Mangalore Refinery and Petrochemicals Limited

June 23, 2025

Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non Convertible Debentures	1,217.00	CARE AAA; Stable	Reaffirmed
Non Convertible Debentures	1,200.00	CARE AAA; Stable	Reaffirmed
Non Convertible Debentures	2,583.00	CARE AAA; Stable	Reaffirmed
Commercial Paper (Carved out)*	5,000.00	CARE A1+	Reaffirmed

Details of instruments in Annexure-1.
**carved out of working capital limits*

Rationale and key rating drivers

Reaffirmation of ratings assigned to debt instruments of Mangalore Refinery and Petrochemicals Limited (MRPL) continue to factor in its strong parentage of Oil and Natural Gas Corporation Limited (ONGC, rated CARE AAA; Stable/CARE A1+), the company's strategic importance in ONGC's overall portfolio of hydrocarbon assets and managerial and financial support extended to the company by ONGC. Ratings are also underpinned by the company's strong asset profile, given the superior processing capabilities of its refinery as reflected by high Nelson Complexity Index (NCI), its experienced management team and favourable location, being close to the port.

Ratings also take cognisance of continued healthy operational performance in FY25 (refers to April 01 to March 31) characterised by healthy crude throughput of 18.04 million metric ton and distillate yield of 81.93%. However, GRM moderated in FY25 to US$4.45 per barrel in FY25 from US$10.36 per barrel in FY24 owing to the global economic slowdown, reduced product crack spreads, and volatile oil prices, resulting in moderation in financial performance. Strong accruals in the past have enabled the company to reduce its debt leading to improvement in its financial risk profile. However, due to weak internal accruals in FY25, a sizeable portion of debt was refinanced. Nonetheless, the company will continue to have healthy financial flexibility with strong parentage and strong capital structure.

Rating strengths are partially offset by the company's exposure to volatility in crude oil prices and crack spreads and the resultant impact on its gross refinery margin (GRMs) as seen in FY25, and its susceptibility to inherent regulatory risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Significant reduction in MRPL's shareholding by ONGC or weakening of the linkages between MRPL and ONGC or deterioration in the credit profile of ONGC.
- Higher-than-expected debt funded capital expenditure plans leading to sustained pressure on the debt protection metrics marked by total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) exceeding 5x on a sustained basis.
- Sustained weakening of operational performance, marked by lower throughputs and GRMs.

Analytical approach: Consolidated, and notching based on linkages with its parent, ONGC (rated CARE AAA; Stable/ CARE A1+). Entities considered in MRPL's consolidated financials are listed under **Annexure 6**.

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) expects that MRPL shall continue to remain a dominant player in the oil refining business underpinning its strategic importance to ONGC, which should help it to maintain its strong credit profile.

Detailed description of key rating drivers

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Key strengths

Strong parentage and support

MRPL has a strong parentage with ONGC holding ~88% equity stake, 71.63% directly and balance through its subsidiary Hindustan Petroleum Corporation Limited (HPCL, a 'Maharatna' in petroleum refining sector). The company is of strategic importance to ONGC, being a key component in the downstream segment of its integrated oil and gas value chain. Apart from strategic linkages, there are also strong management linkages between the entities. Arun Kumar Singh, Chairman of ONGC, is also the Non-executive Chairman on the Board of MRPL. The company also gets support in terms of managerial expertise from the senior management of ONGC. Apart from managerial and Board's support, ONGC has supported the company financially and MRPL received loans in past for undertaking its capex plans at favourable interest rates. The company purchases ~15-20% of its crude oil requirement from ONGC. ONGC has also extended guarantee to one of the company's foreign crude oil suppliers with respect to payments of its crude purchases.

Experienced management team

The company is managed by professional and experienced management team, which has relevant experience in the oil & gas industry. Arun Kumar Singh (Chairman of MRPL and ONGC) has four decades of diversified experience in oil & gas industry, in India and abroad. He has been also on board of companies including Bharat Petroleum Corporation Limited, Indraprastha Gas Limited, Petronet LNG Limited and Bharat Petro Resources Limited.
Mundkur Shyamprasad Kamath (Managing Director) has over three decades of experience in downstream hydrocarbon industry. Nandakumar Velayudhan Pillai (Director-Refinery) has diversified experience of over three decades in Petroleum Refining and Petrochemicals. Devendra Kumar (Director- Finance) has over three decades of experience in different functions of finance and accounting.
The senior management is supported by experienced and technically qualified professional in the company's operations.

