

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	3,332
12 month price target (INR)	3,800
52 Week High/Low	3,581/2,210
Market cap (INR bn/USD bn)	135/1.6
Free float (%)	51.9
Avg. daily value traded (INR mn)	294.8

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	47.21%	47.21%	47.21%
FII	15.28%	15.83%	16.65%
DII	21.52%	20.54%	19.75%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

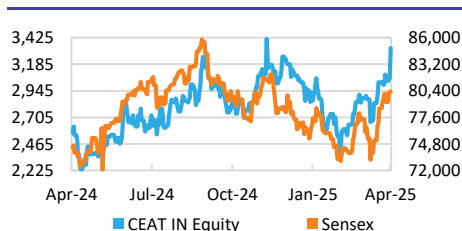
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	119,435	132,179	156,382	172,791
EBITDA	16,522	14,741	20,330	23,327
Adjusted profit	7,008	5,023	7,561	9,492
Diluted EPS (INR)	173.3	124.2	186.9	234.7
EPS growth (%)	219.1	(28.3)	50.5	25.5
RoAE (%)	18.7	11.9	16.2	17.7
P/E (x)	19.2	26.8	17.8	14.2
EV/EBITDA (x)	9.1	10.4	8.2	7.0
Dividend yield (%)	0.9	0.9	1.1	1.4

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	156,382	172,791	0	0
EBITDA	20,330	23,327	2	3
Adjusted profit	7,561	9,492	4	8
Diluted EPS (INR)	186.9	234.7	4	8

PRICE PERFORMANCE



EBITDA beat; margins to improve ahead

CEAT's Q4FY25 revenue increased 14% YoY to INR34.2bn (estimate: INR33.2bn) supported by double-digit growth in the replacement and OEM segments. EBITDA edged down 1% YoY to INR3.9bn, above estimate of INR3.4bn owing to price hikes and cost savings. Factoring in lower input costs, we are increasing FY26E/27E EBITDA by 2%/3%.

We are building in a revenue/EBITDA CAGR of 14%/26% over FY25–27E aided by growth in existing business and the Camso acquisition. We expect average RoE to stay healthy at 17% over FY26E/27E. Net debt/equity is likely to increase from 0.5x in FY25E to 0.7x in FY26E due to the Camso takeover, and moderate to 0.6x in FY27E. At 16x FY27E EPS, our TP works out to INR3,800 (earlier INR3,500); retain 'BUY'.

Q4FY25 EBITDA above estimate

Revenue grew 14% YoY to INR34.2bn (estimate: INR33.2bn) aided by double-digit growth in the replacement and OEM segments. Gross margin improved 60bp QoQ, owing to flat RM cost and price hikes in the 2W and PV segments. EBITDA decreased 1% YoY to INR3.9bn (estimate: INR3.4bn), above estimate owing to a better-than-expected gross margin and lower other expenses (due to cost savings). EBITDA margin contracted 170bp YoY to 11.3%. Adj. PAT fell 18% YoY to INR1.4bn (estimate: INR990mn), above estimate due to higher operating profit and a lower tax rate.

Revenue/EBITDA CAGR likely to be 14%/26% over FY25–27E

We anticipate a revenue CAGR of 14% over FY25–27E supported by growth in the existing business and Camso. In existing business, we expect growth to be driven by the replacement, OEM and export segments. Exports are likely to improve ahead on better demand in Europe, the Middle East and the Southeast Asia regions, and recovery in Latin America. CEAT is also retaining focus on EV tyres with platform-wins in the 2W, PV and CV segments with OEMs such as Tata Motors, M&M, MG Motors, Kia Motors, VECV, JBM Auto, Olectra, BYD and Ola Electric. EBITDA CAGR is likely to be 26% on better net pricing and due to the high-margin Camso business.

OHT/international presence to further improve in medium term

Post-Camso acquisition, the initial focus shall be on ramping up capacity; after three years, once the Camso brand rights are assigned, CEAT shall foray into agriculture tracks, harvester tracks and power sport tracks. CEAT's share of high-margin OHT/exports shall improve from 15%/19% to 25%/26% due to this acquisition. Going forward, a pickup in OHT industry and new products should help in further improving the share of OHT/exports over medium term. EBITDA margin—currently in mid-teens—is also likely to rise to ~20% in a stable business scenario.

