

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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Thomson Publisher & Reuters,
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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 | | 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% |

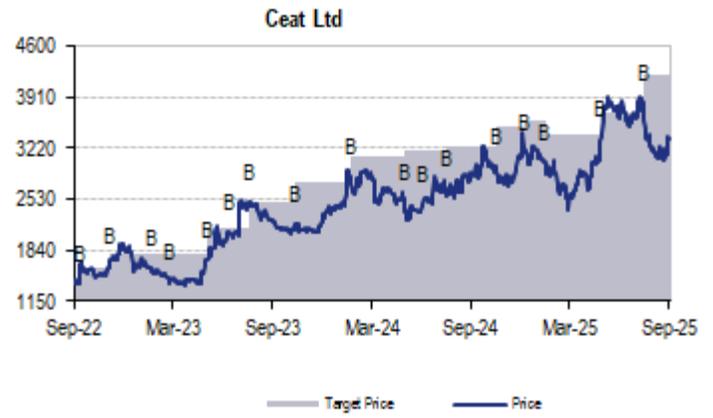
| Key Ratios | | FY24A | FY25A | FY26E | FY27E | FY28E |
|---------------------|--|-------|---------|---------|---------|---------|
| BV/Share (INR) | | 999.4 | 1,080.0 | 1,207.5 | 1,376.0 | 1,559.8 |
| ROIC | | 15.5% | 11.3% | 11.9% | 13.5% | 14.3% |
| ROE | | 18.7% | 11.9% | 14.4% | 16.3% | 15.4% |
| 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

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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

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|-----------------------|---|
| 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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