

Strong Q4; healthy outlook, margin expansion ahead

Auto & Auto Ancillaries ▶ Result Update ▶ May 01, 2025

CMP (Rs): 3,332 | TP (Rs): 4,100

CEAT reported a strong Q4; revenue growth accelerated to 14% (9M: 9.5%). EBITDAM expanded by 100bps QoQ on 64bps higher gross margins (9% beat on consensus EBITDA). CEAT expects the healthy growth to continue in FY26 (on rural-led growth in 2Ws and single-digit growth in PVs/CVs and largely stable exports); the recent RM decline to benefit margins from late-Q1 (CEAT indicated comfort at +40% gross margin level vs 37.5% now; it would uphold current pricing in a falling RM price scenario). We like CEAT given its superior growth prospects led by higher exposure to consumer-facing categories and ongoing market share gains, with potentially strong margin revival ahead if RM sustains. We upgrade FY26E/FY27E EPS by 8%/5% on accelerating growth, and recent RM decline. We retain BUY (Read: *Emerging 'consumer' leader; best-placed to resist RM volatility*); raise our TP by 5% to Rs4,100 at 18x FY27E EPS.

Growth accelerates; gross margin expansion drives profitability improvement

Consol revenue growth surged to 14% YoY (Rs34.2bn; 9M: ~9.5% YoY) on ~11% volume growth (mid-20s/high single-digit in OEM/replacement) and ~2% higher ASPs. Gross margin up by 64bps QoQ on flattish RM prices and strategic price hikes in 2W/PCR replacement; with cost control-led better opex, this led to 100bps QoQ rise in EBITDA margin to 11.3% (~9% beat on consensus EBITDA). Adj PAT fell 18% YoY to Rs1.37bn; reported PAT at Rs995mn hit by Rs370mn exceptional VRS cost. FY25 dividend at Rs30.

Earnings Call KTAs

1) In OEMs, 2Ws seen growing better than 4Ws due to rural continuing to outpace urban, PVs to grow in a mid-single digit, CVs to improve to single-digit growth; similar growth trends seen playing out in the replacement segment too. 3) In FY25, CEAT recorded market share gains in TBR replacement (remains at a single digit) and good gains in 2Ws despite market leadership; PV market share was flattish. In PC OEMs, CEAT has benefitted from improving fitments (especially in the over 14-inch). 4) Camso to be consolidated from Q2 (first 2-3 quarters directed toward stabilization); organic efforts in OHT to also continue. 5) Europe's OHT OEM segment displaying green shoots after two tough years; CEAT does not expect tariff to materially impact FY26 given low single-digit US exposure; US remains a key growth market. 6) 30% of Camso's current revenue is from US exports out of Sri Lanka (44% reciprocal tariff rate); tariffs on tracks are down to 4%, tariffs on tyres expected to be lower than 44% eventually. 7) CEAT eyes 80–85% utilization at Camso in 2–3 years (vs 50% now). Am Bernath OHT export revenue can potentially double in 3–5 years if OEM demand recovers; it is currently operating at 65% utilization. 8) RM to be flattish in Q1 vs Q4FY25; meaningful improvement expected from late-Q1 or Q2. CEAT aims to retain RM benefits and take judicious price hikes, if necessary; comfortable with the +40% gross margin level (vs 37.5% now) 9) FY26 capex guidance: Rs9–10bn; may require ~Rs1–1.25bnpa capex at Camso during the first 2 years. 10) Absolute debt could rise as the business scales up (to Rs30bn vs Rs19.3bn now) but leverage ratios to remain lower than previous peak of 2.8x debt-to-EBITDA; at least 20% of the Camso consideration of USD225mn is to be paid after 3–3.5 years.

