

October 19, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	SELL		SELL	
Target Price	124		129	
Sales (Rs. bn)	880	887	880	887
% Chng.	-	-	-	-
EBITDA (Rs. bn)	56	56	56	56
% Chng.	0.1	0.1	0.1	0.1
EPS (Rs.)	13.0	12.9	13.0	13.2
% Chng.	0.3	(1.8)	0.3	(1.8)

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	904	911	880	887
EBITDA (Rs. bn)	77	21	56	56
Margin (%)	8.5	2.3	6.3	6.3
PAT (Rs. bn)	36	0	23	23
EPS (Rs.)	20.5	0.3	13.0	12.9
Gr. (%)	36.3	(98.8)	5,084.2	(0.5)
DPS (Rs.)	3.0	-	2.6	2.6
Yield (%)	1.8	-	1.6	1.6
RoE (%)	31.2	0.3	16.1	14.2
RoCE (%)	24.6	2.8	14.3	14.1
EV/Sales (x)	0.5	0.4	0.4	0.4
EV/EBITDA (x)	5.4	19.1	6.9	6.5
PE (x)	8.1	660.0	12.7	12.8
P/BV (x)	2.2	2.2	1.9	1.7

Key Data

MRPL.BO | MRPL IN

52-W High / Low	Rs.289 / Rs.93
Sensex / Nifty	81,225 / 24,854
Market Cap	Rs.290bn/ \$ 3,451m
Shares Outstanding	1,753m
3M Avg. Daily Value	Rs.651.1m

Shareholding Pattern (%)

Promoter's	88.58
Foreign	1.69
Domestic Institution	1.48
Public & Others	8.25
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(13.1)	(25.8)	54.1
Relative	(11.2)	(33.8)	24.9

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Weak GRM drags earnings

Quick Pointers:

- Core GRM at US\$3.5/bbl with inventory loss of US\$2.9/bbl
- As of H1FY25, net debt stands at Rs131.7bn.

Mangalore Refinery & Petrochemicals (MRPL) reported lower-than-estimated results with an EBITDA loss of Rs4.7bn in Q2FY25 (vs EBITDA of Rs6.1bn in Q1, PLe EBITDA: Rs0.9bn, BBGe EBITDA: Rs3.5bn). Net loss came in at Rs6.8bn (vs PAT of Rs0.7bn in Q1, PLe net loss: Rs3.1bn, BBGe net loss: Rs1.2bn). Reported GRM stood at US\$0.55/bbl with an inventory loss of US\$2.93/bbl. Average Singapore GRM in Q3FY25-TD continues to remain weak at ~US\$3/bbl amid demand concerns. We believe these weak GRMs would persist in the long term too given adequate refining capacity additions in China, India and the Middle East and weak demand prospects. We build in a GRM of US\$4.3/7.5/7.5/bbl for FY25/26/27E. The stock is currently trading at 12.8x/12.8x FY26/27 EPS and 6.9x/6.5x FY26/27E EV/EBITDA. We maintain 'Sell' rating with a TP of Rs124 based on 6x avg FY26-27 EV/EBITDA.

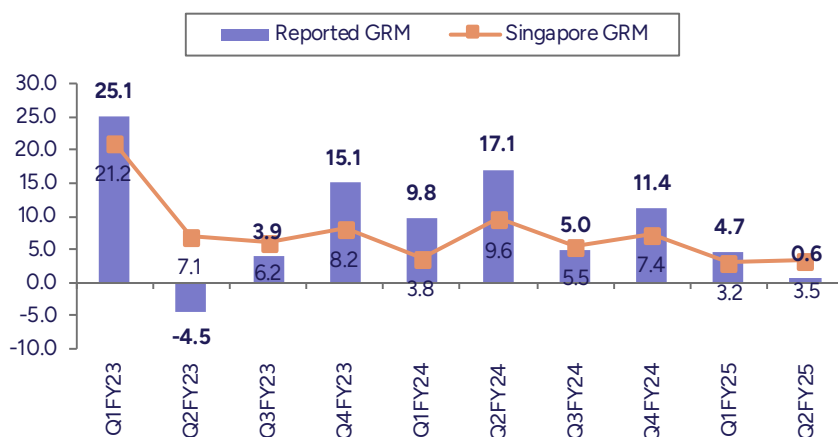
- Operating performance declines sharply:** MRPL reported an EBITDA loss of Rs4.7bn vs EBITDA of Rs6bn in Q1. The sharp fall in performance was on account of weak GRMs. Net loss stood at Rs6.8bn vs PAT of Rs0.7bn in Q1. EBITDA for H1FY25 came in at Rs1.3bn, down 97% YoY. Consequently, net loss for the period stood at Rs6.2bn (vs PAT of Rs20.7bn in H1FY24).
- Quarterly GRMs decline sequentially and annually:** Reported GRM stood at US\$0.55/bbl, down by ~US\$4.2/bbl QoQ (PLe: US\$2/bbl). Core GRM came in at US\$3.48/bbl with an inventory loss of US\$2.93/bbl. On a YoY basis, GRMs fell sharply by US\$16.6/bbl. In Q3FY25-TD, Singapore GRM continues to remain weak, averaging ~US\$3/bbl. In the long term too, GRMs are expected to remain subdued owing to weak demand prospects. Factoring in the expected structural weakness in GRMs, we build in a GRM of US\$4.3/7.5/7.5/bbl for FY25/26/27E.
- Throughput improves sequentially:** In Q2FY25, refining throughput came in at ~4.6mmt, up 5.3% QoQ. Capacity utilization came in at 118%. On a YoY basis, throughput grew 43%. Special additional excise duty not levied on export of petrol, diesel and ATF in Q2. MRPL commissioned Devangonhi marketing terminal in Aug'24. Further, Elathur depot was fully operational, dispensing 15tkl product MoM. Going ahead, we build in a throughput of 17.4/17/17mmt for FY25/26/27E.

