

February 02, 2024

## 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
Long term - Non-convertible debentures	2,060.00	2,060.00	[ICRA]AAA (Stable); outstanding
Long term- Term loan	5,900.01	5,250.01	[ICRA]AAA(Stable); outstanding
Short term- Term loan	0.00	1000.00	[ICRA]A1+; outstanding
Long term - Fund-based limits	6,846.00	6,846.00	[ICRA]AAA(Stable); outstanding
Short term- Non-fund-based limits	12,266.00	13,016.00	[ICRA]A1+; outstanding
Issuer rating	-	-	[ICRA]AAA(Stable); outstanding
Long term/Short term- Unallocated limits	1,475.99	375.99	[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 MRPL's refinery on the west coast, close to the Mangalore port, providing logistical benefits for crude sourcing and exports.

MRPL's operational performance remained healthy in 9M FY2024 although the throughput of 106.6% was lower than 113% in 9M FY2023 owing to a mandatory maintenance & inspection shutdown during the current fiscal. The gross refining margin (GRM) in 9M FY2024 improved to \$10.6/bbl as against \$8/bbl in 9M FY2023. However, in Q3 FY2024, GRM moderated to \$5/bbl due to the moderation in the crack spreads for auto fuels. The GRMs are likely to remain subdued given the moderation in the crack spreads of major petroleum products.

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 the key rating drivers and their descriptions, the liquidity position and rating sensitivities: [click here](#).

## Analytical approach

Analytical Approach	Comments
<b>Applicable Rating Methodologies</b>	<a href="#">Rating methodology for Refining and Marketing Corporate Credit Rating Methodology</a>
<b>Parent/Group Support</b>	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
<b>Consolidation/Standalone</b>	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. The effective date for the scheme of amalgamation was May 01, 2022.

## Key financial indicators (audited)

MRPL Consolidated	FY2022	FY2023	9MFY2024
<b>Operating income (Rs. crore)</b>	69,727	108,856	65,080
<b>PAT (Rs. crore)</b>	2,951	2,617	2,446
<b>OPBDIT/OI (%)</b>	7.5%	6.0%	8.2%
<b>PAT/OI (%)</b>	4.2%	2.4%	3.8%
<b>Total outside liabilities/Tangible net worth (times)</b>	4.3	2.4	-
<b>Total debt/OPBDIT (times)</b>	4.1	2.6	-
<b>Interest coverage (times)</b>	4.3	5.1	6.3

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	Type	Amount rated (Rs. crore)	Amount outstanding as of Dec 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						
				February 02, 2024	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 (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
2	NCDs	Long Term	-	-	-	-	[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 (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
3	Term loan	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 (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
4	Term loan	Short term	1000.00*	-	[ICRA]A1+	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Non-fund based limits	Short term	13,016.00	-	[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+	[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 (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
8	Unallocated limits	Long Term/ Short Term	375.99	-	[ICRA]AAA (Stable)/ [ICRA]A1+	[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+	-	-	-	-	-	-	-
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*\*includes working capital limits as sublimit*

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture programme	Very Simple
Long term - Term loans	Simple
Short term – 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	<b>Non-convertible debentures</b>	January 13, 2020	7.40%pa	April 12, 2030	1,000.00	[ICRA]AAA(Stable)
INE103A08035	<b>Non-convertible debentures</b>	January 29, 2020	7.75%pa	January 29, 2030	1,060.00	[ICRA]AAA(Stable)
NA	<b>Term loan – FCTL</b>	February 20, 2023	#	March 28, 2028	4,521.61 <sup>#</sup>	[ICRA]AAA(Stable)
NA	<b>Term loan - FCNR</b>	February 12, 2021	#	July 26, 2024	728.40 <sup>#</sup>	[ICRA]AAA(Stable)
NA	<b>Short term – Term loan</b>	October 4, 2023	8.25%pa	October 3, 2024	1000.00	[ICRA]A1+
NA	<b>Fund-based limits</b>	-	-	-	6,846.00	[ICRA]AAA(Stable)
NA	<b>Non-fund-based limits</b>	-	-	-	13,016.0	[ICRA]A1+
NA	<b>Unallocated limits</b>	-	-	-	375.99	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	<b>Issuer rating</b>	-	-	-	-	[ICRA]AAA(Stable)

**Source:** Company | <sup>#</sup> 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
<b>Shell MRPL Aviation Fuels and Services Limited</b>	50.00%	Equity Method

*Source: Company*

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