PL Capital
PRABHUDAS LILLADHER

Manthan

Oil & Gas

The Pike Syndrome & MRPL | Time to invest?

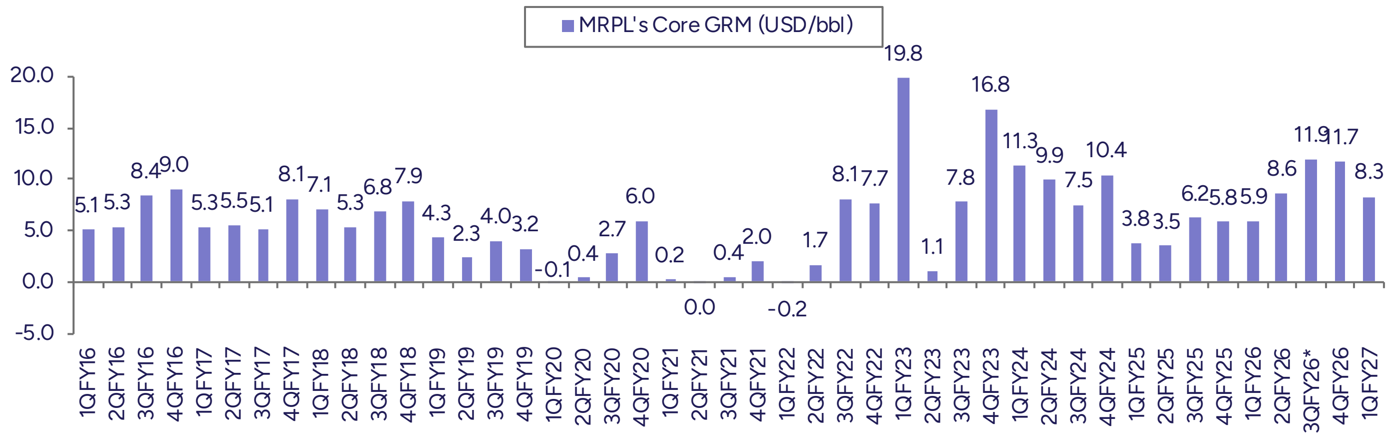
The Pike Syndrome is a psychological study which shows how forced helplessness can be manifested in human behaviour. A pike fish in a fish tank is separated from prey fish by placing a glass barrier. Initially, the pike fish tries to reach the prey but after repeatedly hitting the glass, learns that it can never reach the food. Even after the glass barrier is removed, the pike fish does not try to reach the prey and starts starving to death.

We see similar instances in investments too where repeated disappointments often lead to investors staying away from certain stocks even if there is a drastic change in the fundamentals. A classic example is that of MRPL. While nameplate capacity addition completed by Mar'12 to avail the sunset clause benefits, issues related to captive power plant delayed commissioning of secondary units for quite some time. The polypropylene unit was commissioned in Q1FY16. However, water issues continued during summer each year till the company commissioned its desalination plant in Q3FY21. As a result, the investors have been left high and dry several times, although not entirely due to fault of the company.

In the recent past, as the Middle East crisis combined with Russia-Ukraine war limited availability of refined products, we have seen petrol and diesel cracks (post SAED) rising to USD32.4/29.7/bbl in Q1FY27 compared to 10-year average of USD10.0/14.4/bbl. While Chennai Petroleum has given a return of 53.2% since start of Feb'26, MRPL has lagged with 2.6% only. The crack spreads are likely to remain higher for longer considering the damage to refineries in the Middle East and Russia. However, investors do not appear flocking to MRPL.

Will MRPL prove them wrong this time? We believe that at USD10/bbl, the company could easily throw an EBITDA of Rs~80bn in FY27E and Rs96bn in FY28E. With no major capex planned (maintenance capex of Rs10bn), the debt could come down to Rs93.5bn by FY28-end from Rs143.3bn in FY26. Even at 6x EV/EBITDA and not including any valuation for the upcoming IBB plant, the target price could reach Rs258/share.

Exhibit 1: MRPL's quarterly long-term core GRM



Source: Company, PL **Note - From Q3FY26: Implied GRM, as MRPL discontinued GRM disclosure.*

