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India | Equity Research | Company Update

CEAT

Auto Ancillaries

Takeaways from Investor Day 2025

We recently attended CEAT's Investor Day to understand its medium-term growth strategy. Over the next two years, CEAT aims to gain leadership position in the PV replacement segment (currently, no. 3 player with 16% market share); it is also targeting ~200bps of market share expansion in the TBR segment. CAMSO's integration is underway. Near-term focus shall be on driving growth and synergies in the OHT business. While medium-term prospects remain strong (with respect to growth/margin), we remain watchful of US-tariff related uncertainties potentially impacting growth/margins in the near term. Valuations remain rich, post the stock's recent run-up (~25% in last two months). We downgrade to **HOLD**, from *Add*, with a TP of INR 3,625 (unchanged) based on 16x FY27E EPS.

Aiming for leadership in PCR and market share expansion in TBR

CEAT indicated that its position in the 2W replacement segment continues to be strong with 36% market share, staying ahead of the next best player, MRF, by ~700bps (CEAT tyres are priced at a 2–3% premium). In the PCR segment, CEAT is the no. 3. player with 16% market share, marginally behind Bridgestone/Apollo Tyres with 20%/17% market share. CEAT is aiming for leadership position in the PCR segment led by gaining customer's mindshare through marketing efforts. In the PV OEM segment, CEAT has upped its market share to 12% (vs. single-digit last year) and expects this to ascend to 27% by FY27. Its TBR market share stands at ~10%, and the company aims for ~12% share in the near term. This will likely be led by CEAT's focus on selective geographies and high-growth segments.

Medium-term focus on expanding OHT/growing CAMSO

CEAT currently has 930+ SKUs for OHT tyres. It has strong presence in agri, mining and construction tyres. The acquisition of CAMSO's assets would address white spaces in product portfolio by adding compact construction tyres and tracks. Further, CEAT has gained access to 40 global OHT OEMs and 200+ distributors across US and EU. Near-term focus is on retaining and adding new customers in CAMSO by making it price competitive (though at a premium to Bridgestone) and driving cost synergies. Over the medium term, i.e., post the availability of the CAMSO brand exclusively for CEAT, management plans to expand the product portfolio under this brand. The company expects CAMSO to be margin accretive over medium term (near-term could remain impacted). US-tariff related uncertainty remains a key monitorable (as tariff on Sri Lanka is at 44%).

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,19,435	1,32,179	1,55,777	1,70,649
EBITDA	16,522	14,741	20,674	23,799
EBITDA %	13.8	11.2	13.3	13.9
Net Profit	7,008	5,023	7,383	9,165
EPS (INR)	173.3	124.2	182.5	226.6
EPS % Chg YoY	219.1	(28.3)	47.0	24.1
P/E (x)	21.1	29.4	20.0	16.1
EV/EBITDA (x)	10.0	11.4	8.7	7.2
RoCE (%)	15.1	11.1	13.2	13.6
RoE (%)	18.7	11.9	15.9	17.3

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Market Data

Market Cap (INR)	148bn
Market Cap (USD)	1,727mn
Bloomberg Code	CEAT IN
Reuters Code	CEAT.BO
52-week Range (INR)	4,044 /2,274
Free Float (%)	52.0
ADTV-3M (mn) (USD)	8.7

Price Performance (%)	3m	6m	12m
Absolute	53.4	17.7	52.6
Relative to Sensex	42.9	17.8	47.0

ESG Score	2023	2024	Change
ESG score	68.4	69.4	1.0
Environment	52.5	58.7	6.2
Social	66.4	76.8	10.4
Governance	79.2	74.1	(5.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

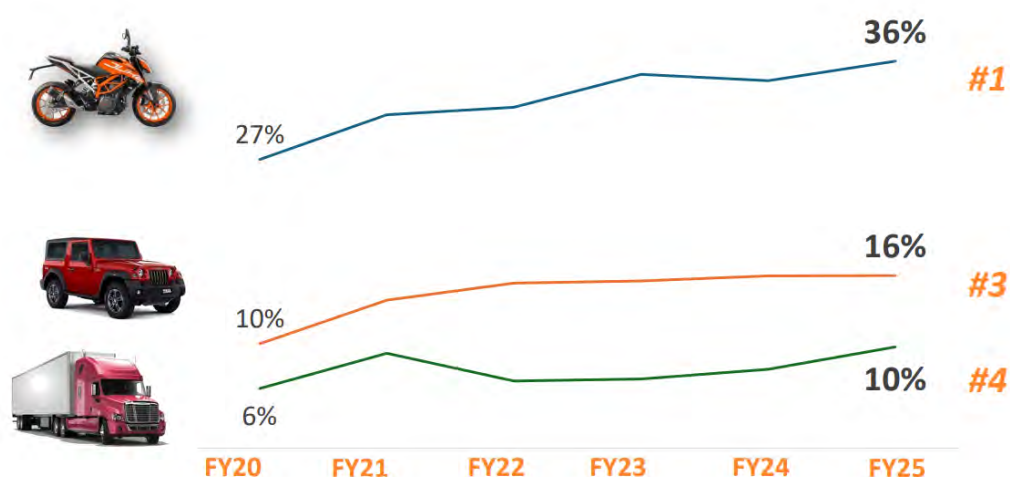
01-05-2025: [Q4FY25 results review](#)

