

January 23, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL	
Target Price	106		106	
Sales (Rs. bn)	925	927	925	927
% Chng.	-	(0.1)		
EBITDA (Rs. bn)	50	50	50	50
% Chng.	0.1	(0.8)		
EPS (Rs.)	13.6	12.8	13.5	12.9
% Chng.	0.4	(1.1)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	1,089	893	925	927
EBITDA (Rs. bn)	71	65	50	50
Margin (%)	6.6	7.3	5.4	5.3
PAT (Rs. bn)	26	32	24	22
EPS (Rs.)	15.1	18.2	13.6	12.8
Gr. (%)	(11.4)	20.6	(25.3)	(6.0)
DPS (Rs.)	3.0	3.6	2.7	2.6
Yield (%)	1.7	2.1	1.6	1.5
RoE (%)	31.0	28.8	18.1	15.0
RoCE (%)	21.7	19.4	13.0	12.3
EV/Sales (x)	0.4	0.5	0.4	0.4
EV/EBITDA (x)	6.6	6.6	8.2	7.8
PE (x)	11.6	9.6	12.9	13.7
P/BV (x)	3.1	2.5	2.2	1.9

Key Data

MRPL.BO | MRPL IN

52-W High / Low	Rs.186 / Rs.49
Sensex / Nifty	71,424 / 21,572
Market Cap	Rs.307bn/ \$ 3,690m
Shares Outstanding	1,753m
3M Avg. Daily Value	Rs.1127.4m

Shareholding Pattern (%)

Promoter's	88.58
Foreign	2.55
Domestic Institution	1.57
Public & Others	7.30
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	41.4	102.3	201.6
Relative	40.8	88.9	155.9

Payal Shah

payalshah@plindia.com |

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Weak GRMs drag earnings

Quick Pointers:

- Refining throughput at 4.4mmt grew 38% QoQ post resumption of units which were under maintenance shutdown.
- Forex loss declined 76% QoQ to Rs0.25bn, while total special additional excise duty (SAED) levied came in at Rs4.4 bn, down 4.8% QoQ.

Mangalore Refinery & Petrochemicals (MRPL) reported lower than estimated EBITDA at Rs11.8 bn (down 47% QoQ, PLe: Rs13.7 bn). PAT came in at Rs 3.9 bn (down 63% QoQ, PLe: Rs5.7 bn). The company reported lower than expected GRMs at US\$5/bbl. The stock is currently trading at 8.3/7.8x FY25/26E EV/EBITDA. Although Singapore GRM has increased in Q4-TD, concerns persist on the sustainability of strong GRMs in the long term amidst demand concerns. Thus, we factor in a GRM of US\$10/6/6/bbl for FY24/25/26E. Maintain 'Sell' rating with TP of Rs 106 (TP unchanged) based on 5x FY26 EV/EBITDA.

- Operating performance declines QoQ:** EBITDA/PAT at Rs11.8bn/Rs10.6bn were down 47%/63% QoQ. The decline was majorly on account of higher raw material cost of Rs232bn, up 45% QoQ. However, on a YoY basis, EBITDA for Q3FY24 grew significantly by 121%. Similarly, adj PAT improved remarkably against a net loss of Rs 1.9bn in Q3FY23.
- 9MFY24 performance improves substantially:** Operating profit for 9MFY24 was Rs 54.9bn, up 23.6% YoY. Crude oil cost declined 25.6% YoY to Rs576.3bn during the period. Interest declined 10.8% while other income grew 32% YoY. Adj PAT came in at Rs 24.6bn, up significantly by 237.4% YoY.
- Refining throughput increased remarkably:** In Q3FY24, refining throughput came in at 4.4mmt, up 37.7% QoQ. This growth was primarily due to resumption of phase 3 units and HCU1 which were under maintenance shutdown. On a YoY basis, throughput declined marginally by 1%. Going ahead, we build in a throughput of 17mmt for FY25/26E.
- Quarterly GRMs come in below estimates:** The company reported a GRM of US\$5/bbl, down by US\$12.1/bbl QoQ, and below than our estimate of US\$7.6/bbl. Core GRM came in at US\$7.5/bbl with an inventory loss of US\$2.5/bbl. In the ongoing quarter, Singapore GRMs have risen and are currently averaging at US\$6.5/bbl, however given the weak demand concerns, uncertainty persists over the sustainability of strong GRMs in the long term. Owing to this reason, we factor in a GRM of US\$6/bbl for FY25/26E.

