

CHENNAI PETROLEUM CORPORATION LTD (CPCL) – SELL

Q4FY26 Result Update

Current Market Price (CMP) Rs. 1035	Fair Value (FV) Rs.877
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Rationale:

- Earning volatility continues as the war in West Asia boosted refining margins.
- Average gross refining margin for FY26 is \$9.28/bbl as against \$4.22 per bbl in FY25.
- A significant portion of profit in Q4FY26 came from inventory gains due to rising crude prices.
- CPCL plans to set up retail fuel outlets with Rs. 400 cr investment.
- In FY26, CPCL has received approval to set up 300 retail outlets in India.
- Due to global supply disruption, benchmark refining margins remain volatile.
- We maintain our SELL rating with a target price of Rs.877.
- CPCL continues to be a high beta play on refining margins, not a stable compounder. Our valuation is based on 5x FY28E EPS.

👍 Positives:

- A strong operational performance in Q4FY26, with EBITDA coming in at Rs.2,036 cr, up 38% qoq and ~3% ahead of our estimates.
- Operationally, crude throughput increased to 29.3 lakh tonnes (vs. 27.9 lakh tonnes in Q3FY26), with capacity utilization remaining robust at 111.6%.
- PAT came in at Rs.1,422 cr, significantly higher than our estimate of Rs.1,357 cr.

👎 Negatives:

- Revenue stood at Rs.20,455 cr, reflecting a 5% qoq increase, albeit below our estimate of Rs.21,955 cr.
- The company has reported Rs200 cr forex loss in Q4FY26 and Rs.350 cr in FY26.

(EBITDA: Earnings before Interest, Tax, Depreciation & Amortization, PAT: Profit after tax, EPS: Earnings per share, bbl: barrels, Forex: Foreign Exchange)



The content of this document has been derived from Kotak Securities PCG research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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Definitions of ratings

BUY	– We expect the stock to deliver more than 15% returns over the next 12 months
ADD	– We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	– We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	– We expect the stock to deliver < -5% returns over the next 12 months
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NA	– Not Available or Not Applicable. The information is not available for display or is not applicable
NM	– Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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