

21 July 2025

India | Equity Research | Results update

CEAT

Auto Ancillaries

Decent quarter – demand momentum remains healthy, valuations remain rich

Healthy traction in the OE business and steady replacement demand (led by 2W/TBR segment) drove growth for CEAT in Q1FY26. Demand outlook remains positive with the 2W segment likely to grow in double-digit and TBR/PCR in high single-digit in FY26. With demand bottoming out in key international markets, the outlook for exports also remains positive. US-tariffs may have an impact on CAMSO's performance in the near term. Nonetheless, its medium-to-long term prospects remain healthy and we expect it to be EPS accretive from FY28E. We cut FY26/FY27 revenue estimate by 4%/2% owing to a lower-than-expected revenue run-rate for CAMSO (and delay in consolidation by 2–3 months). Valuations remain rich. Maintain **HOLD** with TP of INR 3,750 (earlier: INR 3,625) based on 17x FY27E EPS (earlier 16x).

Decent performance in Q1FY26

CEAT reported consolidated revenue of INR 35.3bn (+11% YoY/+3% QoQ), ~3% above I-Sec's estimate. Overall volume grew ~9% YoY led by healthy growth in the OEM and replacement segments. Consol. EBITDA stood at INR 3.88bn (+1% YoY/+14%QoQ), 1% above I-Sec's estimate. RM cost was flattish QoQ; a 70bps decline in gross margin was due to unfavourable mix. Consol. EBITDAM stood at ~11% (-100bps YoY /-40bps QoQ), 20bps below I-Sec's estimate. Adj. PAT came in at INR 1.16bn (-21% YoY; -15% QoQ).

Demand environment and outlook

Segment-wise volume growth: OE/replacement grew in strong double-digits/single-digit; exports were flat on a YoY basis. In the replacement segment, YoY growth was led by double-digit growth in 2W tyres (backed by rural demand), high single-digit growth in TBR (TBB segment declined) and low single-digit growth in the PCR segment. Overall, the company remains positive on growth led by continued traction in rural demand. It expects 2W tyres to lead demand, followed by PCR/TBR. In international business, while demand in LATAM and Middle-East remained challenging, CEAT indicated that demand outlook is improving for EU agri-OTR segment. Overall, the company is aiming for a healthy recovery in export growth going ahead.

Update on CAMSO acquisition

CAMSO integration is expected to close by Sep'25-end. Current revenue run-rate is USD 150mn (vs. expectation of ~USD 200mn earlier).

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,19,435	1,32,179	1,49,777	1,67,649
EBITDA	16,522	14,741	19,443	23,267
EBITDA %	13.8	11.2	13.0	13.9
Net Profit	7,008	5,023	6,812	8,898
EPS (INR)	173.3	124.2	168.4	220.0
EPS % Chg YoY	219.1	(28.3)	35.6	30.6
P/E (x)	22.1	30.8	22.7	17.4
EV/EBITDA (x)	10.4	11.9	9.6	7.7
RoCE (%)	15.1	11.1	12.1	13.1
RoE (%)	18.7	11.9	14.7	16.9

Ronak Mehta

ronak.mehta@icicisecurities.com
+ 91 22 6807 7260

Vivek Kumar

vivek.k@icicisecurities.com

Vishakha Maliwal

vishakha.maliwal@icicisecurities.com

Market Data

Market Cap (INR)	155bn
Market Cap (USD)	1,798mn
Bloomberg Code	CEAT IN
Reuters Code	CEAT.BO
52-week Range (INR)	4,049 /2,322
Free Float (%)	52.0
ADTV-3M (mn) (USD)	9.9

Price Performance (%)	3m	6m	12m
Absolute	26.7	26.5	37.5
Relative to Sensex	22.7	19.8	36.9

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

Earnings Revisions (%)	FY26E	FY27E
Revenue	(4)	(2)
EBITDA	(6)	(2)
EPS	(8)	(3)

Previous Reports

04-06-2025: [Company Update](#)

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

CAMSO is partially absorbing the impact of higher US-tariffs as of now, but the company plans to pass-it-on gradually (last year margin was in mid-teens). Management indicated that if the recently announced 30% tariff continues on US exports from Sri Lanka, the company will likely consider re-aligning its export sourcing from Indian plant. We expect this business to be EPS accretive FY28E onwards.