Exhibit 1: Quarterly and 9MFY24 Income Statement

Y/e March – (Rs bn)	Q3FY24	Q2FY24	QoQ gr.	Q3FY23	YoY gr.	9MFY24	9MFY23	YoY gr.
Net Sales	246.8	192.3	28.3%	265.6	-7.1%	650.8	834.6	-22.0%
<i>YoY Change (%)</i>	<i>-7.1</i>	<i>-21.9</i>		<i>-99.9</i>				
Total Expenditure	234.9	169.9	38.3%	260.2	-9.7%	595.9	790.2	-24.6%
EBITDA	11.8	22.4	-47.2%	5.4	121.0%	54.9	44.4	23.6%
<i>Margins (%)</i>	<i>4.8</i>	<i>11.7</i>		<i>2.0</i>				
Depreciation	3.3	3.0	12.9%	3.0	12.2%	9.2	8.9	3.8%
Interest	2.7	3.1	-12.1%	3.4	-19.0%	8.5	9.6	-10.8%
Other Income	0.4	0.7	-46.8%	0.6	-30.9%	1.7	1.3	31.9%
Tax	2.0	5.5	-62.6%	-1.0		13.0	5.6	132.1%
<i>Rate (%)</i>	<i>34.5</i>	<i>34.0</i>		<i>34.8</i>		<i>35%</i>	<i>15%</i>	
Reported PAT	3.9	10.6	-63.5%	23.1	-54.1%	24.6	32.3	-23.8%
Adj PAT	3.9	10.6		-1.9	NA	24.6	7.3	237.4%
<i>Margins (%)</i>	<i>1.6</i>	<i>5.5</i>		<i>-0.7</i>				

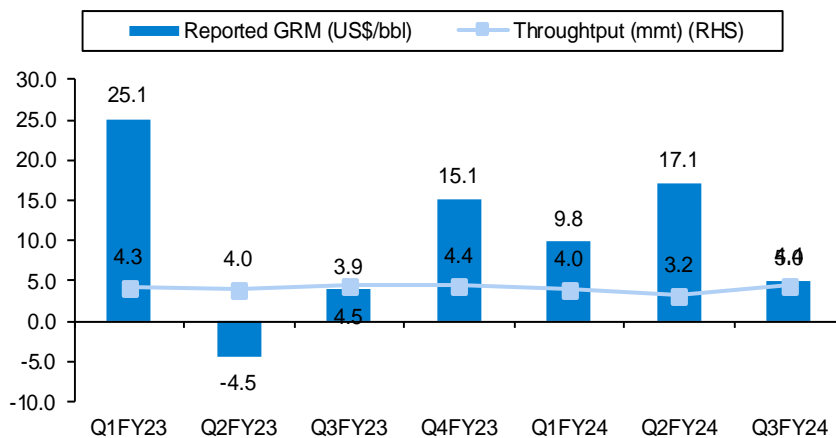
Source: Company, PL

Exhibit 2: Operating Metrics

	Q3FY24	Q2FY24	QoQ gr.	Q3FY23	YoY gr.
Refining throughput (mmt)	4.4	3.2	37.7%	4.5	-1.3%
Reported GRM (USD/bbl)	5.0	17.1	-70.8%	3.9	28.9%

