

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	3,827
12 month price target (INR)	3,900
52 Week High/Low	4,049/2,322
Market cap (INR bn/USD bn)	155/1.8
Free float (%)	51.9
Avg. daily value traded (INR mn)	850.6

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	47.21%	47.21%	47.21%
FII	17.38%	15.28%	15.83%
DII	20.08%	21.52%	20.54%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

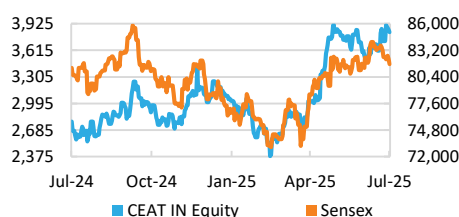
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	132,179	154,725	175,799	189,706
EBITDA	14,741	19,466	22,848	25,176
Adjusted profit	5,023	6,998	8,985	10,751
Diluted EPS (INR)	124.2	173.0	222.1	265.8
EPS growth (%)	(28.3)	39.3	28.4	19.7
RoAE (%)	11.9	15.1	17.0	17.7
P/E (x)	30.8	22.1	17.2	14.4
EV/EBITDA (x)	11.8	9.7	8.1	7.1
Dividend yield (%)	0.8	0.9	1.2	1.4

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	154,725	175,799	-1	2
EBITDA	19,466	22,848	-4	-2
Adjusted profit	6,998	8,985	-7	-5
Diluted EPS (INR)	173.0	222.1	-7	-5

PRICE PERFORMANCE



Q1 miss; debt to spike on Camso buyout

Q1FY26 revenue rose 11% YoY to INR35.3bn in line with estimates with EBITDA up only 1% YoY to INR3.9bn, a 2% miss due to weak exports. Camso acquisition will reflect in Q2 and near-term outlook is uncertain due to tariffs. We are cutting FY26E/27E EPS by 7%/5%, factoring in lower margin assumption in existing and Camso operations.

We reckon revenue/EBITDA CAGR of 13%/20% over FY25–28E aided by growth in existing business and the Camso acquisition. Net debt to increase notably from INR19bn in FY25 to INR33bn in FY26E due to the Camso buyout. Applying 16x PE to Sep-27E EPS, TP works out to INR3,900 (earlier INR3,800 on Mar-27E). Led by stock rally of ~25% in past three months, upside is limited. Downgrade to 'HOLD' from 'BUY'.

Q1FY26 earnings miss estimates

Revenue expanded 11% YoY to INR35.3bn (our estimate: INR34.9bn), broadly in line with our expectations. Volume growth of 9% YoY was driven by OEM (20%-plus growth) and replacement (single digit growth) segments, whereas exports were flat YoY. Gross margin contracted 250bp YoY/70bp QoQ to 36.8% (our estimate: 37.6%), missing estimates owing to lower share of exports. EBITDA grew 1% YoY to INR3.9bn (our estimate: INR4.0bn), slightly below estimates due to miss on gross margin. EBITDA margin contracted 100bp YoY/40bp QoQ to 11.0%. Interest cost increased 33% YoY/10% QoQ to INR821mn due to increase in average debt. Consequently, PAT missed estimates, with a decline of 21% YoY to INR1.2bn.

Revenue and EBITDA growth likely to be in double digits

We anticipate a revenue CAGR of 13% over FY25–28E supported by growth in the existing business (CAGR of 9%) and Camso acquisition. In the existing business, we forecast growth shall be driven by the replacement, OEM and export segments. EBITDA CAGR is likely to be 20% over FY25–28E due to reduction in input costs and acquisition of high-margin Camso business. EBITDA had decreased 11% in FY25, as input costs surged, creating a low base. To highlight normalised growth, EBITDA CAGR over FY24–28E is more meaningful and is expected at 11%.

Net debt to spike on Camso buy

Net debt to increase from INR19bn in FY25 to INR33bn in FY26E due to the Camso takeover in Q2FY26, and moderate gradually to INR25bn in FY28E. Post-acquisition, the initial focus shall be on ramping up capacity. However, demand/margin uncertainties exist in the near-term due to tariffs in US market, which represents ~30% of revenue. Management expects 30% tariffs, which is likely to hurt margins.

