

Result Update

Q1 FY27

CEAT Ltd.

Institutional
Research

RM pressure weighs on margin; PAT impacted by CAMSO costs

CEAT Limited reported a subdued Q1FY27 performance, with consolidated revenue of Rs. 4,318 crores (up 22.3% YoY / up 2.3% QoQ), marginally below street estimates of Rs. 4,351 crores. Revenue growth was driven by healthy volume expansion across the replacement, OEM, and international businesses, aided by strong domestic demand following the GST reforms and continued export momentum, while the CAMSO business also contributed to the consolidated topline. On a standalone basis, around two-thirds of the revenue growth was volume-led, with the balance driven by pricing and product mix. Gross profit stood at Rs. 1,464 crores (up 12.8% YoY / down 12.5% QoQ), with gross margins contracting sharply to 33.9% (down 288 bps YoY / down 577 bps QoQ), primarily due to a steep increase in raw material costs and rupee depreciation. EBITDA declined to Rs. 365 crores (down 5.9% YoY / down 38.4% QoQ), missing street expectations of Rs. 407 crores, while EBITDA margin contracted to 8.5% (down 253 bps YoY / down 560 bps QoQ) as the benefit of price hikes lagged the sharp escalation in input costs. Additionally, the company incurred higher startup costs related to the CAMSO integration, including investments in warehouses, offices, systems, and personnel ahead of customer transition. PAT came in at Rs. 4 crores (down 96.5% YoY / down 98.4% QoQ), significantly below estimates of Rs. 104 crores, impacted by a Rs. 48 crores mark-to-market foreign exchange loss on USD-denominated debt at its Sri Lankan subsidiary, higher finance costs, and losses from the CAMSO business during the transition phase. During the quarter, raw material costs increased by 16% to 18% sequentially, driven by elevated natural rubber prices, which touched a 15-year high in the domestic market at around Rs. 280/kg, along with higher crude-linked derivatives and a weaker rupee, resulting in continued cost pressure despite multiple price hikes across replacement, OEM, and international segments.

Valuation and Outlook

CEAT reported a weak Q1FY27 performance as sharp inflation in raw material costs more than offset the benefits of healthy demand across key segments. While revenue growth remained robust, driven by strong volume expansion in the replacement, OEM, and international businesses along with the consolidation of the CAMSO business, profitability came under significant pressure due to a steep rise in natural rubber and crude-linked derivative prices, rupee depreciation, and higher costs associated with the ongoing CAMSO transition. The company also reported a sharp decline in consolidated profitability due to a one-time mark-to-market foreign-exchange impact on the Sri Lankan subsidiary's USD-denominated debt and startup costs incurred to establish warehouses, offices, systems, and distribution infrastructure for the CAMSO business. Looking ahead, management expects margin pressure to persist in Q2FY27, as raw material inflation is likely to remain elevated, with costs expected to increase by a further 8% to 10% sequentially. However, CEAT has already implemented multiple rounds of price hikes across its replacement, OEM, and international businesses and intends to implement further price increases in July and August to bridge the cost inflation gap. Demand is expected to moderate from the exceptionally strong levels witnessed over the past few quarters but is unlikely to see a sharp slowdown, supported by healthy replacement demand, resilient OEM volumes, and a robust international order book despite temporary disruptions in the Middle East. The CAMSO integration continues to progress as planned, with around 60% of customers transitioned by the end of Q1FY27 and the remaining expected to migrate by the end of Q2FY27. As CEAT assumes direct control of customer relationships and gradually internalizes the value chain, the business is expected to witness meaningful revenue and margin improvement in the second half of FY27, while FY28 will be the first full year with end-to-end operational control.

