

May 4, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL	
Target Price	138		142	
Sales (Rs. bn)	933	922	931	929
% Chng.	0.2	(0.7)		
EBITDA (Rs. bn)	57	57	55	51
% Chng.	3.4	11.6		
EPS (Rs.)	13.1	12.7	15.6	13.1
% Chng.	(16.1)	(3.3)		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	1,090	904	933	922
EBITDA (Rs. bn)	65	77	57	57
Margin (%)	6.0	8.5	6.1	6.2
PAT (Rs. bn)	26	36	23	22
EPS (Rs.)	15.1	20.5	13.1	12.7
Gr. (%)	(11.5)	36.3	(36.2)	(2.8)
DPS (Rs.)	-	3.0	2.6	2.5
Yield (%)	-	1.2	1.0	1.0
RoE (%)	31.0	31.2	16.2	14.1
RoCE (%)	19.4	24.6	16.2	15.6
EV/Sales (x)	0.6	0.6	0.6	0.6
EV/EBITDA (x)	9.3	7.3	9.4	9.0
PE (x)	16.6	12.2	19.1	19.7
P/BV (x)	4.5	3.3	2.9	2.6

Key Data

MRPL.BO | MRPL IN

52-W High / Low	Rs.289 / Rs.60
Sensex / Nifty	73,878 / 22,476
Market Cap	Rs.439bn/ \$ 5,261m
Shares Outstanding	1,753m
3M Avg. Daily Value	Rs.2361.96m

Shareholding Pattern (%)

Promoter's	88.58
Foreign	2.68
Domestic Institution	1.50
Public & Others	7.24
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.4	127.9	307.6
Relative	5.4	98.5	237.6

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Strong GRMs drive earnings

Quick Pointers:

- Core GRM came in at US\$10.4/bbl with an inventory gain of US\$1/bbl.
- Net debt has reduced to Rs124bn in FY24 (from Rs166.7bn in FY23)

Mangalore Refinery & Petrochemicals (MRPL) reported higher than estimated EBITDA at Rs23.4 bn (up 98% QoQ, PLe: Rs16.3 bn). PAT came in at Rs11.4 bn (up 194% QoQ, PLe: Rs5.7 bn). The beat on estimates was led by strong GRMs at US\$11.4/bbl. The company declared a final dividend of Rs2/share. The stock is currently trading at 9x FY26E EV/EBITDA. Average Singapore GRM in Q1FY25-TD is at ~US\$4/bbl and we believe GRMs in the long term are likely to remain weak given adequate refining capacity additions in China and India amid weak demand prospects. Thus, we factor in a GRM of US\$6/bbl for FY25/26E. Maintain 'Sell' rating with TP of Rs 138 based on 6x FY26 EV/EBITDA.

- Operating performance improves remarkably QoQ:** EBITDA/PAT at Rs23.4bn/Rs11.4bn were up 98%/194% QoQ. The growth was led by higher than anticipated refining margins. The company reported an extraordinary income of Rs0.08bn in Q4. However, on a YoY basis, EBITDA/PAT for Q4FY24 declined by 31%/40%.
- Refining throughput increases sequentially:** In Q4FY24, refining throughput came in at 4.6mmt, up 4% QoQ and. On a YoY basis too, throughput rose by 4%. MRPL processed crude oil from KG-D6 (Kakinada) and KG-D98 (East Godavari) for the first time during the quarter. Throughput for FY24 came in at 16.6mmt, down 3% YoY due to the scheduled maintenance shutdown undertaken during the year. Going ahead, we build in a throughput of 17mmt for FY25/26E.
- Quarterly GRMs beat estimates:** MRPL reported a GRM of US\$11.4/bbl, down by US\$6.4/bbl QoQ, and above our estimate of US\$8.2/bbl. Core GRM came in at US\$10.4/bbl with an inventory gain of US\$1/bbl. In Q1FY25-TD, Singapore GRMs have softened and are 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/bbl for FY25/26E.
- FY24 performance improves substantially:** Operating profit for FY24 was Rs77bn, up 18.5% YoY. Crude oil cost declined 19.3% YoY to Rs827bn during the period. Interest declined 13.3% to Rs11.1bn. PAT came in at Rs36bn, up 36.3% YoY. Net debt has fallen substantially from Rs166.7bn in FY23 to Rs124.1bn in FY24. Capex incurred during the year stands at Rs15.4bn.



