Choice Institutional Equities

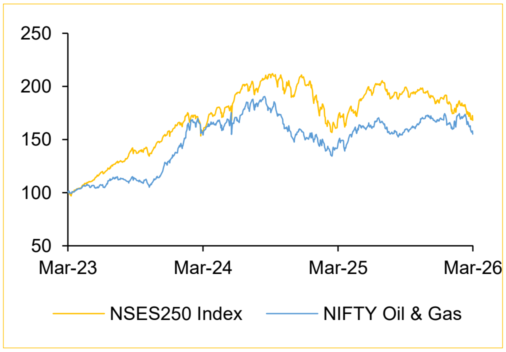
Q1FY27 Quarterly Results Review

Refining Tailwinds Strengthen Earnings Momentum

Sector View: Positive

Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rated
CPCL (MRL)	1394	1,540	BUY
MRPL (MRPL)	177	215	BUY
Gulf Oil Lubricants (GOLI)	1,140	1,525	BUY

Relative Performance (%)			
YTD	3Y	2Y	1Y
NIFTY 250	41.0	-15.4	-0.1
NIFTY Oil & Gas	60.4	3.4	7.5



Preferred Long-term Investment Ideas

Broad-based Q1FY27 outperformance reinforces sector momentum: CPCL delivered 84.8% YoY growth in revenue to INR 274 Bn (vs CIE estimate of INR 243 Bn), while EBITDA surged 1,476.4% YoY to INR 15,549 Mn (vs CIE estimate of INR 15,670 Mn). MRPL reported 120.4% YoY topline growth to INR 382 Bn (vs CIE estimate of INR 307 Bn), with EBITDA up 633.7% YoY at INR 13,176 Mn (vs CIE estimate of INR 13,708 Mn). Meanwhile, Gulf Oil surprised positively, with revenue rising 32.5% YoY and 26.9% QoQ to INR 13,204 Mn (vs CIE estimate of INR 11,013 Mn), while EBITDA increased 34.6% YoY and 26.1% QoQ to INR 1,704 Mn (vs CIE estimate of INR 1,399 Mn).

Geopolitical Friction and Depleted Inventory Hubs Support Global Distillate Cracks: Global middle distillate fundamentals are tightening sharply as structural supply shortfalls coincide with geopolitical disruption and depleted inventory. Europe continues to face a persistent deficit, exacerbated by reduced refinery throughput in the Middle East and elevated shipping risk around the Strait of Hormuz. At the same time, Russia's ability to bridge this gap remains limited, with refinery operations continuing to be affected by drone attacks. While the US refiners are operating at near-record distillate production levels, robust export demand from Europe and South America is drawing significant volumes out of the domestic market, leading to a steady erosion of the US inventory. With storage levels across major trading hubs in Europe and Singapore already hovering near minimum operational thresholds, the global distillate market has little buffer left to withstand any additional supply disruption.

Supportive Diesel Cycle Strengthens CPCL and MRPL Investment Case: We expect diesel cracks to remain structurally strong through FY27 as the global middle distillate market continues to face persistent supply-side constraint. The rationalisation of China's independent refining sector has reduced the market's ability to respond quickly to supply disruption, while ageing refining infrastructure across several regions continues to increase the risk of unplanned outages. With seasonal refinery maintenance scheduled ahead of the winter demand period, the opportunity to meaningfully replenish inventory appears limited. At the same time, demand from freight transportation, agriculture and industrial activity remains relatively price-inelastic, allowing refiners with available distillate production capacity to capture sustained margin premiums. In this backdrop, CPCL and MRPL are well-positioned to benefit from a supportive diesel pricing environment and stronger refining economics.

Group III Base Oil Puts Pricing Power to the Test: Lubricant players navigated severe raw material volatility and geopolitical disruptions caused by the West Asia/Strait of Hormuz crisis. This macro environment caused Group III base oils to become highly scarce and expensive. As companies typically carry 30 to 45 days of raw material inventory, lower-cost stock from prior periods protected margins in this quarter. Consequently, both Castrol and Gulf warned that full impact of feedstock inflation would be delayed and flow more noticeably into subsequent quarters, making pricing vigilance and strategic price hikes essential next steps.

