

**CEAT STRATEGIC TIMEOUT****CEAT** **2:00****NO.1\* IN CUSTOMER SATISFACTION****Q4 FY17 – Investor Presentation**April 28<sup>th</sup>, 2017

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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

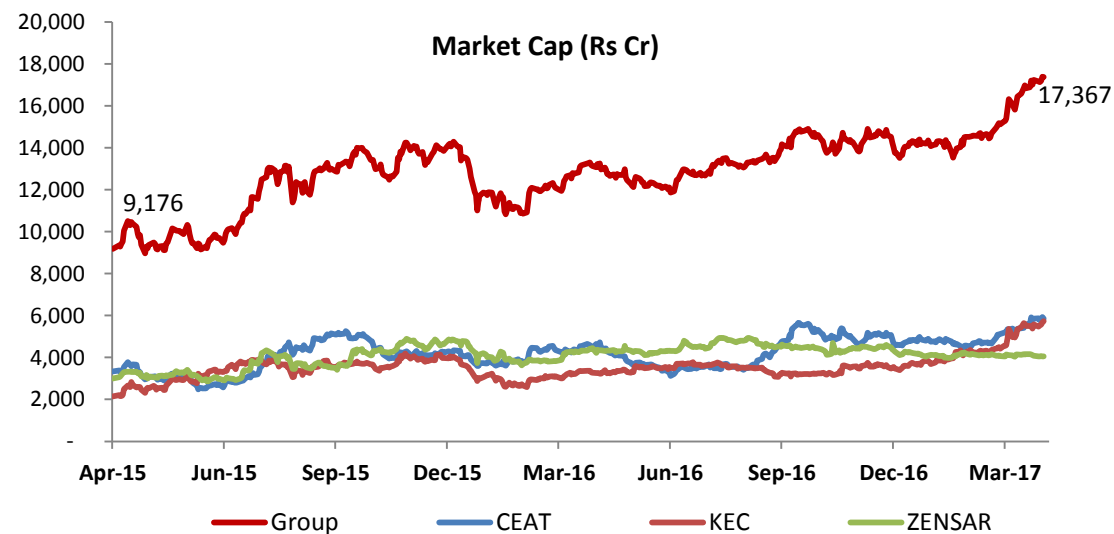
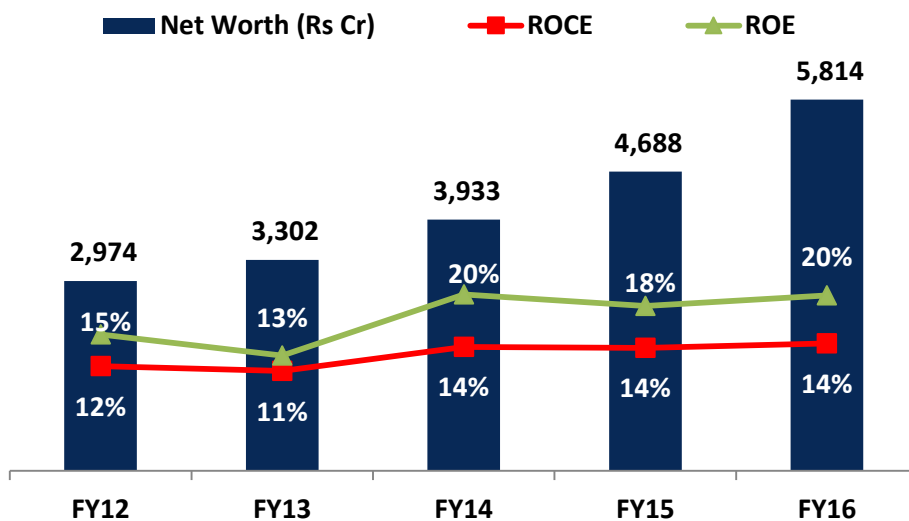
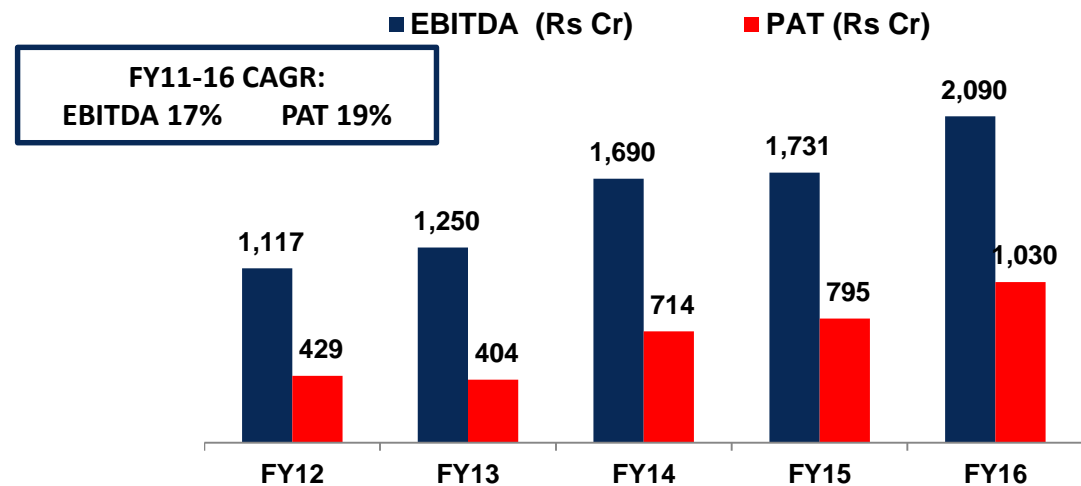
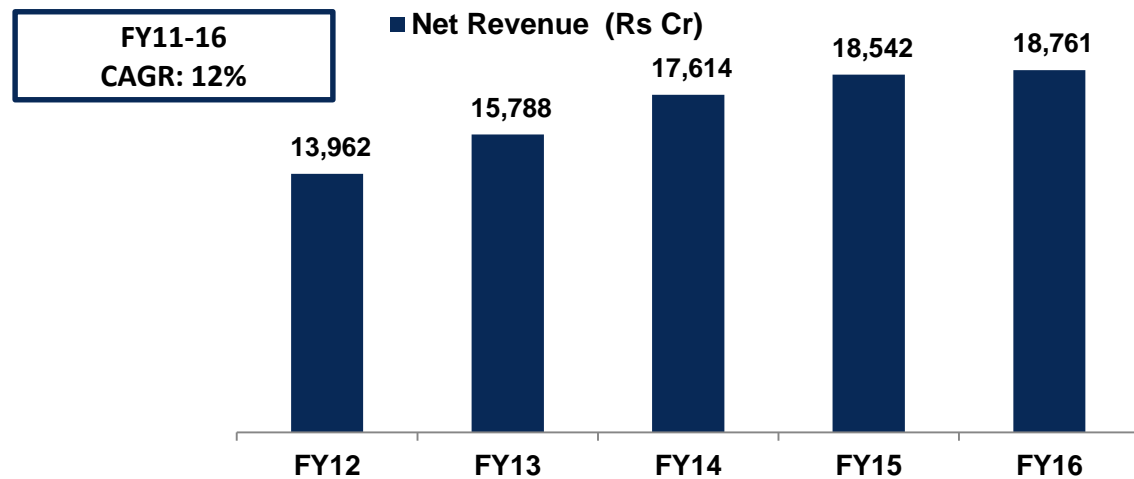
Engineering  
products and  
services  
catering to  
infrastructure  
segment  
of the economy.



