

Margin outperforms; rolling resistance to rise in near term



CEAT reported a strong 4QFY26 posting an EBITDA margin of 14% (beating JMFe by 90bps) driven by lower-cost inventory and controlled overheads. Volume growth remained healthy across OEM and replacement segments supported by ongoing premiumisation. However, management expects demand momentum to moderate amid geopolitical uncertainties and fuel price concerns. While the international business is showing early signs of recovery, the Middle East (~15% of export revenue) remains impacted. Margin benefits from the CAMSO integration are expected to accrue over the next four quarters. Near-term margins may face pressure from elevated raw material costs (natural rubber, crude), logistics expenses and INR depreciation. The company is rolling out calibrated price hikes across segments along with cost optimisation to offset margin pressures. Accordingly, we are raising FY27E/28E revenue by 4–5% while maintaining margin assumptions; retain ADD with a revised TP of INR 4,090 (earlier INR 3,960) based on 16x FY28E EPS (unchanged).

- Q4FY26 margin rolls past expectation:** Consolidated Q4FY26 net sales increased 23.3% YoY/1.5% QoQ to INR 42.2bn, c. 1.6% below JMFe. Overall volumes grew 20% YoY led by mid-teens' YoY growth in OEM/RE and mid-20s YoY growth in international markets. Consolidated EBITDA stood at INR 5.9bn (+52.7% YoY/+5.2% QoQ), 5.6% above JMFe. Consolidated EBITDA margin of 14% (+270bps YoY/+50bps QoQ) beat JMFe by 90bps due to lower-than-expected other expenses. Adjusted PAT came in at INR 2.5bn (+85.9% YoY/+18.8% QoQ).
- Domestic demand environment:** Demand remained strong during the quarter with overall (domestic and export) volumes growing ~20% YoY, supported by mid-teens' YoY growth each in the OEM and replacement segments. In the replacement segment, TBR and farm categories recorded low-teens' growth, PVs grew in mid-single digits while 2Ws delivered robust mid-20s growth. In the OEM segment, PC volumes grew in double digits on a lower base, 2Ws in single digits, farm in strong double digits and TBR in low double digits. Looking ahead, management expects demand momentum to moderate impacted by geopolitical tensions and fuel price expectations. In the replacement segment, MHCV demand is expected to grow in high single digits while passenger tyre demand remains relatively muted, though it is likely to improve supported by strong OEM sales in the prior year. In the OEM segment, MHCV and LCVs continue to see healthy traction while passenger car demand is expected to grow in high single digits.
- International demand environment:** In Q4FY26, the international business delivered mid-20s YoY growth supported by broad-based strength across segments. While the overall international business is exhibiting early signs of recovery, business in the Middle East (accounts for ~15% of export revenues) remained impacted during the quarter.
- Margin outlook:** Gross margin expanded 30bps QoQ due to lower-cost inventory. International NR prices (accounting for ~60% of CEAT's requirement) have increased to USD 2,050–2,100/MT versus ~USD 1,800/MT at the start of Q4FY26. Furthermore, domestic NR price is currently about INR 245/kg versus INR 190/kg at the start of Q4FY26. Management expects the combined impact of rising natural rubber prices and INR depreciation to adversely affect margins in Q1FY27E, which they expect to offset via cost efficiencies and price hikes (replacement: 5% taken in Mar-Apr'26, and likely another 5% in May-Jun'26; OEMs: low single-digit price hike taken in Apr'26, and likely another in Jun'26; international: 3–5% hike has been already announced, and likely another 5% over next one–two weeks).

Saksham Kaushal

saksham.kaushal@jmfl.com | Tel: (91 22) 66303019

Nitin Agrawal

nitin.agrawal@jmfl.com | Tel: (91 22) 66303687

Sahil Malik

sahil.malik@jmfl.com | Tel: (91 22) 66301652

Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	4,090
Upside/(Downside)	12.8%
Previous Price Target	3,960
Change	3.3%

Key Data – CEAT IN

Current Market Price	INR3,625
Market cap (bn)	INR146.6/US\$1.5
Free Float (%)	51.1
Shares in issue (mn)	40.5
Diluted share (mn)	40.5
3-mon avg daily val (mn)	INR469.1/US\$5.0
52-week range	INR4,438/3,001
Sensex/Nifty	77,496/24,178
INR/US\$	94.8

