

July 19, 2025

RESULT REPORT Q1 FY26 | Sector: Automobile

CEAT Ltd

Margins to improve with softening of RM

View – Replacement and exports to remain the key growth drivers

CEAT 1QFY26 results were in-line to our estimates while it missed EBITDA/EBITAM of street estimates by 4.3%/-50bp at Rs3.87b/11% (-100bp YoY/-30bp QoQ). This was led by, 1) Gross margins contraction of ~70bps QoQ (~250bps YoY) to 36.7% due to weaker exports mix and partially pass on of RM inflation, 2) higher marketing spend (due to IPL). RM basket remained flat QoQ in 1QFY26 with overall volumes grew by ~9% with healthy growth in the OEM and the replacement while exports remained subdued. The recent decline in RM to reflect positively in margins from 2QFY26E as RM basket inflation to likely decline by 1-2% QoQ in 2QFY26E. Over the 2-3 years, the management expects the exports mix to rise to 26%, driven by the Camso acquisition. The recent tariff impact likely to be limited both on S/A (US exposure is low single digit) and Camso (higher reciprocal of ~30% is applicable on ~15% of tyre volumes). A stable growth outlook for domestic OEMs and a healthy growth replacement demand will enable a faster absorption of new capacities and drive operating leverage benefits. Our FY26/27 consol EPS largely remain unchanged. Valuations at 20.8x/15.4x (vs 10yr LPA of ~19.5x) seem reasonable and partially reflect the improved positioning. Reiterate 'ADD' with TP at Rs4,271 (SoTP).

Result Highlights – In line performance

- Consol revenues grew 10.5% YoY (+3.2% QoQ) at Rs35.3b (est ~Rs34.4b, cons Rs35.1b). This was largely led by volume growth of ~9% due to healthy growth in replacement and OEMs. ASP improved YoY led by price hikes.
- Consol gross margins contracted ~240bp YoY (-70bp QoQ) at 36.8% (est 37.6%), led unfavorable mix as RM remained stable QoQ. Co indicated 1-2% RM decline in 2QFY26 (vs, flat in 1Q, flat in 4Q, ~1.2% in 3Q and 6% QoQ in 2Q), led by correction in global NR prices.
- Led by weak gross margins and higher brand spends, EBITDA came in at ~Rs3.9b (in-line, cons ~Rs4.05b, +1.3% YoY, flat QoQ) with margins at 11% (est 11%, cons 11.5%, -100p YoY/-30bp QoQ). Co. incurred exceptional expense of Rs33m towards VRS. Adj.PAT came in at ~Rs1.14b (est ~Rs1.15b, cons ~Rs1.1b). Profit from JV came in at -Rs15.3m (v/s Rs54.7m in 4QFY25 and Rs52.9m in 1QFY25).
- Consol. debt reduced to Rs18.1b (vs Rs19.28b in 4QFY25, Rs18.35b in 3QFY25 and Rs16.29b in 4QFY24). QoQ decrease in debt was led by WC improvement.
- Camso update** - Revenue run-rate is USD150m currently (v/s USD230m in CY23). Margins remain in low-to-mid teens. US reciprocal tariffs now at ~30% (vs 44% earlier); co. remains optimistic on further reduction and has production flexibility between India and Sri Lanka to mitigate risks. Tracks to continue being produced only in Sri Lanka; tyres may be shifted depending on tariff dynamics.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		Yes Sec	Consensus	Yes Sec	Consensus	
Sales	35,295	34,922	35,143	1.1	0.4	Weaker gross margins and mix impacted profitability.
EBITDA	3,878	3,832	4,053	1.2	(4.3)	
EBITDA margins %	11.0	11.0	11.5	0bp	-50bp	
Adjusted PAT	1,148	1,158	1,488	(0.9)	(22.8)	