Exhibit 1: Quarterly and FY24 Financials

Y/e March – (Rs bn)	Q4FY24	Q3FY24	QoQ gr.	Q4FY24E	%Var	Q4FY23	YoY gr.	FY24	FY23	YoY gr.
Net Sales	253.3	246.7	2.7%	237.7	6.6%	253.7	-0.1%	904.0	1,088.2	-16.9%
YoY Change (%)	-0.1	-7.1		-6.4		-99.9				
Total Expenditure	229.9	234.8	-2.1%	221.4	3.8%	219.7	4.6%	827.1	1,025.3	-19.3%
EBITDA	23.4	11.8	97.5%	16.3	43.3%	33.9	-31.1%	77.0	65.0	18.5%
Margins (%)	9.2	4.8		6.9		13.4				
Depreciation	3.3	3.3	-0.4%	4.0	-16.5%	3.0	12.4%	12.6	11.9	3.8%
Interest	2.6	2.7	-4.3%	4.9	-46.2%	3.3	-20.7%	11.1	12.9	-10.8%
Other Income	0.4	0.4	-0.8%	0.1	262.9%	0.9	-54.4%	2.1	2.1	31.9%
PBT	17.7	5.9	198.7%	7.6	132.9%	29.5	-80.0%	55.2	42.4	
Tax	6.3	2.0	208.2%	1.9	229.6%	10.4	-80.4%	19.3	16.0	132.1%
Rate (%)	35.6	34.5		25.2		34.8		35%	38%	
Reported PAT	11.4	3.9	193.7%	5.7	100.4%	19.1	-40.4%	36.0	26.4	36.3%
Adj PAT	11.4	3.9	195.1%	5.7	101.3%	19.1	-40.1%	36.0	26.4	36.6%
Margins (%)	4.5	1.6		2.4		7.5		4.0	2.4	