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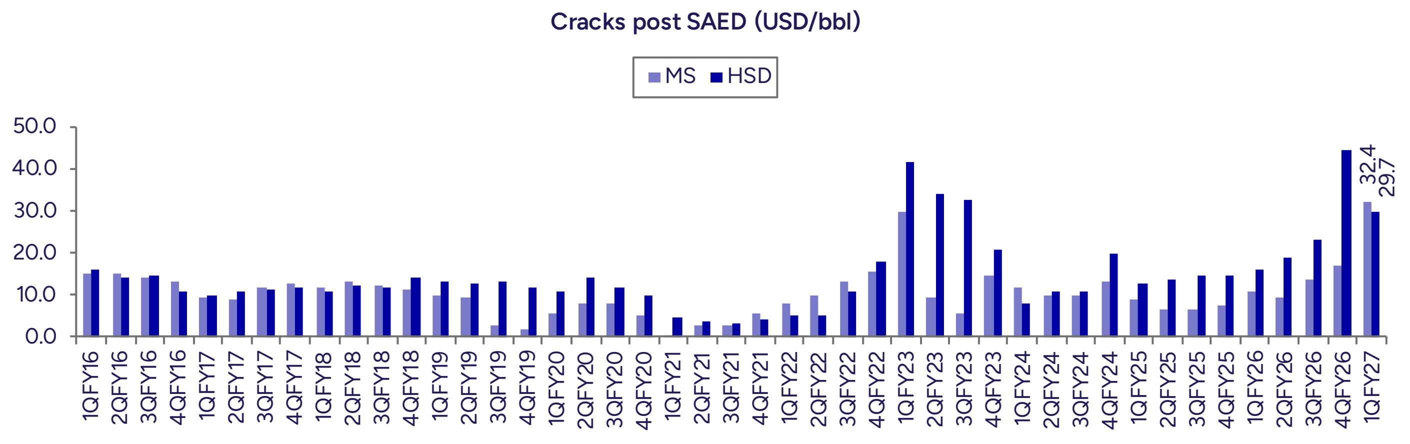
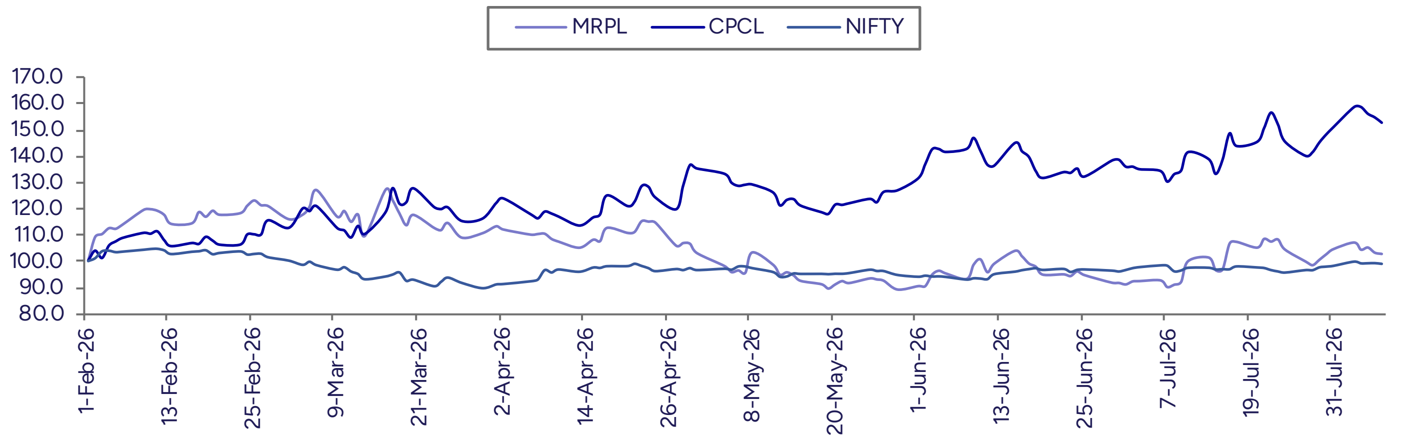
Exhibit 2: Cracks of MS/HSD Pre SAED



Source: Company, PL

Exhibit 3: Stock return of MRPL/CPCL vs Nifty since Feb'26



Source: Company, PL

Exhibit 4: Implied GRM of CPCL/MRPL

	CPCL	MRPL
CMP (Rs)	1275.0	167.0
Shares O/S (mn)	148.9	1752.6
Mcap (Rs mn)	1,89,862	2,92,684
Total Debt ex lease (Rs mn)	19,512	1,43,974
Cash and bank balance (Rs mn)	12,568	6,106
EV (Rs mn)	**1,96,806**	**4,30,552**
Target (EV/EBITDA)	6	6
EBITDA (Rs mn)	32,801	71,759
Throughput FY27E - mmt	11.7	17.4
Throughput (mn bbls)	85.8	127.5
USD INR rate	95.0	95.0
EBITDA (USD mn)	345	755
EBITDA/bbl	4.0	5.9
OPEX/bbl	3.3	3.4
Implied GRM	**7.4**	**9.3**

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Aarti Industries	Accumulate	526	489
2	Bharat Petroleum Corporation	HOLD	305	310
3	Bharti Airtel	BUY	2275	1978
4	Clean Science and Technology	HOLD	745	734
5	Deepak Nitrite	Reduce	1586	1750
6	Fine Organic Industries	BUY	6001	5000
7	GAIL (India)	BUY	206	181
8	Gujarat Energy	Hold	293	286
9	Gujarat Fluorochemicals	HOLD	3772	3961
10	Gujarat State Petronet	Hold	242	236
11	Hindustan Petroleum Corporation	Reduce	350	385
12	Indian Oil Corporation	Accumulate	147	140
13	Indraprastha Gas	BUY	181	152
14	Jubilant Ingrevia	Hold	711	745
15	Laxmi Organic Industries	Reduce	169	182
16	Mahanagar Gas	Accumulate	1254	1121
17	Mangalore Refinery & Petrochemicals	HOLD	150	157
18	Navin Fluorine International	Accumulate	8377	7610
19	NOCIL	HOLD	179	171
20	Oil & Natural Gas Corporation	Accumulate	273	240
21	Oil India	Accumulate	455	423
22	P.I. Industries	Hold	2792	2648
23	Petronet LNG	Accumulate	300	280
24	Reliance Industries	BUY	1675	1327
25	SRF	Reduce	2482	2632
26	Sudeep Pharma	Reduce	855	959
27	Vinati Organics	Accumulate	1443	1296

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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