



“CEAT Q2 FY’26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to CEAT Earnings Conference Call, hosted by Emkay Global Financial Services Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*”, then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Chirag Jain from Emkay Global Financial Services Limited. Thank you, and over to you, sir.

Chirag Jain: Good afternoon, everyone. On behalf of Emkay Global, I would like to welcome you all to the 2Q FY '26 Earnings Conference Call of CEAT Limited.

Today, we have with us from the management team, Mr. Arnab Banerjee, MD and CEO; and Mr. Kumar Subbiah, CFO. We will start the call with opening comments from the management team, post which we will open the floor for the Q&A session. Over to you, sir.

Arnab Banerjee: Good afternoon, everybody. Welcome to CEAT's Q2 FY '26 Earnings Call. I shall start the discussion and then hand over to Kumar for his remarks on financial performance. Post that, we will have the Q&A.

The Indian tyre market entered a favorable phase this quarter, supported by a major policy boost from the recent GST announcement. The reduced rates are expected to enhance demand of vehicles and tyres, especially for low-ticket vehicles in semi-urban and rural areas. GST would also increase formalization and compliance, and promote broader growth within the industry. Overall, we expect the combination of favorable tax policy, rising EV adoption and premiumization trends to position the Indian tyre market for robust single-digit growth in the immediate future.

Demand:

While the initial three weeks of September witnessed subdued activity as buyers deferred purchases in anticipation of the GST announcement, trade also down-stocked. However, momentum shifted once the date was crossed in September. A convergence of above-average monsoons, robust kharif harvest and stable interest rates had further strengthened both rural and urban purchasing power and improved consumer sentiment and demand outlook.

In the near term, we expect replacement demand for MHCV tyres, truck and bus tyres to move in line with GDP or maybe about mid-single-digit. For two-wheelers, it could be around 7% to 8%. In passenger car segment, there is some concern around growth, it could be around zero to very low single-digit kind of growth, but there could be some impetus because of the GST reduction. In the OEM, MHCV growth is expected to be zero to low single-digit. In passenger car segment, there is an optimistic outlook of 6% to 8%, but we will have to wait and watch.

And in two-wheeler, the growth momentum will remain good, though it may taper down a little. In International business, we are seeing a demand improvement in agriculture radials, OTRs, primarily through OEM demand, and across continents of Europe, Africa and LATAM.

Coming to CEAT's performance:

We have had a good quarter in Q2 with 12.2% Y-o-Y growth on stand-alone basis. In Q2, the stand-alone EBITDA stood at Rs. 507 crores. Growth momentum for us continued during Q2 over last year, as I mentioned, 12.2% value growth. Replacement growth was in mid-single-digit. It could have been higher had it not been for September. In September, replacement market degrew, while it was growing at close to double-digit prior to the GST announcement. As I mentioned, there was a trade down-stocking, customers deferred purchases, so we expect this growth to come back stronger near double-digit in the future.

The OEM segment grew very strongly in mid-20s as we get our fitments back into cars with higher rim sizes. And international business grew in high-teens. In replacement, two-wheeler is supported by strong growth in rural demand. It has seen robust growth in Q2, and overall passenger segment also grew in mid-single-digits. OEM volumes grew significantly on Y-o-Y basis, as I had mentioned, across segments. And the major growth for us came in passenger car tyres where we have got some good models of cars going ahead with CEAT fitment.

In motorcycle tyres, we have gained share in some specific accounts and hence Y-o-Y growth in motorcycles also has been good in OEM segment. Farm tyre growth was in mid-teens for us in OEM segment and truck and bus also saw us growing well, because we had a small base in OEM. In international business, growth was very good in two, three wheelers as we gained traction in select geographies of Africa, LATAM, for example. It was also good in passenger car tyres with volumes led by the European market and farm growth was also very good in Europe, as well as LATAM and rest of the world.

We faced headwinds in US where tariff uncertainties continued. However, as I mentioned earlier, our stake in the US market is still very low. So overall impact on our growth and profitability was not very material. With the punitive tariff of 50% overall, our sales of OHT to US slowed down further, practically zero by end of the quarter. However, we continued selling our passenger car tyres and truck-bus radial to the US market. Replacement market shares were positive in passenger segment, as well as for two-wheeler segment that is motorcycle and scooter, while we held our market share in TBR in the replacement market.

Coming to margins:

Our Q2 stand-alone gross margin witnessed an expansion of about 400-plus basis points quarter-on-quarter. So we are now in our long-term base trend of 40% to 42% gross margin. We have entered that zone in Q2. We benefited from softening of the RM basket and improvement of net sales realization in both replacement and international business.

