# CEAT Limited

June 17, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 1,469.00 (Enhanced from 969.00) | CARE AA; Positive | Reaffirmed |
| Short-term bank facilities | 1,795.00 | CARE A1+ | Reaffirmed |
| Non-convertible debentures | 500.00 | CARE AA; Positive | Assigned |
| Commercial paper | 1,000.00 (Enhanced from 500.00) | CARE A1+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Ratings assigned to bank facilities and instruments of CEAT Limited continues to derive strength from its long operational track record, improving market share with strong brand especially in two-wheeler (2W) and three-wheeler (3W) segments domestically, diversified revenue base across major original equipment manufacturers (OEM) and replacement market aided by wide and robust distribution network.

Ratings also factor in healthy operating performance marked by ~11% growth in total operating income (TOI) to ₹13,240 crore in FY25, though operating margins moderated by 269 bps to 11.30% in FY25, primarily due to an increase in rubber prices and key raw material prices. However, operating performance is expected to improve in FY26, driven by expected stable rubber prices, regular price hikes implemented last year, and consolidation of the margin-accretive CAMSO business. The rating also factors in the company's comfortable financial risk profile with overall gearing (including letter of credit [LC] acceptances and dealer deposits [DD]) at 0.76x as on March 31, 2025 (against 0.71x as on March 31, 2024), and net debt (including LC and DD)/ profit before interest, lease rentals, depreciation, and taxation (PBILDT) at 2.12x as on March 31, 2025 (against 1.64x as on March 31, 2024), which is expected to improve in the medium term.

Ratings are constrained by vulnerability of CEAT's revenues to the cyclicality in automotive demand and susceptibility of margins to volatile raw material prices, natural rubber and crude-linked derivatives, competitive industry and changes in government policy.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Substantial increase in the scale of operations, and a significant improvement in the market share across product segment, leading to an improvement in the PBILDT margin over 15% on a sustained basis.
- Improvement in net debt (including LC acceptances and dealer deposits)/PBILDT to ~1.5x and improvement in overall gearing (including LC acceptances and dealer deposits) to ~0.75x on a sustained basis.

### Negative factors

- Sharp decline in revenue with loss in market share resulting in deterioration in PBILDT margin.
- Net debt (including LC acceptances and dealer deposit) /PBILDT above 2.50x on a sustained basis.

## Analytical approach:

CARE Ratings Limited (CareEdge Ratings) has taken a consolidated approach in analysing the financials of CEAT. List of companies consolidated is presented in **Annexure-6**. CareEdge Ratings has taken consolidated approach owing to high degree of financial, managerial and business linkages among the entities.

## Outlook: Positive

The positive outlook factors in the comfortable overall financial risk profile with overall gearing (including LC acceptances and DD) at 0.76x as on March 31, 2025 (against 0.71x as on March 31, 2024), and net debt (including LC and DD)/ PBILDT at 2.12x as on March 31, 2025 (against 1.64x as on March 31, 2024), which is expected to improve in the medium term. The business risk profile is also expected to improve with acquisition of Michelin's CAMSO tyres and tracks facilities in Sri Lanka. Acquisition of

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

CAMSO is expected to be margin accretive in the medium term as it is in the higher margin off-highway tyre (OHT) segment, and it shall also aid growth in scale of operations with improved diversification.

## Detailed description of key rating drivers:

### Key strengths

**Experienced and established promoter group and proficient management**

CEAT belongs to the Rama Prasad Goenka (RPG) group. The RPG group is a diversified conglomerate having business interests across diverse businesses such as automotive tyres, infrastructure, information and technology, pharmaceuticals, plantations and power ancillaries. The group is headed by Harsh Vardhan Goenka (Chairman) and Anant Goenka (Vice Chairman), while CEAT's day-to-day operations are headed by Arnab Banerjee, MD and CEO. Along with strong and competent management team having long track record in the industry, the company has ensured maintenance of strong corporate governance practices and a prudent approach to management.

**Established brand and wide distribution network**

CEAT is one of the leading tyre companies in the country with long track record of operations and well-established pan-India distribution network, enjoying a strong brand image. The company caters different user segments, which include trucks and buses (T&B), light commercial vehicles (LCVs), tractors, 2W and 3W, passenger vehicles and off-road tyres. CEAT has a widespread distribution network spread across the country with over 4,700 dealers and 350 distributors servicing over 50,000 sub-dealers with over 530 retail format stores covering over 900 districts across the country.

