

Result Update

Q2 FY26

CEAT Ltd.

Institutional
Research

Tyres and Rubber Products | Q2FY26 Result Update

Topline growth remains healthy; Margins beat expectations

CEAT Limited reported a strong set of numbers for Q2FY26, with revenue coming in at Rs. 37,727 million (up 14.2% YoY / up 6.9% QoQ), beating street expectations of around Rs. 36.600 million. The topline growth was driven by sustained traction across the OEM and international segments, supported by improved mix and steady replacement demand post-GST normalization. Gross profit stood at Rs. 15,440 million (up 24.9% YoY / up 18.9% QoQ) translating into a gross margin of 40.9% (up 352 bps YoY / up 414 bps QoQ), aided by softening in the raw material basket and better price realization. EBITDA came in at Rs. 5,034 million (up 38.9% YoY / up 29.8% QoQ), with margins expanding to 13.3% (up 238 bps YoY / up 236 bps QoQ) on account of favorable mix, operating leverage, and cost optimization. The company reported a net profit of Rs. 1,785 million (up 54.1% YoY / up 56.8% QoQ), beating consensus estimates, driven by healthy operating performance and controlled finance costs. Management highlighted that the Camso acquisition, completed on September 1, 2025, is progressing well and expected to be margin accretive in the medium term. On the raw material front, rubber prices remained stable in the range of USD 1,700-1,750/ton, while crude derivatives like carbon black and synthetic rubber softened further, providing short-term cost relief.

Valuation and Outlook

CEAT Limited reported a strong Q2FY26 performance, underscored by healthy revenue growth and margin recovery. Revenue growth stood robust, supported by robust traction across OEM and international segments, while the replacement channel witnessed a temporary slowdown in September due to pre-GST destocking. Nonetheless, momentum revived post the tax cut, and management expects the segment to return to near double-digit growth in coming quarters. Margins saw a sharp rebound, driven by softer raw material prices, improved mix, and pricing discipline. The company's cost structure also benefited from operating leverage and better realizations in premium passenger car and two-wheeler categories. Management remains confident of sustaining the current margin trajectory in the near term, with the raw material basket expected to remain stable in Q3FY26 as crude derivatives and natural rubber prices continue to hover around current levels. Although rupee depreciation could exert minor pressure, CEAT expects to offset this through improved realizations and efficiency gains. Having re-entered its long-term gross margin band of 40–42%, the company believes further improvement will come from premiumization rather than cost tailwinds. The recently completed Camso acquisition is expected to be margin accretive as integration deepens over the next few quarters. Going forward, management expects growth to be supported by the positive impact of GST reduction on rural and semi-urban demand, rising contribution from premium product categories such as SecuraDrive CIRCL and RockRad, and incremental synergies from the Camso business as value-chain control improves. Additionally, continued strength in international operations, especially across Europe and Latin America, is likely to aid mix improvement and profitability. Overall, CEAT's near-term outlook appears steady, supported by resilient margins, structural demand tailwinds, and accretive growth from the premium and off-highway segments.

Key Highlights

Particulars (Rs. Mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Sales	37,727	33,045	14.2%	35,294	6.9%
Gross profit	15,440	12,363	24.9%	12,983	18.9%
Gross margin (%)	40.9%	37.4%	352bps	36.8%	414bps
EBITDA	5,034	3,623	38.9%	3,877	29.8%
OPM (%)	13.3%	11.0%	238bps	11.0%	236bps
Adj. PAT	1,785	1,158	54.1%	1,138	56.8%
EPS (Rs.)	46.0	30.1	52.6%	27.8	65.4%

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	4,166
BSE code	500878
NSE Symbol	CEATLTD
Bloomberg	CEAT IN
Reuters	CEAT.BO

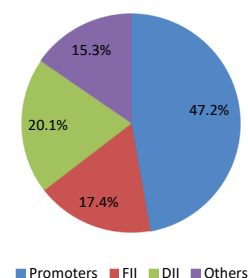
Key Data

Nifty	25,843
52 Week H/L (Rs.)	4,255/2,343
O/s Shares (Mn)	40.5
Market Cap (Rs. bn)	168.7
Face Value (Rs.)	10