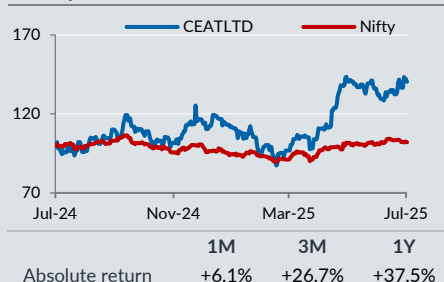
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 3,827
Target Price	: Rs 4,271
Potential Return	: +11.6%

Stock data (as on July 18, 2025)

Nifty	24,968
52 Week h/l (Rs)	4.044 / 2,343
Market cap (Rs/USD mn)	1,55,935 / 1,811
Outstanding Shares (mn)	40
6m Avg t/o (Rs mn):	560
Div yield (%):	0.8
Bloomberg code:	CEAT IN
NSE code:	CEATLTD

Stock performance



Shareholding pattern (As of Jun'25)

Promoter	47.2%
FII+DII	36.4%
Others	16.9%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	4,271	4,021

Δ in earnings estimates

	FY26E	FY27E
EPS (New)	184.2	249.1
EPS (Old)	184.2	249.1
% change	-	-

Financial Summary

Y/E MAR (Rs b)	FY25	FY26E	FY27E
Sales	132.2	148.0	170.0
EBITDA	14.7	18.0	22.6
Adj. PAT	5.0	7.4	10.1
Adj. EPS (INR)	124.2	184.2	249.2
EPS Gr. (%)	(28.3)	48.3	35.3
BV/Sh. (INR)	1,082	1,231	1,440
RoE (%)	11.5	15.0	17.3
RoCE (%)	13.2	15.8	18.6
Payout (%)	29.5	21.9	18.5
P/E (x)	30.8	20.8	15.4
P/BV (x)	3.5	3.1	2.7
EV/EBITDA (x)	11.9	9.7	7.6
Div. Yield (%)	0.8	0.9	1.0

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Exhibit 2: Quarterly snapshot

Y/E Mar (Rs mn)	Q1FY26	Q1FY25	YoY chg	Q4FY25	FY25	FY24	YoY chg
Net Revenues	35,295	31,928	10.5	34,206	132,179	119,435	10.7
Raw Materials	22,311	19,401	15.0	21,390	82,321	69,244	18.9
% of Net Sales	63.2%	60.8%		62.5%	62.3%	58.0%	
Personnel	2,268	1,956	15.9	2,257	8,562	8,457	1.2
% of Net Sales	6.4%	6.1%		6.6%	6.5%	7.1%	
Manufacturing & Other Exp	6,838	6,742	1.4	6,677	26,554	25,212	5.3
% of Net Sales	19.4%	21.1%		19.5%	20.1%	21.1%	
Total Expenditure	31,417	28,099	11.8	30,325	117,437	102,913	14.1
EBITDA	3,878	3,829	1.3	3,881	14,742	16,522	(10.8)
EBITDA Margin (%)	11.0%	12.0%		11.3%	11.2%	13.8%	
Depreciation	1,514	1,318	14.9	1,523	5,627	5,088	10.6
EBIT	2,364	2,511	(5.9)	2,358	9,115	11,434	(20.3)
Interest Expenses	821	619	32.7	744	2,778	2,691	3.2
Non-operating income	47	62	(23.1)	45	176	197	(11.0)
Extraordinary Expenses	33	(75)		370	296	582	
PBT	1,558	2,028.7	(23.2)	1,289	6,217	8,359	(25.6)
Tax-Total	419	540	(22.3)	356	1,720	2,214	(22.3)
Tax Rate (%) – Total	26.9%	26.6%	1.1	27.6%	27.7%	26.5%	4.5
Reported PAT	1,139	1,489	(23.5)	933	4,496	6,145	(26.8)
Minority Interest/Share of associates	(17)	53	(131.6)	47	205	134	52.9
PAT after MI	1,122	1,542	(27.2)	980	4,702	6,279	(25.1)
Adj. PAT	1,148	1,482	(22.5)	1,276	4,938	6,861	(28.0)

