

## Q2 FY17 – Investor Presentation

November 7<sup>th</sup>, 2016



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# Section 1: RPG Group Overview

# RPG Group: Powered by Passion, Driven by Ethics

**UNLEASHTALENT  
TOUCHLIVES  
OUTPERFORM  
AND😊**

RPG Enterprises was founded in 1979 by Shri Rama Prasad Goenka, popularly known as RP Goenka, a pioneering fifth generation business leader from the Goenka family. The Goenkas have a history of business dating back to 1820 AD in banking, textiles, jute and tea. Under RP Goenka's dynamic leadership, the Group grew in size and strength with several acquisitions in the 1980s and 1990s. CEAT became a part of the RPG Group in 1982, which is now one of India's fastest growing conglomerates with 20000+ employees, presence in 100+ countries and annual gross revenues of ~\$3 Bn.



## KEC International

World leader in  
Power  
Transmission  
EPC space



## CEAT

One of India's  
leading  
manufacturer of  
automobile tyres



## Zensar Technologies

Software  
services provider  
spread across 20  
countries,  
400+ customers.



## RPG Life Sciences

Pharma  
company with  
wide range  
medicines in  
global generics  
and synthetic  
APIs.



## Raychem RPG

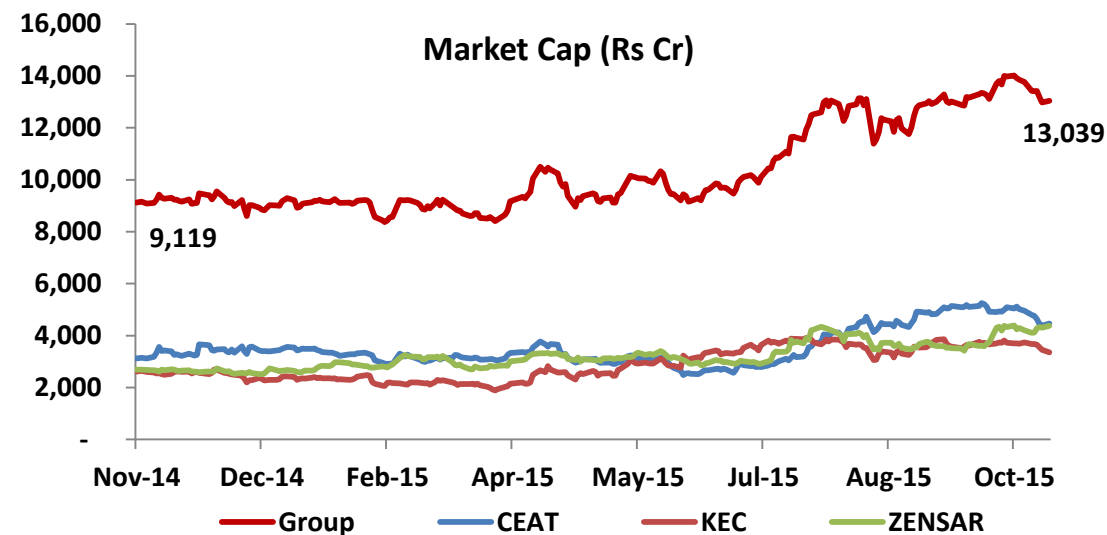
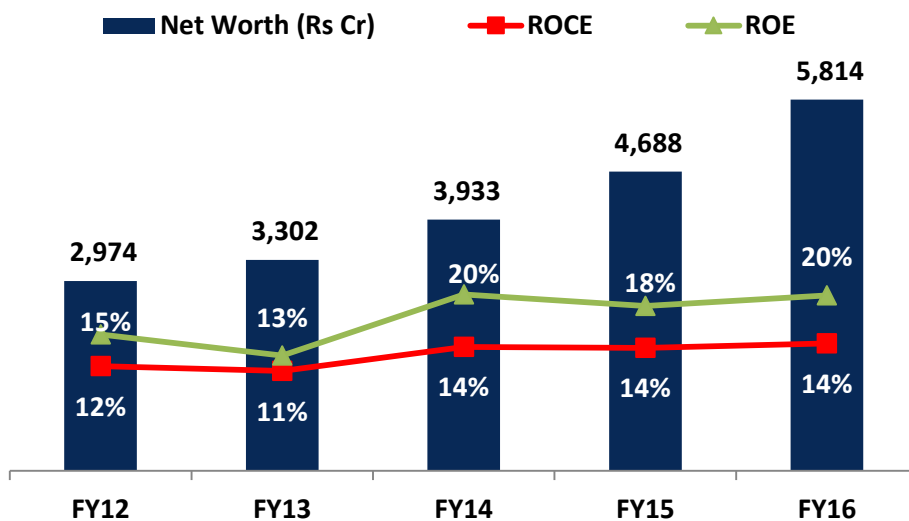
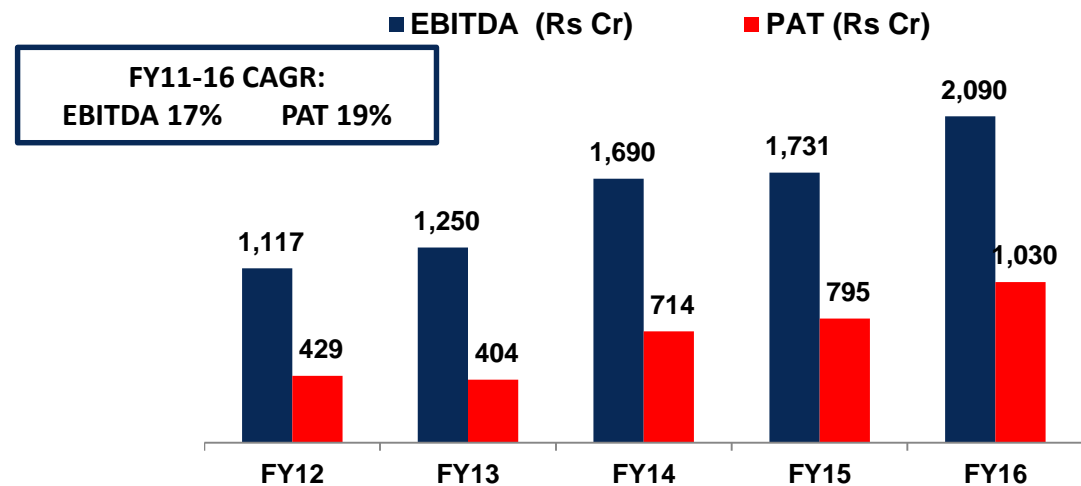
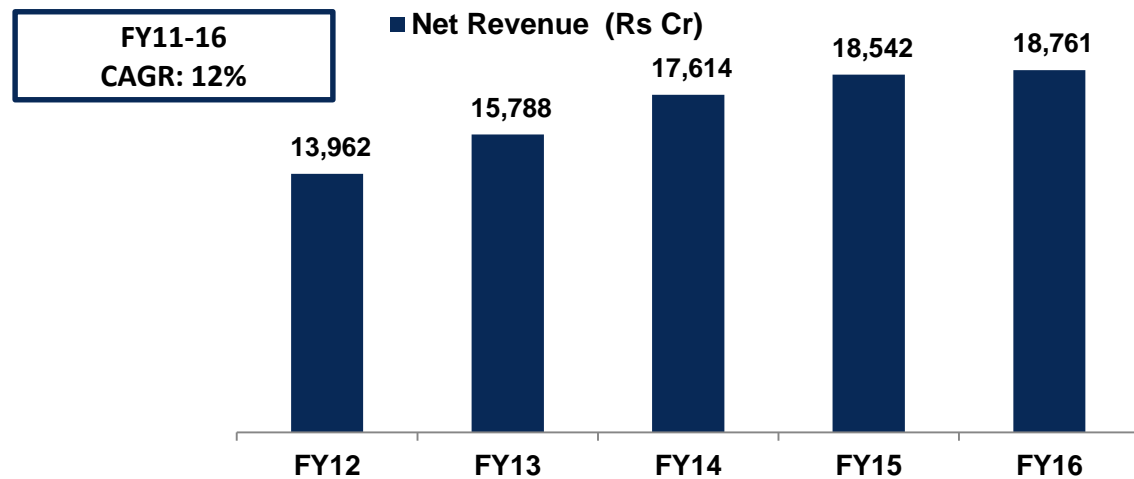
Engineering  
products and  
services  
catering to  
infrastructure  
segment  
of the economy.



## Harrisons Malayalam

One of India's  
largest plantation  
companies with  
tea, rubber and  
other agro  
products.

