

## About the Company

CEAT Ltd is a leading tyre manufacturer in India, catering to both the OEM and replacement markets across two-wheelers, three-wheelers, passenger vehicles, commercial vehicles, and off-highway segments. The company has a strong presence in the replacement market, supported by an extensive distribution network across urban and rural India, while also maintaining long-standing relationships with key OEMs.

## Investment Rationale

- **Replacement & OEM Demand:** The replacement tyre market, expected to grow at a CAGR of 7–8% over FY25–FY28E, was impacted by GST-related destocking, which is expected to normalise in Q3FY26. Within replacement, two-wheelers recorded strong growth, while passenger vehicles grew at mid-single digits. OEM volumes increased in the mid-20s, led by PV OEMs on the back of new order wins, while the farm OEM segment posted mid-teen growth.
- **Exports & Tariffs:** Exports grew in the high-teens, driven by strong traction in 2Ws/3Ws, PVs (especially Europe), and farm tyres, despite headwinds in the US. OHT tyre sales to the US declined to near zero by the end of Q2FY26 due to 50% tariffs, while PV exports continued under a 25% tariff regime. PV and MHCV exports together account for ~65% of total exports, with management currently absorbing ~50% of the tariff impact and planning a full pass-through over the next 2-3 years.
- **Market & Segment Outlook:** MHCV replacement demand is expected to broadly track GDP growth at ~5–6%. Two-wheeler volumes are likely to grow ~7–8%, supported by strong rural momentum. Passenger car demand remains subdued at 0–3%, although potential GST benefits could provide some upside. OEM demand continues to be robust, particularly in two-wheelers. International markets are showing broad-based strength across Europe, Latin America, and Africa, while the US is experiencing temporary disruptions due to tariffs.
- **Camso Integration:** Camso, Michelin's former off-highway tyres and tracks business that provides CEAT entry into speciality, higher-margin segments, was consolidated for one month in September. CEAT has begun the transition of customer relationships from Michelin, with the process expected to play out over the next 3–4 quarters. Sourcing from Michelin will continue for 5–6 quarters until CEAT's in-house upstream operations are fully operational; current utilisation stands at ~50%, and management expects Camso to be margin-accretive in the medium term.
- **Capex & Financials:** CEAT has planned capex of Rs 1,000 Cr in FY26, of which Rs 415 Cr has been incurred in H1FY26 across the Ambernath plant, Chennai PV expansion, MHCV plant, R&D and other expenses, along with an additional Rs 236 Cr paid towards Camso-related intangibles. Consolidated net debt stood at Rs 2,940 Cr, up Rs 1,130 Cr QoQ, largely due to capex outflows and Camso acquisition funding, though management remains comfortable with leverage levels.

## Valuation & Recommendation:

CEAT stands to benefit from a gradual recovery in OEM demand and a benign raw material cost environment, underpinned by a sustained focus on premiumization, higher-margin product mix and capacity expansion, strengthening its competitive positioning across two-wheelers, passenger vehicles and commercial vehicles. Growth across segments, supported by strong replacement demand and improving OEM traction, along with increasing penetration in value-added products such as radial and larger rim-size tyres, is strategically important for enhancing profitability and improving long-term market share. Revenue/EBITDA/PAT is expected to grow at 13%/20%/27% CAGR over FY25–FY28E. We recommend a **BUY** on the stock with a target price of Rs 4,140/share, implying an upside of 10% from the CMP.

## Financial Summary (Consolidated)

Y/E March	Net Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	PER (Rs)	ROCE (x)	ROE (%)	EV/EBITDA (%)
FY25	13,218	1,474	471	116.9	24.6	14.9%	11.2%	9.3
FY26E	15,209	1,825	653	161.9	23.3	16.7%	14.1%	10
FY27E	16,965	2,188	824	204.2	18.5	17.9%	15.7%	8.4
FY28E	18,882	2,492	968	240.1	15.7	18.8%	16.1%	7.3

Source: Axis Securities; CMP as of 6<sup>th</sup> January, 2026

Duration: 3-6 Months

CMP (Rs) 3,761

Target Price (Rs) 4,140

Upside (%) 10%

## Why CEAT Ltd

- ✓ Replacement Demand Recovery post GST Destocking
- ✓ Camso Integration Underway; Medium-term Margin Accretive
- ✓ Premiumization & Richer Mix Supporting ASP
- ✓ Double-digit Revenue Growth Outlook Intact

## Key Risks

- ✓ Raw Material Volatility
- ✓ Macro / Demand Risk
- ✓ Integration Risk (Acquisition)

## MARKET DATA

No. of Shares	4.05 Cr
Market Cap	15,217 Cr
52-week High / Low	4,438/2,343
BSE Code	500878

NSE Code CEATLTD

## Sanchit Karekar

Research Analyst  
sanchit.karekar@axissecurities.in

# About Axis PUNCH

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Axis Punch is designed to generate solid returns in the short to medium term based on High Conviction Stock Ideas for both investors and traders. This fundamental medium-term product targets a return of 10% plus with an investment horizon of 3 to 6 months. Recommendations under Axis Punch are driven by various business and economic events, company valuations, market direction, or a mix of these factors.

## | Axis PUNCH is a strong, research-based idea based on



**Events-Based:** Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exports, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

**Strategic Insights:** Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

**Informed Decisions:** Make well-informed investment decisions backed by the expertise of our dedicated research team.

**Medium-term Horizon:** Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

## | Why to choose Axis PUNCH



These medium-term recommendations are crafted by the fundamental research team of Axis Securities, ensuring a rigorous analysis of developments around the company. Please note that Axis Punch recommendations may differ from our long-term company recommendations. Key investment rationale and risks are clearly highlighted in stock ideas.

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in);

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

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