Price Performance

%	1M	6M	12M
Absolute	4.7	-9.7	18.5
Relative*	-0.6	-1.0	22.7

*To the NSE Nifty 50

Financial Summary

	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	119,435	132,179	156,780	183,950	198,295
Sales Growth (%)	5.6	10.7	18.6	17.3	7.8
EBITDA	16,522	14,741	20,472	20,445	27,606
EBITDA Margin (%)	13.8	11.2	13.1	11.1	13.9
Adjusted Net Profit	7,008	5,023	7,693	5,643	10,338
Diluted EPS (INR)	173.3	124.2	190.2	139.5	255.6
Diluted EPS Growth (%)	219.1	-28.3	53.2	-26.6	83.2
ROIC (%)	15.4	11.2	13.7	10.2	14.7
ROE (%)	18.7	11.9	16.3	10.8	17.6
P/E (x)	22.8	31.0	21.0	26.0	14.2
P/B (x)	3.6	3.4	2.9	2.7	2.3
EV/EBITDA (x)	9.9	11.4	8.7	9.0	6.6
Dividend Yield (x)	0.8	0.8	1.0	1.1	1.1

Source: Company data, JM Financial. Note: Valuations as of April 29, 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:

- i) CAMSO business update: Fuel shortages in Sri Lanka drove down revenue by 5% QoQ, with full value chain control not expected until FY27. Growth will be staggered: aftermarket in 2HFY27E and OEMs in FY28E. Margin pressures persist owing to soaring freight costs and a 35% tariff on metal clips while tracks face a 10% tariff and account for half of all revenue.
- ii) Capacity utilisation is currently 85–90%. Full-year capex guidance is INR 13–14bn, including growth capex.

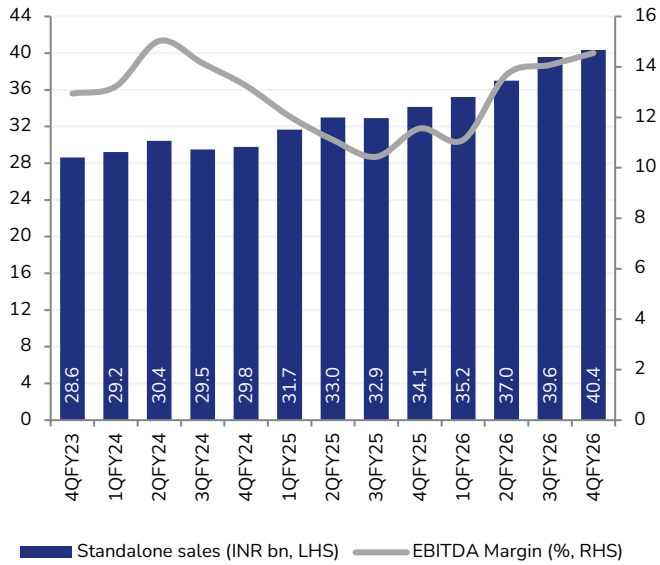
Exhibit 1: Quarterly financial results (standalone)							(INR mn)	
	Q4FY26	Q4FY25	% YoY	Q3FY26	% QoQ	Q4FY26E	% A/E	
Sales	40,359	34,136	18.2	39,572	2.0	40,246	0.3	
RM	24,334	21,327	14.1	23,784	2.3	24,349	(0.1)	
As a % of sales	60.3	62.5	-220bps	60.1	20bps	60.5	-20bps	
Employee Exp	2,478	2,220	11.6	2,520	(1.7)	2,576	(3.8)	
As a % of sales	6.1	6.5	-40bps	6.4	-20bps	6.4	-30bps	
Other Costs	7,675	6,642	15.5	7,695	(0.3)	7,808	(1.7)	
As a % of sales	19.0	19.5	-40bps	19.4	-40bps	19.4	-40bps	
EBITDA	5,873	3,946	48.8	5,572	5.4	5,514	6.5	
EBITDA Margin (%)	14.6	11.6	300bps	14.1	50bps	13.7	90bps	
Other Income	625	44	1336.8	265	136.3	150	316.7	
Interest	858	744	15.3	1,048	(18.1)	875	(1.9)	
Depreciation	1,714	1,522	12.6	1,652	3.7	1,700	0.8	
PBT	3,926	1,723	127.8	3,137	25.1	3,089	27.1	
Tax	994	349	184.7	643	54.5	772	28.8	
Tax rate (%)	25.3	20.3		20.5		25.0		
Exceptional (gain)/loss	96	370		578		0		
PAT Reported	2,836	1,004	182.5	1,916	48.0	2,317	22.4	
Adj. PAT after MI	2,932	1,374	113.3	2,494	17.6	2,317	26.6	
PAT Margin (%)	7.3	4.0	320bps	6.3	100bps	5.8	150bps	
EPS	72.5	34.0	113.3	61.7	17.6	57.3	26.6	

