

## Margin expansion delayed to H2FY25

Auto & Auto Ancillaries ▶ Analyst Meet Update ▶ June 04, 2025

CMP (Rs): 3,653 | TP (Rs): 4,100

We attended CEAT's annual analyst meeting. KTAs: 1) The management retained its mid-single-digit replacement growth guidance. Rural is outpacing urban (key for CEAT's 2Ws/farm segment) on a favorable monsoon outlook; it is eyeing share gains in PV OEMs amid rising salience of higher-rim size tyres. 2) CAMSO acquisition (not built in) unlocks USD1.2bn potential as CEAT will gain control of the CAMSO brand after 3Y; the mgmt expects margin to expand beyond historical levels in 2-4 quarters (after consolidation in Q2), led by efficiency gains, price rationalization, and operational synergies. 3) CEAT's pricing strategy stays competitive, with premiumization focus on select categories to drive share gains. 4) RM outlook flattish in Q1 and Q2 vs earlier expectation of benefit from Q2 (refer to **Strong Q4; healthy outlook, margin expansion ahead**). Margin gains could accrue from second half of Q2 provided commodity prices soften further. We like CEAT, given its superior growth prospects on higher exposure to consumer-facing categories and sustained share gains. Margin revival looks promising, contingent on stable RM (refer to IC: **Emerging 'consumer' leader; best-placed to resist RM volatility**). The demand and margin cycle for the tyre industry is turning positive. Our estimates remain unchanged. We retain BUY with our TP of Rs4,100.

### Sustains replacement growth guidance; rural outpaces urban

The mgmt retained its mid-single-digit replacement growth guidance. Rural (towns with under-50K population) is outpacing urban amid a positive monsoon outlook (key for CEAT's 2Ws/farm business; rural contributes 50% to CEAT's 2W segment). Scooters is growing faster than Motorcycles. In PV OEMs, CEAT eyes 27% share by FY27 vs ~12% now, aided by growing salience of 17inch+ rim tyres. CEAT holds ~10% share in the consolidated TBR market; targets niche segments like buses, mining, tubeless radials.

### CAMSO unlocks a USD1.2bn potential; strategy in place to offset tariff impact

CAMSO has unlocked a USD1.2bn high-margin opportunity, currently serviced by Michelin (exiting over 3Y), with CEAT gaining full brand control. The acquired portion is a USD150–200mn revenue business (has a USD250mn potential). €130–140mn revenue expected in FY26. CEAT will rationalize pricing to FY22 levels (reversing Michelin's FY23 hikes), and drive efficiency gains. It is addressing gaps created by higher pricing and limited product innovation via new product development and customer retention efforts. Leveraging existing capacity and trained manpower, CEAT plans to invest Rs 25–30mn over two years to upgrade the factory for independent operations (vs current reliance on Michelin). The mgmt. is confident of expanding margin beyond historical levels within 2-4 quarters, on supply chain and RM sourcing synergies, and cost optimization. CEAT to target EU via Camso and the US via India, to mitigate reciprocal tariffs (44%/10% on Sri Lanka/India).

### Rational pricing strategy to stay competitive; Q1 and Q2 RM outlook flattish

CEAT maintains rational pricing across segments. In the PCR segment, CEAT's pricing is slightly below market leaders', to maintain competitiveness. In TBR, players are closely knit in terms of pricing. In 2Ws, CEAT is the leader in pricing. International rubber prices are now below domestic; carbon black is stable. Q1/Q2 RM outlook is flattish (vs earlier expectations of benefit from Q2) with potential decline in the second half of Q2.

