

CPCL: Elevated Diesel Cracks Underpin FY27 Outlook

Oct 23, 2026 | CMP: INR 1,454 | Target Price: INR 1,885

BUY

Expected Share Price Return: 29.7% | Dividend Yield: 5.6% | Potential Upside: 35.3%

Sector View: Positive

Change in Estimates	✓
Target Price Change	✗
Recommendation	✗

Company Info

BB Code	MRL IN EQUITY
Face Value (INR)	10.0
52-w High/Low (INR)	1,678/738
Mkt Cap (Bn)	INR 216.3/ \$2.3
Shares o/s (Mn)	148.9

Change in Estimates

	FY27E			FY28E		
INR Bn	New	Old	Dev.	New	Old	Dev.
Revenues	1,020	1,136	-10.3%	926	983	-5.8%
EBITDA	120	119	0.9%	82	87	-5.7%
EBITDAM %	11.7%	10.4%	130bps	8.8%	8.8%	1bps
Adj. PAT	82	84	-2.9%	53	69	-11.7%

Actual vs CIE Estimates

INR Bn	Q2FY27A	CIE Est.	Dev.%
Revenue	206	247	-16.8
EBITDA	32	36	-11.7
EBITDAM %	15.6	14.7	91 Bps
Adj. PAT	22	26	-15.0

Key Financials

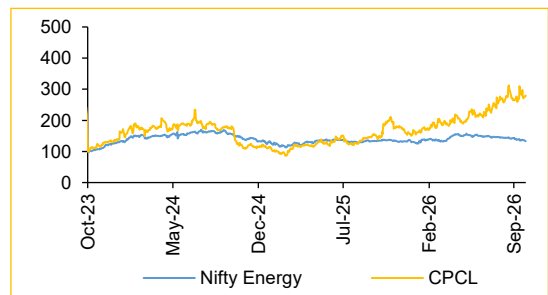
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	594	636	902	774	749
YoY	-10.3%	10.6%	29.7%	-9.2%	-3.2%
EBITDA	10	48	120	82	85
EBITDAM	1.4%	6.1%	11.7%	8.8%	9.4%
Adj PAT	2	31	82	53	55
ROE	2.5%	32.1%	56.0%	26.0%	21.9%
ROCE	5.2%	33.3%	55.7%	29.6%	25.6%

Shareholding Pattern (%)

	Sep-26	Jun-26	Mar-26
Promoters	67.29	67.29	67.29
FIs	15.79	14.98	12.59
DIs	1.18	1.01	2.11
Public	15.74	16.72	18.01

Relative Performance (%)

YTD	3Y	2Y	1Y
NIFTY ENERGY	32.7	-12.3	-1.5
CPCL	179.4	65.3	94.7



Source: Bloomberg, Choice Institutional Equities

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In Q2FY27, CPCL's revenue was below CIE estimate by 17% at INR 206 Bn, while EBITDA was below by 12% at INR 32 Bn (CIE estimate of 15,670 Mn) and adjusted PAT reached INR 9,928 Mn (CIE estimate of 36 Bn). **Concurrently, the global middle distillate market faces a severe supply squeeze driven by geopolitical chokepoints, depleted hub inventories and Russian export constraints. With Chinese teapot rationalisation, ageing infrastructure and inelastic demand, diesel crack spreads will remain structurally elevated through FY27.** We have revised our FY27E/28E for Revenue, EBITDA, PAT by -10%/-6%, 1%-3%, -3%/-12% respectively, as we now better product cracks while simultaneously reduce the throughput in line with maintenance cycle for FY27 and FY28. **On the strength of the above, we maintain our TP to INR 1,885/sh and a 'BUY' rating on the stock.**

Revenue, EBITDA, PAT below CIE estimates, largely driven by lower throughput

- Revenue for Q2FY27 was up by 25.9% YoY & down by 24.9% QoQ at **INR 205.6 Bn (vs CIE est. INR 247.2 Bn)**
- Company reported GRM USD 20.41/b that includes inventory gain on crude & products of USD 3.82/b, implying core **GRM of USD16.59 (vs CIE est of USD18.03/b)**
- EBITDA for Q2FY27 was up by 179.7% YoY & up by 105.9% QoQ at INR 32.0 Bn (vs CIE est. INR 36.3 Bn). The EBITDA Margin stood at 15.6%, up by 856 bps YoY (vs CIE est. of 14.7%)
- Adjusted PAT for Q2FY27 was up by 212.4% YoY & up by 126.3% QoQ at **INR 22.5 Bn (vs CIE est. INR 26.3 Bn)**.

Board has approved INR 25/sh of interim dividend.

