

Operating performance remains weak...

MRPL reported a weak set of Q2FY21 numbers. Operating revenue increased 51.1% QoQ to ₹ 9686.3 crore while oil throughput also increased 36.2% QoQ to 2.5 MMT due to improvement in demand for petroleum products QoQ. Reported GRMs were lifted by inventory gains and came in at US\$3.9/bbl. Subsequently, EBITDA was at ₹ 236.6 crore vs. EBITDA loss of ₹ 487.7 crore in Q1FY21. Reported net was at ₹ 35.8 crore vs. ₹ 519.9 crore loss in Q4FY20.

Core GRMs nil; inventory gains lift margins

MRPL's reported GRMs for the quarter came in at US\$3.9/bbl. MRPL's core GRMs were nil while inventory gain was at US\$3.9/bbl. Although on technical parameter basis, MRPL has an edge over other refineries with its refining complexity number at 10, the company has been unable to improve its performance on a sustainable basis due to some glitches or the other in operations. In Q2FY21, Global product spreads were at low levels and affected refining margins. In the current quarter (Q3FY21E-TD), benchmark Singapore GRMs remain low. Going ahead, we believe MRPL's core operational performance will remain subdued affecting the financials in coming quarters. We estimate core GRMs at US\$2.8/bbl and US\$3.9/bbl for FY21E and FY22E, respectively.

Crude throughput to pick up with increasing demand

MRPL's crude throughput for the quarter was at 2.5 MMT, up 36.2% QoQ due to increasing demand post relaxations in lockdown. In the current quarter, fuel demand has increased and risen above pre-Covid level. Accordingly, we estimate higher throughput for H2FY21E compared to H1FY21 and steady throughput from FY22E onwards. We expect throughput at 11.2 MMT and 16 MMT for FY21E and FY22E, respectively.

Valuation & Outlook

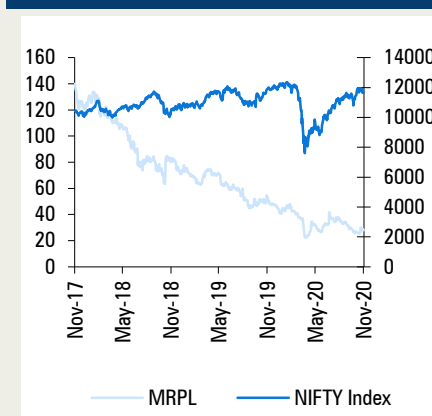
MRPL's capacity utilisation improved QoQ with increasing demand but it remains lower YoY. On the business front, MRPL plans to augment its capacity from 15 MMTPA to 18 MMTPA over the next few years. However, the last expansion project to increase complexity as well as capacity did not achieve desired results. Global product spreads have not recovered yet and will continue to affect refining margins. MRPL has further acquired balance stake of 49% for ₹ 1217 crore in its subsidiary OMPL. MRPL's previous investment in OMPL have not paid off and OMPL remains a loss making entity. OMPL reported net loss of ₹ 1400 crore in FY20 and continues to be a drag at the consolidated level. We maintain SELL on the stock and value MRPL standalone refinery at ₹ 18/share (0.75x FY22E BV) and OMPL investment at ₹ 4/share (0.25x FY22E BV) to arrive at a target price of ₹ 22.



Particulars

Particulars	Amount
Market Capitalization (₹ Crore)	4,907.5
Total Debt (FY 20) (₹ Crore)	10,387.6
Cash and Investments (FY 20)	28.0
EV (₹ Crore)	15,267.0
52 week H/L	54/21
Equity capital (₹ Crore)	1,752.7
Face value (₹)	10.0

Price Chart



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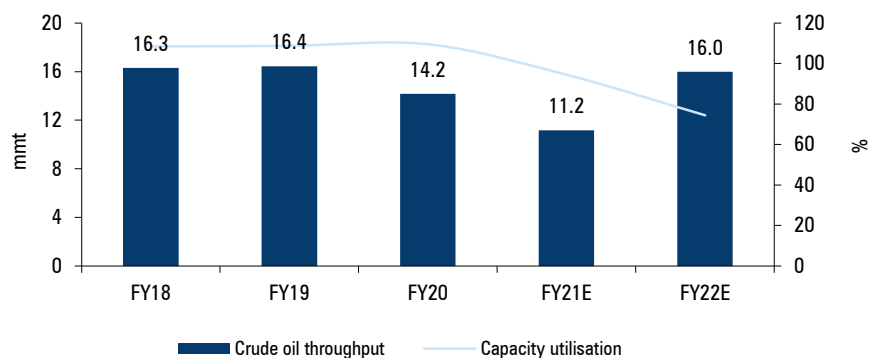
Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	63,083.6	72,315.1	60,751.5	37,646.6	55,655.1	(12.3)
EBITDA (₹ crore)	4,283.8	1,668.8	(2,534.7)	224.0	1,640.7	(0.8)
Net Profit (₹ crore)	2,223.9	331.9	(2,707.6)	(680.3)	20.2	(75.4)
EPS (₹)	12.7	1.9	(15.4)	(3.9)	0.1	
P/E (x)	2.2	14.8	(1.8)	(7.2)	243.5	
Price / Book (x)	0.4	0.5	0.6	0.7	0.7	
EV/EBITDA (x)	2.0	7.5	(6.0)	81.8	10.4	
RoCE (%)	23.2	4.9	(18.2)	(2.8)	3.9	
RoE (%)	20.2	3.1	(34.7)	(9.6)	0.3	

