

November 2, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	106		94	
Sales (Rs. bn)	983	988	965	964
% Chng.	1.9	2.5		
EBITDA (Rs. bn)	50	50	50	49
% Chng.	0.8	1.5		
EPS (Rs.)	13.7	13.0	13.8	12.8
% Chng.	(0.4)	1.0		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	1,089	904	983	988
EBITDA (Rs. bn)	71	63	50	50
Margin (%)	6.6	7.0	5.1	5.1
PAT (Rs. bn)	26	32	24	23
EPS (Rs.)	15.1	18.1	13.7	13.0
Gr. (%)	(11.4)	20.4	(24.5)	(5.4)
DPS (Rs.)	3.0	3.6	2.7	2.6
Yield (%)	2.9	3.5	2.6	2.5
RoE (%)	31.0	28.8	18.2	15.2
RoCE (%)	21.7	18.7	13.1	12.5
EV/Sales (x)	0.3	0.3	0.3	0.3
EV/EBITDA (x)	4.9	4.8	5.7	5.3
PE (x)	6.9	5.7	7.6	8.0
P/BV (x)	1.9	1.5	1.3	1.1

Key Data

MRPL.BO | MRPL IN

52-W High / Low	Rs.118 / Rs.49
Sensex / Nifty	63,591 / 18,989
Market Cap	Rs.182bn/ \$ 2,186m
Shares Outstanding	1,753m
3M Avg. Daily Value	Rs.931.91m

Shareholding Pattern (%)

Promoter's	88.58
Foreign	1.54
Domestic Institution	1.11
Public & Others	8.77
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.7	61.7	91.9
Relative	12.5	55.4	84.4

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Strong refining margins drive earnings

Quick Pointers:

- Refining throughput at 3.2mmt was down 19% YoY, due to partial shutdown.
- Concerns persist on sustainability of strong GRMs, amidst demand concerns.

Mangalore Refinery & Petrochemicals (MRPL) reported lower than estimated EBITDA at Rs 21.5 bn (up 4% QoQ, PLe: Rs29.8 bn). PAT came in at Rs 10.6 bn (up 5% QoQ, PLe: Rs17.9 bn) and GRMs came in above estimates at US\$17.1/bbl, but opex increased due to the shutdown. On the marketing front, MRPL plans to reach target of 1 mmt retail sales in 3-5 years with ~500 retail outlets. We anticipate GRM of US\$10/6/6/bbl for FY24/25/26E, factoring in softening of Singapore GRMs in the near term. Maintain 'Hold' rating with TP of Rs 106 (earlier Rs94) based on 5x FY26 EV/EBITDA.

- Operating performance improves YoY:** EBITDA/PAT at Rs 21.5bn/Rs10.6bn were up 4%/5% QoQ. Opex increased due to maintenance shutdown and lower throughput. EBITDA for Q2FY24 grew significantly vs EBITDA loss of Rs 15.3 bn in Q2FY23. Similarly, PAT improved substantially against a net loss of Rs 17.9bn in Q2FY23. Operating profit for H1FY24 was Rs 42.1bn, up 7.8% YoY and PAT came in at Rs 20.7bn, up 125.6% YoY.
- Quarterly GRMs come in strong:** Refining throughput for the quarter was 3.2 mmt, down 14% QoQ due to a maintenance shutdown in one of its phases. The company reported GRM of US\$17.1/bbl, up by US\$7.3/bbl QoQ, and higher than our estimate of US\$15.1/bbl. However, core GRM came in at US\$9.9/bbl with an inventory gain of US\$7.22/bbl. Inventory gain for H1FY24 was US\$2.1/bbl. Due to shutdown, fuel and loss was at 11.28% during the quarter. In the current quarter, Singapore GRMs have softened amid decline in product cracks due to demand concerns. Owing to this reason, we factor in a GRM of US\$6/bbl for FY25/26E.
- Conference Call Highlights:** **1)** Opex has gone up due to shutdown and reduction in throughput. **2)** Russian crude forms 35-40% in basket for India; and discount has reduced from Q1FY24. **3)** No further planned shutdown expected going forward; in FY25, phase-2 would see some shutdown; although throughput despite shutdown would be above nameplate capacity. **4)** Capex of Rs10bn in FY24; FY25 also broadly to be similar. **5)** Marketing terminal, bitumen project, other smaller projects, retail outlets are some of the areas the company is working on. **6)** Target 1mmt of retail sales in 3-5yrs with ~500 retail outlets; currently with 75 ROs. **7)** LNG is being taken as a feed and also as a fuel, as and when economics is favourable. **8)** OMPL is being run in reformate mode as PX profitability is poor. **9)** Rs30bn of accumulated losses are yet to be utilized. **10)** 80% of the ATF produced is exported.