Financials

Year to March	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Revenue	35,294	31,928	10.5	34,206	3.2
EBITDA	3,877	3,829	1.3	3,881	(0.1)
Adjusted Profit	1,157	1,467	(21.1)	1,365	(15.2)
Diluted EPS (INR)	28.6	36.3	(21.1)	33.8	(15.2)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	132,179	154,725	175,799	189,706
Gross profit	49,858	59,814	68,499	74,419
Employee costs	8,562	9,868	11,036	11,909
Other expenses	26,554	30,481	34,615	37,334
EBITDA	14,741	19,466	22,848	25,176
Depreciation	5,627	6,470	7,442	7,955
Less: Interest expense	2,778	4,114	3,874	3,334
Add: Other income	176	202	218	235
Profit before tax	6,512	9,083	11,750	14,122
Prov for tax	1,720	2,316	2,996	3,601
Less: Other adj	0	0	0	0
Reported profit	4,726	6,998	8,985	10,751
Less: Excp.item (net)	(296)	0	0	0
Adjusted profit	5,023	6,998	8,985	10,751
Diluted shares o/s	40	40	40	40
Adjusted diluted EPS	124.2	173.0	222.1	265.8
DPS (INR)	30.0	34.6	44.4	53.2
Tax rate (%)	26.4	25.5	25.5	25.5

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross profit margin (%)	37.7	38.7	39.0	39.2
Staff cost % sales	6.5	6.4	6.3	6.3
Other expenses % sales	20.1	19.7	19.7	19.7
EBITDA margin (%)	11.2	12.6	13.0	13.3
Net profit margin (%)	3.8	4.5	5.1	5.7
Revenue growth (% YoY)	10.7	17.1	13.6	7.9
EBITDA growth (% YoY)	(10.8)	32.0	17.4	10.2
Adj. profit growth (%)	(28.3)	39.3	28.4	19.7

Assumptions

Year to March	FY25A	FY26E	FY27E	FY28E
Replacement revenue (INRmn)	70,279.3	78,010.0	85,030.9	91,833.4
OEM revenue (INRmn)	36,355.7	41,081.9	44,779.3	47,466.1
Export revenue (INRmn)	25,081	26,837	29,789	32,768
Camso revenue (INRmn)	-	10,714	15,714	17,128

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	30.8	22.1	17.2	14.4
Price/BV (x)	3.5	3.1	2.7	2.4
EV/EBITDA (x)	11.8	9.7	8.1	7.1
Dividend yield (%)	0.8	0.9	1.2	1.4

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	405	405	405	405
Reserves	43,281	48,879	56,067	64,668
Shareholders funds	43,685	49,283	56,471	65,072
Minority interest	77	65	52	39
Borrowings	19,284	34,284	30,284	25,284
Trade payables	40,216	46,228	51,561	54,600
Other liabs & prov	7,315	7,660	8,205	8,656
Total liabilities	112,124	139,329	148,629	155,870
Net block	68,571	89,049	92,553	97,745
Intangible assets	1,272	1,324	1,379	231
Capital WIP	5,375	5,375	5,375	5,375
Total fixed assets	75,218	95,748	99,306	103,351
Non current inv	166	166	166	166
Cash/cash equivalent	532	1,032	1,001	388
Sundry debtors	16,533	19,353	21,989	23,729
Loans & advances	0	0	0	0
Other assets	17,255	20,199	22,950	24,765
Total assets	112,124	139,329	148,629	155,870

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	4,726	6,998	8,985	10,751
Add: Depreciation	5,627	6,470	7,442	7,955
Interest (net of tax)	2,044	3,065	2,886	2,484
Others	188	0	0	0
Less: Changes in WC	(2,909)	258	(45)	(510)
Operating cash flow	8,768	14,474	16,271	17,079
Less: Capex	(9,426)	(27,000)	(11,000)	(12,000)
Free cash flow	(657)	(12,526)	5,271	5,079