**Diversified revenue profile, focus on PV, 2W, OHT and export segment to drive future margins**

The company's share of income from the replacement market continues to remain relatively high over the years. CEAT derived ~53% revenue in FY25 from the replacement market, which mitigates the risk related to vagaries of the auto industry to an extent. The contribution from OEM and exports remained stable at 28% and 19% respectively in FY25. Over the years, the company has been gradually shifting focus from the lower-margin T&B / LCV segment to margin-accretive PC/UV/OHT segment and 2W segment. This is expected to boost profitability going forward. With CAMSO acquisition the contribution from margin accretive OHT and exports segments expected to improve from current ~17% and 19% to ~25% and 26% respectively.

**Moderation in operating margins in FY25, which is expected to improve in FY26**

In FY25, CEAT's TOI improved by 11% year-over-year (y-o-y), from ₹11,964.28 crore to ₹13,239.67 crore. This increase was primarily driven by a 10% y-o-y increase in overall volumes, with growth across all segments and marginal ~2% increase in realisations. The company's operating margins moderated by 269 bps to 11.30% in FY25, primarily due to an increase in rubber prices. However, with the expectation of stable rubber prices and the anticipated benefit from the correction in rubber prices in H2FY25 flowing into Q1FY26, and the price hikes implemented in FY25, and the consolidation of the margin accretion CAMSO business, the company's operating profitability is expected to improve in FY26. However, while profitability is expected to remain healthy, CareEdge Ratings expects operating margins for FY26 to stay below FY24 levels, as initial quarters will be focused on stabilising CAMSO's operations.

**Comfortable financial risk profile**

As of March 31, 2025, CEAT's overall gearing (including LC and DD) stood at 0.76x, compared to 0.71x a year earlier, while the net debt to PBILDT ratio increased to 2.12x from 1.64x in FY24. The moderation in debt metrics was due to lower cash accruals given decline in operating margins and debt funded capex of ₹ 943.36. The company has entered a definitive agreement to acquire the CAMSO brand's off-highway construction equipment bias tyre and tracks business from Michelin for ~US$225 million with actual cash outflows anticipated to commence from Q2FY26. The acquisition is expected to be funded through a mix of internal accruals and debt in the ratio of 30:70. The deal includes progressive payments to Michelin. If the CAMSO acquisition goes through, its other planned capex plans are expected to moderate. Going forward, even with its planned capex and planned acquisition of CAMSO brand from Michelin, its capital structure and debt coverage metrics are expected to improve in the medium term driven by higher profitability from CAMSO facilities and an enhanced scale of operations, although, some moderation is expected in FY26 considering acquisition of CAMSO from Michelin.

### **Liquidity**: Strong

CEAT's liquidity profile is strong marked by expected generation of cash accruals of ~₹1500 crore in FY26. CEAT has scheduled debt repayment obligations of ~₹382.76 crore for FY26 which leaves adequate buffer. As on May 31, 2025, CEAT had unutilised fund-based working capital limit averaging ~74% of ₹500 crore sanctioned limit. CEAT historically maintains modest cash balance, which stood at ₹53.24 crore as on March 31, 2025. With its unutilised bank lines providing a liquidity cushion, improving gross cash accruals (GCA), and financial flexibility from being part of the RPG group, the company's liquidity profile is expected to remain strong.

## Key weaknesses

**Susceptible to raw material price volatility**

Inherent to the tyre industry, raw material cost forms the largest cost head, accounting for 60-65% of the total cost. Rubber and crude oil are global commodities and prices vary across international markets. The tyre business is highly sensitive to movement in rubber and crude oil prices. Rubber prices after peaking in August 2024 have cooled off and are expected to remain stable in FY26. Average rubber prices increased by 28% from ₹156 per kg in FY24 to ₹200 per kg in FY25. Prices peaked at ₹238 per kg in August 2024 and since then, prices have moderated and settled at ₹198 per kg by March 2025. Crude prices moderated in FY25 compared to FY24, leading to a 5% decline in carbon black prices. However, recent sharp increase in crude prices on considering geo-political disturbances is expected to again result in increase in input costs in the near term.

**Exposure to cyclicality in automobile industry**

Performance of tyre manufacturers depends on performance of automobile industry, which is cyclical in nature. Auto ancillaries, which have a significant exposure to replacement market, are insulated to an extent as the demand for auto components in the replacement market is an indirect function of the growth posted by OEMs. Diversified product portfolio and presence in export markets mitigates this risk to an extent.

