December 19, 2024

Mangalore Refinery and Petrochemicals Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Non–convertible debentures	2,060.00	2,060.00	[ICRA]AAA (Stable); reaffirmed
Long term – Fund-based – Term loans	4,630.87	4,630.87	[ICRA]AAA (Stable); reaffirmed
Short term – Fund-based limits	1,000.00	-	-
Long term – Fund-based limits	7,241.00	8,241.00	[ICRA]AAA (Stable); reaffirmed
Short term – Non–fund based limits	13,016.00	13,131.00	[ICRA]A1+; reaffirmed
Long term/Short term – Unallocated limits	600.13	485.13	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Issuer ratings	-	-	[ICRA]AAA (Stable); reaffirmed
Total	**28,548.00**	**28,548.00**	

** Instrument details are provided in Annexure-I*

Rationale

The ratings for the credit facilities of Mangalore Refinery and Petrochemicals Limited (MRPL/the company) factor in the strong sponsor profile with Oil and Natural Gas Corporation Limited (ONGC; [ICRA]AAA(Stable)/[ICRA]A1+) and Hindustan Petroleum Corporation Limited (HPCL, rated [ICRA]AAA (Stable)/[ICRA]A1+) holding 71.63% and 16.96% of the company, respectively. The strong sponsor profile results in exceptional financial flexibility and operational benefits for MRPL. The ratings also factor in ONGC's continued support for MRPL, which is expected to be sustained, given the company's strategic importance for ONGC's forward-integration plans. The ratings continue to factor in the advantageous location of MRPL's refinery on the west coast, near the Mangalore port, providing logistical benefits for crude sourcing and exports.

MRPL's financial performance has moderated after FY2024 due to the weakening of GRMs, resulting from a supply overhang and a sharp fall in crude oil prices after FY2024. In H1 FY2025, the company's gross refining margin (GRM) reduced to $2.56/bbl from $9.78/bbl in FY2024. Although the crude throughput remained healthy at 119% in H1 FY2025, the profitability fell sharply due to weak GRMs, causing the total debt/OPBDITA ratio to increase significantly to 50.3x. ICRA expects the company's GRMs to remain volatile in the near term, with the crack spreads for petroleum products exposed to geopolitical situations and global demand. This, along with the planned capex programme, may result in a further moderation of the credit profile from the current levels.

The ratings also factor in the locational advantage of MRPL's coastal refinery, enabling the company to maintain lower crude oil inventories and export finished products without incurring significant freight costs.

The ratings are constrained by the asset concentration risk owing to MRPL's single-location refinery and the sensitivity of 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 the company's cash flow from operations and its exceptional financial flexibility owing to its parentage will keep its overall credit profile stable.

Key rating drivers and their description

Credit strengths

Strong sponsor profile lends financial flexibility – The company benefits from its sponsor profile with ONGC and HPCL holding 71.63% and 16.96% of the company, respectively. The strong sponsor profile results in exceptional financial flexibility and operational benefits for the company. The ratings also factor in ONGC's continued support to MRPL, which is expected to be sustained, given the company's strategic importance for ONGC's forward-integration plans.

Healthy operational profile – The company's operational profile has improved over the past few years with throughput remaining over 110% since FY2023 and healthy GRMs. The company has optimised production in the aromatic complex switching between production between para-xylene and reformate, depending on the accretive effect on the GRMs.

Locational advantage for sourcing crude and exports – The company's refinery is located on the west coast of India near the New Mangalore port. The coastal location offers certain advantages such as maintaining lower crude oil inventories and incurrence of lower freight costs for export of finished products. Consequently, as the company has to maintain lower crude oil inventories, the volatility in the GRMs owing to the inventory gains/losses will be lower than the inland refineries.

Credit challenges

Vulnerability of cash generation to refining margin cycles, import duty protection and INR-USD parity levels – The crude oil refining industry remains capital-intensive with lumpy capacity additions. The consumption of end products is closely tied to economic performance. As a result, the refining margins have faced significant cyclicality over the years. This was also seen in MRPL's performance over the course of the last decade with GRMs ranging between -$0.23/bbl in FY2020 and $10.36/bbl in FY2024 and $2.56/bbl in H1 FY2025. The Indian refiners also benefit from the duty differentials on finished products and import of crude oil. Any adverse statutory change on this front could negatively impact the company's cash generation.

The company's import of crude as well as sale of finished products is either denominated in US dollars (export) or linked to US dollars (domestic), providing a natural hedge to the operations. However, the cash generation remains exposed to the movement in the USD-INR exchange rates to some extent in the absence of an active hedging policy and the presence of foreign currency debt on the books of the company.

Asset concentration risk – The company's operations are concentrated to a single refinery and petrochemical complex located at one site. Consequently, the company remains exposed to asset concentration risk, as natural calamities, accidents, or other events can result in significant operational disruptions.

