September 08, 2025

Chennai Petroleum Corporation Limited: Ratings reaffirmed; ratings on matured NCD withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture programme	810.00	0.00	[ICRA]AAA(Stable) reaffirmed and withdrawn;
Commercial paper	7,500.00	7,500.00	[ICRA]A1+ reaffirmed
Total	**8,310.00**	**7,500.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reflect the majority ownership (51.9%) of Indian Oil Corporation Limited (IOCL; rated [ICRA]AAA(Stable)/[ICRA]A1+) in Chennai Petroleum Corporation Limited (CPCL) and the strong business linkages between them, particularly for sourcing imported crude oil and product offtake. ICRA believes IOCL would support CPCL to meet its financial obligations should the need arise. CPCL remains strategically important to IOCL as the latter meets its product requirement for the South Indian market from the former.

The ratings also reflect CPCL's established position in the refining business and its strong operational efficiencies operating at high utilisation levels with crude throughput of 10.45 MMT in FY2025 against a nameplate capacity of 10.5 MMTPA. The company reported a GRM of $4.22/bbl in FY2025 on account of softening of crack spreads.

The ratings, however, also consider the vulnerability of the company's profitability to the global refining margin cycle, import duty protection and INR-US$ parity levels. The company is also exposed to project implementation risks as CPCL has an ongoing investment/capex cycle. However, this risk is significantly mitigated by the Group's track record of implementing several large projects. The company, in a joint venture (JV) with IOCL, is setting up a 9-MMTPA refinery project at Cauvery Basin Refinery, Nagapattinam district. CPCL's equity investment based on revised project cost of Rs. 38,830 crore (initial approval cost was Rs. 36,354 crore) is estimated at ~Rs. 2,915 crore towards its 25% contribution. At present, there is a proposal to increase petrochemical yield of the proposed new refinery. In case this proposal is approved, the project cost and the timeline for commissioning may get revised. Any increase in the project cost would be funded in a similar debt:equity ratio of 2.33:1 (revised from initial planned debt equity ratio of 2:1). The additional equity contribution will be in the ratio of 75:25 for IOCL and CPCL, respectively.

ICRA has reaffirmed and withdrawn the rating of [ICRA]AAA(Stable) on the Rs. 810-crore non-convertible debentures (ISIN - INE178A08029). The NCD (INE178A08029) was fully redeemed/there is no amount outstanding against the rated instrument. The rating was withdrawn in accordance with the policy on withdrawal of credit ratings.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that CPCL will continue to benefit from its strategic importance to the IOCL Group, its favourable geographic location and strong operational efficiencies.

Key rating drivers and their description

Credit strengths

Strong parentage lends flexibility - IOCL has a controlling stake in the company with a 51.9% shareholding. CPCL derives significant operational benefits as part of the IOCL Group for sourcing imported crude oil and product offtake. IOCL had also extended financial support to CPCL in FY2016 by subscribing to Rs. 1,000.0-crore non-convertible preference shares on a private placement basis. However, in June 2018, with the improvement in financial performance in the preceding two fiscals, CPCL repaid Rs. 500.0 crore of non-convertible preference shares to IOCL. ICRA believes due to CPCL's strategic position within the IOCL Group in South India, it would support CPCL to meet its financial obligations, should the need arise.

IOCL, being the largest oil refining and marketing company in India, commands considerable economic importance. IOCL holds significant strategic importance for the GoI as it helps in meeting the socio-economic objectives of the Government through control on prices of sensitive products like subsidised liquefied petroleum gas (LPG) and superior kerosene oil (SKO). The IOC Group is also the largest contributor to the Government exchequer. Thus, the sovereign support is expected to continue, going forward. The IOCL Group dominates the domestic refining sector with a share of over 30%. It is also the leading public oil marketing company with a healthy market share in the petroleum products sold in the country (including private players). The IOCL Group has the largest marketing network spanning across the country and undertakes multiple branding and customer loyalty initiatives.

Further, due to CPCL's extensive track record and strong parentage, it enjoys high financial flexibility with its lenders, allowing it to avail debt at a short notice at low interest rates.

Healthy operational profile – CPCL's refinery has been operating at healthy capacity utilisation. In FY2025, the company crude throughput of 10.4 MMT (11.6 MMT in FY2024) against a nameplate capacity of 10.5 MMTPA. The throughput in FY2025 is slightly lower due to one planned maintenance shutdown in the period. The company reported lower GRM in FY2025 in line with moderation in crack spreads in the international market across product slate. The company reported GRM of $4.22/bbl in FY2025 and $8.64/bbl in FY2024.