Target Price – 12M	Mar-26
Change in TP (%)	5.1
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	23.0

Stock Data	CEAT IN
52-week High (Rs)	3,581
52-week Low (Rs)	2,210
Shares outstanding (mn)	40.5
Market-cap (Rs bn)	135
Market-cap (USD mn)	1,595
Net-debt, FY25E (Rs mn)	918,000
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	294.8
ADTV-3M (USD mn)	3.5
Free float (%)	52.8
Nifty-50	24,334.2
INR/USD	84.5

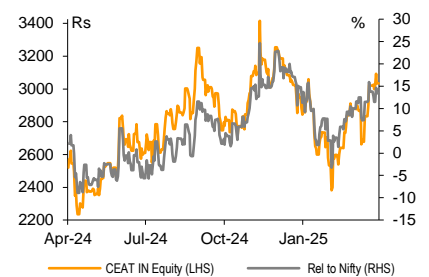
Shareholding, Mar-25

Promoters (%)	47.2
FPIs/MFs (%)	15.3/21.5

Price Performance

(%)	1M	3M	12M
Absolute	15.7	16.6	29.7
Rel. to Nifty	11.8	12.7	20.5

1-Year share price trend (Rs)



CEAT: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	113,149	119,435	132,179	147,498	164,724
EBITDA	9,738	16,523	14,741	18,942	22,472
Adj. PAT	2,196	7,009	5,023	7,412	9,228
Adj. EPS (Rs)	54.3	173.3	124.2	183.2	228.1
EBITDA margin (%)	8.6	13.8	11.2	12.8	13.6
EBITDA growth (%)	39.7	69.7	(10.8)	28.5	18.6
Adj. EPS growth (%)	208.4	219.2	(28.3)	47.6	24.5
RoE (%)	6.5	18.7	11.9	15.9	17.3
RoIC (%)	7.5	16.3	11.6	14.6	17.3
P/E (x)	61.4	19.2	26.8	18.2	14.6
EV/EBITDA (x)	16.1	9.2	10.3	8.0	6.8
P/B (x)	3.9	3.3	3.1	2.7	2.4
FCFF yield (%)	2.1	5.6	1.0	5.1	5.8

Source: Company, Emkay Research

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Exhibit 1: Q4 result snapshot – Revenue grew 14% YoY on 11% volume growth and ~2% better realizations; gross margin expansion led the ~100bps QoQ improvement in EBITDA margin