Source: Company, JM Financial

Exhibit 2: Quarterly financial results (consolidated)							(INR mn)	
	Q4FY26	Q4FY25	% YoY	Q3FY26	% QoQ	Q4FY26E	% A/E	
Sales	42,189	34,206	23.3	41,571	1.5	42,856	(1.6)	
RM	25,453	21,391	19.0	24,973	1.9	25,928	(1.8)	
As a % of sales	60.3	62.5	-220bps	60.1	30bps	60.5	-20bps	
Employee exp.	3,006	2,257	33.2	2,822	6.5	2,914	3.2	
As a % of sales	7.1	6.6	50bps	6.8	30bps	6.8	30bps	
Other Costs	7,802	6,677	16.8	8,141	(4.2)	8,400	(7.1)	
As a % of sales	18.5	19.5	-100bps	19.6	-110bps	19.6	-110bps	
EBITDA	5,927	3,881	52.7	5,634	5.2	5,614	5.6	
EBITDA Margin (%)	14.0	11.3	270bps	13.6	50bps	13.1	90bps	
Other Income	257	45	469.5	61	325.5	61	325.5	
Interest	847	744	13.8	1,050	(19.4)	1,050	(19.4)	
Depreciation	1,841	1,523	20.8	1,881	(2.2)	1,881	(2.2)	
PBT	3,498	1,659	110.9	2,763	26.6	2,744	27.5	
Tax	1,014	356	184.8	676	50.0	686	47.8	
Tax rate (%)	29.0	21.5		24.5		25.0	399bps	
Exceptional (gain)/loss	100	370	-73.1	580	(82.8)	35	185.1	
Minority interest	0	-8	NA	-4	NA	-50	NA	
PAT Reported	2,439	995	145.1	1,558	56.5	2,073	17.6	
Adj. PAT after MI	2,538	1,365	85.9	2,137	18.8	2,108	20.4	
PAT Margin (%)	6.0	4.0	200bps	5.1	90bps	4.9	110bps	
EPS	62.8	33.8	85.9	52.8	18.8	52.1	20.4	

