

April 13, 2023

## Mangalore Refinery and Petrochemicals Limited: Change in limits for bank line

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures	2,560.00	2,560.00	[ICRA]AAA (Stable); outstanding
Commercial Paper	4,000.00	4,000.00	[ICRA]A1+; outstanding
Term Loan	4,627.13	5,250.01	[ICRA]AAA(Stable); outstanding
Fund Based Limits	4,005.75	6,156.75	[ICRA]AAA(Stable); outstanding
Non-Fund Based Limits	6,917.80	7,793.24	[ICRA]A1+; outstanding
Long Term Unallocated Limits	415.85	0.00	-
Short Term Unallocated Limits	3,233.47	0.00	-
Issuer Rating	-	-	[ICRA]AAA(Stable); outstanding
<b>Total</b>	<b>25,760.00</b>	<b>25,760.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings favourably factor in the majority ownership of Oil and Natural Gas Corporation (ONGC; [ICRA]AAA(Stable)/[ICRA]A1+) and ONGC's continued support to MRPL, which is expected to be sustained given its strategic importance to ONGC's forward integration plans.

ICRA notes the moderation in the in GRMs in Q2 FY2023 and Q3 FY2023 due to the imposition of SAED and RIC<sup>1</sup> on the export of MS, HSD and ATF<sup>2</sup> by the Government of India (GoI) from July 2022 onwards. The GRM dropped from \$24.45/bbl in Q1 FY2023 to \$4.46/bbl in Q2 FY2023 and \$3.88/bbl in Q3 FY2024. The moderation in the GRMs in Q2 and Q3 FY2023 has offset the significant gains made in Q1 FY2023. While ICRA notes that the profitability of the aromatic complex (earlier under OMPL) has been subdued, the amalgamation is expected to provide some synergy benefits. The debt of the consolidated entity stood at ~Rs.18,212 crore at the end of H1 FY2023 and had witnessed some moderation from ~Rs. 21,085 crore as on March 31, 2022

The rating continues to factor in the advantageous location of the refinery on the west coast, close to the Mangalore port, providing logistical benefits for crude sourcing and exports. The ratings are constrained by the asset concentration risk of being a single-location refinery and the sensitivity of the profits to the import duty differential, commodity price cycles and INR-USD exchange rates.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that MRPL will continue to benefit from its established position in the domestic energy sector.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their descriptions, the liquidity position and rating sensitivities: [click here](#)

<sup>1</sup> Special additional excise duty and road and infrastructure cess

<sup>2</sup> Motor spirit, high-speed diesel, and aviation turbine fuel

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Downstream Oil Companies</a>
Parent/Group Support	Parent - Oil and Natural Gas Corporation Limited ICRA expects MRPL's parent, ONGC [rated [ICRA]AAA(Stable)/[ICRA]A1+], to be willing to extend financial support to MRPL, should there be a need, given the high strategic importance that MRPL holds for ONGC to meet its diversification objectives
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Mangalore Refinery and Petrochemicals Limited. As on March 31, 2022, the entities consolidated are listed in Annexure-2

## About the company

Mangalore Refinery & Petrochemicals Limited (MRPL) was set up as a joint venture between the AV Birla Group and Hindustan Petroleum Corporation Limited (HPCL). MRPL operates a refinery at Mangalore, with a nameplate capacity of 15 million metric tonnes per annum (MMTPA). The refinery project was initially implemented in two phases during a period of administered pricing, where the regulatory framework provided assured returns on the capital employed. However, since the deregulation of the refining sector in 1998, the company had been exposed to low and volatile international refining margins, which affected its operating profitability quite significantly. This, together with high debt service commitments, resulted in MRPL posting large losses in the past.