# RPG Group: Key Financials



Note:

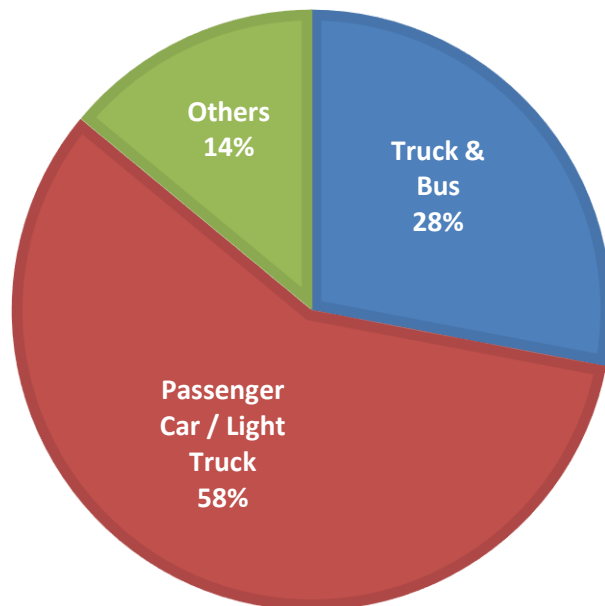
- 1) ROCE is calculated by taking EBIT multiplied by (1 minus tax rate @ 33%) divided by Average Capital Employed
- 2) ROE is calculated by taking PAT divided by Average Net-worth
- 3) Market Cap updated till 4<sup>th</sup> Nov 2016

## Section 2: Industry Overview

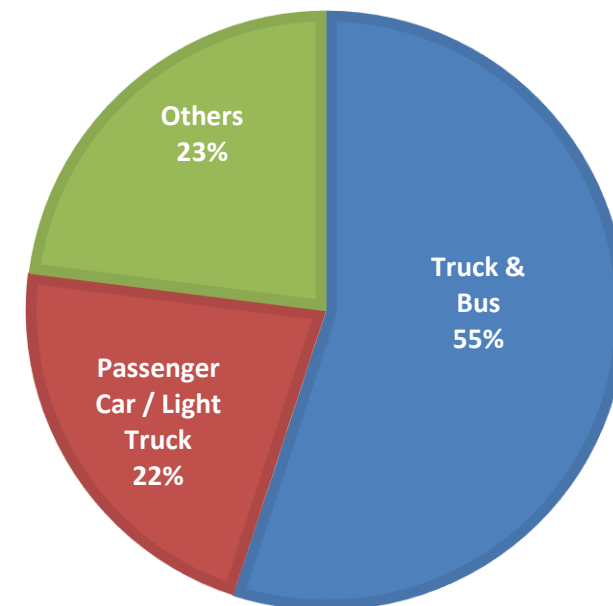
# Indian Tyre Industry Overview

- ❖ Tyre Industry turnover in India is over Rs 50,000 crore
- ❖ Truck & Bus segment accounts for 55% of the industry's revenues
- ❖ India exports ~ Rs 10,500 crore worth of Tyres

Global tyre industry revenue segmentation



Indian tyre industry revenue segmentation

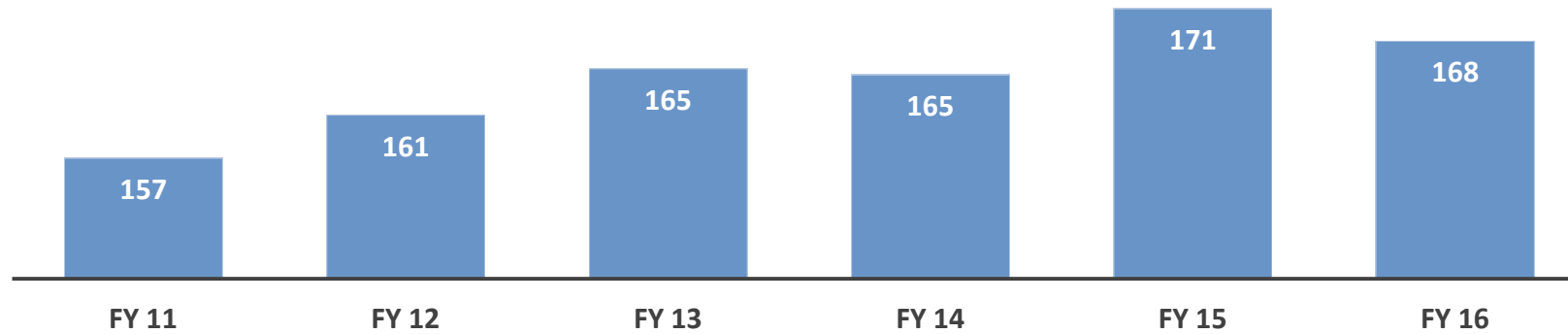




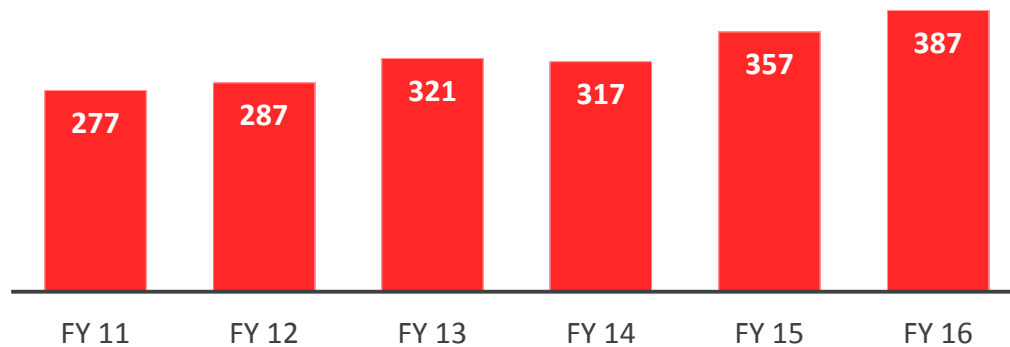
# Indian Tyre Industry Overview

## Total Tyre Production (Volumes in Lakhs)

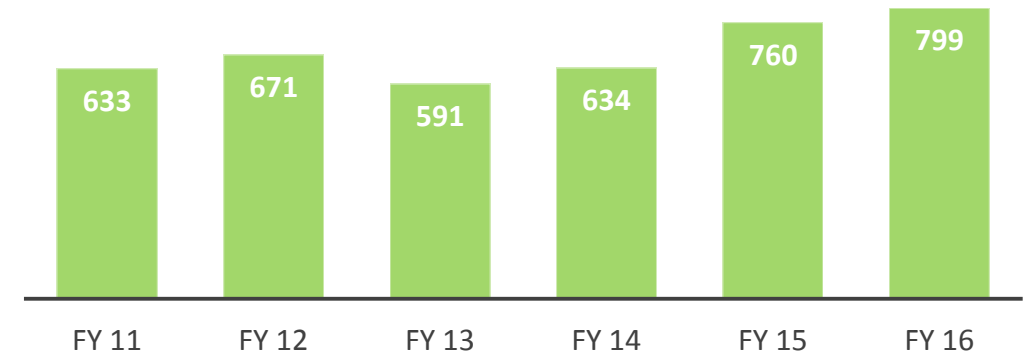
### MHCV (T&B)



### Passenger Car / Jeep



### 2 / 3 wheeler



## Section 3: Business Overview

# Board of Directors



**Harsh Vardhan Goenka**  
Chairman, Non Executive Director



**Anant Vardhan Goenka**  
Managing Director



**Arnab Banerjee**  
Whole -Time Director



**Atul C. Choksey**  
Non Executive  
Independent Director



**Haigreve Khaitan**  
Non Executive  
Independent Director



**Hari L. Mundra**  
Non Executive Non  
Independent Director



**Kantikumar R. Podar**  
Non Executive  
Independent Director



**Mahesh S. Gupta**  
Non Executive  
Independent Director



**Paras K. Chowdhary**  
Non Executive Non  
Independent Director



**Punita Lal**  
Non Executive  
Independent Director



**Ranjit Pandit**  
Non Executive  
Independent Director



**S. Doreswamy**  
Non Executive  
Independent Director



**Vinay Bansal**  
Non Executive  
Independent Director

# Leadership Team

---

**Anant Goenka**



**Managing Director**

**Manoj Jaiswal**



**Chief Financial Officer**

**Arnab Banerjee**



**Executive Director  
- Operations**

**Tom Thomas**



**Executive Director  
- Technology & Products**

**Dilip Modak**



**Senior Vice President  
- Manufacturing**

**Chandrashekhar Ajgaonkar**



**Senior Vice President  
- Quality Based Management**

**Subbiah Kumar**



**Senior Vice President  
- Materials & Outsourcing**

India's leading tyre company with over **50** yrs of presence

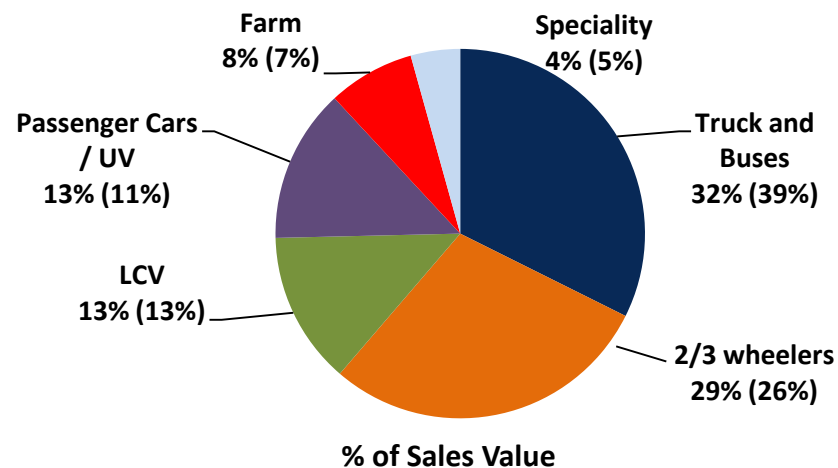
Distribution Network : **4,500+** dealers, **400+** exclusive CEAT franchisees