Market share

During Q1FY26, CEAT gained market share in both 2W and PCR segment tyres. The company is aiming for leadership position in the PCR segment over the medium term.

Margin outlook

RM basket was flattish QoQ during Q1. Decline in international NR prices net of increase in domestic NR prices will likely aid margins going ahead (crude price is range-bound). Overall, CEAT expects RM basket to decline 1–2% QoQ during Q2FY26.

Other highlights

CEAT announced a capex of INR 4.5bn for PCR capacity expansion (by +35%) at its Chennai plant (SOP: FY27-end). This would be funded by a mix of internal accruals and debt. Overall, capex guidance for FY26/27 stands between INR 9–10bn p.a.

Exhibit 1: Q1FY26 result review (consolidated)

Consolidated (INR mn)	Q1FY26	Q1FY25	% YoY	Q4FY25	% QoQ	Q1FY26E	% A/E
Sales (INR mn)	35,294	31,928	10.5	34,206	3.2	34,337	2.8
RM	22,311	19,401	15.0	21,391	4.3	21,289	4.8
As a % of sales	63.2	60.8	250bps	62.5	70bps	62.0	120bps
Employee Exp	2,268	1,956	15.9	2,257	0.5	2,163	4.9
As a % of sales	6.4	6.1	30bps	6.6	-20bps	6.3	10bps
Other Costs	6,838	6,742	1.4	6,677	2.4	7,039	(2.9)
As a % of sales	19.4	21.1	-170bps	19.5	-10bps	20.5	-110bps
Expenditure	31,417	28,099	11.8	30,325	3.6	30,492	3.0
EBITDA (Rs Mn)	3,877	3,829	1.3	3,881	(0.1)	3,846	0.8
EBITDA Margin(%)	11.0	12.0	-100bps	11.3	-40bps	11.2	-20bps
Other Income	47	62	(23.1)	45	4.6	75	(36.9)
Interest	821	619	32.7	744	10.3	750	9.4
Depreciation	1,514	1,318	14.9	1,523	(0.6)	1,500	0.9
PBT	1,590	1,954	(18.6)	1,659	(4.1)	1,671	(4.8)
Tax	419	540	(22.3)	356	17.8	426	(1.6)
Tax rate (%)	26.4	27.6		21.5		25.5	86bps
Exceptional (gain)/loss	33	-75	NA	370	(91.1)	0	NA
Minority interest	14	-53	NA	-63	NA	-60	NA
PAT Reported	1,125	1,542	(27.1)	995	13.0	1,305	(13.8)
Adj. PAT	1,157	1,467	(21.1)	1,365	(15.2)	1,305	(11.3)
PAT Margin(%)	3.3	4.6		4.0	-70bps	3.8	
EPS	28.6	36.3	(21.1)	33.8	(15.2)	32.3	(11.3)

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

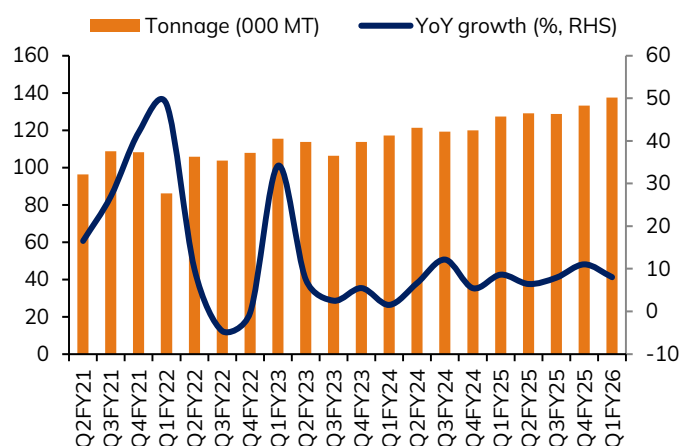
- Increase in competitive intensity leading to higher discounting.
- Geopolitical uncertainty/demand slowdown in EU/US can impact exports.

