

CEAT Limited

January 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,406.00 (Reduced from 1,469.00)	CARE AA; Positive	Reaffirmed
Short-term bank facilities	1,920.00 (Enhanced from 1,795.00)	CARE A1+	Reaffirmed
Non-convertible debentures	500.00	CARE AA; Positive	Reaffirmed
Commercial paper	1,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to CEAT Limited's (CEAT) bank facilities and instruments reflects its long operational track record, improving market share supported by a strong brand in the two-wheeler (2W) and three-wheeler (3W) segments, and a diversified revenue base across major original equipment manufacturers (OEMs) and the replacement market, aided by a wide and robust distribution network.

Ratings also factor in healthy operating performance, with total operating income (TOI) growing by ~11% to ₹13,240 crore in FY25. Operating margins moderated by 268 basis points to 11.3% in FY25 due to higher rubber and key raw material prices. However, margins are expected to improve in FY26, supported by stable rubber prices and the benefit of price hikes implemented in FY25. In H1FY26, TOI grew by ~12%, and operating margins improved to 12.2%, aided by stable rubber prices.

Ratings also consider CEAT's comfortable financial risk profile, with overall gearing (including letter of credit [LC] acceptances and dealer deposits [DD]) at 0.91x as on September 30, 2025, compared to 0.73x as on March 31, 2025, and net debt (including LC and DD) to profit before interest, lease rentals, depreciation, and taxation (PBILDT) at 2.34x against 2.14x as on March 31, 2024. This moderation was primarily due to the partially debt-funded capex including CAMSO acquisition and lower profit before interest, lease rentals, depreciation and taxation (PBILDT) amidst goods and services tax (GST) rate reduction. However, these metrics are expected to improve in the medium term with improved demand prospects from Auto sector post GST rate reduction, supported by recovery in PBILDT from correction in raw material prices and profitability contribution from CAMSO operations.

Ratings remain constrained by CEAT's exposure to cyclical demand, susceptibility of margins to volatility in natural rubber and crude-linked derivatives, intense industry competition, and changes in government policy.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in scale of operations and market share across product segments, resulting in PBILDT margin improving to over 15% on a sustained basis.
- Reduction in net debt (including LC acceptances and dealer deposits) to PBILDT ratio 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 and market share, leading to deterioration in PBILDT margin.
- Net debt (including LC acceptances and dealer deposits) to PBILDT exceeding 2.50x on a sustained basis.

Analytical approach: CARE Ratings Limited (CareEdge Ratings) has adopted a consolidated approach for analysing CEAT's financials, considering the high degree of financial, managerial, and business linkages among the entities. Companies consolidated are listed under in Annexure-6.

Outlook: Positive

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

The positive outlook reflects a comfortable financial risk profile with improvement in scale of operations and operating profitability in H1FY26, which is expected to sustain and improve going forward. The CAMSO acquisition is expected to be margin accretive, given its presence in the higher-margin off-highway tyre (OHT) segment and will support 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, two-wheelers (2W) and three-wheelers (3W), passenger vehicles and off-road tyres. CEAT has a widespread distribution network spread across the country with over 5,700 dealers servicing over 61,000 sub-dealers with over 1,115 retail format stores 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% of revenue in FY25 from the replacement market, which mitigates 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. In H1FY26, the contribution from replacement market declined to 52% (PY: 55%), the contribution from OEM improved to 29% (PY: 26%) and exports remained stable at 19%. Over the years, the company has been gradually shifting focus from the lower-margin T&B and LCV segments to margin-accretive PV, UV, OHT and 2W segments. This is expected to boost profitability going forward. With CAMSO acquisition, the contribution from margin accretive OHT and exports segments are 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