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	11.9	15.1	17.0	17.7
RoCE (%)	15.5	18.0	18.3	19.7
Inventory days	57	59	60	62
Receivable days	41	42	43	44
Payable days	168	166	166	168
Working cap (% sales)	(6.6)	(6.0)	(5.6)	(5.1)
Gross debt/equity (x)	0.4	0.7	0.5	0.4
Net debt/equity (x)	0.5	0.8	0.6	0.5
Interest coverage (x)	3.3	3.2	4.0	5.2

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(28.3)	39.3	28.4	19.7
RoE (%)	11.9	15.1	17.0	17.7
EBITDA growth (%)	(10.8)	32.0	17.4	10.2
Payout ratio (%)	25.7	20.0	20.0	20.0

Q1FY26 conference call: Key takeaways

- **Near-term demand outlook:** Management expects demand in CV to be in mid-single digits, 2W at high single digits and PCR in low single digits.
- **FY26 export outlook:** After flat growth in Q1, growth is likely to improve ahead and FY26 growth to be positive. Demand is improving in the OHT space while seasonal demand in Europe should aid volume in Q2. Furthermore, inventory restocking should commence in Q2.
- **Q1FY26 volume performance:** Volume grew 9% YoY. OEM grew at 20%-plus, replacement at single digits while exports were flat. PCR grew in low single digits, 2W in double digits and TBR in high single digits while TBB reported a decline.
- **Realisation** in exports reduced in Q1FY26 as the company exported a one-time private label order. In addition, realisation was hurt by lower volume in Europe, which has better realisation.
- **Raw material basket cost** was flat QoQ in Q1FY26, but likely to decline 1–2% QoQ in Q2FY26 owing to a fall in international rubber and crude derivative prices.
- **Rubber prices:** International rubber prices fell USD200/ton to USD1,700/ton in Q1FY26. Indian rubber prices have increased from INR180–185/kg to INR205/kg in Q1FY26. International rubber accounts for 60% of the rubber procurement.
- **Capex** in FY26 is likely to be INR10bn. This includes PCR capacity expansion at Chennai plant for ~2.5mn tyres at investment of INR4.5bn. However, the outflow is not likely to be significant in FY26. Maintenance capex is at INR2–2.5bn.
- **Interest cost** in Q1FY26 was higher due to increase in average debt. Around 25% of the interest cost relates to the security deposit. Cost of debt was ~8%.
- **Debt** by end of FY26 is likely to be INR35–36bn.

CAMSO

- **Camso's current** revenue run-rate is EUR150mn.
- **Tariffs** announced by the US have come down to 30% versus 44% announced earlier for Sri Lanka. The tariff will be applicable from August 1, 2025.
- **Margin** was in mid-teens. The margins may witness some softness due to tariffs.
- **Capex:** Over the next two years, capex in CAMSO is likely to be at INR1.5–2bn. This will be in addition to INR10bn announced for the CEAT India business.
- **Consolidation:** The acquisition is likely to be completed by Sep-25.

Exhibit 1: Change in estimates: FY26E/27E EPS cut by 7%/5%, factoring in lower margin assumption in existing, Camso operations

INR mn	Old estimates		New estimates		Variance (%)		Introducing:
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Net revenues	156,382	172,791	154,725	175,799	-1	2	189,706
EBITDA	20,330	23,327	19,466	22,848	-4	-2	25,176
Adjusted Profit	7,561	9,492	6,998	8,985	-7	-5	10,751
Diluted EPS (INR)	186.9	234.7	173.0	222.1	-7	-5	265.8