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Demand outlook – Cautiously optimistic for near term:**
 - Rural to drive growth – Co. forecast of a above avg. monsoon and early kharif sowing (up 11% YoY) are likely to boost rural demand, especially for 2W and farm tyres.
 - Government capex support – Ongoing investments in roads, railways, and green energy are expected to support MHCV and construction equipment tyre demand.
 - Replacement segment – Co. expects mid-single digit growth in TBR, high single digit in 2Ws, and low single digit in PCR tyres.
 - OEM segment – Expect strong growth across segments with early-20s YoY growth, led by ramp-up in fitments for SUVs, 2Ws, and farm tyres.
 - Exports – Seasonal uptick from Europe is expected in 2QFY26, and US operations may ramp up depending on tariff clarity.
- **Long-term industry outlook** – The Indian tyre industry is expected to grow at a high single-digit CAGR till 2031, driven by the increasing penetration of EVs, demand for sustainable and premium tyres, and domestic capacity expansion.
- **Volume performance:**
 - Volume growth of 9% YoY led by strong OEM and replacement demand.
 - OEM segment grew in the early-20s YoY led by strong demand in PVs and increasing 2W volumes.
 - Replacement grew in strong single-digits, led by 2W and MHCV, while PCR remained subdued.

- Export volumes were flat due to macro headwinds in Europe and LATAM. However, the co. expects a rebound in 2QFY26.
- Market share improved in 2W scooters, motorcycles, and PV replacement; CEAT also gained OEM share in SUVs and larger rim-size PVs.
- **FY26 outlook:** Company expects continue to grow double-digit revenue in FY26 with volume improvement in both domestic and international markets.
- **OHT and premiumization strategy**
 - OHT business grew in strong double digits in 1QFY26.
 - Co. launched 22+ new SKUs and secured OEM approvals from M&M Australia and others.
 - Co. continues to premiumize its portfolio by launching 21-inch radial tyres, calm technology tyres (low noise for EVs), and India's first run-flat tyre.
 - In the premium PV segment (+17-inch), co. has gained share in both replacement and OEM; also seeing traction in >150cc motorcycle segment.
 - Company is ramping up capacity for large-size tyres in both 2Ws and PVs to meet growing premium demand.
- **Camso acquisition update:**
 - Camso deal is expected to close in 2Q/3QFY26, with likely consolidation from 1st Sept'25 (having 6–7 months impact in FY26).
 - Revenue run-rate is USD150m currently (v/s USD230m in CY23). Margins remain in low-to-mid teens.
 - US reciprocal tariffs at ~30% (vs 44% earlier); co. remains optimistic on further reduction and has production flexibility between India and Sri Lanka to mitigate risks.
 - Tracks to continue being produced only in Sri Lanka; tyres may be shifted depending on tariff dynamics.
- **EV:** Maintained leadership in PV EVs with ~32% OEM share. 2W EV share de-grew to 12% but expected to improve as new EV models are launched
- **RM Basket:** RM costs remained flattish QoQ in 1QFY26 and expects 1–2% decline in 2QFY26, led by correction in global rubber prices (from USD1,900 to USD1,700/ton). Domestic NR remains elevated (~Rs200/kg). Crude prices stayed range-bound; RM basket expected to ease further in 2QFY26, supporting margin recovery.
- **Margins:**
 - Gross margins contracted ~70bps QoQ (~250bps YoY) to 36.7% due to weaker international mix and inability to fully pass on RM inflation.
 - EBITDA margin impacted by lower realization in international/OEM mix and higher marketing spend (IPL, ITM participation).
- **Capex:** Co. incurred Capex of Rs2.31b in 1QFY26, in line with annual guidance of Rs9–10b. The board approved Rs4.5b Capex over 18–24m to increase the capacities at Chennai PCR plant.
- **Debt/EBITDA ratio at 1.2x.**
- **Digital & brand initiatives**
 - AI-led digital tools in manufacturing and supply chain have delivered tangible improvements.
 - CEAT Shopee exclusive stores contribute ~50% of replacement sales and will continue to expand.