Q1FY27 Quarterly Result Review

CPCL Q1FY27 Result Update

CPCL

TP: 1,540| Upside: 10.5%

Middle Distillate Strength: Poised to benefit from structurally higher diesel cracks

Bottom Destruction drives Margins unlocking Superior Returns

SAF mandates unlock premium earnings growth for CPCL

MRPL Q1FY27 Result Update

ONGC MRPL

TP: 215 | Upside: 21.5%

Crude flexibility and trading amplify MRPL's margin upside

Middle Distillate Dominance Elevates Margin Quality

Forward integration into retail strengthens resilience

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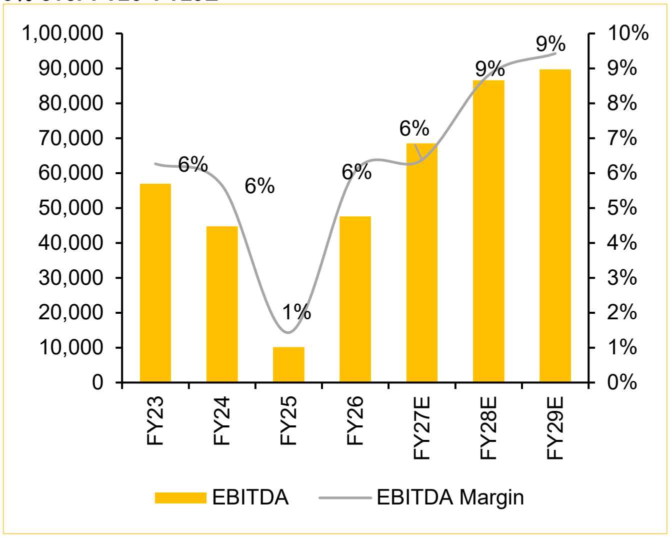
What's Inside:

- Q1FY27 Result update and view on the Companies
- Brief insights on preferred long-term investment ideas

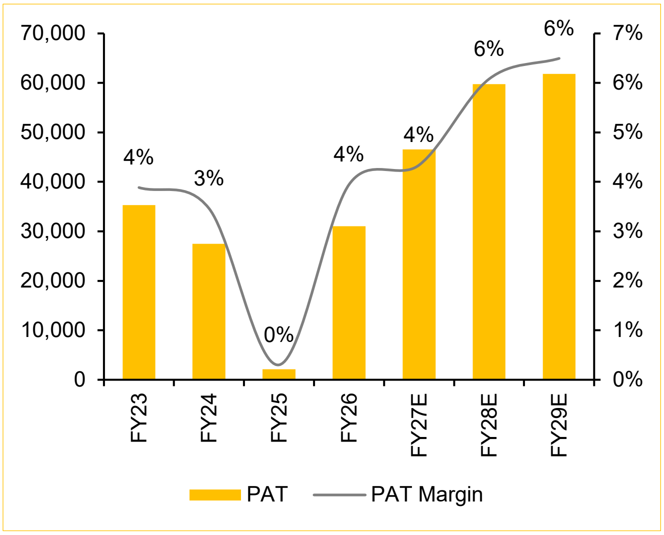
Overview of companies under Energy coverage

CPCL EBITDA margins recover from FY25 low and expand to 9% over FY26–FY29E



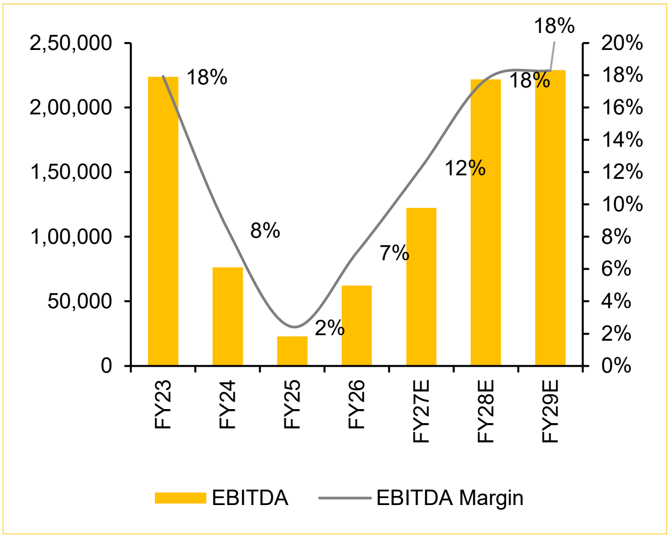
Source: CPCL, Choice Institutional Equities