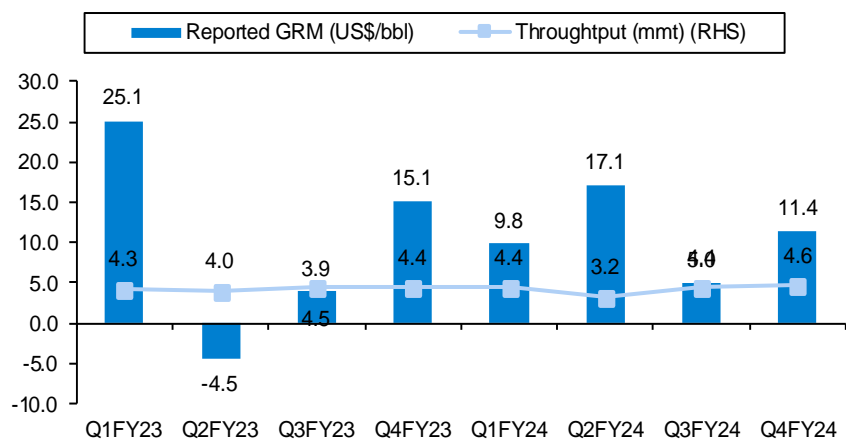
Source: Company, PL

Exhibit 2: Operating Metrics

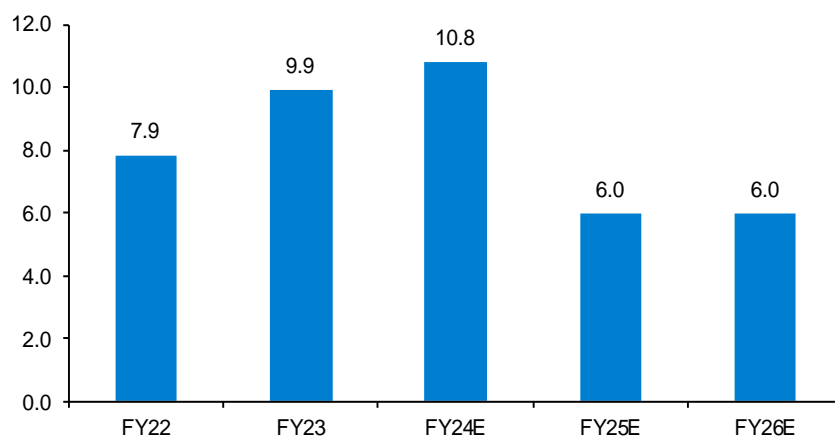
	Q4FY24	Q3FY24	QoQ gr.	Q4FY24E	Var%	Q4FY23	YoY gr.	FY24	FY23	YoY gr.
Refining throughput (mmt)	4.6	4.4	4.1%	4.4	5.3%	4.4	4.3%	16.6	17.1	-3.2%
Reported GRM (USD/bbl)	11.4	5.0	127.0%	8.2	38.4%	15.1	-24.9%	10.4	9.9	4.9%

Source: Company, PL

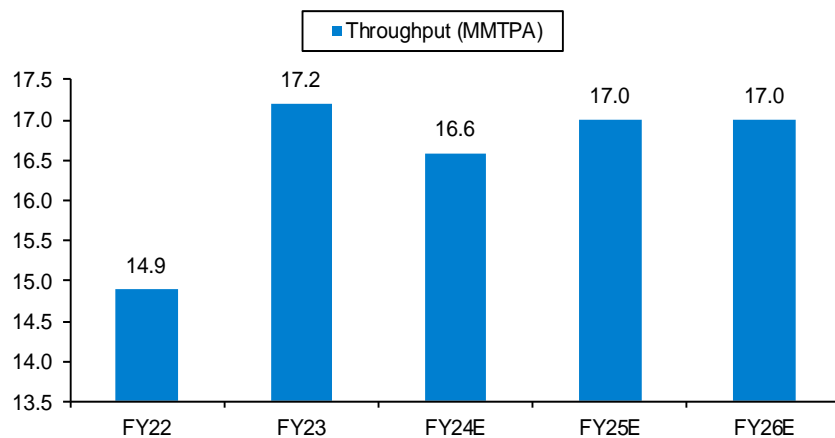
Exhibit 3: Q4 GRMs rise by US\$6.4/bbl



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	FY24	FY25E	FY26E
Net Revenues	1,090	904	933	922
YoY gr. (%)	56.4	(17.1)	3.2	(1.1)
Cost of Goods Sold	987	797	852	841
Gross Profit	104	107	81	81
Margin (%)	9.5	11.8	8.7	8.8
Employee Cost	7	8	8	8
Other Expenses	32	22	24	24
EBITDA	65	77	57	57
YoY gr. (%)	53.4	18.5	(25.8)	0.0
Margin (%)	6.0	8.5	6.1	6.2
Depreciation and Amortization	12	13	15	16
EBIT	53	64	42	41
Margin (%)	4.9	7.1	4.5	4.4
Net Interest	13	11	12	12
Other Income	2	2	1	1
Profit Before Tax	42	55	31	30
Margin (%)	3.9	6.1	3.3	3.3
Total Tax	16	19	8	8
Effective tax rate (%)	37.8	34.9	25.2	25.8
Profit after tax	26	36	23	22
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	26	36	23	22
YoY gr. (%)	(11.5)	36.3	(36.2)	(2.8)
Margin (%)	2.4	4.0	2.5	2.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	26	36	23	22
YoY gr. (%)	(11.5)	36.3	(36.2)	(2.8)
Margin (%)	2.4	4.0	2.5	2.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26	36	23	22
Equity Shares O/s (m)	2	2	2	2
EPS (Rs)	15.1	20.5	13.1	12.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	329	342	349	359
Tangibles	329	342	349	359
Intangibles	-	-	-	-
Acc: Dep / Amortization	132	145	160	176
Tangibles	132	145	160	176
Intangibles	-	-	-	-
Net fixed assets	197	197	189	183
Tangibles	197	197	189	183
Intangibles	-	-	-	-
Capital Work In Progress	5	7	17	17
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	10	21
Other Current Assets	-	-	-	-
Total Assets	339	351	330	334
Equity				
Equity Share Capital	18	18	18	18
Other Equity	81	115	133	150
Total Network	98	133	150	167
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	66	65
Other current liabilities	5	4	4	4
Total Equity & Liabilities	339	351	330	334

