

January 18, 2025

RESULT REPORT Q3 FY25 | Sector: Energy

# Chennai Petroleum Corp Ltd

## Performance picks up, but falls short of expectations

Chennai Petroleum's Q3FY25 core performance witnessed recovery but failed to meet expectations, EBITDA was at Rs 2.4bn; USD4.3/bbl of reported GRM (our est. of positive USD4.7) on shutdown and inventory losses. As per our calculations, there is an inventory loss which could be at USD0.7/bbl and Rs 726mn forex loss during the quarter. As per our calculations, the core GRMs could be at USD 5/bbl which is at par with the benchmark. We maintain BUY rating, with a revised TP of Rs1,000.

### Result Highlights

- **EBITDA/PAT** at Rs bn 2.4/0.11 (vs Rs bn 7.1/3.9 in Q3FY24 and negative 6.7/6.3 in Q2FY25). The performance is weaker than our estimate of Rs bn of 2.6/0.53, while the consensus was at Rs bn 2.6/0.65. GRMs were marginally impacted by shutdown of one of the phases of refinery and secondary units for 15 days in Oct'24, the change in inventory in the system also impacted the GRMs.
- CPCL's Q3FY25 reported GRM was at ~USD 4.3/bbl (negative USD 1.6 the quarter prior, USD 6.2 a year ago) while the Arab heavy-light difference was USD 1.9/bbl (1.3 in the prior quarter). There was no RTP reduction impact, while as per our assumption, there could be an inventory loss of USD0.7/bbl which means that the core GRMs were in line to the Singapore GRMs and could be at ~USD5/bbl.
- **Refinery throughput** was 2.55mmt at ~96% utilization (79% in the prior quarter, 107% a year ago) was in line with our expectations. Of the three refinery phases, one of them had a shutdown for 15 days in Oct'24 which impacted the plant utilization. The secondary units – FCCU, DCU were also under shutdown which impacted the GRMs at large, if we normalize the same then core GRMs could be above USD5.5/bbl.
- **Opex:** At USD 2.6/bbl opex is near the trailing 8-quarter average of USD2.8/bbl as the plant utilization was lower in Oct'24. **RLNG consumption** during the quarter was ~1.1mmscmd, marginally higher than the previous quarter. There was a **forex loss** this quarter which impacted the earning, as per our calculations it could be amounting to Rs 726mn.
- Sequentially, the **debt decreased** by Rs 3.7bn to Rs 56.9bn (vs peak of Rs104bn) and by Rs 9.1bn YoY on a recovery in GRMs. The company expects a Rs 45bn of normal debt levels. **Capex** for quarter was ~Rs 3bn, (Rs 6.57bn in 9MFY25) while FY25 target is revised to Rs 7.5bn.
- **Crude Sourcing mix:** Indigenous contributed 15%, 15% Saudi, 25% Iraq, Russia 20%, and rest 25% on Spot from other countries. The Russian crude discounts were lower (USD2/bbl) and so the sourcing is decreasing and moving to spot purchases. In terms of the **slate mix**, the diesel contribution to the slate was ~45%, gasoline ~11%, ATF ~8% and lubes ~2%, fuel & loss 9%. The diesel spreads were more impacted due to shutdowns and inventory changes.
- **9MFY25 performance:** EBITDA at Rs 2.3bn (vs a of Rs 34.6bn in previous period) while PAT loss at Rs 2.8bn (vs a profit of Rs 21.3bn in previous period) and the reported GRM at USD3.4/bbl (vs USD9). The FCF is at negative Rs 4.8bn (vs a positive Rs 21.3bn in previous period) on weaker GRMs and plant shutdowns.

### Valuation

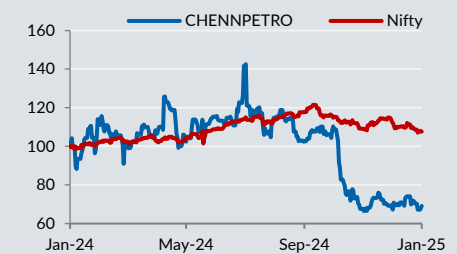
High GRM sensitivity: a USD1/bbl change in GRM changes EBITDA by Rs 7.1bn. Declared dividend of Rs 55/share in FY24 (9.4% dividend yield on CMP), 0.4/5.4/3.6% FY25e/26e/27e, would be key for shareholders. The BV/share for FY25e/26e/27e: Rs 582/659/709, debt on books is towards working capital requirements. At CMP, the stock trades at 11.8x/3.5x/4.3x FY25e/26e/27e EV/EBITDA and 1x/0.9x/0.8x P/BV. We maintain BUY rating, with a revised 12-mth TP of Rs1,000, valuing the stock at 7x FY27e EV/EBITDA (earlier TP Rs 1,100).