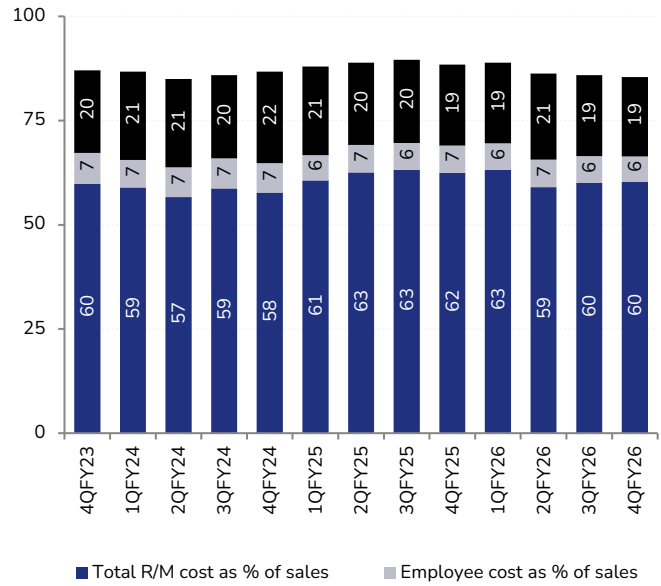
Source: Company, JM Financial

Exhibit 3: Standalone sales and margin trends



Source: Company, JM Financial

Exhibit 4: RM and employee costs as % of sales



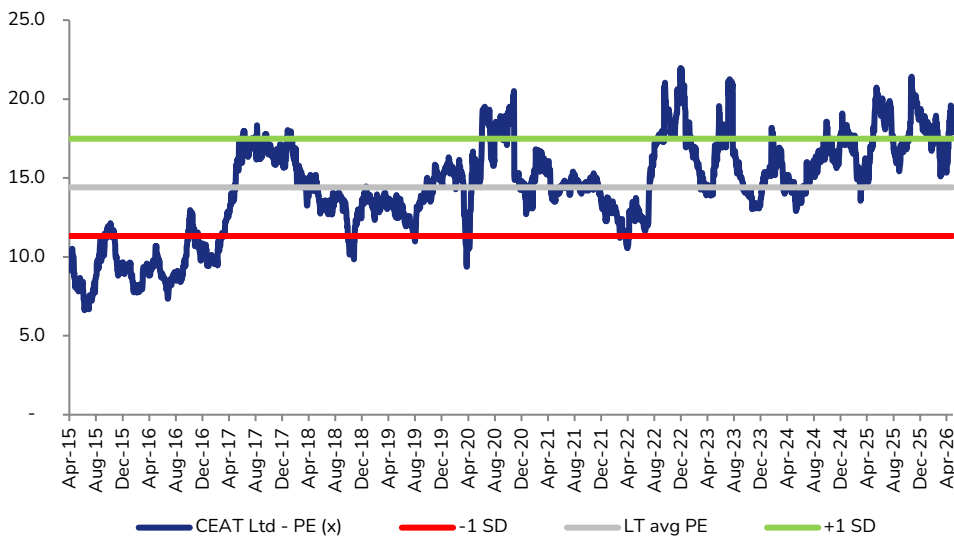
Source: Company, JM Financial

Exhibit 5: Changes in estimates

CEAT	New assumption			Old assumption			% change		
	FY26A	FY27E	FY28E	FY26E	FY27E	FY28E	FY26A	FY27E	FY28E
Revenue (INR mn)	156,780	183,950	198,295	157,447	176,416	189,144	-0.4%	4.3%	4.8%
EBITDA (INR mn)	20,472	20,445	27,606	20,159	19,623	26,335	1.6%	4.2%	4.8%
EBITDAM (%)	13.1%	11.1%	13.9%	12.8%	11.1%	13.9%	25bps	-1bps	0bps
PAT (INR mn)	7,693	5,643	10,338	7,293	5,564	10,008	5.5%	1.4%	3.3%
EPS (INR)	190	140	256	180	138	247	5.5%	1.4%	3.3%

Source: Company, JM Financial

Exhibit 6: One-year forward P/E



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E	
Net Sales	119,435	132,179	156,780	183,950	198,295	
Sales Growth (%)	5.6	10.7	18.6	17.3	7.8	
Other Operating Income	-	-	-	-	-	
Total Revenue	119,435	132,179	156,780	183,950	198,295	
Cost of Goods Sold/Op. Exp	69,244	82,321	95,024	115,630	119,572	
Personnel Cost	8,457	8,562	10,714	13,135	13,911	
Other Expenses	25,212	26,554	30,570	34,740	37,206	
EBITDA	16,522	14,741	20,472	20,445	27,606	
EBITDA Margin (%)	13.8	11.2	13.1	11.1	13.9	
EBITDA Growth (%)	69.7	-10.8	38.9	-0.1	35.0	
Deprn. & Amort.	5,088	5,627	6,974	8,243	9,023	
EBIT	11,434	9,115	13,498	12,202	18,583	
Other Income	197	176	404	667	746	
Finance Cost	2,691	2,778	3,586	5,241	5,466	
PBT before Excep. & Forex	8,941	6,512	10,315	7,628	13,862	
Excep. & Forex Inc./Loss(-)	-	-	-	-	-	
PBT	8,941	6,512	10,315	7,628	13,862	
Taxes	2,214	1,720	2,789	2,149	3,689	
Extraordinary Inc./Loss(-)	-582	-296	-712	-	-	
Assoc. Profit/Min. Int.(-)	134	205	150	115	115	
Reported Net Profit	6,427	4,726	6,980	5,643	10,338	
Adjusted Net Profit	7,008	5,023	7,693	5,643	10,338	
Net Margin (%)	5.9	3.8	4.9	3.1	5.2	
Diluted Share Cap. (mn)	40	40	40	40	40	
Diluted EPS (INR)	173.3	124.2	190.2	139.5	255.6	
Diluted EPS Growth (%)	219.1	-28.3	53.2	-26.6	83.2	
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 Mar	FY24A	FY25A	FY26A	FY27E	FY28E	
Profit before Tax	8,359	6,216	9,603	7,628	13,862	
Deprn. & Amort.	5,088	5,627	6,974	8,243	9,023	
Net Interest Exp. / Inc. (-)	2,644	2,706	3,509	4,575	4,721	
Inc (-) / Dec in WCap.	2,674	-2,909	-612	-719	293	
Others	57	188	183	140	140	
Taxes Paid	-1,630	-908	-1,802	-2,149	-3,689	
Operating Cash Flow	17,193	10,920	17,856	17,716	24,350	
Capex	-8,668	-9,426	-22,668	-16,459	-15,109	
Free Cash Flow	8,525	1,494	-4,813	1,258	9,241	
Inc (-) / Dec in Investments	3	2	-300	-	-	
Others	128	200	262	667	746	
Investing Cash Flow	-8,537	-9,224	-22,706	-15,792	-14,363	
Inc / Dec (-) in Capital	-	-	-	-	-	
Dividend + Tax thereon	-485	-1,214	-1,214	-1,618	-1,618	
Inc / Dec (-) in Loans	-4,638	2,995	9,486	18,000	3,400	
Others	-3,587	-3,548	-3,506	-5,241	-5,466	
Financing Cash Flow	-8,710	-1,767	4,766	11,141	-3,684	
Inc / Dec (-) in Cash	-55	-72	-84	13,065	6,302	
Opening Cash Balance	606	552	479	395	13,461	
Closing Cash Balance	552	479	395	13,461	19,763	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E	
Shareholders Fund	40,524	43,763	50,540	54,540	63,235	
Share Capital	405	405	405	405	405	
Reserves & Surplus	40,022	43,281	50,056	54,056	62,750	
Preference Share Capital	-	-	-	-	-	
Minority Interest	97	77	80	80	80	
Total Loans	17,915	21,364	32,721	50,721	54,121	
Def. Tax Liab. / Assets (-)	4,509	5,004	6,322	6,322	6,322	
Other non-current liabilities / Lease Liabilities	212	197	187	187	187	
Total - Equity & Liab.	58,650	65,324	83,448	105,448	117,543	
Net Fixed Assets	69,315	74,987	90,465	98,681	104,766	
Gross Fixed Assets	88,599	95,942	117,386	133,844	148,953	
Intangible Assets	-	-	-	-	-	
Less: Deprn. & Amort.	26,119	26,330	33,304	41,547	50,570	
Capital WIP	6,835	5,375	6,384	6,384	6,384	
Investments	1,860	1,951	2,256	2,256	2,256	
Current Assets	28,770	35,185	46,301	64,464	73,691	
Inventories	11,505	14,115	17,834	17,912	19,277	
Sundry Debtors	12,832	16,533	18,389	19,854	21,413	
Cash & Bank Balances	552	479	395	13,461	19,763	
Loans & Advances	-	-	-	-	-	
Other Current Assets	3,881	4,057	9,683	13,238	13,238	
Current Liab. & Prov.	36,786	41,797	49,252	53,631	56,848	
Current Liabilities	24,662	28,232	36,903	40,259	42,060	
Provisions & Others	12,124	13,565	12,349	13,372	14,788	
Net Current Assets	-9,357	-7,442	-5,376	8,409	14,418	
Other Non Current Assets/ROU Assets	1,341	830	2,425	2,425	2,425	
Total - Assets	58,650	65,324	83,448	105,448	117,543	