Source: Company, ICICI Direct Research

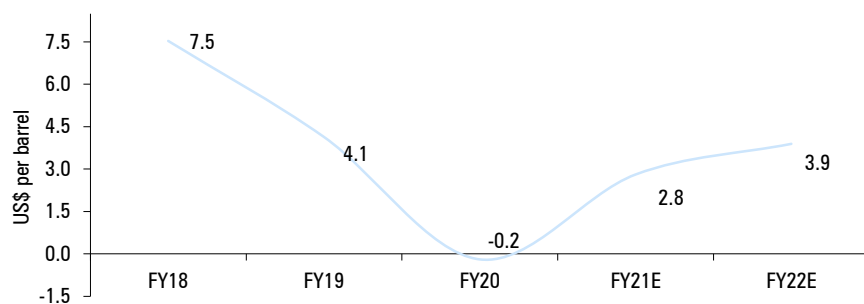
Story in charts

Exhibit 1: Volume trajectory



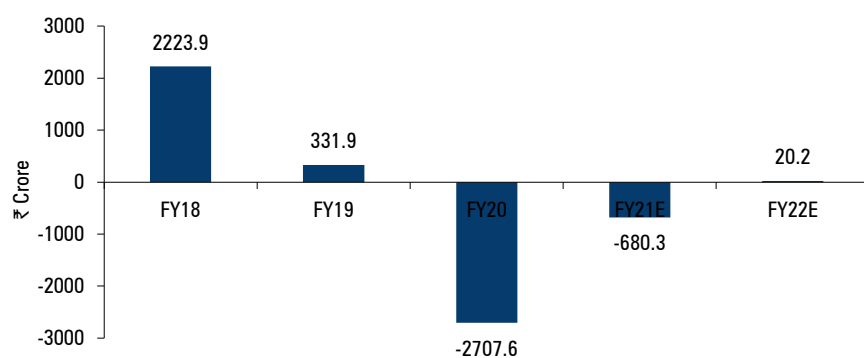
Source: Company, ICICI Direct Research

Exhibit 2: Refining margin trend



Source: Company, ICICI Direct Research

Exhibit 3: Net profit trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Revenue	72315.1	60751.5	37646.6	55655.1
Growth (%)	14.6	-16.0	-38.0	47.8
(Inc)/(Dec) in stock in trad	-561.6	1347.4	-363.6	0.0
Raw material Costs	59039.8	49976.4	25578.6	42048.0
Employee Costs	428.7	440.1	480.3	540.0
Ex. Duty & Sales Tax	10253.0	9749.6	10439.9	10200.0
Other Expenditure	1486.5	1772.7	1287.4	1226.4
Op. Expenditure	70646.3	63286.2	37422.7	54014.4
EBITDA	1668.8	-2534.7	224.0	1640.7
Growth (%)	-61.0	-251.9	-108.8	632.6
Depreciation	756.8	783.2	802.9	841.1
EBIT	912.0	-3317.9	-578.9	799.6
Interest	471.8	742.6	552.3	940.6
Other Income	140.5	105.0	130.1	168.0
PBT	580.8	-3955.4	-1001.0	26.9
Growth (%)	-82.7	-781.1	-74.7	-102.7
Tax	248.8	-1247.8	-320.8	6.8
Reported PAT	331.9	-2707.6	-680.3	20.2
Growth (%)	-85.1	-915.7	-74.9	-103.0
EPS	1.9	-15.4	-3.9	0.1