CEAT's TOI grew by 11% y-o-y in FY25 to ₹13,239.67 crore from ₹11,964.28 crore, led by a 10% rise in volumes across all segments and a modest ~2% improvement in realisations. Operating margins declined by 268 bps to 11.3% in FY25, mainly considering higher rubber prices. In September 2025, CEAT acquired CAMSO's compact construction equipment bias tyres and rubber tracks business from Michelin for US\$225 million. CareEdge Ratings expects this to strengthen CEAT's premium portfolio, exports and significantly expand its OHT portfolio in the medium term. As CAMSO was carved out of Michelin's supply chain, CEAT will source semi-finished inputs from Michelin in the short term until upstream equipment is installed. In this period, CEAT will largely sell CAMSO products to Michelin for onward distribution. Direct customer relationships are targeted within four quarters. Profit margins from CAMSO facilities are likely to improve from FY28 post-integration. With the expectation of stable rubber prices, the company's operating profitability is expected to improve in FY26. With the integration of margin accretive CAMSO business in the next few quarters, the company's operating profitability is expected to further improve in the medium term.

Comfortable financial risk profile in-spite of large size acquisition

As of March 31, 2025, CEAT's overall gearing (including LC and DD) stood at 0.73x, compared to 0.68x a year earlier, while the net debt (including LC and DD) to PBILDT ratio increased to 2.14x against 1.64x in FY24. Moderation in debt metrics was due to lower cash accruals considering decline in operating margins and debt-funded capex of ₹943.36 crore. CEAT acquired CAMSO brand's off-highway construction equipment bias tyre and tracks business from Michelin for ~US\$225 million from September 2025. Considering funding of CAMSO acquisition majorly through debt, capital structure and debt coverage metrics moderated with overall gearing (including LC and DD) at 0.93x as of September 30, 2025, compared to 0.77x a year earlier, and net debt (including LC and DD) to PBILDT ratio at 2.34x in H1FY26 against 2.14x in H1FY25. Although these metrics moderated in H1FY26, they are expected to improve in the medium term, driven by higher profitability from CAMSO facilities and enhanced scale of operations.

Liquidity: Strong

CEAT's liquidity profile remains strong, supported by expected generation of cash accruals of ~₹1,300 crore in FY26. The company has scheduled debt repayment obligations of ~₹383.93 crore for FY26, providing comfortable coverage. As on November 30, 2025, CEAT had unutilised fund-based working capital limits averaging ~66% of the ₹500 crore sanctioned limit. CEAT historically maintains a modest cash balance, which stood at ₹80.88 crore as on September 30, 2025. Recent non-convertible debenture (NCD) issuance of ₹250 crore is also expected to support CEAT's liquidity in the short term. Unutilised bank lines, improving gross cash accruals (GCA), and financial flexibility from being part of the RPG group are expected to keep liquidity strong over the medium term.

Key weaknesses

Susceptible to raw material price volatility

Inherent to the tyre industry, raw material cost constitutes 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, making the tyre business highly sensitive to their movement. Rubber prices peaked at ₹238 per kg in August 2024 but have since moderated 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, settled at ₹198 per kg by March 2025, and further moderated to ₹188 per kg by September 2025. Crude prices also moderated in FY25 compared to FY24, leading to a 5% decline in carbon black prices, with an additional 6% y-o-y decline in H1FY26.

Exposure to cyclical in automobile industry

Performance of tyre manufacturers is closely linked to the automobile industry, which exhibits cyclical demand patterns. Auto ancillaries with significant exposure to the replacement market enjoy partial insulation as the demand for auto components in the replacement market is relatively stable compared to OEM-driven demand. Diversified product portfolio and 20% presence and higher growth in export markets further mitigates cyclical risk and supports revenue stability.

Industry characterised by intense competition

The Indian tyre industry faces intense competition from domestic players and Chinese manufacturers. Competitive pressure is particularly high in the Truck and Bus (T&B) segment, which is price sensitive. Government measures, including the imposition of anti-dumping duty in September 2017 and anti-subsidy countervailing duty in July 2019 on tyre imports from China, have provided relief to domestic manufacturers. Diverse product offerings and strong focus on the replacement market have supported the company's ability to maintain its market position. However, recent increase in low-cost imports from Thailand poses a risk to pricing discipline and competitive intensity in the near term.