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	42	55	31	30
Add. Depreciation	12	13	15	16
Add. Interest	13	11	12	12
Less Financial Other Income	2	2	1	1
Add. Other	1	-	-	-
Op. profit before WC changes	68	79	58	58
Net Changes-WC	3	2	(2)	0
Direct tax	(8)	(19)	(8)	(8)
Net cash from Op. activities	64	61	48	51
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)	(5)	(5)
Interest paid	(11)	(11)	(12)	(12)
Others	0	3	-	-
Net cash from Fin. activities	(57)	(55)	(31)	(30)
Net change in cash	0	-	10	11
Free Cash Flow	57	46	38	41

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	15.1	20.5	13.1	12.7
CEPS	21.8	27.7	21.8	21.9
BVPS	56.1	75.6	85.6	95.4
FCF	32.3	26.2	21.8	23.1
DPS	-	3.0	2.6	2.5
Return Ratio(%)				
RoCE	19.4	24.6	16.2	15.6
ROIC	15.7	18.4	13.1	13.1
RoE	31.0	31.2	16.2	14.1
Balance Sheet				
Net Debt : Equity (x)	1.7	0.9	0.7	0.5
Net Working Capital (Days)	13	16	13	13
Valuation(x)				
PER	16.6	12.2	19.1	19.7
P/B	4.5	3.3	2.9	2.6
P/CEPS	11.5	9.0	11.5	11.5
EV/EBITDA	9.3	7.3	9.4	9.0
EV/Sales	0.6	0.6	0.6	0.6
Dividend Yield (%)	-	1.2	1.0	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	212	192	247	253
YoY gr. (%)	(34.4)	(21.9)	(7.1)	(0.1)
Raw Material Expenses	184	160	232	221
Gross Profit	28	32	15	33
Margin (%)	13.1	16.6	6.0	12.9
EBITDA	21	22	12	23
YoY gr. (%)	(62.1)	(246.4)	121.0	(31.1)
Margin (%)	9.7	11.7	4.8	9.2
Depreciation / Depletion	3	3	3	3
EBIT	18	19	9	20
Margin (%)	8.3	10.1	3.4	7.9
Net Interest	3	3	3	3
Other Income	1	-	-	-
Profit before Tax	16	16	6	18
Margin (%)	7.4	8.3	2.4	7.0
Total Tax	5	5	2	6
Effective tax rate (%)	35.0	34.0	34.5	35.6
Profit after Tax	10	11	4	11
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	10	11	4	11
YoY gr. (%)	(62.6)	(159.2)	(305.9)	(40.4)
Margin (%)	4.8	5.5	1.6	4.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10	11	4	11
YoY gr. (%)	(62.6)	(159.2)	(305.9)	(40.4)
Margin (%)	4.8	5.5	1.6	4.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10	11	4	11
Avg. Shares O/s (m)	2	2	2	2
EPS (Rs)	5.8	6.0	2.2	6.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Crude (US\$/bbl)	96.1	83.3	86.3	85.0
US\$/Rs	80.4	83.3	83.4	84.1
GRM (US\$/bbl)	9.9	10.8	6.0	6.0
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	09-Apr-24	Sell	142	233
2	22-Feb-24	Sell	140	252
3	23-Jan-24	Sell	106	175
4	08-Jan-24	Sell	106	134
5	02-Nov-23	Hold	106	104
6	12-Oct-23	Hold	94	100
7	06-Oct-23	Hold	94	96

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Mangalore Refinery & Petrochemicals	Sell	106	175

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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