

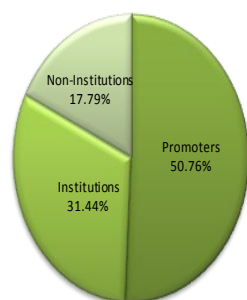
Ceat Ltd: Annual Analyst Meeting Notes

Auto Ancillary

Market Data

Current market price (INR):	1872.00
52 Week High/Low:	1948.00/731.20
Market Capitalization (In INR-Cr)	7552.03

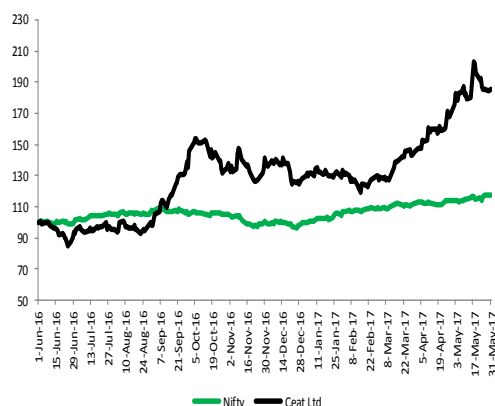
Shareholding Pattern



Stock Scan

BSE Code	500878
NSE Code	CEATLTD
Bloomberg Ticker	CEAT.IN
Reuters Tickers	CEAT.NS
Face Value (INR)	10.00
Diluted EPS FY17 (INR)	91.43
Current P/E	20.82x
Average P/E	14.04x
Beta vs Sensex	1.33
Debt/Equity	0.40
Average Daily Volumes	928,921

Stock Return Vs. Nifty Return Chart



Analyst: Jeet R. Ghosh
Email ID: jeet.ghosh@smifs.com

Ceat Tyres: Key Takeaways from Annual Analyst Meeting

On June 9, 2017, the RPG group organized a Analyst meeting in Mumbai. The management discussed about the strategy and emphasized on various key aspect on Ceat Ltd.

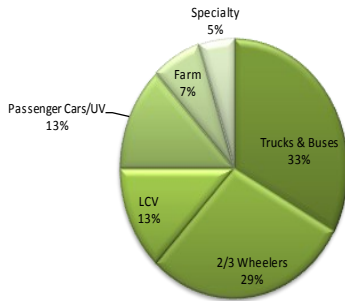
A few important takeaways from the meeting on Ceat Ltd: (presented by Mr. Anant Goenka: MD&CEO of Ceat Ltd)

- Ceat Ltd is going to be more consumer oriented than just a commodity oriented company.
- The Company's strong distribution channel and unique supply chain management made this company a profitable and market leader.
- The Company introduced "Puncture Safe" tyres (patented) in Andhra Pradesh and Tamil Nadu last year. Now, the Company is planning to launch this range all over India, this year.
- Ceat is focusing highly on its R&D expenditure. It invested INR35 crores in Halol Plant.
- Ceat management hinted that, the Company will continue to face margin pressure for next two quarters over the GST implementation in India. However, they believe that it is a short-term impact. Long-term growth prospect is intact.
- Previously, Ceat automobile tyres are under 16% tax rate and Farm tyres are under 7-8% tax rate. Now with the GST implementation automobile tyres will come under 26% tax rate, and farm tyres will be quoted at 15% tax bracket.
- The export oriented OTR facility at Ambarnath is expected to get fully operational by end of CY17, with a capacity of 40T/Day and is undergoing pilot testing as of now.

Exhibit: Ceat Ltd.-Financial Performance at a glance (Standalone)

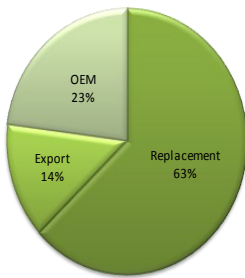
Particulars (INR Cr)	FY 2015A	FY 2016A	FY 2017A	FY 2018E	FY 2019E
Net Sales	5492.25	5458.66	5772.34	6780.41	7642.42
Growth (%)	3.55%	-0.61%	5.74%	17.46%	12.71%
EBITDA	638.43	789.89	656.78	779.37	953.75
EBITDA Margins (%)	11.62%	14.47%	11.37%	11.49%	12.47%
Net Profit	298.97	452.52	369.81	408.35	517.52
Net Profit Margins (%)	5.44%	8.29%	6.40%	6.02%	6.77%
Net Profit Growth (%)	17.81%	51.36%	-18.27%	10.42%	26.73%
EPS	84.62	110.38	91.43	110.76	142.05
BVPS	413.66	508.16	570.26	650.83	783.80
P/E	10.89	9.69	20.39	16.90	13.18
P/BV	2.04	2.2	3.28	2.88	2.39
EV/EBITDA	5.48	5.76	12.50	10.50	7.84
ROE (%)	23.31	25.21	16.88	16.91	19.74

