

July 23, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL	
Target Price	130		135	
Sales (Rs. bn)	918	917	918	916
% Chng.	(0.1)	0.1		
EBITDA (Rs. bn)	47	55	50	57
% Chng.	(6.1)	(2.6)		
EPS (Rs.)	10.9	12.8	11.6	13.1
% Chng.	(5.6)	(2.7)		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	1,090	904	918	917
EBITDA (Rs. bn)	65	77	47	55
Margin (%)	6.0	8.5	5.2	6.0
PAT (Rs. bn)	26	36	19	22
EPS (Rs.)	15.1	20.5	10.9	12.8
Gr. (%)	(11.5)	36.3	(46.8)	17.0
DPS (Rs.)	-	3.0	2.2	2.6
Yield (%)	-	1.4	1.0	1.2
RoE (%)	31.0	31.2	13.7	14.4
RoCE (%)	19.4	24.6	12.8	15.0
EV/Sales (x)	0.5	0.6	0.5	0.5
EV/EBITDA (x)	8.4	6.5	10.1	8.2
PE (x)	14.3	10.5	19.7	16.8
P/BV (x)	3.8	2.8	2.6	2.3

Key Data

MRPL.BO | MRPL IN

52-W High / Low	Rs.289 / Rs.80
Sensex / Nifty	80,502 / 24,509
Market Cap	Rs.376bn/ \$ 4,498m
Shares Outstanding	1,753m
3M Avg. Daily Value	Rs.1776.57m

Shareholding Pattern (%)

Promoter's	88.58
Foreign	2.27
Domestic Institution	1.51
Public & Others	7.64
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.0	22.8	147.8
Relative	(3.2)	7.3	105.3

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Weak GRMs drag earnings

Quick Pointers:

- Despite contribution from OMPL and PP-P plant, MRPL's core GRM came in weak at US\$3.8/bbl.
- There was no levy of Special Additional Excise Duty on the export of petrol, diesel and ATF in Q1.

Mangalore Refinery & Petrochemicals (MRPL) reported lower-than-estimated EBITDA at Rs6bn (down 74.1% QoQ, PLe: Rs8.4 bn) in Q1FY25. PAT came in at Rs0.7bn (down 94.2% QoQ, PLe: Rs2bn). Reported GRM stood at US\$4.7/bbl with an inventory gain of US\$0.9/bbl. Average Singapore GRM in Q2FY25-TD is at ~US\$4/bbl, and we believe GRMs are likely to remain weak in the long term given adequate refining capacity additions in China, India and the Middle East amid weak demand prospects. Post factoring in OMPL and PP-P contribution, we build in a GRM of US\$6.8/7.5/bbl for FY25/26E. The stock is currently trading at 19.7x/16.9x FY25/26 EPS and 10.1x/8.3x FY25/26E EV/EBITDA. However, given the weak refining outlook, we maintain our 'Sell' rating with a TP of Rs130 (previous TP Rs135) based on 6x FY26 EV/EBITDA.

- Operating performance declines sharply:** EBITDA/PAT at Rs6bn/Rs0.7bn were down 74%/94% QoQ due to lower refining margins. Interest expense fell 18.1% QoQ to Rs2.1bn, while other income grew 13.9% QoQ to Rs0.4bn. On a YoY basis too, EBITDA/PAT de-grew by 74%/94%.
- Refining throughput decreases sequentially:** In Q1FY25, refining throughput came in at 4.35mmt, down 5.4% QoQ. On a YoY basis, throughput remained flat. MRPL processed the highest ever crude throughput of 1.59mmt in May'24. It processed Kaliningrad crude from Russia for the first time in Apr'24. Varandey crude from Russia and Eocene crude from Saudi-Kuwait were processed for the first time in Jun'24. Going ahead, we build in a throughput of 17mmt for FY25/26E.
- Quarterly GRMs decline sequentially and annually:** MRPL reported a GRM of US\$4.7/bbl, down by US\$6.7/bbl QoQ (PLe: US\$4.5/bbl). Despite contribution from its PP-P plant and OMPL, the company's core GRM came in at US\$3.78/bbl with an inventory gain of US\$0.9/bbl. On a YoY basis, reported GRM fell by US\$5.1/bbl. In Q2FY25-TD, Singapore GRM continues to remain weak, averaging at ~US\$4/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\$6.8/7.5/bbl (inclusive of OMPL and PP-P contribution) for FY25/26E.