CPCL Net profit expected to grow ~25% CAGR over FY26-FY29E



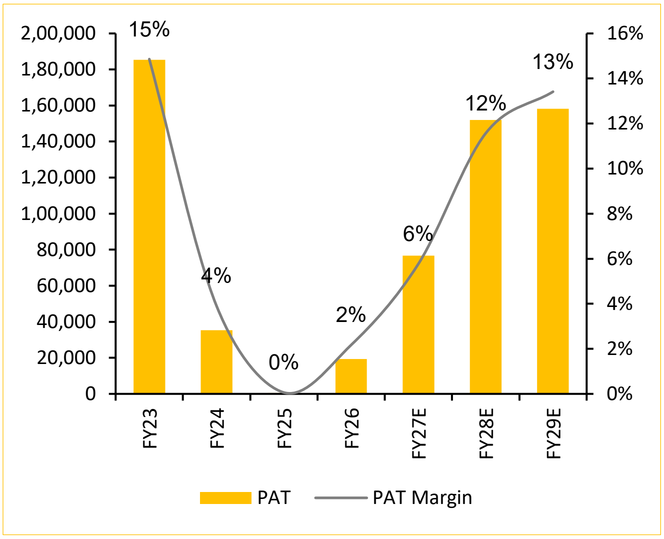
Source: CPCL, Choice Institutional Equities

MRPL EBITDA margins recover from FY25 low and expand to ~19% over FY26–FY29E



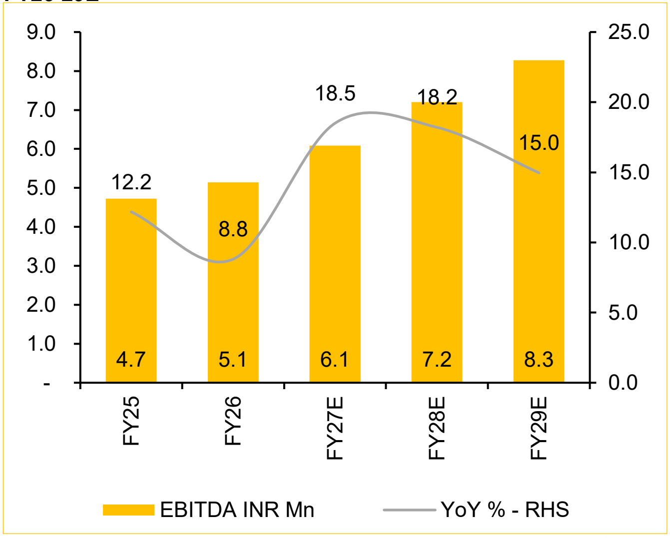
Source: MRPL, Choice Institutional Equities

MRPL Net profit expected to grow ~96% CAGR over FY26-FY29E



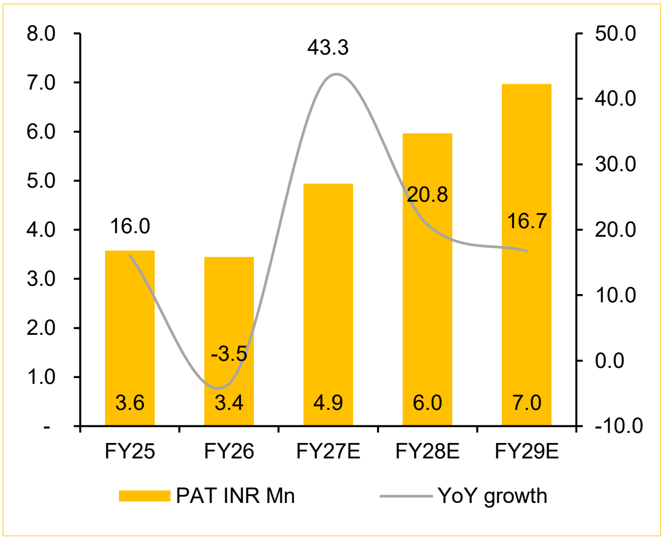
Source: MRPL, Choice Institutional Equities