Exhibit 1: Q2FY25 Result Overview (Rs bn)

Y/e March	Q2FY25	Q1FY25	QoQ gr.	Q2FY25E	Var%	Q2FY24	YoY gr.	H1FY25	H1FY24	YoY gr.
Net Sales	249.7	232.5	7.4%	204.9	21.8%	192.3	29.8%	482.1	404.0	19.3%
YoY Change (%)	29.8	9.8		6.6		-21.9				
Total Expenditure	254.4	226.4	12.4%	204.0	24.7%	169.9	49.8%	480.8	361.0	33.2%
EBITDA	-4.7	6.1	NA	0.9	NA	22.4	NA	1.3	43.0	-96.9%
Margins (%)	-2%	3%		0%		12%				
Depreciation	3.4	3.4	2.1%	3.4	-0.5%	3.0	15.7%	6.8	5.9	14.8%
Interest	2.8	2.1	32.8%	2.4	20.4%	3.1	-8.5%	5.0	5.8	-13.7%
Other Income	0.6	0.4	33.9%	0.8	-20.3%	0.7	-19.5%	1.0	1.3	-17.1%
PBT	-10.4	1.0	NA	-4.2	150.2%	16.1	NA	-9.4	31.6	-129.7%
Tax	-3.6	0.4	NA	-1.0	242.6%	5.5	NA	-3.2	10.9	-129.6%
Rate (%)	34.5	34.8		25.2		34.8		0.3	0.3	
Reported PAT	-6.8	0.7	NA	-3.1	119.1%	10.6	NA	-6.2	20.7	-129.8%
Adj PAT	-6.8	0.7	NA	-3.1	119.1%	10.6	NA	-6.2	20.7	-129.8%
Refining throughput (mmt)	4.58	4.35	5.3%	4.25	7.8%	3.2	42.7%	8.93	7.57	18.0%
Reported GRM (USD/bbl)	0.6	4.7	-88.3%	2.0	-72.5%	17.1	-96.8%	2.6	13.5	-80.5%