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)	79.4	23.0	31.3	19.9	16.0
EV/EBITDA (x)	17.5	10.0	11.2	8.7	7.3
P/B (x)	4.3	3.7	3.4	3.0	2.6
FCFF yield (%)	1.9	5.2	0.9	4.7	5.4

Source: Company, Emkay Research

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	12.2

Stock Data	CEAT IN
52-week High (Rs)	4,044
52-week Low (Rs)	2,274
Shares outstanding (mn)	40.5
Market-cap (Rs bn)	148
Market-cap (USD mn)	1,727
Net-debt, FY26E (Rs mn)	17,481.1
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	739.5
ADTV-3M (USD mn)	8.6
Free float (%)	52.8
Nifty-50	24,542.5
INR/USD	85.6

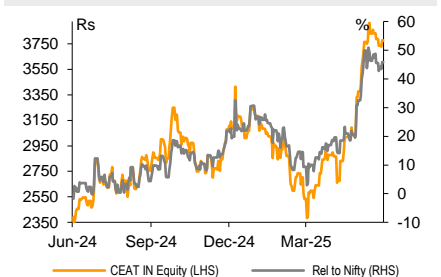
### Shareholding, Mar-25

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

### Price Performance

(%)	1M	3M	12M
Absolute	8.2	53.4	52.6
Rel. to Nifty	7.3	38.2	44.7

### 1-Year share price trend (Rs)



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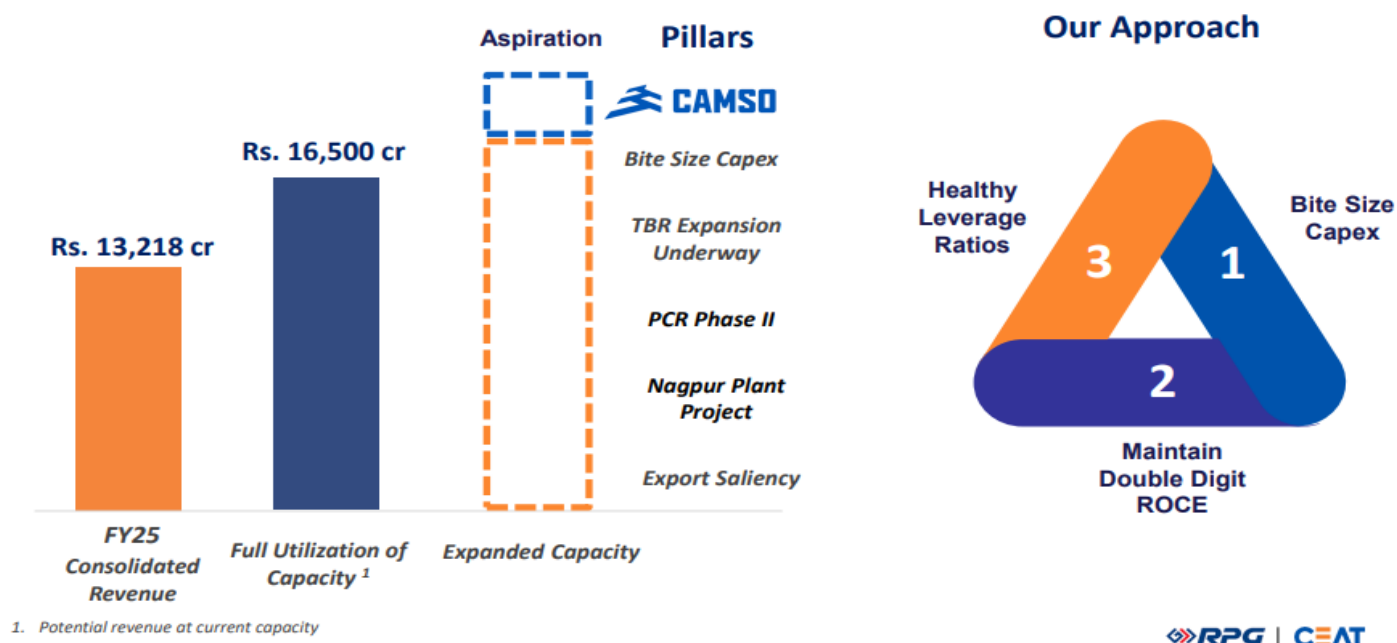
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## Other highlights

