

Strong quarter; RM prices to partially offset volume benefit

CEAT delivered a strong 3QFY26 performance, reporting an EBITDA margin of 13.6%, 60 bps above JMFe, driven by lower-than-expected other expenses (due to operating leverage). Volume growth remained healthy, supported by robust momentum in both the OEM and replacement segments, along with continued premiumisation. Management remains confident of sustaining double-digit growth in the domestic market in the near term, aided by favourable GST rates, positive rural sentiment, and rising premiumisation. The international business also continued to perform well, with broad-based growth across segments in key geographies. Despite the persistence of U.S. tariffs, CEAT's limited exposure has kept the impact immaterial. The full margin benefit from CAMSO is expected to materialise over the next 3–5 quarters as the raw material value-chain transition is completed. Near-term margins may face pressure from rupee depreciation and higher international rubber prices. We have revised our revenue estimates upward by 6.0%/6.5% for FY26E/FY27E, while trimming margin assumptions by 40 bps/90 bps, respectively. We maintain our ADD rating with a Mar'27 target price of INR 4,110 (18x FY27E EPS).

- **3QFY26 – Overall beat:** In 3QFY26, CEAT reported consolidated net sales of INR 41.6bn (+26% YoY, +10.2% QoQ), c.3.3% above JMFe. Overall volumes grew by 20.9% YoY led by healthy growth in OEMs and in international markets (20%+ YoY). RE volumes grew in mid-teens YoY. Consolidated EBITDA stood at INR 5.6bn (+65.3% YoY, +11.9% QoQ), c.7.7% above JMFe. Consolidated EBITDA Margin stood at 13.6% (+320bps YoY, +20bps QoQ), 60bps above JMFe due to lower-than-expected other expenses. Adj. PAT came-in at INR 2.1bn (+120% YoY; +14.9% QoQ), adj. for exceptional item of ~INR 580mn due to new labour codes and VRS.
- **Domestic demand environment:** Demand remained strong in 3Q, with overall volume growth of 20.9% YoY, supported by mid-teen growth in the replacement segment and robust performance in OEM segment (growing over 20% YoY) aided by a low base. Within the replacement segment, MHCV volumes grew in high single digits, PVs recorded mid-to-high single-digit growth, and 2Ws delivered high-teen growth, driven by healthy rural and urban demand. Growth in OEM business was broad-based across segments. Looking ahead, management expects replacement demand to grow at a high single-digit rate in FY27, with inventory levels now normalised. In the OEM segment, MHCV demand is showing early signs of recovery with high double-digit growth expected, while 3W demand is supported by e-commerce and quick commerce. PV volumes are expected to grow in double digits, aided by a revival in entry-level demand and improved financing, and 2W demand is also expected to sustain double-digit growth.
- **International demand environment:** In 3Q, the international business grew over 20% YoY, supported by improved channel access across multiple geographies. International demand for CV, OHV, and PC/UV tyres remained strong in key geographies. Although U.S. tariffs remain in place, the company's limited exposure to the U.S. market has kept the impact immaterial.
- **Margin outlook:** Gross margin contracted by ~110 bps QoQ in 3QFY26, primarily due to higher input costs stemming from USD appreciation. International natural rubber prices (accounting for ~60% of CEAT's requirement) remained largely flat at ~USD 1,700/MT during most of 3Q, but increased to ~USD 1,800 towards the latter part of the quarter. Management expects the combined impact of rising natural rubber prices and rupee depreciation to adversely affect margins by ~100–150 bps in 4Q and beyond.

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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	4,110
Upside/(Downside)	10.7%
Previous Price Target	4,050
Change	1.5%

Key Data – CEAT IN

Current Market Price	INR3,712
Market cap (bn)	INR150.1/US\$1.7
Free Float	51%
Shares in issue (mn)	40.5
Diluted share (mn)	40.5
3-mon avg daily val (mn)	INR1,065.3/US\$11.7
52-week range	4,438/2,322
Sensex/Nifty	82,180/25,233
INR/US\$	91.0

