

BSE SENSEX	S&P CNX
35,176	10,718
Bloomberg	CEAT IN
Equity Shares (m)	40
M.Cap.(INRb)/(USDb)	69.4 / 1.1
52-Week Range (INR)	2030 / 1408
1, 6, 12 Rel. Per (%)	0/-10/-17
Avg Val, INRm	1295.0
Free float (%)	49.2

Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Sales	62.3	70.4	84.1
EBITDA	6.1	7.4	10.3
NP	2.6	3.4	4.7
EPS (Rs)	64.0	84.9	115.3
EPS Growth (%)	-31.5	32.8	35.8
BV/Share (Rs)	644.3	717.9	818.0
RoE (%)	10.3	12.5	15.0
RoCE (%)	8.5	9.2	10.7
P/E (x)	25.0	18.8	13.8
P/BV (x)	2.5	2.2	2.0

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,596 TP: INR1,845(+16%)
Buy
Strong volume growth, but adverse mix/cost inflation restrict margins

- Operating leverage dilutes impact of RM cost inflation:** 4QFY18 consol. revenue grew ~14% YoY (+6% QoQ) to INR16.7b (est. of INR16.5b), driven by 11% YoY volume growth. Gross margin shrunk 210bp QoQ (+250bp YoY) to 39.7% (est. of 38.5%), led by crude-related RM cost inflation (100bp impact) and an adverse mix (100bp impact) due to higher OEM sales. However, the impact was diluted by operating leverage, resulting in a stable EBITDA margin on a QoQ basis at 11.8% (+280bp YoY). Adj. PAT grew 16% YoY to INR929m, below our estimate of INR964m, due to a higher tax rate.
- For FY18,** CEAT's revenue grew ~8% to INR62.3b, driven by ~3% volume growth. EBITDA declined ~7% to INR6.1b, with the margin contracting 150bp to 9.9%. Adj. PAT declined ~31% YoY to INR2.5b.
- Other highlights:** Revenue contribution from the strategic focus areas rose to 48% in FY18 (46% in FY17). Net debt reduced by INR846m to INR7.4b as on 31st March 2018, with the net D/E ratio marginally down to 0.3x.
- Earnings call highlights:** a) Witnessed robust growth in the OEM segment in 4Q, with OEM and exports outpacing replacement demand. b) Expect further RM cost inflation of 1.2-1.5% QoQ in 1Q/2QFY19 at the current level of crude prices. c) Took a price increase of ~0.5% in Apr-18; company is confident about passing on cost inflation, given the conducive demand environment. d) De-bottlenecking of PCR capacity in the next 1-2 months; new capacities to come up in TBR by 3QFY19, in PCR by 2HFY20 and in OTR by 1HFY20. e) Phasing out capex – INR15b-17b for FY19 and INR8b for FY20.
- Valuation and view:** We maintain our earnings estimates for FY19E/20. The stock trades at 18.8x/13.8x FY19/20E consol. EPS. Maintain **Buy** with a target price of INR1,845 (16x FY20 consol. EPS).

Consolidated

(INR Million)

Y/E March	FY17				FY18				FY17	FY18	FY18	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	14,702	14,269	13,976	14,718	14,597	15,230	15,742	16,739	57,665	62,308	16,484	2
YoY Change (%)	3.9	5.6	1.3	5.5	-0.7	6.7	12.6	13.7	-7.0	8.1	12.0	
RM cost (%)	56.9	57.4	58.7	62.9	65.8	60.6	58.2	60.3	59.0	61.1	61.5	-116
Employee cost (%)	6.5	7.0	7.6	7.1	6.9	7.3	7.1	6.9	7.0	7.0	7.0	-13
Other expenses (%)	24.0	22.6	22.8	21.0	23.6	20.6	22.8	21.0	22.6	22.0	20.5	48
EBITDA	1,854	1,854	1,535	1,325	547	1,747	1,870	1,976	6,568	6,139	1,813	9
Margins (%)	12.6	13.0	11.0	9.0	3.7	11.5	11.9	11.8	11.4	9.9	11.0	80
Depreciation	302	317	351	460	396	409	433	448	1,431	1,686	462	
Interest	252	162	191	212	226	237	273	238	817	974	267	
Other Income	57	37	57	36	103	65	66	69	186	303	66	
PBT before exceptional exp.	1,356	1,411	1,050	689	28	1,166	1,230	1,359	4,506	3,783	1,150	18
Exceptional expense	9	0	0	125	4	80	10	246	133	340	0	
PBT	1,347	1,411	1,050	564	25	1,086	1,220	1,113	4,373	3,443	1,150	-3
Tax Rate (%)	30.9	30.5	25.0	-7.9	192.3	38.7	38.9	35.7	24.3	38.9	24.0	
Minority Interest & P/L of Asso. Cos.	-102	-84	-50	-55	-37	-65	-82	-55	-290	-238	-90	
Reported PAT	1,033	1,065	838	663	14	730	826	771	3,599	2,341	964	-20
Adj PAT	1,039	1,065	838	798	11	779	833	929	3,700	2,548	964	-4
YoY Change (%)	-14.7	0.5	-26.1	-24.8	-99.0	-26.8	-0.7	16.5	-17.1	-31.1	20.9	