- In PCR (replacement) segment, Bridgestone leads with ~22% share and premium pricing (index 100), followed by APTY at ~17% share (price ~85–86), and CEAT at 16% share and similar pricing as APTY.
- In the consolidated TBR market (MRF, Apollo, and JK are ~75% of the market), CEAT holds ~10%, competes selectively in niche segments like mining, buses, and tubeless; it targets geographies that are under the radar of the leaders to gain market share. In TBR, APTY is positioned as a pricing benchmark (index 100), with CEAT/MRF at ~97–98.
- 2W market is competitive—CEAT holds 36% market share. Share gains likely limited to 0.5–1% p.a.
- While export demand has been mixed owing to geopolitical and tariff headwinds (esp. the US), CEAT remains opportunistic.
- CEAT is open to M&A and capital allocation would be a key criterion for the same. CEAT's pecking order in terms of capital allocation is OHT, 2W, 4W, and TBR.

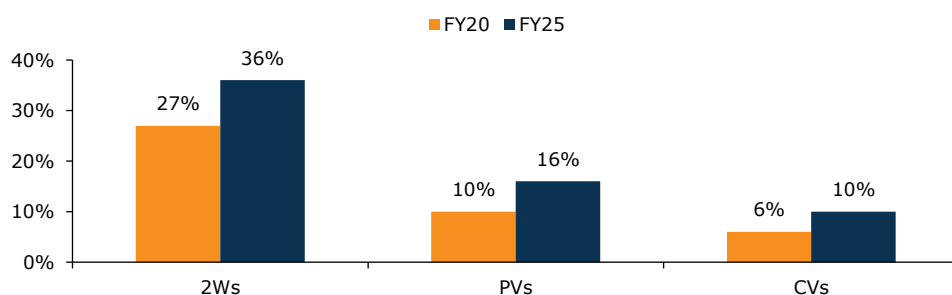
Exhibit 1: CEAT has reiterated its growth pillars with CAMSO now acting as a growth lever



Source: Company, Emkay Research

Exhibit 2: CEAT has attained leadership in 2Ws while gaining share in PVs (now #3) and CVs

### CEAT's market share in replacement segment (%)



Source: Company, Emkay Research

Exhibit 3: The Camso acquisition is accretive to CEAT's OHT offerings while adding new clientele

	Segment	CEAT's offering	Camso's offering	CEAT + Camso
Access to Marquee OEM + Distribution Channels	Agriculture tires	✓	✗	✓
	Agriculture tracks	✗	✓	✓
	Mining tires	✓	✗	✓
	Industrial Tires	✓	✓	✓
	Construction tires	✓	✓	✓
	Construction tracks	✗	✓	✓
		✓ Strong portfolio	✓ Limited portfolio	✗ No portfolio

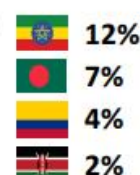
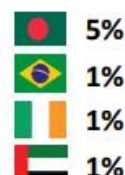
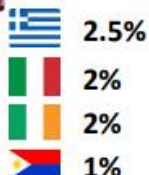
Source: Company, Emkay Research

Exhibit 4: CEAT's international business is also progressing well with improving market share

Run rate of ~2.3 mn PC/UV tyres  
PC/UV SKUs 4.3x since FY19



Growing Market Share Around the Globe<sup>1</sup>

<sup>1</sup> Market Share as of 2024

International Tyre Testing

930+ Off Highway SKUs

~88% coverage in agri segments, Leading OEM partner in EU, LA & US



All the tyres were within the recommended category, with satisfactory results



JOHN DEERE

CNH

CATERPILLAR®



Source: Company, Emkay Research

Exhibit 5: CEAT is a supplier to all leading E-PV as well as E-2W OEMs with market share in healthy double digits

## Supplier to All EV OEMs in India



Source: Company, Emkay Research

Exhibit 6: CEAT's PCR offerings in replacement segment cover 95% of the super-premium cars

