September 14, 2026

Chennai Petroleum Corporation Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Commercial paper	7500.0	7500.0	[ICRA]A1+; reaffirmed	RBI
Total	**7500.0**	**7500.0**		

**Instrument details are provided in Annexure-I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The rating reflects 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. The strong sponsor profile lends exceptional financial flexibility and operational benefits for CPCL. 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 rating continues to factor in CPCL's favourable refinery location on the east coast, in proximity to the Chennai port which provides logistical advantages for crude sourcing and product evacuation. The rating also derives comfort from CPCL's strategic presence near Chennai, supporting steady demand for petroleum products while enabling efficient distribution with relatively lower transportation costs.

The rating also reflects CPCL's established position in the refining business and its strong operational efficiencies operating at high utilisation levels with crude throughput of 11.71 MMT in FY2026 against a nameplate capacity of 10.45 MMTPA. The company reported improved GRM of $8.78/bbl in Q1 FY2027 and $9.28/bbl in FY2026 in line with improvement in crack spreads for major products like HSD and ATF.

The rating however, considers the vulnerability of the company's profitability to the global refining margin cycle, import duty protection and INR-USD parity levels. Additionally, the rating remains vulnerable to asset concentration risk owing to CPCL's single-location refinery.

The company is also exposed to project implementation risks as CPCL is in the middle of an investment/capex cycle. However, the risk is significantly mitigated by the Group's track record of implementing several large projects. The company, through a joint venture (JV) with Indian Oil Corporation Limited (IOCL), is developing the proposed Cauvery Basin Refinery project in Nagapattinam district. The project is currently awaiting approvals from the Ministry of Petroleum and Natural Gas (MoPNG), following which the project configuration, cost and funding structure will be finalised. CPCL is expected to contribute around 25% of the equity requirement, with IOCL expected to provide the balance equity support.

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 has extended financial support to CPCL in the past through equity and preference capital infusions, demonstrating its willingness to support CPCL, when required. 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). 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 continued to operate at healthy capacity utilisation, with crude throughput increasing to 11.7 MMT in FY2026 from 10.5 MMT in FY2025, against a nameplate capacity of 10.5 MMTPA. The capacity utilisation improved to 111.5% from 99.5%, despite a planned maintenance shutdown during FY2026. Supported by stronger product crack spreads and improved operational performance, CPCL's GRM increased to $9.28/bbl in FY2026 from $4.22/bbl in FY2025 and remained above the benchmark Singapore GRM of $5.83/bbl in FY2026. Further, CPCL's GRM improved to $8.78/bbl in Q1 FY2027 from $3.22/bbl in Q1 FY2026, though it remained lower than the benchmark Singapore GRM of around $25.00/bbl, primarily due to the impact of SAED on diesel and ATF.

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 the Group's long demonstrated history in implementing projects – The company, through Cauvery Basin Refinery and Petrochemicals Limited, a joint venture with parent IOCL, proposes to set up a refinery at Nagapattinam. IOCL and CPCL hold 75% and 25% stakes, respectively, in the joint venture. Following the proposed modification in the project configuration to increase the petrochemical yield, the project proposal is with the Ministry of Petroleum and Natural Gas pending approval, following which revised configuration will be finalised. Accordingly, the revised project cost, capital structure, implementation schedule and CPCL's equity contribution are yet to be finalised. Any significant equity requirement or time and cost overruns could moderate CPCL's credit metrics. However, this risk is partly mitigated by IOCL's majority ownership in the joint venture, its established project-execution capabilities and CPCL's currently comfortable financial profile.

Vulnerability of profitability to global refining margin cycle, import duty protection and INR-USD 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-USD). This was reflected in the past when the company's margins contracted because of inventory losses and weak crack spreads.

Asset concentration risk as single-location refinery The company's operations are concentrated to a single refinery and petrochemical complex located at one site. Consequently, the company remains exposed to asset concentration risk, as natural calamities, accidents, or other events can result in significant operational disruptions.

Environment 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 healthy 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. But this is a risk that will play out only over the distant future as India remains heavily dependent on oil and gas imports.