- Organic website traffic doubled YoY; SUV and premium car buyer engagement also increased significantly.
- **Sustainability:** ~42% of plant power consumption from renewable sources; target to reach ~60% by FY27.

ANALYST VIEW & INVESTMENT THESIS

Growth outlook healthy as replacement demand on firm footing - CEAT to continue deliver steady volume growth in most of the segments led by; 1) TBR replacement segment, 2) steady growth in PCR, 3) rural uptick to drive volumes for farm and 2W, 4) new launches to drive export share increase to 26% over FY25-27 (vs 19% in FY25). Overall, we build in revenue/EBITDA/Adj.PAT CAGR of ~13.4%/23.7%/42% over FY25-27E.

Domestic market share gains more pronounced in 2W/PCR, further expansion to be piecemeal - 1) **2W** - Leadership in 2W replacement with MS at ~36% in FY25 (vs 33%/28%/26%/26%/8% in FY24/FY23/FY19/FY17/FY11), a gap of ~6% with second largest player MRF. CEAT/MRF/TVS together account for ~80% of 2W. 2) **PCR** - **No 3 player in PC/UV with MS at ~16 in FY25 (vs ~16%/15%/11%/8%/3% in FY24/FY23/FY19/FY17/FY11).** 3) **TBR (no 4 player) with MS at ~10% (vs ~7%/6% in FY24/FY20).** See scope for further MS gains with focus on mining, bus, tubeless, overload (new size) and OEM with select geographic expansion.

Exports – Widening presence, new SKUs and OHT to drive overall growth CEAT to continue focus on relatively profitable segments like 2W, PCR, and OHT while remain marginal player in the most competitive TBR. Revenue contribution from these focus areas has surged over the years (to 63% in FY25 from a mere 20% in FY10). For exports, PC/UV run rate increased to ~2.3m tyres/annum (vs ~2.2m in FY24, ~2m in FY23) led by SKU addition (4.3x vs FY19 and 2.5x vs FY19 indicated in FY24). OHT SKUs increased to 930+ in FY25 (vs 875+ in FY24, 750+ in FY23) leading to increase in agri segment coverage to ~88% in FY25 (vs ~84% in FY24, 80% in FY23).

Reiterate ADD - Tailwinds emerging with recent decline in international NR and crude derivatives to reflect from end 2QFY26. Valuations at 20.8x/15.7x (vs 10yr LPA of ~19.5x) limit upside as it. Reiterate 'ADD' with revised TP at Rs4,271 (vs Rs4,021). Our FY26/27 consol EPS remain unchanged.

Exhibit 3: Key monitorable

What to Watch	Why it Matters	Timeline
Exports ramp-up	Margin accretive, volume addition	1.5-2 years
Pricing vs peers	Price discipline helps margin	Immediate
Natural Rubber prices	Key RM that has high sensitivity to GMs	Immediate

Source: Company, YES Sec

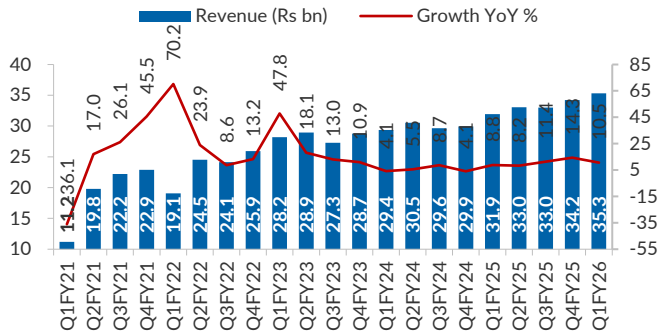
Exhibit 4: Valuation and key ratios

Valuation (x)	FY25	FY26E	FY27E	Average (10y LPA)
P/E	30.8	20.8	15.4	19.5
P/BV	3.5	3.1	2.7	1.9
EV/EBITDA	11.9	9.7	7.6	10.2
ROCE (%)	13.2	15.8	18.6	11.1