## Tyre Range Covers 95% of Super Premium Cars in Replacement Market



Source: Company, Emkay Research



**Exhibit 7: We build in 12%/ 23%/36% revenue/EBITDA/EPS CAGR, respectively, over FY25-27E**

Particulars (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Segmental Revenue</b>								
<b>Truck and Bus</b>	<b>20,336</b>	<b>25,873</b>	<b>28,090</b>	<b>33,945</b>	<b>37,025</b>	<b>39,654</b>	<b>43,619</b>	<b>47,545</b>
% of Revenues	30.0	34.0	30.0	30.0	31.0	30.0	29.6	28.9
Growth YoY %	-9.0	27.2	8.6	20.8	9.1	7.1	10.0	9.0
<b>2/3Ws</b>	<b>21,692</b>	<b>22,068</b>	<b>27,154</b>	<b>29,419</b>	<b>32,247</b>	<b>35,688</b>	<b>39,971</b>	<b>45,167</b>
% of Revenues	32.0	29.0	29.0	26.0	27.0	27.0	27.1	27.4
Growth YoY %	0.2	1.7	23.0	8.3	9.6	10.7	12.0	13.0
<b>PC/UV</b>	<b>9,490</b>	<b>10,653</b>	<b>16,854</b>	<b>22,630</b>	<b>23,887</b>	<b>27,758</b>	<b>31,921</b>	<b>36,390</b>
% of Revenues	14.0	14.0	18.0	20.0	20.0	21.0	21.6	22.1
Growth YoY %	-2.9	12.3	58.2	34.3	5.6	16.2	15.0	14.0
<b>OHT/Speciality</b>	<b>8,135</b>	<b>10,653</b>	<b>13,109</b>	<b>18,104</b>	<b>17,915</b>	<b>19,827</b>	<b>21,809</b>	<b>24,427</b>
% of Revenues	12.0	14.0	14.0	16.0	15.0	15.0	14.8	14.8
Growth YoY %	5.9	31.0	23.0	38.1	-1.0	10.7	10.0	12.0
<b>LCV/others</b>	<b>8,135</b>	<b>6,849</b>	<b>8,427</b>	<b>9,052</b>	<b>8,360</b>	<b>9,253</b>	<b>10,178</b>	<b>11,196</b>
% of Revenues	12.0	9.0	9.0	8.0	7.0	7.0	6.9	6.8
Growth YoY %	-2.9	-15.8	23.0	7.4	-7.6	10.7	10.0	10.0

Channel Mix (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Replacement	58	65	56	53	53	53	53	53
OEM	27	21	24	29	28	28	26	26
Exports	15	14	20	18	19	19	21	21
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<b>Total Consolidated Revenues</b>	<b>67,788</b>	<b>76,096</b>	<b>93,634</b>	<b>113,149</b>	<b>119,435</b>	<b>132,179</b>	<b>147,498</b>	<b>164,724</b>
Growth YoY (%)	-2.9	12.3	23.0	20.8	5.6	10.7	11.6	11.7
<b>Gross Profit (%)</b>	<b>28,638</b>	<b>33,433</b>	<b>33,358</b>	<b>39,295</b>	<b>50,191</b>	<b>49,858</b>	<b>57,849</b>	<b>65,922</b>
Gross margin (%)	42.2	43.9	35.6	34.7	42.0	37.7	39.2	40.0
<b>EBITDA</b>	<b>6,970</b>	<b>9,522</b>	<b>6,969</b>	<b>9,738</b>	<b>16,523</b>	<b>14,741</b>	<b>18,942</b>	<b>22,472</b>
EBITDA margin (%)	10.3	12.5	7.4	8.6	13.8	11.2	12.8	13.6
<b>EBIT</b>	<b>4,205</b>	<b>6,125</b>	<b>2,617</b>	<b>5,045</b>	<b>11,434</b>	<b>9,115</b>	<b>12,448</b>	<b>15,453</b>
EBIT margin (%)	6.2	8.0	2.8	4.5	9.6	6.9	8.4	9.4
<b>Interest</b>	1,539	1,788	2,070	2,421	2,691	2,778	3,054	3,668
<b>PBT</b>	3,043	4,839	949	2,793	8,941	6,512	9,574	11,967
Tax rate (%)	24	11	26	26	25	25	25	25
<b>PAT</b>	<b>2,312</b>	<b>4,320</b>	<b>712</b>	<b>2,196</b>	<b>7,009</b>	<b>5,023</b>	<b>7,412</b>	<b>9,228</b>
PAT margin (%)	3.4	5.7	0.8	1.9	5.9	3.8	5.0	5.6
<b>EPS (Rs.)</b>	<b>57.2</b>	<b>106.8</b>	<b>17.6</b>	<b>54.3</b>	<b>173.3</b>	<b>124.2</b>	<b>183.2</b>	<b>228.1</b>