17-01-2025: [Q3FY25 results review](#)

Other highlights

- 1) The company expects the replacement segment growth for FY26 to be ~5–6%.
- 2) International Natural Rubber (NR) prices have corrected in the last two months, and are currently trading at a discount to domestic NR prices. While crude prices have corrected to ~USD 65/barrel, crude derivate prices are yet to reflect this fall (expected to correct with a lag). Overall, the company expects recent correction in the RM basket to benefit favourably from the latter part of Q2FY26 (RM basket is expected to remain flattish during Q1FY26).
- 3) For CEAT, ~50% of tyre sales are from the rural segment. Within this, tyres for the scooter segment are doing well due to rising scooter penetration.

Exhibit 1: CEAT's market share positioning / trend across segments



Source: Company data, I-Sec research

Exhibit 2: Acquisition of CAMSO's assets shall help gain access to distribution channel and address white spaces in product portfolio



Source: Company data, I-Sec research

Exhibit 3: CEAT's vision for medium term



Source: Company data, I-Sec research

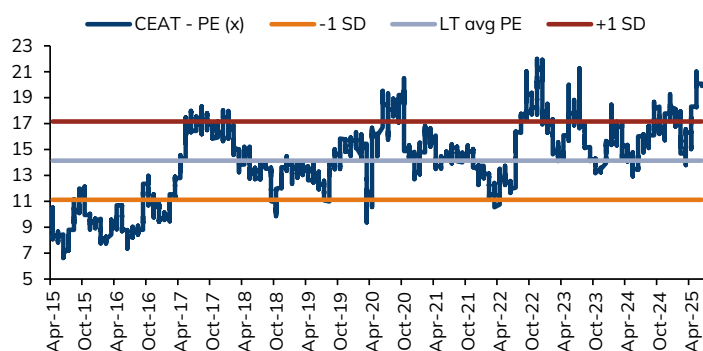
Upside risks

- Further decline in RM basket leading to better than estimated margin performance.
- Executing CAMSO acquisition well – driving better than expected growth/margin.
- Gaining market share in PCR and TBR segments with better pricing power.

Downside risks

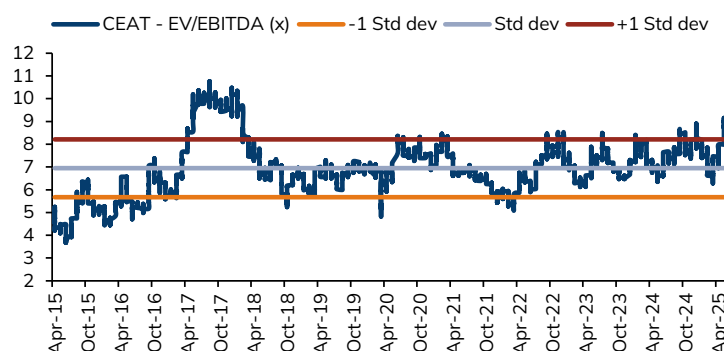
- Increase in competitive intensity leading to higher discounting.
- Geopolitical uncertainty / demand slowdown in EU / US can impact exports.

Exhibit 4: 1-year forward PE



Source: Company data, I-Sec research

Exhibit 5: 1-year forward EV/EBITDA



Source: Company data, I-Sec research

Exhibit 6: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	47.2	47.0	47.2
Institutional investors	36.4	35.0	36.4
MFs and others	15.1	12.0	17.6
FIs/Banks	0.1	0.0	0.0
Insurance	4.5	4.0	3.7
FIIIs	16.7	19.0	15.5
Others	16.4	18.0	16.0

Source: Bloomberg, I-Sec research

Exhibit 7: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	1,19,435	1,32,179	1,55,777	1,70,649
Operating Expenses	25,212	26,554	32,477	35,972
EBITDA	16,522	14,741	20,674	23,799
EBITDA Margin (%)	13.8	11.2	13.3	13.9
Depreciation & Amortization	5,088	5,627	7,581	8,482
EBIT	11,434	9,115	13,093	15,317
Interest expenditure	2,691	2,778	3,575	3,379
Other Non-operating Income	197	176	210	267
Recurring PBT	8,941	6,512	9,728	12,206
Profit / Loss from Associates	-	-	-	-
Less: Taxes	2,214	1,720	2,575	3,272
PAT	6,727	4,792	7,152	8,934
Less: Minority Interest	(282)	(231)	(231)	(231)
Extraordinaries (Net)	(582)	(296)	-	-
Net Income (Reported)	6,427	4,726	7,383	9,165
Net Income (Adjusted)	7,008	5,023	7,383	9,165