Financials

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net Revenue	34,206	29,919	14.3	32,999	3.7
EBITDA	3,881	3,915	(0.9)	3,409	13.8
Adjusted Profit	1,365	1,667	(18.1)	971	40.6
Diluted EPS (INR)	33.8	41.2	(18.1)	24.0	40.6

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	119,435	132,179	156,382	172,791
Gross profit	50,191	49,858	61,771	68,944
Employee costs	8,457	8,562	10,008	10,886
Other expenses	25,212	26,554	31,433	34,731
EBITDA	16,522	14,741	20,330	23,327
Depreciation	5,088	5,627	6,799	7,691
Less: Interest expense	2,691	2,778	3,874	3,394
Add: Other income	197	176	183	190
Profit before tax	8,941	6,512	9,839	12,432
Prov for tax	2,214	1,720	2,509	3,170
Less: Other adj	0	0	0	0
Reported profit	6,427	4,726	7,561	9,492
Less: Excp.item (net)	(582)	(296)	0	0
Adjusted profit	7,008	5,023	7,561	9,492
Diluted shares o/s	40	40	40	40
Adjusted diluted EPS	173.3	124.2	186.9	234.7
DPS (INR)	30.0	30.0	37.4	46.9
Tax rate (%)	24.8	26.4	25.5	25.5

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross profit margin (%)	42.0	37.7	39.5	39.9
Staff cost % sales	7.1	6.5	6.4	6.3
Other expenses % sales	21.1	20.1	20.1	20.1
EBITDA margin (%)	13.8	11.2	13.0	13.5
Net profit margin (%)	5.9	3.8	4.8	5.5
Revenue growth (% YoY)	5.6	10.7	18.3	10.5
EBITDA growth (% YoY)	69.7	(10.8)	37.9	14.7
Adj. profit growth (%)	219.1	(28.3)	50.5	25.5

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Replacement rev. (INRmn)	63,030.8	70,279.3	77,307.3	84,264.9
OEM revenue (INRmn)	33,299.3	36,355.7	38,537.0	40,078.5
Replacement rev. (INRmn)	22,595.9	25,081.5	26,837.2	29,789.3
Camso revenue (INRmn)	0	0	13,215.4	18,149.1

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	19.2	26.8	17.8	14.2
Price/BV (x)	3.3	3.1	2.7	2.4
EV/EBITDA (x)	9.1	10.4	8.2	7.0
Dividend yield (%)	0.9	0.9	1.1	1.4

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	405	405	405	405
Reserves	40,022	43,281	49,330	56,923
Shareholders funds	40,426	43,685	49,734	57,328
Minority interest	97	77	65	52
Borrowings	16,289	19,284	32,284	28,284
Trade payables	35,554	40,216	46,723	50,679
Other liabs & prov	6,350	7,315	7,784	8,285
Total liabilities	99,945	112,124	138,419	146,649
Net block	61,741	68,571	88,520	91,775
Intangible assets	970	1,272	1,324	1,379
Capital WIP	6,835	5,375	5,375	5,375
Total fixed assets	69,546	75,218	95,220	98,529
Non current inv	163	166	166	166
Cash/cash equivalent	591	532	196	622
Sundry debtors	12,832	16,533	19,561	21,613
Loans & advances	0	0	0	0
Other assets	13,965	17,255	20,415	22,557
Total assets	99,945	112,124	138,419	146,649

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	6,427	4,726	7,561	9,492
Add: Depreciation	5,088	5,627	6,799	7,691
Interest (net of tax)	2,024	2,044	2,886	2,529
Others	57	188	0	0
Less: Changes in WC	2,674	(2,909)	330	(232)
Operating cash flow	14,641	8,768	15,067	16,310
Less: Capex	(8,668)	(9,426)	(26,800)	(11,000)
Free cash flow	5,973	(657)	(11,733)	5,310

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	18.7	11.9	16.2	17.7
RoCE (%)	20.7	15.5	18.9	18.9
Inventory days	60	57	59	62
Receivable days	40	41	42	43
Payable days	182	168	168	171
Working cap (% sales)	(8.9)	(6.6)	(6.1)	(5.7)
Gross debt/equity (x)	0.4	0.4	0.6	0.5
Net debt/equity (x)	0.5	0.5	0.7	0.6
Interest coverage (x)	4.2	3.3	3.5	4.6