Low demand risk due to locational advantage; integrated operations of Group mitigate cyclicality risk in refining segment of consolidated entity – CPCL benefits from being the only refinery company for the IOCL Group in South India, resulting in low demand risk. Over the last decade, IOCL has implemented several pipeline projects to evacuate products from CPCL in a cost-effective manner and to strengthen its presence in the southern market.

Credit challenges

Project implementation risks partly mitigated by Group's track record in implementing projects - The company is setting up a 9-MMTPA refinery project at Cauvery Basin Refinery, Nagapattinam district, in a JV with parent IOCL. CPCL's equity investment based on revised project cost of Rs. 38,830 crore (initial approval cost was Rs. 36,354 crore) is estimated at ~Rs. 2,915 crore towards its 25% contribution. Any increase in the project cost would be funded in similar ratios of debt: equity of 2.33:1. The additional equity contribution will be in the ratio of 75:25 of IOCL and CPCL, respectively.

Any material time or cost overruns in the project could increase the company's equity investment and moderate the credit metrics. However, the risk is largely mitigated by the Group's proven track record of successfully implementing several large projects.

Vulnerability of profitability to global refining margin cycle, import duty protection and INR-US$ parity levels – Given the nature of the business, CPCL has limited pricing flexibility, and its margins are vulnerable to the movements in international crude prices and crack spreads, import duty differentials and foreign exchange rates (INR-US$). This was reflected in the past, when the company's margins contracted because of inventory losses and weak crack spreads.

Environmental and social risks

CPCL is exposed to the risks of tightening regulations on environment and safety. However, it has been compliant with the environmental regulations, enabling it to mitigate the regulatory risks by demonstrating a sound operational track record and ensuring regulatory compliance. Further, CPCL has set a goal of becoming a net-zero carbon emitter by 2046. Nonetheless, CPCL remains exposed to the longer term risk of the ongoing shift towards a future that is less dependent on fossil fuels. However, this risk will play out over the future as at present, India remains heavily dependent on oil and gas imports.

Liquidity position: Adequate

The company's cash flow from operations remained positive in FY2025 and likely to improve in FY2026. CPCL has a repayment obligation ~Rs. 1,335 crore in FY2026, out of which it has already repaid NCD worth Rs. 810 crore and has an ongoing investment/capex cycle. However, the liquidity is expected to remain adequate, supported by its cash accruals, unutilised working capital limits and the ability to raise funds at short notice for refinancing, if required, benefiting from the strong financial flexibility with lenders.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Pressure on CPCL's ratings could arise if there is a sustained weakening of the credit profile of CPCL, or if the credit profile of its parent, IOC, weakens, or if the linkages between IOC and CPCL weaken.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Refining And Marketing Policy on Withdrawal of Credit Ratings
Parent/Group support	**Parent – Indian Oil Corporation Limited** ICRA expects CPCL's parent, IOCL, to remain willing to extend financial support to CPCL, (rated [ICRA]AAA(Stable)/[ICRA]A1+), should there be a need, given the high strategic importance that CPCL holds for IOC and the strong operational linkages between the two companies
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CPCL. As on March 31, 2025, the company had three joint ventures, which are all enlisted in Annexure II.

About the company

CPCL, earlier known as Madras Refineries Limited (MRL), was established in December 1965 as a joint venture of the Government of India (GoI), Amoco Inc. of the US (Amoco), and the National Iranian Oil Company (NIOC), with their initial equity contributions in the venture being in a ratio of 74:13:13. In 1985, Amoco divested its equity holding in favour of the GoI. CPCL came out with a public issue in 1994, wherein the GoI divested part of its equity stake. In FY2001, the GoI sold its stake in CPCL to IOCL as part of its efforts to insulate standalone refineries from market volatility, following the dismantling of the administered pricing mechanism (APM). As on June 30, 2024, IOCL held a 51.9% equity stake in CPCL, with Naftiran Intertrade Company Limited[1] and others holding 15.4% and 32.7%, respectively. CPCL currently operates a 10.5-MMTPA refinery in Manali, near Chennai. Being a standalone refinery, CPCL's products, barring a few industrial feedstock and fuels, have always

[1] *is a subsidiary of the National Iranian Oil Company (NIOC)*

been sold by oil marketing companies. After IOCL's acquisition of a majority stake in CPCL, the bulk of the latter's output is sold through IOCL.

CPCL, in a joint venture (JV) with IOCL, is setting up a 9-MMTPA refinery project at Cauvery Basin Refinery, Nagapattinam district. CPCL's equity investment based on revised project cost of Rs. 38,830 crore (initial approval cost was Rs. 36,354 crore) is estimated at ~Rs. 2915 crore towards its 25% contribution. Petrol and diesel of Bharat Stage-VI specifications and polypropylene as a value-added product are key products envisaged to be produced from the Cauvery Basin Refinery. Additionally, the company is in the process of entering marketing segment by setting up new Retail Outlets under CPCL brand name. The company has received approval for setting up 300 Retail Outlets over a period of 5 years starting FY26.