Key Highlights

Particulars (Rs. Cr.)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Net Sales	4,318	3,529	22.3%	4,219	2.3%
Gross profit	1,464	1,298	12.8%	1,674	-12.5%
Gross margin (%)	33.9%	36.8%	-288bps	39.7%	-577bps
EBITDA	365	388	-5.9%	593	-38.4%
OPM (%)	8.5%	11.0%	-253bps	14.1%	-560bps
PAT	4	114	-96.5%	244	-98.4%
EPS (Rs.)	1.1	27.8	-96.2%	60.45	-98.2%

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	3,410
BSE code	500878
NSE Symbol	CEATLTD
Bloomberg	CEAT IN
Reuters	CEAT.BO

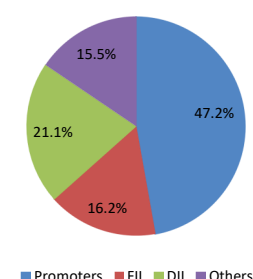
Key Data

Nifty	24,239
52 Week H/L (Rs.)	4,438/3,001
O/s Shares (Cr.)	4.1
Market Cap (Rs. Cr.)	13,811
Face Value (Rs.)	10

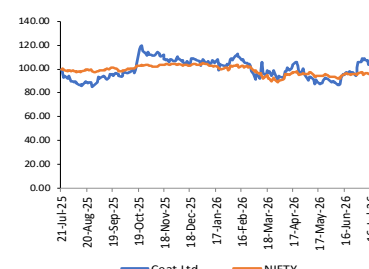
Average Volume

3 months	242,451
6 months	196,071
1 year	200,048

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights

Industry Outlook

Management expects overall tyre demand to moderate in Q2FY27 but does not foresee a sharp slow-down despite uncertainties arising from the monsoon and geopolitical developments.

Replacement demand is expected to remain healthy, with mid-single-digit growth in MHCV and passenger car tyres, while two-wheeler replacement demand is expected to grow at high single digits, supported by continued strength in rural markets.

The OEM demand outlook remains constructive, with mid-to-high single-digit growth expected in MHCVs, while passenger vehicle and two-wheeler OEM tyre demand is expected to continue growing at double-digit rates.

International business continues to maintain a healthy order book despite temporary weakness in the Middle East, supported by strong traction in passenger car, agriculture, and Off-Highway Tyre (OHT) segments.

"Management expects Q2FY27 to be muted, with margin pressure likely to continue, due to RM cost of 8-10% over Q1FY27."

Pricing & Commodity Outlook

Raw material costs increased by 16% to 18% sequentially in Q1FY27, driven by elevated natural rubber prices, crude-linked derivatives and rupee depreciation.

Management expects another 8% to 10% increase in raw material costs in Q2FY27, with margin recovery dependent on the successful implementation of further price hikes.

Cumulative replacement price hikes have already reached around 11%, with additional increases planned across replacement and international markets during July and August.

"Operating losses during the quarter were primarily due to upfront investments in warehouses, IT systems and overseas distribution infrastructure ahead of customer transition."

Premiumisation & EV

CEAT continued to strengthen its premium portfolio, with 17-inch plus replacement tyre sales doubling YoY, while premium two-wheeler tyres (250cc+) also registered strong growth.

The company continues to hold approximately 25% market share in passenger EV and electric two-wheeler OEM tyres, with multiple new EV platform nominations secured during the quarter.

"The Board approved conversion of USD 24.5 million of debt into equity at the Sri Lankan subsidiary to reduce finance costs and mitigate future currency-related volatility."

CAMSO Integration

Around 60% of CAMSO customers had transitioned to CEAT by the end of Q1FY27, with full customer migration expected by the end of Q2FY27.

Management expects revenue to improve from H2FY27 as customer billing shifts directly to CEAT, while FY28 will be the first full year with complete control over procurement, manufacturing, and customer relationships.

Capacity Expansion

The Board approved Rs. 1,205 crores of capex for an additional 53,000 tyres per day two-wheeler tyre capacity, to be commissioned in phases through FY31.

FY27 capex guidance remains unchanged at Rs. 1,300 to Rs. 1,400 crores, with management prioritizing capacity expansion to support future demand.