Exhibit 1: Quarterly and Half Yearly Income Statement

Y/e March – (Rs bn)	Q2FY24	Q1FY24	QoQ gr.	Q2FY23	YoY gr.	H1FY24	H1FY23	YoY gr.
Net Sales	192.3	211.7	-9.2%	246.1	-21.9%	404.0	569.0	-29.0%
<i>YoY Change (%)</i>	<i>-21.9</i>	<i>-34.4</i>		<i>85.0</i>				
Total Expenditure	170.8	191.1	-10.6%	261.4	-34.7%	361.9	529.9	-31.7%
EBITDA	21.5	20.6	4.2%	-15.3	NA	42.1	39.0	7.8%
<i>Margins (%)</i>	<i>11.2</i>	<i>9.7</i>		<i>-6.2</i>				
Depreciation	3.0	2.9	0.7%	3.0	-0.3%	5.9	5.9	-0.4%
Interest	3.1	2.7	16.4%	3.2	-1.4%	5.8	6.2	-6.3%
Other Income	0.7	0.5	43.8%	0.3	135.3%	1.3	0.7	84.6%
Tax	5.5	5.5	0.0%	-7.9	NA	10.9	6.6	65.8%
<i>Rate (%)</i>	<i>34.0</i>	<i>35.0</i>		<i>34.8</i>	<i>-2.2%</i>	<i>69</i>		
Reported PAT	10.6	10.1	4.6%	-17.9	NA	20.7	9.2	125.6%
<i>YoY Change (%)</i>	<i>LP</i>	<i>-62.6</i>		<i>Loss</i>				
<i>Margins (%)</i>	<i>5.5</i>	<i>4.8</i>		<i>-7.3</i>				

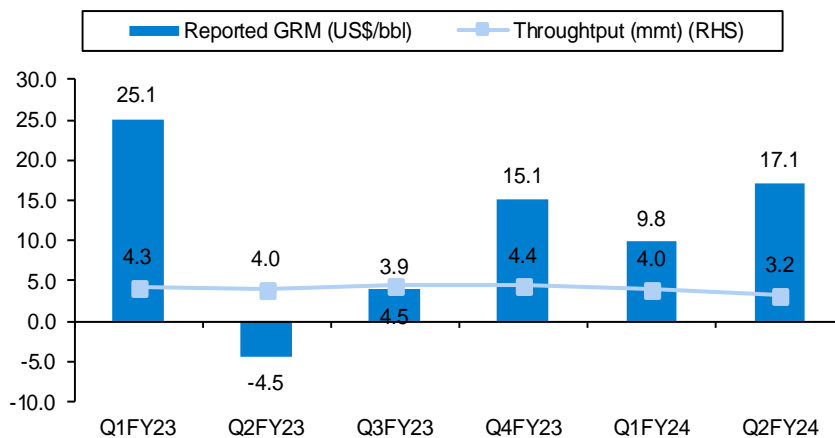
Source: Company, PL

Exhibit 2: Operating Metrics

	Q2FY24	Q1FY24	QoQ gr.	Q2FY23	YoY gr.
Refining throughput (mmt)	3.2	4.0	-19.8%	4.0	-18.9%
Reported GRM (USD/bbl)	17.1	9.8	74.4%	-4.5	NA