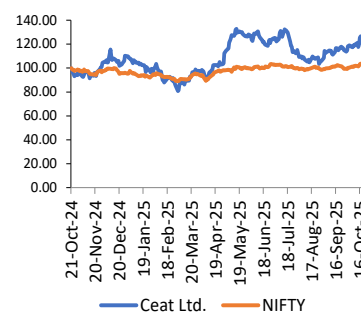
Average Volume

3 months	146,100
6 months	191,890
1 year	194,930

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights

Business Update

Total volume growth for the quarter was reported at 11%. Healthy YoY volume growth was led primarily by the OEM segment and the International Business segment. The OEM segment grew "very strongly in mid-20s" across all key segments, benefiting from strong tailwinds like festive inventory demand and increased fitments in larger rim size cars. International business grew in high-teens.

Replacement growth was in mid-single-digit. However, the replacement market experienced subdued activity and degrew in September as buyers deferred purchases and trade down-stocked in anticipation of the GST announcement. Management expects this growth to come back "stronger near double-digit in the future".

In the international markets, strong performance was noted across diverse geographies, including key clusters in Europe, Africa, and LatAm. Europe was cited as the most profitable and highest growing cluster for non-specialty business, led by passenger car tyres.

Segmental demand outlook (near term):

MHCV replacement: ~GDP-linked (5-6%); Two-Wheelers: ~7-8% growth, rural momentum strong; Passenger Cars: soft (0-3%) but GST benefit may provide upside; OEMs: strong demand continuing, especially PC & 2W; International: broad-based strength in EU, LatAm, Africa; US seeing temporary disruption due to tariff.

Margin Story

The margin expansion was primarily driven by the softening of the Raw Material (RM) basket, which was approximately 5% lower in Q2 FY26 compared to Q1 FY26.

Approximately one percentage point of the gross margin improvement came from realization, attributed to improved pricing and a favorable mix shift, particularly due to strong growth in the International Business and OEM segments.

Margin Outlook

Management expects to keep the margin profile steady going forward, supported by continuing double-digit growth momentum.

RMC is expected to remain flat or at current Q2FY26 levels in Q2FY26. Benefits from softening crude derivatives and domestic rubber prices are expected to be offset by the recent Rupee depreciation (approximately 3% during Q2FY26).

The company completed the Camso acquisition and reaffirmed the outlook that this business will be margin-accretive in the medium term. However, current margins are not reflective of the overall business yet, as the company is currently buying semi-finished goods and selling them back to Michelin under a supply agreement, taking on only part of the value chain.

Camso Acquisition

The recently completed acquisition of Camso's off-highway tire business from Michelin, effective September 1, 2025, is progressing smoothly with no operational surprises.

CEAT views the Camso business as structurally margin accretive and expects full integration, including direct customer control and backward linkage, over the next five to six quarters.

Balance Sheet Performance

The company's consolidated debt stood at Rs. 2,944 crore at the end of September 2025, with leverage ratios remaining comfortable at 0.64x debt-to-equity and 1.8x debt-to-EBITDA.

Products

The company launched two innovations in Q2: SecuraDrive CIRCL (90% sustainable bio-based material tire) and RockRad (premium mining tire for truck-bus radial segment).

Management guided for sustaining double-digit revenue growth and maintaining mid-teen EBITDA margins in the coming quarters, supported by stable raw material trends, premium product traction, and improving demand sentiment post-GST cut.

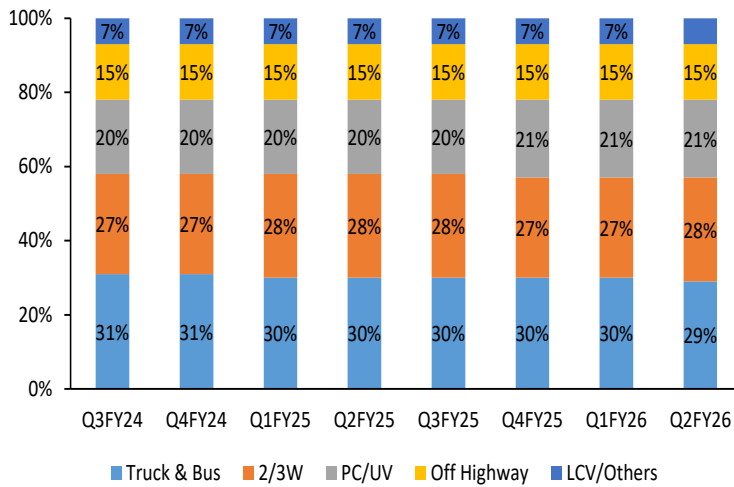
"Capacity utilization across CEAT's plants stood at 80-85% "