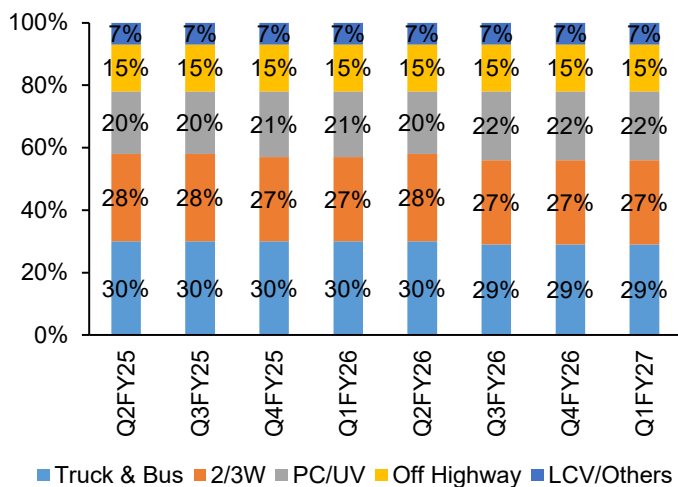
Balance Sheet & Capital Allocation

Consolidated debt increased to Rs. 3,243 crores, primarily due to higher inventory and working capital requirements.

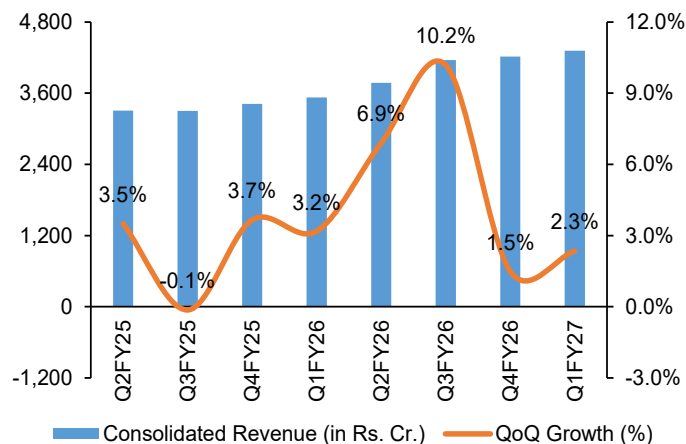
Leverage remains comfortable with Debt/EBITDA at 1.6x and Debt/Equity at 0.65x.

Quarterly Snapshot

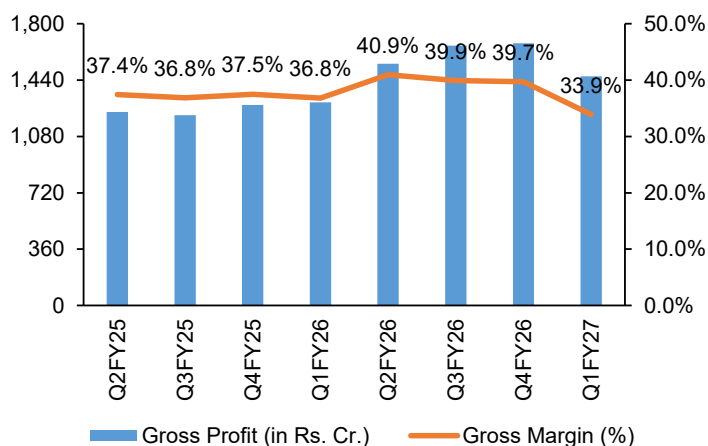
Revenue Mix Remains Broadly Stable



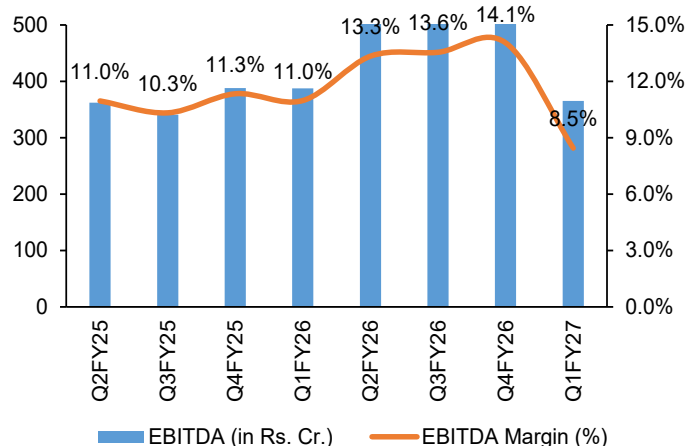
Healthy volume growth continues topline expansion



