.6
Net Current Assets	20.7	51.2	9.3	47.4	46.1	44.1	69.8	76.5
Appl. of Funds	239.4	272.4	249.1	266.9	261.8	253.0	276.4	278.6

Financials and valuations

Ratios								
Y/E March (INR)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	4.9	1.0	-11.4	-2.0	6.9	15.1	22.5	14.3
Cash EPS	7.6	3.9	-8.4	1.0	9.5	21.8	29.5	22.6
BV/Share	31.3	31.3	20.6	10.9	16.7	56.1	73.3	84.3
DPS	12.7	1.8	0.0	0.0	0.0	3.0	4.5	2.9
Payout (%)	303.8	226.2	0.0	0.0	0.0	23.4	23.4	23.4
Valuation (x)								
P/E	21.1	104.0	-9.1	-53.0	15.0	6.9	4.6	7.3
Cash P/E	13.7	26.8	-12.3	101.7	11.0	4.8	3.5	4.6
P/BV	3.3	3.3	5.0	9.5	6.2	1.9	1.4	1.2
EV/Sales	0.9	0.7	1.0	1.9	0.8	0.5	0.5	0.5
EV/EBITDA	10.8	19.3	-21.4	88.3	11.9	6.9	6.1	7.6
Dividend Yield (%)	12.2	1.7	0.0	0.0	0.0	2.9	4.3	2.8
FCF per share	8.0	0.7	-3.4	-10.2	11.2	15.6	14.4	11.0
Return Ratios (%)								
RoE	16.1	3.2	-44.0	-13.0	52.1	31.0	34.7	18.2
RoCE	9.9	4.4	-10.6	-1.1	15.3	15.6	17.4	12.0
RoIC	10.4	3.9	-12.2	-1.7	16.7	16.3	18.7	13.4
Working Capital Ratios								
Fixed Asset Turnover (x)	1.9	2.5	1.9	1.1	2.1	3.3	3.3	3.3
Asset Turnover (x)	2.3	2.6	2.2	1.2	2.7	4.3	4.3	4.3
Inventory (Days)	36	33	27	81	55	23	23	23
Debtor (Days)	19	14	7	28	23	15	15	15
Creditor (Days)	65	37	49	68	58	27	27	27
Leverage Ratio (x)								
Current Ratio	1.2	1.7	1.1	1.7	1.4	1.5	2.0	2.0
Interest Coverage Ratio	3.9	1.6	-2.9	-0.8	3.2	5.2	6.5	3.8
Net Debt/Equity ratio	0.9	1.2	2.3	5.6	2.9	1.7	0.9	0.7
Standalone - Cash Flow Statement								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	29.0	6.0	-53.6	-9.2	27.1	42.4	59.9	38.1
Depreciation	9.7	10.5	10.9	11.6	10.9	11.9	12.3	14.5
Interest and Finance Charges	4.4	4.7	7.4	5.5	12.1	12.9	10.7	12.5
Direct Taxes Paid	-7.2	-0.5	-0.9	0.1	-2.6	-7.7	-20.5	-12.9
(Inc.)/Dec. in WC	-0.9	-11.0	27.6	-34.3	-1.9	3.1	0.0	-2.4
CF from Operations	39.7	12.3	2.7	-28.2	46.9	63.6	62.4	49.8
(Inc.)/Dec. in FA	-10.7	-9.6	-14.9	-9.0	-6.1	-7.0	-10.0	-10.0
Free Cash Flow	29.0	2.6	-12.2	-37.2	40.8	56.6	52.4	39.8
Others	0.9	-0.4	-2.1	-12.0	0.2	0.3	12.4	0.0
CF from Investments	-9.8	-10.1	-17.0	-21.0	-5.9	-6.7	2.4	-10.0
Inc./(Dec.) in Debt	-9.4	2.7	44.7	56.6	-31.1	-45.4	-19.2	-17.0
Interest Paid	-4.4	-5.0	-7.1	-6.8	-9.8	-11.2	-10.7	-12.5
Dividend Paid	-12.7	-6.3	-2.1	0.0	0.0	0.0	-9.2	-5.9
Others	-16.6	0.0	-30.8	-0.3	-0.2	-0.3	0.0	0.0
CF from Fin. Activity	-43.0	-5.7	9.7	49.4	-41.2	-56.9	-39.1	-35.4
Inc./Dec. in Cash	-13.1	-3.4	-4.6	0.2	-0.2	0.0	25.7	4.3
Opening Balance	21.4	8.3	4.9	0.3	0.3	0.1	0.1	25.8
Closing Balance	8.3	4.9	0.3	0.5	0.1	0.1	25.8	30.1

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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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