## Harrisons Malayalam

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

# RPG Group: Key Financials



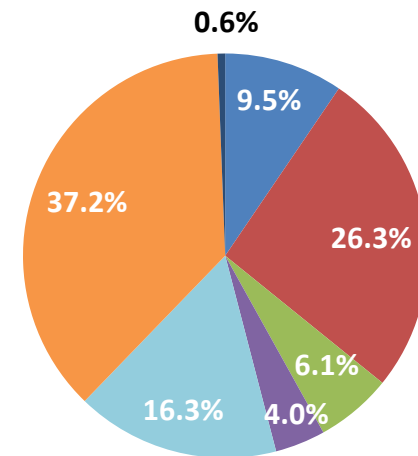
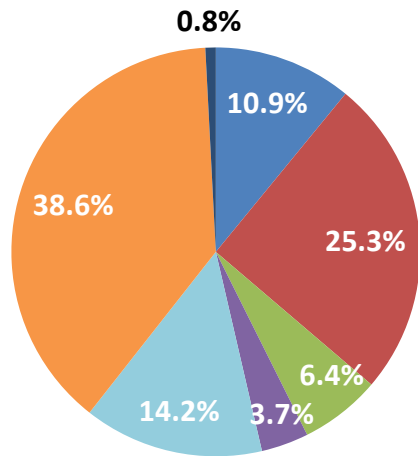
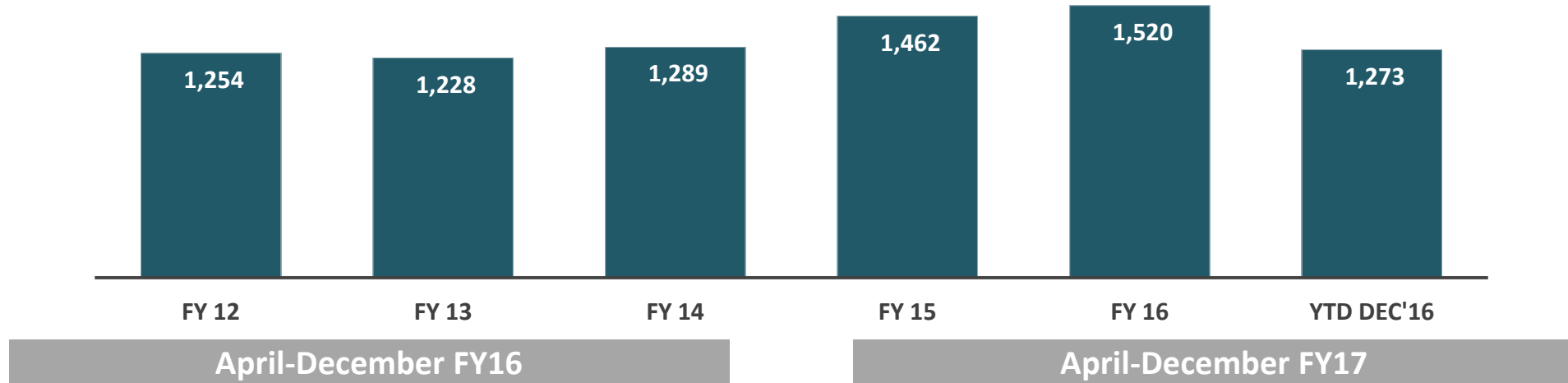
Note:

- 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 21<sup>st</sup> April 2017

## Section 2: Industry Overview

# Indian Tyre Industry

Total Tyre Production in India (Numbers in Lakhs)

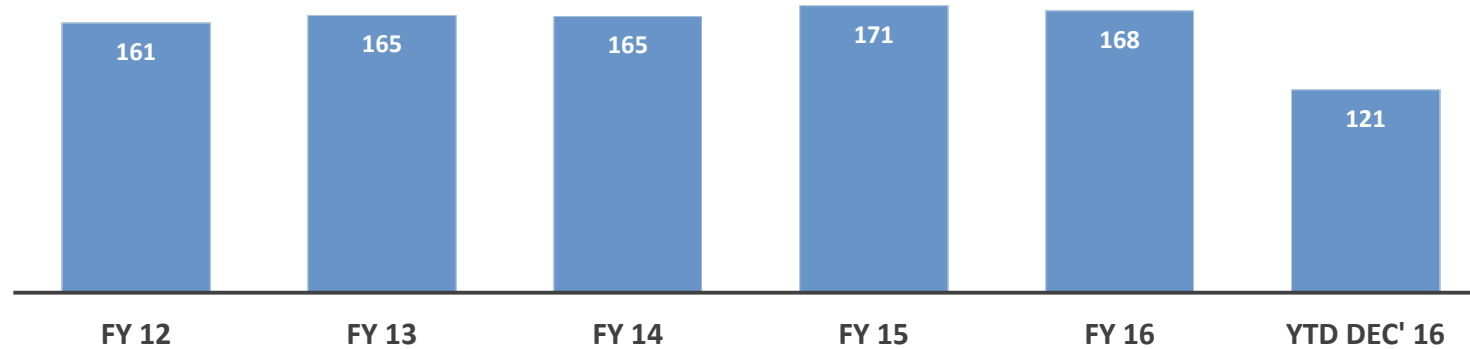




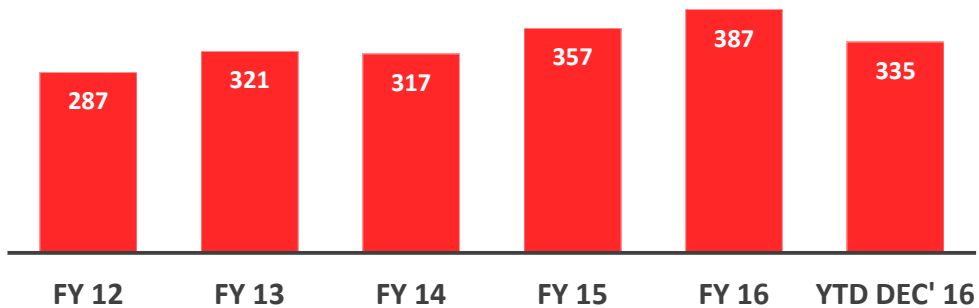
# Indian Tyre Industry

## Tyre Production in India (Numbers in Lakhs)

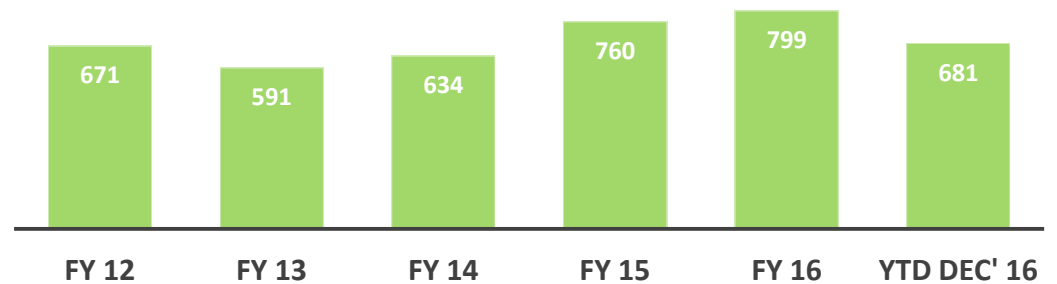
### MHCV (T&B)