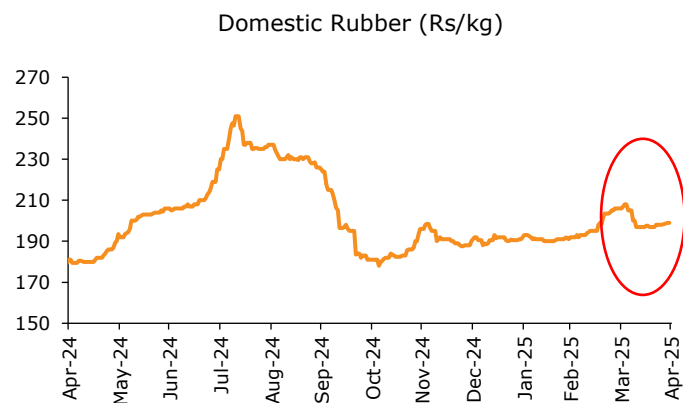
(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY %	QoQ %
Revenue	28,748	29,352	30,533	29,631	29,919	31,928	33,045	32,999	34,206	14.3	3.7
Expenditure	25,070	25,481	25,972	25,456	26,003	28,099	29,423	29,590	30,325	16.6	2.5
as % of sales	87.2	86.8	85.1	85.9	86.9	88.0	89.0	89.7	88.7		
Cost of RM	17,219	17,296	17,298	17,385	17,265	19,401	20,683	20,847	21,391	23.9	2.6
as % of sales	59.9	58.9	56.7	58.7	57.7	60.8	62.6	63.2	62.5		
Employee Cost	2,138	1,955	2,177	2,172	2,153	1,956	2,190	2,159	2,257	4.8	4.5
as % of sales	7.4	6.7	7.1	7.3	7.2	6.1	6.6	6.5	6.6		
Other expenditure	5,713	6,230	6,498	5,899	6,585	6,742	6,550	6,584	6,677	1.4	1.4
as % of sales	19.9	21.2	21.3	19.9	22.0	21.1	19.8	20.0	19.5		
EBITDA	3,678	3,871	4,561	4,175	3,915	3,829	3,623	3,409	3,881	(0.9)	13.8
EBITDA margin (%)	12.8	13.2	14.9	14.1	13.1	12.0	11.0	10.3	11.3		
Depreciation	1,253	1,209	1,245	1,273	1,361	1,318	1,371	1,415	1,523	12.0	7.7
EBIT	2,425	2,662	3,316	2,902	2,555	2,511	2,252	1,994	2,358	(7.7)	18.2
Other Income	24	33	105	29	31	62	35	34	45	47.2	31.8
Interest	666	701	717	656	617	619	665	751	744	20.7	(0.9)
PBT	1,783	1,993	2,704	2,276	1,969	1,954	1,622	1,278	1,659	(15.7)	29.8
Total Tax	450	529	683	544	458	540	463	361	356	(22.3)	(1.5)
Adjusted PAT	1,333	1,464	2,021	1,731	1,510	1,414	1,159	916	1,303	(13.7)	42.2
MI and Inc from JV	90	(18)	59	84	157	53	61	55	63	(60.2)	13.6
Adjusted PAT after MI	1,423	1,446	2,080	1,815	1,667	1,467	1,219	971	1,365	(18.1)	40.6
Exceptional Items	(86)	-	-	-	(582)	75	(3)	-	(370)		
Reported PAT	1,337	1,446	2,080	1,815	1,086	1,542	1,216	971	995	(8.4)	2.5
Adjusted EPS	33.1	35.8	51.4	44.9	26.8	38.1	30.1	24.0	24.6	(8.4)	2.5
(%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY bps	QoQ bps
Gross margin	40.1	41.1	43.3	41.3	42.3	39.2	37.4	36.8	37.5	(483)	64
EBITDAM	12.8	13.2	14.9	14.1	13.1	12.0	11.0	10.3	11.3	(174)	101
EBITM	8.4	9.1	10.9	9.8	8.5	7.9	6.8	6.0	6.9	(165)	85
EBTM	6.2	6.8	8.9	7.7	6.6	6.1	4.9	3.9	4.8	(173)	98
PATM	4.9	4.9	6.8	6.1	5.6	4.6	3.7	2.9	4.0	(158)	105
Effective Tax rate	25.3	26.5	25.3	23.9	23.3	27.6	28.6	28.3	21.5	(181)	(683)

Source: Company, Emkay Research

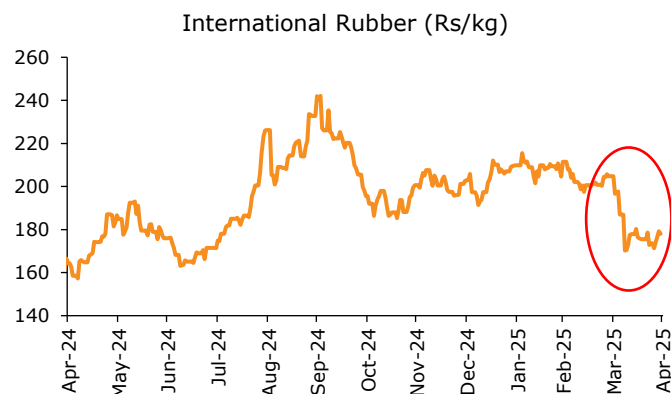
Exhibit 2: Actual vs Estimates

(Rs mn)	Actual	Emkay Est	% Variance	Consensus	% Variance
Net sales	34,206	33,018	3.6	33,447	2.3
EBITDA	3,881	3,391	14.4	3,567	8.8
EBITDA margin (%)	11.3	10.3	107 bps	10.7	68 bps
Adj net income	1,365	1,060	28.8	1,090	25.3