Source: Company, YES Sec

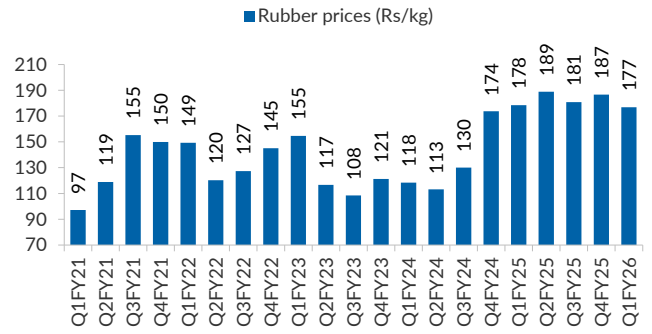
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Exhibit 5: 1Q revenue growth led by healthy volumes



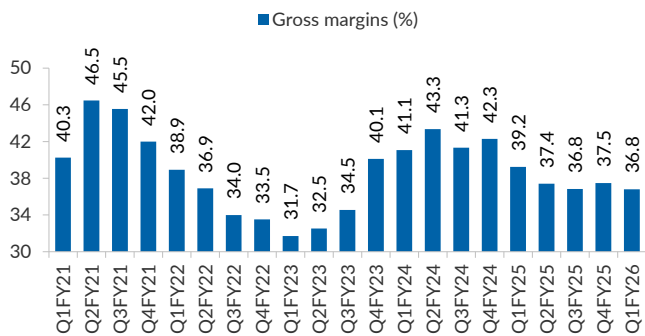
Source: Company, YES Sec

Exhibit 6: NR prices declined by 5.3% QoQ to Rs177/kg



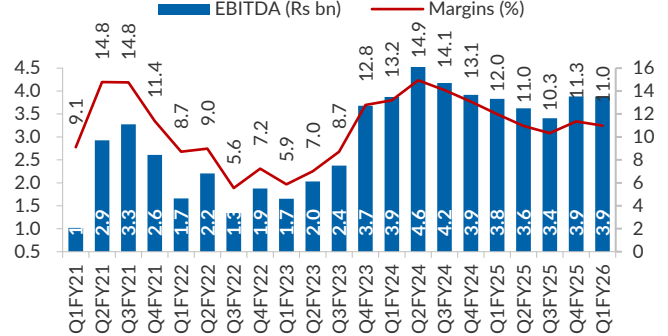
Source: Bloomberg, YES Sec

Exhibit 7: GM contracted 70bps QoQ



Source: Company, YES Sec

Exhibit 8: EBITDA margins contracted ~30bps QoQ



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Balance Sheet

Y/E March (Rs m)	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	405	405	405	405	405	405
Total Reserves & other equity	32,559	34,166	40,119	43,358	49,391	57,852
Net Worth	32,964	34,570	40,524	43,763	49,796	58,256
Deferred Liabilities	3,177	3,886	4,509	5,004	5,054	5,104
Total Loans	22,289	22,955	17,915	21,364	22,942	24,257
Capital Employed	58,429	61,411	62,948	70,130	77,792	87,617
Gross Block	71,462	79,004	85,812	96,352	107,602	118,852
Less: Accum. Deprn.	13,004	16,155	19,967	25,594	31,512	37,930
Net Fixed Assets	58,458	62,849	65,845	70,758	76,090	80,922
Goodwill			244	231	231	231
Capital WIP	3,593	4,073	3,456	4,230	4,243	4,257
Total Investments	1,792	1,696	1,821	1,898	1,916	1,933
Curr. Assets, Loans&Adv.	27,761	27,661	28,578	35,007	40,730	50,382
Inventory	13,096	11,378	11,505	14,115	15,810	18,156
Account Receivables	11,543	13,070	12,832	16,533	18,518	21,265
Cash Balance	238	606	552	479	2,465	6,964
Bank Balance	125	113	39	53	53	53
Loans and Advances	-	-	-	-	-	-
Others	2,759	2,494	3,650	3,826	3,884	3,944
Curr. Liability & Prov.	33,174	34,868	36,997	41,994	45,418	50,108
Account Payables	21,576	22,683	23,320	27,402	30,691	35,245
Provisions	1,680	1,917	1,840	2,312	2,326	2,340
Others	9,918	10,267	11,836	12,280	12,401	12,523
Net Current Assets	(5,413)	(7,207)	(8,419)	(6,987)	(4,689)	274
Appl. of Funds	58,430	61,411	62,947	70,130	77,791	87,616