### 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



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



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



**Haigreve Khaitan**  
Non Executive  
Independent Director



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



**Paras K. Chowdhary**  
Non Executive  
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**

**Kumar Subbiah**



**Chief Financial Officer**

**Arnab Banerjee**



**Executive Director  
- Operations**

**Milind Apte**



**Senior Vice President  
- Human Resources**

**Tom Thomas**



**Executive Director  
- Technology & Products**

**Dilip Modak**



**Senior Vice President  
- Manufacturing**

**Chandrashekhar Ajgaonkar**



**Senior Vice President  
- Quality Based Management**

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

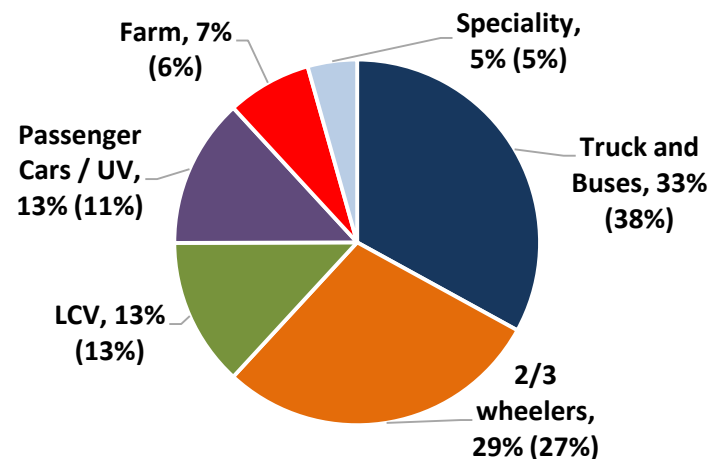
Distribution Network : **4,500+** dealers, **450+** exclusive CEAT franchisees

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

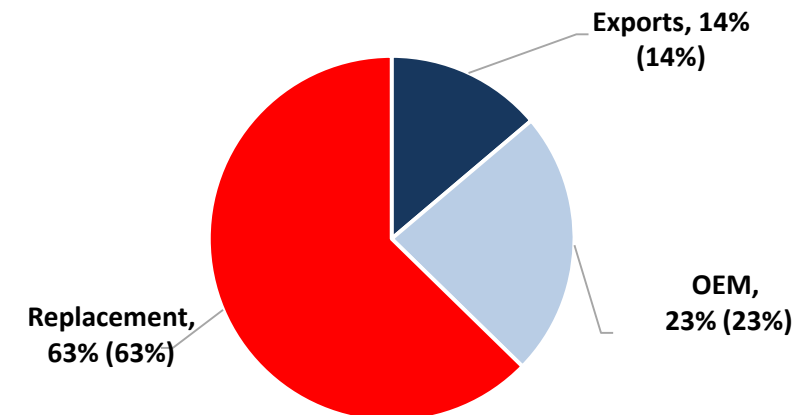
**100+** countries where products are sold with strong brand recall

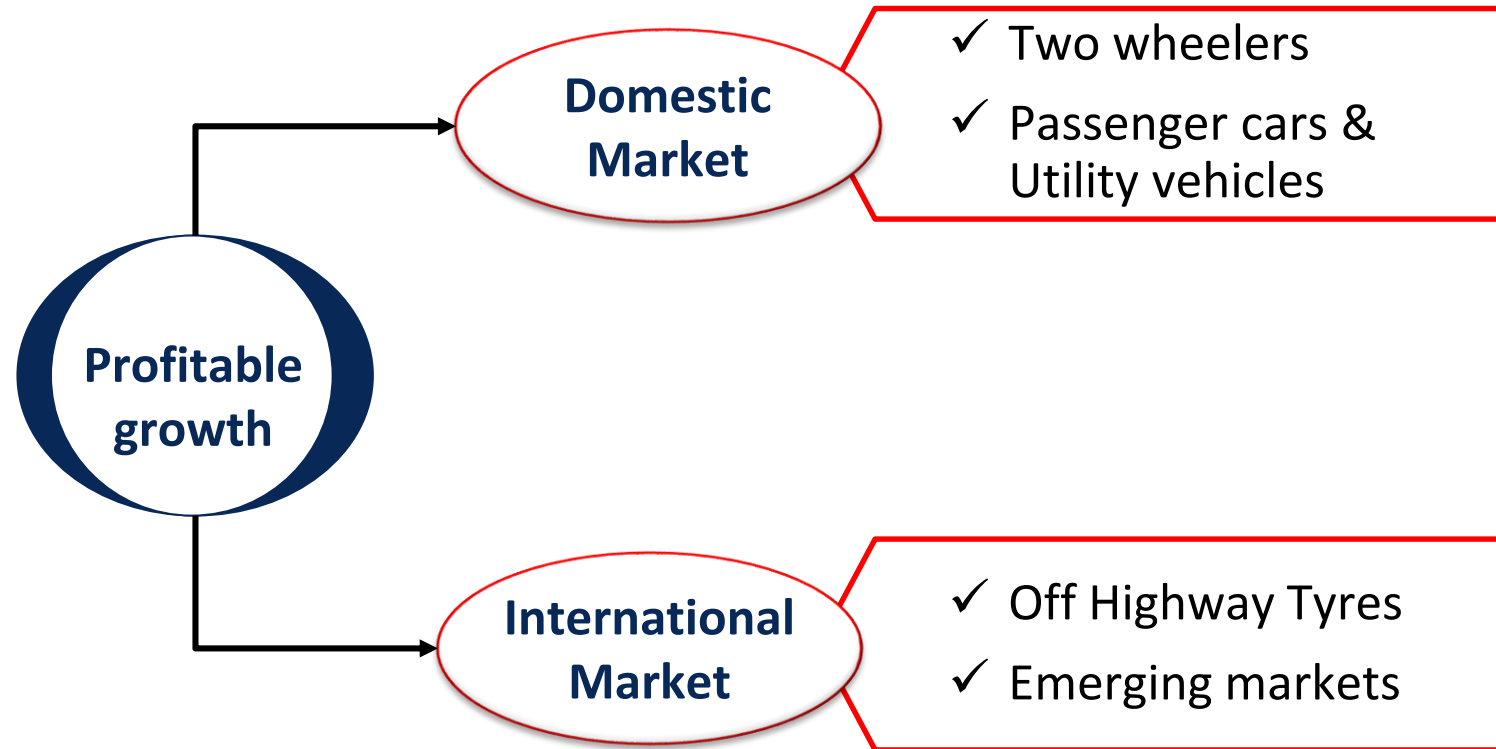
**#No 1** player in Sri Lanka in terms of market share  
\* Under commissioning

FY 17 Revenue Breakup by Product



FY 17 Revenue Breakup by Market





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 first source suppliers for OEM launches-** Ashok Leyland Stag and Partner, Tork T6X, 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 –** Wagon R, Zylo, Daimler Truck Radials, Suzuki Gixxer, RE Classic, Yamaha FZ, Volvo Eicher Commercial Radial etc.
- **Platforms like** Fuelsmart, Gripp, Mileage etc.



## 2 Strong Brand



In the new TVCs, “In the Game of Roads, CEAT Helps”, the concept of “Be Idiot Safe” campaign was evolved to the next level. It reflects CEAT’s purpose of making mobility safer & smarter

[“In the game of Roads–CEAT Helps”  
TVC video](#)

### Drive Safe Dad Campaign- with the Bobble Head

Dads received a personalized bobble head which is attached to the odometer of the vehicle. The campaign focuses on discouraging dads from over-speeding vehicles.