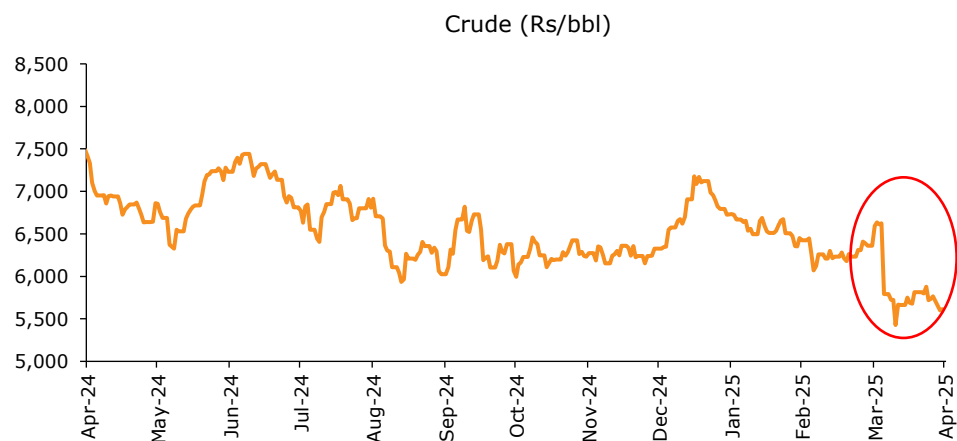
Source: Company, Bloomberg, Emkay Research

Exhibit 3: Domestic prices stable during the quarter

Source: Bloomberg, Emkay Research

Exhibit 4: International rubber prices fall sharply; are 17% below their recent peak

Source: Bloomberg, Emkay Research

Exhibit 5: Crude oil prices have also fallen and are now 22% below their recent highs

Source: Bloomberg, Emkay Research

Exhibit 6: Revenue Model – We build in 12%/23%/36% revenue/EBITDA/EPS CAGR, respectively, over FY25-27E

Particulars (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Truck and Bus	25,873	28,090	33,945	37,025	39,654	43,619	47,545
% of Revenues	34.0	30.0	30.0	31.0	30.0	29.6	28.9
Growth YoY (%)	27.2	8.6	20.8	9.1	7.1	10.0	9.0
2/3Ws	22,068	27,154	29,419	32,247	35,688	39,971	45,167
% of Revenues	29.0	29.0	26.0	27.0	27.0	27.1	27.4
Growth YoY (%)	1.7	23.0	8.3	9.6	10.7	12.0	13.0
PC/UV	10,653	16,854	22,630	23,887	27,758	31,921	36,390
% of Revenues	14.0	18.0	20.0	20.0	21.0	21.6	22.1
Growth YoY (%)	12.3	58.2	34.3	5.6	16.2	15.0	14.0
OHT/Speciality	10,653	13,109	18,104	17,915	19,827	21,809	24,427
% of Revenues	14.0	14.0	16.0	15.0	15.0	14.8	14.8
Growth YoY (%)	31.0	23.0	38.1	-1.0	10.7	10.0	12.0
LCV/others	6,849	8,427	9,052	8,360	9,253	10,178	11,196
% of Revenues	9.0	9.0	8.0	7.0	7.0	6.9	6.8
Growth YoY (%)	-15.8	23.0	7.4	-7.6	10.7	10.0	10.0
Total Consolidated Revenues	76,096	93,634	113,149	119,435	132,179	147,498	164,724
Growth YoY (%)	12.3	23.0	20.8	5.6	10.7	11.6	11.7
EBITDA	9,522	6,969	9,738	16,523	14,741	18,942	22,472
EBITDA margin (%)	12.5	7.4	8.6	13.8	11.2	12.8	13.6
EBIT	6,125	2,617	5,045	11,434	9,115	12,448	15,453
EBIT margin (%)	8.0	2.8	4.5	9.6	6.9	8.4	9.4
Interest	1,788	2,070	2,421	2,691	2,778	3,054	3,668
PBT	4,839	949	2,793	8,941	6,512	9,574	11,967
Tax rate (%)	11	26	26	25	25	25	25
PAT	4,320	712	2,196	7,009	5,023	7,412	9,228
PAT margin (%)	5.7	0.8	1.9	5.9	3.8	5.0	5.6
EPS (Rs)	106.8	17.6	54.3	173.3	124.2	183.2	228.1

