BUY

CEAT

Strong growth trend sustains; margins likely bottomed

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Auto & Auto Ancillaries ▸ Result Update ▸ **July 18, 2026**

CMP (Rs): 3,550 | TP (Rs): 4,500

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	26.8

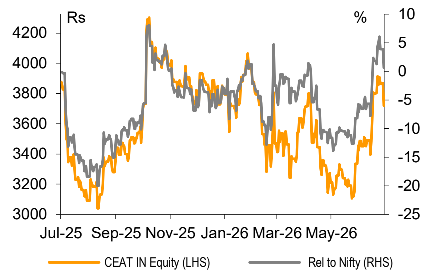
Stock Data	**CEAT IN**
52-week High (Rs)	4,438
52-week Low (Rs)	3,001
Shares outstanding (mn)	40.5
Market-cap (Rs bn)	144
Market-cap (USD mn)	1,491
Net-debt, FY27E (Rs mn)	30,278.2
ADTV-3M (mn shares)	0.2
ADTV-3M (Rs mn)	779.8
ADTV-3M (USD mn)	8.1
Free float (%)	52.8
Nifty-50	24,334.3
INR/USD	96.3

Shareholding,Mar-26	
Promoters (%)	47.3
FPIs/MFs (%)	16.5/20.9

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	1.8	(4.5)	(7.9)
Rel. to Nifty	0.8	(4.4)	(5.0)

1-Year share price trend (Rs)



CEAT reported strong topline performance in 1QFY27, with consolidated revenue up 22% yoy, led by 18% yoy standalone revenue growth (2/3rd via volumes, 1/3rd via pricing/mix) amid a 15% qoq decline at CAMSO. Growth was broad-based across segments (2W/PV/CV) and channels (replacement/OEM), supported by resilient rural demand, healthy OEM off-take, and robust exports despite ME disruptions. EBITDA declined 6% yoy, with EBITDAM falling by 560bps qoq to 8.5%, led by 576bps qoq decline in gross margin on elevated domestic/international rubber prices, exacerbated by currency depreciation, resulting in a 15–16% increase in the RM basket vs 4QFY26 average. To mitigate RM inflation, CEAT implemented price hikes across replacement (7-8%), OEM (3-4%), and international businesses (5-6%) during 1Q, with a further 8-10% increase planned in the replacement segment during Jul-Aug-26 (including 4% taken in Jul-26). While the management expects RM inflation to remain elevated in 2Q (further 8-10% increase vs 1Q), it anticipates easing toward late-2Q/3QFY27, with pricing actions progressively offsetting cost pressures. CAMSO's recovery is expected to be back-ended as customer migration progresses (60% completed in 1Q; 90% by Sep-26), with start-up costs and under-absorption weighing on FY27 profitability before benefits accrue from FY28 onward. Factoring in healthy demand outlook across segments and margin improvement in 2H on tight industry demand-supply dynamics (Strong demand/pricing environment to drive H2 recovery), we build in ~14%/15%/17% revenue/EBITDA/PAT CAGR over FY26-29E. We maintain BUY and TP of Rs4,500 (rolled forward to Jun-27).

Growth in topline, but material dip in EBITDA, PAT, and margins

Consolidated revenue grew 22% yoy. However, EBITDA declined 6%/38% yoy/qoq, with EBITDAM down by 560bps qoq to 8.5%, led by 576bps qoq gross margin contraction. Adjusted PAT was down 90%/96% yoy/qoq. Standalone revenue was up 18% yoy (up 3.2% qoq), while subsidiary (C-S) revenue was down 15%.

Earnings call KTAs

1) Growth remained broad-based, with replacement, OEM, and international business growing in mid-teens, low-teens, and ~30%, respectively, with ~2/3rd of growth driven by volumes. 2) RM inflation remains the key near-term challenge, with domestic NR prices at ~15Y highs and international rubber prices elevated; the management expects margin pressure to persist through 2Q due to pricing pass-through lags. 3) It expects replacement demand growth to remain in mid-single-digits for MHCVs and PVs and high-single-digits for 2Ws, while OEM demand outlook remains strong, particularly in PVs and 2Ws. 4) CAMSO transition remains on track, with ~60% customer migration completed in 1Q and ~90% expected by Sep-26; profitability is expected to improve meaningfully from 2H/FY28, as customer transition and operating leverage benefits kick in. 5) Profitability was impacted by a one-off ~Rs480mn forex MTM loss on an ~$80mn Sri Lankan subsidiary loan due to sharp LKR depreciation; excluding this, finance costs are expected to remain 5% higher vs normalized 1Q level over the next 1-2 quarters. 6) The management indicated that gross margin remained materially below normalized levels (~33% vs historical ~41%) and, therefore, sees limited risk of rolling back price increases even if commodity prices soften. 7) FY27 capex guidance: Rs13-14bn.

CEAT: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	132,179	156,780	186,219	208,890	229,409
EBITDA	14,741	20,472	21,334	27,703	30,760
Adj. PAT	5,023	7,693	7,077	10,916	12,279
Adj. EPS (Rs)	124.2	190.2	175.0	269.9	303.6
EBITDA margin (%)	11.2	13.1	11.5	13.3	13.4
EBITDA growth (%)	(10.8)	38.9	4.2	29.9	11.0
Adj. EPS growth (%)	(28.3)	53.2	(8.0)	54.2	12.5
RoE (%)	11.9	16.3	13.3	18.0	17.4
RoIC (%)	11.6	14.0	12.3	15.9	15.3
P/E (x)	30.4	20.6	20.3	13.2	11.7
EV/EBITDA (x)	11.2	8.6	8.1	6.2	5.8
P/B (x)	3.3	2.8	2.6	2.2	1.9
FCFF yield (%)	0.9	3.6	4.6	5.3	(0.7)

Source: Company, Emkay Research

Chirag Jain
chirag.jain@emkayglobal.com
+91-22-66242428

Nandan Pradhan
nandan.pradhan@emkayglobal.com
+91-22-66121238

Marazbaan Dastur
marazbaan.dastur@emkayglobal.com
+91-22-66121281

Sanskar Sahuji
sanskar.sahuji@emkayglobal.com
+91 22 66121245

Exhibit 1: Consolidated performance – Strong topline, but weak EBITDA, PAT, and margins; consolidated revenue up 22% yoy; EBITDAM down by 560bps qoq, led by gross margin contraction; PATM down by 576bps qoq, led by EBITDAM dip and higher interest costs