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	219.1	(28.3)	50.5	25.5
RoE (%)	18.7	11.9	16.2	17.7
EBITDA growth (%)	69.7	(10.8)	37.9	14.7
Payout ratio (%)	18.9	25.7	20.0	20.0

Q4FY25 conference call: Key takeaways

- **Q4FY25 volume performance:** Volume grew by 11% YoY (3.5% QoQ). Replacement grew in high single digits and OEM grew in double digits, whereas exports declined. OEM grew QoQ and YoY, and this was attributable to growth across segments. The company also got approval for new models in the PV segment with higher rim sizes, which added to growth of the OEM segment.
- **FY25 performance:** The replacement and international businesses delivered double-digit growth.
- **OHT segment:** The company added 49-plus SKUs in this segment in Q4FY25. It also added customers such as Argo and Yanmar in this segment.
- **FY26 exports outlook:** Positive growth is expected in FY26 led by Europe, the Middle East, and Southeast Asia regions, and recovery in Latin America.
- **Q4FY25 gross margin** improved QoQ on account of flat RM cost and selective price hike taken in 2W and PV segments.
- **Raw material** costs were flat QoQ in Q4FY25. RM costs are expected to be flat or decline by 1% QoQ in Q1FY26. Management expects RM cost to further come down in Q2FY26 due to lower crude prices.
- **Rubber prices:** International rubber prices remained at USD1,900–2,000/ton in Q4FY25 and were at a premium to local rubber prices by INR15/kg. However, international rubber prices have declined by USD200/ton and is trading at a discount of INR7–8/kg to local natural rubber price. Indian rubber prices remained at INR190–200/kg during Q4FY25.
- **Crude derivatives:** The crude oil prices were largely in the range of USD70 to USD80 per barrel. However, the crude oil prices have corrected to USD65 in April. The key crude derivatives such as Butadiene, Caprolactam, etc were largely stable in Q4FY25. However, there has been some downward trend price movement in April to the tune of 2% to 5%.
- **Employee cost** has increased by INR100mn QoQ. This is attributed to additional manpower costs incurred due to an increase in capacity.
- **CAMSO:** The result of CAMSO will start getting consolidated from Q2FY26.
- **US tariff impact on CAMSO:** CAMSO is into bias tyres and tracks business. Management expects 4% tariff on tracks business and 44% tariff (in worst case scenario) on tyre business.
- **Capex** spending in Q4FY25 was INR2.4bn and for FY25 it stood at INR9.5bn. FY26 capex will be in the range of INR9–10 bn.
- **Capacity utilisation:** The Ambernath plant has a utilisation rate of 65% in FY25. CAMSO is currently operating at 50% utilisation, and management will focus on increasing the capacity utilisation to 80–85% over the medium term.

Exhibit 1: Changes in estimates; FY26E/FY27E EBITDA increased by 2%/3% on account of lower input costs

INR mn	Old estimates		New estimates		Variance (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net revenues	155,791	172,230	156,382	172,791	0	0
EBITDA	19,941	22,562	20,330	23,327	2	3
Adjusted Profit	7,279	8,755	7,561	9,492	4	8
Diluted EPS (INR)	179.9	216.4	186.9	234.7	4	8