We expect commodities prices to be soft in Q3 as well and around the same levels as Q2. Our stand-alone EBITDA margin stood at 13.7% and stand-alone net profit was Rs. 202.2 crores.

We completed the CAMSO acquisition on 1st of September and with that, we have taken significant leap in becoming a leading player in the premium OHT segment. We reaffirm our outlook that in the medium term this margin is going to be -- this business is going to be margin-accretive. We are happy to report that the business is progressing well and integration efforts have been successful. There have been no surprises, basis one month of operation in Sri Lanka.

We have started taking over direct customer relationship from Michelin in a geography and customer-wise phase transition. This will continue over the next three to four quarters. On the procurement front, as we guided previously, we will continue to buy semi-finished goods from Michelin till we set up our upstream equipments, and this will take five to six quarters to complete. So, overall, it will take five to six quarters for us to gain complete control of the value chain as far as CAMSO is concerned.

Continuing with our comments on the trend of Electrification, International Business, Premiumization as well as Digital and AI:

In **Electrification**, our share is 30% currently in the OEM PC/UV EV segment, and it is about 20% in the two-wheeler EV space. We continue to focus on product development for emerging vehicle sizes and we have a good respect and credibility amongst the OEMs to get fitted on the upcoming new models.

In **International Business**, we delivered a strong performance in Q2 through diversification of geographical spread and deeper penetration in specific markets. In the non-specialty business, we clocked mid-teens kind of growth on a Y-o-Y business in key clusters in Europe, in Africa, in Middle East, so it was quite widespread across various continents. Europe is also our most profitable cluster, as well as the highest growing cluster. And the key category in Europe which is growing very well for us is passenger car tyres. Brazil saw a good traction of two-wheeler tyres. Overall, passenger and truck bus radials contribute to 65% of our export. The share, if we measure the share of Indian exports brand-wise, then CEAT is a leading exporter of passenger car tyres out of India to various geographies.

Premiumization:

In Q2, we launched two more innovations, 90% sustainable bio-based material-based tyres, which is SecuraDrive CIRCL. This is a concept tyre which was showcased in Q2, and this is coming on the back of innovations earlier in the year on calm technologies, Z-rated 21-inch tyres and run-flat tyres. We also launched a premium mining tyre in the truck-bus radial segment, RockRad, which is showing very early promise. And the premium car tyres, we continue to get fitted in emerging OE vehicles and our market share in the premium segment in replacement continues to grow.

Digital and AI:

We are focusing hard on getting business impact through implementation of GenAI and Agentic AI. In this quarter, we introduced autonomous digital agents across key business areas, and we became one of the first organizations to try an agentic chatbot on our website. Currently, it is in beta stage. This would completely personalize customer journeys based on information that they share with us on our website. Agentic AI has got potential and to be integrated across value chain from procurement to manufacturing to QA to sales and marketing, and several use cases are under implementation.

CEAT's consistent website traffic increased more than 1 million since last year. Organic traffic grew by 20%, 19% to be precise compared to Q2 of last year. And leads for premium SUV users exceeded 30%. Positive sentiments for the brand moved up as well with 28% increase in average interaction per post Y-o-Y.

As of today, as we know, auto component, the tariff situation is as follows. Duty on auto component is 25%, where India is not at a disadvantage with any other country because it's a category specific tariff. So in TBR and PCR segments, we face 25% tariff, whereas 50% is applicable to OST segment out of India. Sri Lanka is currently at 20% tariff from the US on reciprocal basis, and there is no change in that.

Overall capacity utilization is around 80% to 85%. Expansion projects are progressing as per plan, and we expect total CAPEX for the financial year to be around Rs. 1,000 crores as mentioned earlier.

As far as our outlook for immediate future growth goes, I think the GST change will be a positive factor for industry, especially in small towns & rural markets. We also think that we will arrive at some kind of clarity on the US tariff situation sometime during Q3 or Q4. The RMC, as I mentioned, raw material cost is expected to be flat, it may come down slightly, but then the currency is also depreciating. We expect to continue our double digit growth momentum, and we expect to keep our margin profile steady.

With this, I would like to hand over to Kumar.

Kumar Subbiah:

Thank you, Arnab. Good afternoon, ladies and gentlemen. And thank you once again for joining our Q2 FY '26 earnings call. I will share some further financial data points, post which we can enter into Q&A session.