Source: Company, Emkay Research

**Exhibit 8: Our estimates remain unchanged**

Rs Mn	FY25		FY26E				FY27E			
	Actual	%YoY	Earlier	Revised	%Change	%YoY	Earlier	Revised	%Change	%YoY
Revenue	132,179	10.7	147,498	147,498	-	11.6	164,724	164,724	-	11.7
EBITDA	14,741	(10.8)	18,942	18,942	-	28.5	22,472	22,472	-	18.6
Margin (%)	11.2	(268)bps	12.8	12.8	0bps	169bps	13.6	13.6	0bps	80bps
APAT	5,023	(28.3)	7,412	7,412	-	47.6	9,228	9,228	-	24.5
EPS (Rs)	124	(28.3)	183	183	-	47.6	228	228	-	24.5

Source: Company, Emkay Research

## CEAT: Consolidated Financials and Valuations

### Profit & Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
<b>Revenue</b>	<b>113,149</b>	<b>119,435</b>	<b>132,179</b>	<b>147,498</b>	<b>164,724</b>
Revenue growth (%)	20.8	5.6	10.7	11.6	11.7
<b>EBITDA</b>	<b>9,738</b>	<b>16,523</b>	<b>14,741</b>	<b>18,942</b>	<b>22,472</b>
EBITDA growth (%)	39.7	69.7	(10.8)	28.5	18.6
Depreciation & Amortization	4,693	5,088	5,627	6,494	7,019
<b>EBIT</b>	<b>5,045</b>	<b>11,434</b>	<b>9,115</b>	<b>12,448</b>	<b>15,453</b>
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
<b>PBT</b>	<b>2,793</b>	<b>8,941</b>	<b>6,512</b>	<b>9,574</b>	<b>11,967</b>
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
<b>Reported PAT</b>	<b>1,862</b>	<b>6,427</b>	<b>4,726</b>	<b>7,412</b>	<b>9,228</b>
PAT growth (%)	117.0	245.2	(26.5)	56.8	24.5
<b>Adjusted PAT</b>	<b>2,196</b>	<b>7,009</b>	<b>5,023</b>	<b>7,412</b>	<b>9,228</b>
<b>Diluted EPS (Rs)</b>	<b>54.3</b>	<b>173.3</b>	<b>124.2</b>	<b>183.2</b>	<b>228.1</b>
Diluted EPS growth (%)	208.4	219.2	(28.3)	47.6	24.5
<b>DPS (Rs)</b>	<b>3.1</b>	<b>12.0</b>	<b>30.0</b>	<b>35.0</b>	<b>40.0</b>
<b>Dividend payout (%)</b>	<b>6.8</b>	<b>7.6</b>	<b>25.7</b>	<b>19.1</b>	<b>17.5</b>
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
<b>NOPLAT (pre-IndAS)</b>	<b>3,749</b>	<b>8,603</b>	<b>6,707</b>	<b>9,311</b>	<b>11,559</b>
Shares outstanding (mn)	40	40	40	40	40

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
<b>Operating cash flow</b>	<b>12,055</b>	<b>17,193</b>	<b>10,920</b>	<b>17,820</b>	<b>20,882</b>
Capital expenditure	(8,779)	(8,668)	(9,426)	(10,000)	(12,000)
Acquisition of business	-	-	-	-	-
Interest & dividend income	299	175	202	0	0
<b>Investing cash flow</b>	<b>(8,491)</b>	<b>(8,537)</b>	<b>(9,224)</b>	<b>(10,000)</b>	<b>(12,000)</b>
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
<b>Financing cash flow</b>	<b>(3,195)</b>	<b>(8,710)</b>	<b>(1,753)</b>	<b>(219)</b>	<b>(80)</b>
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
<b>FCFF/NOPLAT (%)</b>	<b>87.4</b>	<b>99.1</b>	<b>22.3</b>	<b>84.0</b>	<b>76.8</b>