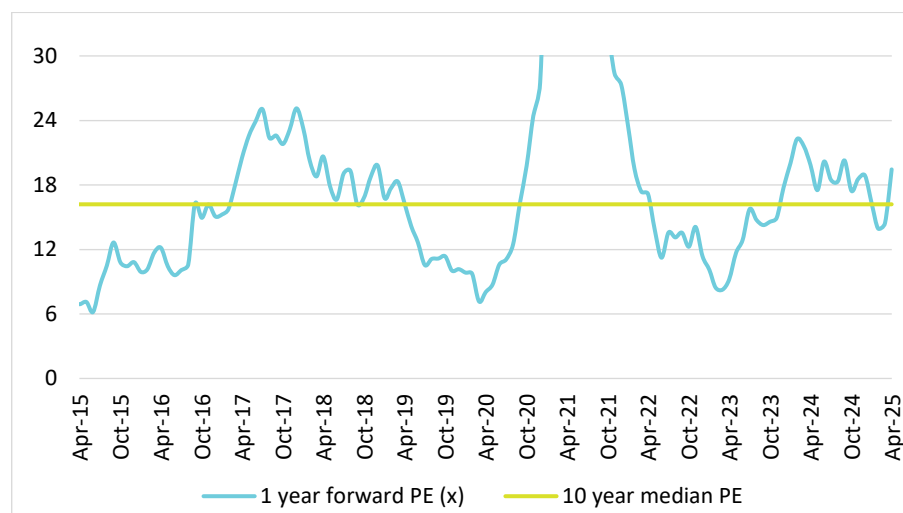
Source: Nuvama Research

Exhibit 2: Key revenue assumptions: Revenue CAGR of 14% over FY25–27E

Key revenue assumptions (INRmn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY25-27E CAGR (%)
India replacement	52,151	59,695	63,031	70,279	77,307	84,265	9
Chg (%)		14	6	12	10	9	
India OEM	22,350	32,663	33,299	36,356	38,537	40,079	5
Chg (%)		46	2	9	6	4	
Exports	18,625	20,274	22,596	25,081	26,837	29,789	9
Chg (%)		9	11	11	7	11	
Camso					13,215	18,149	
Chg (%)						37	
Others	508	516	509	462	485	510	5
Chg (%)		2	(1)	(9)	5	5	
Total	93,634	113,149	119,435	132,179	156,382	172,791	14
Chg (%)		21	6	11	18	10	

Source: Company, Nuvama Research

Exhibit 3: One-year forward PE; 10-year median at 16x



Source: Bloomberg, Nuvama Research

Exhibit 4: Quarterly snapshot; EBITDA above estimate

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net revenues	34,206	29,919	14.3	32,999	3.7
Raw material	21,391	17,265	23.9	20,847	2.6
Staff costs	2,257	2,153	4.8	2,159	4.5
Other expenses	6,677	6,585	1.4	6,584	1.4
Total expenditure	30,325	26,003	16.6	29,590	2.5
EBITDA	3,881	3,915	(0.9)	3,409	13.8
Depreciation	1,523	1,361	12.0	1,415	7.7
EBIT	2,358	2,555	(7.7)	1,994	18.2
Less: Interest Expense	744	617	20.7	751	(0.9)
Add: Other income	45	31	47.2	34	31.8
Add: Prior period items					
Add: Exceptional items	(370)	(582)		0	
Profit before tax	1,659	1,969	(15.7)	1,278	29.8
Less: Provision for Tax	356	458	(22.3)	361	(1.5)
Less: Minority Interest	(8)	(63)	(87.6)	(1)	875.0
Add: Share of profit from associates	(55)	(94)	(41.8)	(54)	0.9
Reported Profit	995	1,086	(8.4)	971	2.5
Adjusted Profit	1,365	1,667	(18.1)	971	40.6
No. of Diluted shares outstanding	40	40		40	
Adjusted Diluted EPS	33.8	41.2	(18.1)	24.0	40.6
As a % revenues					
Year to March	Q4FY25	Q4FY24	bps change (YoY)	Q3FY25	bps change (QoQ)
Gross margins	37.5	42.3	(483)	36.8	64
Raw material	62.5	57.7	483	63.2	(64)
Staff costs	6.6	7.2	(60)	6.5	6
Other expenses	19.5	22.0	(249)	20.0	(43)
EBIDTA	11.3	13.1	(174)	10.3	101
Adjusted net profit	4.0	5.6	(158)	2.9	105
Tax rate (% PBT)	21.5	23.3	(181)	28.3	(683)

Source: Company, Nuvama Research

Company Description

CEAT is RPG Group's flagship and one of the largest tyre manufacturers in India by revenue. The company's product portfolio spans the automotive spectrum with tyres for two-wheelers (2W), three-wheelers (3W), passenger cars, utility vehicles (UVs), trucks and buses and off-the-highway (OHT) vehicles. The company has increased presence in OHT/international segments, with recent acquisition of Camso business from Michelin.

Investment Theme

We anticipate a revenue CAGR at 14% over FY25–27E, supported by growth in existing business and Camso acquisition. In existing business, we expect growth to be driven by replacement, OEM and export segments. Exports are likely to improve ahead on better demand in Europe, the Middle East, and the Southeast Asia regions and recovery in Latin America. The company is also retaining focus on EV tyres with platform-wins in 2W, PV and CV segments with OEMs such as Tata Motors, M&M, MG Motors, Kia Motors, VECV, JBM Auto, Olectra, BYD and Ola Electric. EBITDA CAGR expected at 26%, supported by better net pricing and accounting of high-margin Camso business. We expect average RoE to stay healthy at 17% over FY26/27E. Net debt/equity should increase from 0.5x in FY25E to 0.7x in FY26E due to Camso acquisition, and then moderate to 0.6x in FY27E. Applying 16x on FY27E EPS, our TP comes to INR3,800; retain 'BUY'.