Price Performance

%	1M	6M	12M
Absolute	-5.6	-3.0	23.1
Relative*	-2.4	-3.5	15.5

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,19,435	1,32,179	1,57,822	1,75,227	1,85,146
Sales Growth (%)	5.6	10.7	19.4	11.0	5.7
EBITDA	16,522	14,741	20,254	24,032	25,845
EBITDA Margin (%)	13.8	11.2	12.8	13.7	14.0
Adjusted Net Profit	7,008	5,023	7,074	9,240	9,925
Diluted EPS (INR)	173.3	124.2	174.9	228.4	245.4
Diluted EPS Growth (%)	219.1	-28.3	40.9	30.6	7.4
ROCE (%)	15.1	11.1	13.6	13.4	12.8
ROE (%)	18.7	11.9	15.3	17.6	16.4
P/E (x)	21.4	29.9	21.2	16.2	15.1
P/B (x)	3.7	3.4	3.1	2.7	2.3
EV/EBITDA (x)	10.1	11.6	9.0	7.9	7.5
Dividend Yield (%)	0.8	0.8	0.9	1.1	1.1

Source: Company data, JM Financial. Note: Valuations as of 20/Jan/2026

JM Financial Research is also available on:
Bloomberg - JMFR <GO>, FactSet, LSEG and
S&P Capital IQ.

Please see Appendix I at the end of this report
for Important Disclosures and Disclaimers and
Research Analyst Certification.

- **Other highlights:** **1)** CAMSO's 3Q revenue stood at USD 20mn, with EBITDA margins in the low-teens. One-time expenses related to transition and IT-related costs (4–5% of revenue) are expected to cease from 4Q onwards. The company is working to take over direct customer relationships from Michelin, with most customers having already approved the business transfer (expected to be completed by 2QFY27). The raw material value chain transition is expected to take an additional 3–5 quarters. **2)** Capacity utilisation currently stands at ~80–85%. Full-year capex guidance maintained at ~INR 10bn. **3)** The expansion of the Chennai plant has been approved with a capex of ~INR 1,3bn and is expected to be commissioned in 2HFY28. **4)** Net debt declined by ~INR 130mn during 3Q.

Exhibit 1. Quarterly financial results (standalone)**(INR mn)**

	3QFY26	3QFY25	% YoY	2QFY26	% QoQ	3QFY26E	% A/E
Sales	39,572	32,918	20.2	37,011	6.9	37,641	5.1
RM	23,784	20,783	14.4	21,843	8.9	22,284	6.7
As a % of sales	60.1	63.1	-300bps	59.0	110bps	59.2	90bps
Employee Exp	2,520	2,137	17.9	2,445	3.1	2,522	(0.1)
As a % of sales	6.4	6.5	-10bps	6.6	-20bps	6.7	-30bps
Other Costs	7,695	6,561	17.3	7,655	0.5	7,792	(1.2)
As a % of sales	19.4	19.9	-50bps	20.7	-120bps	20.7	-130bps
EBITDA	5,572	3,436	62.2	5,068	9.9	5,044	10.5
EBITDA Margin (%)	14.1	10.4	360bps	13.7	40bps	13.4	70bps
Other Income	265	32	716.4	165	60.3	150	76.3
Interest	1,048	751	39.6	869	20.6	875	19.7
Depreciation	1,652	1,414	16.8	1,666	(0.9)	1,700	(2.8)
PBT	3,137	1,304	140.6	2,699	16.3	2,619	19.8
Tax	643	344	86.9	676	(4.9)	655	(1.7)
Tax rate (%)	20.5	26.4		25.1		25.0	
Exceptional (gain)/loss	578	0		0		0	
PAT Reported	1,916	960	99.6	2,022	(5.3)	1,964	(2.5)
Adj. PAT after MI	2,494	960	159.9	2,022	23.3	1,964	27.0
PAT Margin (%)	6.3	2.9	340bps	5.5	80bps	5.2	110bps
EPS	61.7	23.7	159.9	50.0	23.3	48.6	27.0