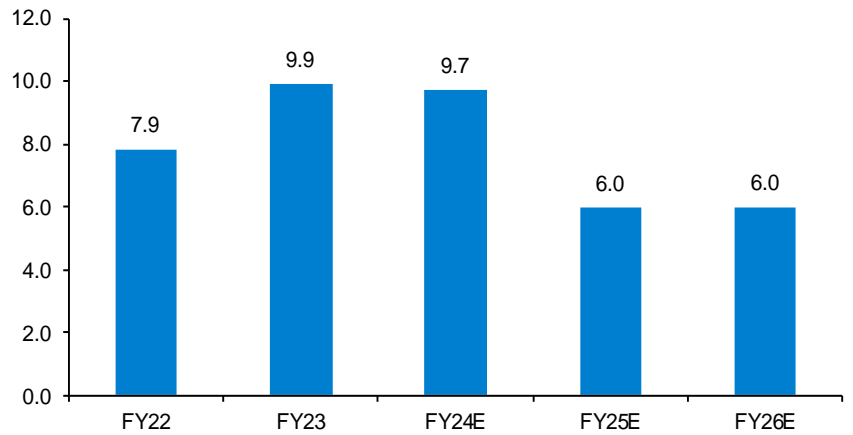
Source: Company, PL

Exhibit 3: Q2 GRMs increase by US\$7.3/bbl



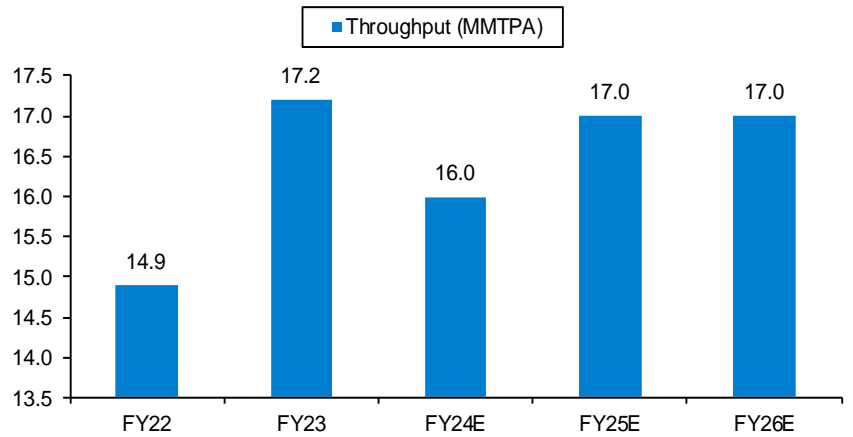
Source: Company, PL

Exhibit 4: FY25-26E GRM expected at US\$6/bbl



Source: PL, Company

Exhibit 5: FY25-26 throughput expected at US\$17/bbl



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,089	904	983	988
YoY gr. (%)	56.1	(16.9)	8.7	0.5
Cost of Goods Sold	987	803	901	906
Gross Profit	102	101	82	82
Margin (%)	9.4	11.1	8.3	8.3
Employee Cost	7	7	8	8
Other Expenses	24	30	24	24
EBITDA	71	63	50	50
YoY gr. (%)	68.7	(11.4)	(20.8)	0.1
Margin (%)	6.6	7.0	5.1	5.1
Depreciation and Amortization	12	13	15	16
EBIT	60	50	36	34
Margin (%)	5.5	5.5	3.6	3.5
Net Interest	13	13	14	14
Other Income	(11)	2	2	3
Profit Before Tax	35	39	24	23
Margin (%)	3.3	4.3	2.5	2.3
Total Tax	16	15	8	8
Effective tax rate (%)	45.2	37.5	33.5	35.8
Profit after tax	19	24	16	15
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	26	32	24	23
YoY gr. (%)	(11.4)	20.4	(24.5)	(5.4)
Margin (%)	2.4	3.5	2.4	2.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	26	32	24	23
YoY gr. (%)	(11.4)	20.4	(24.5)	(5.4)
Margin (%)	2.4	3.5	2.4	2.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26	32	24	23
Equity Shares O/s (m)	2	2	2	2
EPS (Rs)	15.1	18.1	13.7	13.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	329	339	349	359
Tangibles	329	339	349	359
Intangibles	-	-	-	-
Acc: Dep / Amortization	132	146	160	176
Tangibles	132	146	160	176
Intangibles	-	-	-	-
Net fixed assets	197	193	189	183
Tangibles	197	193	189	183
Intangibles	-	-	-	-
Capital Work In Progress	5	12	12	12
Goodwill	-	-	-	-
Non-Current Investments	7	0	0	0
Net Deferred tax assets	12	-	-	-
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	68	52	58	58
Trade receivables	45	37	40	41
Cash & Bank Balance	0	23	26	34
Other Current Assets	-	-	-	-
Total Assets	339	337	345	348
Equity				
Equity Share Capital	18	18	18	18
Other Equity	81	105	124	141
Total Networkth	98	123	141	159
Non-Current Liabilities				
Long Term borrowings	167	148	131	116
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	81	62	69	69
Other current liabilities	5	5	5	5
Total Equity & Liabilities	339	337	345	348