Location advantages of being a coastal refinery with proximity to port, high NCI and diversification into petrochemical

MRPL is located on the western coast of the country, with its sourcing of crude and product exports being handled through the New Mangalore Port Trust. The refinery's location provides strategic advantages in terms of sourcing crude oil, better suitability for export markets and provides a better reach in the southern part of domestic market. In FY25, MRPL sourced ~81% of its crude oil requirement through imports. It also derived ~33% of its revenue from exports in the year. However, it does suffer from asset concentration risk due to the single location of its refinery; despite having adequate insurance cover. Following the merger with ONGC Mangalore Petrochemicals Limited (OMPL), MRPL entered the petrochemical business, benefiting from forward integration. MRPL's petrochemical Intensity is at ~11%, and its proximity to the Mangalore Special Economic Zone (MSEZ) offers locational advantages.
MRPL's refinery has a high NCI of 11.67, which enables it to process heavy oil with high quality. It can process crude oil across APIs and deliver a variety of products such as High-Speed Diesel (HSD), Petrol /Motor spirit (MS), and Aviation Turbine Fuel (ATF) among others.

Continued strong operational performance in FY25 albeit lower GRM

Strong domestic demand supported for highest ever throughput of 18.18 MMT (121% capacity utilisation) in FY25 against 16.59 MMT (111% capacity utilisation) in FY24. The distillate yield also stood improved to 81.93% in FY25 against 78.70% in FY24. The company reported total operating income (TOI) of ₹94,710 crore in FY25 against ₹90,424 crore in FY24. As a standalone refinery, MRPL's operational performance is highly sensitive to its GRM. However, with the global economic slowdown, reduced product crack spreads, and volatile oil prices GRM declined to US$4.45 per barrel in FY25 from US$10.36 per barrel in FY24. With lower GRMs, PBILDT margin reduced from 8.69% in FY24 to 2.45% in FY25.

Improvement in capital structure, however moderation in debt protection metrics

In the last three years, MRPL has been improving its leverage position. Overall gearing ratio improved from 3.28x as on March 31, 2022, to 1.05x as on March 31, 2025 (1.15x as on March 31, 2024) and improvement in its debt coverage indicators. Strong accruals in FY23 and FY24 enabled MRPL to reduce its debt level significantly. Improvement in FY25 was largely owing to reduced debt levels while maintaining steady net worth.
However, due to lower profitability, debt coverage indicators moderated with interest coverage ratio of 2.30x in FY25 (PY: 7.02x) with TD/PBILDT at 5.67x in FY25 (PY: 1.89x).

Liquidity: Strong

The company generated healthy cash flow from operations of ₹2099 crore in FY25, which was majorly utilised towards loan repayment (₹757 crore) and capex of ₹990 crore and dividend of ₹350 crore. The company has unutilised fund-based working capital limit of ~₹3,800 crore as on March 31, 2025. MRPL has debt repayment of ~1,500 crore and capex of ~₹2,000 crore in FY26. Considering expected moderation in its operational performance in FY26 due to nearly one month of refinery shutdown for maintenance and weak GRMs, CareEdge Ratings expects MRPL's debt level to increase by end FY26. However, MRPL derives significant financial flexibility from its parentage of ONGC, which provides it easy access to funds at attractive rates.

Key weaknesses

Exposure to fluctuation in crude oil prices

MRPL's profitability margins are exposed to sharp movements in crude oil prices. Crude oil prices and crack spreads are a function of many dynamic markets and fundamental factors, such as global demand-supply dynamics, geopolitical stability in countries with oil reserves, Organization of the Petroleum Exporting Countries (OPEC) policies, foreign exchange rates, among others. Consequently, refinery players are known to be price takers, as they have no control over two key drivers: crude prices and refined product prices.

Exposure to foreign exchange fluctuation risk

MRPL imports ~70%-80% of the raw material (crude) requirement. It secures its crude supply position by entering term contracts mainly with national oil companies from various regions. Payment for the import of crude oil is dollar denominated. As a practice, the company does not hedge its forex exposure and relies primarily on its export income to act as natural hedge and import parity pricing for the domestic sales. MRPL derived ~33% of its sales income from export of products (PY:31%). The company is further exposed to currency fluctuation risk through foreign currency term loans availed.

Regulatory risk

The government of India's (GoI) policy and decisions with respect to finished product pricing, subsidy sharing, windfall taxes, duties, cess, and dividend payments have a significant bearing on MRPL's profitability, cash flows and liquidity position. With elevated prices of crude, GoI may choose to pass on the fiscal burden by sharing of profits of public sector undertakings (PSUs) through higher fiscal levies, higher dividend declaration or providing discounts to oil marketing companies (OMCs), which has the potential to impact MRPL's income and accruals. Refineries are required to comply with increasingly stringent product specifications (such as equivalent of Bharat Stage VI) as stipulated by regulator.