Key financial indicators (audited)

CPCL (consolidated)	FY2024	FY2025
Operating income	66,385.7	59,356.0
PAT	2,708.5	155.3
OPBDIT/OI	6.9%	1.9%
PAT/OI	4.1%	0.3%
Total outside liabilities/Tangible net worth (times)	1.4	1.8
Total debt/OPBDIT (times)	0.6	2.8
Interest coverage (times)	20.3	4.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				Sep 08, 2025	Sep 11, 2024	Sep 19, 2023	Sep 20, 2022
1	**NCD**	Long-term	810.0	**[ICRA]AAA (Stable) Withdrawn**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**
2	**NCD**	Long-term	-	-	**[ICRA]AAA (Stable); Withdrawn**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**
3	**NCD**	Long-term	-	-	**[ICRA]AAA (Stable); Withdrawn**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**
4	**Commercial Paper**	Long-term	7500.0	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	Very Simple
NCD	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE178A0 8029	**NCD**	17-Jul-2020	5.78%	17-Jul-2025	810.0	[ICRA]AAA(Stable); withdrawn
NA	**Commercial Paper**	NA	NA	NA	7500.0*	[ICRA]A1+

*Source: Company; * Not placed as on August 31, 2025*

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Indian Additives Ltd.	50.00%	Equity Method
National Aromatics and Petrochemicals Corporation Ltd.	50.00%	Equity Method
Cauvery Basin Refinery and Petrochemicals Ltd	25.00%	Equity Method

Source: Company annual report FY2025

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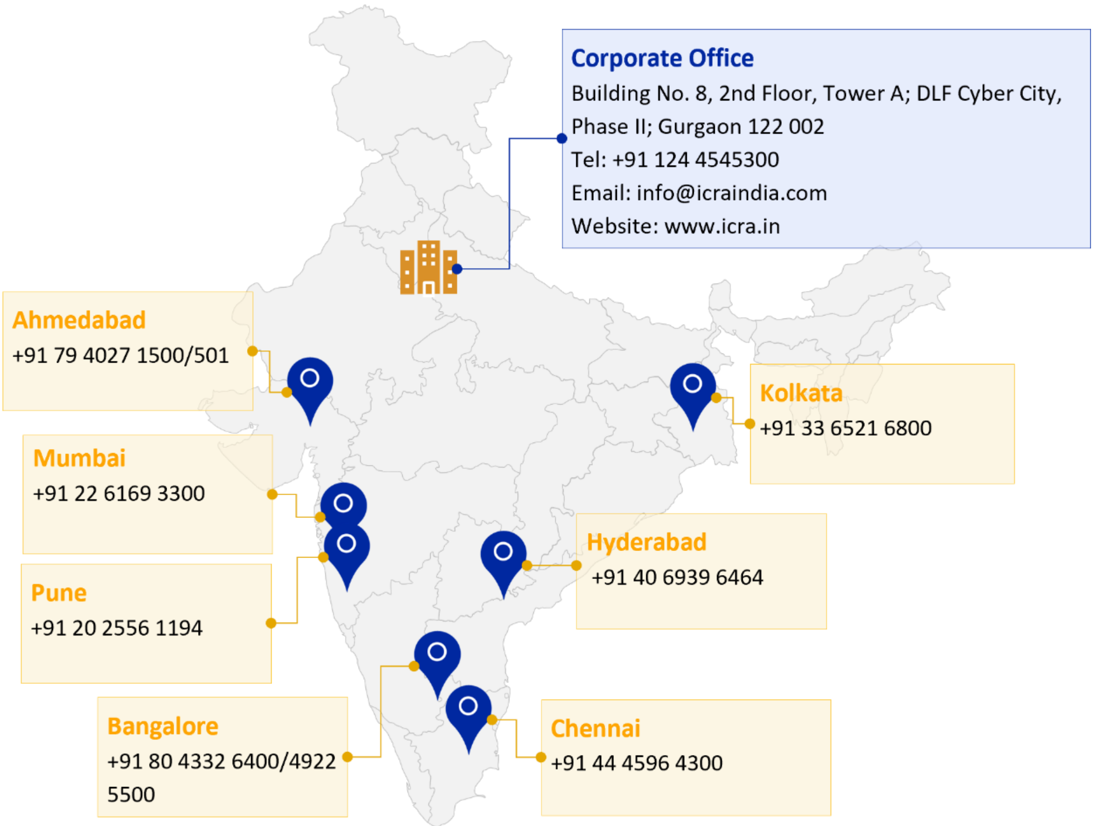

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