

Estimate change	↔↔
TP change	↔↔
Rating change	↔↔

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Bloomberg	MRPL IN
Equity Shares (m)	1,753
M.Cap.(INRb)/(USDb)	80.1 / 1.1
52-Week Range (INR)	57 / 25
1, 6, 12 Rel. Per (%)	-12/13/-19
12M Avg Val (INR M)	148

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	321.8	504.2	560.2
EBITDA	6.3	18.5	35.5
Adj. PAT	(2.4)	1.3	13.2
Adj. EPS (INR)	(1.4)	0.8	7.5
EPS Gr. (%)	NM	NM	NM
BV/Sh.(INR)	43.0	43.6	49.6

Ratios

Net D:E	2.0	1.5	1.2
RoE (%)	(3.1)	1.7	16.2
RoCE (%)	(0.3)	3.4	8.7
Payout (%)	-	20.0	20.0

Valuation

P/E (x)	(33.5)	61.2	6.1
P/BV (x)	1.1	1.1	0.9
EV/EBITDA (x)	36.9	10.6	5.3
Div. Yield (%)	-	0.3	3.3
FCF Yield (%)	(36.4)	51.8	24.1

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	88.6	88.6	88.6
DII	2.7	2.7	4.0
FII	0.7	0.7	0.6
Others	8.1	8.0	6.8

FII Includes depository receipts

CMP: INR46
TP: INR42 (-9%)
Sell

Abysmal margins and operational performance continue

- MRPL reported lower-than-estimated EBITDA. Refining throughput was down 24% QoQ (~82% utilization rate) on account of slower demand (impacted by the second COVID wave).
- As per our discussion with the management, the utilization rate at the refinery and polypropylene unit continues to hover at 82–85% currently. Continued concerns over utilization rates would keep margins under pressure (due to higher opex), impacting profitability.
- In its board meeting today, the company announced the following resolutions:
 - Raising funds of up to INR50b through the issue of Non-Convertible Debentures
 - Increasing the borrowing limit from INR250b to INR335b
- This comes after an increase in consol. debt by ~35% YoY to INR227.5b (standalone debt up by 49% YoY to INR153.6b) in FY21 amid the acquisition of a 100% stake in OMPL. We expect net debt on a standalone basis to decline to INR97b by FY24 (from INR153b in FY21) on WC improvement.
- SG GRM is averaging higher MoM at USD2.9/bbl in July (v/s USD2/bbl in 1QFY22) – the highest ever since the COVID outbreak in Feb'20. The recovery is entirely driven by higher demand for gasoline (margins at USD10.1; +USD3 MoM); ATF and gasoil margins remain the same MoM at USD4.3/4.7.
- With the complete phasing out of the COVID lockdowns and closure of refinery complexes (estimated ~3mbpd over the next 2–3 years), the refining margin would return to its long-term average (of USD5–6/bbl).
- We forecast GRM of USD5.5/bbl for MRPL in FY23E and FY24E. Although, the continued miss in value additions from the Phase-III expansion over the past few years leads us to believe the company may not deliver a sustained good performance going forward. We maintain **Sell** on the stock.

Core GRM at –USD0.2/bbl; reported GRM at USD4.5/bbl

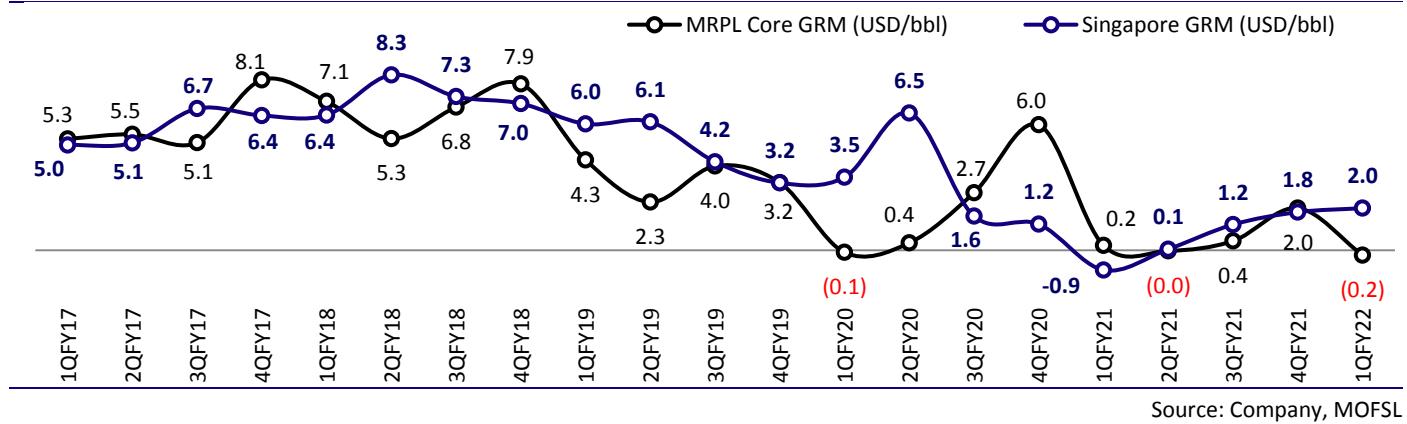
- Refining throughput was in-line at 3.06mmt (+65% YoY; -24% QoQ).
- Reported GRM stood at USD4.5/bbl (v/s our est. of USD4/bbl).
- Inventory gains stood at USD4.7/bbl, resulting in core GRM of –USD0.23/bbl.
- EBITDA stood at INR3.7b (v/s -15% on our estimates and INR8.5b in 4QFY21). PAT came in at –INR0.9b (v/s INR3.3b in 4QFY21).

