

Margin Squeeze Trims 3Q Earnings...

Chevron Lubricants Lanka (LLUB.N0000)

Results Review – 3QFY26 (July–September 2026)

Company Summary

Chevron Lubricants Lanka PLC (LLUB), 51% owned by Chevron Ceylon Limited, imports, blends and markets lubricant oils and greases. In 3QFY26 (July–September 2026), revenue rose 7% YoY to LKR 6,852 Mn but fell 7% QoQ. Cost of sales grew 11% YoY, so gross profit was flat at LKR 2,253 Mn and the gross margin slipped to 32.9% (3QFY25: 35.0%). With distribution and admin costs up 13% YoY, operating profit fell 5% to LKR 1,421 Mn. Net profit fell 5% YoY and 31% QoQ to LKR 1,028 Mn (EPS LKR 4.28 vs LKR 4.53). For 9MFY26, revenue rose 14% and net profit 18% to LKR 4,021 Mn.

Valuation Outlook

At LKR 205.75 (29-Oct-26), LLUB trades at 10.6x TTM earnings and 4.5x book value, backed by an annualised 9M ROE of about 55%. Dividends of LKR 12.00 per share paid over the past four quarters give a 5.8% trailing yield, though 9MFY26 payouts (LKR 7.00) trail 9MFY25 (LKR 12.00). Our 12-month target price is LKR 215.00, implying 4.5% upside (about 10% including the trailing yield). We apply 10.3x, the midpoint of the 10.1–10.6x trailing P/E implied by the 3QFY26 high/low (LKR 206.50/196.00), to our estimate of TTM EPS in September 2027 (LKR 20.85), so the multiple and the earnings are both trailing. It assumes 7% revenue growth, as in 3Q, and holds the net margin at the TTM level of 17.2%, which already includes the 3Q squeeze (1HFY26: 19.4%). We rate LLUB a HOLD. At the 3Q margin of 15.0%, fair value would be about LKR 187.

Financial Summary

Since December, working capital absorbed cash: inventories rose LKR 1.83 Bn to LKR 7.37 Bn and receivables LKR 2.73 Bn to LKR 4.26 Bn. Net operating cash flow was just LKR 79 Mn after tax (9MFY25: LKR 3.44 Bn). After LKR 1.68 Bn of dividends, cash fell to LKR 1.63 Bn from LKR 3.27 Bn. There are no bank borrowings; lease liabilities total LKR 672 Mn, although LKR 3.7 Mn of overdraft interest was charged in 9MFY26. Total equity rose 27% to LKR 10.90 Bn.

Business Risk

The main risk is margin: cost of sales (+11% YoY) outpaced revenue (+7%), cutting the gross margin by 212 bp YoY and 670 bp QoQ. If input costs keep outrunning selling prices, earnings will lag sales. As an importer, LLUB is also exposed to rupee swings (an LKR 31 Mn net FX loss in 1HFY26 became an LKR 20 Mn gain by 9M). A slow unwind of inventory and receivables would keep cash and dividends tight.

Materials : Sector

LKR 49.38 Bn : Market Cap

LKR 207.75 – LKR 172.00 : 52 Week High / Low

49.00% : Public Holding

4.5x : P/BV

10.6x : P/E (TTM)

LKR 215.00 : 12 Month Target Price

4.5% : Price Upside

LKR 205.75 : Current Market Price

HOLD : Recommendation

29 October 2026 : Date

Source: CSE, Company Interims, SenFin Research; price at 29-Oct-26

Figure 01: Key Financial Highlights

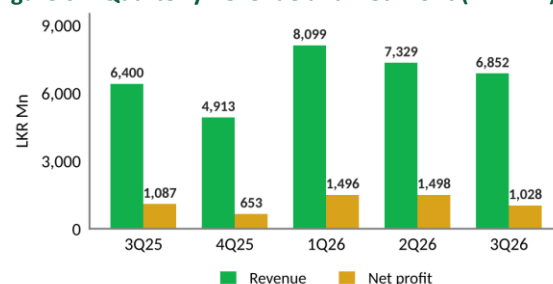
(LKR Mn)	3Q25	4Q25	1Q26	2Q26	3Q26
Revenue	6,400	4,913	8,099	7,329	6,852
Gross profit	2,240	1,654	2,934	2,901	2,253
GP Margin	35.0%	33.7%	36.2%	39.6%	32.9%
Operating profit	1,502	904	2,092	2,152	1,421
Op. Margin	23.5%	18.4%	25.8%	29.4%	20.7%
Net finance income	37	47	43	(22)	42
Profit before tax	1,539	951	2,136	2,130	1,464
Net profit	1,087	653	1,496	1,498	1,028

Source: Company Interim Financials; quarterly figures as reported

Valuation	LLUB	Valuation	LLUB
P/E (TTM)	10.6x	TTM div. yield	5.8%
P/BV	4.5x	9MFY26 DPS	LKR 7.00
NAV/share	LKR 45.43	Cash/share	LKR 6.78
Sep-27E EPS	LKR 20.85	Target P/E	10.3x

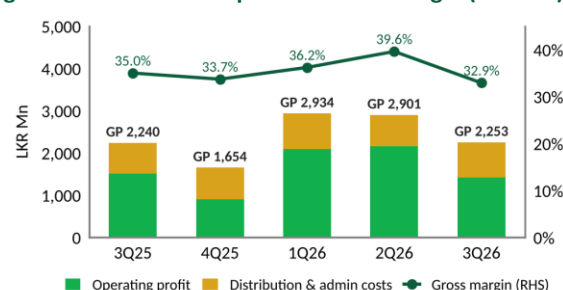
Source: CSE, Company Interim Financials, SenFin Research

Figure 02: Quarterly Revenue and Net Profit (LKR Mn)



Source: Company Interim Financials

Figure 03: Gross Profit Split and Gross Margin (LKR Mn)



Source: Company Interim Financials