"The GST rate cut (from 28% to 18% on regular tyres and 18% to 5% on farm tyres) is expected to stimulate demand, especially in rural and semi-urban markets. "

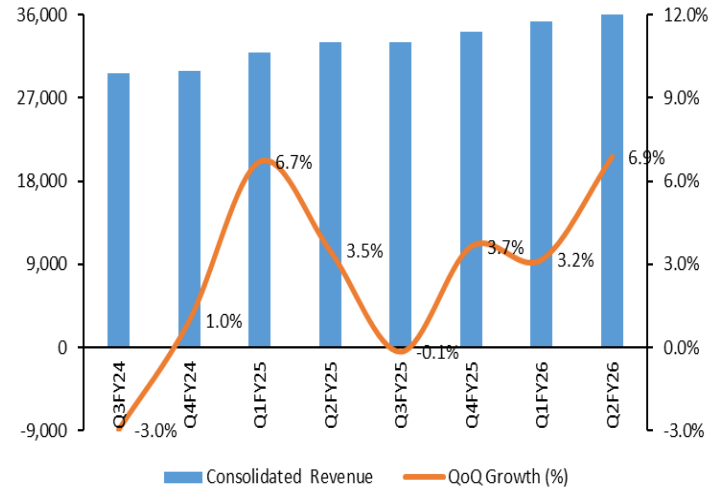
'CAMSO's current capacity utilization is at 50%, and management expects to focus on increasing sales to improve plant utilization "