Valuation and view – reiterate Sell

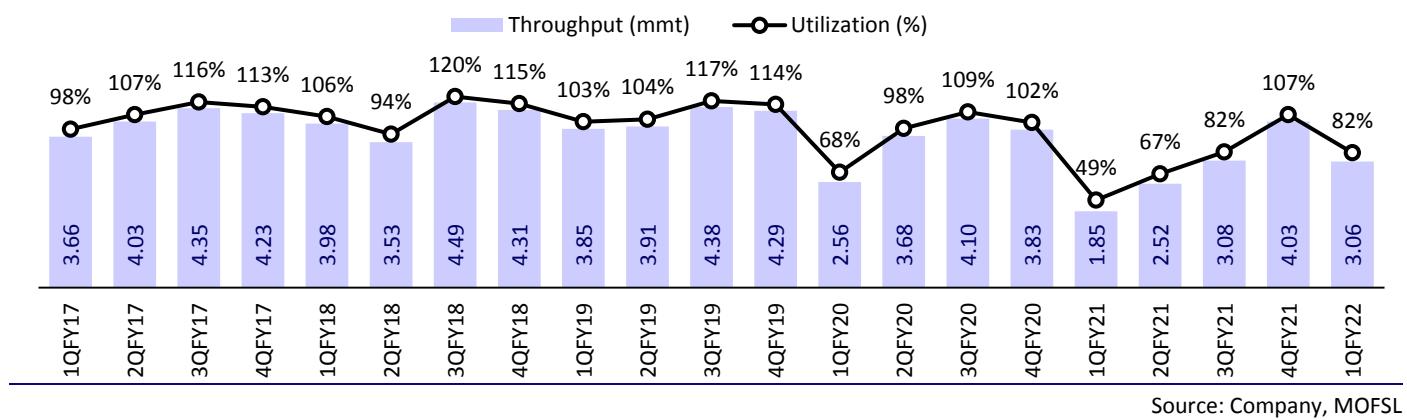
- The commissioning of the desalination plant may help the company weather the summer from CY22. The refinery is likely to consume ~1mmscmd of gas from the Kochi-Mangalore pipeline as the gas turbine modification is now complete. The use of gas would also aid profitability in the current subdued refining margin environment.
- The stock trades at 6.1x FY23 EPS of INR7.5 and 5.3x FY23 EV/EBITDA. Valuing the standalone entity at 6x Sep'23E EBITDA of INR35b, we arrive at a valuation of INR55/share. Deducting value of INR13/share for OMPL, we arrive at a total valuation of INR42/share for MRPL. Reiterate **Sell**.
- Key risk to our call: An increase of USD1/bbl in GRM may add INR8.9b to its EBITDA and INR30/share to its valuation.