Environmental, social and governance (ESG) risks

Parameters	Risk factors
Environmental	• Oil refining and transportation operations at MRPL are inherently prone to oil spills due to their complex and high-risk nature. These spills can occur in transportation or storage of oil. MRPL has implemented an oil spill management system, a dedicated Environmental Management Cell and NABL-accredited laboratory for monitoring the environment. • The company is utilising Mangalore city treated sewage water to reduce fresh river water conservation. • MRPL has taken up different energy efficiency improvement measures and has achieved a total fuel savings of 35,387 SRFT. • MRPL has developed a bio-diversity park in 50 acres of marshy land where the marshy land has been converted to a full-fledged biodiversity park with ~4,000 numbers of different western ghat plant species.
Social	• Annual Medical Checkup of employees was carried out annually in compliance with the Rules under Factories Act and Karnataka Factories Rules. • Occupational Health Centre (OHC) with 24X7 availability of Medical Staff is functional. • Onsite mock drill was conducted at MRPL in the presence of District Disaster Management Authorities. • MPRL spent ₹29.09 crore towards CSR in FY25.
Governance	• MRPL has formulated policies which ensure transparency, accountability, disclosures and reporting. Policies on ethics, bribery, corruption, enterprise risk management, CSR, safety, quality, corporate environment, occupational health and safety, energy management and social accountability and sustainable development are in place, in line with the requirement. • Following the completion of the tenure of Independent Directors on November 07, 2024, the Board did not have the required number of Independent Directors per SEBI (LODR) Regulations and other guidelines. The Ministry of Petroleum and Natural Gas has approved the re-appointment of Independent Directors on the Board of MRPL as on March 28, 2025.

Applicable Criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Manufacturing Companies
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, gas and consumable fuels	Petroleum products	Refineries and marketing

MRPL is a schedule 'A' Miniratna, Central Public Sector Enterprise (CPSE) under the Ministry of Petroleum & Natural Gas. MRPL is a subsidiary of ONGC with 71.63% shareholding as on March 31, 2025. HPCL held 16.96% shareholding as on March 31, 2025. MRPL is a standalone refiner in north of Mangaluru city, in Dakshina Kannada District of Karnataka with a 15.0 MMTPA refinery to process light to heavy and sour to sweet crudes with 24 to 46 API gravity. Apart from refinery capacity, the company is also into manufacturing value-added petrochemical products and has a polypropylene plant. It sources its crude oil requirement from India and national oil companies of exporting countries on term basis and from open market on spot basis. It sells mainly to PSU OMCs and derives income through exports. The company also has 167 retail outlets in Karnataka and Kerala as on March 31, 2025.

Brief Consolidated Financials (₹ Crore)	March 31, 2024 (A)	March 31, 2025 (Abr.)
Total operating income	90424	94710
PBILDT	7862	2321
PAT	3597	56
Overall gearing (times)	1.15	1.05
Interest coverage (times)	7.02	2.30

A: Audited; Abr.: Abridged; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Carved out)	INE103A14454	08-May-2025	6.64	06-Aug-2025	983.89	CARE A1+
Commercial Paper-Commercial Paper (Carved out)	INE103A14447	25-Apr-2025	6.57	24-Jul-2025	1968.12	CARE A1+
Commercial Paper-Commercial Paper (Carved out)	NA	NA	Not yet placed	Not yet placed	2047.99	CARE A1+
Debentures-Non Convertible Debentures	NA	NA	Not yet placed	Not yet placed	2583.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	INE103A08043	29-Dec-2020	6.18	29-Dec-2025	1217.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	INE103A08050	29-Dec-2021	7.48	14-Apr-2032	1200.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Commercial Paper-Commercial Paper (Carved out)	ST	5000.00	CARE A1+	-	1)CARE A1+ (24-Jun-24)	1)CARE A1+ (06-Jul-23)	1)CARE A1+ (28-Jul-22)
2	Debentures-Non Convertible Debentures	LT	1217.00	CARE AAA; Stable	-	1)CARE AAA; Stable (24-Jun-24)	1)CARE AAA; Stable (06-Jul-23)	1)CARE AAA; Stable (28-Jul-22)
3	Debentures-Non Convertible Debentures	LT	1200.00	CARE AAA; Stable	-	1)CARE AAA; Stable (24-Jun-24)	1)CARE AAA; Stable (06-Jul-23)	-
4	Debentures-Non Convertible Debentures	LT	2583.00	CARE AAA; Stable	-	1)CARE AAA; Stable (24-Jun-24)	1)CARE AAA; Stable (06-Jul-23)	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Carved out)	Simple
2	Debentures-Non Convertible Debentures	Simple

Annexure-5: Lender details

Not Applicable

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Shell MRPL Aviation Fuels & Services Ltd.	Moderate	Joint Venture

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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