Source: Company, YES Sec

Exhibit 10: Income statement

VY/E March (Rs m)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	93,634	113,149	119,435	132,179	148,046	170,013
Change (%)	23.0	20.8	5.6	10.7	12.0	14.8
EBITDA	7,098	9,738	16,522	14,741	18,017	22,560
Margin (%)	7.6	8.6	13.8	11.2	12.2	13.3
Depreciation	4,352	4,693	5,088	5,627	5,918	6,418
EBIT	2,746	5,045	11,434	9,115	12,098	16,142
Int. and Finance Charges	2,070	2,421	2,691	2,778	2,548	3,068
Other Income - Rec.	114	169	197	176	183	190
PBT bef. EO Exp.	790	2,793	8,941	6,512	9,733	13,264
EO Expense/(Income)	129	334	582	296	-	-
PBT after EO Exp.	661	2,459	8,359	6,216	9,733	13,264
Tax	243	718	2,214	1,720	2,531	3,449
Tax Rate (%)	36.7	29.2	26.5	27.7	26.0	26.0
Reported PAT	418	1,742	6,145	4,496	7,203	9,815
PAT Adj	841	2,196	7,008	5,023	7,449	10,078
Change (%)	(82.0)	161.1	219.1	(28.3)	48.3	35.3

Source: Company, YES Sec

Exhibit 11: Cash Flow Statement

VY/E March (Rs m)	FY22	FY23	FY24	FY25	FY26E	FY27E
NP/ (Loss) bef Tax and EO	661	2,793	8,941	6,512	9,733	13,264
Depreciation	4,352	4,693	5,088	5,627	5,918	6,418
Interest & Finance Charges	2,070	2,421	2,691	2,778	2,548	3,068
Direct Taxes Paid	(243)	377	(1,630)	(908)	(2,531)	(3,449)
(Inc)/Dec in WC	(956)	1,298	748	(2,230)	(390)	(540)
Others	305	(106)	10	116	292	309
CF from Operations	6,189	12,055	17,193	10,920	15,652	19,152
(inc)/dec in FA	(10,840)	(8,791)	(8,673)	(9,434)	(11,250)	(11,250)
Free Cash Flow	(4,651)	3,264	8,520	1,486	4,402	7,902
(Pur)/Sale of Investments	1,396	299	136	209	(31)	(31)
CF from Investments	(9,444)	(8,492)	(8,537)	(9,224)	(11,281)	(11,281)
(Inc)/Dec in Debt	5,821	(977)	(5,556)	1,893	1,579	1,314
Interest Paid	(1,944)	(2,093)	(2,669)	(2,446)	(2,548)	(3,068)
Dividend Paid	(746)	(126)	(485)	(1,214)	(1,416)	(1,618)
CF from Fin. Activity	3,132	(3,195)	(8,710)	(1,767)	(2,385)	(3,372)
Inc/Dec of Cash	(123)	368	(55)	(72)	1,986	4,499
Add: Beginning Balance	361	238	605	551	479	2,465
Closing Balance	238	605	551	479	2,465	6,964