GOLI EBITDA anticipated to expand at 17.2% CAGR during FY26-29E



Source: GOLI, Choice Institutional Equities

PAT projected to increase at 26.4% CAGR



Source: GOLI, Choice Institutional Equities

Q1FY27 Quarterly Result Review

Coverage Summary

Companies	Q1FY27 Result Update	View
CPCL	Revenue for Q1FY27 was up 84.8% YoY and 62.7% QoQ at INR 274 Bn (vs CIE estimate of INR 243 Bn) EBIDTA for Q1FY27 was up 1,476.4% YoY and down 23.6% QoQ at INR 15,549 Mn (vs CIE estimate of INR 15,670 Mn). EBITDA margin stood at 5.7%, up 502 bps YoY (vs CIE estimate of 6.5%) Adjusted PAT for Q1FY27 was INR 9,928 Mn against a loss of INR 401 Mn in Q1FY26. Adjusted PAT for Q1FY27 was down 30.2% QoQ at INR 9,928 Mn (vs CIE estimate INR 9,539 Mn). Adjusted PAT margin improved 404bps YoY, reaching 3.8% (vs CIE estimate of 3.9%)	We maintain our 'BUY' rating while raising our target price from INR 1,265 to INR1,540. We have revised our FY27E/28E for Revenue, EBITDA, PAT by -2%/0%, 10%14%, 10%/14%, respectively, as we now expect product cracks to be better than our previous assumptions. We have lowered terminal growth rate from 3.0% to 1.5% as we project pressure on global diesel demand in the next decade to be higher than our previous estimate. On the strength of the above, we raise our TP to INR 1,540/sh, up from INR 1,265/sh, and maintain a 'BUY' rating on the stock.
MRPL	Revenue for Q1FY27 was up by 120.4% YoY and up by 59.7% QoQ at INR 382 Bn (vs CIE estimate INR 307 Bn) EBIDTA for Q1FY27 was up by 633.7% YoY and down by 26.1% QoQ at INR 13,176 Mn (vs CIE est. INR 13,708 Mn). EBITDA margin stood at 3.4%, up by 241 bps YoY (vs CIE est. of 4.5%) Adjusted PAT for Q1FY27 was INR 4,739 Mn against loss of INR 2,707 Mn in Q1FY26. Adjusted PAT for Q1FY27 was up 305.4% QoQ at INR 4,739 Mn (vs CIE est. INR 2,129 Mn). Adjusted PAT margin improved 403 bps YoY, reaching 2.5% (vs CIE est. 0.7%)	We maintain our BUY rating while maintaining our target price of INR 215. We have revised up our FY27E/28E Revenue/EBITDA by 5%/2%/5% on the back of stronger product pricing as compared to our previous assumptions. MRPL is uniquely positioned to monetize global crude dislocations through its high complexity refinery and flexible crude sourcing. Its strong middle distillate dominance, forward retain integration.
GOLI	Revenue was up by 32.5% YoY and 26.9% QoQ at INR 13,204 Mn (vs CIE estimate of INR 11,013 Mn) EBIDTA was up 34.6% YoY and 26.1% QoQ at INR 1,704 Mn (vs CIE estimate of INR 1,399 Mn). EBITDA margin stood at 12.9%, expanded by 20 bps YoY (vs CIE estimate of 12.7%) PAT was up 31.9% YoY and 41.7% QoQ at INR 1,275 Mn (vs CIE estimate of INR 984 Mn). PAT margin contracted by 4 bps YoY, reaching 9.7% (vs CIE estimate of 8.9%)	We maintain our BUY rating with a target price of INR 1,525. The investment case remains underpinned by sustained market share gains, brand-led distribution expansion and industry-leading B2C growth. Sticky retail pricing and disciplined execution is estimated to support resilient margin, enabling the company to consistently outperform the lubricants industry average over the medium term.