Consolidated (Rs mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
Revenue	**31,928**	**33,045**	**32,999**	**34,206**	**35,294**	**37,727**	**41,571**	**42,189**	**43,180**	**22.3**	**2.3**
Growth yoy (%)	**8.8**	**8.2**	**11.4**	**14.3**	**10.5**	**14.2**	**26.0**	**23.3**	**22.3**		
Expenditure	**28,099**	**29,423**	**29,590**	**30,325**	**31,417**	**32,693**	**35,937**	**36,262**	**39,530**	**25.8**	**9.0**
as a % of sales	*88.0*	*89.0*	*89.7*	*88.7*	*89.0*	*86.7*	*86.4*	*86.0*	*91.5*		
Consumption of RM	19,401	20,683	20,847	21,391	22,311	22,286	24,973	25,453	28,540	27.9	12.1
as a % of sales	*60.8*	*62.6*	*63.2*	*62.5*	*63.2*	*59.1*	*60.1*	*60.3*	*66.1*		
Employee costs	1,956	2,190	2,159	2,257	2,268	2,617	2,822	3,006	2,960	30.5	(1.5)
as a % of sales	*6.1*	*6.6*	*6.5*	*6.6*	*6.4*	*6.9*	*6.8*	*7.1*	*6.9*		
Other expenditure	6,742	6,550	6,584	6,677	6,838	7,789	8,141	7,802	8,030	17.4	2.9
as a % of sales	*21.1*	*19.8*	*20.0*	*19.5*	*19.4*	*20.6*	*19.6*	*18.5*	*18.6*		
EBITDA	**3,829**	**3,623**	**3,409**	**3,881**	**3,877**	**5,034**	**5,634**	**5,927**	**3,650**	**(5.9)**	**(38.4)**
Growth yoy (%)	**(1.1)**	**(20.6)**	**(18.3)**	**(0.9)**	**1.3**	**38.9**	**65.3**	**52.7**	**(5.9)**		
EBITDA margin (%)	***12.0***	***11.0***	***10.3***	***11.3***	***11.0***	***13.3***	***13.6***	***14.0***	***8.5***		
Depreciation	1,318	1,371	1,415	1,523	1,514	1,739	1,881	1,841	1,860	22.9	1.1
EBIT	**2,511**	**2,252**	**1,994**	**2,358**	**2,364**	**3,295**	**3,752**	**4,087**	**1,790**	**(24.3)**	**(56.2)**
Other income	62	35	34	45	47	39	61	257	60	26.8	(76.7)
Interest	619	665	751	744	821	870	1,050	847	1,460	77.9	72.5
PBT	**1,954**	**1,622**	**1,278**	**1,659**	**1,590**	**2,464**	**2,763**	**3,498**	**390**	**(75.5)**	**(88.8)**
Total tax	540	463	361	356	419	680	676	1,014	330	(21.3)	(67.5)
Adjusted PAT	**1,414**	**1,159**	**916**	**1,303**	**1,171**	**1,785**	**2,087**	**2,484**	**60**	**(94.9)**	**(97.6)**
MI and income from JV	53	61	55	63	(14)	75	50	55	50	(462.3)	(8.3)
Adjusted PAT after MI	**1,467**	**1,219**	**971**	**1,365**	**1,157**	**1,860**	**2,137**	**2,538**	**110**	**(90.50)**	**(95.7)**
Growth yoy (%)	**1.4**	**(41.4)**	**(46.5)**	**(18.1)**	**(21.1)**	**52.5**	**120.1**	**85.9**	**(90.5)**		
Extraordinary items loss/(gain)	75	(3)	-	(370)	(33)	-	(580)	(100)	(70)		
Reported PAT	1,542	1,216	971	995	1,125	1,860	1,558	2,439	40	(96.4)	(98.4)
Adjusted EPS (Rs)	**38.1**	**30.1**	**24.0**	**24.6**	**27.8**	**46.0**	**38.5**	**60.3**	**1.0**	**(96.4)**	**(98.4)**

(%)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (bps)	qoq (bps)
GM	39.2	37.4	36.8	37.5	36.8	40.9	39.9	39.7	33.9	(288)	(576)
EBITDAM	12.0	11.0	10.3	11.3	11.0	13.3	13.6	14.0	8.5	(253)	(560)
EBITM	7.9	6.8	6.0	6.9	6.7	8.7	9.0	9.7	4.1	(255)	(554)
EBTM	6.1	4.9	3.9	4.8	4.5	6.5	6.6	8.3	0.9	(360)	(739)
PATM	4.6	3.7	2.9	4.0	3.3	4.9	5.1	6.0	0.3	(302)	(576)
Effective tax rate	27.6	28.6	28.3	21.5	26.4	27.6	24.5	29.0	84.6	5,826	5,563

Source: Company, Emkay Research

Exhibit 2: Actual vs Estimates – Consolidated

(Rs mn)	Actual	Emkay Estimate	% Variance	Consensus	% Variance
Net sales	43,180	41,979	2.9	43,505	(0.7)
EBITDA	3,650	4,198	(13.1)	4,070	(10.3)
EBITDA margin (%)	8.5	10.0	-155 bps	9.4	-90 bps
Adjusted net income	110	894	(87.7)	961	(88.5)

Source: Company, Emkay Research

Exhibit 3: Standalone performance – Strong topline, but weak EBITDA, PAT, and margins; EBITDAM down by 542bps qoq, led by GM contraction of 625bps which was slightly offset by 64bps/18bps improvement in other expenses and employee costs

Standalone (Rs mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
Revenue	**31,682**	**32,981**	**32,918**	**34,136**	**35,207**	**37,011**	**39,572**	**40,359**	**41,630**	**18.2**	**3.2**
Growth yoy (%)	**8.5**	**8.4**	**11.6**	**14.6**	**11.1**	**12.2**	**20.2**	**18.2**	**18.2**		
Expenditure	**27,867**	**29,317**	**29,481**	**30,190**	**31,297**	**31,943**	**34,000**	**34,486**	**37,830**	**20.9**	**9.7**
as a % of sales	*88.0*	*88.9*	*89.6*	*88.4*	*88.9*	*86.3*	*85.9*	*85.4*	*90.9*		
Consumption of RM	19,202	20,628	20,783	21,327	22,237	21,843	23,784	24,334	27,700	24.6	13.8
as a % of sales	*60.6*	*62.5*	*63.1*	*62.5*	*63.2*	*59.0*	*60.1*	*60.3*	*66.5*		
Employee costs	1,934	2,174	2,137	2,220	2,248	2,445	2,520	2,478	2,480	10.3	0.1
as a % of sales	*6.1*	*6.6*	*6.5*	*6.5*	*6.4*	*6.6*	*6.4*	*6.1*	*6.0*		
Other expenditure	6,731	6,516	6,561	6,642	6,812	7,655	7,695	7,675	7,650	12.3	(0.3)
as a % of sales	*21.2*	*19.8*	*19.9*	*19.5*	*19.3*	*20.7*	*19.4*	*19.0*	*18.4*		
EBITDA	**3,815**	**3,664**	**3,436**	**3,946**	**3,911**	**5,068**	**5,572**	**5,873**	**3,800**	**(2.8)**	**(35.3)**
Growth yoy (%)	**(1.3)**	**(19.9)**	**(17.6)**	**(0.1)**	**2.5**	**38.3**	**62.2**	**48.8**	**(2.8)**		
EBITDA margin (%)	***12.0***	***11.1***	***10.4***	***11.6***	***11.1***	***13.7***	***14.1***	***14.6***	***9.1***		
Depreciation	1,317	1,370	1,414	1,522	1,513	1,666	1,652	1,714	1,680	11.1	(2.0)
EBIT	**2,499**	**2,294**	**2,022**	**2,424**	**2,398**	**3,402**	**3,920**	**4,159**	**2,120**	**(11.6)**	**(49.0)**
Other income	60	197	32	44	261	166	265	625	220	(15.5)	(64.8)
Interest	613	665	751	744	820	869	1,048	858	950	15.8	10.7
PBT	**1,946**	**1,827**	**1,304**	**1,723**	**1,838**	**2,699**	**3,137**	**3,926**	**1,390**	**(24.4)**	**(64.6)**
Total tax	529	461	345	349	452	676	643	994	340	(24.7)	(65.8)
Adjusted PAT	**1,418**	**1,365**	**959**	**1,374**	**1,386**	**2,023**	**2,494**	**2,932**	**1,050**	**(24.3)**	**(64.2)**
Growth yoy (%)	**(11.1)**	**(31.4)**	**(45.7)**	**(14.9)**	**(2.2)**	**48.1**	**159.9**	**113.4**	**(24.3)**		
Extraordinary items Loss/(Gain)	75	(0)	-	(370)	(33)	-	(578)	(96)	(70)		
Reported PAT	**1,492**	**1,365**	**959**	**1,004**	**1,354**	**2,023**	**1,916**	**2,836**	**980**	**(27.6)**	**(65.4)**
Adjusted EPS (Rs)	**36.9**	**33.7**	**23.7**	**24.8**	**33.5**	**50.0**	**47.4**	**70.1**	**24.2**	**(27.6)**	**(65.4)**