Reco	: BUY
CMP	: Rs 591
Target Price	: Rs 1,000
Potential Return	: +69.2%

### Stock data (as on Jan 17, 2025)

Nifty	23,203
52 Week h/l (Rs)	1275 / 563
Market cap (Rs/USD mn)	86130 / 995
Outstanding Shares (mn)	149
6m Avg t/o (Rs mn):	1,198
Div yield (%):	9.6
Bloomberg code:	MRL IN
NSE code:	CHENNPETRO

### Stock performance



	1M	3M	1Y
Absolute return	2.9%	-36.5%	-32.3%

### Shareholding pattern (As of Dec '24 end)

Promoter	67.3%
FII+DII	12.9%
Others	19.8%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1000	1100

### Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	7.7	108.3	71.1
EPS (Old)	14.5	111.2	69.8
% Change	-47.1	-2.6	1.9

### Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	567.8	554.3	542.7
YoY Growth	(14.5)	(2.4)	(2.1)
EBIDTA	10.3	30.5	23.2
OPM %	1.8	5.5	4.3
PAT	1.1	16.1	10.6
YoY Growth	(95.9)	1,315.5	(34.4)
ROE	1.3	17.5	10.4
EPS	7.7	108.3	71.1
P/E	77.2	5.5	8.3
BV	582.2	658.5	708.6
EV/EBITDA	11.8	3.5	4.3

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Lead Analyst

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Uvais Khatri, Associate

## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	129,254	125,615	121,728	2.90	6.18	Performance picks up, but falls short of expectations on shutdowns
EBITDA	2,419	2,689	2,672	(10.04)	(9.45)	
EBITDA Margin (%)	1.87	2.14	2.19	-27bps	-32bps	
Adjusted PAT	105	532	650	(80.33)	(83.90)	

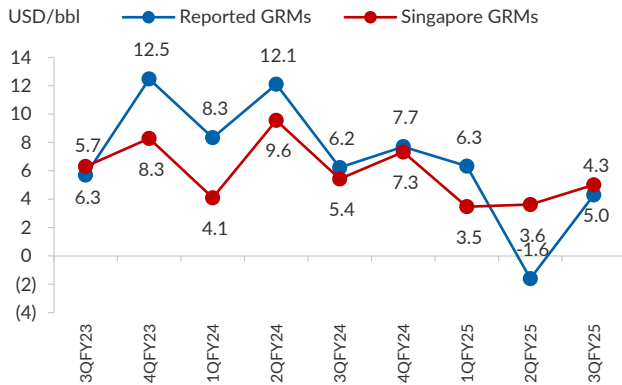
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
Revenue	173,759	177,202	170,950	120,865	129,254	(25.6)	6.9	486,653	421,069	(13.5)
Expenditure	166,674	166,785	164,315	127,609	126,835	(23.9)	(0.6)	452,025	418,759	(7.4)
-Raw Material	162,226	161,954	159,597	122,553	121,962	(24.8)	(0.5)	438,281	404,112	(7.8)
-Staff Cost	1,323	1,334	1,070	1,159	1,213	(8.3)	4.7	4,133	3,442	(16.7)
- Other Expenses	3,126	3,497	3,648	3,897	3,660	17.1	(6.1)	9,611	11,205	16.6
<b>Operating Profit</b>	<b>7,085</b>	<b>10,417</b>	<b>6,635</b>	<b>(6,744)</b>	<b>2,419</b>	<b>(65.9)</b>	<b>n.a.</b>	<b>34,627</b>	<b>2,310</b>	<b>(93.3)</b>
OPM(%)	4.1	5.9	3.9	(5.6)	1.9	-457 bps	n.a	7.1	0.5	-657 bps
Other Income	25	35	41	227	44	77.0	(80.6)	98	312	219.4
Depreciation	1,510	1,508	1,503	1,538	1,530	1.3	(0.5)	4,549	4,571	0.5
Interest	500	509	477	519	792	58.4	52.6	1,723	1,787	3.7
Excpnl Loss/(Profit)	-	-	-	-	-	n.a.	n.a.	-	-	n.a.
<b>PBT</b>	<b>5,100</b>	<b>8,435</b>	<b>4,696</b>	<b>(8,574)</b>	<b>141</b>	<b>(97.2)</b>	<b>n.a.</b>	<b>28,453</b>	<b>(3,736)</b>	<b>n.a.</b>
Tax	1,211	2,311	1,270	(2,279)	37	(97.0)	n.a.	7,175	(972)	n.a.
<b>PAT</b>	<b>3,889</b>	<b>6,124</b>	<b>3,426</b>	<b>(6,295)</b>	<b>105</b>	<b>(97.3)</b>	<b>n.a.</b>	<b>21,278</b>	<b>(2,764)</b>	<b>n.a.</b>
<b>Adj PAT</b>	<b>3,889</b>	<b>6,124</b>	<b>3,426</b>	<b>(6,295)</b>	<b>105</b>	<b>(97.3)</b>	<b>n.a.</b>	<b>21,278</b>	<b>(2,764)</b>	<b>n.a.</b>