Y/E March	Standalone - Quarterly Earnings Model								(INR m)			
	FY21				FY22E				FY21	FY22	FY22	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	Var. vs est		
Net Sales	44,726	61,823	79,515	1,35,759	1,12,981	1,23,561	1,33,826	1,33,814	3,21,824	5,04,181	1,13,269	0%
YoY Change (%)	-51.8	-53.2	-44.7	-3.9	152.6	99.9	68.3	-1.4	-36.9	56.7	153.2	
EBITDA	-4,777	1,636	945	8,532	3,660	3,095	5,685	6,044	6,336	18,484	4,317	-15%
Margins (%)	-10.7	2.6	1.2	6.3	3.2	2.5	4.2	4.5	2.0	3.7	3.8	
Depreciation	2,001	2,098	2,251	2,180	2,131	2,201	2,201	2,271	8,530	8,804	2,201	-3%
Forex loss	100	-730	-522	73	1,085	0	0	0	-1,079	1,085	939	
Interest	1,416	-27	694	1,367	1,983	2,006	2,006	2,030	3,521	8,025	1,777	12%
Other Income	254	288	366	276	210	342	342	474	1,185	1,369	305	-31%
PBT before EO expense	-8,039	582	-1,113	5,189	-1,329	-770	1,820	2,218	-3,451	1,939	-294	-351%
PBT	-8,039	582	-1,113	5,189	-1,329	-770	1,820	2,218	-3,451	1,939	-294	-351%
Rate (%)	34.8	38.4	32.1	36.7	35.1	33.3	33.3	33.3	30.3	32.1	33.3	
Reported PAT	-5,244	358	-756	3,283	-863	-514	1,214	1,479	-2,405	1,317	-196	-339%
YoY Change (%)	4.9	-106.2	106.3	-120.6	-83.5	-243.3	-260.6	-54.9	-91.2	-154.8	-96.2	
Margins (%)	-11.7	0.6	-1.0	2.4	-0.8	-0.4	0.9	1.1	-0.7	0.3	-0.2	
Key Assumptions												
Refining throughput (mmt)	1.9	2.5	3.1	4.0	3.1	3.5	4.0	3.9	11.5	14.5	3.0	2%
Reported GRM (USD/bbl)	-1.5	3.9	3.3	6.5	4.5	3.0	4.0	4.5	3.0	4.0	4.0	

E: MOFSL Estimates

Exhibit 1: MRPL's core GRM at -USD0.2/bbl, with reported GRM at USD4.5/bbl

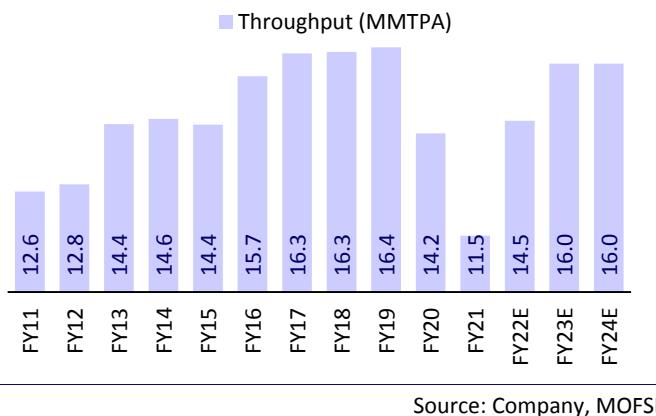
Source: Company, MOFSL

Exhibit 2: MRPL's throughput at 3.06mmt for 1QFY22, implying 82% capacity utilization

Source: Company, MOFSL

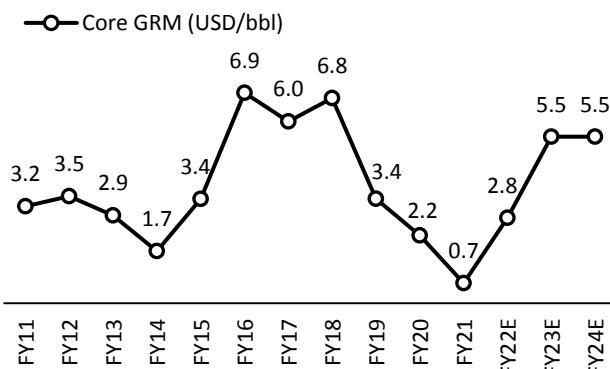
Story in charts

Exhibit 3: Throughput at 16mmt/16mmt in FY23E/FY24E...