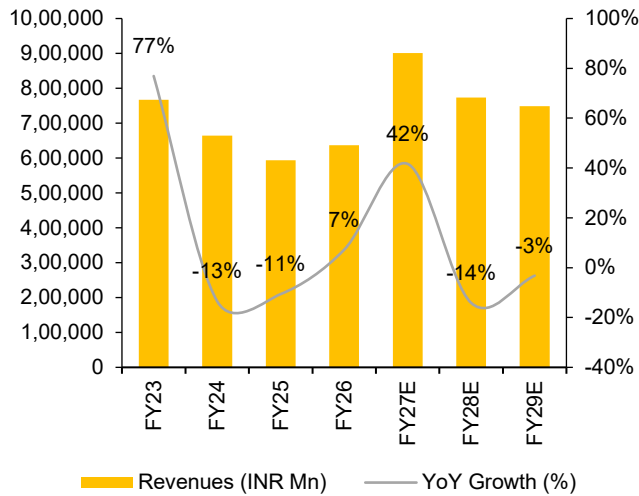
Diesel Tightness Fuels CPCL's Margin Upside

Global middle-distillate markets remain structurally tight, supported by persistent European supply deficits, reduced Middle Eastern refinery throughput, constrained Russian output and depleted inventories across major trading hubs. Despite US distillate production reaching maximum potential, robust export demand from Europe and South America continues to draw down domestic inventories. Meanwhile, rationalisation of China's independent refining capacity, ageing global refining infrastructure and recurring unplanned outages have further restricted supply flexibility. With inventories across Europe and Singapore approaching minimum operational levels, the market remains increasingly vulnerable to additional disruptions. Furthermore, ongoing seasonal refinery maintenance ahead of winter demand is likely to constrain inventory replenishment. Given relatively price-inelastic demand from transportation, agriculture and industrial activity, we expect diesel cracks to remain elevated through FY27, sustaining attractive refining economics. **Against this backdrop, CPCL remains well positioned to capitalise on persistent middle-distillate shortages, supported by its diesel-heavy product slate and the resulting potential for stronger core GRMs and profitability.**

CPCL (INR Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Net Revenue	2,05,575	1,63,273	25.9	2,73,693	-24.9
Gross Profit	38,009	18,051	110.6	21,807	74.3
EBITDA	32,011	11,445	179.7	15,549	105.9
Adj. PAT	22,470	7,192	212.4	10,310	117.9
Margins	Q2FY27	Q2FY26	YoY (bps)	Q1FY27	QoQ (bps)
Gross Margin (%)	18.5	11.1	743	8.0%	1,052
EBITDA Margin (%)	15.6	7.0	856	5.7%	989
PAT Margin (%)	10.9	4.3	658	3.7%	717

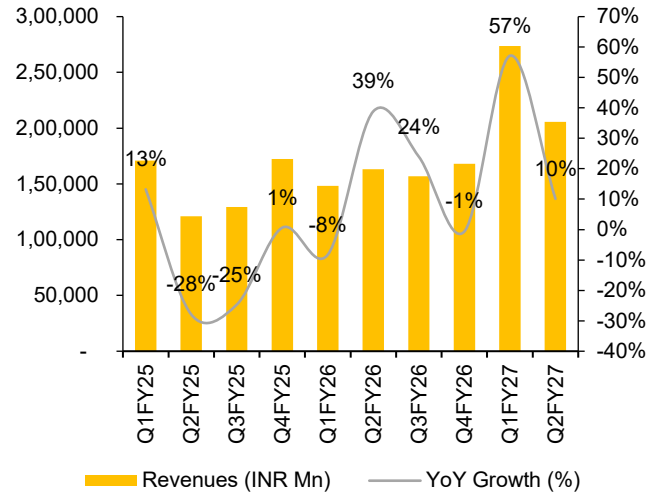
Source: CPCL, Choice Institutional Equities

Revenue momentum supported by recovery across FY26–FY29E



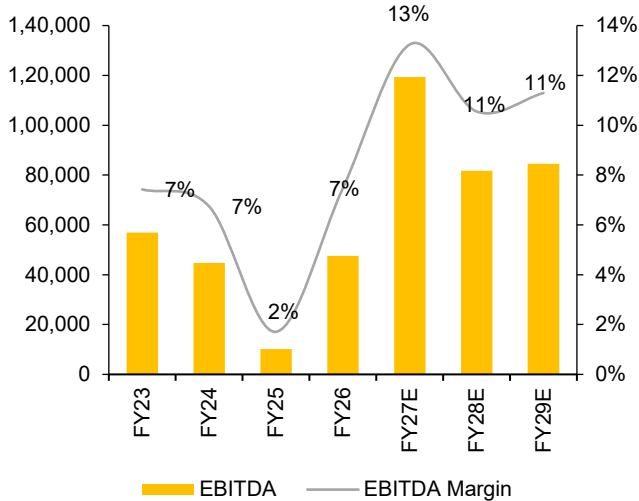
Source: CPCL, Choice Institutional Equities