(%)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (bps)	qoq (bps)
GM	39.4	37.5	36.9	37.5	36.8	41.0	39.9	39.7	33.5	(338)	(625)
EBITDAM	12.0	11.1	10.4	11.6	11.1	13.7	14.1	14.6	9.1	(198)	(542)
EBITM	7.9	7.0	6.1	7.1	6.8	9.2	9.9	10.3	5.1	(172)	(521)
EBTM	6.1	5.5	4.0	5.0	5.2	7.3	7.9	9.7	3.3	(188)	(639)
PATM	4.5	4.1	2.9	4.0	3.9	5.5	6.3	7.3	2.5	(142)	(474)
Effective tax rate	27.2	25.3	26.4	20.3	24.6	25.1	20.5	25.3	24.5	(11)	(86)

Source: Company, Emkay Research

Exhibit 4: Subsidiary (C-S; mainly CAMSO) performance – Revenue declined ~15% qoq, with EBITDA negative due to lower absorption of start-up costs; PAT was further impacted by a one-off forex loss of ~Rs480mn from depreciation of LKR against $

Subsidiaries (C-S) (Rs mn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
Revenue	**87**	**715**	**1,999**	**1,830**	**1,550**	**1,679.6**	**(15.3)**
Growth yoy (%)	**NA**	**NA**	**NA**	**NA**	**1,679.6**		
Expenditure	120	750	1,937	1,776	1,700	1,313.1	(4.3)
as a % of sales	138.1	104.8	96.9	97.0	109.7		
Consumption of RM	74	443	1,189	1,120	840	1,036.7	(25.0)
as a % of sales	84.8	61.9	59.5	61.2	54.2		
Employee costs	20	172	302	529	480	2,264.5	(9.2)
as a % of sales	23.3	24.1	15.1	28.9	31.0		
Other expenditure	26	135	446	127	380	1,355.9	198.3
as a % of sales	30.0	18.8	22.3	7.0	24.5		
EBITDA	**(33)**	**(35)**	**61**	**55**	**(150)**	**351.8**	**(374.2)**
Growth yoy (%)	**NA**	**NA**	**NA**	**NA**	**(351.8)**		
EBITDA margin (%)	**(38.1)**	**(4.8)**	**3.1**	**3.0**	**(9.7)**		
Depreciation	1	73	230	127	180		
EBIT	(34)	(107)	(168)	(72)	(330)	862.1	355.8
Other income	(213)	(127)	(204)	(368)	(160)		
Interest	0	1	2	(12)	510		
PBT	**(248)**	**(235)**	**(374)**	**(428)**	**(1,000)**	**303.9**	**133.4**
Total tax	(32)	3	33	20	(10)	(69.1)	(151.0)
Adjusted PAT	**(215)**	**(238)**	**(407)**	**(448)**	**(990)**	**360.0**	**120.9**
Growth yoy (%)	**NA**	**NA**	**NA**	**NA**	**(360.0)**		
Extraordinary items loss/(gain)	-	-	(2)	(4)	-		
Reported PAT	**(215)**	**(238)**	**(409)**	**(452)**	**(990)**	**360.0**	**119.2**
(%)	**1QFY26**	**2QFY26**	**3QFY26**	**4QFY26**	**1QFY27**	**yoy (bps)**	**qoq (bps)**
GM	15.2	38.1	40.5	38.8	45.8	3,065	698
EBITDAM	(38.1)	(4.8)	3.1	3.0	(9.7)	2,844	(1,267)
EBITM	(39.4)	(15.0)	(8.4)	(4.0)	(21.3)	1,809	(1,733)
EBTM	(284.3)	(32.8)	(18.7)	(23.4)	(64.5)	21,975	(4,111)
PATM	(247.1)	(33.3)	(20.4)	(24.5)	(63.9)	18,320	(3,939)
Effective tax rate	13.1	(1.3)	(8.7)	(4.6)	1.0	(1,209)	557

Source: Company, Emkay Research

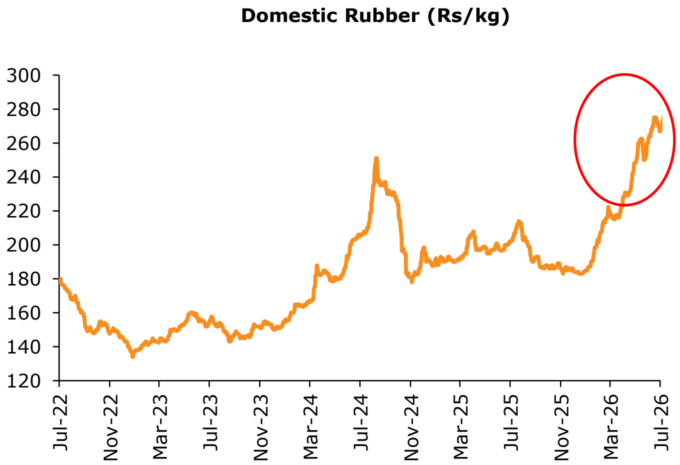
Exhibit 5: International rubber/domestic rubber/Brent crude prices have seen a sharp qoq rise in 1QFY27

Commodity	Units	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	Current Price
Steel (India HRC)	(Rs/trn)	54,951	54,951	48,734	48,306	52,577	50,554	48,027	53,611	57,211	57,000
Aluminium (LME)	($/trn)	210,389	198,690	217,578	227,242	209,216	228,858	252,215	292,327	336,831	307,765
Domestic Rubber	(Rs/kg)	189	227	191	194	198	198	186	207	253	282
International Rubber	Rs/kg	176	190	204	205	182	187	181	206	243	265
Lead (LME)	(Rs/trn)	180,799	170,739	169,303	170,275	166,479	171,698	175,355	176,624	184,719	176,192
Copper (LME)	(Rs/trn)	813,331	768,942	775,526	808,614	813,643	856,719	991,309	1,184,077	1,239,534	1,305,962
Zinc (LME)	(Rs/trn)	239,731	236,175	258,336	248,703	227,596	246,510	271,391	299,784	321,469	346,234
Brent Crude	(Rs/bbl)	7,093	6,617	6,256	6,495	5,715	5,948	5,617	7,184	9,124	8,116
Palladium	(Rs/ounce)	81,188	80,907	85,415	83,262	84,830	102,488	132,074	155,546	132,940	122,557
Rhodium	(Rs/ounce)	392,590	393,075	392,775	427,558	466,567	591,024	706,382	986,629	875,690	790,070
Platinum	(Rs/ounce)	82,340	81,072	82,065	84,395	92,154	121,749	152,239	201,977	181,964	160,905
Gold	(Rs/ounce)	195,064	206,901	224,804	247,459	281,324	302,052	370,491	444,707	426,343	383,136
PVSE Index	(Rs/trn)	67,610	69,833	67,314	64,788	59,874	60,735	57,793	69,570	87,978	70,336