[Drive Safe Dad Campaign Video](#)





# 3 Extensive Distribution

Shoppe



Shop in Shop (SIS)



Distribution Network

- 4,500+ dealers
- 450+ CEAT Franchisees (Shoppes + Hubs)
- 250+ two-wheeler distributors
- Developed Multi Brand Outlet / Shop in Shop model over last 2 years. Over 350+ outlets so far
- Launched CEAT Bike Shoppes in Bangalore and Kolkata

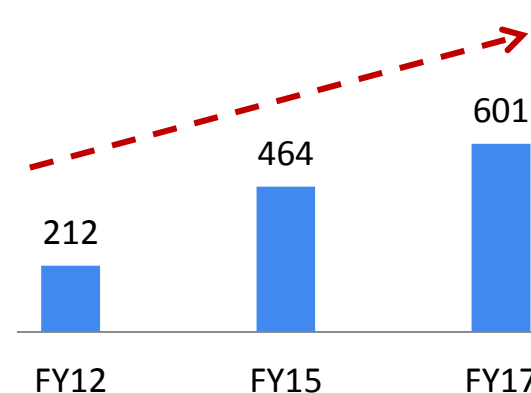
Multi Brand Outlet (MBO)



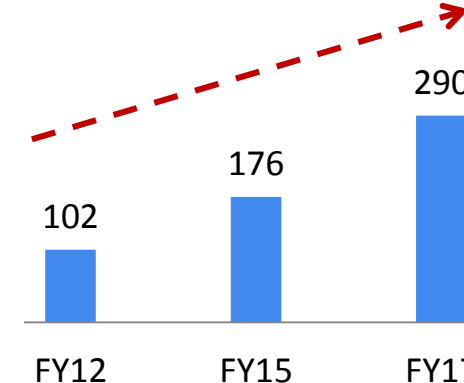
Bike Shoppe



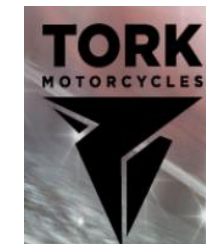
District coverage



No. of CEAT Shoppes



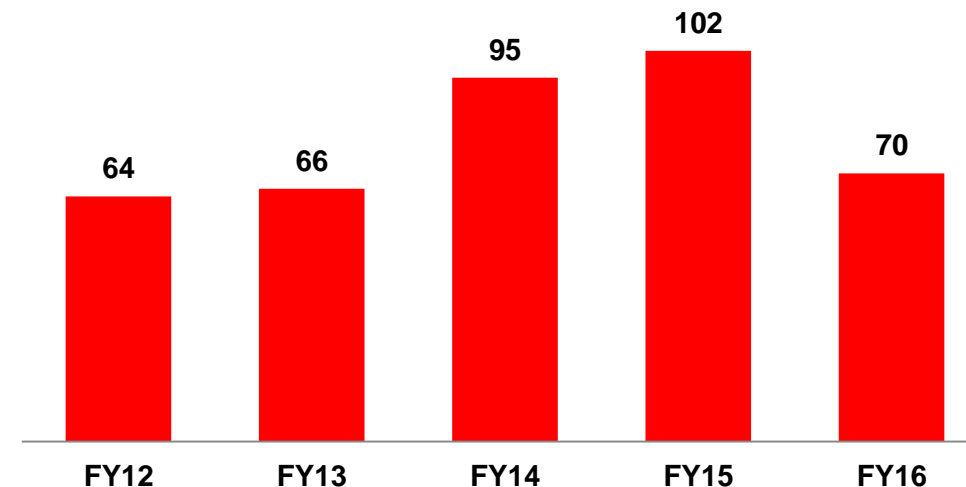
## 4 Deep OEM Partnerships



## 5 World Class R&D



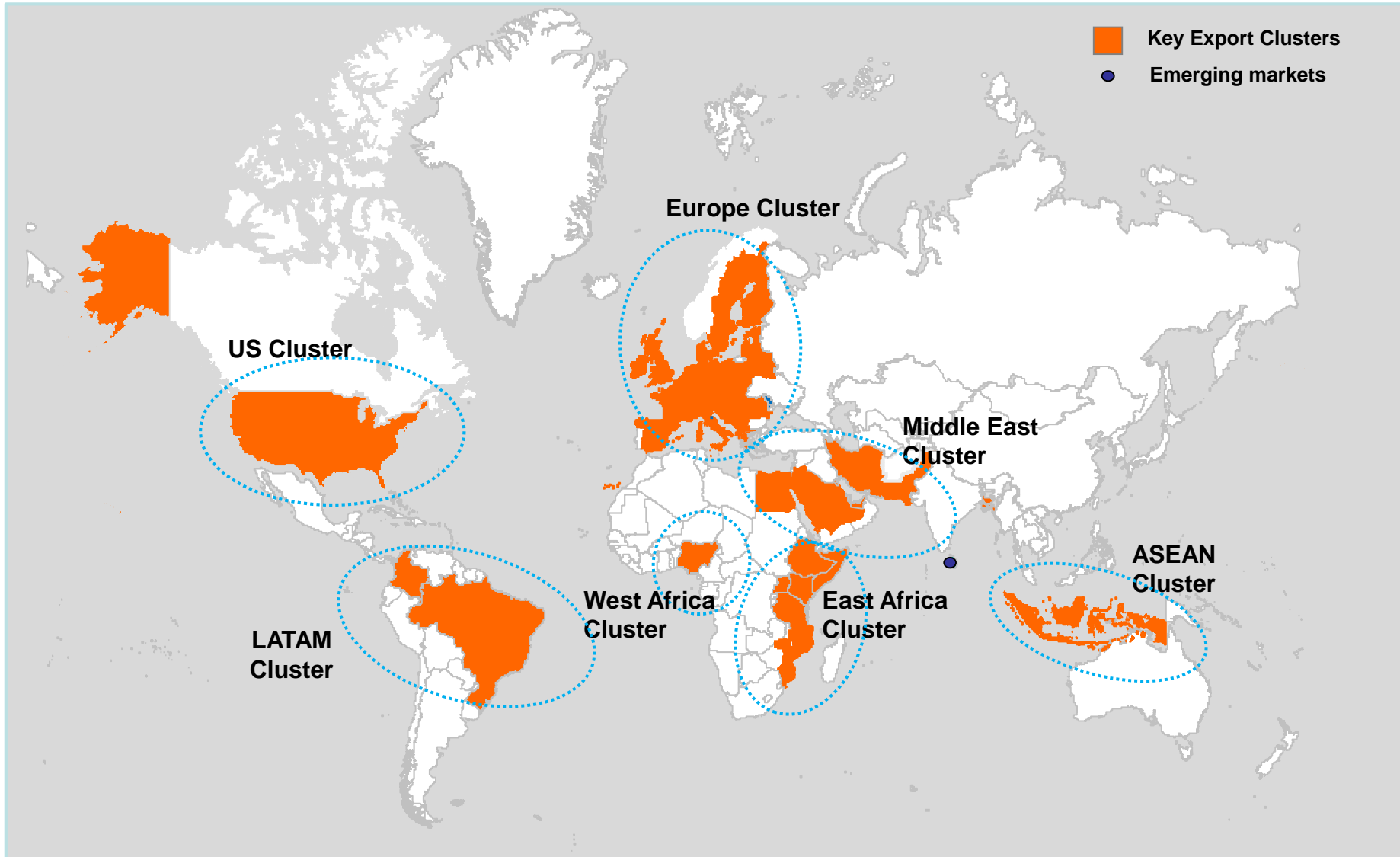
New Products Developed



- 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



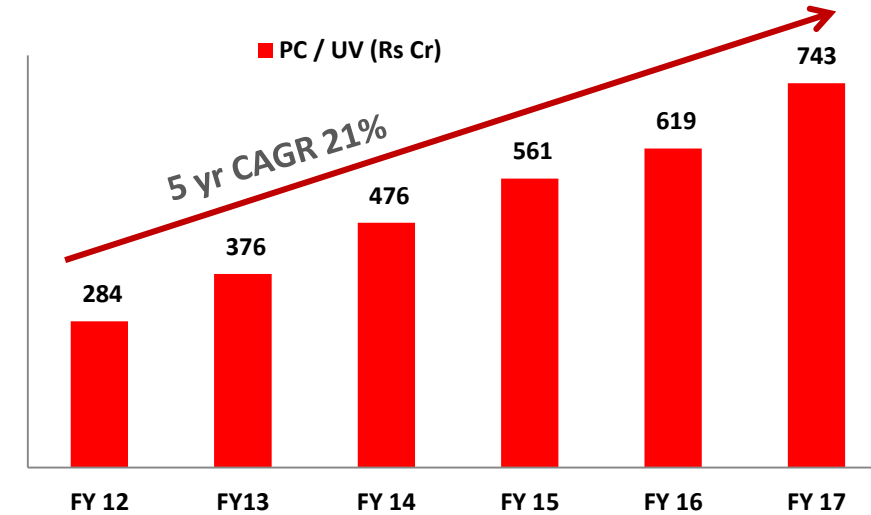
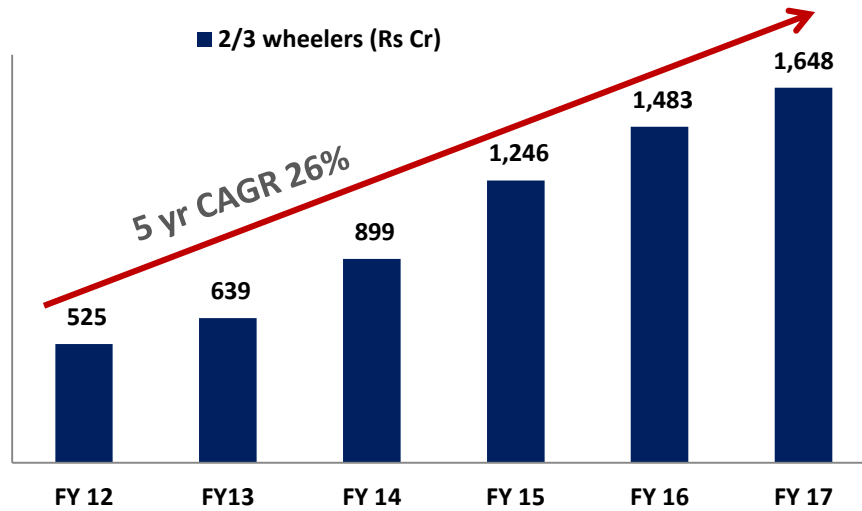
## 6 Expanding Global Reach



- **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 67 MT/day capacity as of March 2017; total capacity of 120 MT/day
- Halol Phase II plant commissioned 76 MT/day as of March 2017; total capacity of 120 MT/day
