

Ceat Ltd | BUY

CAMSO benefits to materialise gradually; GST cuts to aid demand

CEAT has announced completion of the CAMSO acquisition effective 1st Sep'25, gaining access to an installed capacity of 250MT/day (split equally between tyres and rubber tracks), with current utilisation levels at ~50%. From 2QFY26, consolidated results will include CAMSO's integration. CAMSO's current revenue run-rate is USD 130mn-150mn, though turnover recognised will remain lower over the next 3-4 quarters till direct customer relationships are established. Margins are also expected to remain subdued for 6 quarters until upstream equipment becomes fully operational (targets high-teens to ~20% EBITDA margin by FY28). On the domestic front, the recent GST rationalisation has reduced rates from 28% to 18% for 2W, PV, and truck tyres and from 18% to 5% for tractor tyres; this is expected to improve affordability and boost demand. With its leadership in 2Ws and significant presence in other segments, CEAT is well-positioned to benefit. Accounting for delayed CAMSO revenue / margin recognition, we cut our revenue estimates by 3.9% / 3.6%, translating into EPS reduction by 12% / 8% for FY26 / F27E. We maintain BUY with a Mar'27 TP of INR 3,800 (18x PE).

- **Acquisition update – CAMSO integration:** CEAT has completed the acquisition of CAMSO with effect from 1st Sep'25. Through this acquisition, CEAT gains access to 40+ OEMs and 200+ dealers. CAMSO's installed capacity is 250MT/day (split equally between tyres and rubber tracks), with current utilisation levels at ~50%. The total deal value is USD 225mn, which includes USD 181mn towards assets, future capex, and working capital, and USD 44mn allocated to the CAMSO brand. Of this, USD 138mn has already been paid, with no material outflows expected during FY26. The company has guided for USD 30mn capex towards CAMSO over the next 2 years. From 2QFY26, consolidated results will reflect CAMSO's integration.
- **Financial impact and margin outlook:** CAMSO's current revenue run-rate is USD 130mn–150mn. However, turnover recognised will remain lower for the next 3–4 quarters due to transition in customer relationships, as CAMSO will initially continue supplying to Michelin till it develops direct customer relations. Margins are also expected to remain subdued for the next 6 quarters until upstream equipment is fully operational. In the medium term, once integration stabilises, CEAT expects CAMSO to deliver normalised turnover with EBITDA margin in the high teens to ~20% by FY28.
- **US tariffs:** Exports from Sri Lanka to the US attract 20% reciprocal tariffs on both tyres and rubber tracks. CAMSO's revenue split is balanced at 50% each between tyres and tracks. The management does not foresee a material impact on demand as Sri Lanka remains as competitive as it was pre-tariffs. Over time, it expects the tariff impact to be passed on entirely to customers. CAMSO's geographical revenue split is dominated by NA (~55%) and EU (35–37%); the balance comes from SA, Australia, and Middle East.
- **GST rationalisation:** The GST Council has approved significant rate reductions on tyres: 1) from 28% to 18% for 2W, PV, and truck tyres, and 2) from 18% to 5% for tractor tyres. These changes are expected to improve affordability and boost demand. With a leadership position in the 2W segment and significant presence in other segments, CEAT is poised to be one of the key beneficiaries of this rationalisation.

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,19,435	1,32,179	1,46,311	1,60,082	1,69,142
Sales Growth (%)	5.6	10.7	10.7	9.4	5.7
EBITDA	16,522	14,741	19,456	23,279	24,605
EBITDA Margin (%)	13.8	11.2	13.3	14.5	14.5
Adjusted Net Profit	7,008	5,023	6,641	8,504	9,119
Diluted EPS (INR)	173.3	124.2	164.2	210.2	225.4
Diluted EPS Growth (%)	219.1	-28.3	32.2	28.1	7.2
ROIC (%)	15.5	11.3	11.9	13.5	14.3
ROE (%)	18.7	11.9	14.4	16.3	15.4
P/E (x)	19.2	26.9	20.3	15.9	14.8
P/B (x)	3.3	3.1	2.8	2.4	2.1
EV/EBITDA (x)	9.1	10.5	8.5	6.8	6.0
Dividend Yield (%)	0.9	0.9	1.0	1.2	1.2