Change qoq (%)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	Current Price
Steel (India HRC)	*0.7*	*0.0*	*(11.3)*	*(0.9)*	*8.8*	*(3.8)*	*(5.0)*	*11.6*	*6.7*	*(0.4)*
Aluminium (LME)	*15.0*	*(5.6)*	*9.5*	*4.4*	*(7.9)*	*9.4*	*10.2*	*15.9*	*15.2*	*(8.6)*
Domestic Rubber	*12.8*	*20.2*	*(15.7)*	*1.3*	*2.6*	*(0.2)*	*(6.4)*	*11.7*	*22.2*	*11.3*
International Rubber	*5.3*	*8.0*	*7.2*	*0.5*	*(11.2)*	*2.7*	*(3.4)*	*14.1*	*17.6*	*9.1*
Lead (LME)	*4.9*	*(5.6)*	*(0.8)*	*0.6*	*(2.2)*	*3.1*	*2.1*	*0.7*	*4.6*	*(4.6)*
Copper (LME)	*15.9*	*(5.5)*	*0.9*	*4.3*	*0.6*	*5.3*	*15.7*	*19.4*	*4.7*	*5.4*
Zinc (LME)	*16.7*	*(1.5)*	*9.4*	*(3.7)*	*(8.5)*	*8.3*	*10.1*	*10.5*	*7.2*	*7.7*
Brent Crude	*4.3*	*(6.7)*	*(5.5)*	*3.8*	*(12.0)*	*4.1*	*(5.6)*	*27.9*	*27.0*	*(11.1)*
Palladium	*(0.3)*	*(0.3)*	*5.6*	*(2.5)*	*1.9*	*20.8*	*28.9*	*17.8*	*(14.5)*	*(7.8)*
Rhodium	*5.1*	*0.1*	*(0.1)*	*8.9*	*9.1*	*26.7*	*19.5*	*39.7*	*(11.2)*	*(9.8)*
Platinum	*8.1*	*(1.5)*	*1.2*	*2.8*	*9.2*	*32.1*	*25.0*	*32.7*	*(9.9)*	*(11.6)*
Gold	*13.1*	*6.1*	*8.7*	*10.1*	*13.7*	*7.4*	*22.7*	*20.0*	*(4.1)*	*(10.1)*
PVSE Index	*3.8*	*3.3*	*(3.6)*	*(3.8)*	*(7.6)*	*1.4*	*(4.8)*	*20.4*	*26.5*	*(20.1)*

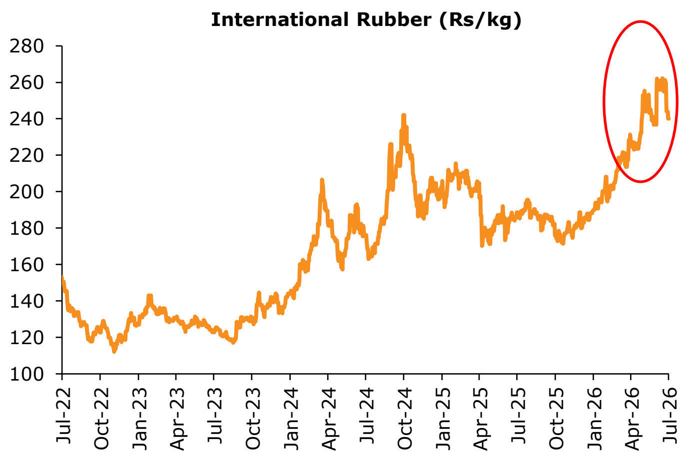
Source: Company, Bloomberg, Emkay Research

