

September 21, 2023

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

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	2,060.00	2,060.00	[ICRA]AAA (Stable); outstanding
Term loan	6,613.39	5,900.01	[ICRA]AAA(Stable); outstanding
Fund-based limits	7,461.75	6,846.00	[ICRA]AAA(Stable); outstanding
Non-fund-based limits	12,412.80	12,266.00	[ICRA]A1+; outstanding
Issuer rating	-	-	[ICRA]AAA(Stable); outstanding
Unallocated limits	0.06	1,475.99	[ICRA]AAA(Stable)/[ICRA]A1+; outstanding
<b>Total</b>	<b>28,548.00</b>	<b>28,548.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings factor in the majority ownership of Oil and Natural Gas Corporation (ONGC; [ICRA]AAA(Stable)/[ICRA]A1+) and ONGC's continued support to Mangalore Refinery and Petrochemicals Limited (MRPL), which is expected to be sustained given MRPL's strategic importance for ONGC's forward integration plans. The ratings continue 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. MRPL's operational performance remained robust in Q1 FY2024 with a throughput of 116% (114% in FY2023) and a gross refining margin (GRM) of \$9.81/bbl, marginally lower than \$9.88/bbl in FY2023.

The company posted healthy GRMs in Q1 FY2024 due to healthy crack spreads and the absence of special additional excise duty (SAED) and road & infrastructure cess (RIC)/windfall taxes on the sale of high-speed diesel (HSD) and aviation turbine fuel (ATF). The consolidated debt levels moderated to Rs. 14,993 crore as on June 30, 2023, from Rs. 16,550 crore as on March 31, 2023, supported by healthy cash generation and limited capex. However, the GRMs are expected to moderate marginally from the current levels owing to the implementation of the windfall taxes on the sale of HSD and ATF from mid-August 2023 which should get partially offset by the inventory gains expected due to the rise in crude oil prices.

The ratings are constrained by the asset concentration risk of being a single-location refinery and the sensitivity of the profits to 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](#).

## 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, 2023, 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 the 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	FY2022	FY2023
Operating income (Rs. crore)	69,727	108,856
PAT (Rs. crore)	2,951	2,617
OPBDIT/OI (%)	7.5%	6.0%
PAT/OI (%)	4.2%	2.4%
Total outside liabilities/Tangible net worth (times)	4.3	2.4
Total debt/OPBDIT (times)	4.1	2.6
Interest coverage (times)	4.3	5.1

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	Type	Amount rated (Rs. crore)	Amount outstanding as of Sep 2023 (Rs. crore)	Current rating (FY2024)				Chronology of rating history for past 3 years										
				Date & rating in FY2024				Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021						
				September 21, 2023	June 5, 2023	May 29, 2023	April 13, 2023	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	NCDs	Long Term	2,060.00	2,060.00	[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 (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
2	NCDs	Long Term	-	0.00	-	[ICRA]AAA (Stable); withdrawn	[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 (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
2	Fund-based limits	Long Term	6,846.00	-	[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 (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
3	Term loan	Long Term	5,900.01	5,900.01	[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 (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
5	Non-fund based limits	Short term	12,266.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Commercial paper	Short term	-	-	-	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
7	Issuer rating	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 (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
8	Unallocated limits	Long Term/ Short Term	1,475.99	-	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	-	-	-	-	-	-	-
9	Unallocated limits	Long Term	-	-	-	-	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-

<b>10</b>	<b>Unallocated limits</b>	Short term	-	-	-	-	-	-	[ICRA]A1+	-	-	-	-	-	-	-	-
-----------	---------------------------	------------	---	---	---	---	---	---	-----------	---	---	---	---	---	---	---	---

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture programme	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	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs Crore)	Current Rating and Outlook
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	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	Term loan - RTL	Yet to be issued	-	-	650.00	[ICRA]AAA(Stable)
NA	Fund-based limits	-	-	-	6,846.00	[ICRA]AAA(Stable)
NA	Non-fund-based limits	-	-	-	12,266.0	[ICRA]A1+
NA	Unallocated limits	-	-	-	1,475.99	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	Issuer rating	-	-	-	-	[ICRA]AAA(Stable)

**Source:** Company | # FCTL of \$550 million (for working capital) at USD/INR 82.2110 with interest rate of 3 months' term SOFR (With zero floor) + 125 bps, FCNR of \$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

## ANALYST CONTACTS

**Sabyasachi Majumdar**  
+91 12 4454 5304  
[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)

**Prashant Vasisht**  
+91 12 4454 5322  
[prashant.vasisht@icraindia.com](mailto:prashant.vasisht@icraindia.com)

**Varun Gogia**  
+91 98711 56542  
[varun.gogia1@icraindia.com](mailto:varun.gogia1@icraindia.com)

**Abhijit Nadkarni**  
+91 70453 09908  
[abhijit.nadkarni@icraindia.com](mailto:abhijit.nadkarni@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**  
+91 22 6169 3304  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.