## Exhibit 3: Operating highlights

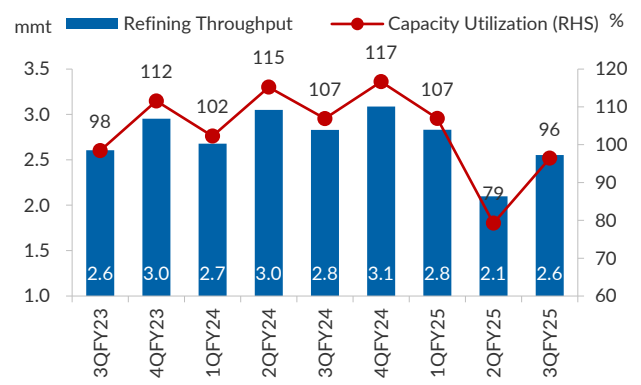
Particulars	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
Refining Throughput (mmt)	2.8	3.1	2.8	2.1	2.6	(9.8)	21.6	8.6	7.5	(12.6)
Capacity Utilization (%)	106.9	116.6	106.9	79.3	96.4	(9.8)	21.6	108.1	94.2	(12.9)
<b>GRMs (US\$/bbl)</b>										
Reported GRMs	6.2	7.7	6.3	(1.6)	4.3	(31.0)	(368.8)	9.0	3.4	(62.0)
Inv gains/ (loss)	0.3	(0.6)	1.1	(1.8)	(0.7)	n.a.	n.a.	0.7	(0.3)	n.a.
Core GRMs	5.9	8.3	5.2	0.2	5.0	(15.3)	2,400.0	8.3	3.7	(55.0)
Duties Adjusted Core GRMs										-
Singapore GRMs	5.4	7.3	3.5	3.6	5.0	(7.7)	38.3	6.5	4.0	(37.7)
<b>Export duty – RTP Reduction</b>										-
Rs bn	3.6	-	-	-	-	(100.0)	-	9.3	-	(100.0)
US\$/bbl	2.0	-	-	-	-	(100.0)	-	1.7	-	(100.0)
Debt Position (Rs mn)	47,867	27,497	43,776	60,584	56,934	18.9	(6.0)	47,867	56,934	18.9
Capex (Rs mn)	1,690	1,090	1,160	2,409	3,000	77.5	24.5	4,520	6,569	45.3
Forex Gains/(losses) (Rs mn)	(59)	(158)	-	-	(726)	1,130.5	-	(563)	(726)	n.a.
FCF (PAT+Dep-Capex) (Rs mn)	3,709	6,541	3,769	(7,166)	(1,365)	(136.8)	(80.9)	21,307	(4,763)	n.a.