Exhibit 6: Domestic rubber is trading close to its 2Y high…



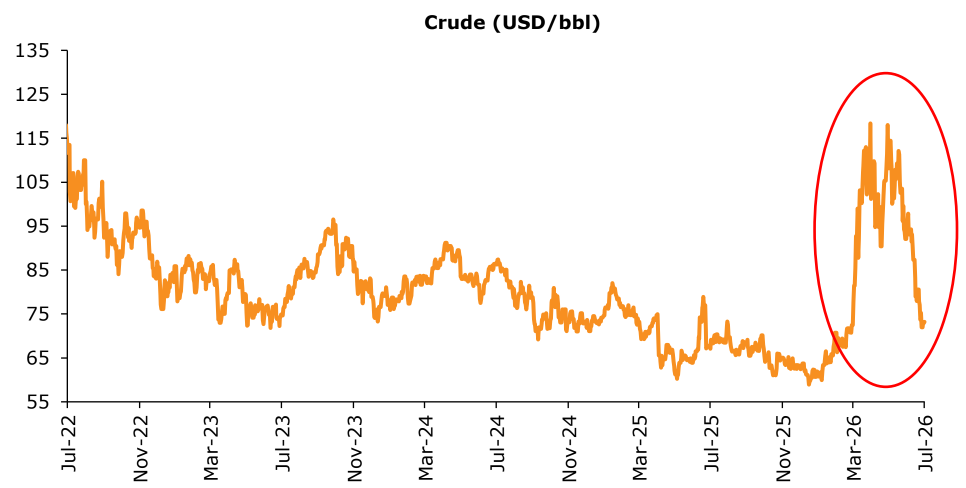
Source: Bloomberg, Emkay Research

Exhibit 7: …with international rubber also trading to its peak



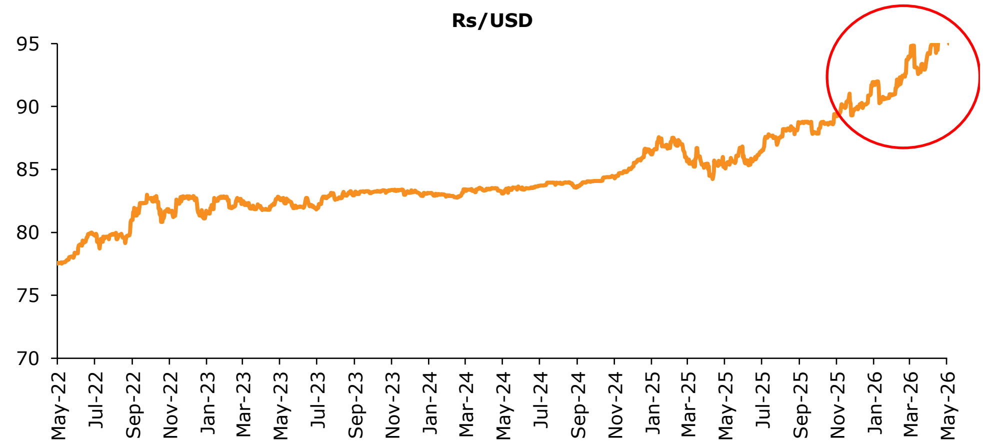
Source: Bloomberg, Emkay Research

Exhibit 8: Crude oil had surged sharply, but has returned to normal levels



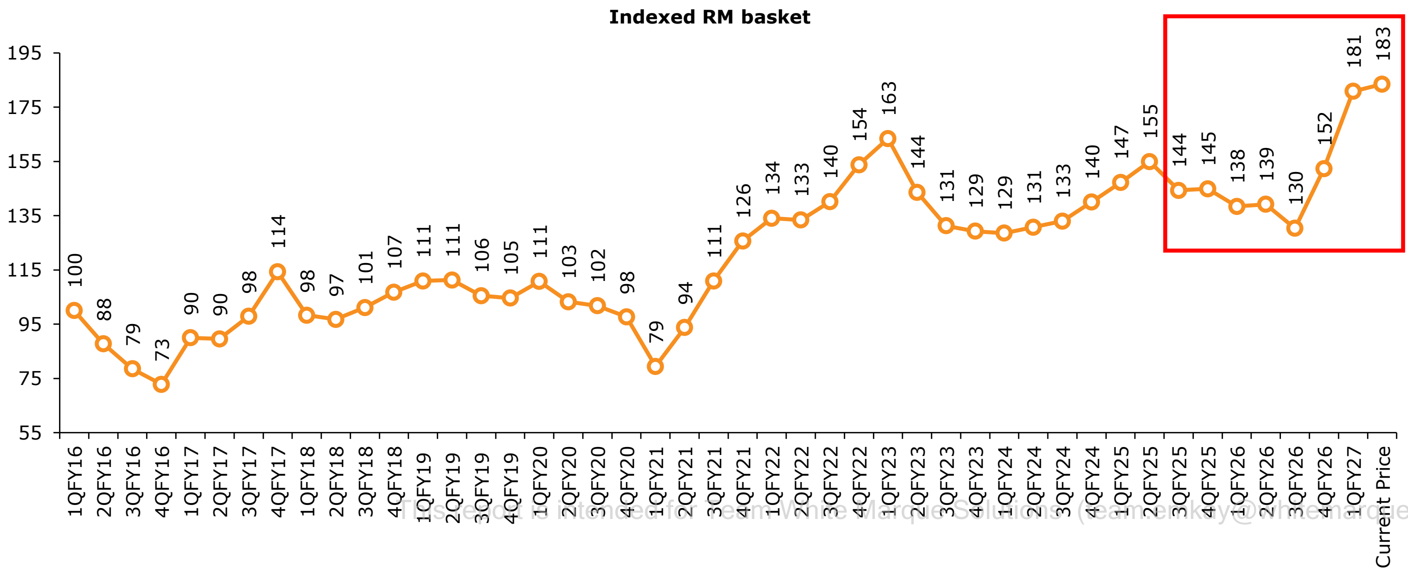
Source: Bloomberg, Emkay Research

Exhibit 9: Rupee is at an all-time low currently, further weighing on the RM basket



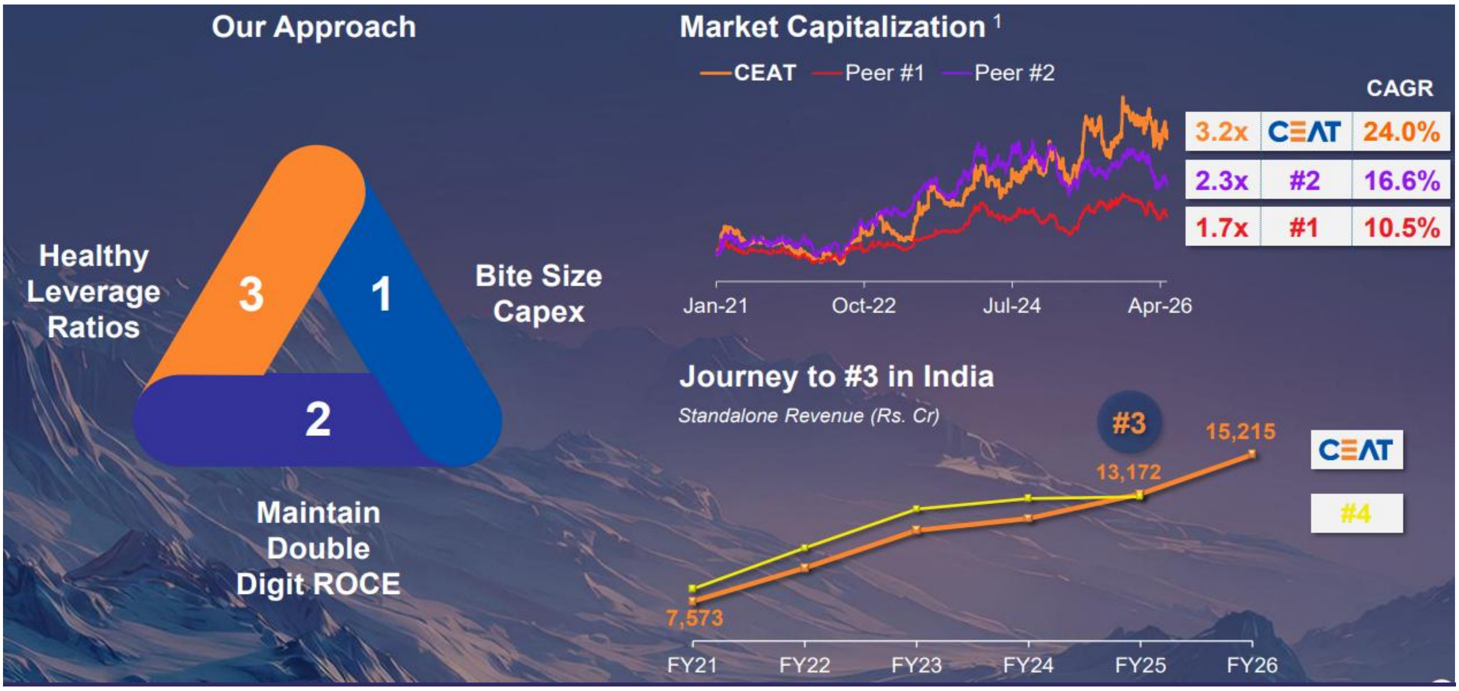
Source: Bloomberg, Emkay Research

Exhibit 10: RM basket index has remained at elevated levels since 1QFY27



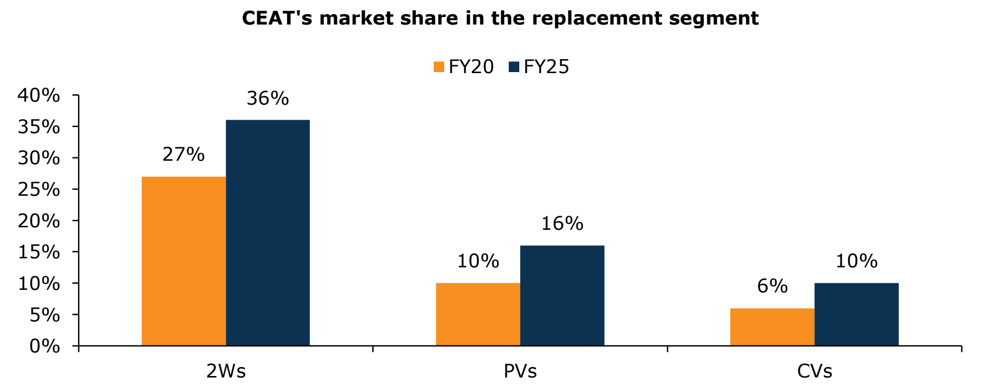
Source: Bloomberg, Emkay Research

Exhibit 11: CEAT, at its latest annual Investor Day meet, reiterated its growth pillars and revenue market share aspirations



Source: Company, Emkay Research

Exhibit 12: CEAT has attained leadership in 2Ws, while gaining share in PVs (now #3) and CVs



Source: Company, Emkay Research

Other takeaways from earnings call

- Current losses for CAMSO are primarily attributable to low customer transition volumes, start-up costs, and operating under-absorption, while underlying gross margin remains healthy.
- CEAT plans to convert approximately 30% of the Sri Lankan subsidiary debt into equity, partially reducing future forex sensitivity.
- Excluding the one-off forex impact, the management expects finance costs to remain ~5% higher over the next 1-2 quarters.
- The management reiterated its Rs13-14bn capex guidance for FY27, including investments across domestic operations and CAMSO integration initiatives.
- Advertising and promotion expenses are expected to remain at 2-2.1% of sales, with 1Q witnessing a temporary increase due to IPL-related spending.