Exhibit 1: Quarterly Financials

Y/e March – (Rs bn)	Q1FY25	Q4FY24	QoQ gr.	Q1FY25E	%Var	Q1FY24	YoY gr.
Net Sales	232.5	253.3	-8.2%	234.5	-0.9%	211.7	9.8%
<i>YoY Change (%)</i>	<i>9.8</i>	<i>-0.1</i>		<i>10.8</i>		<i>-34.4</i>	
Total Expenditure	226.4	229.9	-1.5%	226.1	0.1%	191.1	18.5%
EBITDA	6.1	23.4	-74.1%	8.4	-28.3%	20.6	-70.6%
<i>Margins (%)</i>	<i>2.6</i>	<i>9.2</i>		<i>3.6</i>		<i>9.7</i>	
Depreciation	3.4	3.3	0.7%	3.4	-2.6%	2.9	14.0%
Interest	2.1	2.6	-18.1%	2.5	-14.0%	2.7	-19.8%
Other Income	0.4	0.4	13.9%	0.1	346.2%	0.5	-13.6%
PBT	1.0	17.7	-94.3%	2.6	-61.5%	15.6	-93.5%
Tax	0.4	6.3	-94.4%	0.7	-46.7%	5.5	-93.6%
<i>Rate (%)</i>	<i>34.8</i>	<i>35.6</i>		<i>25.2</i>		<i>34.8</i>	
Reported PAT	0.7	11.4	-94.2%	2.0	-66.5%	10.1	-93.5%
Adj PAT	0.7	11.4	-94.3%	2.0	-66.5%	10.1	-93.5%
<i>Margins (%)</i>	<i>0.3</i>	<i>4.5</i>		<i>0.8</i>		<i>4.8</i>	<i>0.3</i>

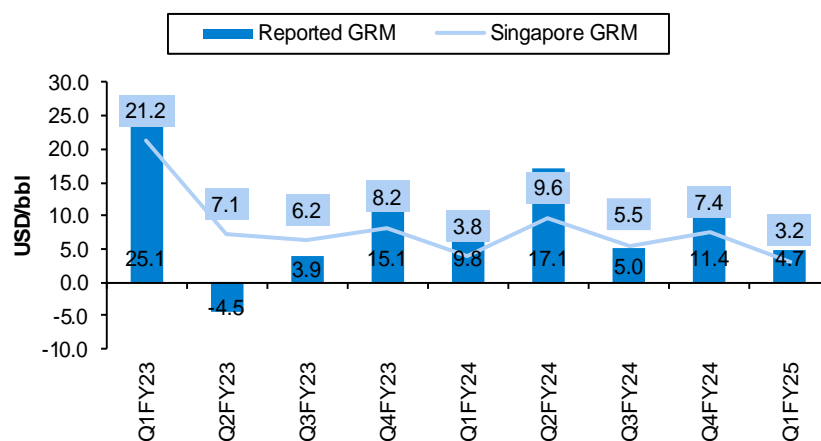
Source: Company, PL

Exhibit 2: Operating Metrics

	Q1FY25	Q4FY24	QoQ gr.	Q1FY25E	Var%	Q1FY24	YoY gr.
Refining throughput (mmt)	4.4	4.6	-5.4%	4.4	-1.6%	4.4	-0.2%
Reported GRM (USD/bbl)	4.7	11.4	-58.6%	4.5	4.4%	9.8	-52.1%