Revenue Break-up by Segments, FY 2017



Source: Ceat Annual Presentation

Revenue Break-up by Markets, FY 2017



Source: Ceat Annual Presentation

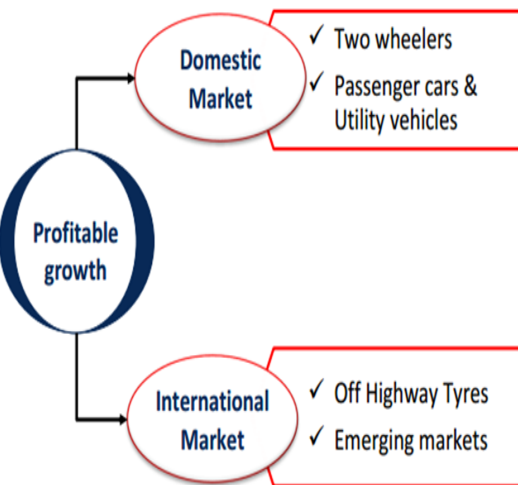
Ceat Tyres—Supply Chain



Ceat Ltd: Key Takeaways from Annual Analyst Meeting (Continued)

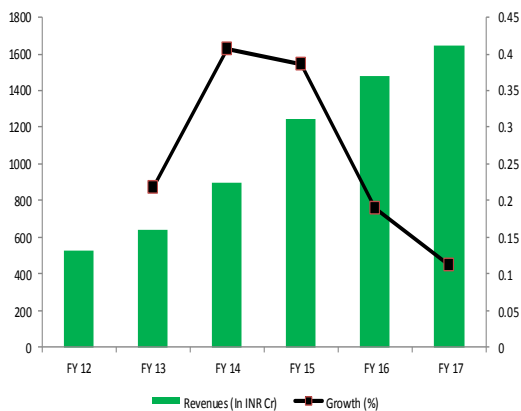
- Ceat is focusing more on its strategy to become more consumer oriented than commodity oriented company.
- The Company has a very strong distribution network, adding more than 4500 distributors in its portfolio. Ceat has 5 manufacturing plants across India and 1 in Sri Lanka.
- The Company is the market leader in Sri Lanka with 50% of the total market share. In India, Ceat has 13% market in overall tyre industry.
- Ceat 2W tyres are the highest priced products in the market, thus claiming higher margins.
- Ceat is currently focus more on two wheeler and passenger vehicle tyre segments, as it commands the highest margin and contributed a major chunk of its total revenues.
- Ceat is focusing highly on its R&D expenditure. It invested INR35 crores in its Halol Plant.
- In its Nagpur plant it added capacity with 120 MT/Day.
- The Company introduced “Puncture Safe” tyres (patented) in Andhra Pradesh and Tamil Nadu last year. Now, the Company is planning to launch this range all over India, this year.
- Ceat is planning to do a capex of INR2800 crores for adding capacities in Bus and Radial tyres segment.
- Ceat management hinted that, the Company will continue to face margin pressure for next two quarters over the GST implementation in India. However, they believe that it is a short-term impact. Long-term growth prospect is intact.
- Previously, Ceat automobile tyres are under 16% tax rate and Farm tyres are under 7-8% tax rate. Now with the GST implementation automobile tyres will come under 26% tax rate, and farm tyres will be quoted at 15% tax bracket.
- Ceat manufactures tyres. Then it supplies to its distributors across the country. From there distributors supply to sub-distributors. And from there it goes to customers. As Ceat has strong distribution network and has a greater presence in rural and urban india, this model is well placed to stay competitive.
- Government of India announced previously that those companies with leftover inventory are eligible to get compensation. However, nothing has been finalized yet. If govt. does so, then Ceat will be able to mitigate some of its cost.
- Ceat expects a better volume growth, as the Chinese tyre makers are also going to face higher tax under GST tax regime. So, pricing gap will be narrowed down.
- While pricing the tyres, 70% of the total cost pass on to the distributors, 30% of the total cost are negotiable.
- The company sell its products on par and/or marginally down from its par, depending on situation.