Exhibit 13: We build in 14%/15%/17% revenue/EBITDA/EPS CAGR over FY26-29E

Particulars (Rs mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Segmental Revenue						
Truck and Bus	**37,025**	**39,654**	**45,466**	**51,831**	**57,533**	**63,286**
% of Revenue	*31.0*	*30.0*	*29.0*	*27.8*	*27.5*	*27.6*
Growth yoy %	*9.1*	*7.1*	*14.7*	*14.0*	*11.0*	*10.0*
2Ws/3Ws	**32,247**	**35,688**	**42,331**	**48,680**	**54,035**	**59,439**
% of Revenue	*27.0*	*27.0*	*27.0*	*26.1*	*25.9*	*25.9*
Growth yoy %	*9.6*	*10.7*	*18.6*	*15.0*	*11.0*	*10.0*
PC/UV	**23,887**	**27,758**	**34,492**	**39,665**	**44,029**	**48,431**
% of Revenue	*20.0*	*21.0*	*22.0*	*21.3*	*21.1*	*21.1*
Growth yoy %	*5.6*	*16.2*	*24.3*	*15.0*	*11.0*	*10.0*
LCV/Others	**8,360**	**9,253**	**10,386**	**11,840**	**13,143**	**14,457**
% of Revenue	*7.0*	*7.0*	*6.6*	*6.4*	*6.3*	*6.3*
Growth yoy %	*-7.6*	*10.7*	*12.3*	*14.0*	*11.0*	*10.0*
OHT/Speciality	**17,915**	**19,827**	**23,517**	**34,201**	**40,151**	**43,796**
% of Revenue	*15.0*	*15.0*	*15.0*	*18.4*	*19.2*	*19.1*
Growth yoy %	*-1.0*	*10.7*	*18.6*	*45.4*	*17.4*	*9.1*
-- Core OHT Segment	17,915	19,827	23,517	26,809	30,295	33,324
% of Revenue	*15.0*	*15.0*	*15.0*	*14.4*	*14.5*	*14.5*
Growth yoy %	*-1.0*	*10.7*	*18.6*	*14.0*	*13.0*	*10.0*
-- CAMSO	-	-	4,661	7,392	9,856	10,472
% of Revenue			*3.0*	*4.0*	*4.7*	*4.6*
Growth yoy %				*58.6*	*33.3*	*6.3*

Channel Mix (%)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Replacement	*53*	*53*	*51*	*51*	*51*	*51*
OEM	*28*	*28*	*30*	*30*	*30*	*29*
Exports	*19*	*19*	*19*	*19*	*20*	*20*
Total	***100***	***100***	***100***	***100***	***100***	***100***
Consolidated Revenue	**119,435**	**132,179**	**156,780**	**186,219**	**208,890**	**229,409**
Growth yoy (%)	*5.6*	*10.7*	*18.6*	*18.8*	*12.2*	*9.8*
Gross Profit (%)	**50,191**	**49,858**	**61,757**	**70,001**	**79,776**	**88,071**
Gross Margin (%)	*42.0*	*37.7*	*39.4*	*37.6*	*38.2*	*38.4*
EBITDA	**16,523**	**14,741**	**20,472**	**21,334**	**27,703**	**30,760**
EBITDA Margin (%)	*13.8*	*11.2*	*13.1*	*11.5*	*13.3*	*13.4*
-- Core business	*16,523*	*14,741*	*20,966*	*20,965*	*26,717*	*29,608*
EBITDA Margin (%)	*13.8*	*11.2*	*13.8*	*11.7*	*13.4*	*13.5*
-- CAMSO	*0*	*0*	*140*	*370*	*986*	*1,152*
EBITDA Margin (%)			*3.0*	*5.0*	*10.0*	*11.0*
EBIT	**11,434**	**9,115**	**13,498**	**13,705**	**18,981**	**20,761**
EBIT Margin (%)	*9.6*	*6.9*	*8.6*	*7.4*	*9.1*	*9.0*
Interest	2,691	2,778	3,586	4,457	4,516	4,466
PBT	8,941	6,512	10,315	9,450	14,687	16,528
Tax Rate (%)	25	26	27	27	27	27
PAT	**7,009**	**5,023**	**7,693**	**7,077**	**10,916**	**12,279**
PAT Margin (%)	*5.9*	*3.8*	*4.9*	*3.8*	*5.2*	*5.4*
EPS (Rs)	**173.3**	**124.2**	**190.2**	**175.0**	**269.9**	**303.6**