Source: Company, Bloomberg, Emkay Research; Note: Our estimates currently do not include the effect of consolidation of Camso

Exhibit 7: We upgrade FY26E/27E EPS on accelerating growth and ongoing RM decline

Rs Mn	FY25		FY26E				FY27E			
	Actual	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenue	132,179	10.7	143,457	147,498	2.8	11.6	158,099	164,724	4.2	11.7
EBITDA	14,741	(10.8)	17,258	18,942	9.8	28.5	20,158	22,472	11.5	18.6
Margin (%)	11.2	(268) bps	12.0	12.8	81 bps	169 bps	12.8	13.6	89 bps	80 bps
APAT	5,023	(28.3)	6,885	7,412	7.7	47.6	8,772	9,228	5.2	24.5
EPS (Rs)	124	(28.3)	170	183	7.8	47.6	217	228	5.1	24.5

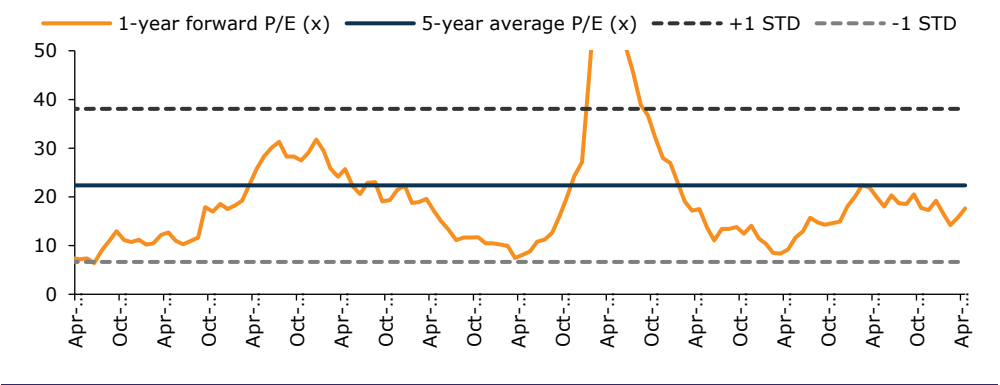
Source: Company, Bloomberg, Emkay Research

Exhibit 8: Emkay vs Consensus

CEAT (C)	Emkay Estimates		Bloomberg estimates		Difference	
(Rs mn)	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net revenue	147,498	164,724	148,938	165,760	-1.0%	-0.6%
EBITDA	18,942	22,472	18,463	21,366	2.6%	5.2%
EBITDA margin (%)	12.8	13.6	12.4	12.9	45 bps	75 bps
EPS (Rs)	183.2	228.1	174.0	214.0	5.3%	6.6%