Key Risks

- Slowdown in domestic and overseas markets leading to downgrades in revenue assumptions
- Increase in competitive intensity, resulting in lower profitability
- Adverse currency movement leading to negative impact on profitability
- Increase in commodity prices resulting in lower margins
- Increase in freight costs resulting in lower margins

Additional Data

Management

Vice Chairman	Mr. Anant Goenka
MD & CEO	Mr. Arnab Banerjee
CFO	Mr. Kumar Subbiah
Company Secretary	Mr. Gaurav Tongia
Auditor	S. R. Batliboi & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
Mirae Asset	9.96	New India Assurance	1.37
India Opportunities	4.41	LIC	1.28
HDFC AMC	2.93	Mukul Mahavir Agrawal	1.11
Vanguard Group	2.15	Blacrock	1.06
Dimensional Fund	1.62	Tata Asset Management	0.99

*Latest public data

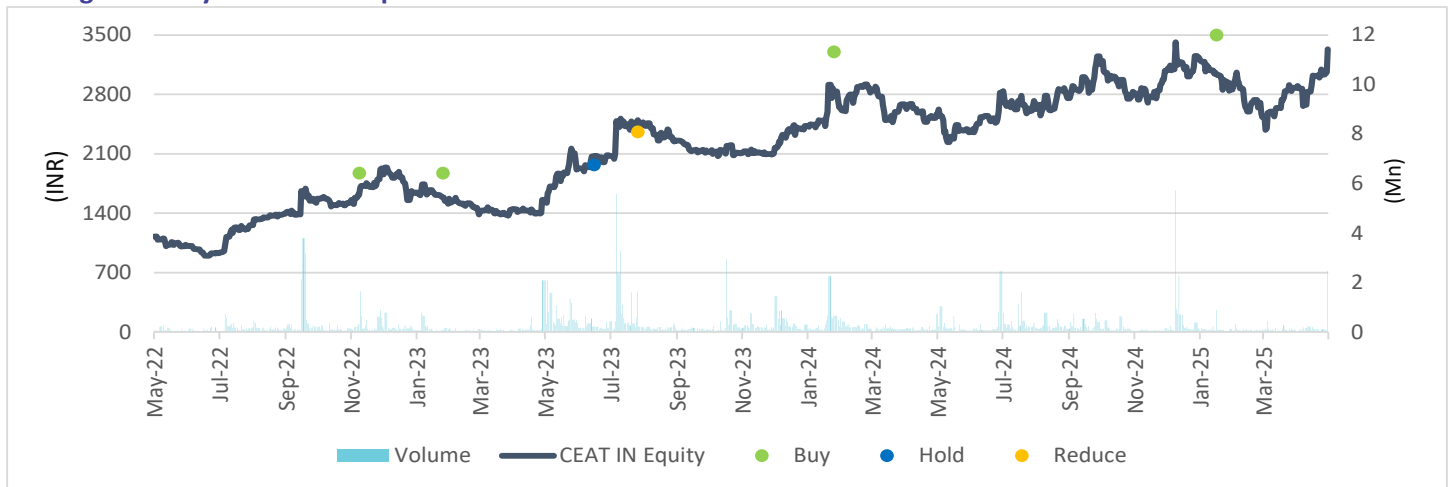
Recent Company Research

Date	Title	Price	Reco
16-Jan-25	EBITDA undershoots; margins to improve; <i>Result Update</i>	3,056	Buy
11-Dec-24	Camso buyout to expand OHT presence; <i>Company Update</i>	3,149	Buy
18-Oct-24	EBITDA in line; margins to improve ahead; <i>Result Update</i>	2,973	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
14-Feb-25	Samvardhana Motherson	In-line EBITDA; outlook remains positive; <i>Result Update</i>
06-Feb-25	Minda Corporation	In-line EBITDA; outlook remains bright; <i>Result Update</i>
23-Jan-25	SONA BLW PRECISION	Q3 undershoots; outlook stays positive; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	209
Hold	<15% and >-5%	59
Reduce	<-5%	34

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