Overall financial performance:

Our consolidated revenue for the quarter stood at Rs. 3,773 crores, which is a growth of about 14.2% year-on-year, driven largely by volumes and also price and mix. Volume growth was led by OEM and international business with strong double-digit growth, and while replacement grew in strong single digits. We would like to bring it to your attention that the consolidated numbers

relating to current quarter also includes the CAMSO business that we have acquired effective 1st September 2025. And in the future, the financial numbers of our consolidated statement will include the entire period of CAMSO operations.

Coming to our operating margin:

Our consolidated EBITDA margin for Q2 stood at Rs. 511 crores, translating to 13.5%, an improvement of 259 basis points quarter-on-quarter and 250 basis points year-on-year. Our gross margin for the quarter stood at 40.9% on a consolidated basis, an improvement of little over 400 basis points, largely arising out of lower raw material prices, higher operating income and improvement in price and mix.

Coming to raw materials:

During Q2, crude oil prices largely remained stable, hovering around \$65 (+/-) \$2. The crude has recently dropped slightly at the lower end of the range, arising out of drop in demand from China and also adequate supply situation. Overall, raw material prices were lower by about 5% in Q2 over Q1, which is much better than the estimates that we had in the beginning of Q2.

The international rubber prices remained in the range of \$1,700 to \$1,750 throughout the quarter, while domestic rubber prices softened and came back very close to import parity levels towards the later part of the quarter. The crude derivatives that impact our raw materials like carbon black, synthetic rubber and fabric, came down with some time lag during the quarter. Rupee depreciated by around 3% during the quarter, which would have some impact on the raw material cost in the coming months. Taking into consideration the current base prices of various raw materials and impact of rupee depreciation in the last eight weeks, we expect raw material prices to remain at current level at Q3.

Coming to debt, CAPEX and working capital:

We spent about Rs. 185 crores of CAPEX during the quarter, and overall about Rs. 415 crores in the first half of the year. In addition, we also had an additional capital expenditure towards intangibles in the acquisition of CAMSO business in the books of CEAT stand-alone to the tune of about Rs. 236 crores.

On a consolidated level, our net working capital marginally increased by Rs. 58 crores compared to Q1. We ended the quarter with little higher inventory, particularly raw materials, arising out of higher arrival of imports and finished goods to build up for the Q3 requirement. We hope to bring the inventory level to a normal level in Q3.

Our consolidated debt stood at Rs. 2,944 crores as of 30th September, an increase of about Rs. 1,130 crores over end-June position as we raised some funds to manage our capital expenditure and acquisition requirements. Overall, during the quarter, we invested Rs. 272 crores towards equity capital, Rs. 702 crores towards debt, and Rs. 238 crores towards intangibles in the

acquisition of the CAMSO business from Michelin, involving a total cash outflow of Rs. 1,232 crores. After taking into consideration all of that, our debt-to-EBITDA on a consolidated basis stood at comfortable level of 1.8x as of end-September and debt-equity at a comfortable level of 0.64x. We have enough leverage to provide necessary growth capital to the business going forward.

Coming to operational expenses:

Our employee cost increased as compared to Q1, primarily on account of annual increment cycle and additional manpower in factories to carry out higher level of production. Other expenses went up largely arising out of higher level of manufacturing activity, higher outsourcing volumes, higher distribution costs and marketing maintained at Q1 levels. Depreciation on consolidated basis for the quarter stood similar to Q1. Interest cost during the Q2 increased primarily due to higher debt in the month of September, necessitating for payments towards CAMSO and also for our capital expenditure.

You are all aware that the government reduced the GST on tyres from 28% to 18%, and also in case of farm tyres from 18% to 5% effective 22nd of September. We view the new GST regime as a structurally positive development. And we are pleased to share that the CEAT made the transition into new regime successfully and seamlessly.

Overall, our consolidated profit for the quarter stood at Rs. 185.7 crores, compared to about Rs. 121.5 crores during the same period of last year, and Rs. 112.3 crores in Q1 of the current year.

With that, we can now open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Yes. Thank you so much for the opportunity, sir, and congrats on a strong margin and revenue performance. Sir, firstly, can you share, how was the CAMSO Q2 performance, sir, in terms of revenue and EBITDA, sir? Also, if you can add, sir, for Q3, how do you see the numbers for CAMSO?