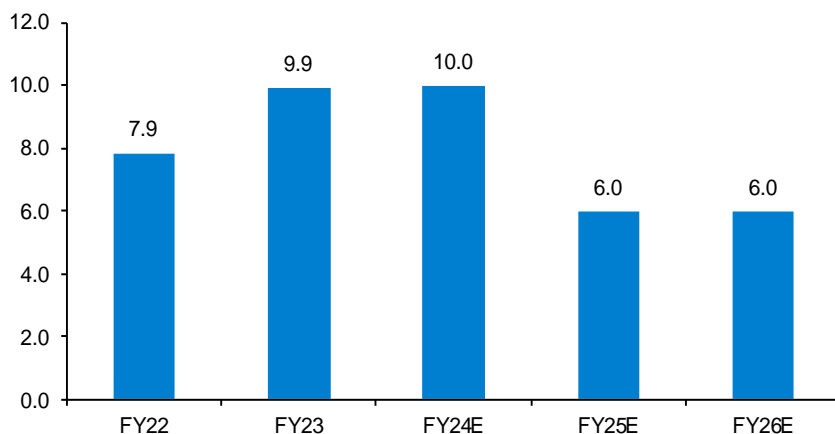
Source: Company, PL

Exhibit 3: Q3 GRMs fell by US\$12.1/bbl



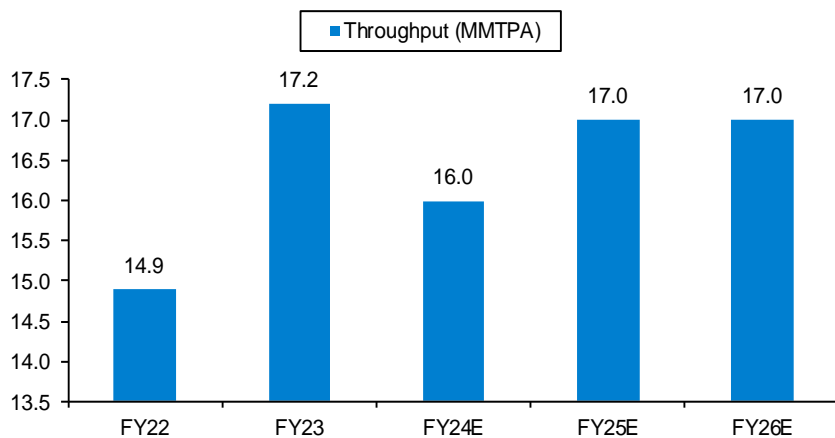
Source: Company, PL

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



Source: PL, Company

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



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,089	893	925	927
YoY gr. (%)	56.1	(18.0)	3.6	0.2
Cost of Goods Sold	987	793	844	845
Gross Profit	102	100	81	81
Margin (%)	9.4	11.2	8.8	8.8
Employee Cost	7	7	8	8
Other Expenses	24	28	24	24
EBITDA	71	65	50	50
YoY gr. (%)	68.7	(8.6)	(23.9)	(0.3)
Margin (%)	6.6	7.3	5.4	5.3
Depreciation and Amortization	12	13	15	16
EBIT	60	52	35	34
Margin (%)	5.5	5.8	3.8	3.6
Net Interest	13	13	14	14
Other Income	(11)	1	3	3
Profit Before Tax	35	40	24	22
Margin (%)	3.3	4.5	2.6	2.4
Total Tax	16	15	8	8
Effective tax rate (%)	45.2	38.6	33.6	36.0
Profit after tax	19	24	16	14
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	26	32	24	22
YoY gr. (%)	(11.4)	20.6	(25.3)	(6.0)
Margin (%)	2.4	3.6	2.6	2.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	26	32	24	22
YoY gr. (%)	(11.4)	20.6	(25.3)	(6.0)
Margin (%)	2.4	3.6	2.6	2.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26	32	24	22
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	15.1	18.2	13.6	12.8

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	51	54	54
Trade receivables	45	37	38	38
Cash & Bank Balance	0	24	28	36
Other Current Assets	-	-	-	-
Total Assets	339	336	341	343
Equity				
Equity Share Capital	18	18	18	18
Other Equity	81	105	123	141
Total Networkth	98	123	141	158
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	61	65	65
Other current liabilities	5	5	5	5
Total Equity & Liabilities	339	336	341	343

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	42	47	32	30
Add. Depreciation	12	13	15	16
Add. Interest	13	13	14	14
Less Financial Other Income	(11)	1	3	3
Add. Other	1	-	-	-
Op. profit before WC changes	68	74	60	60
Net Changes-WC	3	3	(1)	0
Direct tax	(8)	(15)	(8)	(8)
Net cash from Op. activities	64	61	51	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	4	8
Free Cash Flow	57	51	41	42