**6** Manufacturing facilities - Bhandup, Nasik, Halol, Nagpur, Ambernath\* & Sri Lanka

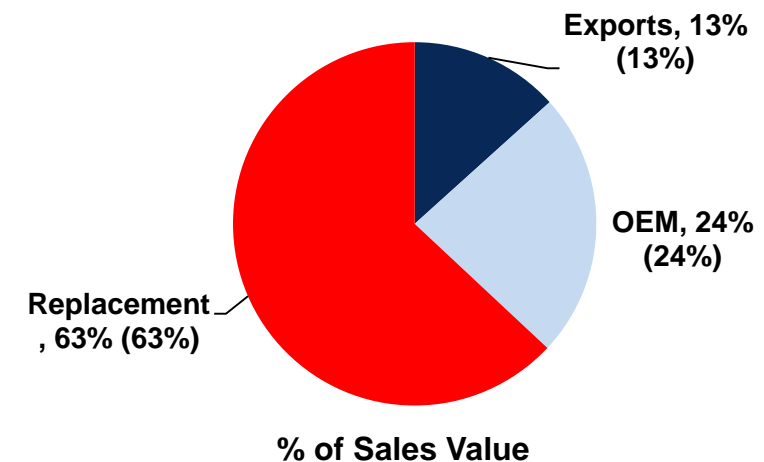
**100+** countries where products are sold with strong brand recall

**#No 1** player in Sri Lanka in terms of market share  
\* Under commissioning

H1 FY17 Revenue Breakup by Product

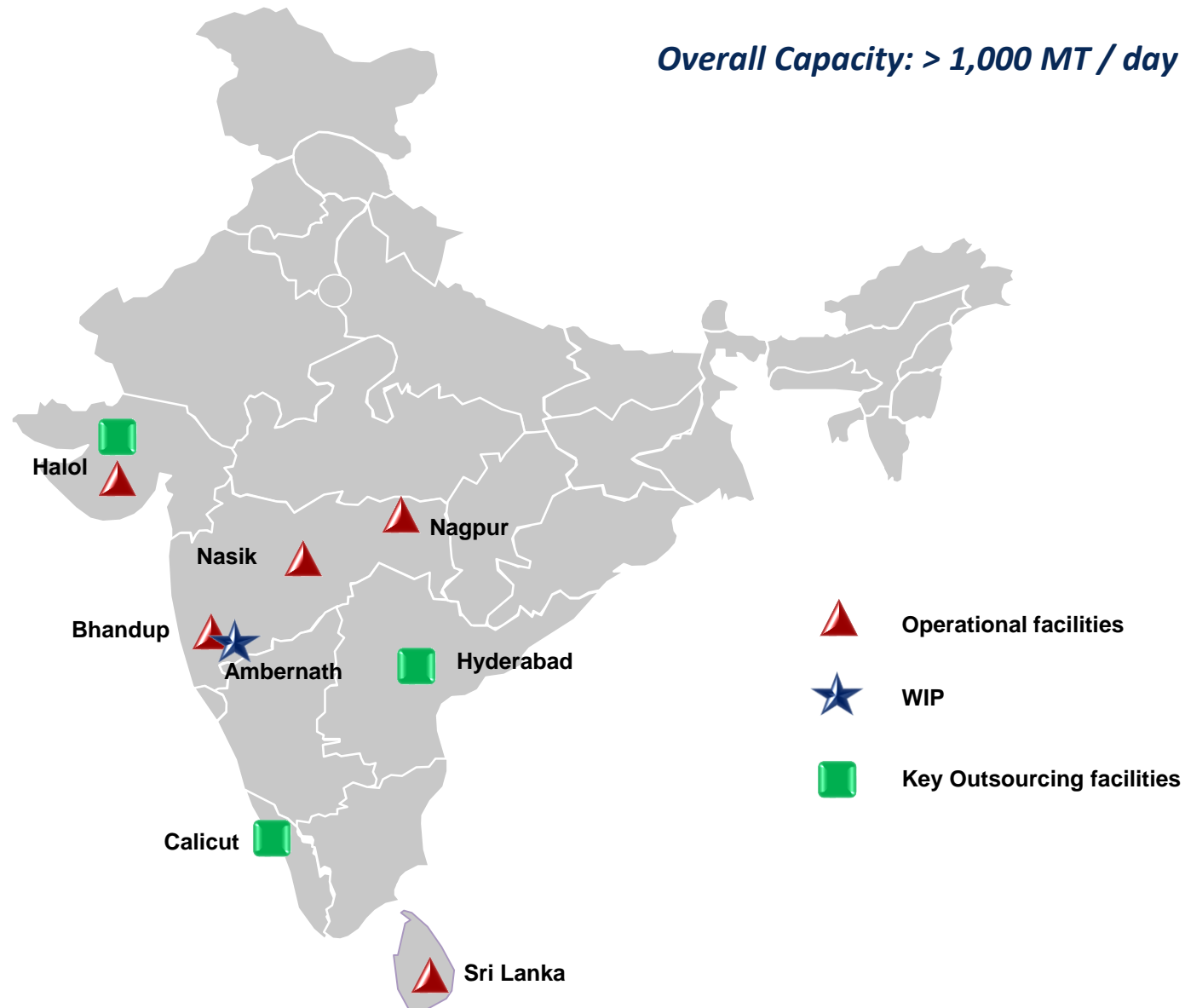


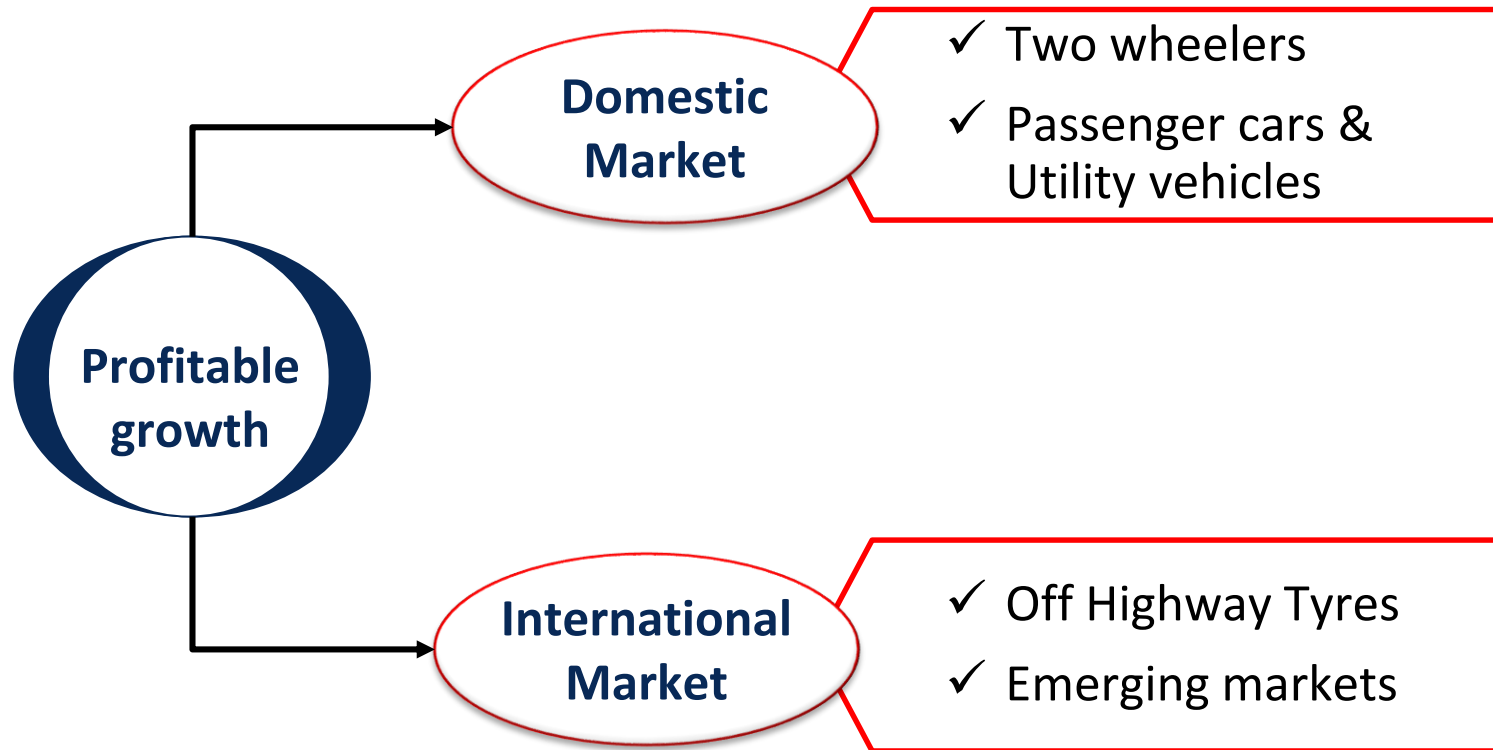
H1 FY17 Revenue Breakup by Market



# Manufacturing Facilities

*Overall Capacity: > 1,000 MT / day*





1 Differentiated Products

2 Strong Brand

3 Extensive Distribution

4 Deep OEM Partnerships

5 World Class R&D

6 Expanding Global Reach



# 1 Differentiated Products

## New Entries and Primary Supplier to OEM's



## Key developments

- **Focus on OEM, recent entries as primary supplier for OEM launches-** Hero Motocorp Achiever 150, Renault Kwid, M&M TUV 300, RE Himalayan, Honda Navi, Bajaj Vikrant V15, Hero Splendor iSmart 110, Datsun Redigo, Suzuki Access 125 etc.
- **Recent entries into OEM's existing models –** Daimler Truck Radials, Suzuki Gixxer, RE Classic, Yamaha FZ, Volvo Eicher Commercial Radial etc.
- **Platforms** like Fuelsmart, Gripp, Mileage etc.