Arnab Banerjee: See, first, we have got only one month of experience with CAMSO. So, the turnover and the margins that is coming through is under the sales and supply agreement with Michelin. So, we are not selling directly to the customers, nor are we buying any raw materials directly. We are buying semi-finished goods and we are selling to Michelin, who in turn is selling to the customers. So, the entire value chain that is in our hands is not the entire one; and therefore, our margins are not reflective of the overall business. So, with that disclaimer if I say, whatever we have seen in the first month, you would agree it's a very small sample size. It is more or less in line with what we paid for.

So, there are no surprises at all in terms of the sales realization from the market, in terms of the cost structure in the factory, whether it is operating cost or employee cost. But I am sure you would agree that we need a full quarter operation to give you some sense of where the business is and where it is headed. We are positive in terms of the basic characteristics of the business. And all I can say is that we are completely focused now on increasing feet on street and taking up the sales turnover so that we can use the capacity of the plant, which is currently being utilized at 50%.

Mumuksh Mandlesha: Got it, sir. And sir, just on the US market, sir, how is the end market responding in terms of price hike due to the increase in duty, sir, which is also bearing across countries. So how is the market playing in terms of price hike? And for CAMSO, sir, how do you see, for in terms of market share, do you see any incremental benefit in the market share due to the different duty rates in the market? And just on the end market US, how is it performing, sir?

Arnab Banerjee: So, US, for passenger and truck bus radial, there is partial pass on of the tariff. The incremental tariff is 25% for these categories across countries. So there is no country is at a relative advantage or disadvantage, including India. So we are absorbing somewhat, and we are passing on somewhat to the customer. See, our base is very low. So we are growing. So for us, growing in US is not a problem. We intend to pass on the entire impact in the next two to three, maybe four quarters. But currently, we are partially absorbing. So sales growth is not an issue, but we have to wait and see. 60% of the tyres in US are imported. So gradually, I expect the rates to be passed on over the few quarters by all players. That's the general answer to your question.

For CAMSO, CAMSO is experiencing 20% duty from Sri Lanka to US. And again, it's at a no relative advantage or disadvantage compared to any other country, barring the production within US of course. From what we understand, we have just seen one month of operation. From what we understand that the Michelin sales team has also passed on partially the price, which means they have absorbed some price, which is what we are seeing in our accounts, and they have passed on some part of the price. And we expect CAMSO also to pass on the full impact of tariffs in maybe two to three quarters.

Mumuksh Mandlesha: Got it, sir. Is it possible to share what could be the impact absorption?

Arnab Banerjee: Pardon, can you repeat the question?

Mumuksh Mandlesha: Is it possible to share of the 20% duty, how much has been absorbed, sir?

Arnab Banerjee: In Sri Lanka, we have to analyze that. It would be some part of the duty. I mean, to be honest, we are not very clear how much has been observed, but it could be around 50:50.

Mumuksh Mandlesha: Got it, sir. And lastly, sir, just on the India side on the GST cut, sir. Just I want to understand, post the GST cut, the cost is lowered for the customer and demand has picked up. So how is the market reacting in terms of discount offerings in the end markets? And over the medium term, do you see the possibility of discounts coming down, sir, or any price hike being taken, sir?

- Arnab Banerjee:** No, there is no price hike. We have passed on the entire benefit of the GST cut to our channel and we have also advised the channel to pass on the commensurate rates to.. on all categories to the customer. We are continuously checking whether they are doing so. From our side, 100% of the benefit has been passed on. There is no question of any price hike right now. The raw material is also trending down. We will hold the price line and the duty cut has been entirely passed on. There is significant benefit to the customers. It works out to around 7% to 8% on the selling price. The 10% duty cut works out to that much amount. And for, let's say, truck tyre, it could be Rs. 1,500 per tyre, which is significant. So we expect the customer sentiment to improve and we expect demand to get a fillip, especially in the smaller towns and the rural towns.
- Mumuksh Mandlesha:** Got it, sir. Thank you so much for the opportunity.
- Moderator:** Thank you very much. The next question is from the line of Mitul D. Shah from DAM Capital. Please go ahead.
- Mitul Shah:** Thank you for the opportunity, sir, and congratulations for a very strong performance all around. So my question is on replacement demand. As we indicated, it was slightly muted during September, but on overall basis for a quarter, which segment reported healthy growth and which were lagging? And going ahead, as we expect October, then there would be some restocking, which was impacted during September. So for Q3, if you can give more light on segment-wise replacement demand for Q3, Q4?
- Arnab Banerjee:** See, overall market demand, if you are asking about, the truck and bus segment generally is tailing the GDP growth, so it will be around 5%, 6%. Passenger would be soft, zero to low single digit, and two-wheeler would be about maybe 6%, 7% kind of growth going forward. Yes, the trade should be restocking in October, November & December. In October month, we have the festival season, so the market is generally off as far as purchasing is concerned for about a week. Then this quarter is usually a weaker quarter compared to Q2. If you see sequential results over the last few years, then since December, the onset of winter, parts of northern and eastern India witness a slightly lower demand. So top line wise, our top line wise, that is looking at the seasonal trend, we may be equal to or slightly lower than Q2 turnover, as far as top line is concerned.
- Mitul Shah:** Sir, second and last question is on the raw material basket. if you can help us with the average price for each element, each key element of this raw material basket during the quarter?
- Kumar Subbiah:** Sir, largely international natural rubber prices remained within \$1,700 to \$1,750. We did not see much of a movement except here and there, but it remained within this range. So no major change happened on international prices of natural rubber. In the first two months of the last quarter, there were delays in import arrivals. So that had some issues on the local prices of natural rubber, considering the tight situation. So therefore natural rubber prices were higher than the import parity level in July, August. And September month, it came closer to import parity level.