- FY17/ FY16 volume growth: 2 wheelers (+20% ), PC/UV (+15%)

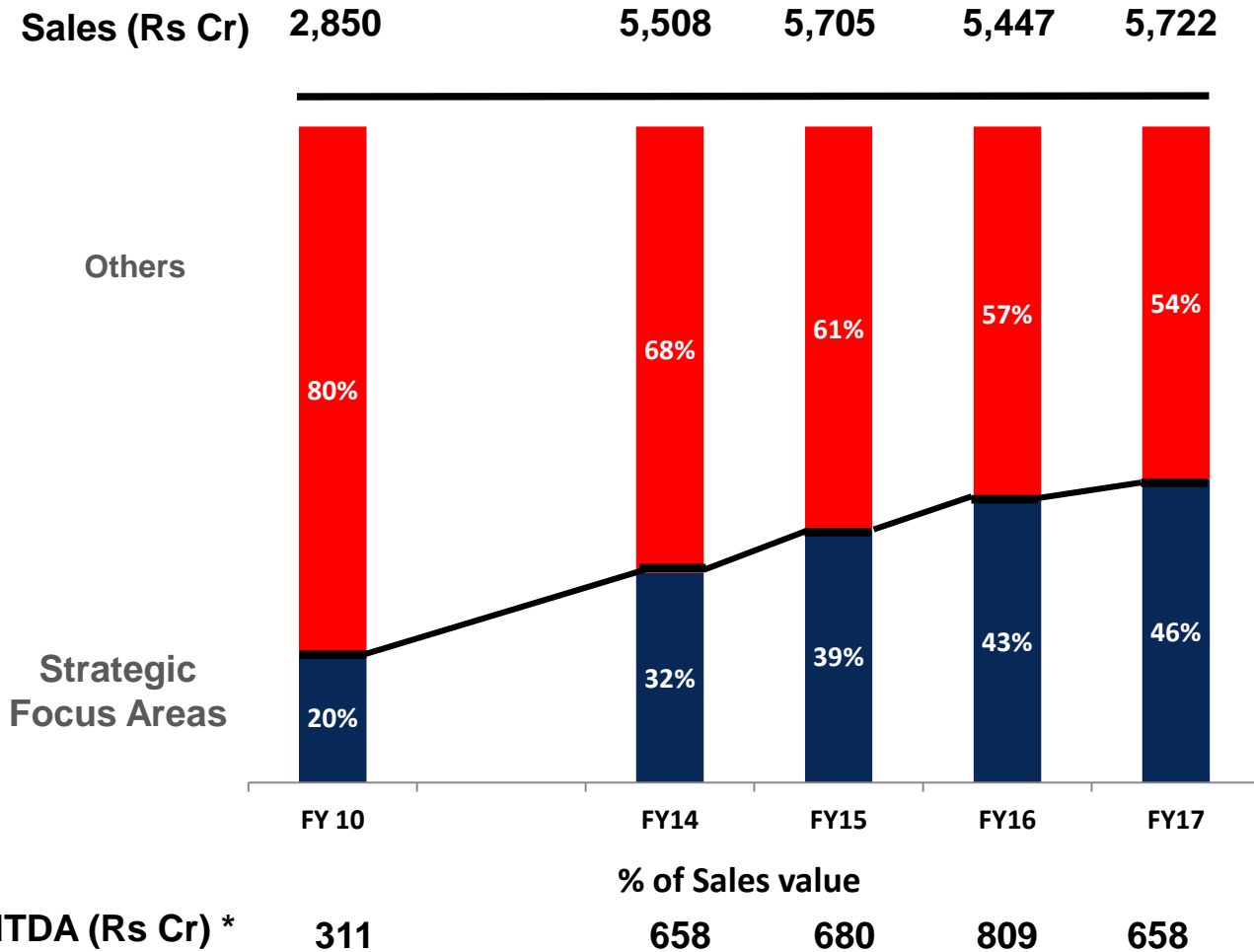
# Off Highway Tyres



## 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 shall commence in Q2 FY18

# Strategic Focus Areas – Continued Momentum



## Strategic Focus Areas

(Passenger Segment, Specialty Exports & Emerging Markets)

- CAGR of 25%
- 4.7x growth from Rs.570 (FY10) to Rs. 2,700 crs (FY17)
- Substantial contribution towards increasing profitability
- Market share growing

### Note

FY16 and FY17 figures are per IND AS; Other financial figures are as per IGAAP as published in previous periods

For FY16 and 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 FY16 and 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



# Q4 FY17 Operational Highlights

## Accolades

CEAT ranked highest in India for OE Tyre customer satisfaction as per J.D. Power 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI)

## Products

Launch of MILAZE tyres for the high selling Taxi SUV segment across India



Launch of BULAND range of tyres completed for Small Commercial Vehicles (SCV) across India.