## Strong Brand

- Adding Ajinkya Rahane to the stellar list of cricketers associated with CEAT bat like Rohit Sharma & Suresh Raina



- Installed breath analyzers along with Mumbai Police - making mobility safer



- Collaborated with Mahindra Adventure for seven of the most challenging expeditions of the country



# 3 Extensive Distribution

Shoppe



Shop in Shop (SIS)



Distribution Network

- 4,500+ dealers
- 400+ CEAT Franchisees (Shoppes + Hubs)
- 250+ two-wheeler distributors
- Developed Multi Brand Outlet / Shop in Shop model over last 2 years
- Over 300+ outlets so far
- Launched CEAT Bike Shoppes

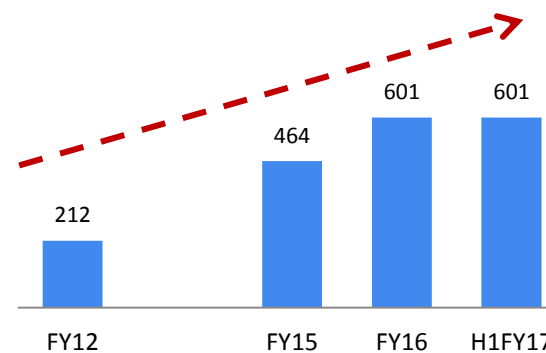
Multi Brand Outlet (MBO)



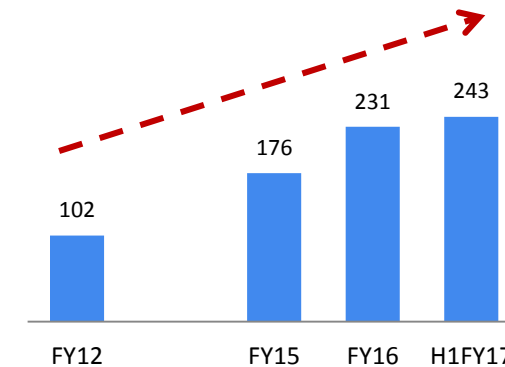
Bike Shoppe



District coverage



No. of CEAT Shoppes





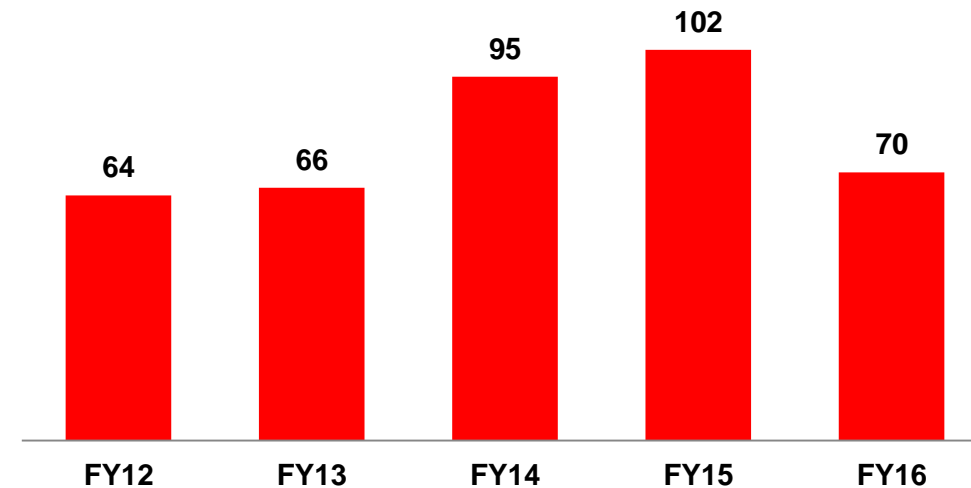
## 4 Deep OEM Partnerships



## World Class R&D

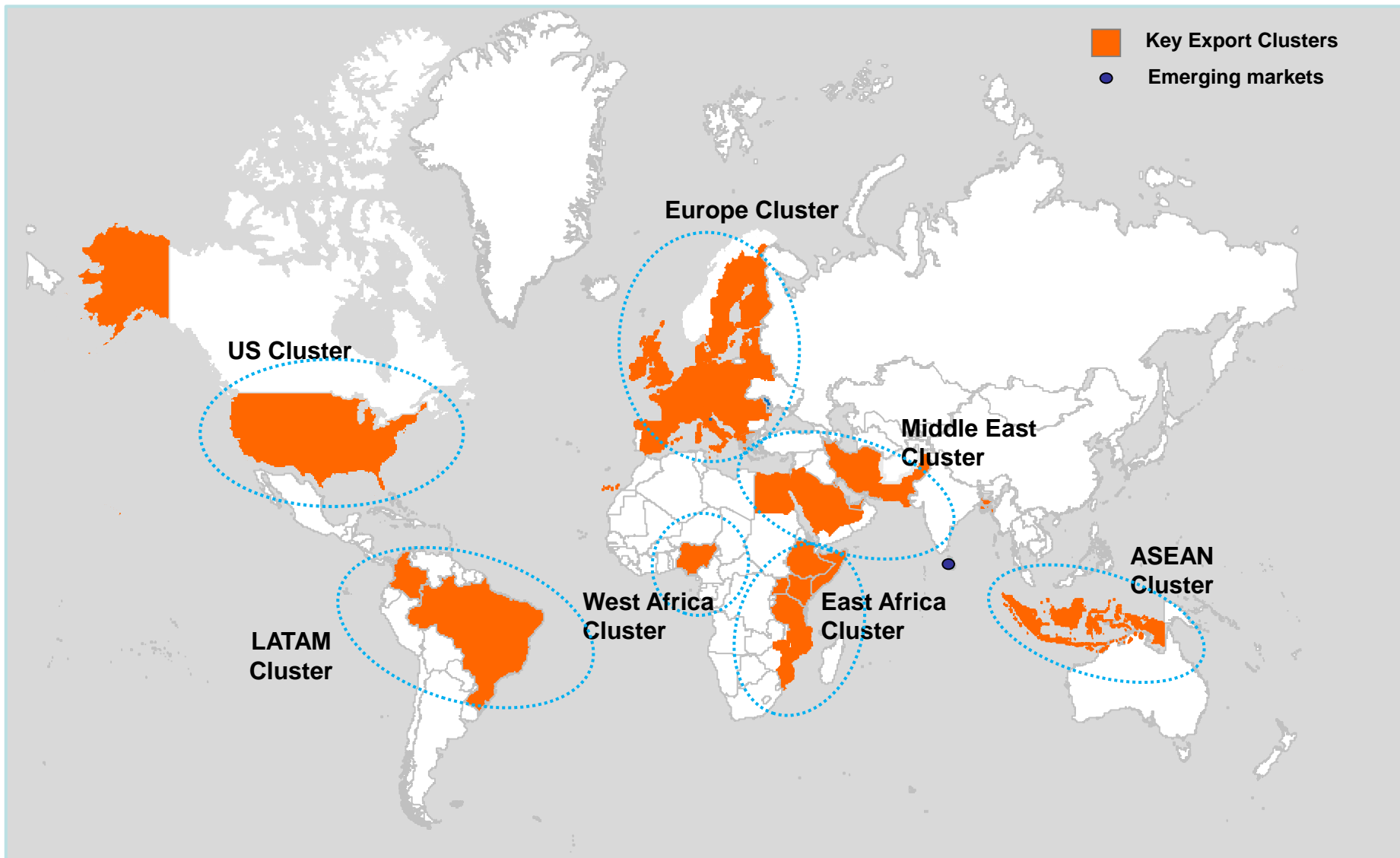


### New Products Developed



- State of the art R&D facility at Halol plant
- R&D focussed on development of breakthrough products, alternate materials, green tyres & smart tyres
- Partnerships with global institutes
- Increased allocation towards R&D