Quarterly Snapshot

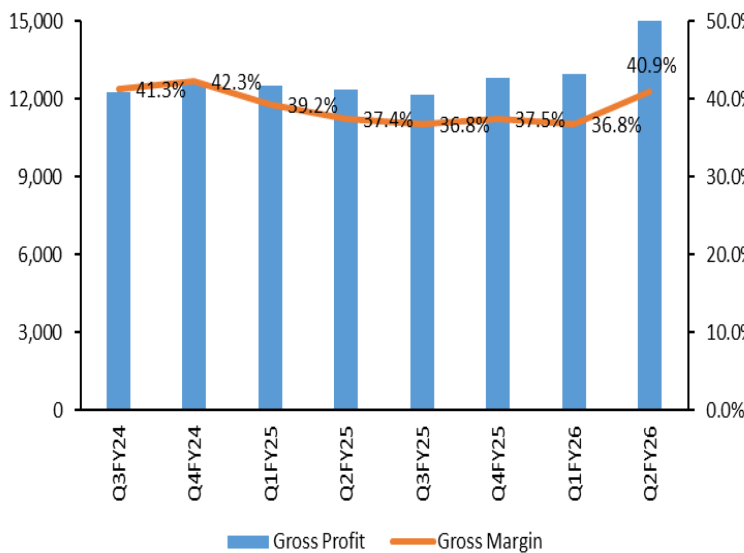
Revenue Mix



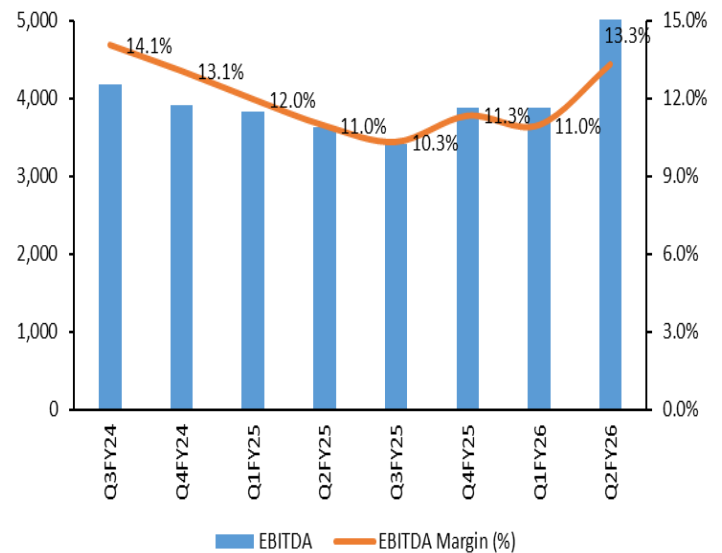
Topline momentum remains steady



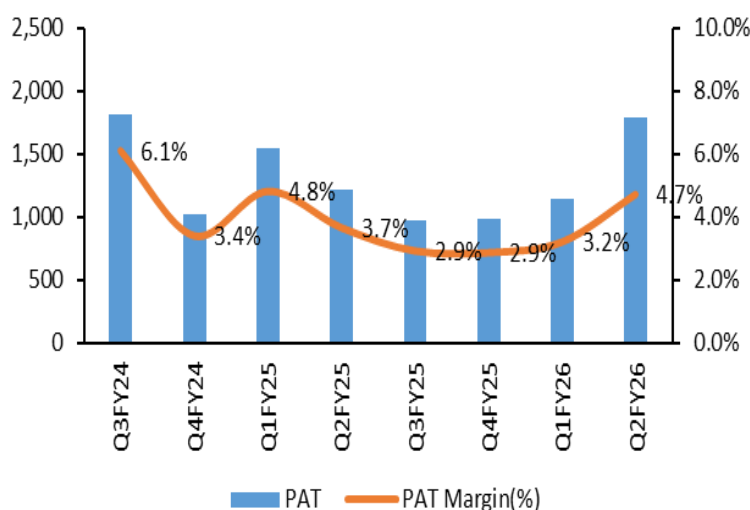
RM pressure stabilizing



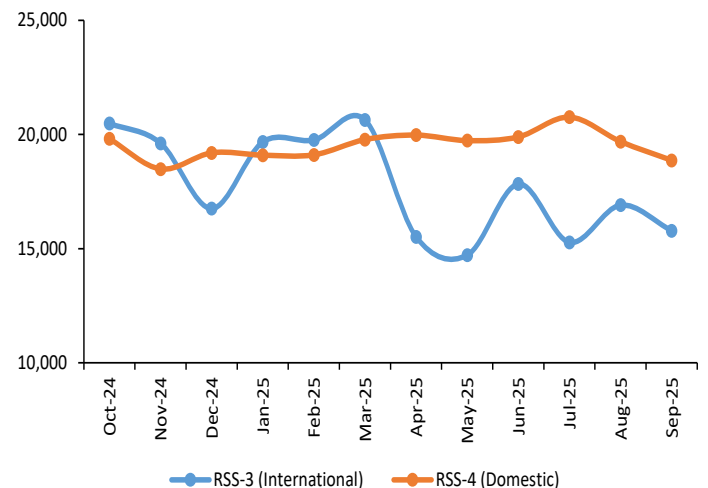
Lower realization weakened margins



PAT and PAT Margins



Rubber Price Trend



Source: rubberboard.gov.in

Source: Company, BP Equities

Key Financials						
YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	93,630	1,13,149	1,19,438	1,32,179	1,49,626	1,60,100
<i>Revenue Growth (Y-o-Y)</i>	23.0%	20.8%	5.6%	10.7%	13.2%	12.0%
EBITDA	7,210	9,740	16,520	14,742	19,451	21,133
<i>EBITDA Growth (Y-o-Y)</i>	-27.4%	35.1%	69.6%	-10.8%	31.9%	8.6%
Net Profit	710	1,824	6,353	4,714	5,985	7,845
<i>Net Profit Growth (Y-o-Y)</i>	-85.3%	156.9%	248.3%	-25.8%	27.0%	31.1%
Diluted EPS	17.6	46.0	158.9	116.9	147.8	193.7
Profitability Ratios						
EBIDTA (%)	7.7%	8.6%	13.8%	11.2%	13.0%	13.2%
NPM (%)	0.8%	1.6%	5.3%	3.6%	4.0%	4.9%
ROE (%)	0.2%	5.3%	15.7%	10.8%	12.7%	15.1%
ROCE (%)	0.8%	9.1%	20.1%	14.0%	18.8%	19.0%
Valuation Ratios						
P/E (x)	170.9	65.3	18.9	25.7	20.3	15.5
EV/EBITDA (x)	26.3	19.4	11.2	12.9	9.7	8.9
Market Cap/Sales (x)	1.8	1.5	1.4	1.3	1.1	1.1

Source: Company, BP Equities

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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