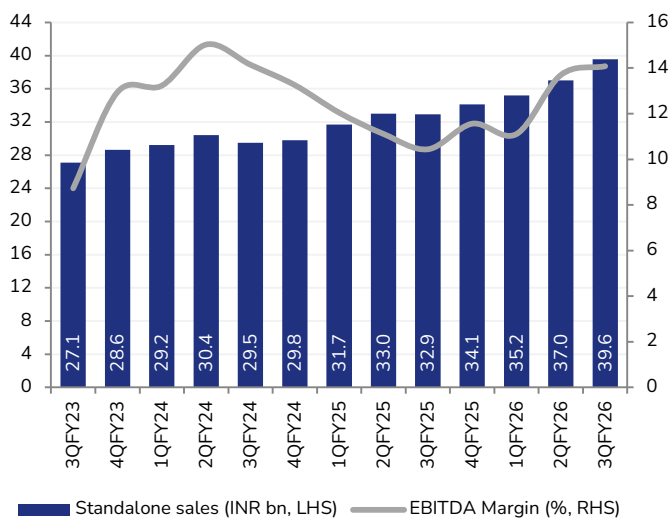
Source: Company, JM Financial

Exhibit 2. Quarterly financial results (Consolidated)**(INR mn)**

	3QFY26	3QFY25	% YoY	2QFY26	% QoQ	3QFY26E	% A/E
Sales	41,571	32,999	26.0	37,727	10.2	40,251	3.3
RM	24,973	20,847	19.8	22,286	12.1	23,869	4.6
As a % of sales	60.1	63.2	-310bps	59.1	100bps	59.3	80bps
Employee exp.	2,822	2,159	30.7	2,617	7.8	2,818	0.2
As a % of sales	6.8	6.5	20bps	6.9	-10bps	7.0	-20bps
Other Costs	8,141	6,584	23.6	7,789	4.5	8,332	(2.3)
As a % of sales	19.6	20.0	-40bps	20.6	-110bps	20.7	-110bps
EBITDA	5,634	3,409	65.3	5,034	11.9	5,233	7.7
EBITDA Margin (%)	13.6	10.3	320bps	13.3	20bps	13.0	60bps
Other Income	61	34	76.4	39	56.7	39	56.7
Interest	1,050	751	39.8	870	20.7	870	20.7
Depreciation	1,881	1,415	33.0	1,739	8.2	1,739	8.2
PBT	2,763	1,278	116.3	2,464	12.1	2,663	3.7
Tax	676	361	87.1	680	(0.5)	666	1.5
Tax rate (%)	24.5	28.3		27.6		25.0	-53bps
Exceptional (gain)/loss	580	0	NA	0	NA	35	1556.0
Minority interest	-4	-1	NA	-2	NA	-50	NA
PAT Reported	1,558	971	60.4	1,155	34.9	2,012	(22.6)
Adj. PAT after MI	2,137	971	120.1	1,860	14.9	2,047	4.4
PAT Margin (%)	5.1	2.9	220bps	4.9	20bps	5.1	10bps
EPS	52.8	24.0	120.1	46.0	14.9	50.6	4.4