Quarterly strong yoy growth with improving growth momentum



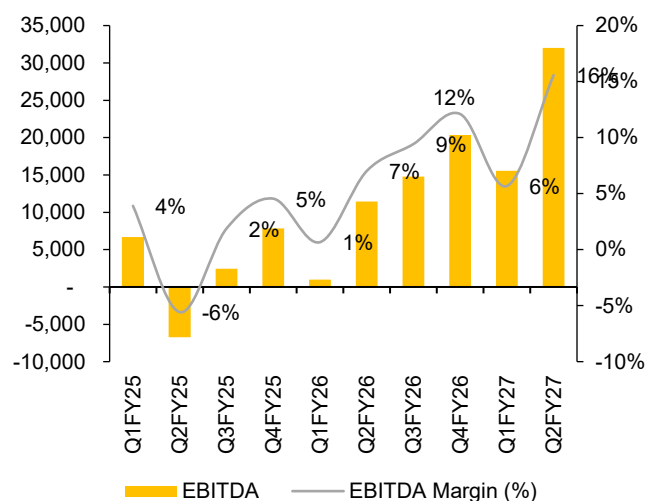
Source: CPCL, Choice Institutional Equities

EBITDA margins recover from FY25 low and expand to 11% over FY26–FY29E



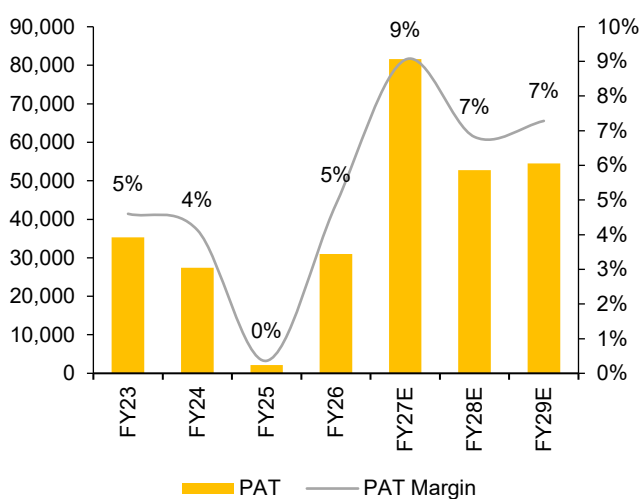
Source: CPCL, Choice Institutional Equities

Quarterly EBITDA margin supported on the back of inventory gains in Q2FY27



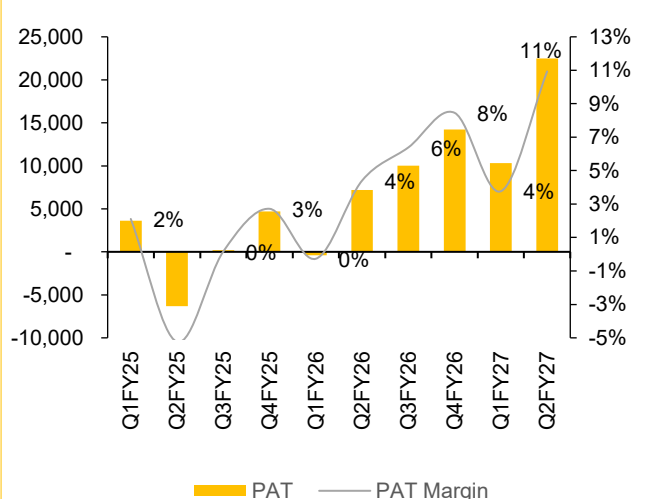
Source: CPCL, Choice Institutional Equities

Net profit expected to grow ~21% CAGR over FY26–FY29E



Source: CPCL, Choice Institutional Equities

Net Profit margin to improve going forward



Source: CPCL, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	5,93,560	6,36,393	9,01,373	7,73,794	7,48,912
Gross Profit	29,457	73,502	1,41,591	1,00,132	1,02,472
EBITDA	10,158	47,564	1,19,356	81,654	84,588
Depreciation	6,067	6,100	9,953	10,583	11,155
EBIT	4,091	41,464	1,09,403	71,071	73,432
Other Income	252	654	714	648	628
Interest Expense	2,445	1,201	1,358	1,349	1,340
PAT	2,141	31,020	81,569	52,778	54,540
EPS	14	208	548	354	366