## OEM entries



Honda Activa 125



Maruti Suzuki Wagon R



Ashok Leyland Stag and Partner



Volvo Eicher LCV

# Consolidated: Q4 FY17 Financial Highlights

## Q4 FY17 v/s Q3 FY17 (Q-o-Q)

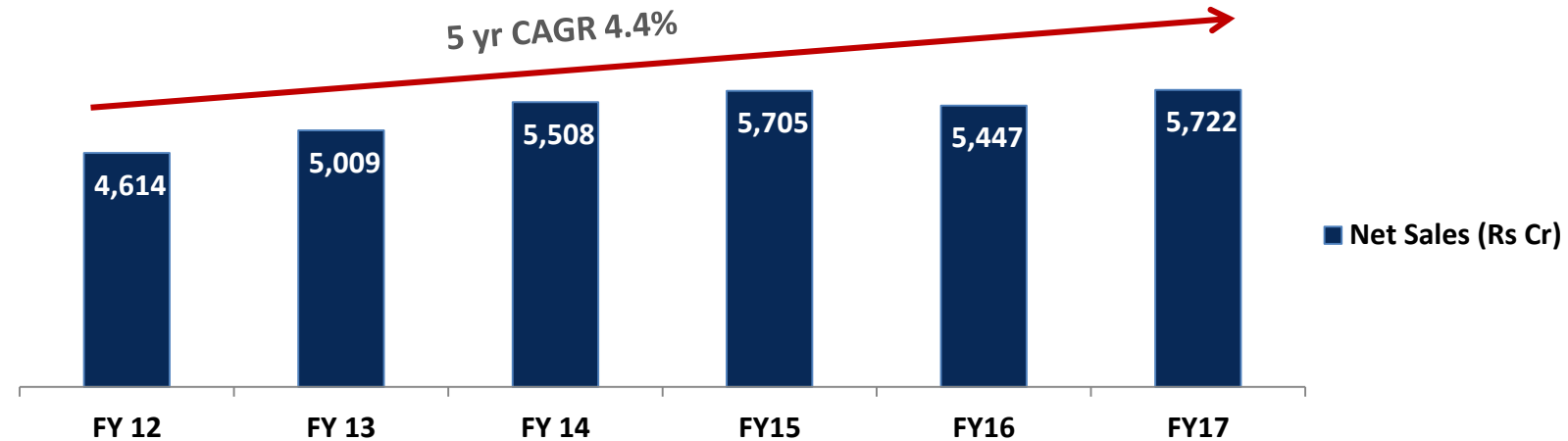
- Sales up by 5.2% at Rs 1,458 Crs from Rs 1,386 Crs
- Gross margins have contracted to 36.5% from 40.8%
- EBITDA stood at Rs. 137 crs compared to Rs 158 Crs; margins at 9.4% from 11.4%
- PAT stood at Rs 66 Crs compared to Rs 84 Crs
- Debt / equity at 0.4x; same as for Q3 FY17
- Debt / EBITDA stood at 1.7x from 1.3x

## Q4 FY17 v/s Q4 FY16 (Y-o-Y)

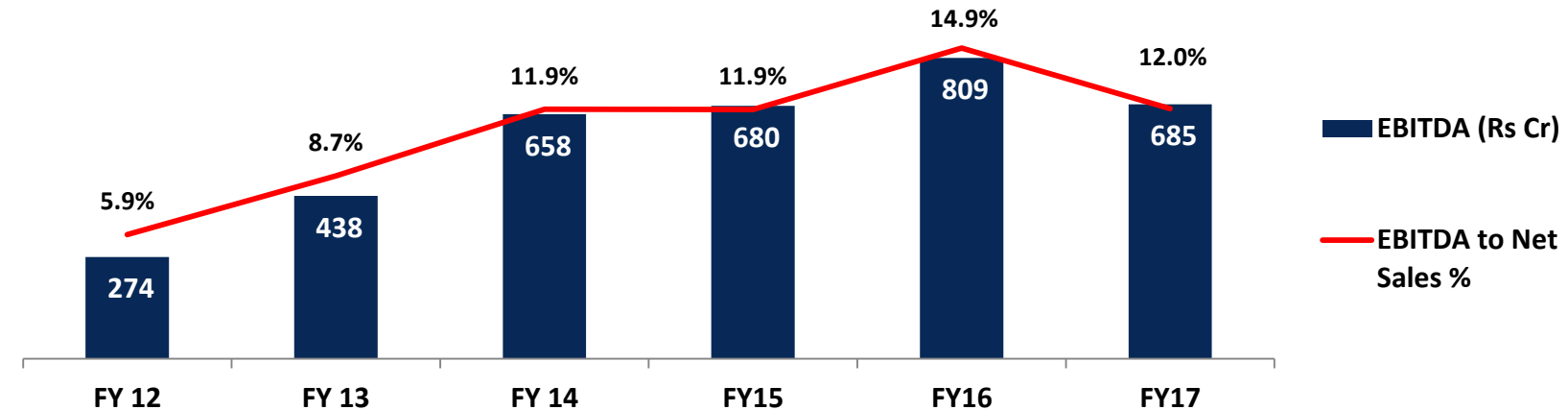
- Sales up by 5.2% at Rs 1,458 Crs from Rs 1,386 Crs
- Gross margins have contracted to 36.5% from 43.1%
- EBITDA stood at Rs. 137 crs compared to Rs 193 Crs; margins at 9.4% from 13.9%
- PAT stood at Rs 66 Crs compared to Rs 98 Crs
- Debt / equity at 0.4x compared to 0.3x
- Debt / EBITDA stood at 1.7x from 0.9x

# Consolidated: Financial Trends

Revenue growth



Margin trends



## Notes

FY16 and FY17 figures are per IND AS; Other financial figures are as per IGAAP as published in previous periods

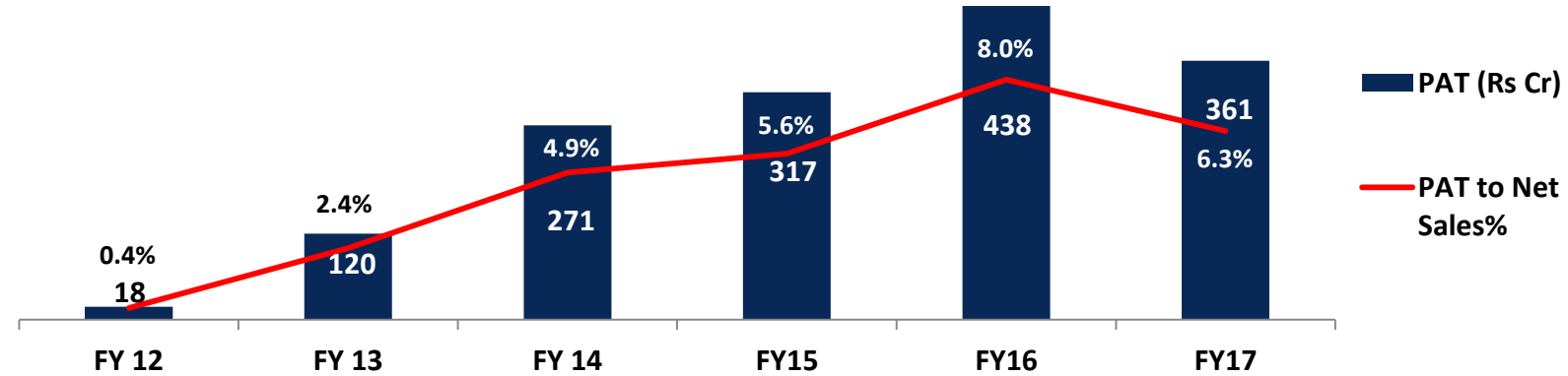
For FY16 and FY17, Company's investment in Sri Lanka JV is accounted using Equity method under IND AS which was earlier consolidated using proportionate consolidation method