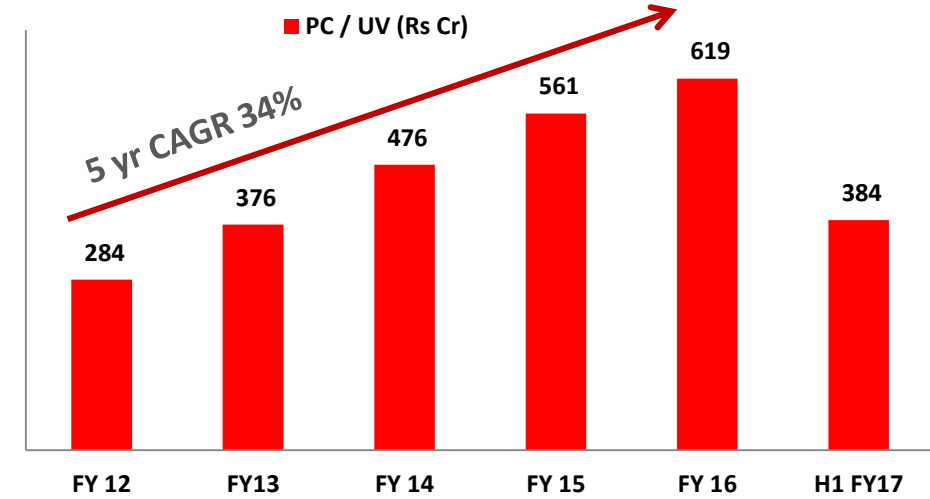
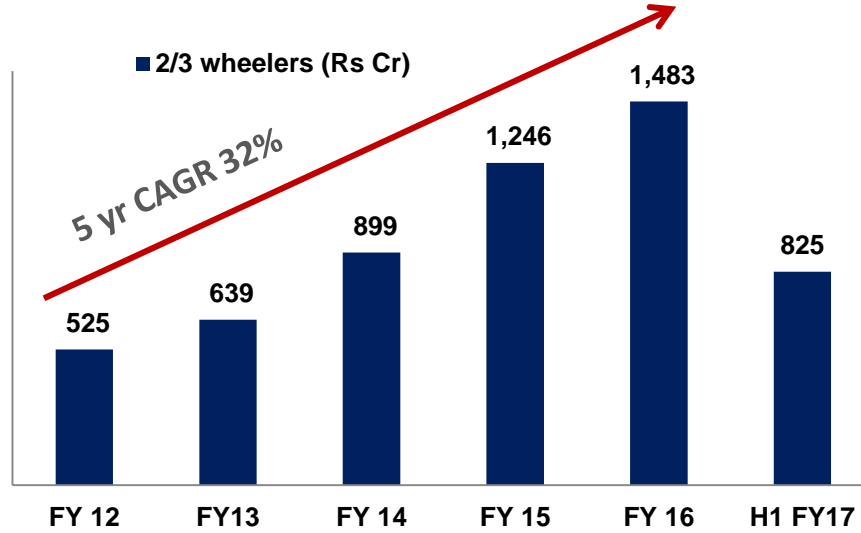
## 6 Expanding Global Reach



- **Sri Lanka:**  
Leadership position with 50+% market share
- Focused product and distribution strategy for select clusters

# Passenger Segment Trends

Revenue



## Expanding Capacities

- Nagpur plant commissioned 32 MT/day capacity as of September 2016; total capacity of 120 MT/day
- Halol Phase II plant commissioned 69 MT/day as of September 2016; total capacity of 120 MT/day
- H1FY17/ H1FY16 volume growth: 2 wheelers (+30% ), PC/UV (+30%)



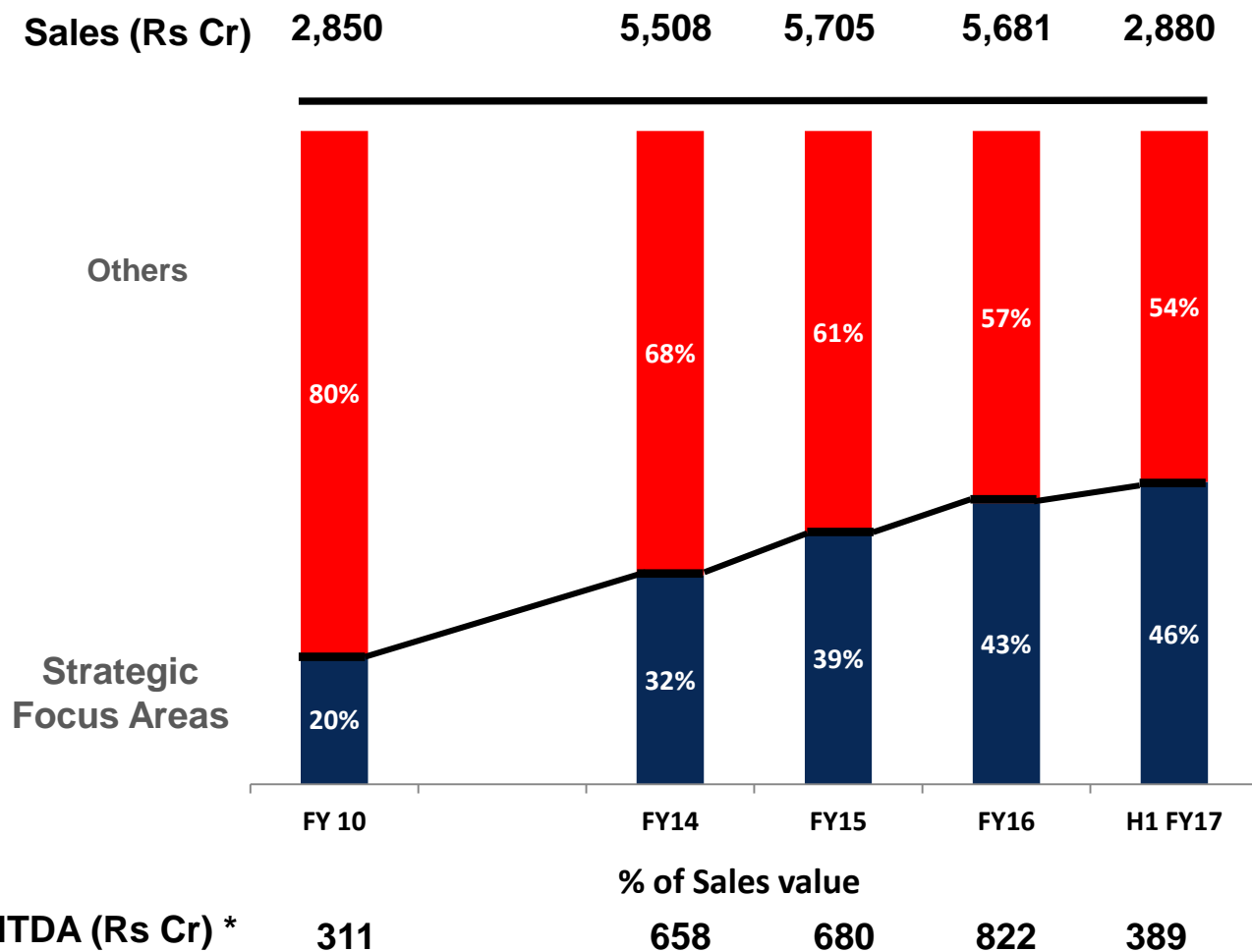
# Off Highway Tyres



## Status Update

- Greenfield OHT (Off Highway Tyres) radial plant in Ambernath
- Investing Rs 330 Crs for a Phase 1 capacity of 40 MT/day which will be further ramped up to 100 MT/day
- Production is expected to commence by Q4 FY17

# Strategic Focus Areas – Continued Momentum



## Strategic Focus Areas (Passenger Segment, Specialty Exports & Emerging Markets)

- CAGR of 27%
- 4.3x growth from Rs.570 (FY10) to Rs. 2,450 crs (FY16)
- Substantial contribution towards increasing profitability
- Market share growing

### Note

H1 FY17 figures are per IND AS; Other financial figures are as per IGAAP as published in previous periods

For H1 FY17, Company's investment in Sri Lanka JV is accounted using Equity method under IND AS which was earlier consolidated using proportionate consolidation method

For H1 FY17, EBITDA includes profit from Sri Lanka JV (after tax)

EBITDA includes Other operating income; does not include Non- operating income



# Section 4: Operational & Financial Overview

# Q2 FY17 Operational Highlights

## OEM approvals & entries



Hero Hunk 150cc  
new version



Hero Glamour  
new version



Bajaj Vikrant  
125cc new version



Bajaj Pulsar 150cc  
new version



VECV BUS- 10.00R20  
PRO R10



M&M 4WD  
small tractor

## Credit Rating

CEAT's Long term credit rating is upgraded to 'AA (Double A)' from 'AA- (Double A minus)' by CARE Ratings

## Awards

Halol plant conferred with "Sword of Honour Award" by British Safety Council

## Products

Fuelsmart tyres  
"Tyres that pay for themselves over their life"