Source: Bloomberg, Emkay Research

Exhibit 9: CEAT trades at lower than LTA PER on 1-year forward basis



Source: Bloomberg, Emkay Research

CEAT: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	113,149	119,435	132,179	147,498	164,724
Revenue growth (%)	20.8	5.6	10.7	11.6	11.7
EBITDA	9,738	16,523	14,741	18,942	22,472
EBITDA growth (%)	39.7	69.7	(10.8)	28.5	18.6
Depreciation & Amortization	4,693	5,088	5,627	6,494	7,019
EBIT	5,045	11,434	9,115	12,448	15,453
EBIT growth (%)	92.8	126.6	(20.3)	36.6	24.1
Other operating income	-	-	-	-	-
Other income	169	197	176	179	183
Financial expense	2,421	2,691	2,778	3,054	3,668
PBT	2,793	8,941	6,512	9,574	11,967
Extraordinary items	(334)	(582)	(296)	0	0
Taxes	718	2,214	1,720	2,413	3,016
Minority interest	38	74	13	11	13
Income from JV/Associates	82	208	218	240	264
Reported PAT	1,862	6,427	4,726	7,412	9,228
PAT growth (%)	117.0	245.2	(26.5)	56.8	24.5
Adjusted PAT	2,196	7,009	5,023	7,412	9,228
Diluted EPS (Rs)	54.3	173.3	124.2	183.2	228.1
Diluted EPS growth (%)	208.4	219.2	(28.3)	47.6	24.5
DPS (Rs)	3.1	12.0	30.0	35.0	40.0
Dividend payout (%)	6.8	7.6	25.7	19.1	17.5
EBITDA margin (%)	8.6	13.8	11.2	12.8	13.6
EBIT margin (%)	4.5	9.6	6.9	8.4	9.4
Effective tax rate (%)	25.7	24.8	26.4	25.2	25.2
NOPLAT (pre-IndAS)	3,749	8,603	6,707	9,311	11,559
Shares outstanding (mn)	40	40	40	40	40