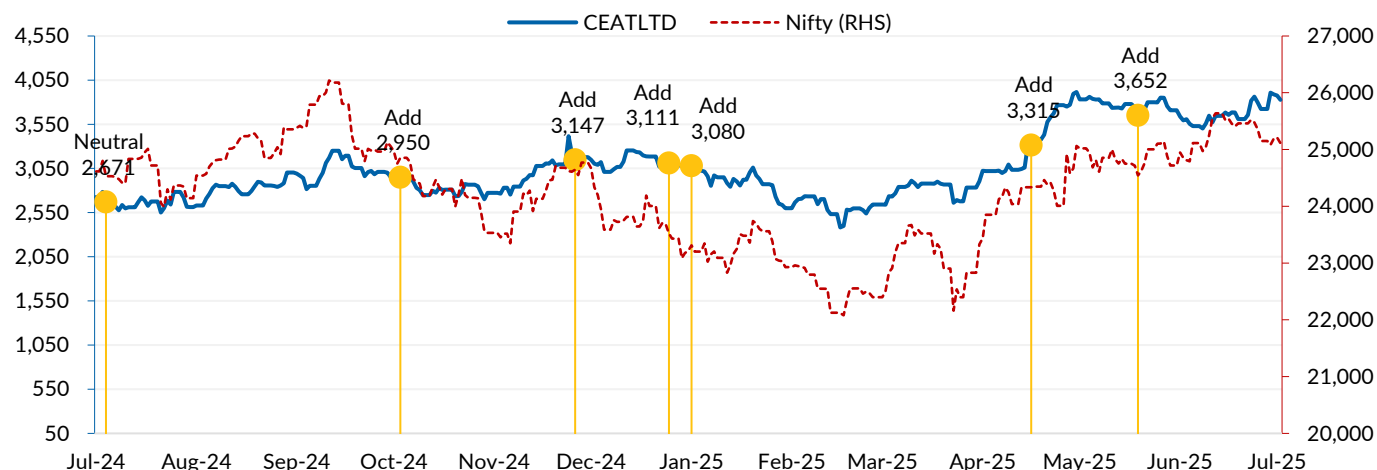
Source- Company, Yes Sec

Exhibit 12: Growth and Ratio matrix

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)						
EPS	20.8	54.3	173.3	124.2	184.2	249.2
Growth (%)	(82.0)	161.1	219.1	(28.3)	48.3	35.3
Cash EPS	128.4	170.3	299.0	263.3	330.5	407.8
BV/Share	814.9	854.6	1,001.8	1,081.9	1,231.0	1,440.2
DPS	3.0	12.0	30.0	30.0	35.0	40.0
Payout (%)	19.6	30.0	21.7	29.5	21.9	18.5
Valuation (x)						
P/E	184.1	70.5	22.1	30.8	20.8	15.4
Cash P/E	29.8	22.5	12.8	14.5	11.6	9.4
P/BV	4.7	4.5	3.8	3.5	3.1	2.7
EV/Sales	1.9	1.6	1.4	1.3	1.2	1.0
EV/EBITDA	24.9	18.2	10.4	11.9	9.7	7.6
Dividend Yield (%)	0.1	0.3	0.8	0.8	0.9	1.0
Return Ratios (%)						
EBITDA Margins (%)	7.6	8.6	13.8	11.2	12.2	13.3
Net Profit Margins (%)	0.9	1.9	5.9	3.8	5.0	5.9
RoE	2.6	6.4	17.3	11.5	15.0	17.3
RoCE	4.9	8.5	18.5	13.2	15.8	18.6
Operating Ratios						
Fixed Asset Turnover (x)	1.7	1.9	1.9	1.9	2.0	2.2
Inventory (Days)	51.0	36.7	35.2	39.0	39.0	39.0
Debtor (Days)	45.0	42.2	39.2	45.7	45.7	45.7
Creditor (Days)	84.1	73.2	71.3	75.7	75.7	75.7
Working Capital (Days)	11.9	5.7	3.1	9.0	9.0	9.0
Leverage Ratio (x)						
Current Ratio	0.7	0.6	0.6	0.7	0.7	0.8
Debt/Equity	0.7	0.7	0.4	0.5	0.5	0.4

Source: Company, YES Sec

Recommendation Tracker



Source – YES Sec

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