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
<b>Net worth</b>	<b>34,396</b>	<b>40,426</b>	<b>43,685</b>	<b>49,682</b>	<b>57,292</b>
Minority interests	174	97	77	66	53
Non-current liab. & prov.	3,873	4,509	5,004	5,004	5,004
<b>Total debt</b>	<b>22,955</b>	<b>17,915</b>	<b>21,364</b>	<b>25,615</b>	<b>30,821</b>
<b>Total liabilities &amp; equity</b>	<b>61,586</b>	<b>63,159</b>	<b>70,327</b>	<b>80,586</b>	<b>93,415</b>
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
<b>Cash &amp; equivalents</b>	<b>719</b>	<b>591</b>	<b>532</b>	<b>8,133</b>	<b>16,936</b>
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
<b>NWC (ex-cash)</b>	<b>(8,269)</b>	<b>(9,644)</b>	<b>(7,746)</b>	<b>(8,643)</b>	<b>(9,653)</b>
<b>Total assets</b>	<b>61,586</b>	<b>63,159</b>	<b>70,327</b>	<b>80,586</b>	<b>93,415</b>
Net debt	22,236	17,324	20,831	17,481	13,885
Capital employed	61,586	63,159	70,327	80,586	93,415
<b>Invested capital</b>	<b>52,692</b>	<b>53,067</b>	<b>62,098</b>	<b>65,324</b>	<b>68,345</b>
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
<b>RoCE (%)</b>	<b>9.2</b>	<b>20.1</b>	<b>15.0</b>	<b>18.0</b>	<b>19.1</b>

Source: Company, Emkay Research

### Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	79.4	23.0	31.3	19.9	16.0
P/CE(x)	21.5	12.2	13.9	10.6	9.1
P/B (x)	4.3	3.7	3.4	3.0	2.6
EV/Sales (x)	1.5	1.4	1.2	1.1	1.0
EV/EBITDA (x)	17.5	10.0	11.2	8.7	7.3
EV/EBIT(x)	33.7	14.4	18.1	13.3	10.7
EV/IC (x)	3.2	3.1	2.7	2.5	2.4
FCFF yield (%)	1.9	5.2	0.9	4.7	5.4
FCFE yield (%)	780.7	4,065.9	(731.9)	3,225.1	3,528.2
Dividend yield (%)	0.1	0.3	0.8	1.0	1.1
<b>DuPont-RoE split</b>					
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
<b>RoE (%)</b>	<b>6.5</b>	<b>18.7</b>	<b>11.9</b>	<b>15.9</b>	<b>17.3</b>
<b>DuPont-RoIC</b>					
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
<b>RoIC (%)</b>	<b>7.5</b>	<b>16.3</b>	<b>11.6</b>	<b>14.6</b>	<b>17.3</b>
<b>Operating metrics</b>					
Core NWC days	(26.7)	(29.5)	(21.4)	(21.4)	(21.4)
<b>Total NWC days</b>	<b>(26.7)</b>	<b>(29.5)</b>	<b>(21.4)</b>	<b>(21.4)</b>	<b>(21.4)</b>
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

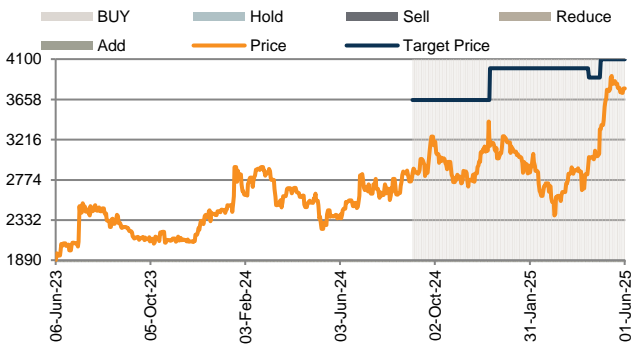
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-May-25	3,332	4,100	Buy	Chirag Jain
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: Bloomberg, Company, Emkay Research

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<b>SELL</b>	<15% downside

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