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	-10.4	10.6	29.7	-9.1	-3.2
Gross Profit	-53.5	149.5	92.6	-29.3	2.3
EBITDA	-77.3	368.2	150.9	-31.6	3.6
PAT	-92.2	1348.9	163.0	-35.3	3.3
Margin Ratios (%)					
Gross Profit Margin	4.1	9.4	13.9	10.8	11.4
EBITDA Margin	1.4	6.1	11.7	8.8	9.4
PAT Margin	0.3	3.9	8.0	5.7	6.1
Profitability (%)					
ROE	2.5	32.1	56.0	26.0	22.0
ROIC	3.6	23.9	40.8	21.8	18.9
ROCE	5.2	33.3	55.6	29.6	25.6
Working Capital (x)					
Inventory Days	46.3	47.5	38.5	44.5	46.3
Receivable Days	1.7	1.0	3.9	4.4	1.1
Creditor Days	24.1	22.9	14.1	11.3	11.7
Working Capital Days	0.0	14.2	36.7	59.4	81.1
Valuation Metrics					
No of Shares (Mn)	148.9	148.9	148.9	148.9	148.9
EPS (INR)	14.4	208.3	547.8	354.4	366.3
BVPS (INR)	551.1	746.0	1,211.6	1,512.9	1,824.2
PE	42.8	9.0	3.4	5.3	5.1
P/BV	1.1	2.5	1.6	1.2	1.0
EV/EBITDA	93.0	59.2	23.3	33.3	31.5
EV/Sales	1.3	3.6	2.7	2.9	3.0

Source: CPCL, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

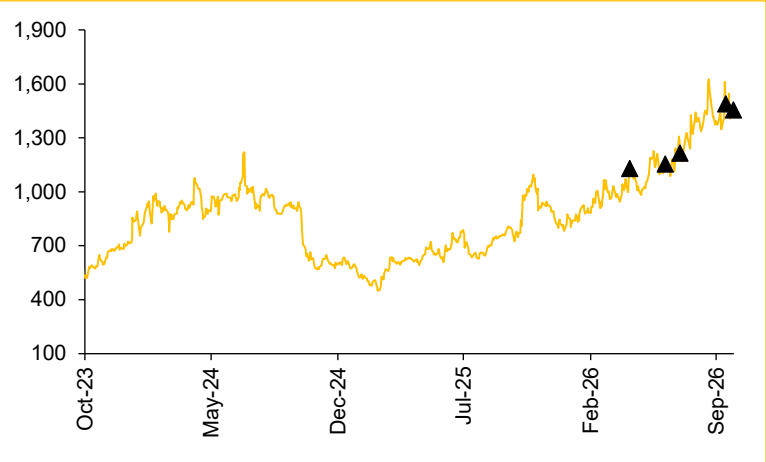
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Tangible fixed assets	72,891	71,376	69,076	65,440	63,249
CWIP	2,080	3,455	3,455	3,455	3,455
Investments	2,801	4,059	4,059	4,059	4,059
Cash & Cash equivalents	1,840	9,050	49,702	1,10,089	1,63,705
Other non-current assets	1,614	2,001	2,001	2,001	2,001
Other current assets	3,502	3,877	3,877	3,877	3,877
Total assets	1,70,650	2,00,346	2,53,266	2,99,652	3,44,158
Shareholder's funds	82,067	1,11,092	1,80,426	2,25,287	2,71,646
Minority Interest	0	0	0	0	0
Borrowings	1,581	3,248	3,375	3,230	3,086
Other current liabilities	4,639	4,498	4,498	4,498	4,498
Total equity & liabilities	1,70,650	2,00,346	2,53,266	2,99,652	3,44,158

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	13,524	29,441	58,634	76,095	71,619
Cash Flows from Investing	-6,495	-9,298	-6,932	-6,298	-8,337
Cash Flows from Financing	-5,191	-12,941	-11,042	-9,410	-9,665

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden (%)	112.8	75.8	75.0	75.0	75.0
Interest Burden (%)	46.4	98.7	99.4	99.0	99.0
EBIT Margin (%)	0.6	5.3	10.7	7.7	8.2
Asset Turnover	4.0	4.2	4.5	3.4	2.8
Equity Multiplier	2.1	1.9	1.6	1.4	1.3
ROE (%)	2.5	32.1	56.0	26.0	22.0

Source: CPCL, Choice Institutional Equities

Chennai Petroleum Corporation Ltd.



Date	Rating	Target Price
May 22, 2026	BUY	1,265
July 9, 2026	BUY	1,265
July 24, 2026	BUY	1,540
Oct 9, 2026	BUY	1,885
Oct 23, 2026	BUY	1,885

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Large Cap*

BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Mid & Small Cap*

BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months

Other Ratings

NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change

Sector View

POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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