Oil and Natural Gas Corporation Limited (ONGC) acquired a 51% stake in MRPL in March 2003, and later increased its stake to 72%. With a change in management, fund infusion by ONGC and the upturn in the refining margin cycle, the company made a financial turnaround in the subsequent period. The refining capacity was enhanced to 15 MMTPA from 11.82 MMTPA in March 2012 with the commissioning of Phase-III. It also commissioned a 440-KTPA polypropylene unit. In July 2015, MRPL's board approved the merger of its subsidiary, viz. ONGC Mangalore Petrochemicals Limited (OMPL). In January 2021, MRPL acquired ONGC's stake in OMPL, increasing its stake in OMPL to 99.99% from 51%. The Ministry of Corporate Affairs, vide its final order dated April 14, 2022, approved the amalgamation of ONGC Mangalore Petrochemicals Limited with Mangalore Refinery and Petrochemicals Limited with April 01, 2021 as the appointed date and the effective date for the scheme of amalgamation as May 01, 2022.

## Key financial indicators (audited)

MRPL Consolidated	FY2021	FY2022
Operating income (Rs. crore)	31,959	69,727
PAT (Rs. crore)	-765	2,951
OPBDIT/OI (%)	1.8%	7.5%
PAT/OI (%)	-2.4%	4.2%
Total outside liabilities/Tangible net worth (times)	6.9	4.3
Total debt/OPBDIT (times)	40.4	4.1
Interest coverage (times)	1.1	4.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for past 3 years									
	Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating on April 13, 2023	Date & rating on		Date & rating on		Date & rating in FY2021					
					Oct 14, 2022	Sep 27, 2022	Mar 7, 2022	Jun 02, 2021	Mar 19, 2021	Oct 28, 2020	Jul 24, 2020	May 18, 2020	May 05, 2020	
1 <b>NCDs</b>	Long Term	2,560.00	2,560.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
2 <b>Fund-Based Limits</b>	Long Term	6,156.75	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
3 <b>Term Loan</b>	Long Term	5,250.01	5,250.01	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
5 <b>Non-Fund Based Limits</b>	Short term	7,793.24	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6 <b>Commercial Paper</b>	Short term	4,000.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
7 <b>Issuer Rating</b>	Long Term	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
8 <b>Unallocated Limits</b>	Long Term	-	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-
9 <b>Unallocated Limits</b>	Short term	-	-	-	[ICRA]A1+	-	-	-	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible Debenture Programme	Very Simple
Commercial Paper	Very Simple
Term Loan	Simple
Fund-based Limits	Simple
Non-fund Based Limits	Very Simple
Issuer Ratings	NA
Unallocated Limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument Details**

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs Crore)	Current Rating and Outlook
INE103A08027	Non-Convertible Debentures	January 13, 2020	6.64%pa	April 14, 2023	500.00	[ICRA]AAA(Stable)
INE103A08019	Non-Convertible Debentures	January 13, 2020	7.40%pa	April 12, 2030	1,000.00	[ICRA]AAA(Stable)
INE103A08035	Non-Convertible Debentures	January 29, 2020	7.75%pa	January 29, 2030	1,060.00	[ICRA]AAA(Stable)
NA	Commercial Paper*	-	-	-	4,000.00	[ICRA]A1+
NA	Term Loan – FCTL	February 20, 2023	#	March 28, 2028	4,521.61#	[ICRA]AAA(Stable)
NA	Term Loan - FCNR	February 12, 2021	#	July 26, 2024	728.40#	[ICRA]AAA(Stable)
NA	Fund based Limits	-	-	-	6,156.75	[ICRA]AAA(Stable)
NA	Non-Fund based Limits	-	-	-	7,793.24	[ICRA]A1+
NA	Issuer Rating	-	-	-	-	[ICRA]AAA(Stable)

**Source:** Company. | \*Currently no outstanding commercial paper | # FCTL of US\$ 550 million (for Working Capital) at USD/INR 82.2110 with interest rate of 3 months term SOFR (With Zero Floor) + 125 bppa, FCNR of US\$ 100 million (for Capex) at USD/INR 72.8399 with interest rate of 6 months USD Libor + 150bps.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure-2: List of Entities Considered for Consolidated Analysis**

Company Name	Ownership	Consolidation Approach
Shell MRPL Aviation Fuels and Services Limited	50.00%	Equity Method

**Source:** Company

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