E: MOSL Estimates

Jinesh Gandhi – Research analyst (Jinesh@MotilalOswal.com); +91 22 3982 5416

Research analyst: Deep Shah (Deep.S@MotilalOswal.com); +91 22 6129 1533 | Suneeta Kamath (Suneeta.Kamath@MotilalOswal.com); +91 22 6129 1534

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

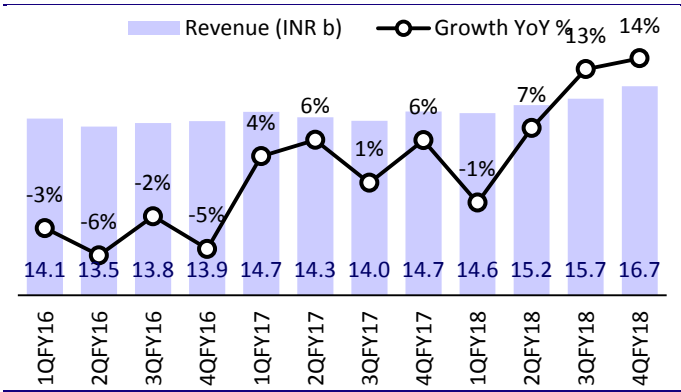
Volume growth of ~11% drives revenue

- CEAT’s 4QFY18 consol. revenue grew ~14% YoY (+6% QoQ) to INR16.7b (est. of INR16.5b), driven by ~11% YoY volume growth.
- This was driven by robust growth in OEMs and exports, which outpaced replacement demand. OEMs share in revenue increased by 3-4pp QoQ in 4QFY18.
- In FY18, CEAT’s revenue grew ~8% to INR62.3b, driven by ~3% volume growth.

Gross margin impacted by RM cost inflation and adverse mix

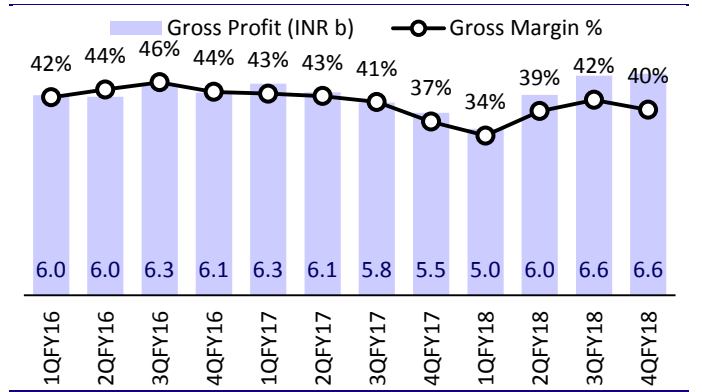
- Gross margin shrunk 210bp QoQ (+250bp YoY) to 39.7% (est. of 38.5%), primarily led by crude-related RM cost inflation (100bp impact) and higher OEM sales, resulting in an adverse mix (100bp impact).
- EBITDA grew ~49% YoY (+6% QoQ) to INR2b (est. of INR1.8b). EBITDA margin was flat QoQ (+280bp YoY) at 11.8% (~80bp beat), as the impact of higher RM cost was offset by operating leverage.
- Exceptional expense of INR246m pertains to VRS-related cost for the quarter.
- Consequently, adj. PAT grew 16% YoY (+12% QoQ) to INR929m. It was marginally below our estimate, mainly due to a higher tax rate (35.7% v/s our estimate of 24%).
- For FY18, EBITDA declined ~7% to INR6.1b, with the margin contracting 150bp to 9.9%. Adj. PAT declined ~31% YoY to INR2.5b.