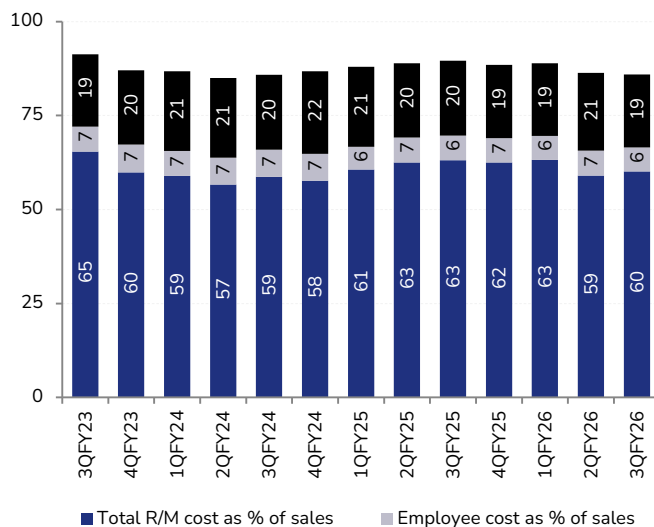
Source: Company, JM Financial

Exhibit 3. Standalone sales and margin trends



Source: Company, JM Financial

Exhibit 4. Standalone sales and margin trends



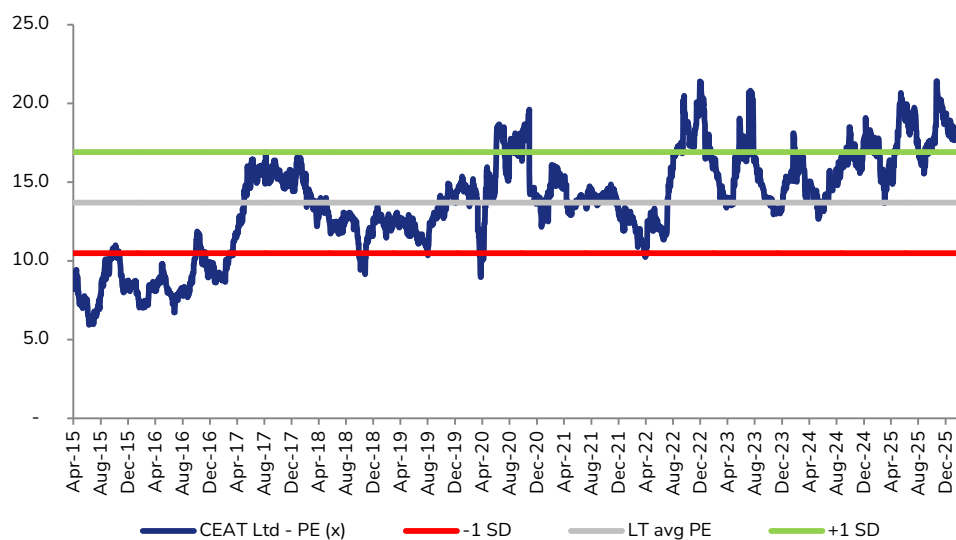
Source: Company, JM Financial

Exhibit 5. Changes in estimates

CEAT	New assumption			Old assumption			% change		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	132,179	157,822	175,227	132,179	148,852	164,485	0.0%	6.0%	6.5%
EBITDA (INR mn)	14,741	20,254	24,032	14,741	19,640	24,020	0.0%	3.1%	0.0%
EBITDAM (%)	11.2%	12.8%	13.7%	11.2%	13.2%	14.6%	0bps	-40bps	-90bps
PAT (INR mn)	5,023	7,074	9,240	5,023	6,778	9,059	0.0%	4.4%	2.0%
EPS (INR)	124	175	228	124	168	224	0.0%	4.4%	2.0%

Source: Company, JM Financial

Exhibit 6. 1 year forward PE



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,19,435	1,32,179	1,57,822	1,75,227	1,85,146
Sales Growth	5.6%	10.7%	19.4%	11.0%	5.7%
Other Operating Income	0	0	0	0	0
Total Revenue	1,19,435	1,32,179	1,57,822	1,75,227	1,85,146
Cost of Goods Sold/Op. Exp	69,244	82,321	95,827	1,05,479	1,10,190
Personnel Cost	8,457	8,562	10,560	11,408	12,061
Other Expenses	25,212	26,554	31,180	34,309	37,049
EBITDA	16,522	14,741	20,254	24,032	25,845
EBITDA Margin	13.8%	11.2%	12.8%	13.7%	14.0%
EBITDA Growth	69.7%	-10.8%	37.4%	18.7%	7.5%
Depn. & Amort.	5,088	5,627	7,240	8,426	8,811
EBIT	11,434	9,115	13,014	15,606	17,034
Other Income	197	176	560	707	795
Finance Cost	2,691	2,778	4,279	4,139	4,627
PBT before Excep. & Forex	8,941	6,512	9,295	12,173	13,202
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	8,941	6,512	9,295	12,173	13,202
Taxes	2,214	1,720	2,426	3,139	3,481
Extraordinary Inc./Loss(-)	-582	-296	-613	0	0
Assoc. Profit/Min. Int.(-)	134	205	155	155	155
Reported Net Profit	6,427	4,726	6,462	9,240	9,925
Adjusted Net Profit	7,008	5,023	7,074	9,240	9,925
Net Margin	5.9%	3.8%	4.5%	5.3%	5.4%
Diluted Share Cap. (mn)	40.5	40.5	40.5	40.5	40.5
Diluted EPS (INR)	173.3	124.2	174.9	228.4	245.4
Diluted EPS Growth	219.1%	-28.3%	40.9%	30.6%	7.4%
Total Dividend + Tax	1,214	1,214	1,416	1,618	1,618
Dividend Per Share (INR)	30.0	30.0	35.0	40.0	40.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	9,149	6,730	9,475	12,353	13,382
Depn. & Amort.	5,088	5,627	7,240	8,426	8,811
Net Interest Exp. / Inc. (-)	2,691	2,778	4,279	4,139	4,627
Inc (-) / Dec in WCap.	1,598	-2,473	4,001	1,619	1,536
Others	-585	-304	-588	25	25
Taxes Paid	-2,214	-1,720	-2,426	-3,139	-3,481
Operating Cash Flow	15,727	10,638	21,981	23,424	24,899
Capex	-7,713	-11,299	-27,500	-25,835	-21,455
Free Cash Flow	8,014	-661	-5,519	-2,411	3,444
Inc (-) / Dec in Investments	-125	-78	0	0	0
Others	-2,691	-2,778	-4,279	-4,139	-4,627
Investing Cash Flow	-10,528	-14,155	-31,779	-29,974	-26,082
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-1,214	-1,214	-1,416	-1,618	-1,618
Inc / Dec (-) in Loans	-5,040	3,449	12,300	7,500	1,400
Others	1,376	712	235	154	163
Financing Cash Flow	-4,877	2,948	11,119	6,036	-55
Inc / Dec (-) in Cash	321	-569	1,321	-514	-1,238
Opening Cash Balance	719	591	532	1,854	1,340
Closing Cash Balance	1,040	22	1,854	1,340	101