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	405	405	405	405	405
Reserves & Surplus	33,992	40,022	43,281	49,277	56,887
Net worth	34,396	40,426	43,685	49,682	57,292
Minority interests	174	97	77	66	53
Non-current liab. & prov.	3,873	4,509	5,004	5,004	5,004
Total debt	22,955	17,915	21,364	25,615	30,821
Total liabilities & equity	61,586	63,159	70,327	80,586	93,415
Net tangible fixed assets	30,880	59,268	66,401	70,525	74,555
Net intangible assets	878	973	973	973	973
Net ROU assets	-	-	-	-	-
Capital WIP	5,961	6,835	5,375	4,757	5,708
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,696	1,821	1,898	1,898	1,898
Cash & equivalents	719	591	532	8,133	16,936
Current assets (ex-cash)	26,410	27,142	34,051	37,998	42,435
Current Liab. & Prov.	34,679	36,786	41,797	46,641	52,088
NWC (ex-cash)	(8,269)	(9,644)	(7,746)	(8,643)	(9,653)
Total assets	61,586	63,159	70,327	80,586	93,415
Net debt	22,236	17,324	20,831	17,481	13,885
Capital employed	61,586	63,159	70,327	80,586	93,415
Invested capital	52,692	53,067	62,098	65,324	68,345
BVPS (Rs)	850.3	999.4	1,080.0	1,228.2	1,416.4
Net Debt/Equity (x)	0.6	0.4	0.5	0.4	0.2
Net Debt/EBITDA (x)	2.3	1.0	1.4	0.9	0.6
Interest coverage (x)	2.2	4.3	3.3	4.1	4.3
RoCE (%)	9.2	20.1	15.0	18.0	19.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT (ex-other income)	2,459	8,359	6,216	9,813	12,231
Others (non-cash items)	(20)	57	188	0	0
Taxes paid	377	(1,630)	(908)	(2,413)	(3,016)
Change in NWC	2,211	2,674	(2,909)	871	980
Operating cash flow	12,055	17,193	10,920	17,820	20,882
Capital expenditure	(8,779)	(8,668)	(9,426)	(10,000)	(12,000)
Acquisition of business	-	-	-	-	-
Interest & dividend income	299	175	202	0	0
Investing cash flow	(8,491)	(8,537)	(9,224)	(10,000)	(12,000)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(977)	(5,556)	1,893	4,251	5,206
Payment of lease liabilities	0	0	0	0	0
Interest paid	(2,093)	(2,669)	(2,446)	(3,054)	(3,668)
Dividend paid (incl tax)	(126)	(485)	(1,214)	(1,416)	(1,618)
Others	0	0	14	0	0
Financing cash flow	(3,195)	(8,710)	(1,753)	(219)	(80)
Net chg in Cash	369	(54)	(58)	7,601	8,802
OCF	12,055	17,193	10,920	17,820	20,882
Adj. OCF (w/o NWC chg.)	9,844	14,518	13,829	16,948	19,902
FCFF	3,276	8,525	1,494	7,820	8,882
FCFE	1,154	6,009	(1,082)	4,766	5,214
OCF/EBITDA (%)	123.8	104.1	74.1	94.1	92.9
FCFE/PAT (%)	62.0	93.5	(22.9)	64.3	56.5
FCFF/NOPLAT (%)	87.4	99.1	22.3	84.0	76.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	61.4	19.2	26.8	18.2	14.6
P/CE(x)	19.6	11.1	12.7	9.7	8.3
P/B (x)	3.9	3.3	3.1	2.7	2.4
EV/Sales (x)	1.4	1.3	1.2	1.0	0.9
EV/EBITDA (x)	16.1	9.2	10.3	8.0	6.8
EV/EBIT(x)	31.1	13.3	16.7	12.2	9.8
EV/IC (x)	3.0	2.9	2.4	2.3	2.2
FCFF yield (%)	2.1	5.6	1.0	5.1	5.8
FCFE yield (%)	0.9	4.5	(0.8)	3.5	3.9
Dividend yield (%)	0.1	0.4	0.9	1.1	1.2
DuPont-RoE split					
Net profit margin (%)	1.9	5.9	3.8	5.0	5.6
Total asset turnover (x)	1.9	1.9	2.0	2.0	1.9
Assets/Equity (x)	1.8	1.7	1.6	1.6	1.6
RoE (%)	6.5	18.7	11.9	15.9	17.3
DuPont-RoIC					
NOPLAT margin (%)	3.3	7.2	5.1	6.3	7.0
IC turnover (x)	2.3	2.3	2.3	2.3	2.5
RoIC (%)	7.5	16.3	11.6	14.6	17.3
Operating metrics					
Core NWC days	(26.7)	(29.5)	(21.4)	(21.4)	(21.4)
Total NWC days	(26.7)	(29.5)	(21.4)	(21.4)	(21.4)
Fixed asset turnover	1.5	1.5	1.4	1.4	1.4
Opex-to-revenue (%)	26.1	28.2	26.6	26.4	26.4

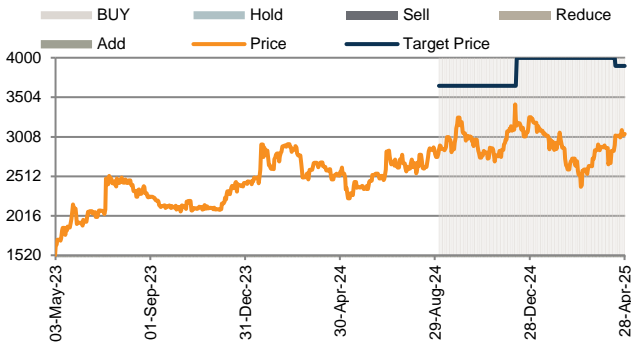
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
16-Apr-25	3,024	3,900	Buy	Chirag Jain
17-Jan-25	3,025	4,000	Buy	Chirag Jain
10-Jan-25	3,084	4,000	Buy	Chirag Jain
11-Dec-24	3,149	4,000	Buy	Chirag Jain
08-Dec-24	3,096	3,650	Buy	Chirag Jain
21-Oct-24	2,972	3,650	Buy	Chirag Jain
03-Sep-24	2,849	3,650	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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