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	42	46	32	31
Add. Depreciation	12	13	15	16
Add. Interest	13	13	14	14
Less Financial Other Income	(11)	2	2	3
Add. Other	1	-	-	-
Op. profit before WC changes	68	73	61	61
Net Changes-WC	3	2	(4)	0
Direct tax	(8)	(15)	(8)	(8)
Net cash from Op. activities	64	60	49	52
Capital expenditures	(7)	(10)	(10)	(10)
Interest / Dividend Income	0	-	-	-
Others	0	12	-	-
Net Cash from Inv. activities	(7)	2	(10)	(10)
Issue of share cap. / premium	-	-	-	-
Debt changes	(45)	(19)	(17)	(15)
Dividend paid	-	(7)	(6)	(5)
Interest paid	(11)	(13)	(14)	(14)
Others	0	-	-	-
Net cash from Fin. activities	(57)	(40)	(37)	(34)
Net change in cash	0	23	2	8
Free Cash Flow	57	50	39	42

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	15.1	18.1	13.7	13.0
CEPS	21.8	25.7	22.0	22.1
BVPS	56.1	70.0	80.5	90.4
FCF	32.3	28.8	22.2	24.2
DPS	3.0	3.6	2.7	2.6
Return Ratio(%)				
RoCE	21.7	18.7	13.1	12.5
ROIC	17.6	15.9	11.1	10.9
RoE	31.0	28.8	18.2	15.2
Balance Sheet				
Net Debt : Equity (x)	1.7	1.0	0.7	0.5
Net Working Capital (Days)	13	13	13	13
Valuation(x)				
PER	6.9	5.7	7.6	8.0
P/B	1.9	1.5	1.3	1.1
P/CEPS	4.8	4.0	4.7	4.7
EV/EBITDA	4.9	4.8	5.7	5.3
EV/Sales	0.3	0.3	0.3	0.3
Dividend Yield (%)	2.9	3.5	2.6	2.5

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	266	254	212	192
YoY gr. (%)	30.1	2.4	(34.4)	(21.9)
Raw Material Expenses	255	212	184	160
Gross Profit	11	42	28	32
Margin (%)	4.2	16.4	13.1	16.6
EBITDA	5	34	21	21
YoY gr. (%)	(69.1)	15.4	(62.1)	(240.2)
Margin (%)	2.0	13.4	9.7	11.2
Depreciation / Depletion	3	3	3	3
EBIT	2	31	18	19
Margin (%)	0.9	12.2	8.3	9.6
Net Interest	3	3	3	3
Other Income	(2)	2	1	1
Profit before Tax	(3)	30	16	16
Margin (%)	(1.1)	11.6	7.4	8.3
Total Tax	(1)	10	5	5
Effective tax rate (%)	34.8	35.3	35.0	34.0
Profit after Tax	(2)	19	10	11
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(2)	19	10	11
YoY gr. (%)	(132.1)	(36.6)	(62.6)	(159.2)
Margin (%)	(0.7)	7.5	4.8	5.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(2)	19	10	11
YoY gr. (%)	(132.1)	(36.6)	(62.6)	(159.2)
Margin (%)	(0.7)	7.5	4.8	5.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(2)	19	10	11
Avg. Shares O/s (m)	2	2	2	2
EPS (Rs)	(1.1)	10.9	5.8	6.0

Source: Company Data, PL Research

Key Operating Metrics

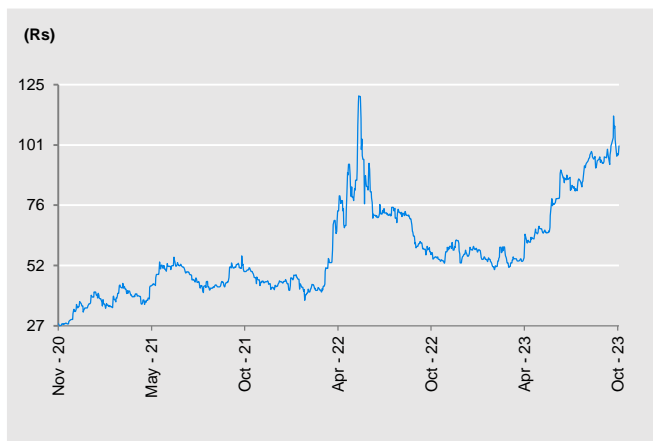
Y/e Mar	FY23	FY24E	FY25E	FY26E
Crude (US\$/bbl)	96.1	86.4	90.0	90.0
GRM (US\$/bbl)	9.9	9.7	6.0	6.0
Refining Throughput (mmt)	17.1	16.0	17.0	17.0

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Oct-23	Hold	94	100
2	06-Oct-23	Hold	94	96

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Mangalore Refinery & Petrochemicals	Hold	94	100

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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