Environment, social, and governance (ESG) risks

Environmental

The company has implemented several initiatives to achieve its environmental goals:

- Achieved 6% reduction in emission intensity by revenue (Scope 1, Scope 2 and Scope 3) in FY25 compared to FY24.
- Five of six manufacturing plants operate as zero liquid discharge units.
- Renewable energy accounts for ~49% of CEAT's manufacturing energy mix, supported by power purchase agreements and rooftop solar installations, indicating steady progress toward 100% renewable electricity by 2030.
- 75% of suppliers by procurement value were assessed on ESG parameters as part of the Company's onboarding and periodic supplier assessments. All current vendors hold OHSAS 18001/ISO 45001 and ISO 14001 certifications. In FY25, these approved suppliers provided 100% of the raw materials. The Company has set a target to use 40% sustainable materials by 2030, with an achievement of 30.5% as of March 2025, against target of 30% for that period.
- The carbon footprint was lowered through network optimisation by opting for coastal shipment routes for 23% of local rubber requirements.
- CEAT is a member of 'Global Platform for Sustainable Natural Rubber' to reduce material sourcing from deforestation or forest degraded regions and has prepared for compliance with the European Union Deforestation Regulation (EUDR) by ensuring that all sourced rubber tyres are deforestation-free and produced in line with applicable legal requirements.

Social

Key social initiatives implemented by the company are as follows:

- Enhancing English proficiency and essential workforce skills through communication, critical thinking, creativity and collaboration, benefiting over 12,000 teachers and students under the Pehlay Akshar Initiative.
- Enhancing community development through targeted initiatives like distributing 4,700 stoves benefiting over 23,000 individuals, setting up fever clinics benefiting over 6,522 individuals and renovating libraries aiding 500 students.
- Preserving and enhancing shared heritage through sustainable livelihoods, ecology, art and architecture. Revitalised Banganga, Sewri and Worli Koliwada, creating over 200 livelihood opportunities and promoting cultural sustainability.

Additionally, 8,000+ plants from 350 species have been planted, supporting 50+ fauna species, which contributes to biodiversity and ecological balance.

Governance

- On its board, 50% of members are independent directors (five of ten directors) and includes 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 and rubber products

Established in 1958, CEAT is the flagship entity of the RPG Group, a diversified conglomerate with over 15 companies across automotive tyres, infrastructure, IT, pharmaceuticals, plantations, and power ancillaries. RPG Group acquired CEAT in 1982. CEAT manufactures tyres, tubes, and flaps and is among the leading domestic tyre producers. Its products serve heavy-duty trucks and buses, light commercial vehicles, earthmovers, forklifts, tractors, trailers, cars, motorcycles, scooters, and auto-rickshaws. The company caters to OEMs and the replacement market, with the latter contributing a major share of revenue.

In India, CEAT operates six manufacturing units at Mumbai, Nagpur, Nasik, Ambernath (Maharashtra), Halol (Gujarat), and Chennai (Tamil Nadu), and a joint venture in Sri Lanka. It also outsources tyre production to third-party conversion agencies in Hyderabad (Telangana) and Calicut (Kerala). Recently, CEAT acquired CAMSO's compact construction equipment bias tyres and rubber tracks business from Michelin for US\$225 million, effective September 01, 2025. This acquisition is expected to strengthen CEAT's premiumisation and globalisation strategy and materially expand its Off-Highway Tyre (OHT) portfolio in the medium term.