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

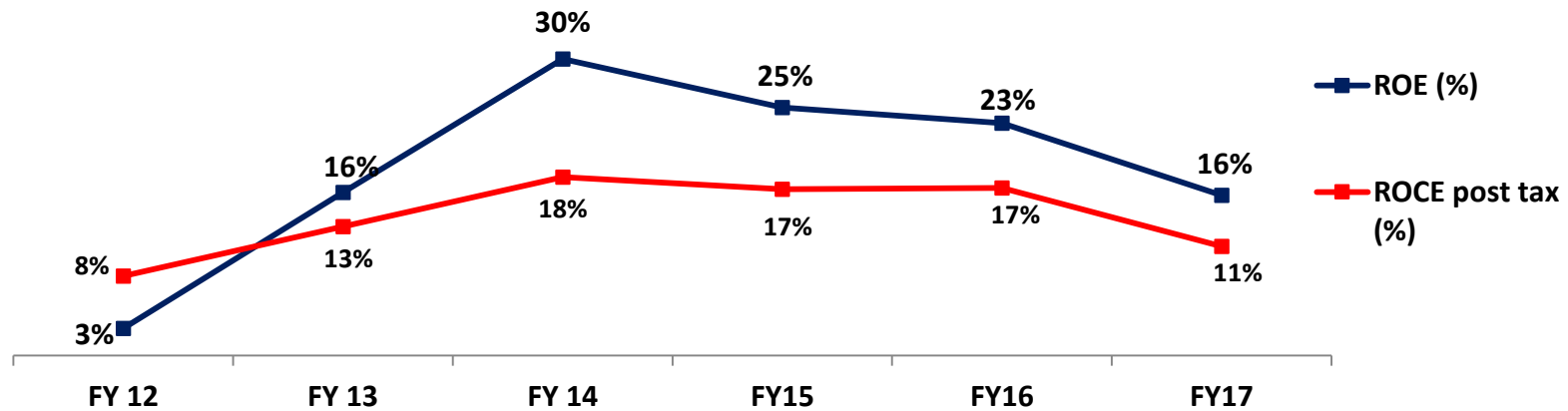
EBITDA includes Other operating income; does not include Non- operating income

# Consolidated: Financial Trends

## PAT trends



## Return Ratios



### Notes

For Income Statement and Balance Sheet – FY16 and FY17 figures are as per IND AS; other figures are as per IGAAP

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: Q4 FY17 Financials

Parameter	Rs Cr							
	Q4FY16	Q3FY17	Q4FY17	QoQ	YoY	FY16	FY17	YoY
<b>Net Sales</b>	<b>1,386</b>	<b>1,386</b>	<b>1,458</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5,447</b>	<b>5,722</b>	<b>5.1%</b>
Raw Material	788	820	925	12.9%	17.4%	3,091	3,400	10.0%
<b>Gross margin</b>	<b>598</b>	<b>566</b>	<b>533</b>	<b>-5.9%</b>	<b>-10.9%</b>	<b>2,356</b>	<b>2,323</b>	<b>-1.4%</b>
<b>Gross margin %</b>	<b>43.1%</b>	<b>40.8%</b>	<b>36.5%</b>	<b>-430 bps</b>	<b>-660 bps</b>	<b>43.3%</b>	<b>40.6%</b>	<b>-270 bps</b>
Employee	92	106	105	-1.0%	13.1%	388	406	4.7%
Other Expenses	328	319	310	-2.8%	-5.6%	1,231	1,304	5.9%
<b>EBITDA</b>	<b>193</b>	<b>158</b>	<b>137</b>	<b>-13.1%</b>	<b>-28.7%</b>	<b>809</b>	<b>685</b>	<b>-15.4%</b>
<b>EBITDA %</b>	<b>13.9%</b>	<b>11.4%</b>	<b>9.4%</b>	<b>-200 bps</b>	<b>-450 bps</b>	<b>14.9%</b>	<b>12.0%</b>	<b>-290 bps</b>
Finance Cost	26	19	21	11.3%	-19.5%	95	82	-13.9%
Depreciation	35	35	46	31.0%	31.5%	108	143	32.8%
<b>Operating PBT</b>	<b>132</b>	<b>104</b>	<b>70</b>	<b>-32.5%</b>	<b>-46.6%</b>	<b>607</b>	<b>460</b>	<b>-24.1%</b>
Exceptional expense	10	-	12	-	20.4%	11	13	16.9%
Non-Operating income	7	6	4	-36.9%	-46.0%	28	19	-32.7%
<b>PBT</b>	<b>128</b>	<b>110</b>	<b>61</b>	<b>-44.1%</b>	<b>-52.0%</b>	<b>623</b>	<b>466</b>	<b>-25.3%</b>
<b>PAT</b>	<b>98</b>	<b>84</b>	<b>66</b>	<b>-20.9%</b>	<b>-32.5%</b>	<b>438</b>	<b>361</b>	<b>-17.5%</b>

## Notes

Figures are as per IND AS

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

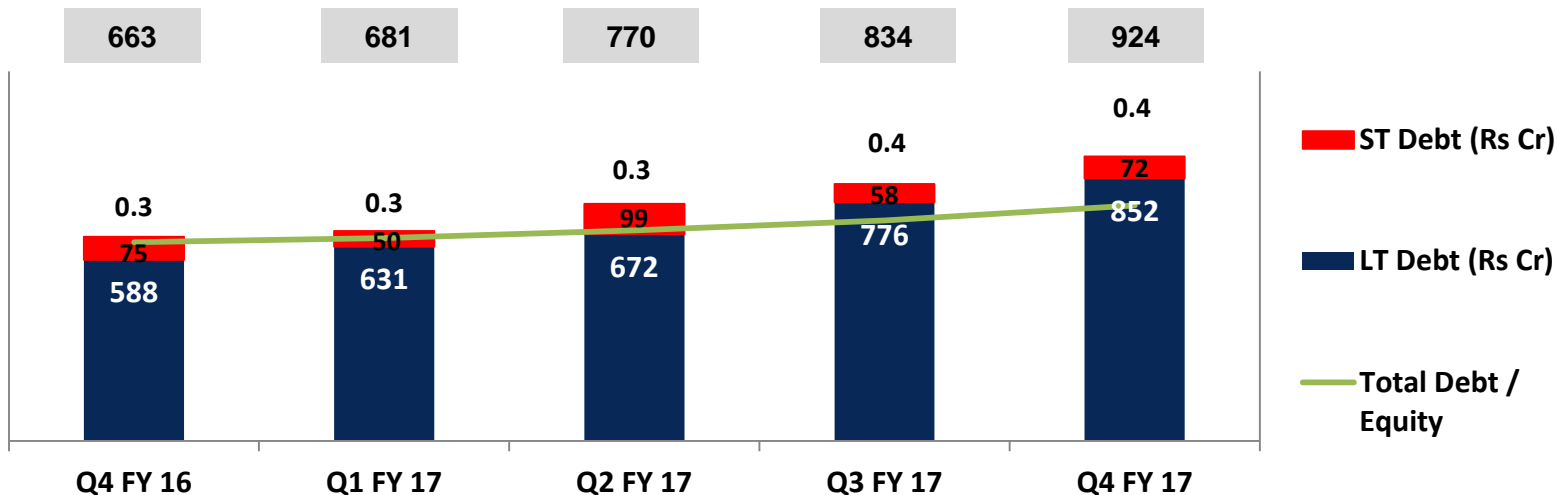
EBITDA includes profit from Sri Lanka JV (after tax)

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

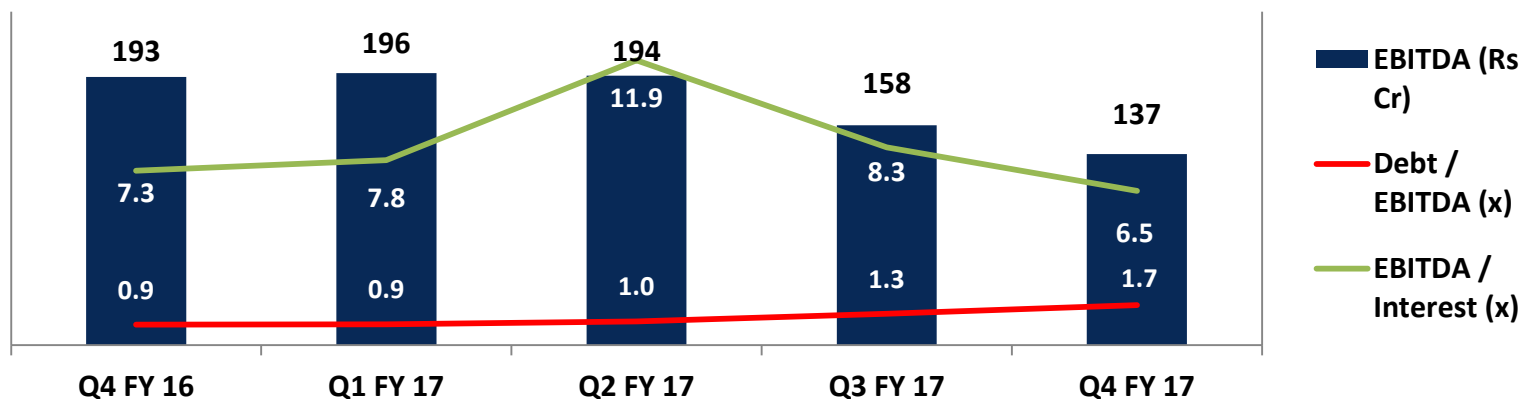
# Consolidated: Leverage / coverage Profile