So local prices have come down by about a little over Rs. 10 per kg compared to beginning of the quarter and end of the quarter.

Crude derivatives, see, crude had moved within that \$65 plus or minus 2%. So no major change, but in the last couple of weeks or so, crude was in the lower end of the range rather than the higher end of the range. Okay, synthetic rubber, carbon black and nylon fabric prices, their feedstocks moved in the same direction, but it did not come down exactly in line with the movement in crude oil prices in the last six months or so. So carbon black prices remained at the same level as that of Q1. Synthetic rubber prices came down in the range of about 3-3.5%, and nylon fabric prices about 2-2.5%. And some of the other steel prices, steel tyre cord, bead wire prices were down about 4-5%. At aggregate level, based on the mix, we saw raw material cost in Q2 was lower than Q1 by about 5%.

Mitul Shah: Considering the natural rubber recently just in the last month declining, Q3 should see that benefit and Q3, Q4?

Kumar Subbiah: See, only international prices are still hovering around the same level, no change. In fact, with currency depreciation towards later part of August and September, the rupee moving up from 85 to 88.80 has some impact on impact on raw materials imported as well as raw materials locally bought, but on import parity basis. So therefore our view is that in Q3, overall raw material prices, taking into consideration the impact of currency, should be in line with the current Q2 prices. That is our expectation.

Mitul Shah: Thank you, sir.

Moderator: Thank you very much. The next question is from the line of Vijay Pandey from Nuvama. Please go ahead.

Vijay Pandey: Hi, sir. Thank you for taking my questions and congratulations for an excellent quarter. Sir, wanted to check in terms of price and bifurcation of realization growth that came at around I think 3% to 4%, so what will be the bifurcation between price and mix, if you can just give a detail?

Kumar Subbiah: See, large portion of gross margin improvement is on account of this 5% raw material cost reduction that I had mentioned. Overall, there has been improvement in realization. And considering that we grew strongly in OEMs and international business, and little less in the OEM business, so approximately about a percentage improvement in gross margin in the last quarter considering both price growth and also the category as well as customer mix basis, about a percentage came from realization.

Vijay Pandey: Okay. And sir, is it fair to assume that the channel mix was negative for this quarter because replacement demand was lower than the OE demand?

Kumar Subbiah: Can you repeat the question, what are you asking?