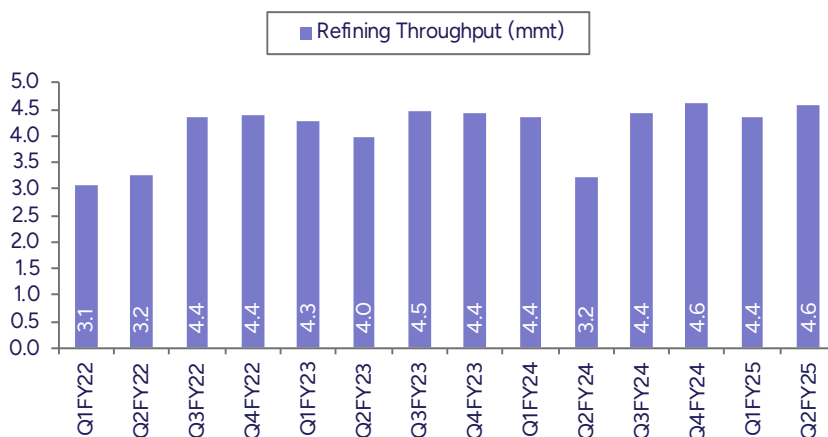
Source: Company, PL

Exhibit 2: GRM comes in weak in Q2



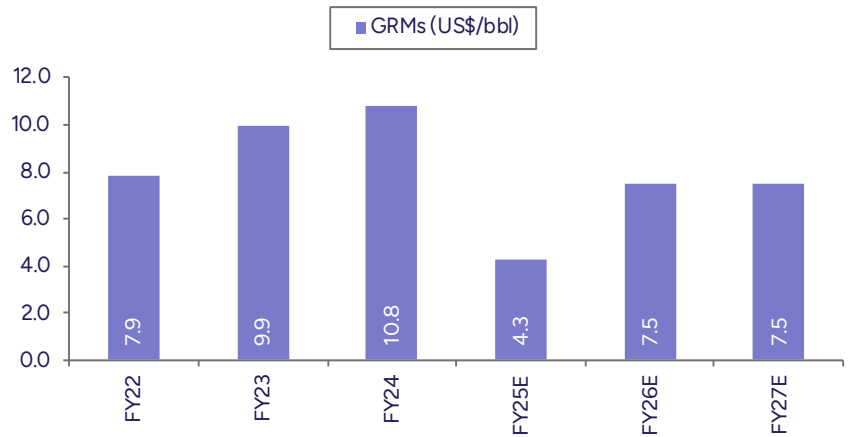
Source: Company, PL

Exhibit 3: Throughput increased 5.3% QoQ



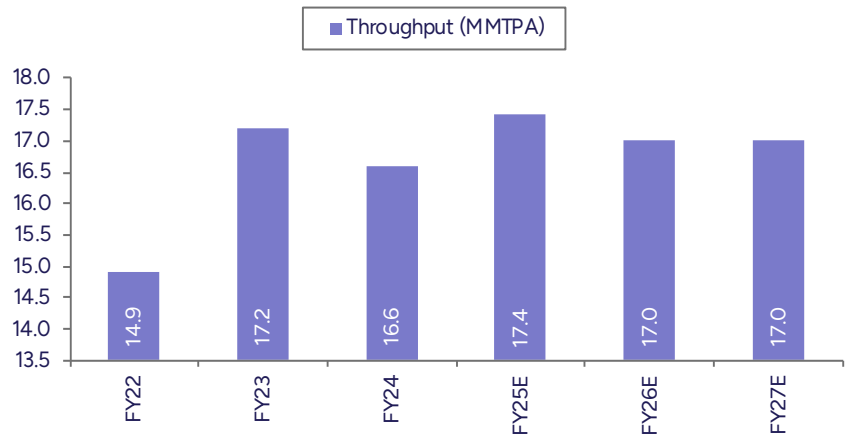
Source: Company, PL

Exhibit 4: FY26/27E GRM expected at US\$7.5/7.5/bbl



Source: PL, Company

Exhibit 5: FY26/27 throughput expected at 17mmt



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	904	911	880	887
YoY gr. (%)	(17.1)	0.8	(3.4)	0.8
Cost of Goods Sold	797	863	800	807
Gross Profit	107	48	79	80
Margin (%)	11.8	5.2	9.0	9.0
Employee Cost	8	7	7	8
Other Expenses	22	26	23	24
EBITDA	77	21	56	56
YoY gr. (%)	18.5	(72.3)	161.7	(0.2)
Margin (%)	8.5	2.3	6.3	6.3
Depreciation and Amortization	13	14	16	16
EBIT	64	8	40	40
Margin (%)	7.1	0.8	4.5	4.5
Net Interest	11	11	12	13
Other Income	2	3	3	4
Profit Before Tax	55	(1)	30	30
Margin (%)	6.1	(0.1)	3.5	3.4
Total Tax	19	(1)	8	8
Effective tax rate (%)	34.9	176.4	25.2	25.2
Profit after tax	36	0	23	23
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	36	0	23	23
YoY gr. (%)	36.3	(98.8)	5,084.2	(0.5)
Margin (%)	4.0	0.0	2.6	2.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	36	0	23	23
YoY gr. (%)	36.3	(98.8)	5,084.2	(0.5)
Margin (%)	4.0	0.0	2.6	2.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	36	0	23	23
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	20.5	0.3	13.0	12.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	342	352	362	372
Tangibles	342	352	362	372
Intangibles	-	-	-	-
Acc: Dep / Amortization	145	159	175	191
Tangibles	145	159	175	191
Intangibles	-	-	-	-
Net fixed assets	197	193	187	181
Tangibles	197	193	187	181
Intangibles	-	-	-	-
Capital Work In Progress	7	15	15	15
Goodwill	-	-	-	-
Non-Current Investments	7	0	0	0
Net Deferred tax assets	3	-	-	-
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	83	55	51	52
Trade receivables	39	37	36	36
Cash & Bank Balance	0	25	35	45
Other Current Assets	-	-	-	-
Total Assets	351	346	344	349
Equity				
Equity Share Capital	18	18	18	18
Other Equity	115	115	133	150
Total Networth	133	133	150	168
Non-Current Liabilities				
Long Term borrowings	125	142	128	115
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	93	67	62	62
Other current liabilities	4	4	4	4
Total Equity & Liabilities	351	346	344	349