Exhibit 1: Revenue grew ~14% YoY in 4QFY18 driven by 10% volume growth



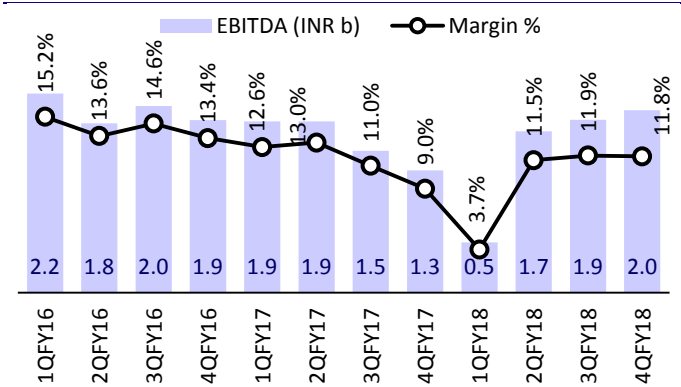
Source: MOSL, Company

Exhibit 2: Gross margin shrunk 210bp QoQ due to crude related RM inflation



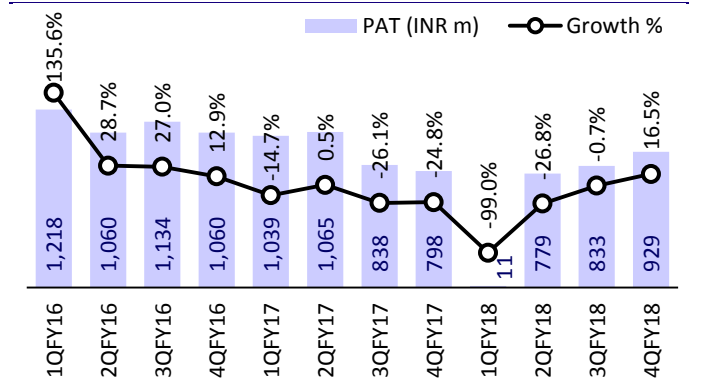
Source: MOSL, Company

Exhibit 3: EBITDA margin expanded 280bp YoY to 11.8%



Source: MOSL, Company

Exhibit 4: PAT grew 16% YoY (+12% QoQ)



Source: MOSL, Company

Conference call Takeaways

- **Expect further RM cost inflation** of 1.2-1.5% QoQ in 1QFY19 and another 1.2-1.5% in 2Q at the current level of crude prices.
- CEAT has taken average price increase of 0.5% in Apr-18. Also, it is **confident of pass on RM cost inflation**, considering the conducive demand environment.
- **Phasing out of capex**: Guided for FY19 capex of ~INR15-17b (unchanged) and FY20 capex of ~INR8b (v/s earlier indication of INR15-17b). FY20 capex numbers could change depending on the demand environment. TBR brownfield expansion to be ready 3QFY19, PCR greenfield by 2HFY20 and OTR by 1HFY20.
- **FY19 growth to be driven by 2Ws** (headroom to grow) and **PCR** (debottlenecking to increase capacity by ~20% in 2-3 months). TBR growth would be driven by new capacity commissioning from 3QFY19. It expects broad-based growth across segments in FY19, unlike 4QFY18. While OEM might grow faster, there are signs of a recovery in the replacement market. In worst case, OEM contribution would increase further by 2-3pp in FY19.
- **2W to see double-digit volume growth** for CEAT, driven by new product launches, increasing acceptance with OEMs and distribution expansion. However, competitive intensity is relatively higher in 2Ws compared to CVs and PVs.
- **OTR ramp-up by FY19-end**: Management expects to reach 100% utilization in OTR tyres by FY19 end (from current 30% utilization of 40TPD capacity). Average utilization for FY19 would be at 50-55%. At optimum utilization, it expects EBITDA margins of over 20% (v/s losses currently in ramp-up phase).
- **Focus on building brand equity**: Contract as the official time-out partner in IPL was extended by another 4 years in 4QFY18.