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	27,468	34,408	34,090	39,731
of which cash & cash eqv.	591	532	2,402	5,628
Total Current Liabilities & Provisions	35,157	39,682	42,364	46,104
Net Current Assets	(7,689)	(5,274)	(8,275)	(6,373)
Investments	1,821	1,898	1,898	1,898
Net Fixed Assets	62,480	69,612	90,909	91,002
ROU Assets	-	-	-	-
Capital Work-in-Progress	6,835	5,375	5,375	5,375
Total Intangible Assets	231	231	231	231
Other assets	1,110	599	599	599
Deferred Tax assets	(4,509)	(5,004)	(5,004)	(5,004)
Total Assets	60,279	67,438	85,734	87,730
Liabilities				
Borrowings	17,915	21,364	33,664	28,164
Deferred Tax Liability	-	-	-	-
Provisions	1,840	2,312	2,539	2,685
Other Liabilities	-	-	-	-
Equity Share Capital	405	405	405	405
Reserves & Surplus	40,022	43,281	49,050	56,399
Total Net Worth	40,426	43,685	49,454	56,803
Minority Interest	97	77	77	77
Total Liabilities	60,279	67,438	85,734	87,730

Source Company data, I-Sec research

Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	31,928	33,045	32,999	34,206
% growth (YOY)	8.8	8.2	11.4	14.3
EBITDA	3,829	3,623	3,409	3,881
Margin %	12.0	11.0	10.3	11.3
Other Income	62	35	34	45
Extraordinaries	75	(0)	-	(370)
Adjusted Net Profit	1,414	1,159	916	1,303

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	15,727	10,638	23,409	22,349
Working Capital Changes	1,598	(2,473)	4,870	1,324
Capital Commitments	(7,713)	(11,299)	(28,878)	(8,575)
Free Cashflow	8,014	(661)	(5,469)	13,774
Other investing cashflow	(2,816)	(2,855)	(3,575)	(3,379)
Cashflow from Investing Activities	(10,528)	(14,155)	(32,453)	(11,954)
Issue of Share Capital	-	-	-	-
Interest Cost	1,376	712	29	(52)
Inc (Dec) in Borrowings	(5,040)	3,449	12,300	(5,500)
Dividend paid	(1,214)	(1,214)	(1,416)	(1,618)
Others	-	-	-	-
Cash flow from Financing Activities	(4,877)	2,948	10,913	(7,170)
Chg. in Cash & Bank balance	321	(569)	1,869	3,226
Closing cash & balance	1,040	22	2,402	5,628

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	173.3	124.2	182.5	226.6
Adjusted EPS (Diluted)	173.3	124.2	182.5	226.6
Cash EPS	299.0	263.3	369.9	436.3
Dividend per share (DPS)	30.0	30.0	35.0	40.0
Book Value per share (BV)	999.4	1,080.0	1,222.6	1,404.3
Dividend Payout (%)	17.3	24.2	19.2	17.7
Growth (%)				
Net Sales	5.6	10.7	17.9	9.5
EBITDA	69.7	(10.8)	40.2	15.1
EPS (INR)	219.1	(28.3)	47.0	24.1
Valuation Ratios (x)				
P/E	21.1	29.4	20.0	16.1
P/CEPS	12.2	13.9	9.9	8.4
P/BV	3.7	3.4	3.0	2.6
EV / EBITDA	10.0	11.4	8.7	7.2
EV / Sales	1.4	1.3	1.1	1.0
Profitability Ratios				
Gross Profit Margins (%)	34.9	31.2	34.1	35.0
EBITDA Margins (%)	13.8	11.2	13.3	13.9
EBIT Margins (%)	9.6	6.9	8.4	9.0
Net Profit Margins (%)	5.9	3.8	4.7	5.4
RoCE (%)	15.1	11.1	13.2	13.6
RoE (%)	18.7	11.9	15.9	17.3
Dividend Yield (%)	0.8	0.8	1.0	1.1
Operating Ratios				
Fixed Asset Turnover (x)	1.7	1.8	1.6	1.8
Inventory Turnover Days	35	39	32	32
Receivables Days	39	46	37	36
Payables Days	83	85	78	78
Effective Tax Rate (%)	24.8	26.4	26.5	26.8
Net Debt / Equity (x)	0.4	0.5	0.6	0.4
Net Debt / EBITDA (x)	1.0	1.4	1.5	0.9

Source Company data, I-Sec research

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