Source: Company data, JM Financial. Note: Valuations as of 05/Sep/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,800
Upside/(Downside)	13.4%
Previous Price Target	4,200
Change	-9.5%

Key Data – CEAT IN

Current Market Price	INR3,351
Market cap (bn)	INR135.5/US\$1.5
Free Float	51%
Shares in issue (mn)	40.5
Diluted share (mn)	40.5
3-mon avg daily val (mn)	INR582.7/US\$6.6
52-week range	4,049/2,322
Sensex/Nifty	80,711/24,741
INR/US\$	88.3

Price Performance

%	1M	6M	12M
Absolute	5.3	29.7	15.9
Relative*	4.2	19.5	16.6

* To the BSE Sensex

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Exhibit 1. CEAT – change in estimates

CEAT	New assumption			Old assumption			% change		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	132,179	146,311	160,082	132,179	152,177	166,096	0.0%	-3.9%	-3.6%
EBITDA (INR mn)	14,741	19,456	23,279	14,741	20,355	23,899	0.0%	-4.4%	-2.6%
EBITDAM (%)	11.2%	13.3%	14.5%	11.2%	13.4%	14.4%	0bps	-10bps	+10bps
PAT (INR mn)	5,023	6,641	8,504	5,023	7,570	9,234	0.0%	-12.3%	-7.9%
EPS (INR)	124	164	210	124	187	228	0.0%	-12.3%	-7.9%

Source: Company, JM Financial

Exhibit 2. 1-yr forward PE chart



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	1,46,311	1,60,082	1,69,142
Sales Growth	5.6%	10.7%	10.7%	9.4%	5.7%
Other Operating Income	0	0	0	0	0
Total Revenue	1,19,435	1,32,179	1,46,311	1,60,082	1,69,142
Cost of Goods Sold/Op. Exp	69,244	82,321	87,659	92,885	97,186
Personnel Cost	8,457	8,562	9,379	10,462	11,203
Other Expenses	25,212	26,554	29,816	33,457	36,148
EBITDA	16,522	14,741	19,456	23,279	24,605
EBITDA Margin	13.8%	11.2%	13.3%	14.5%	14.5%
EBITDA Growth	69.7%	-10.8%	32.0%	19.6%	5.7%
Depn. & Amort.	5,088	5,627	7,580	8,494	9,209
EBIT	11,434	9,115	11,876	14,785	15,396
Other Income	197	176	220	298	346
Finance Cost	2,691	2,778	2,880	3,294	3,137
PBT before Excep. & Forex	8,941	6,512	9,216	11,789	12,605
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	8,941	6,512	9,216	11,789	12,605
Taxes	2,214	1,720	2,676	3,385	3,586
Extraordinary Inc./Loss(-)	-582	-296	0	0	0
Assoc. Profit/Min. Int.(-)	-282	-231	-100	-100	-100
Reported Net Profit	6,427	4,726	6,641	8,504	9,119
Adjusted Net Profit	7,008	5,023	6,641	8,504	9,119
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	164.2	210.2	225.4
Diluted EPS Growth	219.1%	-28.3%	32.2%	28.1%	7.2%
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 March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	8,941	6,512	9,216	11,789	12,605
Depn. & Amort.	5,088	5,627	7,580	8,494	9,209
Net Interest Exp. / Inc. (-)	2,691	2,778	2,880	3,294	3,137
Inc (-) / Dec in WCap.	1,598	-2,473	3,881	820	1,454
Others	-377	-86	100	100	100
Taxes Paid	-2,214	-1,720	-2,676	-3,385	-3,586
Operating Cash Flow	15,727	10,638	20,982	21,112	22,919
Capex	-7,713	-11,299	-27,500	-9,075	-9,075
Free Cash Flow	8,014	-661	-6,518	12,037	13,844
Inc (-) / Dec in Investments	-125	-78	0	0	0
Others	-2,691	-2,778	-2,880	-3,294	-3,137
Investing Cash Flow	-10,528	-14,155	-30,380	-12,369	-12,212
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	-5,500	0
Others	1,376	712	160	79	88
Financing Cash Flow	-4,877	2,948	11,044	-7,039	-1,530
Inc / Dec (-) in Cash	321	-569	1,646	1,704	9,177
Opening Cash Balance	719	591	532	2,178	3,882
Closing Cash Balance	1,040	22	2,178	3,882	13,059