**Industry characterised by intense competition**

The Indian tyre industry has witnessed intense competition between domestic players and Chinese tyre manufacturers. The level of competition by international players is significantly higher in the T&B segment, which is price sensitive. However, measures taken by the government including imposition of anti-dumping duty (implemented in September 2017) and anti-subsidy countervailing duty (implemented in July 2019) on tyre imports from China have helped Indian tyre manufacturers. Diverse product offerings and strong focus on the replacement market have enabled the company to sustain the established market position. However, recently there has been some increase in cheap imports from Thailand.

## Environment, social, and governance (ESG) risks

**Environmental**

The company has taken following steps to reduce carbon footprint by 50% and use 40% sustainable materials by 2030:

- ~6.8% reduction in overall $tCO_2e$ per MT of production in FY24.
- CEAT's emission intensity has reduced by over 7%, and the use of renewable energy has increased to 36%, a significant increase from 30% in the previous year.
- CEAT's three plants (Nagpur, Chennai and Ambernath plants) are zero liquid discharged units.
- Reducing carbon footprint through network optimisation by opting for coastal shipment for 26% local rubber requirement.
- Loading and packaging optimisation for rubber transportation leading to 439 MT carbon emission reduction.
- ~3.9% reduction in water consumption per MT of production.
- Up to 5% reduction in rolling resistance in select stock-keeping units (SKUs).
- CEAT is a member of 'Global Platform for Sustainable Natural Rubber' to reduce material sourcing from deforestation or forest degraded regions, with a target of 100% European Union Deforestation Regulation (EUDR) compliance by December 2024.

**Social**

Key social initiatives taken by the company include:

- 546 individuals trained in vocational skills.
- 500+ farmers trained in organic and regenerative cultivation.
- 5,500+ teachers impacted through teachers' training programmes.
- Revival of Worli Koliwada for Heritage Conservation.
- 33 clinics have been set up across rural and urban Maharashtra under the Fever Clinic initiative and 79k+ availed services via fever clinic.

**Governance**

On its board, 50% comprises independent directors (five of 10 directors) and two women directors.

## Applicable criteria

Consolidation
Definition of Default

Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Components & Equipments
Short Term Instruments

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Consumer discretionary | Automobile and auto components | Auto components | Tyres & rubber products |

Established in 1958, CEAT is flagship entity under the RPG group. The RPG group is a conglomerate having over 15 companies catering diverse businesses spanning across automotive tyres, infrastructure, information and technology, pharmaceuticals, plantations and power ancillaries. The RPG group acquired the company in 1982. CEAT is engaged in manufacturing tyres, tubes and flaps and it is one of the leading tyre manufacturers in the domestic market. Products manufactured find application in heavy-duty trucks and buses, light commercial vehicles, earthmovers, forklifts, tractors, trailers, cars, motorcycles and scooters and auto-rickshaws. It caters demand from OEMs and replacement market. Large part of its income is contributed from the replacement market.
In India, CEAT operates with six manufacturing units at Mumbai, Nagpur, Nasik, Ambernath (Maharashtra), Halol (Gujarat), Chennai (Tamil Nadu) and Sri Lanka (through Joint Venture). CEAT has outsourced the production facilities of tyres to several third-party conversion agencies at Hyderabad (Telangana) and Calicut (Kerala).

| Brief Financials (₹ crore)* | FY24 (A) | FY25 (Abridged) |
|---|---|---|
| Total operating income | 11,964.28 | 13,239.67 |
| PBILDT | 1,673.32 | 1,495.94 |
| PAT | 635.28 | 471.37 |
| Overall gearing (times)^ | 0.71 | 0.76 |
| Interest coverage (times) | 6.22 | 5.39 |