- Vijay Pandey:** Is it fair to assume that the channel mix OE versus replacement that was negative kind of --
- Kumar Subbiah:** No, see, overall, at full company level, realization improved, okay. So therefore, it will always happen between quarters, there will be a mix. There was a positive movement in case of international business going strongly in mid double digits, okay. And OEM had also a strong growth but replacement lower. So largely made up. I would say largely made up.
- Vijay Pandey:** Okay, sir. Thank you, thank you.
- Moderator:** Thank you very much. The next question comes from the line of Ankur Poddar from Svan Investments. Please go ahead.
- Ankur Poddar:** Hi, sir. Congrats on a good set of numbers and thank you for the opportunity. My first question is what is the overall volume growth for the quarter?
- Arnab Banerjee:** Overall volume growth for the quarter is 11% plus.
- Ankur Poddar:** Thank you. And my next question is regarding, and it's an extension of the earlier participant's question on CAMSO. So currently, we are in a sale agreement with Michelin, but when will this normalize and when will we start selling directly to our customers there? Can you share a rough timeline on that?
- Arnab Banerjee:** See, the entire value chain will not come in our hands before six quarters, because that much time will be needed to set up the upstream equipments, which is the mixer and the calendar. That's number one. Maybe we won't take six quarters, the sale side will come in our hands faster than six quarters, but it could take three to four quarters.
- Ankur Poddar:** Okay. And the capacity utilization is currently 50%. So how do we see this ramping up?
- Arnab Banerjee:** So this will ramp up gradually in the first couple of quarters, but once we start getting to handle our customers directly, I think a steeper gradient is possible.
- Ankur Poddar:** And my final question is, if you can give me the breakdown of your CAPEX spend till now across segments?
- Kumar Subbiah:** See, total CAPEX in the first six months of the current year is Rs. 415 crores. And in addition to that, as part of our acquisition of this CAMSO business, yes, Rs. 236 crores is what we had paid. This is towards intangible like trademarks, patents and things like that. In that Rs. 415 crores, about Rs. 100 crores is towards our normal R&D, IT-related, plant maintenance, molds is about Rs. 100 crores in that Rs. 415 crores. And truck and bus radial tyres expansion, we spent about Rs. 50 crores. It's an ongoing expansion. Our intention is to take the truck and bus radial tyre capacity to about 2,000 tyres progressively, which we had shared in the past, and about Rs. 50 crores. And Ambernath plant expansion is about Rs. 70 crores. Chennai factory passenger

car downstream, okay, and also MCS put together is about Rs. 160 crores. And some debottlenecking is about Rs. 40 crores. That is a broad split.

Ankur Poddar:

Thanks, Kumar. Vishal here. I have one question regarding CAMSO. So, you said that CAMSO, getting the full business independently, it will take around six-odd quarters. So is there any possibility from here on as you know utilization improves, you said the margin trajectory would improve on the basis of operating leverage. But as such in terms of mix or any other terms, improvement in efficiency, is there any scope that the trajectory of margins is.. is there any lever for improvement from here on in the margin of CAMSO, which we have seen in this quarter going ahead?

Kumar Subbiah:

No, see, I think, Arnab had clarified. I think our first impression is that one-month data broadly validates the assumptions that went behind our valuation of the business with respect to cost, with respect to realization. We would request, let us have one full quarter numbers before we give you any view with respect to how the numbers would be going forward. Needless to say, September month was not a full month operation because effective 1st, though it was 1st of September, okay, take few days for the plant to commission and things like that. So, I think next quarter will help us to understand the operations better and share our perspective with respect to margins and other aspects of it.

Ankur Poddar:

Fair point, sir. Sir, last question regarding, with this CAMSO acquisition and the CAPEX coming in, our debt levels are going to rise. So, any internal target regarding debt-to-EBITDA you have set for yourself?

Kumar Subbiah:

See, look, if you look at our stand-alone numbers, in the past, whenever we went in for a large amount of CAPEX, if you recall, we were running four projects simultaneously at a point in time even a larger project book and larger debt commitment and things like that. We always said our peak debt-to-EBITDA, we would not like to go beyond 3 and debt-equity beyond 1. It is more about the peak levels is what we have agreed as a framework. While our financial, whatever we have agreed with respect to banks, there is slightly a higher level of thresholds were agreed, so that there is no breach of any financial covenants with them. As we speak, even after this little over Rs. 1,200 crores of cash outflow relating to this, okay, both the ratios, debt-to-EBITDA and debt-equity continue to remain very strong. So, debt-to-EBITDA as of 30th September is about 1.7x, marginally below 1.7x and debt-equity is about 0.6-0.7x.

So, therefore, what is the level? I think our current level, needless to say that we would like our debt levels to come under little lower, because we never have gone beyond Rs. 2,100 crores in terms of absolute debt at any point in time. Now we are closer to Rs. 3,000 crores. It will really help. But there are certain growth related projects that we are undertaking at this point in time, both in India and also in Sri Lanka in terms of adding upstream equipment. We will provide necessary growth capital and we do not expect our debt-to-EBITDA and debt-equity to move significantly higher than the current level. And at a normal stage, I think it should improve at normal level of operations.



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- Ankur Poddar:** Great, sir. Thanks, sir, for answering all my questions and congratulations for a great set of numbers. And happy Diwali, sir, to you and your team. Thank you, sir.
- Kumar Subbiah:** Thank you.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to management for closing comments.
- Arnab Banerjee:** Thank you very much, all of you, for attending this pre-Diwali conference call. And wish all of you and your families and close ones a very, very happy Diwali, and see you in a new year. Thank you.
- Moderator:** On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.