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	15.1	18.2	13.6	12.8
CEPS	21.8	25.7	21.9	21.9
BVPS	56.1	70.0	80.4	90.2
FCF	32.3	29.1	23.4	24.1
DPS	3.0	3.6	2.7	2.6
Return Ratio(%)				
RoCE	21.7	19.4	13.0	12.3
ROIC	17.6	16.7	11.2	10.9
RoE	31.0	28.8	18.1	15.0
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	11.6	9.6	12.9	13.7
P/B	3.1	2.5	2.2	1.9
P/CEPS	8.0	6.8	8.0	8.0
EV/EBITDA	6.6	6.6	8.2	7.8
EV/Sales	0.4	0.5	0.4	0.4
Dividend Yield (%)	1.7	2.1	1.6	1.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	254	212	192	247
YoY gr. (%)	2.4	(34.4)	(21.9)	(7.1)
Raw Material Expenses	212	184	160	232
Gross Profit	42	28	32	15
Margin (%)	16.4	13.1	16.6	6.0
EBITDA	34	21	22	12
YoY gr. (%)	15.4	(62.1)	(246.4)	121.0
Margin (%)	13.4	9.7	11.7	4.8
Depreciation / Depletion	3	3	3	3
EBIT	31	18	19	9
Margin (%)	12.2	8.3	10.1	3.4
Net Interest	3	3	3	3
Other Income	2	1	-	-
Profit before Tax	30	16	16	6
Margin (%)	11.6	7.4	8.3	2.4
Total Tax	10	5	5	2
Effective tax rate (%)	35.3	35.0	34.0	34.5
Profit after Tax	19	10	11	4
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	19	10	11	4
YoY gr. (%)	(36.6)	(62.6)	(159.2)	(305.9)
Margin (%)	7.5	4.8	5.5	1.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	19	10	11	4
YoY gr. (%)	(36.6)	(62.6)	(159.2)	(305.9)
Margin (%)	7.5	4.8	5.5	1.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19	10	11	4
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	10.9	5.8	6.0	2.2

Source: Company Data, PL Research

Key Operating Metrics

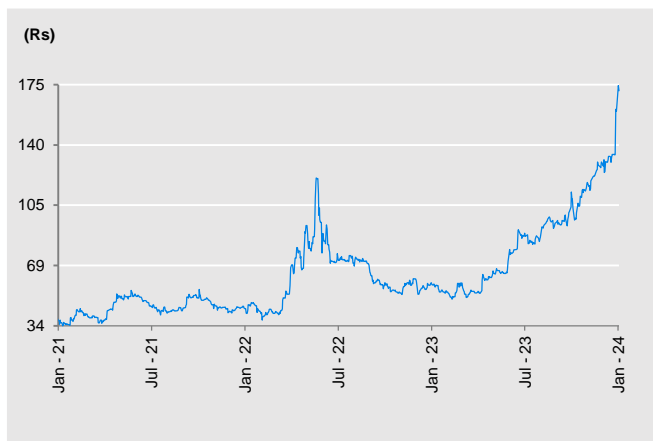
Y/e Mar	FY23	FY24E	FY25E	FY26E
Crude (US\$/bbl)	96.1	83.8	85.0	85.0
US\$/Rs	80.4	83.4	83.8	84.5
GRM (US\$/bbl)	9.9	10.0	6.0	6.0
Refining throughput (mmt)	17	16	17	17

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Sell	106	134
2	02-Nov-23	Hold	106	104
3	12-Oct-23	Hold	94	100
4	06-Oct-23	Hold	94	96

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Mangalore Refinery & Petrochemicals	Hold	106	104

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



ANALYST CERTIFICATION

(Indian Clients)

We/I, Ms. Payal Shah- MMS-Finance, Mr. Swarnendu Bhushan- IIT, MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Ms. Payal Shah- MMS-Finance, Mr. Swarnendu Bhushan- IIT, MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com