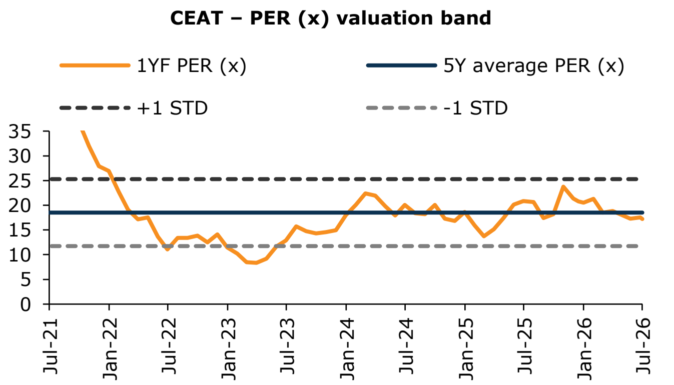
Source: Company, Emkay Research

Exhibit 14: We introduce FY29 estimates; we keep FY27E/28E EPS largely unchanged

(Rs mn)	FY26		FY27E				FY28E				FY29E	
Consolidated	**Actual**	**% yoy**	**Earlier**	**Revised**	**% Change**	**% yoy**	**Earlier**	**Revised**	**% Change**	**% yoy**	**Introduced**	**% yoy**
Revenue	156,780	18.6	184,071	186,219	1.2	18.8	208,263	208,890	0.3	12.2	229,409	9.8
EBITDA	20,472	38.9	21,658	21,334	(1.5)	4.2	27,619	27,703	0.3	29.9	30,760	11.0
Margin (%)	13.1	191 bps	11.8	11.5	(31) bps	(160) bps	13.3	13.3	0 bps	181 bps	13.4	15 bps
APAT	7,693	53.2	7,141	7,077	(0.9)	(8.0)	10,967	10,916	(0.5)	54.2	12,279	12.5
EPS (Rs)	190.2	53.2	176.5	175.0	(0.9)	-8.0	271.1	269.9	(0.5)	54.2	303.6	12.5
(Rs mn)	**FY26**		**FY27E**				**FY28E**				**FY29E**	
Standalone	**Actual**	**% yoy**	**Earlier**	**Revised**	**% Change**	**% yoy**	**Earlier**	**Revised**	**% Change**	**% yoy**	**Introduced**	**% yoy**
Revenue	152,149	15.5	176,679	178,827	1.2	17.5	198,407	199,034	0.3	11.3	218,937	10.0
EBITDA	20,424	37.4	21,066	20,965	(0.5)	2.6	26,633	26,717	0.3	27.4	29,608	10.8
Margin (%)	13.4	214 bps	11.9	11.7	(20) bps	(170) bps	13.4	13.4	0 bps	170 bps	13.5	10 bps
APAT	8,835	72.7	7,541	7,678	1.8	(13.1)	11,310	11,359	0.4	47.9	12,885	13.4
EPS (Rs)	218	72.7	186	190	1.8	-13.1	280	281	0.4	47.9	319	13.4
(Rs mn)	**FY26E**		**FY27E**				**FY28E**				**FY29E**	
Subsidiaries (mainly CAMSO from FY27E)	**Actual**	**% yoy**	**Earlier**	**Revised**	**% Change**	**% yoy**	**Earlier**	**Revised**	**% Change**	**% yoy**	**Introduced**	**% yoy**
Revenue	4,631	902.0	7,392	7,392	-	59.6	9,856	9,856	-	33.3	10,472	6.3
EBITDA	48	(140.2)	591	370	(37.5)	665.2	986	986	-	166.7	1,152	16.9
Margin (%)	1.0	2,705 bps	8.0	5.0	(300) bps	396 bps	10.0	10.0	0 bps	500 bps	11.0	100 bps

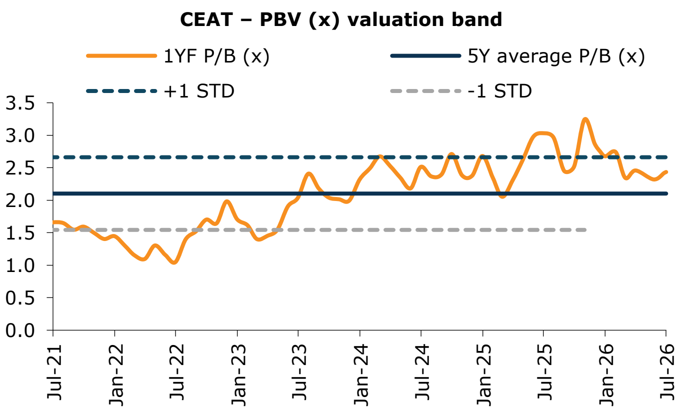
Source: Company, Emkay Research

Exhibit 15: CEAT currently trades near its past 5Y average PER on 1YF basis



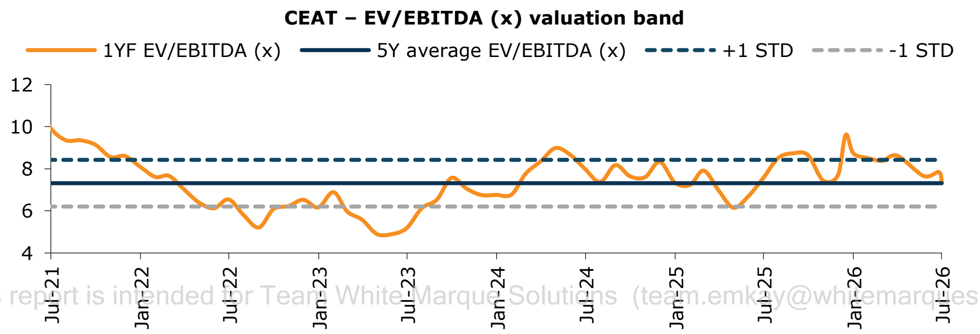
Source: Bloomberg, Emkay Research

Exhibit 16: On PBV basis, CEAT is trading above its LTA



Source: Bloomberg, Emkay Research

Exhibit 17: On EV/EBITDA basis, CEAT is trading near its past 5Y average on 1YF basis



Source: Company, Emkay Research

Exhibit 18: Relative valuation – CEAT vs peers

Company	CMP (Rs)	Mkt Cap (Rs bn)	FY26-28E Revenue CAGR (%)	FY26-28E EPS CAGR (%)	PER (x)				PBV (x)				EV/EBITDA (x)				ROE (%)			
					FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E
JK Tyre	403	116	13%	14%	20.4	12.6	11.4	9.7	2.2	1.9	1.7	1.5	9.7	8.1	7.6	6.6	11.4	16.7	15.7	16.2
Apollo Tyres	431	274	11%	-13%	21.2	11.4	20.7	15.0	1.9	1.6	1.5	1.4	8.0	6.6	7.5	6.2	9.0	15.3	7.7	9.8
CEAT	**3,550**	**144**	**15%**	**19%**	**30.4**	**20.6**	**20.3**	**13.2**	**3.3**	**2.8**	**2.6**	**2.2**	**11.2**	**8.6**	**8.1**	**6.2**	**11.9**	**16.3**	**13.3**	**18.0**

Source: Company, Emkay Research

CEAT: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**132,179**	**156,780**	**186,219**	**208,890**	**229,409**
Revenue growth (%)	10.7	18.6	18.8	12.2	9.8
EBITDA	**14,741**	**20,472**	**21,334**	**27,703**	**30,760**
EBITDA growth (%)	(10.8)	38.9	4.2	29.9	11.0
Depreciation & Amortization	5,627	6,974	7,629	8,722	9,999
EBIT	**9,115**	**13,498**	**13,705**	**18,981**	**20,761**
EBIT growth (%)	(20.3)	48.1	1.5	38.5	9.4
Other operating income	-	-	-	-	-
Other income	176	404	202	222	233
Financial expense	2,778	3,586	4,457	4,516	4,466
PBT	**6,512**	**10,315**	**9,450**	**14,687**	**16,528**
Extraordinary items	(296)	(712)	0	0	0
Taxes	1,720	2,789	2,555	3,970	4,468
Minority interest	13	8	9	9	9
Income from JV/Associates	218	158	174	191	210
Reported PAT	**4,726**	**6,980**	**7,077**	**10,916**	**12,279**
PAT growth (%)	(26.5)	47.7	1.4	54.2	12.5
Adjusted PAT	**5,023**	**7,693**	**7,077**	**10,916**	**12,279**
Diluted EPS (Rs)	**124.2**	**190.2**	**175.0**	**269.9**	**303.6**
Diluted EPS growth (%)	(28.3)	53.2	(8.0)	54.2	12.5
DPS (Rs)	**30.0**	**30.0**	**40.0**	**42.0**	**44.1**
Dividend payout (%)	**25.7**	**17.4**	**22.9**	**15.6**	**14.5**
EBITDA margin (%)	11.2	13.1	11.5	13.3	13.4
EBIT margin (%)	6.9	8.6	7.4	9.1	9.0
Effective tax rate (%)	26.4	27.0	27.0	27.0	27.0
NOPLAT (pre-IndAS)	**6,707**	**9,849**	**10,000**	**13,849**	**15,148**
Shares outstanding (mn)	40	40	40	40	40