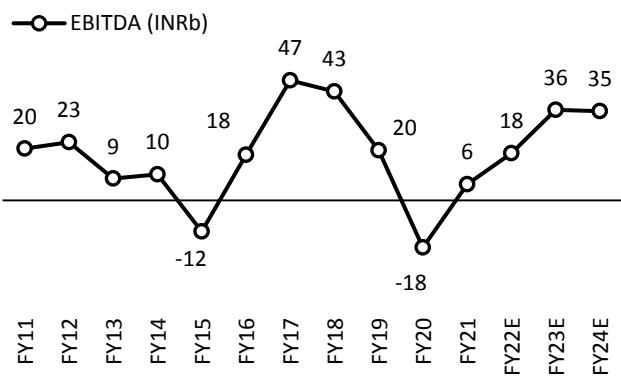
Source: Company, MOFSL

Exhibit 4: ...and core GRM at ~5.5/bbl for both years



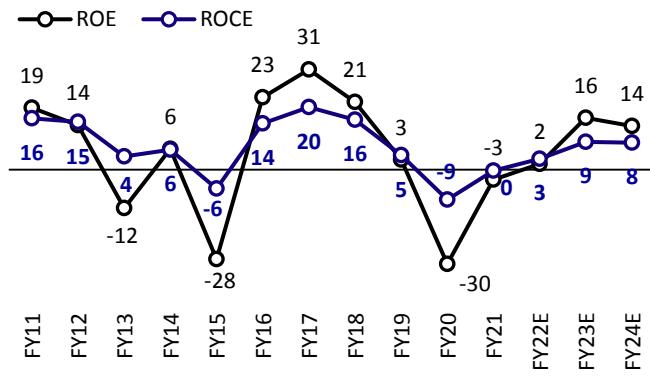
Source: Company, MOFSL

Exhibit 5: EBITDA to improve by INR35–36b over FY23–24E



Source: Company, MOFSL

Exhibit 6: RoE/RoCE to recover from low levels... (%)



Source: Company, MOFSL

Financials and Valuations

Standalone - Income Statement									(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	
Total Income from Operations	432.1	484.5	620.6	510.0	321.8	504.2	560.2	560.2	
Change (%)	1%	1%	3%	-2%	-4%	6%	1%	0%	
EBITDA	47.1	42.7	19.6	-18.5	6.3	18.5	35.5	35.0	
Depreciation	6.8	6.7	7.6	7.8	8.5	8.8	9.2	9.5	
EBIT	40.3	36.0	12.0	-26.3	-2.2	9.7	26.3	25.5	
Forex loss	0.0	-0.1	2.9	6.9	-1.1	1.1	0.0	0.0	
Int. and Finance Charges	5.2	4.4	4.7	7.4	3.5	8.0	7.9	7.7	
Other Income	4.2	2.0	1.6	1.1	1.2	1.4	1.4	1.0	
PBT bef. EO Exp.	39.3	33.7	6.0	-39.6	-3.5	1.9	19.8	18.8	
EO Items	16.0	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	
PBT after EO Exp.	55.3	33.5	5.8	-39.6	-3.5	1.9	19.8	18.8	
Total Tax	18.9	11.3	2.5	-12.2	-1.0	0.6	6.6	6.3	
Tax Rate (%)	1.0	34.1	33.7	42.8	30.8	30.3	32.1	33.3	
Reported PAT	36.4	22.2	3.3	-27.4	-2.4	1.3	13.2	12.6	
Adjusted PAT	25.9	22.4	3.4	-27.4	-2.4	1.3	13.2	12.6	
Standalone - Balance Sheet									(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	
Equity Share Capital	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	
Total Reserves	83.2	92.8	89.7	60.1	57.8	58.8	69.4	79.4	
Net Worth	100.7	110.3	107.3	77.7	75.3	76.3	86.9	97.0	
Total Loans	66.3	45.8	80.8	103.9	153.6	138.2	124.4	112.0	
Deferred Tax Liabilities	0.0	9.1	10.2	-3.2	-4.2	0.0	0.0	0.0	
Capital Employed	167.0	165.2	198.2	178.4	224.7	214.6	211.3	208.9	
Gross Block	217.5	223.0	230.1	235.8	239.2	249.2	259.2	269.2	
Less: Accum. Deprn.	75.9	82.6	90.2	98.0	106.5	115.3	124.5	134.0	
Net Fixed Assets	141.6	140.4	140.0	137.8	132.6	133.8	134.7	135.2	
Capital WIP	2.2	6.7	9.8	17.3	23.6	28.0	28.0	28.0	
Total Investments	13.5	13.5	15.0	21.8	33.9	33.9	33.9	33.9	
Curr. Assets, Loans & Adv.	106.7	101.6	107.1	73.4	108.7	95.6	97.1	94.3	
Inventory	40.4	47.3	58.1	38.9	66.1	37.0	40.0	40.1	
Account Receivables	26.2	26.6	23.2	10.4	24.2	10.3	11.4	11.4	
Cash and Bank Balance	21.3	8.3	4.9	0.3	0.5	22.8	17.9	15.1	
Loans and Advances	18.8	19.3	20.9	23.8	17.9	25.4	27.7	27.7	
Curr. Liability & Prov.	97.0	97.0	73.7	76.4	78.6	76.8	82.5	82.5	
Account Payables	93.6	92.5	68.4	73.7	71.9	70.2	75.8	75.9	
Provisions	3.4	4.5	5.3	2.8	6.7	6.7	6.7	6.7	
Net Current Assets	9.7	4.6	33.4	-3.1	30.1	18.8	14.7	11.8	
Appl. of Funds	167.0	165.2	198.2	178.4	224.7	214.6	211.3	208.9	