Exhibit 2: Revision in estimates

	FY26E			FY27E		
	Old	Revised	% Change	Old	Revised	% Change
Revenue (INR mn)	1,55,777	1,49,777	-4%	1,70,649	1,67,649	-2%
EBITDA (INR mn)	20,674	19,443	-6%	23,799	23,267	-2%
EBITDA margin (%)	13.3%	13.0%	-30bps	13.9%	13.9%	-
PAT (INR mn)	7,383	6,812	-8%	9,165	8,898	-3%
EPS (INR)	183	168	-8%	227	220	-3%

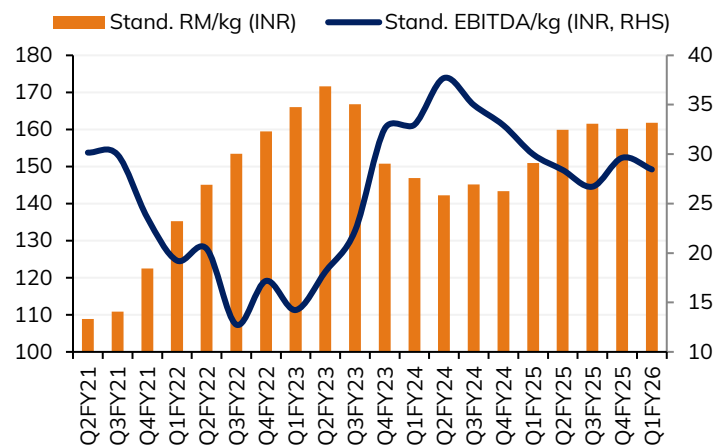
Source: Company data, I-Sec research

Exhibit 3: Volume (tonnage) growth trend; building in 6% tonnage growth for FY25-27E



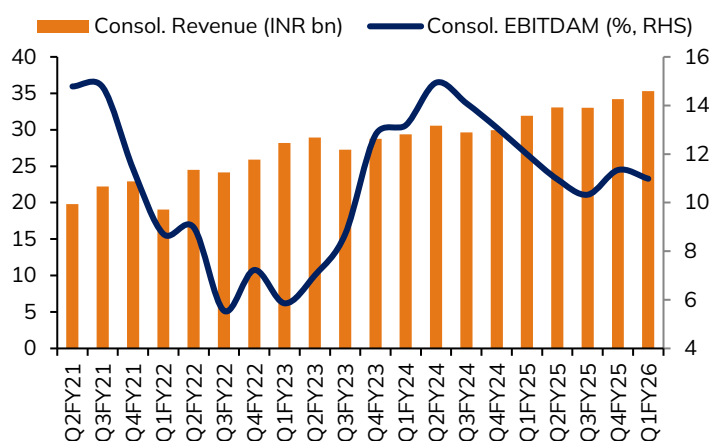
Source: Company data, I-Sec research

Exhibit 4: Standalone EBITDA/kg trend; expect EBITDA/kg to improve by ~INR 7/kg over FY25-27E