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	40,426	43,685	48,843	55,661	63,095
Share Capital	405	405	405	405	405
Reserves & Surplus	40,022	43,281	48,438	55,256	62,690
Preference Share Capital	0	0	0	0	0
Minority Interest	97	77	77	77	77
Total Loans	17,915	21,364	33,664	28,164	28,164
Def. Tax Liab. / Assets (-)	4,509	5,004	5,004	5,004	5,004
Total - Equity & Liab.	62,948	70,130	87,587	88,906	96,339
Net Fixed Assets	69,546	75,218	95,138	95,719	95,585
Gross Fixed Assets	88,599	1,01,359	1,28,859	1,37,934	1,47,009
Intangible Assets	231	231	231	231	231
Less: Depn. & Amort.	26,119	31,746	39,326	47,821	57,029
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	35,024	38,591	49,645
Inventories	11,505	14,115	13,531	14,378	15,231
Sundry Debtors	12,832	16,533	15,447	16,416	17,390
Cash & Bank Balances	591	532	2,178	3,882	13,059
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	44,473	47,303	50,789
Current Liabilities	23,321	27,402	28,457	29,823	31,706
Provisions & Others	13,676	14,592	16,016	17,480	19,083
Net Current Assets	-8,419	-6,987	-9,449	-8,712	-1,144
Total - Assets	62,948	70,130	87,587	88,906	96,339

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	1.9	1.9	1.9
Leverage Factor (x)	1.6	1.5	1.6	1.6	1.5
RoE	18.7%	11.9%	14.4%	16.3%	15.4%

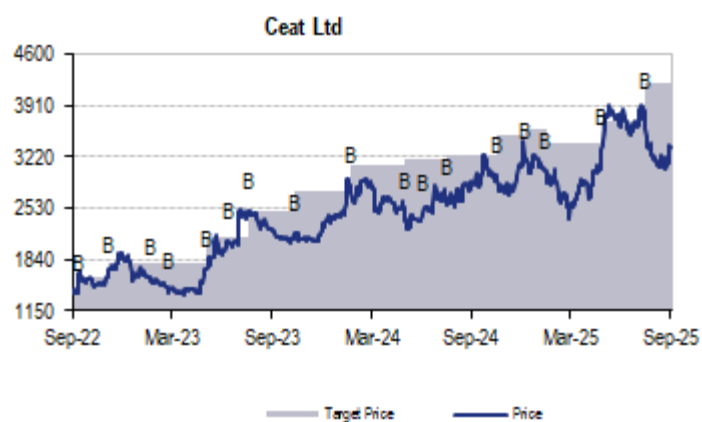
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	999.4	1,080.0	1,207.5	1,376.0	1,559.8
ROIC	15.5%	11.3%	11.9%	13.5%	14.3%
ROE	18.7%	11.9%	14.4%	16.3%	15.4%
Net Debt/Equity (x)	0.4	0.5	0.6	0.4	0.2
P/E (x)	19.2	26.9	20.3	15.9	14.8
P/B (x)	3.3	3.1	2.8	2.4	2.1
EV/EBITDA (x)	9.1	10.5	8.5	6.8	6.0
EV/Sales (x)	1.3	1.2	1.1	1.0	0.9
Debtor days	39	46	39	37	38
Inventory days	35	39	34	33	33
Creditor days	83	85	82	80	80

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
20-Jan-22	Buy	1,400	
8-May-22	Buy	1,425	1.8
21-Jul-22	Buy	1,415	-0.7
14-Sep-22	Buy	1,600	13.1
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

Recommendation History



APPENDIX I

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