Source: Company, Choice Institutional Equities

Brief insights on preferred long-term investment ideas

CPCL

Key Financials

INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	711	786	1,074	983	951
YoY (%)	-10%	11%	37%	-8%	-3%
EBITDA	10	48	68	87	90
EBITDAM %	1.4%	6.1%	6.4%	8.8%	9.4%
PAT	2	31	47	60	62
ROE %	2.5%	32.1%	36.6.4%	36.3%	29.8%
ROCE %	5.2%	33.3%	39.3%	39.9%	34.0%
PE(x)	42.8	7.4	4.9	3.8	3.7
EV/EBITDA	93.0	48.5	33.7	26.3	24.8

Source: CPCL, Choice Institutional Equities

Chennai Petroleum Corporation Ltd: Rating: BUY | Target Price – INR 1,540

Distillate Strength Anchors Durable Margin Expansion: CPCL is a prime beneficiary of a structural higher-for-longer diesel crack regime, leveraging its industry-leading **53% HSD turnover share** (vs. peers at 44–47%). Following the Russian fuel ban and **~30 European refinery closures**, diesel cracks are projected to recalibrate from a **USD 9/bbl** trough in CY24 to a sustained **USD 20–22/bbl** equilibrium through CY29. Operationally, CPCL has achieved a structural breakout by migrating from the **2nd Quartile (2022)** to the **Solomon Top Quartile (2024)** in Energy Intensity, driven by a **5% efficiency CAGR** which yields a permanent **USD 0.80/bbl** cost advantage. Supported by an asset-light IOCL distribution model that maximises free cash flow, CPCL's GRMs are forecast to rebound from **USD 9.28/bbl in FY26** to a durable **~USD 13/bbl** baseline through FY29E, offering a superior, ROCE-accretive profile for investors.

From Bottom Destruction to Margin Expansion – Unlocking Superior Returns: CPCL's ~9.7 complexity enables a broader crude slate, including heavier, high-sulphur grades, strengthening differential arbitrage. Its 2.2-Mtpa DCU and revamped OHCU **convert heavy bottoms into diesel**, naphtha and LPG, directly **attacking the low-value tail of the barrel** and lifting distillate yields. While **realisation tracks global benchmarks**, volumes are anchored by **India's structural diesel demand, keeping utilisation high**. The hydrocracker revamp adds Group II/III base oils with **margin near ~USD 50/b versus diesel's USD 10-25/b**. Though volumes are smaller, offtake visibility is strong. With a ~30% median payout ratio, CPCL balances shareholder returns and reinvestment, **reinforcing disciplined, high-yield refining economics**.

View and valuation: We expect CPCL to deliver significant Revenue/EBITDA/PAT CAGR of 6.6%/23.5%/25.8% over FY26–29E, respectively. We maintain our 'BUY' recommendation on CPCL and had raised our target price from INR 1,265 to INR1,540 on the basis of our DCF valuation. **This equates to an implied PE of 3.8x and 3.7 on FY28 and FY29 EPS** respectively.

MRPL

Key Financials

INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	947	887	1,329	1,314	1,180
YoY (%)	5%	-6%	50%	-1%	-10%
EBITDA	23	62	122	222	229
EBITDAM %	2%	7%	9%	17%	19%
Adj PAT	1	19	77	152	158
ROE %	0.4%	14.2%	43.4%	54.2%	37.5%
ROCE %	5.1%	18.1%	35.1%	53.0%	42.9%
PE(x)	419.8	16.4	4.0	2.0	1.9
EV/EBITDA	4.8	19.8	6.3	2.1	0.5

Source: MRPL, Choice Institutional Equities

Mangalore Refinery And Petrochemicals Ltd: Rating: BUY | Target Price: INR 215

Crude Dislocations Drive Disproportionate Margin Upside: MRPL's high complexity and ~270+ approved crude grades expand its arbitrage set, allowing it to pivot into discounted heavy barrels and capture geopolitical dislocation value while underpinning robust throughput. This, combined with a structurally high export share (~33–37% of revenues), sustains **elevated utilisation and drives stronger mid-cycle cash flows**. The Integrated Trading Desk further amplifies earnings by **leveraging volatility across feedstocks, freight and exports**.

Distillate Dominance Elevates Margin Quality: The firm's **strong middle-distillate orientation** – with ~41% diesel and ~17% jet – positions its output toward segments that typically **earn stronger global refining margins**. Building on this product mix advantage, scaling **sustainable aviation fuel (SAF) provides first-mover advantage**. Complementing these structural advantages, low FX exposure from RTP-linked pricing aligns dollar-based costs and realizations, providing a natural hedge that enhances earnings visibility and strengthens overall margin resilience.

View and valuation: We expect Revenue/EBITDA/PAT to expand at a CAGR of 10.0%/54.3%/101.8% over FY26–FY29E. **We maintain our target price to INR 215 and 'BUY' rating on the stock.**

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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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