**Exhibit 4: GRM**



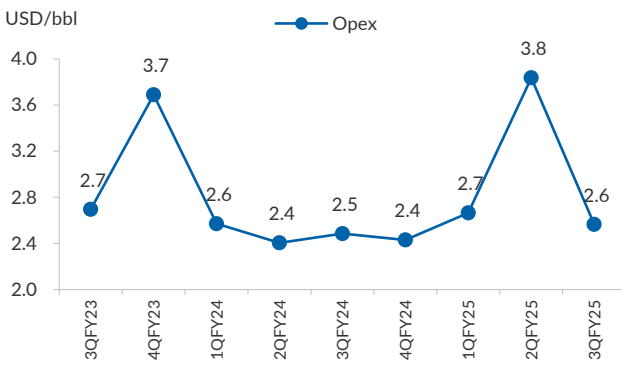
Source: Company, YES Sec

**Exhibit 5: Throughput**



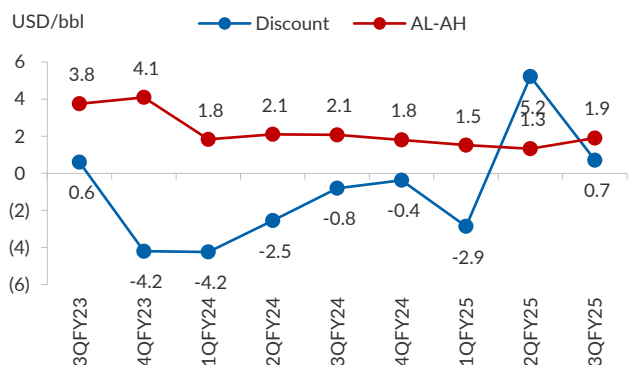
Source: Company, YES Sec

**Exhibit 6: Refining Opex**



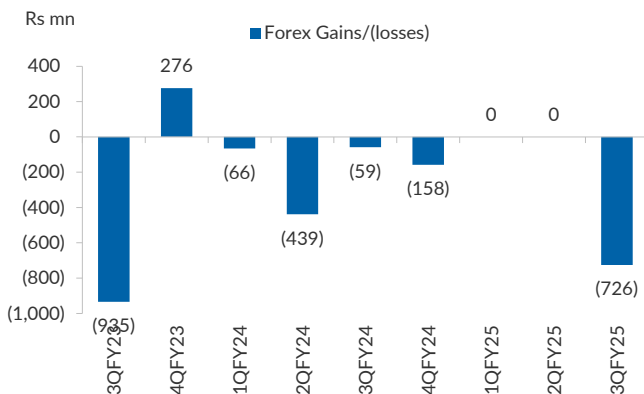
Source: Company, YES Sec

**Exhibit 7: Premium to the benchmark and AL-AH difference**



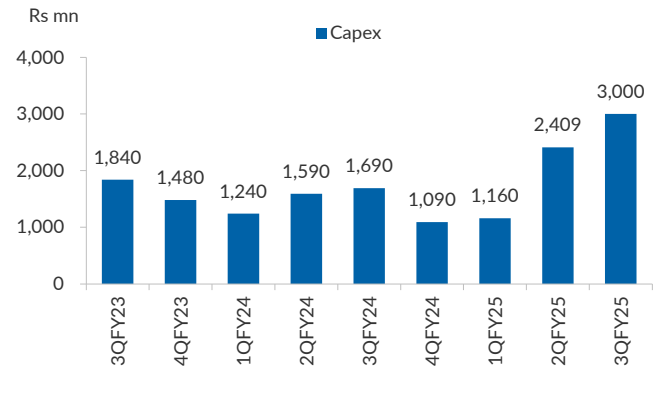
Source: Company, YES Sec

**Exhibit 8: Forex gains / (losses)**



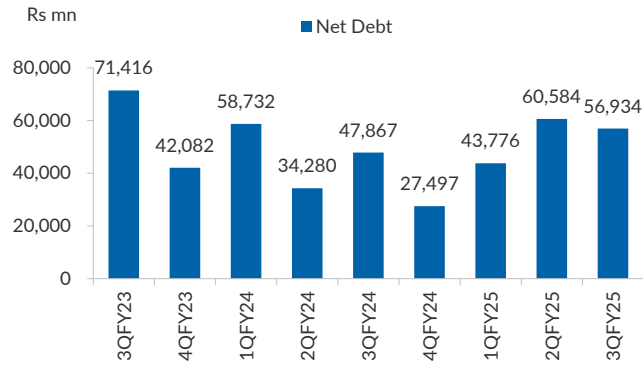
Source: Company, YES Sec

**Exhibit 9: Capex**



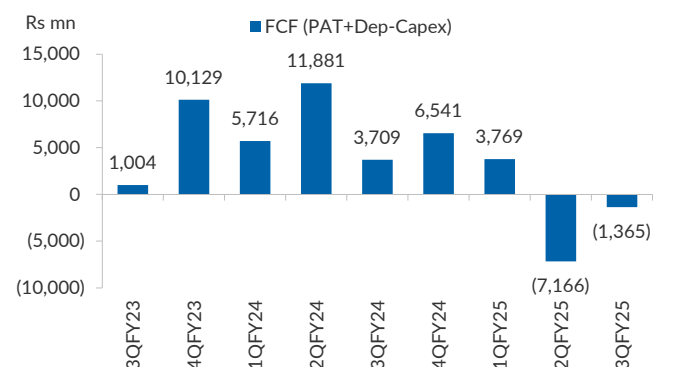
Source: Company, YES Sec

**Exhibit 10: Net debt**



Source: Company, YES Sec

**Exhibit 11: FCF changes**



Source: Company, YES Sec

## VIEW & VALUATION

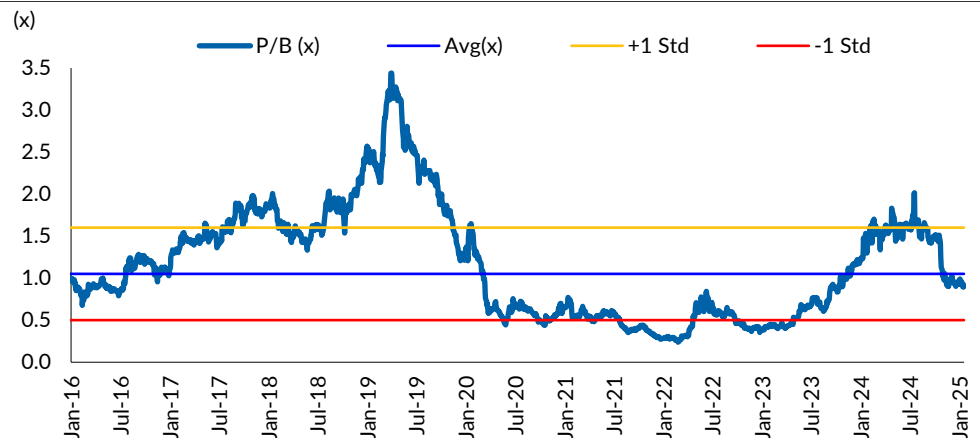
### BUY with a TP of Rs 1000/sh.

High GRM sensitivity: a USD1/bbl change in GRM changes EBITDA by Rs 7.1bn. Declared dividend of Rs 55/share in FY24 (9.4% dividend yield on CMP), 0.4/5.4/3.6% FY25e/26e/27e, would be key for shareholders. The BV/share for FY25e/26e/27e: Rs 582/659/709, debt on books is towards working capital requirements. At CMP, the stock trades at 11.8x/3.5x/4.3x FY25e/26e/27e EV/EBITDA and 1x/0.9x/0.8x P/BV. We maintain BUY rating, with a revised 12-mth TP of Rs1,000, valuing the stock at 7x FY27e EV/EBITDA (earlier TP Rs 1,100).

### Exhibit 12: Valuation table

EV/EBITDA	FY27E
Multiple	7.0
EBITDA	23,247
Debt	27,859
Cash	14,960
EV	161,800
Equity value	148,901
No of shares	149
VPS	1,000

### Exhibit 13: P/BV (x) band, one-year-forward



## FINANCIALS

**Exhibit 14: Income statement**

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	433,754	767,347	663,854	567,753	554,311	542,745
Total Expense	406,436	710,375	619,099	557,409	523,766	519,498
<b>Operating Profit</b>	<b>27,317</b>	<b>56,972</b>	<b>44,755</b>	<b>10,344</b>	<b>30,545</b>	<b>23,247</b>
Other Income	162	151	133	146	189	246
Depreciation	5,039	5,735	6,056	6,120	6,615	7,092
EBIT	22,441	51,389	38,832	4,370	24,120	16,401
Interest	4,124	3,302	2,233	2,822	2,568	2,257
Extraordinary Item	-	-	-	-	-	-
<b>PBT</b>	<b>18,316</b>	<b>48,087</b>	<b>36,599</b>	<b>1,548</b>	<b>21,551</b>	<b>14,144</b>
Tax	4,892	10,686	8,989	409	5,424	3,560
<b>PAT</b>	<b>13,424</b>	<b>37,401</b>	<b>27,610</b>	<b>1,139</b>	<b>16,127</b>	<b>10,584</b>
Adj. PAT	13,424	35,338	27,113	1,139	16,127	10,584
Eps	90.1	237.3	182.1	7.7	108.3	71.1

**Exhibit 15: Balance sheet**

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	1,489	1,489	1,489	1,489	1,489	1,489
Reserves	26,413	61,321	84,441	85,207	96,569	104,025
<b>Net worth</b>	<b>27,902</b>	<b>62,810</b>	<b>85,930</b>	<b>86,696</b>	<b>98,058</b>	<b>105,514</b>
Debt	92,383	42,596	27,859	34,859	22,859	27,859
Deferred tax liab (net)	5,631	7,646	8,143	8,143	8,143	8,143
<b>Capital Employed</b>	<b>125,917</b>	<b>113,051</b>	<b>121,932</b>	<b>129,698</b>	<b>129,060</b>	<b>141,516</b>
Fixed assets	81,762	79,680	77,161	79,549	82,019	84,013
Investments	119	120	120	120	120	120
Net working capital	44,035	33,252	44,651	50,030	46,921	57,384
Inventories	75,326	59,736	78,309	70,439	63,183	62,672
Sundry debtors	2,523	2,987	4,616	3,267	3,189	3,123
Cash & Bank Balance	120	86	943	885	4,470	14,960
Other current assets	12,989	15,812	19,886	19,715	19,691	19,671
Sundry creditors	32,401	30,071	42,825	27,999	27,336	26,765
Other liabilities	14,523	15,297	16,276	16,276	16,276	16,276
<b>Application of Funds</b>	<b>125,917</b>	<b>113,051</b>	<b>121,932</b>	<b>129,698</b>	<b>129,060</b>	<b>141,516</b>

## Exhibit 16: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	18,316	48,081	36,599	1,548	21,551	14,144
Depreciation & amortization	5,022	5,726	6,050	6,120	6,615	7,092
Interest expense	(177)	3,302	2,233	2,822	2,568	2,257
(Inc)/Dec in working capital	(237)	(151)	(132)	-	-	-
Tax paid	(17,218)	8,541	(8,824)	(5,436)	6,694	27
Less: Interest/Dividend Income Received	204	10,074	9,185	(409)	(5,424)	(3,560)
Other operating Cash Flow	4,348	(18,082)	(18,168)	-	-	-
<b>Cash flow from operating activities</b>	<b>10,259</b>	<b>57,490</b>	<b>26,943</b>	<b>4,645</b>	<b>32,005</b>	<b>19,961</b>
Capital expenditure	(6,997)	(4,178)	(6,027)	(8,507)	(9,086)	(9,086)
Inc/(Dec) in investments	237	151	132	-	-	-
Add: Interest/Dividend Income Received	2	1	3	-	-	-
<b>Cash flow from investing activities</b>	<b>(6,759)</b>	<b>(4,025)</b>	<b>(5,892)</b>	<b>(8,507)</b>	<b>(9,086)</b>	<b>(9,086)</b>
Inc/(Dec) in share capital	-	-	-	-	-	-
Inc/(Dec) in debt	(62)	(48,886)	(14,814)	7,000	(12,000)	5,000
Interest Paid	(3,367)	(4,352)	(2,227)	(2,822)	(2,568)	(2,257)
Dividend Paid	-	(298)	(4,021)	(372)	(4,765)	(3,127)
Others	-	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(3,428)</b>	<b>(53,536)</b>	<b>(21,061)</b>	<b>3,805</b>	<b>(19,334)</b>	<b>(384)</b>
<b>Net cash flow</b>	<b>72</b>	<b>(71)</b>	<b>(11)</b>	<b>(57)</b>	<b>3,585</b>	<b>10,491</b>

## Exhibit 17: Du-pont analysis

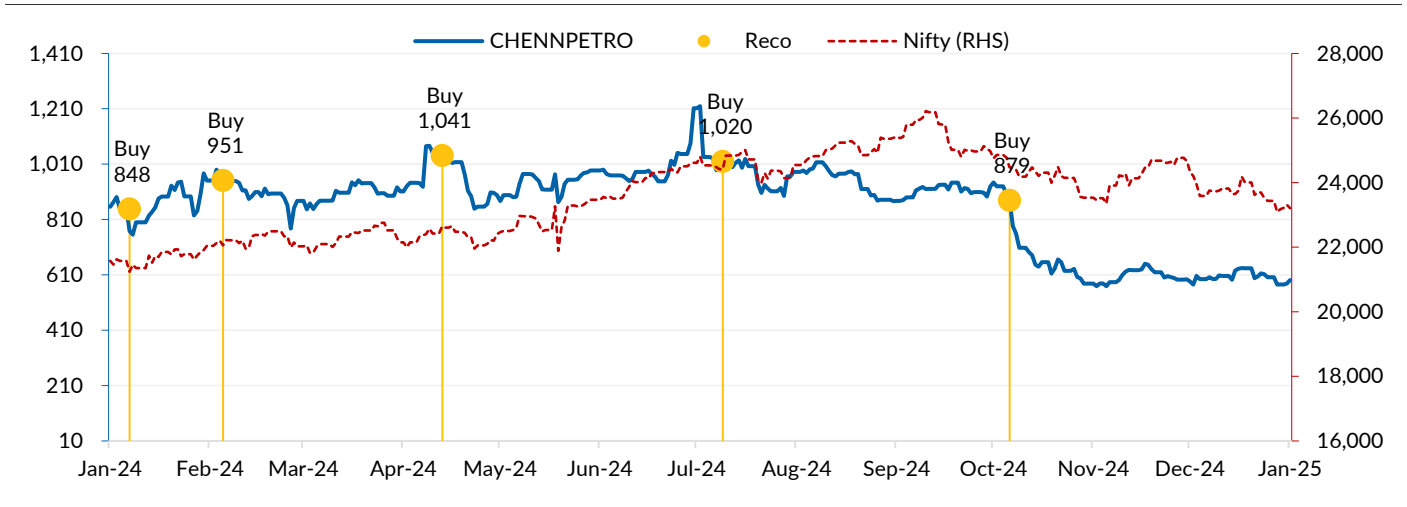
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.7	0.8	0.8	0.7	0.7	0.7
Interest burden (x)	0.8	0.9	0.9	0.4	0.9	0.9
EBIT margin (x)	0.1	0.1	0.1	0.0	0.0	0.0
Asset turnover (x)	2.8	4.6	3.9	3.2	3.2	3.0
Financial leverage (x)	7.4	3.7	2.3	2.1	1.9	1.8
RoE (%)	63.7	82.5	37.1	1.3	17.5	10.4

## Exhibit 18: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>						
Revenue growth	93.3	76.9	(13.5)	(14.5)	(2.4)	(2.1)
Op profit growth	35.9	108.6	(21.4)	(76.9)	195.3	(23.9)
EBIT growth	35.9	129.0	(24.4)	(88.7)	451.9	(32.0)
Net profit growth	50.2	178.6	(26.2)	(95.9)	n.a.	(34.4)
<b>Profitability ratios (%)</b>						
OPM	6.3	7.4	6.7	1.8	5.5	4.3
EBIT margin	5.2	6.7	5.8	0.8	4.4	3.0
Net profit margin	3.1	4.9	4.2	0.2	2.9	2.0
RoCE	19.3	43.0	33.1	3.5	18.6	12.1
RoE	63.7	82.5	37.1	1.3	17.5	10.4
RoA	8.6	22.6	16.3	0.6	9.3	5.9
<b>Per share ratios</b>						
EPS	90.1	237.3	182.1	7.7	108.3	71.1
Dividend per share	2.0	27.0	55.0	2.5	32.0	21.0
Cash EPS	124.0	289.7	226.1	48.7	152.7	118.7
Book value per share	187.4	421.8	577.1	582.2	658.5	708.6
<b>Valuation ratios</b>						
P/E	1.4	1.0	3.2	77.2	5.5	8.3
P/CEPS	1.0	0.8	2.6	12.1	3.9	5.0
P/B	0.7	0.6	1.0	1.0	0.9	0.8
EV/EBIDTA	4.1	1.4	2.6	11.8	3.5	4.3
<b>Payout (%)</b>						
Dividend payout	2.2	11.4	30.2	32.7	29.5	29.5
Tax payout	26.7	26.5	25.9	26.4	25.2	25.2
<b>Liquidity ratios</b>						
Debtor days	1.90	1.3	2.1	2.1	2.1	2.1
Inventory days	54.9	36.7	41.7	48.0	46.0	46.0
Creditor days	21.6	14.9	20.0	18.0	18.0	18.0



## Recommendation Tracker



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Analyst signature

Analyst signature

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