Brief Consolidated Financials (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total operating income	11,964.28	13,239.67	7,307.76
PBILDT*	1,673.32	1,497.23	891.11
Profit after tax (PAT)	635.28	471.37	298.01
Overall gearing (x)	0.69	0.74	0.93
Interest coverage (x)	6.22	5.39	5.27

A: Audited UA: Unaudited; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation and tax

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)	INE482A14ET7	29-Oct-2025	6.18%	27-Jan-2026	50.00	CARE A1+
	INE482A14EU5	06-Nov-2025	6.17%	04-Feb-2026	100.00	CARE A1+
	INE482A14EW1	07-Nov-2025	6.17%	29-Jan-2026	50.00	CARE A1+
	INE482A14EV3	07-Nov-2025	6.17%	30-Jan-2026	50.00	CARE A1+
	INE482A14EY7	17-Nov-2025	6.17%	16-Feb-2026	50.00	CARE A1+
	INE482A14EX9	18-Nov-2025	6.17%	17-Feb-2026	50.00	CARE A1+
	INE482A14FA4	28-Nov-2025	6.07%	24-Feb-2026	50.00	CARE A1+
	INE482A14EZ4	28-Nov-2025	6.07%	25-Feb-2026	50.00	CARE A1+
	INE482A14FB2	10-Dec-2025	6.10%	10-Mar-2026	50.00	CARE A1+
	INE482A14FC0	15-Dec-2025	6.20%	13-Mar-2026	50.00	CARE A1+
Proposed					450.00	CARE A1+
Debentures-Non Convertible Debentures	Proposed				250.00	CARE AA; Positive
	INE482A08033	30-Dec-2025	7.20%	30-Dec-2030	250.00	CARE AA; Positive
Fund-based - LT-Cash Credit	-	-	-	-	750.00	CARE AA; Positive
Non-fund-based - ST-BG/LC	-	-	-	-	1920.00	CARE A1+
Term Loan-Long Term	-	-	-	30-Jun-2029	656.00	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	656.00	CARE AA; Positive	1)CARE AA; Positive (17-Jun-25)	1)CARE AA; Positive (24-Dec-24)	1)CARE AA; Stable (28-Dec-23) 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 (17-Jun-25)	1)CARE AA; Positive (24-Dec-24)	1)CARE AA; Stable (28-Dec-23) 2)CARE AA; Stable (06-Apr-23)	1)CARE AA; Stable (13-Dec-22)
3	Non-fund-based - ST-BG/LC	ST	1920.00	CARE A1+	1)CARE A1+ (17-Jun-25)	1)CARE A1+ (24-Dec-24)	1)CARE A1+ (28-Dec-23) 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+ (17-Jun-25)	1)CARE A1+ (24-Dec-24)	1)CARE A1+ (28-Dec-23) 2)CARE A1+ (06-Apr-23)	1)CARE A1+ (13-Dec-22)
5	Debentures-Non Convertible Debentures	LT	500.00	CARE AA; Positive	1)CARE AA; Positive (17-Jun-25)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/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	Debentures-Non Convertible Debentures	Simple
3	Fund-based - LT-Cash Credit	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Associated CEAT Holding Company (Pvt) Limited		
2	Rado Tyres Limited		
3	CEAT Speciality Tires INC		
4	CEAT Speciality Tyres BV		
5	CEAT Auto Components Limited		
6	Taabi Mobility Limited		Subsidiary
7	TYRESNMORE Online Pvt. Limited		
8	CEAT BRAZIL Tires Services LTDA		
9	PT Tyres Indonesia		
10	CEAT OHT Lanka (Private) Limited		
11	CEAT AKKHAN Limited		
12	CEAT Kelani Holding (Pvt.) Limited		
13	Associated CEAT (Pvt.) Limited	Proportionate	Joint Venture
14	CEAT Kelani International Tyres (Pvt.) Limited		

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.

Contact us

Media Contact	Analytical Contacts
Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Ranjan Sharma Senior Director CARE Ratings Limited Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3404 E-mail: saiyat.roy@careedge.in	Hardik Manharbhai Shah Director CARE Ratings Limited Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in

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