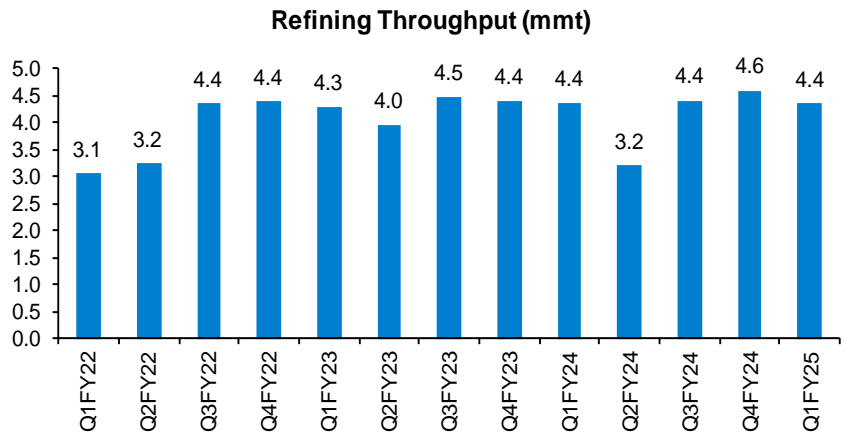
Source: Company, PL

Exhibit 3: Q1 GRMs fall by US\$6.7/bbl



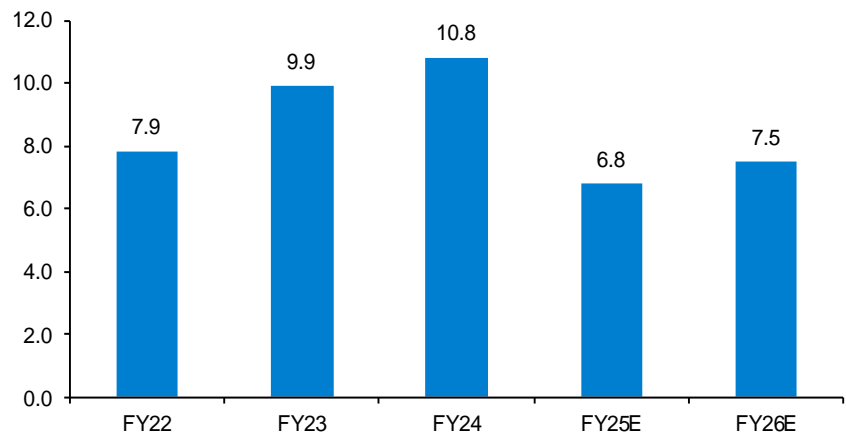
Source: Company, PL

Exhibit 4: Throughput fell 5.4% QoQ



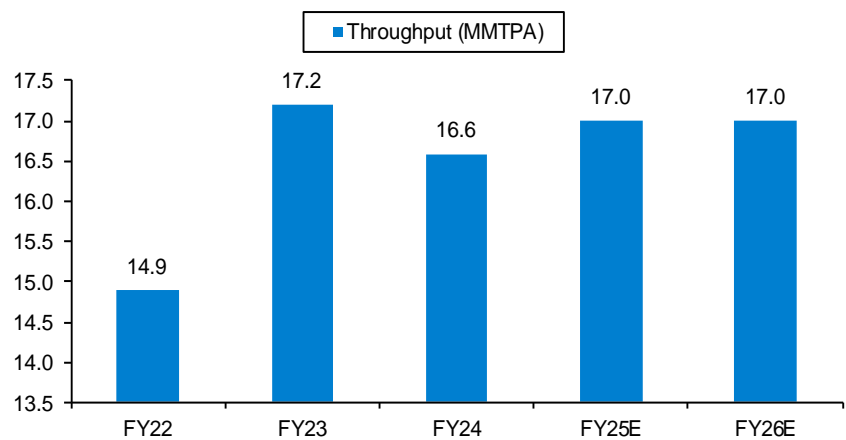
Source: Company, PL

Exhibit 5: FY25-26E GRM expected at US\$6.8/7.5/bbl



Source: PL, Company

Exhibit 6: FY25-26 throughput expected at US\$17mmt



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	1,090	904	918	917
YoY gr. (%)	56.4	(17.1)	1.5	(0.1)
Cost of Goods Sold	987	797	846	839
Gross Profit	104	107	72	78
Margin (%)	9.5	11.8	7.8	8.5
Employee Cost	7	8	7	7
Other Expenses	32	22	24	23
EBITDA	65	77	47	55
YoY gr. (%)	53.4	18.5	(38.4)	16.6
Margin (%)	6.0	8.5	5.2	6.0
Depreciation and Amortization	12	13	14	16
EBIT	53	64	33	39
Margin (%)	4.9	7.1	3.6	4.3
Net Interest	13	11	10	11
Other Income	2	2	3	3
Profit Before Tax	42	55	26	31
Margin (%)	3.9	6.1	2.8	3.4
Total Tax	16	19	7	8
Effective tax rate (%)	37.8	34.9	25.5	27.2
Profit after tax	26	36	19	22
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	26	36	19	22
YoY gr. (%)	(11.5)	36.3	(46.8)	17.0
Margin (%)	2.4	4.0	2.1	2.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	26	36	19	22
YoY gr. (%)	(11.5)	36.3	(46.8)	17.0
Margin (%)	2.4	4.0	2.1	2.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26	36	19	22
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	15.1	20.5	10.9	12.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	329	342	352	362
Tangibles	329	342	352	362
Intangibles	-	-	-	-
Acc: Dep / Amortization	132	145	159	176
Tangibles	132	145	159	176
Intangibles	-	-	-	-
Net fixed assets	197	197	192	186
Tangibles	197	197	192	186
Intangibles	-	-	-	-
Capital Work In Progress	5	7	15	15
Goodwill	-	-	-	-
Non-Current Investments	7	7	0	0
Net Deferred tax assets	12	3	-	-
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	68	83	54	54
Trade receivables	45	39	38	38
Cash & Bank Balance	0	0	7	18
Other Current Assets	-	-	-	-
Total Assets	339	351	327	331
Equity				
Equity Share Capital	18	18	18	18
Other Equity	81	115	130	147
Total Networkth	98	133	147	164
Non-Current Liabilities				
Long Term borrowings	167	125	110	98
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	82	93	65	64
Other current liabilities	5	4	4	4
Total Equity & Liabilities	339	351	327	331