Liquidity position: Adequate

The company's liquidity is adequate with healthy unencumbered cash & cash equivalents and liquid investments of ~Rs. 1,024 crore as on March 31, 2026, low debt repayment obligations of Rs. 69.93 crore for short term debt and moderate capex plans of ~Rs. 500 – 700 crore in FY2027, which can be comfortably met from internal accruals and existing cash balance. Further, the company had comfortable cushion available in its working capital limits with total unutilised limits of ~Rs. 4,934.5 crore as on June 30, 2026. The company had fully repaid its NCD in FY2026 and currently has no outstanding NCDs.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Pressure on CPCL's rating 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	Refining and Marketing Corporate Credit Rating Methodology
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, 2026, 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 US (Amoco), and the National Iranian Oil Company (NIOC), with their initial equity contribution 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 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 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.

Key financial indicators (audited)

Chennai Petroleum Corporation Limited (Consolidated)	FY2025	FY2026
Operating income	59356.0	63640.1
PAT	155.3	3032.7
OPBDITA/OI	1.9%	8.0%
PAT/OI	0.3%	4.8%
Total outside liabilities/tangible net worth (times)	1.8	1.4
Total debt/OPBDITA (times)	2.8	0.4
Interest coverage (times)	4.5	42.4

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs crore)	Sept 14, 2026	Date	Rating	Date	Rating	Date	Rating
Commercial Paper	Short Term	7,500.00	[ICRA]A1+	Sep 08, 2025	[ICRA]A1+	Sep 11, 2024	[ICRA]A1+	Sep 19, 2023	[ICRA]A1+
Non-convertible Debenture	Long Term	-	-	Sep 08, 2025	[ICRA]AAA (Stable); withdrawn	Sep 11, 2024	[ICRA]AAA (Stable)	Sep 19, 2023	[ICRA]AAA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	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 / sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator#
Yet to be placed	Commercial Paper	NA	NA	7-365 days	7,500.00	[ICRA]A1+	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company name	CPCL 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 FY2026

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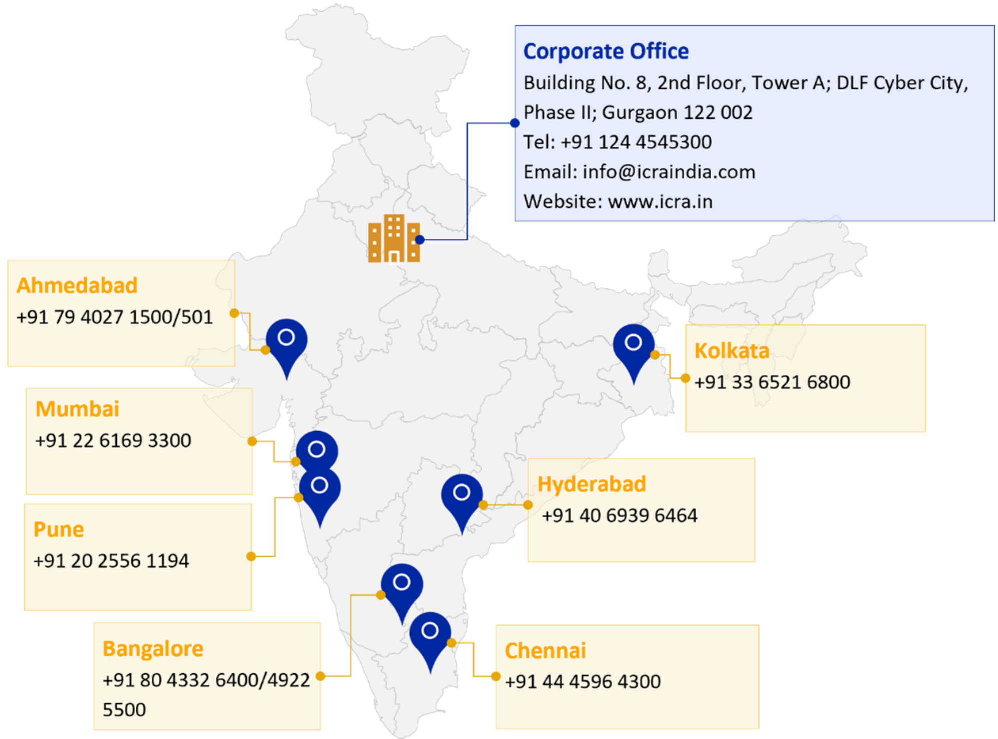

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