A: Audited; Note: these are latest available financial results
*Brief Financials are per CareEdge Ratings Methodology.
^including bills discounted, LC acceptances and dealer deposits as a part of debt.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Commercial Paper-Commercial Paper (Standalone) | INE482A14DT9 | 21-03-2025 | 7.68% | 18-06-2025 | 50.00 | CARE A1+ |
| | INE482A14DS1 | 24-03-2025 | 7.68% | 23-06-2025 | 50.00 | CARE A1+ |
| | INE482A14DU7 | 17-04-2025 | 6.68% | 16-07-2025 | 50.00 | CARE A1+ |
| | INE482A14DW3 | 15-05-2025 | 6.65% | 13-08-2025 | 50.00 | CARE A1+ |
| | INE482A14DV5 | 16-05-2025 | 6.65% | 14-08-2025 | 50.00 | CARE A1+ |
| | INE482A14DY9 | 23-05-2025 | 6.62% | 18-08-2025 | 50.00 | CARE A1+ |
| | INE482A14DX1 | 23-05-2025 | 6.62% | 19-08-2025 | 50.00 | CARE A1+ |
| | INE482A14DZ6 | 26-05-2025 | 6.38% | 28-08-2025 | 50.00 | CARE A1+ |
| | INE482A14EA7 | 16-06-2025 | 5.92% | 12-09-2025 | 50.00 | CARE A1+ |
| | INE482A14EC3 | 17-06-2025 | 5.92% | 15-09-2025 | 50.00 | CARE A1+ |
| | Proposed | | | 7-364 days | 500.00 | CARE A1+ |
| Fund-based - LT-Cash Credit | - | - | - | - | 750.00 | CARE AA; Positive |
| Non-fund-based - ST-BG/LC | - | - | - | - | 1795.00 | CARE A1+ |
| Term Loan-Long Term | - | - | - | 30-06-2029 | 719.00 | CARE AA; Positive |
| Debentures-Non-convertible debentures | Proposed | | | | 500.00 | CARE AA; Positive |

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2025-2026 | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 |
| 1 | Term Loan-Long Term | LT | 719.00 | CARE AA; Positive | - | 1)CARE AA; Positive (24-Dec-24) | 1)CARE AA; Stable (28-Dec-23)<br><br>2)CARE AA; Stable (06-Apr-23) | 1)CARE AA; Stable (13-Dec-22) |
| 2 | Fund-based - LT-Cash Credit | LT | 750.00 | CARE AA; Positive | - | 1)CARE AA; Positive (24-Dec-24) | 1)CARE AA; Stable (28-Dec-23)<br><br>2)CARE AA; Stable (06-Apr-23) | 1)CARE AA; Stable (13-Dec-22) |
| 3 | Non-fund-based - ST-BG/LC | ST | 1795.00 | CARE A1+ | - | 1)CARE A1+ (24-Dec-24) | 1)CARE A1+ (28-Dec-23)<br><br>2)CARE A1+ (06-Apr-23) | 1)CARE A1+ (13-Dec-22) |
| 4 | Commercial Paper-Commercial Paper (Standalone) | ST | 1000.00 | CARE A1+ | - | 1)CARE A1+ (24-Dec-24) | 1)CARE A1+ (28-Dec-23)<br><br>2)CARE A1+ (06-Apr-23) | 1)CARE A1+ (13-Dec-22) |
| 5 | Debentures-Non-convertible debentures | LT | 500.00 | CARE AA; Positive | | | | |

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities**

Not applicable

### Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Commercial Paper-Commercial Paper (Standalone) | Simple |
| 2 | Fund-based - LT-Cash Credit | Simple |
| 3 | Non-fund-based - ST-BG/LC | Simple |
| 4 | Term Loan-Long Term | Simple |
| 5 | Debentures-Non-convertible debentures | Simple |

### Annexure-5: Lender details

| |
|---|
| To view lender-wise details of bank facilities please click here |

### Annexure-6: List of entities consolidated

<table>
<tr><th>Sr. No.</th><th>Name of the entity</th><th>Extent of consolidation</th><th>Rationale for consolidation</th></tr>
<tr><td>1</td><td>Associated CEAT Holdings Company (Pvt.) Limited</td><td rowspan="9">Full</td><td rowspan="7">Wholly Owned Subsidiary</td></tr>
<tr><td>2</td><td>CEAT Specialty Tires Inc.</td></tr>
<tr><td>3</td><td>CEAT Specialty Tyres B.V</td></tr>
<tr><td>4</td><td>Taabi Mobility Limited</td></tr>
<tr><td>5</td><td>CEAT Auto Components Limited</td></tr>
<tr><td>6</td><td>Tyresnmore Online Pvt Limited</td></tr>
<tr><td>7</td><td>CEAT Brazil Tires Servicos Ltda</td></tr>
<tr><td>8</td><td>Rado Tyres Limited</td><td rowspan="2">Subsidiary</td></tr>
<tr><td>9</td><td>CEAT AKKhan Limited</td></tr>
<tr><td>10</td><td>CEAT Kelani Holding (Pvt.) Limited</td><td rowspan="3">Proportionate</td><td rowspan="3">Joint venture</td></tr>
<tr><td>11</td><td>Associated CEAT (Pvt.) Limited</td></tr>
<tr><td>12</td><td>CEAT Kelani International Tyres (Pvt.) Limited</td></tr>
</table>

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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**About us:**
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com



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