Launch of Puncture Safe Tyres  
for 2 Wheelers



"Win" Series for Truck & Bus  
Radial tyres



# Consolidated: Q2 FY17 Financial Highlights

## Q2 FY17 v/s Q1 FY17 (Q-o-Q)

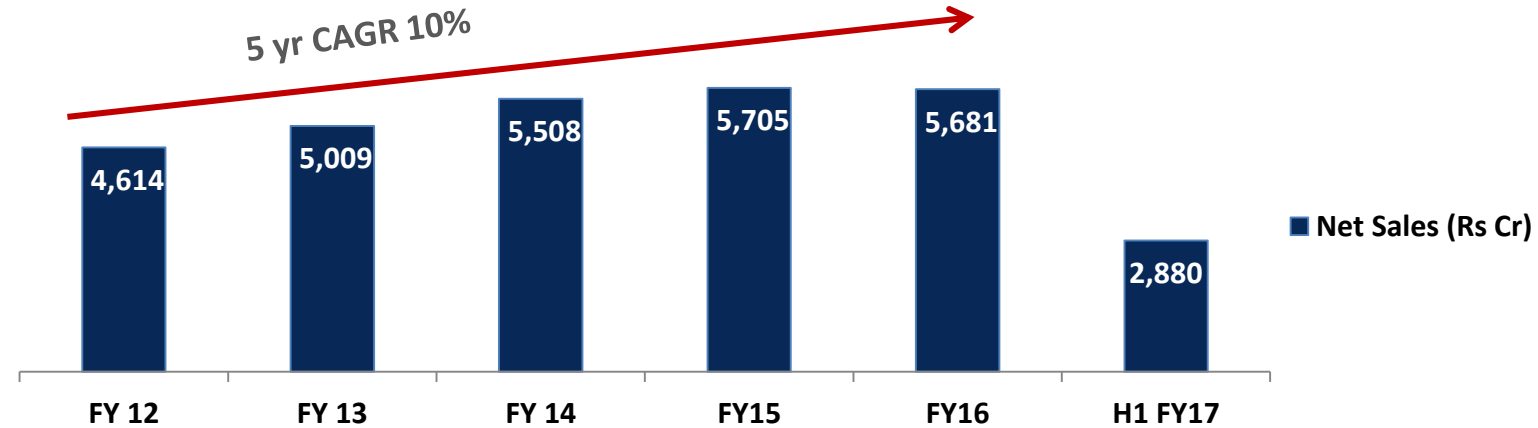
- Sales down by 2.9% at Rs 1,419 Crs from Rs 1,461 Crs; volume decline of 2.5%
- Gross margins have contracted to 42.3% from 42.8%
- EBITDA stood at Rs. 194 crs compared to Rs 196Crs; margins at 13.7% from 13.4%
- PAT stood at Rs 107 Crs compared to Rs 104 Crs
- Debt / equity at 0.3x ; same as for Q1 FY17
- Debt / EBITDA stood at 1.0x from 0.9x
- ROE at 20%; same as for Q1 FY17
- ROCE at 14% from 15%

## Q2 FY17 v/s Q2 FY16 (Y-o-Y)

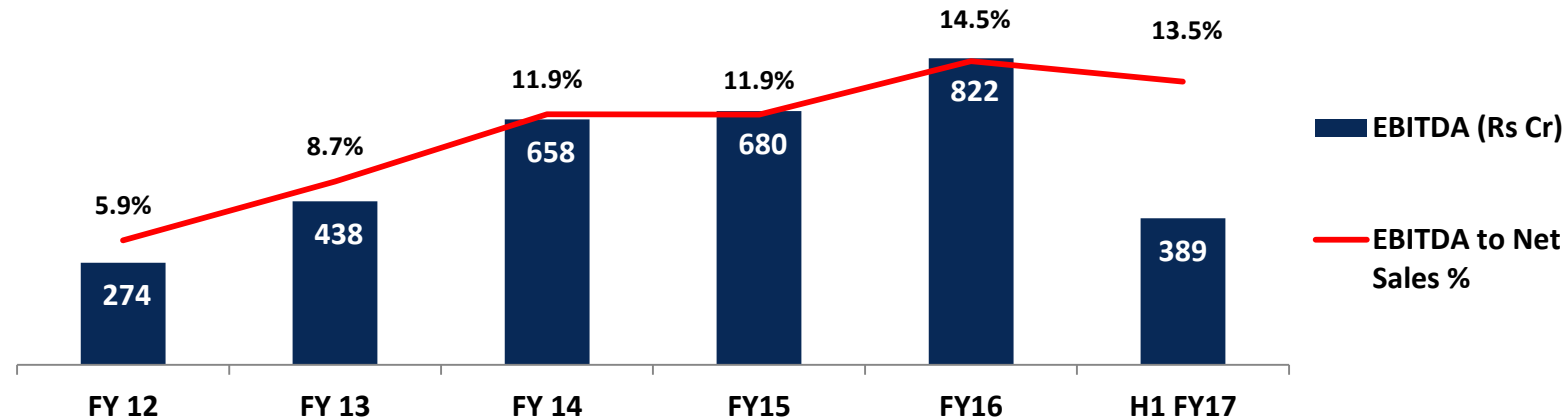
- Sales up by 5.7% at Rs 1,419 Crs from Rs 1,342 Crs; volume growth of 13.2%
- Gross margins have contracted to 42.3% from 43.6%
- EBITDA stood at Rs. 194 crs compared to Rs 192 Crs; margins at 13.7% from 14.3%
- PAT stood at Rs 107 Crs compared to Rs 105 Crs
- Debt / equity at 0.3x ; same as for Q2 FY16
- Debt / EBITDA stood at 1.0x from 0.9x
- ROE at 20% from 23%
- ROCE at 14% from 17%

# Consolidated: Financial Trends

## Revenue growth



## Margin trends



### Notes

H1 FY17 financials is per IND AS; Other financial figures are as per IGAAP as published in previous periods

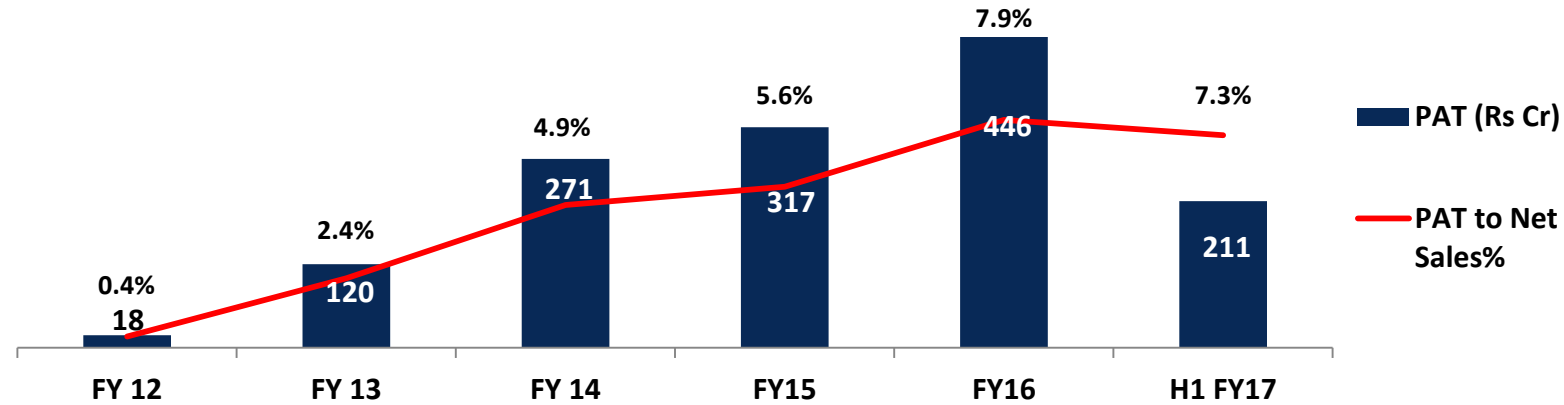
Company's investment in Sri Lanka JV is accounted using Equity method under IND AS which was earlier consolidated using proportionate consolidation method

For H1 FY17, EBITDA includes profit from Sri Lanka JV (after tax)