Environmental and Social Risk

MRPL is exposed to the risks of tightening regulations on environment and safety. However, MRPL has been compliant with all the environmental regulations, enabling it to mitigate the regulatory risks by demonstrating a sound operational track record and ensuring regulatory compliance. Nonetheless, MRPL remains exposed to the longer-term risk of the ongoing shift towards a future that is less dependent on fossil fuels. But this is a risk that will play out only over the distant future as India remains heavily dependent on oil and gas imports. MRPL's ability to adapt its business model, including diversification into new segments, would be a key rating driver from a longer term credit perspective.

Liquidity position: Adequate

MRPL's liquidity position is expected to remain adequate in the near to medium term, supported by a healthy buffer from the unutilised working capital limits. While the cash generation is expected to moderate sharply owing to the weakening of the GRMs, the ability to raise funds at a short notice aids the company's liquidity position. While there are large repayments to be made in FY2026 vis-à-vis the expected cash generation, ICRA expects MRPL to successfully refinance a part of the repayment liabilities, going forward.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – Pressure on MRPL's ratings could arise if ONGC Group's credit profile weakens or the linkage between ONGC and MRPL weakens. Any significant deterioration in MRPL's consolidated financial risk profile will also exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Refining and Marketing
Parent/Group support	Not Applicable.
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

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 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, thereby increasing its stake in OMPL to 99.998% 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 scheme of amalgamation as May 01, 2022.

Key financial indicators (audited)

MRPL Consolidated	FY2023	FY2024	H1 FY2025*
Operating income	109,026	90,407	48,215
PAT	2,617	3,582	-639
OPBDIT/OI	7.2%	8.8%	0.3%
PAT/OI	2.4%	4.0%	-1.3%
Total outside liabilities/Tangible net worth (times)	2.4	1.6	1.8
Total debt/OPBDIT (times)	2.1	1.6	50.3
Interest coverage (times)	6.1	7.1	0.3

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Provisional Number*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr No	Instrument	Current rating (FY2025)		Chronology of rating history for the past 3 years											
		Types	Amount rated (Rs. crores)	Date & Rating in FY2025			Date & Rating in FY2024					Date & Rating in FY2023		Date & Rating in FY2022	
				Dec 19, 2024	Jun 27, 2024	May 27, 2024	Feb 02, 2024	Sept 21, 2023	Jun 05, 2023	May 29, 2023	Apr 13, 2023	Oct 14, 2022	Sept 27, 2022	Mar 07, 2022	Jun 02, 2021
1	Non-convertible debentures	Long Term	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)
2	Fund based – Term loans	Long Term	4,630.87	[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)
3	Fund-based limits*	Short Term	-	-	[ICRA]A1+	-	-	-	-	-	-	-	-	-	-
4	Fund-based limits	Long Term	8,241.00	[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)
5	Non-fund based limits	Short Term	13,131.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Unallocated limits	Long Term and Short Term	485.13	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	-
7	Issuer ratings	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)
8	Term loans	Short Term	-	-	-	[ICRA]A1+	[ICRA]A1+	-	-	-	-	-	-	-	-
9	Non-convertible debentures	Long Term	-	-	-	-	-	-	[ICRA]AAA (Stable) Withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
10	Commercial papers	Short Term	-	-	-	-	-	-	-	[ICRA]A1+ Withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
11	Unallocated limits	Long Term	-	-	-	-	-	-	-	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-
12	Unallocated limits	Short Term	-	-	-	-	-	-	-	-	-	[ICRA]A1+	-	-	-

** Includes working capital limits as sub-limits.*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Non–convertible debentures	Very Simple
Long term – Fund based – Term loans	Simple
Long term – Fund based limits	Simple
Short term – Non–fund based limits	Very Simple
Long term/Short term – Unallocated limits	Not Applicable
Issuer ratings	Not Applicable

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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE103A08019	Non–convertible debentures – I	January 13, 2020	7.40% P.A.	April 12, 2030	1,000.00	[ICRA]AAA (Stable)
INE103A08035	Non–convertible debentures – II	January 29, 2020	7.75% P.A.	January 29, 2030	1,060.00	[ICRA]AAA (Stable)
NA	Fund based – Term loans – FCTL	February 20, 2023	#	March 28, 2028	4,630.87	[ICRA]AAA (Stable)
NA	Fund based – Term loans – FCNR	February 12, 2021	#	July 26, 2024		[ICRA]AAA (Stable)
NA	Fund-based limits	NA	NA	NA	8,241.00	[ICRA]AAA (Stable)
NA	Non–fund based limits	NA	NA	NA	13,131.00	[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	485.13	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Issuer ratings	NA	NA	NA	-	[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 II: List of entities considered for consolidated analysis

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

Source: Company

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Varun Gogia
+91 98 7115 6542
varun.gogia1@icraindia.com

Abhijit Nadkarni
+91 704530 9908
abhijit.nadkarni@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

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

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

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches