Institutional Equities | Energy

Choice Institutional Equities

Q1FY27 Result Update

CPCL: Structural Diesel Tightness Lifts Earnings Outlook

BUY

July 24, 2026 | CMP: INR 1,215 | Target Price: INR 1,540

Expected Share Price Return: 26.7% I Dividend Yield: 5.1% I Potential Upside: 31.8%

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)	1,354/621
Mkt Cap (Bn)	INR 180.5/ $1.9
Shares o/s (Mn)	148.9

Change in Estimates

	FY27E			FY28E		
INR Bn	**New**	**Old**	**Dev.**	**New**	**Old**	**Dev.**
Revenues	1,073.5	1,095.7	-2%	983.3	983.3	0%
EBIT	62.2	56.5	10%	79.8	69.9	14%
EBITM %	5.8%	5.2%	60bps	8.1%	7.1%	100bps
EPS	313	284	10%	401	351	14%

Actual vs CIE Estimates

INR Bn	Q1FY27A	CIE Est.	Dev.%
Revenue	273.7	242.6	12.8
EBITDA	15.5	15.7	(0.8)
EBITDAM %	5.7	6.5	(78) Bps
Adj, PAT	9.9	3.9	4.1

Key Financials

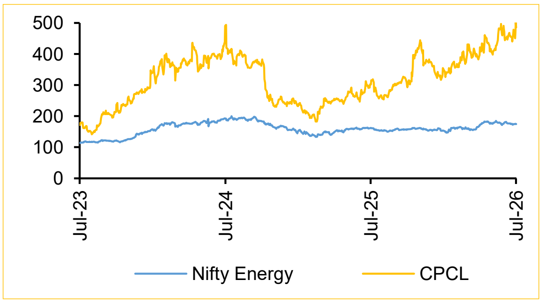
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	711	786	1,074	983	951
YoY	-10%	11%	37%	-8%	-3%
EBITDA	10	48	68	87	90
EBITDAM	1.4%	6.1%	6.4%	8.8%	9.4%
Adj PAT	2	31	47	60	62
ROE	2.5%	32.1%	36.6.4%	36.3%	29.8%
ROCE	5.2%	33.3%	39.3%	39.9%	34.0%

Shareholding Pattern (%)

	Jun-26	Mar-26	Dec-25
Promoters	67.29	67.29	67.29
FIIs	14.98	12.59	12.87
DIIs	1.01	2.11	1.02
Public	16.71	18.00	18.82

Relative Performance (%)

YTD	3Y	2Y	1Y
NIFTY ENERGY	53.9	-9.1	7.8
CPCL	182.3	-1.1	63.3



Source: Bloomberg, Choice Institutional Equities

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Q1FY27 Energy Oil & Gas Result Preview

Refinery Thematic The Great Refinery Migration

In Q1FY27, CPCL's revenue beat CIE estimate by 13% at INR 274 Bn, while EBITDA was in line at INR 15,549 Mn (CIE estimate of 15,670 Mn) and adjusted PAT reached INR 9,928 Mn (CIE estimate of 9,539 Mn). 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 -2%/0%, 10%14%, 10%/14% respectively, as we now expect better product cracks as compared to our previous assumptions. We have lowered terminal growth rate from 3.0% to 1.5% as we expect higher pressure on global diesel demand in the next decade compared to 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.

Revenue Beat while EBITDA in line with CIE estimates

- Revenue for Q1FY27 was up 84.8% YoY & up 62.7% QoQ at INR 274 Bn (vs CIE est. 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%)

Geopolitical Friction and Depleted Inventory Hubs Support Global Distillate Cracks

Global middle distillate fundamentals are tightening sharply as structural supply shortfalls coincide with geopolitical disruptions and depleted inventories. Europe continues to face a persistent deficit, exacerbated by reduced refinery throughput in the Middle East and elevated shipping risks 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 US refiners are operating at near-record distillate production levels of approximately 5.3 million barrels per day, robust export demand from Europe and South America is drawing significant volumes out of the domestic market, leading to a steady erosion of US inventories. 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 disruptions.

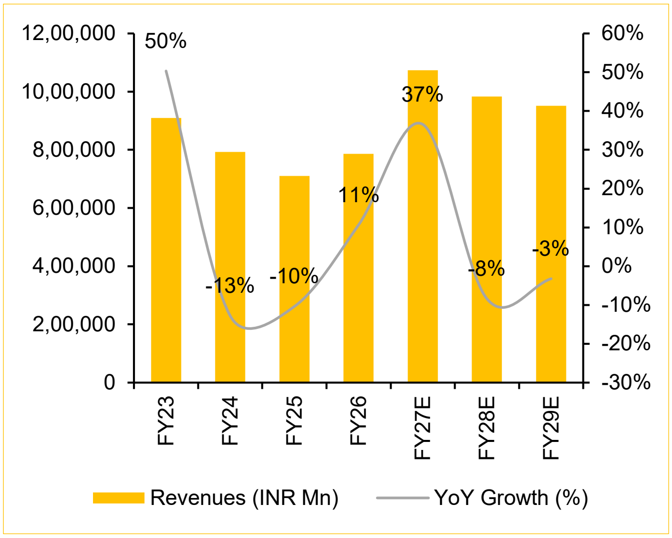
A Supportive Diesel Cycle Strengthens the CPCL Investment Case

We expect diesel cracks to remain structurally strong through FY27 as the global middle distillate market continues to face persistent supply-side constraints. The rationalisation of China's independent refining sector has reduced the market's ability to respond quickly to supply disruptions, 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, opportunities to meaningfully replenish inventories appear 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 is well positioned to benefit from a supportive diesel pricing environment and stronger refining economics.**

CPCL (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Net Revenue	2,73,693	1,48,122	84.8	1,68,173	62.7
Gross Profit	21,807	6,545	233.2	28,182	(22.6)
EBITDA	15,549	986	1476.4	20,361	(23.6)
PAT	10,314	(401)	NM	14,219	(27.5)
Adjusted PAT	9,928	(401)	NM	14,219	(30.2)
Margins	**Q1FY27**	**Q1FY26**	**YoY (bps)**	**Q4FY26**	**QoQ (bps)**
Gross Margin (%)	8.0%	4.4%	354.9	16.8%	(879)
EBITDA Margin (%)	5.7%	0.7%	501.5	12.1%	(643)
PAT Margin (%)	3.8%	-0.3%	403.9	8.5%	(469)

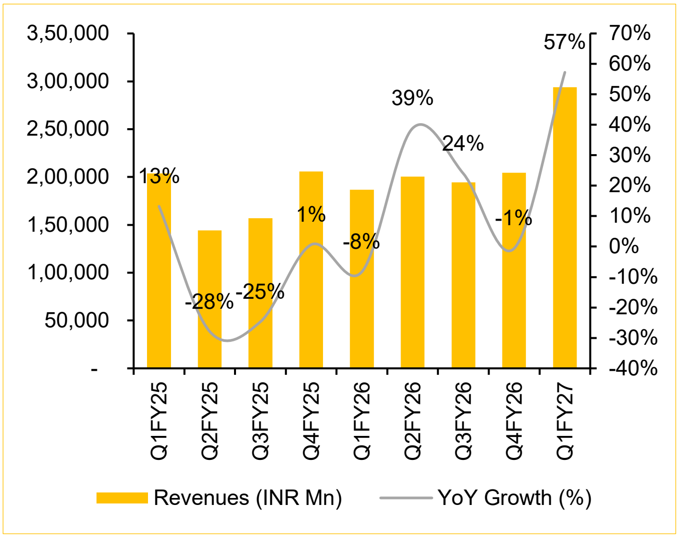
Source: CPCL, Choice Institutional Equities

Revenue momentum supported by recovery across FY26–FY29E



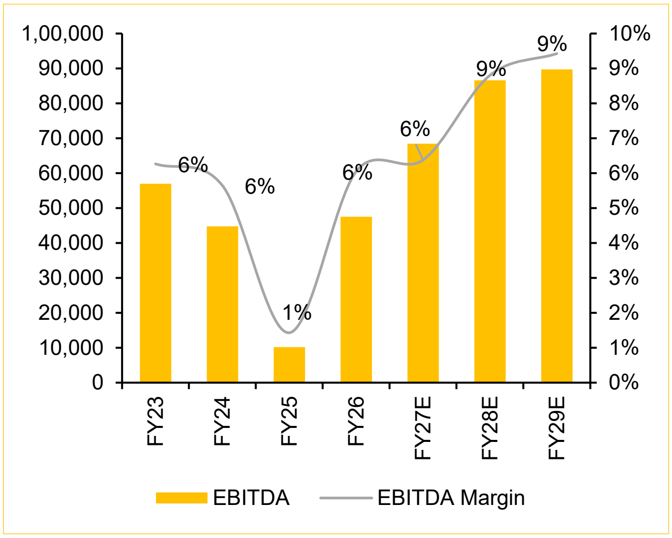
Source: CPCL, Choice Institutional Equities

Quarterly strong yoy growth with improving growth momentum



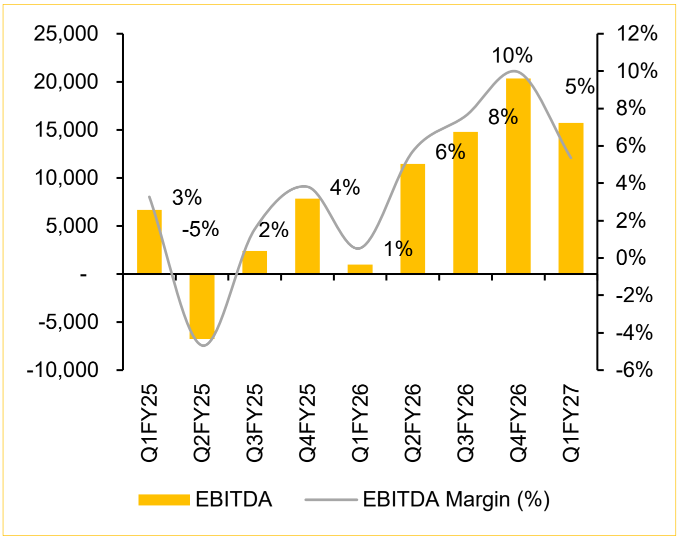
Source: CPCL, Choice Institutional Equities

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



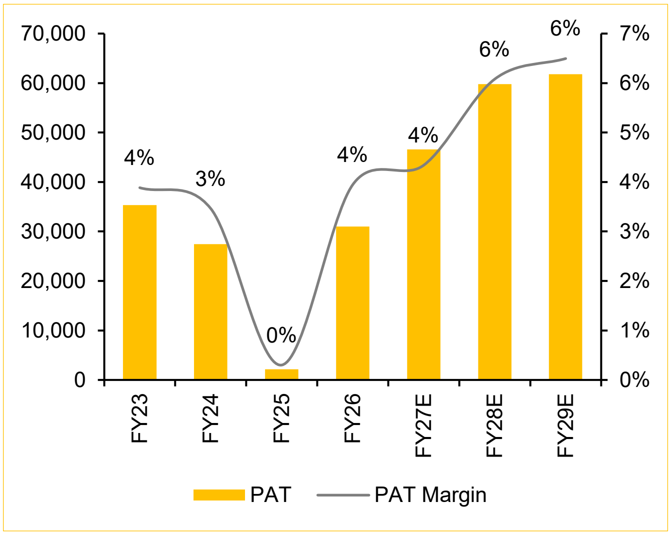
Source: CPCL, Choice Institutional Equities

Quarterly EBITDA margin impacted on the back of inventory losses in Q1FY27



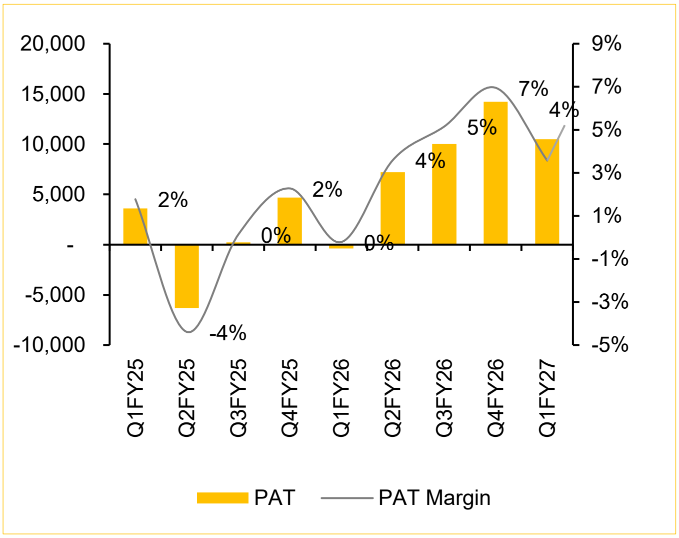
Source: CPCL, Choice Institutional Equities

Net profit expected to grow ~25% 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	7,10,500	7,86,100	10,73,497	9,83,293	9,51,675
Gross Profit	29,457	73,502	90,016	1,06,299	1,08,783
EBITDA	10,158	47,564	68,483	86,576	89,694
Depreciation	6,067	6,100	6,272	6,690	7,073
EBIT	4,091	41,464	62,211	79,886	82,621
Other Income	252	654	1,094	1,002	970
Interest Expense	2,445	1,201	1,192	1,183	1,174
PAT	2,141	31,020	46,585	59,779	61,813
EPS	14	208	313	401	415

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	-10.4	10.6	36.6	-8.4	-3.2
Gross Profit	-53.5	149.5	22.5	18.1	2.3
EBITDA	-77.3	368.2	44.0	26.4	3.6
EBIT	-92.2	1348.9	50.2	28.3	3.4
Margin Ratios (%)					
Gross Profit Margin	4.1	9.4	8.4	10.8	11.4
EBITDA Margin	1.4	6.1	6.4	8.8	9.4
PAT Margin	0.3	3.9	4.3	6.1	6.5
Profitability (%)					
ROE	2.5	32.1	36.6	36.3	29.8
ROIC	3.6	23.9	29.1	29.6	25.3
ROCE	5.19	33.34	39.34	39.92	34.02
Working Capital (x)					
Inventory Days	46.3	47.5	40.9	53.6	56.4
Receivable Days	1.7	1.0	1.3	2.0	2.1
Creditor Days	24.1	22.9	15.6	16.2	17.0
Working Capital Days	0.0	14.2	20.8	38.0	54.9
Valuation Metrics					
No of Shares (Mn)	148.9	148.9	148.9	148.9	148.9
EPS (INR)	14.4	208.3	312.8	401.4	415.1
BVPS (INR)	551.1	746.0	965.0	1,246.0	1,536.6
PE	42.8	7.4	4.9	3.8	3.7
P/BV	1.1	2.1	1.6	1.2	1.0
EV/EBITDA	93.0	48.5	33.7	26.3	24.8
EV/Sales	1.3	2.9	2.1	2.3	2.3

Source: CPCL, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

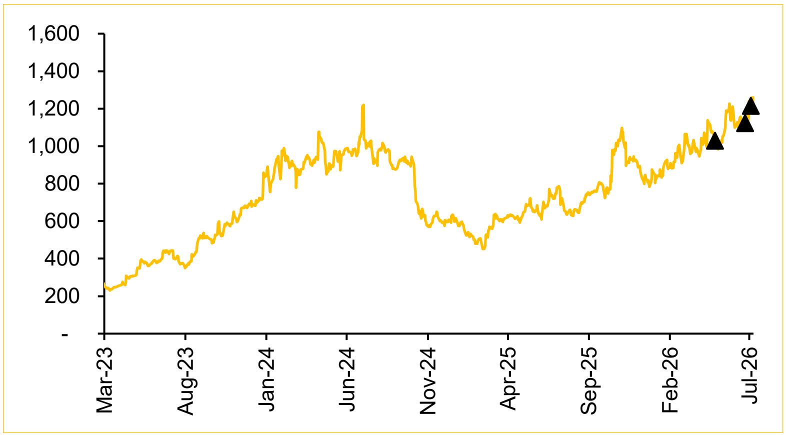
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Tangible fixed assets	72,891	71,376	73,163	73,848	76,291
CWIP	2,080	3,455	3,455	3,455	3,455
Investments	2,801	4,059	4,059	4,059	4,059
Cash & Cash equivalents	1,840	9,050	10,151	42,910	90,034
Other non-current assets	1,614	2,001	2,001	2,001	2,001
Other current assets	3,502	3,877	3,877	3,877	3,877
Total assets	**1,70,650**	**2,00,346**	**2,23,936**	**2,68,974**	**3,09,457**
Shareholder's funds	82,067	1,11,092	1,43,702	1,85,547	2,28,816
Minority Interest	0	0	0	0	0
Borrowings	1,581	3,248	3,104	2,959	2,815
Other current liabilities	4,639	4,498	4,498	4,498	4,498
Total equity & liabilities	**1,70,650**	**2,00,346**	**2,23,936**	**2,68,974**	**3,09,457**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	13,524	29,441	23,378	58,392	75,533
Cash Flows from Investing	-6,495	-9,298	-6,957	-6,372	-8,547
Cash Flows from Financing	-5,191	-12,941	-15,312	-19,261	-19,862

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	99.8	99.8	99.8
EBIT Margin (%)	0.6	5.3	5.8	8.1	8.7
Asset Turnover	4.0	4.2	5.1	4.0	3.3
Equity Multiplier	2.1	1.9	1.7	1.5	1.4
ROE (%)	2.5	32.1	36.6	36.3	29.8

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

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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
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