Ceat Tyres: Market Presence

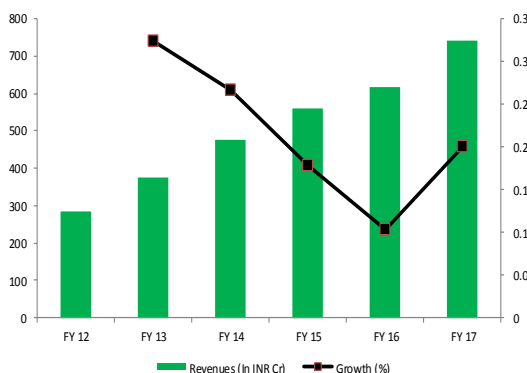


Source: Ceat Ltd, Annual Presentation

Passenger Segment Revenue Trends: 2/3 Wheeler



Passenger Segment Revenue Trends: PV/UV



Source: Ceat Ltd, Annual Presentation

- Q1 FY2018 sales will get hit due to low volume realization. GST impact is larger than expected. Destocking is happening. However, the Company expects things to back on track by September 2017.
- The Company is expanding its reach to less penetrated geographical areas, where population is less. By now they have found 7 places like this, where they are placing their distribution chain.
- Ceat is planning to increase its tyre price by 3-4%. This price will commensurate with the increase in raw material prices.
- Ceat follows FIFO inventory method. With which the company is stuck with high cost raw materials. Currently the natural rubber price is showing down trend on the back of increased production. Synthetic rubber is flat and decreasing, whereas carbon black price is increasing.

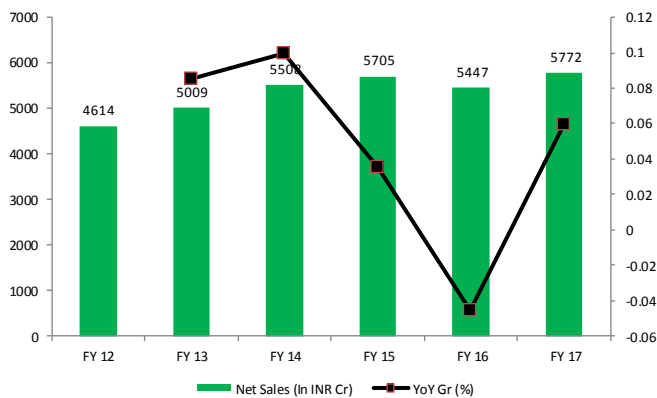
To make a tyre, raw material mix is as follows:

-Natural Rubber: 30%, Synthetic Rubber: 15%, Carbon Black: 28%, ROM: 27%

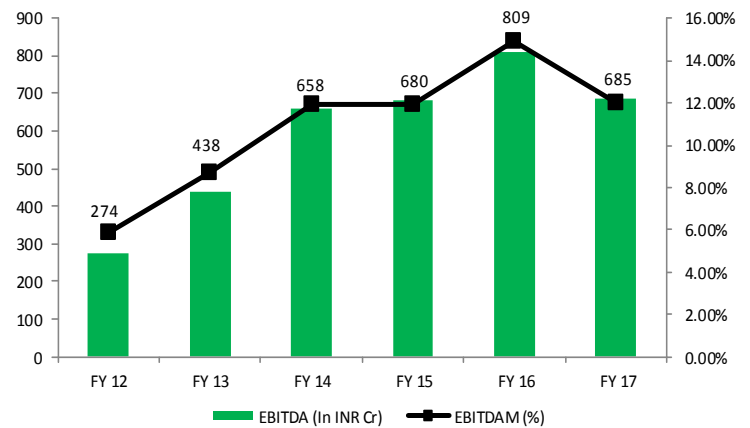
- Ceat procures its raw material locally and also import.
- Ceat maintains a strong and long-term relation with all its OEM partners. New product launched in all its OEM segment are lined up.
- Ceat is also gaining traction in the Utility Vehicle Tyre segment.
- Off-highway Tyres are picking up fast. Due to lesser supply by Chinese peers, Ceat is expecting major growth coming from this segment. The Company is currently at Debt/Equity ratio of 1, and the management is not at all comfortable with the number.
- The export oriented OTR facility at Ambernath is expected to get fully operational by end of CY17, with a capacity of 40T/Day and is undergoing pilot testing as of now.
- Though the brand equity of CEAT is relatively weaker in the TBR space as of now, we believe CEAT will focus in turning that around in years to come through technologically superior products and subsequently create a brand pull in TBRs.
- CEAT is expected to spend INR10 billion towards TBR capacity addition and take it up to around 200T/Day from present around 80T/Day levels.
- CEAT to increase focus to these segments & envisage them to be the growth drivers ahead post deriving growth from the 2W segment.
- The Company funded most of its capex internally. Hence the interest cost reduced than earlier.
- Ceat has created various platforms of products. Such as: "Mileage", "Fuel Smart" etc. These products will allow customers to travel more kilometers. Less replacement cost with higher quality.

