CEAT

Nuvama Flash

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	3,741
12 month price target (INR)	3,800
52 Week High/Low	4,044/2,274
Market cap (INR bn/USD bn)	151/1.8
Free float (%)	51.9
Avg. daily value traded (INR mn)	739.2

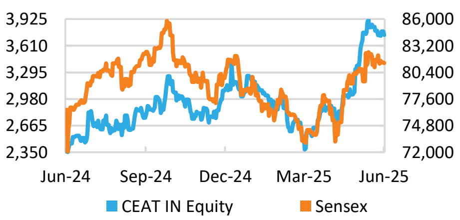
SHAREHOLDING PATTERN

	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

PRICE PERFORMANCE



Increasing focus on high-margin OHT

We attended CEAT's Analyst Day. Highlights: i) FY26 exports outlook is positive led by growth in Europe, Middle East, Asia and Latin America. ii) FY26 domestic replacement growth is likely to be in single digits. iii) CEAT has gained share in the 2W, TBR and E-PCR space in FY25; the company is targeting further gains in the PCR/TBR segments. iv) Camso acquisition increases the high-margin OHT/exports share in revenue from 15%/19% to 25%/26%. Camso revenue is EUR200mn and consolidation is likely Q2FY26 onwards.

We are building in a revenue/EBITDA CAGR of 14%/26% over FY25–27E aided by growth in existing business and the Camso acquisition. At 16x FY27E P/E, our TP works out to INR3,800; retain 'BUY'.

Key takeaways from analyst meet

Outlook: In FY26, replacement growth is likely to be in single digits while exports growth shall be driven by Europe, the Middle East and Southeast Asia regions and a recovery in Latin America. Penetration in the US market could be gradual due to uncertainties on tariffs.

Market share: In FY25, CEAT garnered 36% market share (number one) in the 2W segment, 16% MS in the PCR segment (number three) and 10% MS (number four) in the TBR segment. In EV, MS was 30% in the E-4W segment and 12% in E-2W. CEAT is focusing on efforts to further gain share in PCR and TBR segments.

FY25 export performance: In overseas markets, CEAT has been successful in gaining: i) PCR share of 1–2.5% in Greece, Italy, Ireland and Philippines; ii) TBR share of 1–5% in Bangladesh, Brazil, Ireland and UAE; and iii) 2W share of 2–12% in Ethiopia, Bangladesh, Colombia and Kenya.

CAMSO revenue is ~EUR150mn and results will be consolidated Q2FY26 onwards. Camso is in compact construction tyres and tracks segment and addressable market is EUR1bn-plus. Revenue fell due to weakness in the underlying market. The combination of Camso and CEAT provides a comprehensive coverage of OHT space.

US tariff impact on CAMSO: CAMSO is into bias tyres and tracks business. Management expects 4% tariff on the tracks business and 44% tariff (in the worst case scenario) on the tyre business.

CEAT efforts on premiumisation: In PCR, the focus has been on high diameter tyres. The company is working towards SKUs in super premium cars and has developed SKUs for 95% of the replacement market.

RM cost is likely to be flat or fall by 1% QoQ in Q1FY26. Management expects RM costs to come down further in Q2FY26 due to lower crude prices.

Capex spending in FY26 shall be in the range of INR9–10bn. In Camso, capex of EUR25mn is likely over two years. FY25 revenue was INR132bn while at full utilisation, potential revenue is INR165bn, representing utilisation of 80%.

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