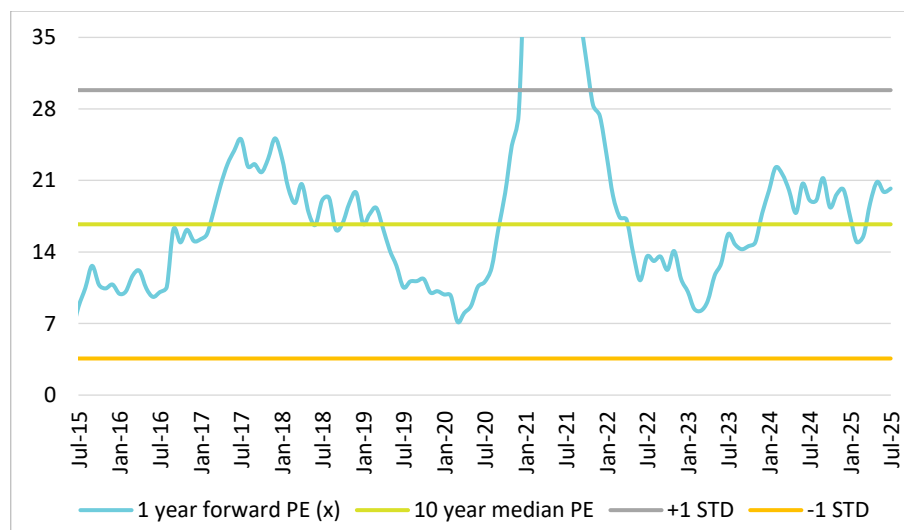
Source: Nuvama Research

Exhibit 2: Key revenue assumptions: Revenue CAGR of 13% over FY25–28E

Key revenue assumptions (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY25-28E CAGR (%)
India replacement	52,151	59,695	63,031	70,279	78,010	85,031	91,833	9
Chg (%)		14	6	12	11	9	8	
India OEM	22,350	32,663	33,299	36,356	41,082	44,779	47,466	9
Chg (%)		46	2	9	13	9	6	
Exports	18,625	20,274	22,596	25,081	26,837	29,789	32,768	9
Chg (%)		9	11	11	7	11	10	
Camso					10,714	15,714	17,128	
Chg (%)						47	9	
Others	508	516	509	462	(1,919)	485	510	3
Chg (%)		2	(1)	(9)	(515)	(125)	5	
Total	93,634	113,149	119,435	132,179	154,725	175,799	189,706	13
Chg (%)		21	6	11	17	14	8	

Source: Company, Nuvama Research

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



Source: Bloomberg, Nuvama Research

Exhibit 4: Quarterly snapshot (Consolidated), EBITDA below estimates

Year to March	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net revenues	35,294	31,928	10.5	34,206	3.2
Raw material	22,311	19,401	15.0	21,391	4.3
Staff costs	2,268	1,956	15.9	2,257	0.5
Other expenses	6,838	6,742	1.4	6,677	2.4
Total expenditure	31,417	28,099	11.8	30,325	3.6
EBITDA	3,877	3,829	1.3	3,881	(0.1)
Depreciation	1,514	1,318	14.9	1,523	(0.6)
EBIT	2,364	2,511	(5.9)	2,358	0.3
Less: Interest Expense	821	619	32.7	744	10.3
Add: Other income	47	62	(23.1)	45	4.6
Add: Prior period items					
Add: Exceptional items	(33)	75		(370)	(91.1)
Profit before tax	1,590	1,954	(18.6)	1,659	(4.1)
Less: Provision for Tax	419	540	(22.3)	356	17.8
Less: Minority Interest	(2)	0	(850.0)	(8)	(80.8)
Add: Share of profit from associates	15	(53)	(128.9)	(55)	(128.0)
Reported Profit	1,125	1,542	(27.1)	995	13.0
Adjusted Profit	1,157	1,467	(21.1)	1,365	(15.2)
No. of Diluted shares outstanding	40	40		40	
Adjusted Diluted EPS	28.6	36.3	(21.1)	33.8	(15.2)
As a % revenues					
Year to March	Q1FY26	Q1FY25	bps change (YoY)	Q4FY25	bps change (QoQ)
Gross margins	36.8	39.2	(245)	37.5	(68)
Raw material	63.2	60.8	245	62.5	68
Staff costs	6.4	6.1	30	6.6	(17)
Other expenses	19.4	21.1	(174)	19.5	(15)
EBIDTA	11.0	12.0	(101)	11.3	(36)
Adjusted net profit	3.3	4.6	(132)	4.0	(71)
Tax rate (% PBT)	26.4	27.6	(127)	21.5	490

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 of 13% over FY25–28E supported by growth in the existing business (CAGR of 9%) and Camso acquisition. In existing business, we expect growth to be driven by the replacement, OEM and export segments. EBITDA CAGR is likely to be 20% over FY25-28E, due to reduction in input costs and acquisition of high-margin Camso business. EBITDA had declined 11% in FY25, as input costs surged, creating a low base. To highlight normalized growth, EBITDA CAGR over FY24-28E period is more meaningful, and is expected at 11%.