Source: Company, JM Financial

Dupont Analysis		FY24A	FY25A	FY26A	FY27E	FY28E
Y/E Mar						
Net Margin (%)		5.9	3.8	4.9	3.1	5.2
Asset Turnover (x)		1.9	2.0	2.0	1.8	1.7
Leverage Factor (x)		1.7	1.6	1.7	1.9	2.0
RoE (%)		18.7	11.9	16.3	10.8	17.6

Source: Company, JM Financial

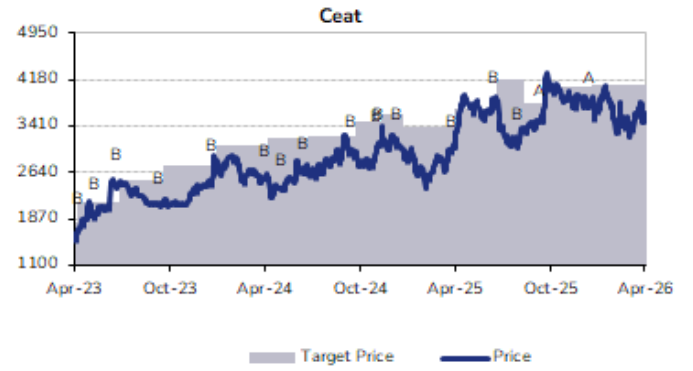
Key Ratios		FY24A	FY25A	FY26A	FY27E	FY28E
Y/E Mar						
BV/Share (INR)		999.4	1,080.0	1,247.5	1,346.4	1,561.3
ROIC (%)		15.4	11.2	13.7	10.2	14.7
ROE (%)		18.7	11.9	16.3	10.8	17.6
Net Debt/Equity (x)		0.4	0.5	0.6	0.7	0.5
P/E (x)		22.8	31.0	21.0	26.0	14.2
P/B (x)		3.6	3.4	2.9	2.7	2.3
EV/EBITDA (x)		9.9	11.4	8.7	9.0	6.6
EV/Sales (x)		1.4	1.3	1.1	1.0	0.9
Debtor days		39	46	43	39	39
Inventory days		35	39	42	36	35
Creditor days		83	85	92	84	85

Source: Company, JM Financial

Recommendation History Table

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

Recommendation History Chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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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)

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com