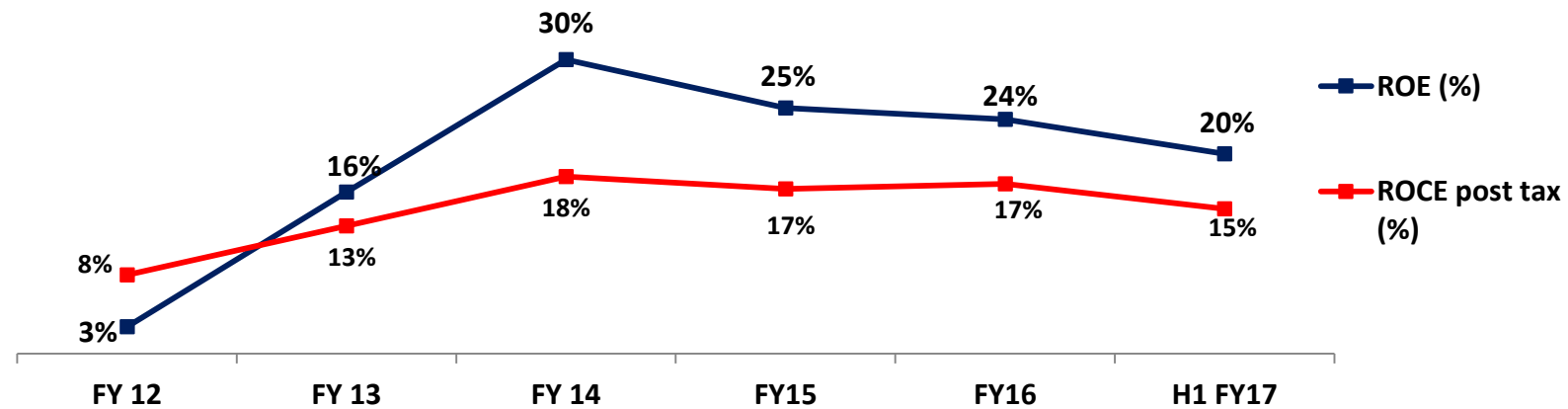
EBITDA includes Other operating income; does not include Non- operating income

# Consolidated: Financial Trends

## PAT trends



## Return Ratios



### Notes

H1 FY17 financials are per IND AS; Other financial figures are as per IGAAP as published in previous periods

QIP proceeds considered for part of the year for 2015

ROCE is based on PBIT \*(1-tax rate) and average capital employed has been considered for calculations

# Consolidated: Q2 FY17 Financials

Parameter	Rs cr			
	Q2FY16	Q2FY17	H1FY16	H1FY17
Net Sales	1,342	1,419	2,747	2,880
Growth (YoY)	-	5.7%	-	4.8%
Growth (QoQ)	-	-2.9%	-	-
EBITDA	192	194	416	389
Growth (YoY)	-	0.9%	-	-6.4%
Growth (QoQ)	-	-0.9%	-	-
EBITDA (%)	14.3%	13.7%	15.1%	13.5%
PAT	105	107	227	211
EPS (Rs.) (Basic)	25.9	26.3	55.9	51.9
Net Worth	1,903	2,252	1,903	2,252
Debt	654	770	654	770
D/E (x)	0.3	0.3	0.3	0.3
No of shares (cr)	4.0	4.0	4.0	4.0
B/V (Rs.)	470	557	470	557

## Notes

FY17 figures are as per IND AS and FY16 figures are as per I GAAP

Company's investment in Sri Lanka JV is accounted using Equity method under IND AS which was earlier consolidated using proportionate consolidation method

EBITDA includes profit from Sri Lanka JV (after tax)

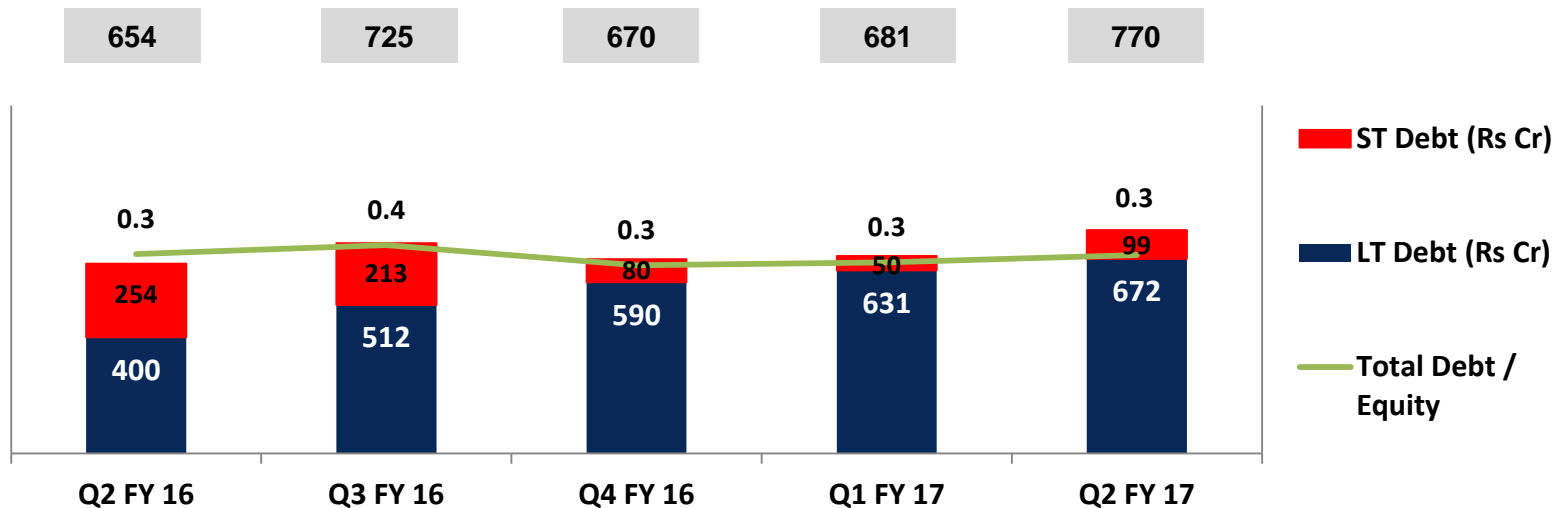
EBITDA includes Other operating income; does not include Non- operating income

Debt includes current maturity of long term debt

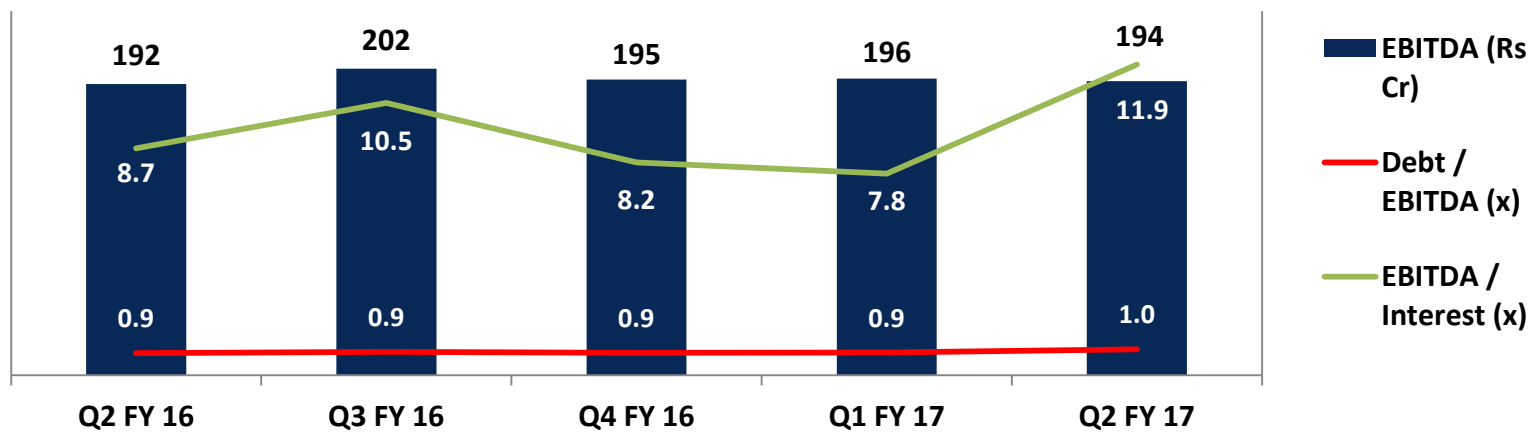
# Consolidated: Leverage / coverage Profile

Total Debt  
(Rs Cr)

Debt breakup



Leverage ratios



## Notes

For Income statement figures - Q2 FY16, Q1 FY17 and Q2 FY17 figures are as per IND AS; other figures are as per IGAAP

For Balance Sheet figures - Q2 FY17 figures are as per IND AS; other figures are as per IGAAP

Company's investment in Sri Lanka JV is accounted using Equity method under IND AS which was earlier consolidated using proportionate consolidation method

Q2 FY16, Q1 FY17 and Q2 FY17 EBITDA includes profit from Sri Lanka JV (after tax)