E: MOFSL Estimates

Financials and Valuations

Ratios								
Y/E March (INR)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
EPS	14.8	12.8	1.9	-15.6	-1.4	0.8	7.5	7.2
Cash EPS	18.7	16.6	6.3	-11.2	3.5	5.8	12.8	12.6
BV/Share	57.5	63.0	61.2	44.3	43.0	43.6	49.6	55.3
DPS	6.0	12.7	1.9	0.0	0.0	0.2	1.5	1.4
Payout (%)	34.7	117.2	116.7	0.0	0.0	20.0	20.0	20.0
Valuation (x)								
P/E	3.1	3.6	23.7	-2.9	-33.5	61.2	6.1	6.4
Cash P/E	2.5	2.8	7.3	-4.1	13.2	8.0	3.6	3.7
P/BV	0.8	0.7	0.8	1.0	1.1	1.1	0.9	0.8
EV/Sales	0.3	0.2	0.3	0.4	0.7	0.4	0.3	0.3
EV/EBITDA	2.7	2.8	8.0	-10.0	36.9	10.6	5.3	5.1
Dividend Yield (%)	13.0	27.6	4.1	0.0	0.0	0.3	3.3	3.1
FCF per share	-9.8	14.0	-1.9	-6.7	-16.7	23.8	11.1	11.3
Return Ratios (%)								
RoE	31.4	21.2	3.1	-29.6	-3.1	1.7	16.2	13.7
RoCE	29.7	23.5	7.9	-13.7	-0.5	5.0	13.0	12.6
RoIC	73.3	27.0	7.9	-17.1	-1.4	6.5	20.2	19.4
Working Capital Ratios								
Fixed Asset Turnover (x)	2.0	2.2	2.7	2.2	1.3	1.3	1.3	1.3
Asset Turnover (x)	2.6	2.9	3.1	2.9	1.4	1.4	1.4	1.4
Inventory (Days)	34	36	34	28	75	28	28	28
Debtor (Days)	22	20	14	7	27	7	7	7
Creditor (Days)	79	70	40	53	82	53	53	53
Leverage Ratio (x)								
Current Ratio	1.1	1.0	1.5	1.0	1.4	1.2	1.2	1.1
Interest Cover Ratio	7.8	8.2	2.6	-3.5	-0.6	1.2	3.3	3.3
Net Debt/Equity	0.4	0.3	0.7	1.3	2.0	1.5	1.2	1.0

Standalone - Cash Flow Statement (INR b)								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	55.3	33.5	5.8	-39.6	-3.5	1.9	19.8	18.8
Depreciation	6.8	6.7	7.6	7.8	8.5	8.8	9.2	9.5
Interest & Finance Charges	5.2	4.4	4.7	7.4	3.5	8.0	7.9	7.7
Direct Taxes Paid	-11.2	-7.2	-0.5	-0.9	0.1	-0.6	-6.6	-6.3
(Inc)/Dec in WC	-59.2	-1.9	-11.3	22.1	-26.7	33.6	-0.8	0.0
CF from Operations	-8.5	35.1	5.7	1.8	-20.2	51.8	29.5	29.8
(Inc)/Dec in FA	-8.6	-10.5	-9.1	-13.5	-9.1	-10.0	-10.0	-10.0
Free Cash Flow	-17.1	24.5	-3.4	-11.7	-29.3	41.8	19.5	19.8
Others	5.3	0.9	-0.4	-2.1	-11.9	4.2	0.0	0.0
CF from Investments	-3.4	-9.7	-9.5	-15.6	-21.0	-5.8	-10.0	-10.0
Inc/(Dec) in Debt	5.6	-6.3	10.8	23.2	45.0	-15.4	-13.8	-12.4
Interest Paid	-5.0	-4.4	-5.0	-7.1	-3.3	-8.0	-7.9	-7.7
Dividend Paid	0.0	-12.7	-6.3	-2.1	0.0	-0.3	-2.6	-2.5
Others	-104.6	-15.1	0.9	-4.8	-0.3	0.0	0.0	0.0
CF from Fin. Activity	-103.9	-38.4	0.4	9.2	41.4	-23.6	-24.3	-22.6
Inc/Dec of Cash	-115.8	-13.0	-3.5	-4.6	0.2	22.3	-4.9	-2.8
Opening Balance	137.1	21.3	8.3	4.9	0.3	0.5	22.8	17.9
Closing Balance	21.3	8.3	4.9	0.3	0.5	22.8	17.9	15.1

E: MOFSL Estimates

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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