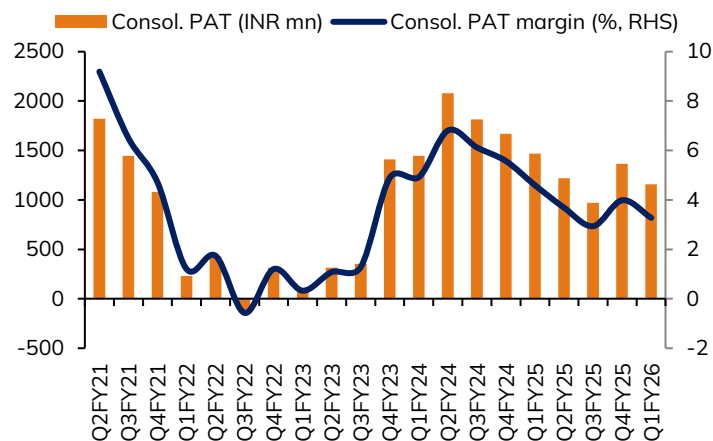
Source: Company data, I-Sec research

Exhibit 5: Consol. revenue and EBITDA trend; expect revenue/EBITDA to grow by 13%/26% during FY25-27E



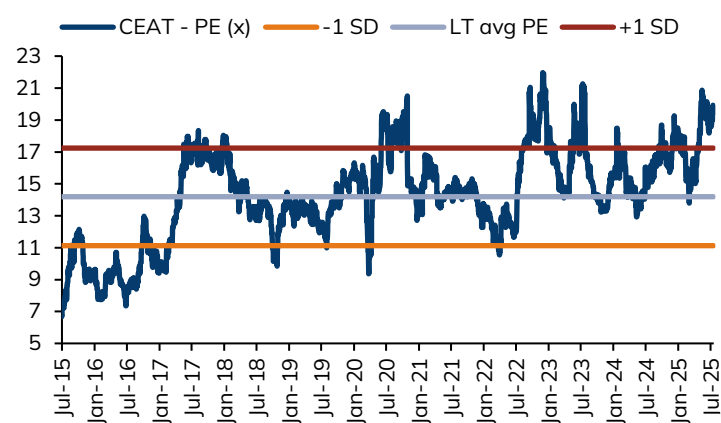
Source: Company data, I-Sec research

Exhibit 6: Consol. PAT trend; expect PAT to grow by 30%+ during FY25-27E



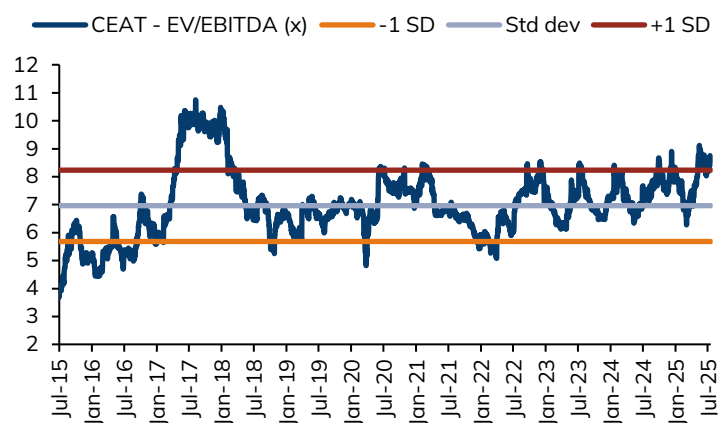
Source: Company data, I-Sec research

Exhibit 7: 1-year forward PE



Source: Bloomberg, I-Sec research

Exhibit 8: 1-year forward EV/EBITDA



Source: Bloomberg, I-Sec research

Exhibit 9: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	47.0	47.2	47.2
Institutional investors	35.0	36.4	37.5
MFs and others	12.0	17.6	17.5
FIs/Banks	0.0	0.0	0.3
Insurance	4.0	3.7	2.3
FIIIs	19.0	15.5	17.4
Others	18.0	16.0	15.3

Source: Bloomberg, I-Sec research

Exhibit 10: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	1,19,435	1,32,179	1,49,777	1,67,649
Operating Expenses	25,212	26,554	30,558	34,778
EBITDA	16,522	14,741	19,443	23,267
EBITDA Margin (%)	13.8	11.2	13.0	13.9
Depreciation & Amortization	5,088	5,627	7,190	8,425
EBIT	11,434	9,115	12,253	14,842
Interest expenditure	2,691	2,778	3,246	3,077
Other Non-operating Income	197	176	226	306
Recurring PBT	8,941	6,512	9,233	12,071
Profit / Loss from Associates	-	-	-	-
Less: Taxes	2,214	1,720	2,596	3,348
PAT	6,727	4,792	6,637	8,723
Less: Minority Interest	(282)	(231)	(175)	(175)
Extraordinaries (Net)	(582)	(296)	-	-
Net Income (Reported)	6,427	4,726	6,812	8,898
Net Income (Adjusted)	7,008	5,023	6,812	8,898