Ceat Ltd: Financial Trends

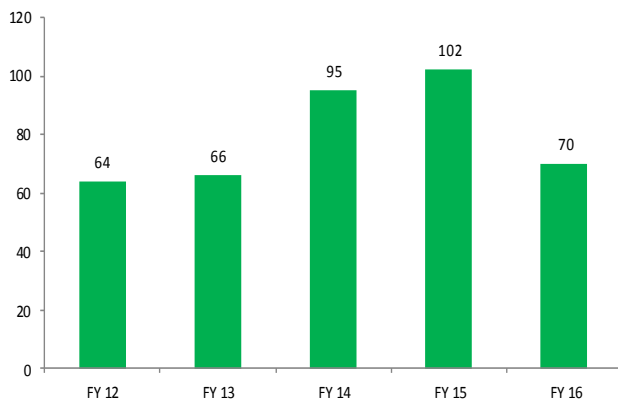
Revenue Growth



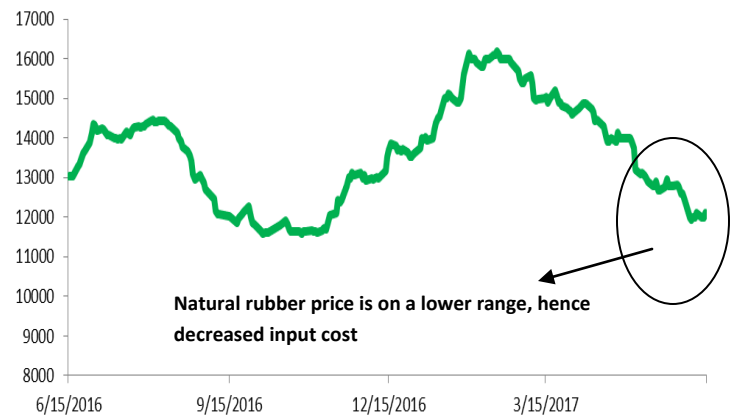
Margin Trend



New Product Development



Natural rubber price (Y-O-Y)



Source: Company Websites and Bloomberg

Research & Development Strategies

Mr. Ajay Jaiswal
President: Strategies and Head Research
ajaiswal@smifs.com
+91 33 30515408 / 40115408
Mobile: +91 9836966900

Mr. Ashiwini Kumar Tripathi
Director
aswin.tripathi@smifs.com
+91 33 30515415 / 40115415
Mobile: +91 9831155058

Mr. Vishal Prabhakar
VP – Investors Relations & BDM
vishal.prabhakar@smifs.com
+91 33 30515400 / 40115400
Mobile: +91 9831554477

Fundamental Research

Mr. Saurabh Ginodia
Senior Research Analyst
saurabh.ginodia@smifs.com
+91 33 30515407

Mr. Dipanjan Basuthakur
Research Analyst
dipanjan.basuthakur@smifs.com
+91 33 30515486

Mr. Harshit Mantri
Research Analyst
BFSI/IT/Media
harshit.mantri@smifs.com
+91 33 30515433 / 30515468

Ms. Sutapa Biswas
Research Analyst
Economy
sutapa.biswas@smifs.com
+91 9836020612

Mr. Aditya Jaiswal
Research Analyst
Aviation, Logistics and Midcap
aditya.jaiswal@smifs.com
+91 33 30515433 / 30515468

Mr. Jeet Ranjan Ghosh
Research Analyst
Auto Ancillary/Engineering/Oil and Gas
jeet.ghosh@smifs.com
+91 33 30515433 / 30515468

Ms. Mononita Mitra
Research Analyst
Agro Chemicals/Diversified
m.mitra@smifs.com
+91 33 30515468

Mr. Abhishek Roy
Research Analyst
FMCG/ Capital Goods/Textiles
abhishek.roy@smifs.com
+91 33 30515468

Mr. Kapil Joshi
Research Analyst
Building Products/Infrastructure
kapil.joshi@smifs.com
+91 33 30515468

Technical Research

Mr. Jaydeb Dey
Technical Analyst Equities
jaydeb.dey@smifs.com
+91 33 30515433

Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Sell	0 to <-10%
Neutral	No Rating

Investor Relations and Data Support

Mr. Sandipan Chatterjee
Officer – Business Development
sandipan.chatterjee@smifs.com
+91 33 30515461