Total Debt  
(Rs Cr)

Debt breakup



Leverage ratios



## Notes

For Income Statement and Balance Sheet - FY16 and 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

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

EBITDA includes Other operating income; does not include Non- operating income. Debt includes current maturities of long term debt

# Standalone: Q4 FY17 Financials

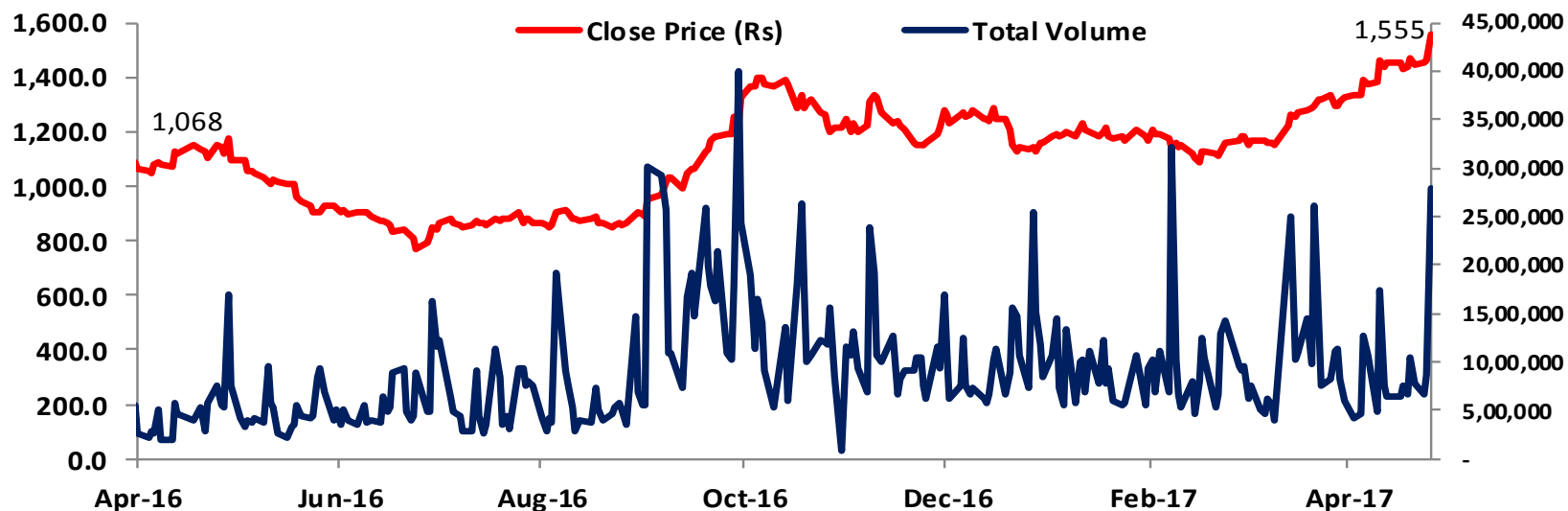
Parameter	Rs Cr							
	Q4FY16	Q3FY17	Q4FY17	QoQ	YoY	FY16	FY17	YoY
<b>Net Sales</b>	<b>1,372</b>	<b>1,371</b>	<b>1,437</b>	<b>4.8%</b>	<b>4.7%</b>	<b>5,419</b>	<b>5,658</b>	<b>4.4%</b>
Raw Material	785	813	912	12.1%	16.2%	3,090	3,375	9.2%
<b>Gross margin</b>	<b>588</b>	<b>558</b>	<b>525</b>	<b>-5.9%</b>	<b>-10.7%</b>	<b>2,329</b>	<b>2,283</b>	<b>-2.0%</b>
<b>Gross margin %</b>	<b>42.8%</b>	<b>40.7%</b>	<b>36.5%</b>	<b>-410 bps</b>	<b>-630 bps</b>	<b>43.0%</b>	<b>40.3%</b>	<b>-260 bps</b>
Employee	88	100	99	-0.9%	12.9%	369	384	4.0%
Other Expenses	318	319	301	-5.5%	-5.3%	1,203	1,283	6.6%
<b>EBITDA</b>	<b>191</b>	<b>151</b>	<b>139</b>	<b>-7.9%</b>	<b>-27.3%</b>	<b>793</b>	<b>660</b>	<b>-16.8%</b>
<b>EBITDA %</b>	<b>13.9%</b>	<b>11.0%</b>	<b>9.7%</b>	<b>-130 bps</b>	<b>-430 bps</b>	<b>14.6%</b>	<b>11.7%</b>	<b>-300 bps</b>
Finance Cost	25	19	20	9.7%	-19.5%	93	79	-14.8%
Depreciation	35	35	46	31.3%	31.8%	107	142	32.9%
<b>Operating PBT</b>	<b>131</b>	<b>97</b>	<b>73</b>	<b>-25.3%</b>	<b>-44.5%</b>	<b>593</b>	<b>439</b>	<b>-26.1%</b>
Exceptional expense	10	-	12	-	20.3%	11	13	16.9%
Non-Operating income	5	24	5	-79.1%	-1.2%	46	41	-10.0%
<b>PBT</b>	<b>126</b>	<b>121</b>	<b>65</b>	<b>-46.2%</b>	<b>-48.1%</b>	<b>628</b>	<b>467</b>	<b>-25.7%</b>
<b>PAT</b>	<b>97</b>	<b>94</b>	<b>70</b>	<b>-25.5%</b>	<b>-27.3%</b>	<b>445</b>	<b>363</b>	<b>-18.5%</b>

## Notes

Financials are as per IND AS

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

# Equity Shareholding & Price trends

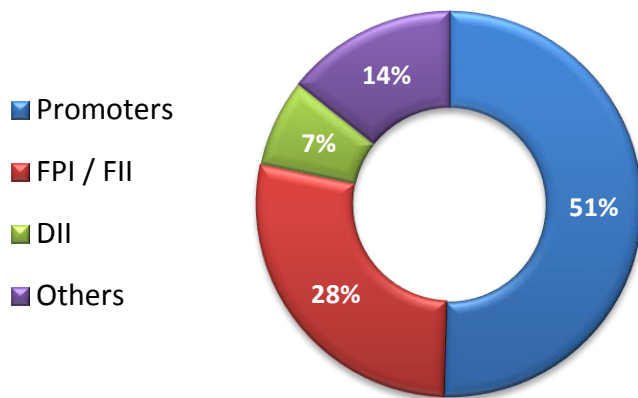


## Returns since April' 16

- CEAT: 46%
- NIFTY: 21%

Source : Capitaline. The above data is updated till 26<sup>th</sup> April 2017

## Shareholding Pattern as on March 31, 2017



## Market Information

- Market Price (April 26): Rs 1,555/share
- Face Value : Rs 10/share
- Market Cap (April 26): Rs 6,290 Cr



THANK YOU