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	42	55	26	31
Add. Depreciation	12	13	14	16
Add. Interest	13	11	10	11
Less Financial Other Income	2	2	3	3
Add. Other	1	-	-	-
Op. profit before WC changes	68	79	50	58
Net Changes-WC	3	2	(1)	0
Direct tax	(8)	(19)	(7)	(8)
Net cash from Op. activities	64	61	43	50
Capital expenditures	(7)	(15)	(10)	(10)
Interest / Dividend Income	0	-	-	-
Others	0	10	3	-
Net Cash from Invt. activities	(7)	(6)	(7)	(10)
Issue of share cap. / premium	-	-	-	-
Debt changes	(45)	(43)	(14)	(13)
Dividend paid	-	(5)	(4)	(5)
Interest paid	(11)	(11)	(10)	(11)
Others	0	3	-	-
Net cash from Fin. activities	(57)	(55)	(29)	(29)
Net change in cash	0	-	7	11
Free Cash Flow	57	46	33	40

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	15.1	20.5	10.9	12.8
CEPS	21.8	27.7	19.2	22.1
BVPS	56.1	75.6	84.0	93.8
FCF	32.3	26.2	18.8	22.8
DPS	-	3.0	2.2	2.6
Return Ratio(%)				
RoCE	19.4	24.6	12.8	15.0
ROIC	15.7	18.4	10.3	12.5
RoE	31.0	31.2	13.7	14.4
Balance Sheet				
Net Debt : Equity (x)	1.7	0.9	0.7	0.5
Net Working Capital (Days)	13	16	12	13
Valuation(x)				
PER	14.3	10.5	19.7	16.8
P/B	3.8	2.8	2.6	2.3
P/CEPS	9.8	7.8	11.2	9.7
EV/EBITDA	8.4	6.5	10.1	8.2
EV/Sales	0.5	0.6	0.5	0.5
Dividend Yield (%)	-	1.4	1.0	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	192	247	253	232
YoY gr. (%)	(21.9)	(7.1)	(0.1)	9.8
Raw Material Expenses	160	232	221	219
Gross Profit	32	15	33	14
Margin (%)	16.6	6.0	12.9	5.9
EBITDA	22	12	23	6
YoY gr. (%)	(246.4)	121.0	(31.1)	(70.6)
Margin (%)	11.7	4.8	9.2	2.6
Depreciation / Depletion	3	3	3	3
EBIT	19	9	20	3
Margin (%)	10.1	3.4	7.9	1.2
Net Interest	3	3	3	2
Other Income	-	-	-	-
Profit before Tax	16	6	18	1
Margin (%)	8.3	2.4	7.0	0.4
Total Tax	5	2	6	-
Effective tax rate (%)	34.0	34.5	35.6	34.8
Profit after Tax	11	4	11	1
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	11	4	11	1
YoY gr. (%)	(159.2)	(305.9)	(40.4)	(93.5)
Margin (%)	5.5	1.6	4.5	0.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11	4	11	1
YoY gr. (%)	(159.2)	(305.9)	(40.4)	(93.5)
Margin (%)	5.5	1.6	4.5	0.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11	4	11	1
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	6.0	2.2	6.5	0.4

Source: Company Data, PL Research

Key Operating Metrics

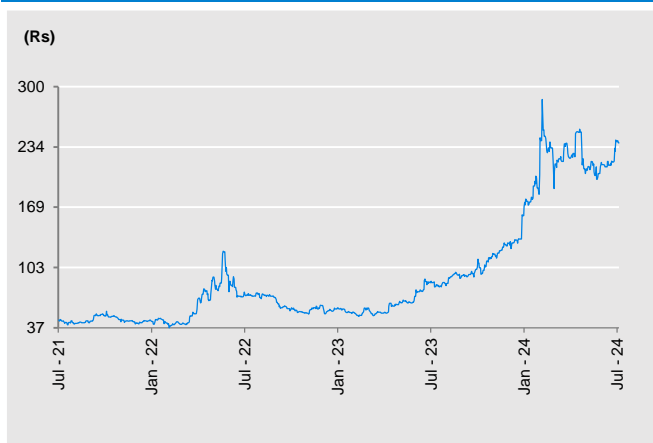
Y/e Mar	FY23	FY24	FY25E	FY26E
Crude (US\$/bbl)	96.1	83.3	85.0	85.0
US\$/Rs	80.4	83.3	83.7	84.3
GRM (US\$/bbl)	9.9	10.8	6.8	7.5
Refining throughput (mmt)	17	17	17	17

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Sell	135	218
2	04-May-24	Sell	138	250
3	09-Apr-24	Sell	142	233
4	22-Feb-24	Sell	140	252
5	23-Jan-24	Sell	106	175
6	08-Jan-24	Sell	106	134
7	02-Nov-23	Hold	106	104
8	12-Oct-23	Hold	94	100
9	06-Oct-23	Hold	94	96

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Mangalore Refinery & Petrochemicals	Sell	138	250

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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