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	40,426	43,685	48,739	56,369	64,683
Share Capital	405	405	405	405	405
Reserves & Surplus	40,022	43,281	48,335	55,964	64,279
Preference Share Capital	0	0	0	0	0
Minority Interest	97	77	77	77	77
Total Loans	17,915	21,364	33,664	41,164	42,564
Def. Tax Liab. / Assets (-)	4,509	5,004	5,004	5,004	5,004
Total - Equity & Liab.	62,948	70,130	87,484	1,02,613	1,12,328
Net Fixed Assets	69,546	75,218	95,479	1,12,888	1,25,532
Gross Fixed Assets	88,599	95,942	1,23,442	1,49,277	1,70,732
Intangible Assets	231	231	231	231	231
Less: Depn. & Amort.	26,119	26,330	33,569	41,995	50,806
Capital WIP	6,835	5,375	5,375	5,375	5,375
Investments	1,821	1,898	1,898	1,898	1,898
Current Assets	28,578	35,007	37,311	39,203	40,022
Inventories	11,505	14,115	14,750	15,851	16,787
Sundry Debtors	12,832	16,533	16,840	18,099	19,168
Cash & Bank Balances	591	532	1,854	1,340	101
Loans & Advances	2,540	3,227	3,269	3,315	3,366
Other Current Assets	1,110	599	599	599	599
Current Liab. & Prov.	36,997	41,994	47,204	51,376	55,124
Current Liabilities	23,321	27,402	31,188	33,897	36,041
Provisions & Others	13,676	14,592	16,016	17,480	19,083
Net Current Assets	-8,419	-6,987	-9,893	-12,173	-15,102
Total - Assets	62,948	70,130	87,484	1,02,613	1,12,328

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	5.9%	3.8%	4.5%	5.3%	5.4%
Asset Turnover (x)	2.0	2.1	2.1	1.9	1.8
Leverage Factor (x)	1.6	1.5	1.6	1.8	1.7
RoE	18.7%	11.9%	15.3%	17.6%	16.4%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	999.4	1,080.0	1,204.9	1,393.5	1,599.1
ROIC	15.5%	11.3%	13.6%	13.4%	12.6%
ROE	18.7%	11.9%	15.3%	17.6%	16.4%
Net Debt/Equity (x)	0.4	0.5	0.7	0.7	0.7
P/E (x)	21.4	29.9	21.2	16.2	15.1
P/B (x)	3.7	3.4	3.1	2.7	2.3
EV/EBITDA (x)	10.1	11.6	9.0	7.9	7.5
EV/Sales (x)	1.4	1.3	1.2	1.1	1.0
Debtor days	39	46	39	38	38
Inventory days	35	39	34	33	33
Creditor days	83	85	83	82	83

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Sep-22	Buy	1,600	
8-Nov-22	Buy	1,800	12.5
26-Jan-23	Buy	1,800	0.0
1-Mar-23	Buy	1,800	0.0
7-May-23	Buy	2,150	19.4
16-Jun-23	Buy	2,150	0.0
26-Jul-23	Buy	2,500	16.3
18-Oct-23	Buy	2,750	10.0
28-Jan-24	Buy	3,100	12.7
6-May-24	Buy	3,200	3.2
9-Jun-24	Buy	3,200	0.0
21-Jul-24	Buy	3,250	1.6
20-Oct-24	Buy	3,500	7.7
11-Dec-24	Buy	3,600	2.9
17-Jan-25	Buy	3,400	-5.6
1-May-25	Buy	3,700	8.8
20-Jul-25	Buy	4,200	13.5
7-Sep-25	Buy	3,800	-9.5
17-Oct-25	Add	4,050	6.6
20-Jan-26	Add	4,110	1.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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