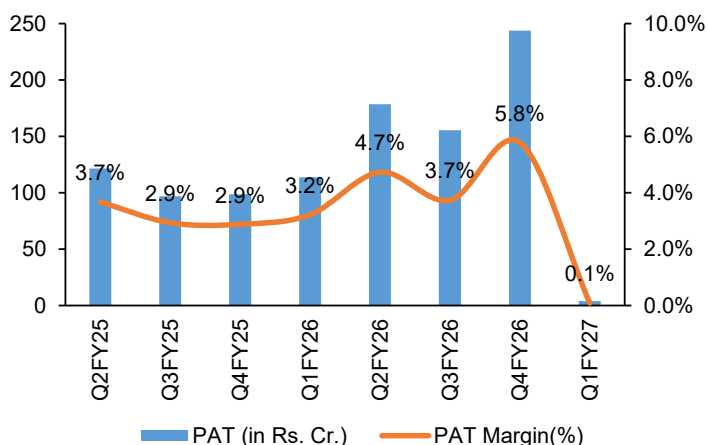
Gross Margins Contract Amid RM Inflation



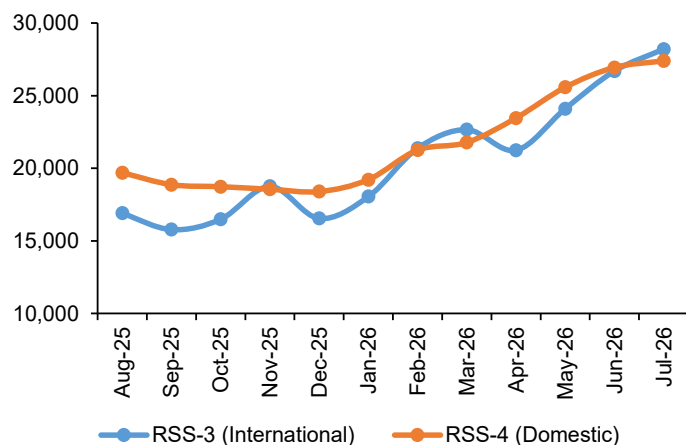
Operating Margins Hit by Input Cost Inflation



PAT Impacted by FX Losses and Higher Finance Costs



Sharp Rise in Natural Rubber Prices Pressures Costs



Source: Company, BP Equities

Source: rubberboard.gov.in

Key Financials						
YE March (Rs. Cr.)	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue	11,315	11,944	13,218	15,678	17,960	19,901
Revenue Growth (Y-o-Y)	20.8%	5.6%	10.7%	18.6%	14.6%	10.8%
EBITDA	974	1,652	1,474	2,047	2,069	2,522
EBITDA Growth (Y-o-Y)	35.1%	69.6%	-10.8%	38.9%	1.1%	21.9%
Net Profit	182	635	471	697	634	934
Net Profit Growth (Y-o-Y)	156.9%	248.3%	-25.8%	47.9%	-9.1%	47.4%
Diluted EPS	46.0	158.9	116.9	172.6	175.9	241.9
Profitability Ratios						
EBIDTA (%)	8.6%	13.8%	11.2%	13.1%	11.5%	12.7%
NPM (%)	1.6%	5.3%	3.6%	4.4%	3.5%	4.7%
ROE (%)	5.3%	15.7%	9.3%	12.2%	10.1%	13.0%
ROCE (%)	9.1%	20.1%	12.7%	15.0%	12.5%	14.6%
Valuation Ratios						
P/E (x)	74.1	21.5	29.2	19.8	19.4	14.1
EV/EBITDA (x)	16.3	9.3	10.8	8.3	8.3	6.9
Market Cap/Sales (x)	1.2	1.2	1.0	0.9	0.8	0.7

Source: Company, BP Equities, Bloomberg Estimates

Disclaimer Appendix

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

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