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	405	405	405	405	405
Reserves & Surplus	43,281	50,056	55,515	64,732	75,227
Net worth	**43,685**	**50,460**	**55,920**	**65,137**	**75,632**
Minority interests	77	80	72	63	54
Non-current liab. & prov.	5,004	6,322	6,322	6,322	6,322
Total debt	**21,364**	**32,721**	**34,813**	**33,610**	**35,574**
Total liabilities & equity	**70,327**	**89,770**	**97,348**	**105,381**	**117,856**
Net tangible fixed assets	66,401	80,943	89,729	95,007	113,558
Net intangible assets	973	973	973	973	973
Net ROU assets	-	-	-	-	-
Capital WIP	5,375	6,384	3,968	3,968	3,968
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,898	2,218	2,218	2,218	2,218
Cash & equivalents	**532**	**433**	**4,535**	**6,216**	**677**
Current assets (ex-cash)	34,051	43,600	49,578	56,186	61,705
Current Liab. & Prov.	41,797	49,252	58,500	64,324	70,643
NWC (ex-cash)	**(7,746)**	**(5,652)**	**(8,922)**	**(8,138)**	**(8,937)**
Total assets	**70,327**	**89,770**	**97,348**	**105,381**	**117,856**
Net debt	20,831	32,288	30,278	27,394	34,897
Capital employed	70,327	89,770	97,348	105,381	117,856
Invested capital	**62,098**	**78,733**	**84,249**	**90,312**	**108,063**
BVPS (Rs)	1,080.0	1,247.5	1,382.4	1,610.3	1,869.8
Net Debt/Equity (x)	0.5	0.6	0.5	0.4	0.5
Net Debt/EBITDA (x)	1.4	1.6	1.4	1.0	1.1
Interest coverage (x)	3.3	3.9	3.1	4.3	4.7
RoCE (%)	**15.0**	**18.7**	**16.0**	**20.3**	**20.0**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	6,216	9,603	9,624	14,878	16,739
Others (non-cash items)	188	183	0	0	0
Taxes paid	(908)	(1,802)	(2,555)	(3,970)	(4,468)
Change in NWC	(2,909)	(612)	2,930	(1,047)	562
Operating cash flow	**10,920**	**17,856**	**22,085**	**23,099**	**27,297**
Capital expenditure	(9,426)	(11,464)	(14,000)	(14,000)	(28,550)
Acquisition of business	-	-	-	-	-
Interest & dividend income	202	262	0	0	0
Investing cash flow	**(9,224)**	**(22,706)**	**(14,000)**	**(14,000)**	**(28,550)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	1,893	9,486	2,092	(1,203)	1,964
Payment of lease liabilities	0	0	0	0	0
Interest paid	(2,446)	(3,506)	(4,457)	(4,516)	(4,466)
Dividend paid (incl tax)	(1,214)	(1,214)	(1,618)	(1,699)	(1,784)
Others	14	(15)	0	0	0
Financing cash flow	**(1,753)**	**4,751**	**(3,983)**	**(7,418)**	**(4,286)**
Net chg in Cash	(58)	(99)	4,102	1,681	(5,539)
OCF	10,920	17,856	22,085	23,099	27,297
Adj. OCF (w/o NWC chg.)	13,829	18,467	19,155	24,146	26,735
FCFF	1,494	6,392	8,085	9,099	(1,253)
FCFE	(1,082)	3,067	3,628	4,583	(5,719)
OCF/EBITDA (%)	74.1	87.2	103.5	83.4	88.7
FCFE/PAT (%)	(22.9)	43.9	51.3	42.0	(46.6)
FCFF/NOPLAT (%)	**22.3**	**64.9**	**80.8**	**65.7**	**(8.3)**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	30.4	20.6	20.3	13.2	11.7
P/CE(x)	13.5	9.8	9.8	7.3	6.4
P/B (x)	3.3	2.8	2.6	2.2	1.9
EV/Sales (x)	1.2	1.1	0.9	0.8	0.8
EV/EBITDA (x)	11.2	8.6	8.1	6.2	5.8
EV/EBIT(x)	18.0	13.0	12.7	9.0	8.6
EV/IC (x)	2.6	2.2	2.1	1.9	1.7
FCFF yield (%)	0.9	3.6	4.6	5.3	(0.7)
FCFE yield (%)	(0.8)	2.1	2.5	3.2	(4.0)
Dividend yield (%)	0.8	0.8	1.1	1.2	1.2
DuPont-RoE split					
Net profit margin (%)	3.8	4.9	3.8	5.2	5.4
Total asset turnover (x)	2.0	2.0	2.0	2.1	2.1
Assets/Equity (x)	1.6	1.7	1.8	1.7	1.6
RoE (%)	**11.9**	**16.3**	**13.3**	**18.0**	**17.4**
DuPont-RoIC					
NOPLAT margin (%)	5.1	6.3	5.4	6.6	6.6
IC turnover (x)	2.3	2.2	2.3	2.4	2.3
RoIC (%)	**11.6**	**14.0**	**12.3**	**15.9**	**15.3**
Operating metrics					
Core NWC days	(21.4)	(13.2)	(17.5)	(14.2)	(14.2)
Total NWC days	**(21.4)**	**(13.2)**	**(17.5)**	**(14.2)**	**(14.2)**
Fixed asset turnover	1.4	1.4	1.5	1.5	1.4
Opex-to-revenue (%)	26.6	26.3	26.1	24.9	25.0

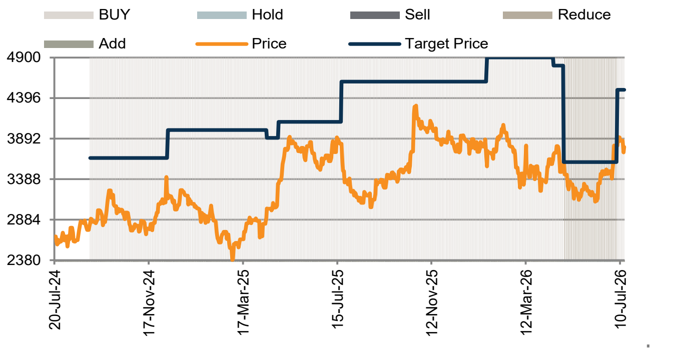
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
06-Jul-26	3,804	4,500	Buy	Chirag Jain
26-May-26	3,298	3,600	Reduce	Chirag Jain
29-Apr-26	3,625	3,600	Reduce	Chirag Jain
16-Apr-26	3,698	4,800	Buy	Chirag Jain
09-Mar-26	3,317	4,900	Buy	Chirag Jain
16-Feb-26	3,864	4,900	Buy	Chirag Jain
21-Jan-26	3,545	4,900	Buy	Chirag Jain
18-Oct-25	3,732	4,600	Buy	Chirag Jain
07-Sep-25	3,351	4,600	Buy	Chirag Jain
20-Aug-25	3,197	4,600	Buy	Chirag Jain
20-Jul-25	3,827	4,600	Buy	Chirag Jain
04-Jun-25	3,621	4,100	Buy	Chirag Jain
01-May-25	3,332	4,100	Buy	Chirag Jain
16-Apr-25	3,024	3,900	Buy	Chirag Jain
17-Jan-25	3,025	4,000	Buy	Chirag Jain
10-Jan-25	3,084	4,000	Buy	Chirag Jain
11-Dec-24	3,149	4,000	Buy	Chirag Jain
08-Dec-24	3,096	3,650	Buy	Chirag Jain
21-Oct-24	2,972	3,650	Buy	Chirag Jain
03-Sep-24	2,849	3,650	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.
CIN - L67120MH1995PLC084899
7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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SESHADRI KUMAR SEN

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