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	55	(1)	30	30
Add. Depreciation	13	14	16	16
Add. Interest	11	11	12	13
Less Financial Other Income	2	3	3	4
Add. Other	-	-	-	-
Op. profit before WC changes	79	24	59	60
Net Changes-WC	2	0	1	0
Direct tax	(19)	1	(8)	(8)
Net cash from Op. activities	61	25	52	52
Capital expenditures	(15)	(10)	(10)	(10)
Interest / Dividend Income	-	-	-	-
Others	10	3	-	-
Net Cash from Invst. activities	(6)	(7)	(10)	(10)
Issue of share cap. / premium	-	-	-	-
Debt changes	(43)	17	(14)	(13)
Dividend paid	(5)	-	(5)	(5)
Interest paid	(11)	(11)	(12)	(13)
Others	3	-	-	-
Net cash from Fin. activities	(55)	7	(32)	(31)
Net change in cash	-	24	10	10
Free Cash Flow	46	15	42	42

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	20.5	0.3	13.0	12.9
CEPS	27.7	8.1	22.2	22.1
BVPS	75.6	75.9	85.8	95.7
FCF	26.2	8.4	24.1	23.8
DPS	3.0	-	2.6	2.6
Return Ratio(%)				
RoCE	24.6	2.8	14.3	14.1
ROIC	18.4	2.3	12.8	13.0
RoE	31.2	0.3	16.1	14.2
Balance Sheet				
Net Debt : Equity (x)	0.9	0.9	0.6	0.4
Net Working Capital (Days)	16	12	13	13
Valuation(x)				
PER	8.1	660.0	12.7	12.8
P/B	2.2	2.2	1.9	1.7
P/CEPS	6.0	20.4	7.4	7.5
EV/EBITDA	5.4	19.1	6.9	6.5
EV/Sales	0.5	0.4	0.4	0.4
Dividend Yield (%)	1.8	-	1.6	1.6

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	247	253	232	250
YoY gr. (%)	(7.1)	(0.1)	9.8	29.8
Raw Material Expenses	232	221	219	247
Gross Profit	15	33	14	3
Margin (%)	6.0	12.9	5.9	1.1
EBITDA	12	23	6	(5)
YoY gr. (%)	121.0	(31.1)	(70.6)	(121.1)
Margin (%)	4.8	9.2	2.6	(1.9)
Depreciation / Depletion	3	3	3	3
EBIT	9	20	3	(8)
Margin (%)	3.4	7.9	1.2	(3.3)
Net Interest	3	3	2	3
Other Income	-	-	-	1
Profit before Tax	6	18	1	(10)
Margin (%)	2.4	7.0	0.4	(4.2)
Total Tax	2	6	-	(4)
Effective tax rate (%)	34.5	35.6	34.8	34.5
Profit after Tax	4	11	1	(7)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4	11	1	(7)
YoY gr. (%)	(305.9)	(40.4)	(93.5)	(164.4)
Margin (%)	1.6	4.5	0.3	(2.7)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4	11	1	(7)
YoY gr. (%)	(305.9)	(40.4)	(93.5)	(164.4)
Margin (%)	1.6	4.5	0.3	(2.7)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4	11	1	(7)
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	2.2	6.5	0.4	(3.9)

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Crude (US\$/bbl)	83.3	81.3	80.0	80.0
US\$/Rs	83.3	83.8	84.5	85.2
GRM (US\$/bbl)	10.8	4.3	7.5	7.5
Refining throughput (mmt)	17	17	17	17

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Sell	128	173
2	23-Jul-24	Sell	130	215
3	07-Jul-24	Sell	135	218
4	04-May-24	Sell	138	250
5	09-Apr-24	Sell	142	233
6	22-Feb-24	Sell	140	252
7	23-Jan-24	Sell	106	175
8	08-Jan-24	Sell	106	134
9	02-Nov-23	Hold	106	104

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Mangalore Refinery & Petrochemicals	Sell	130	215

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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