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Source of Funds				
Equity Capital	1,752.7	1,752.7	1,752.7	1,752.7
Preference capital	0.0	0.0	0.0	0.0
Reserves & Surplus	8,974.4	6,046.9	5,366.6	5,386.8
Shareholder's Fund	10,727.0	7,799.5	7,119.3	7,139.4
Loan Funds	8,077.7	10,387.6	13,637.6	13,237.6
Deferred Tax Liability	1,015.5	0.0	150.0	300.0
Minority Interest	0.0	0.0	0.0	0.0
Source of Funds	19820.2	18187.1	20906.9	20677.0
Application of Funds				
Gross Block	16,761.1	17,749.2	18,249.2	20,249.2
Less: Acc. Depreciation	2,764.9	3,509.9	4,275.9	5,097.0
Net Block	13,996.2	14,239.3	13,973.4	15,152.2
Capital WIP	982.5	1,730.2	3,230.2	1,730.2
Total Fixed Assets	14,978.7	15,969.5	17,203.6	16,882.4
Investments	1,502.6	1,757.7	2,974.7	2,974.7
Inventories	5,811.0	3,890.0	3,094.2	4,574.4
Debtor	2,322.3	1,042.3	1,237.7	1,829.8
Cash	487.5	28.0	213.6	1,093.0
Loan & Advance, Other C	2089.1	2721.6	2771.6	2821.6
Total Current assets	10710.0	7681.9	7317.2	10318.7
Current Liabilities	6844.7	6945.8	6188.5	9148.8
Provisions	526.3	276.1	400.0	350.0
Total CL and Provisions	7371.0	7221.8	6588.5	9498.8
Net Working Capital	3338.9	460.0	728.7	819.9
Miscellaneous expense	0.0	0.0	0.0	0.0
Application of Funds	19820.2	18187.1	20906.9	20677.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Profit after Tax	331.9	-2,707.6	-680.3	20.2
Add: Depreciation	756.8	783.2	802.9	841.1
Add: Others	109.4	-1,015.5	150.0	150.0
Cash Profit	994.4	-2,940.0	272.6	1,011.3
Increase/(Decrease) in CL	-2,327.3	-149.2	-633.4	2,910.3
(Increase)/Decrease in CA	-896.5	2,568.6	550.3	-2,122.2
CF from Operating Activities	-2025.7	-520.6	189.5	1799.4
Purchase of Fixed Assets	1,029.3	1,774.0	2,036.9	520.0
(Inc)/Dec in Investments	-152.8	-255.0	-1,217.0	0.0
Others	0.0	1.0	1.0	1.0
CF from Investing Activities	-1,182.2	-2,029.0	-3,253.9	-520.0
Inc/(Dec) in Loan Funds	3,500.4	2,309.9	3,250.0	-400.0
Less: Dividend Paid	203.7	0.0	0.0	0.0
Inc/(Dec) in Sh. Cap. & Res.	-434.3	-219.9	0.0	0.0
Others	0.0	0.0	0.0	0.0
CF from financing activities	2,862.4	2,090.1	3,250.0	-400.0
Change in cash Eq.	-345.5	-459.5	185.6	879.4
Op. Cash and cash Eq.	833.0	487.5	28.0	213.6
Cl. Cash and cash Eq.	487.5	28.0	213.6	1,093.0

Source: Company, ICICI Direct Research; *calculated

Exhibit 7: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Per share data (₹)				
Book Value	61.2	44.5	40.6	40.7
Cash per share	2.8	0.2	1.2	6.2
EPS	1.9	-15.4	-3.9	0.1
Cash EPS	6.2	-11.0	0.7	4.9
DPS	1.0	0.0	0.0	0.0
Profitability & Operating Ratios				
EBITDA Margin (%)	2.3	-4.2	0.6	2.9
PAT Margin (%)	0.5	-4.5	-1.8	0.0
Fixed Asset Turnover (x)	4.8	3.8	2.2	3.3
Inventory Turnover (Days)	30.9	23.2	30.0	30.0
Debtor (Days)	11.7	6.3	12.0	12.0
Current Liabilities (Days)	42.3	50.7	60.0	60.0
Return Ratios (%)				
RoE	3.1	-34.7	-9.6	0.3
RoCE	4.9	-18.2	-2.8	3.9
RoIC	5.0	-18.3	-2.8	4.1
Valuation Ratios (x)				
PE	14.8	-1.8	-7.2	243.5
Price to Book Value	0.5	0.6	0.7	0.7
EV/EBITDA	7.5	-6.0	81.8	10.4
EV/Sales	0.2	0.3	0.5	0.3
Leverage & Solvency Ratios				
Debt to equity (x)	0.8	1.3	1.9	1.9
Interest Coverage (x)	1.9	-4.5	-1.0	0.9
Debt to EBITDA (x)	4.8	-4.1	60.9	8.1
Current Ratio	1.5	1.1	1.1	1.1
Quick ratio	0.7	0.5	0.6	0.6

Source: Company, ICICI Direct Research

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