EBITDA includes Other operating income; does not include Non- operating income

# Standalone: Q2 FY17 Financials

Parameter	Rs Cr							
	Q2FY16	Q1FY17	Q2FY17	QoQ	YoY	H1FY16	H1FY17	YoY
<b>Net Sales</b>	<b>1,339</b>	<b>1,447</b>	<b>1,405</b>	<b>-2.9%</b>	<b>4.9%</b>	<b>2,736</b>	<b>2,851</b>	<b>4.2%</b>
Raw Material	759	834	816	-2.1%	7.5%	1,571	1,650	5.0%
<b>Gross margin</b>	<b>580</b>	<b>613</b>	<b>588</b>	<b>-4.0%</b>	<b>1.4%</b>	<b>1,166</b>	<b>1,201</b>	<b>3.1%</b>
<b>Gross margin %</b>	<b>43.3%</b>	<b>42.4%</b>	<b>41.9%</b>	<b>-50 bps</b>	<b>-140 bps</b>	<b>42.6%</b>	<b>42.1%</b>	<b>-50 bps</b>
Employee	97	90	95	4.8%	-2.3%	189	185	-2.0%
Other Expenses	306	346	317	-8.4%	3.9%	590	664	12.4%
<b>EBITDA</b>	<b>186</b>	<b>185</b>	<b>185</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>406</b>	<b>371</b>	<b>-8.7%</b>
<b>EBITDA %</b>	<b>13.9%</b>	<b>12.8%</b>	<b>13.2%</b>	<b>-40 bps</b>	<b>-70 bps</b>	<b>14.8%</b>	<b>13.0%</b>	<b>-180 bps</b>
Finance Cost	22	25	16	-36.5%	-30.1%	49	40	-17.3%
Depreciation	23	30	31	4.9%	37.9%	46	61	33.7%
<b>Operating PBT</b>	<b>141</b>	<b>131</b>	<b>139</b>	<b>6.4%</b>	<b>-0.9%</b>	<b>313</b>	<b>270</b>	<b>-13.5%</b>
Exceptional expense	1	1	(0)	-100.3%	-100.2%	1	1	-17.0%
Non-Operating income	21	7	5	-23.3%	-74.9%	29	12	-58.2%
<b>PBT</b>	<b>161</b>	<b>137</b>	<b>144</b>	<b>4.8%</b>	<b>-10.6%</b>	<b>340</b>	<b>281</b>	<b>-17.4%</b>
<b>PAT</b>	<b>112</b>	<b>96</b>	<b>102</b>	<b>5.5%</b>	<b>-9.3%</b>	<b>232</b>	<b>198</b>	<b>-14.4%</b>
<b>Volumes (mt)</b>	<b>65,500</b>	<b>75,800</b>	<b>73,700</b>	<b>-2.8%</b>	<b>12.5%</b>	<b>1,32,300</b>	<b>1,49,400</b>	<b>13.0%</b>

## Notes

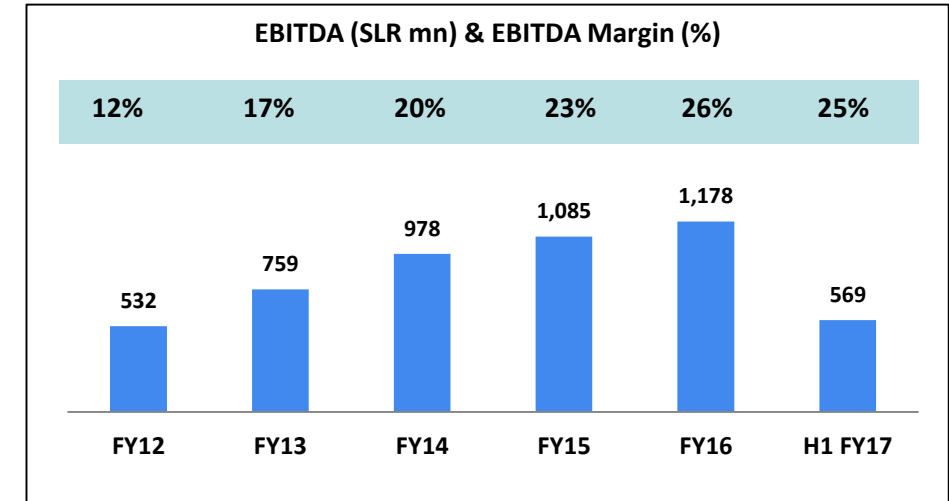
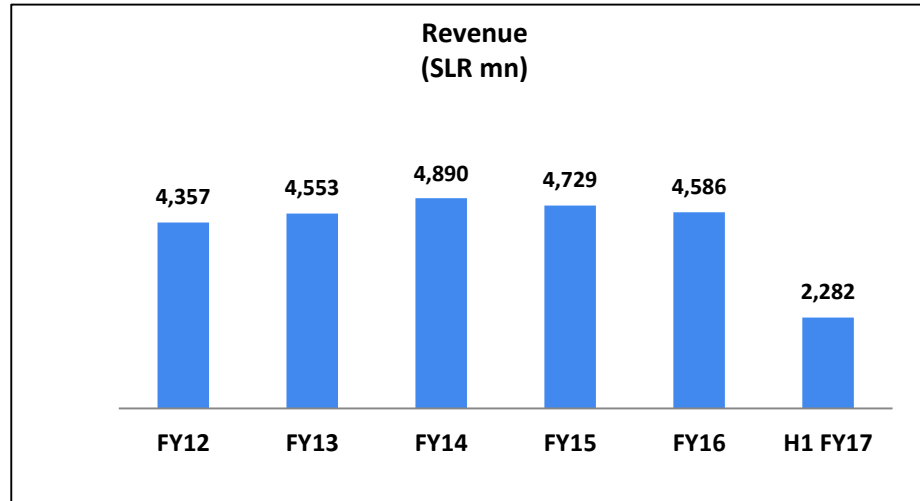
Financials are as per IND AS

EBITDA includes Other operating income; does not include Non- operating income



# Emerging Markets Trends

Sri Lanka



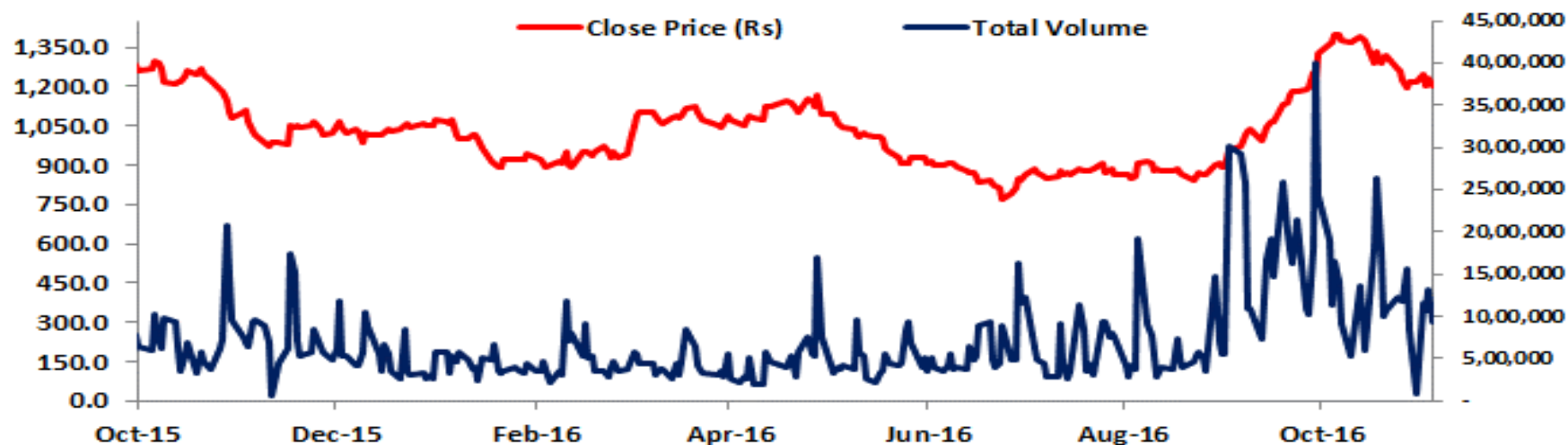
- 50% JV with Kelani Tyres Ltd
- Strong presence in the truck, light truck, 2 / 3 wheeler and radial tyre segments
- Two manufacturing facilities with total capacity of 61 MT/day
- Only company with local presence supported by brand, network & strong after sales service
- Q2 FY17 Volume stood at 4,240 MT

## Notes

EBITDA = Profit before taxation + Depreciation and Amortization Exps + Finance Costs (EBITDA includes non-operating income)

Capacity refers to achievable capacity

# Equity Shareholding & Price trends

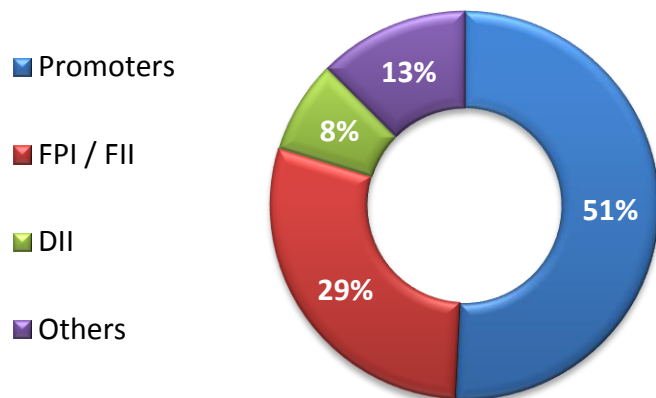


## Returns since Oct' 15

- CEAT: -5%
- Sensex: 4%

Source : Capitaline  
Data is updated till 4<sup>th</sup> Nov 2016

## Shareholding Pattern as on September 30, 2016



## Market Information

- Market Price (Nov 4): Rs 1,200/share
- Face Value : Rs 10/share
- Market Cap (Nov 4): Rs 4,855 Cr
- Net Worth: Rs. 2,252 Cr

THANK YOU