Net debt to increase from INR19bn in FY25 to INR33bn in FY26E due to the Camso takeover in Q2FY26, and moderate gradually to INR25bn in FY28E. Post-Camso acquisition, the initial focus shall be on ramping up capacity. However, there are demand/margin uncertainties in the near-term due to tariffs in US market, which represents ~30% of revenue.

Applying 16x PE to Sep-27E EPS, TP works out to INR3,900. We recommend 'HOLD'.

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

Additional Data

Management

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

Holdings – Top 10*

	% Holding		% Holding
Mirae Asset	9.18	New India Assurance	1.37
India Opportunities Fund	4.41	LIC	1.18
HDFC AMC	3.43	Blackrock Inc	1.09
Vanguard Group	2.15	Tata Asset Management	1.09
Dimensional Fund	1.64	Edelweiss Asset	0.96

*Latest public data

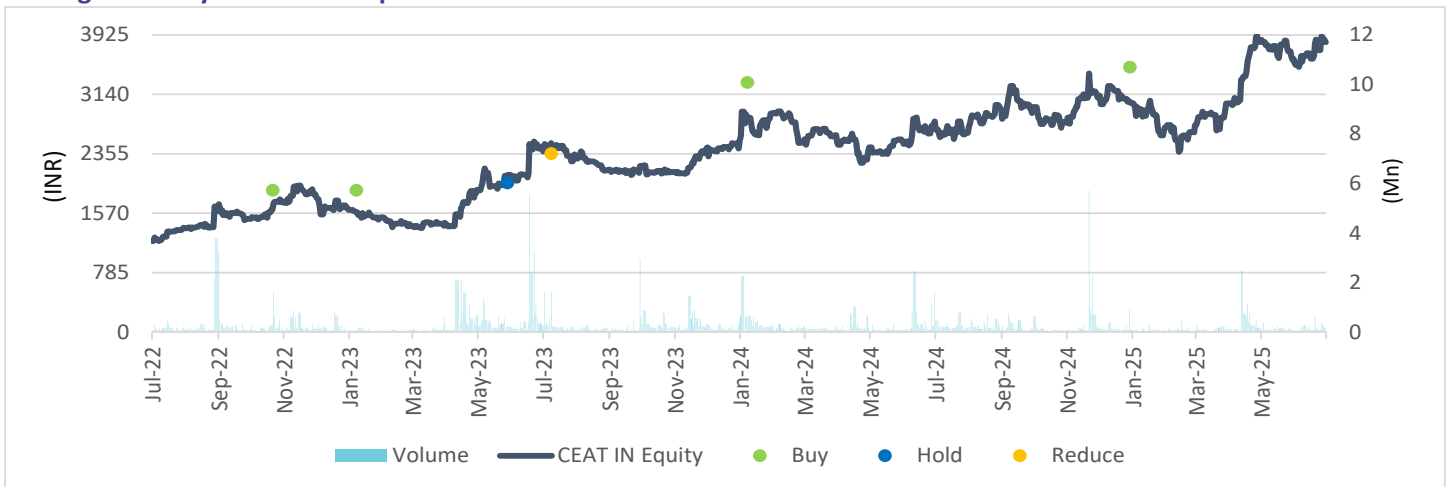
Recent Company Research

Date	Title	Price	Reco
03-Jun-25	Increasing focus on high-margin OHT; <i>Nuvama Flash</i>	3,741	Buy
30-Apr-25	EBITDA beat; margins to improve ahead; <i>Result Update</i>	3,332	Buy
16-Jan-25	EBITDA undershoots; margins to improve; <i>Result Update</i>	3,056	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
29-May-25	Samvardhana Motherson	Healthy showing; outlook stays positive; <i>Result Update</i>
27-May-25	Minda Corporation	Q4 EBITDA beat; outlook remains bright ; <i>Result Update</i>
30-Apr-25	SONA BLW PRECISION	A miss on EBITDA; 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%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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