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	27,468	34,408	33,366	38,700
of which cash & cash eqv.	591	532	1,678	4,596
Total Current Liabilities & Provisions	35,157	39,682	42,547	46,247
Net Current Assets	(7,689)	(5,274)	(9,181)	(7,548)
Investments	1,821	1,898	1,898	1,898
Net Fixed Assets	62,480	69,612	91,301	91,451
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	85,219	87,003
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	48,535	55,673
Total Net Worth	40,426	43,685	48,939	56,077
Minority Interest	97	77	77	77
Total Liabilities	60,279	67,438	85,219	87,003

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	33,045	32,999	34,206	35,294
% growth (YOY)	8.2	11.4	14.3	10.5
EBITDA	3,623	3,409	3,881	3,877
Margin %	11.0	10.3	11.3	11.0
Other Income	35	34	45	47
Extraordinaries	(0)	-	(370)	(33)
Adjusted Net Profit	1,219	971	1,365	1,157

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	15,727	10,638	22,301	21,684
Working Capital Changes	1,598	(2,473)	5,053	1,284
Capital Commitments	(7,713)	(11,299)	(28,878)	(8,575)
Free Cashflow	8,014	(661)	(6,577)	13,109
Other investing cashflow	(2,816)	(2,855)	(3,246)	(3,077)
Cashflow from Investing Activities	(10,528)	(14,155)	(32,124)	(11,652)
Issue of Share Capital	-	-	-	-
Interest Cost	1,376	712	85	4
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	10,969	(7,114)
Chg. in Cash & Bank balance	321	(569)	1,146	2,918
Closing cash & balance	1,040	22	1,678	4,596

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	173.3	124.2	168.4	220.0
Adjusted EPS (Diluted)	173.3	124.2	168.4	220.0
Cash EPS	299.0	263.3	346.2	428.2
Dividend per share (DPS)	30.0	30.0	35.0	40.0
Book Value per share (BV)	999.4	1,080.0	1,209.9	1,386.3
Dividend Payout (%)	17.3	24.2	20.8	18.2
Growth (%)				
Net Sales	5.6	10.7	13.3	11.9
EBITDA	69.7	(10.8)	31.9	19.7
EPS (INR)	219.1	(28.3)	35.6	30.6
Valuation Ratios (x)				
P/E	22.1	30.8	22.7	17.4
P/CEPS	12.8	14.5	11.1	8.9
P/BV	3.8	3.5	3.2	2.8
EV / EBITDA	10.4	11.9	9.6	7.7
EV / Sales	1.4	1.3	1.2	1.1
Profitability Ratios				
Gross Profit Margins (%)	34.9	31.2	33.4	34.6
EBITDA Margins (%)	13.8	11.2	13.0	13.9
EBIT Margins (%)	9.6	6.9	8.2	8.9
Net Profit Margins (%)	5.9	3.8	4.5	5.3
RoCE (%)	15.1	11.1	12.1	13.1
RoE (%)	18.7	11.9	14.7	16.9
Dividend Yield (%)	0.8	0.8	0.9	1.0

Operating Ratios

Fixed Asset Turnover (x)	1.7	1.8	1.5	1.7
Inventory Turnover Days	35	39	34	32
Receivables Days	39	46	38	37
Payables Days	83	85	81	80
Effective Tax Rate (%)	24.8	26.4	28.1	27.7
Net Debt / Equity (x)	0.4	0.5	0.7	0.4
Net Debt / EBITDA (x)	1.0	1.4	1.6	1.0

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