Ms. Debjani Sen
Officer – Investor Relations
debjani.sen@smifs.com
+91 33 30515401

Ms. Sulagna Mukherjee
Executive – Customer Care
sulagna.mukherjee@smifs.com
+91 33 30515436

Bloomberg Ticker for Stewart & Mackertich Research: SMIF<Enter>

Contact Details

Registered Office Address:

Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 30515400 / 40115400
Fax No: +91 33 22893401

Hyderabad Office:

Ms. Vaishnavi
3-6-198, Vasavi Shreemukh Complex 4A,
Ground Floor, Himayath Nagar,
Hyderabad – 500 029, India.
Phone: +91 40 69000032/31

Mumbai Office:

Mr. Vaibhav P. Wadke
922, 9th Floor, P.J. Towers,
Dalal Street, Fort,
Mumbai – 400 021, India.
Phone: +91 22 42005505/06/9967642795

New Delhi Office:

Mr. Prakash Srivastav
487, G. T. Road, 3rd Floor,
Dilshad Garden,
New Delhi – 110 095, India.
Phone: +91 11 43504705 / 9910497783

Bangalore Office:

Mr. S. Srikanth
No.153, 2nd Floor, Sheela Arcade, 7th Block
Koramangala, (Opp.—Sai Baba Mandir)
Bangalore - 560095, India.
Phone: +91 9845020017

Chennai Office:

Mr. K.K. Raja Gopalan
New No.4/2, Bajaj Apartments,
Seethamalai Colony, 1st Cross Corner, Alwarpet,
Chennai – 600018, India.
Phone: +91 9383931590

Port Blair Office:

Mr. Gulam Hassan
24, S.J. Lane, 8/3, Sahajeevan Housing,
Co-operative, P.O. Haddo,
Port Blair 744102, India.
Phone: 233-175 Mobile No. 9932081381/9933236406

Website: www.smifs.com | Email: investors@smifs.com

Members: NSE | BSE | MCX | NCDEX | NSDL | CDSL | Repository
(For Disclosures and Disclaimers please follow the page below)

Disclaimer

Any document, including this report, which is prepared by the research team of Stewart & Mackertich Wealth Management Ltd. (SMIFS) is circulated for the purpose of information only to the intended recipient and should not be replicated or quoted or circulated to any person/corporate or legal entities in any form. This document/ documents/ reports/ opinion should not be interpreted as an Investment/ taxation/ legal advice. While the information contained in the report has been procured in good faith, from sources considered/ believed to be reliable, all/ part of the statement/ statements/ opinion/ opinions/ view/ views in the report may not be considered to be complete or accurate. Therefore, it should only be relied upon at the recipients own risk.

Research Analysts/ Economists/ Advisors/ Investment Strategists or any other spokes persons of the company (SMIFS) are often sought after for expressing their views on print/ electronic/ web media. The views expressed are purely based on their assumption/ understanding on fundamental approach/ technical and historic facts on the subject. The views expressed should not be construed as an offer to buy/ sell or hold equity/ commodity/ currencies or their derivatives. The views/ opinions expressed is for information purpose only, and may change due to underlying factors, related or unrelated or other market conditions and may or may not be updated.

Stewart & Mackertich Wealth Management Ltd, its subsidiaries, or any of its directors, employees, agents, and representatives shall not be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information/ research reports/ opinions expressed.

Disclosure: Clients/ associates of SMIFS Group may be holding positions in equities or their derivatives on which the research report is made or opinion is formed or views are expressed in print or electronic media. We ensure all compliance is adhered to with this report/ reports/ opinion or views expressed.

Analyst ownership of the stock – NIL

Analyst's dependent relatives' ownership in the stock – NIL

Analyst Certification: *The matter related to the report has been taken from sources believed reliable and the views expressed about the subject or issues in this report accurately reflect the personal views of the analyst/ analysts. Stewart & Mackertich Wealth Management Ltd. does not compensate partly or in full, directly or indirectly, related to specific recommendations or views expressed by the research analysts/ market strategists/ Portfolio Managers.*

REGISTRATION as required under SEBI (Research Analyst) Regulation 2014 has been granted by Securities & Exchange Board of India (SEBI), registration number being INH300001474.

Stewart & Mackertich Wealth Management Ltd.
Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.
Tel.: +91 33 3051 5408 /, Fax: 91 33 22893401
Website: www.smifs.com

For queries related to compliance of the report, please contact:
Sudipto Datta, Compliance Officer
Contact No.: +91 33 30515414 / 4011 5414
Email Id.: compliance@smifs.com / sudipta@smifs.com