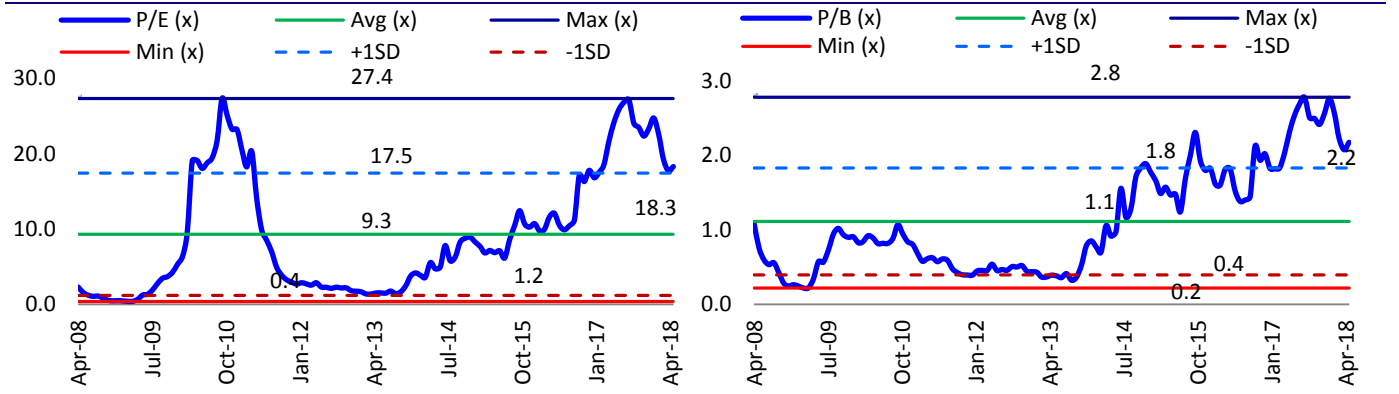
Valuation and view

- **Focus on improving brand equity to drive market share gains**: CEAT has laid a strong emphasis on effective marketing and branding of its products. To position its products competitively, the company has developed creative ad campaigns based on extensive research/consumer insights and also invested in innovative marketing programs. Since the 2W/passenger car segment is consumer-facing, we believe factors such as brand loyalty, visibility and recall go a long way in creating replacement market demand and improving its market share, which would in turn benefit its margin profile.
- **Ramp-up in areas of strategic focus to continue**: CEAT has identified 2W, Passenger cars and OTR (truck/off-road) tyre segments as its strategic focus areas, given their ability to boost margins and lower the company's dependence on the truck segment. Revenue contribution from these areas of focus has increased significantly over the years, from 20% in FY10 to 48% in FY18. We believe with the on-going capex plan, contribution from focus areas could scale up to 60-65% in the next 4-5 years, which would also reflect positively in the company's operating performance. We expect revenue to grow at 16% CAGR over FY18-20E, with EBITDA margin expansion of ~230bp by FY20E to 12.2% and PAT CAGR of ~34% (on low base).
- **Growth capex to increase capacity by ~50%**: CEAT has lined up capex of INR40b over FY17-21E, for increasing its capacity by ~50%. It is investing INR21b in PCR (for ~250tpd capacity), INR10b in TBR (for 208tpd capacity), ~INR4b in 2W (~140

tpd capacity) and INR5b in OTR (~60tpd addition). This would help in attaining a strategic product mix while scaling up revenue contribution from focus areas, thereby driving margin expansion. At peak capex cycle in FY20, we estimate peak net debt of ~INR21.5b (~0.7x equity and ~2.1x EBITDA).

- Valuation:** We maintain our earnings estimate for FY19E/20E. CEAT trades at 18.8x/13.8x FY19E/20E EPS. We value the company at 16x FY20E EPS and maintain our **Buy** rating with a target price of INR1,845 (16% upside).

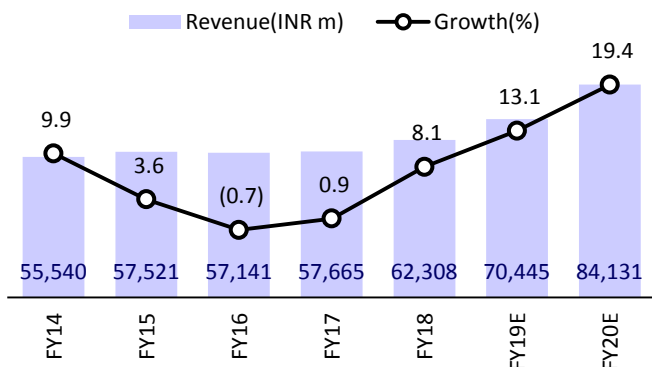
Exhibit 5: CEAT trades at significant premium to 10Year average, reflecting improving competitive dynamics for the industry



Source: MOSL

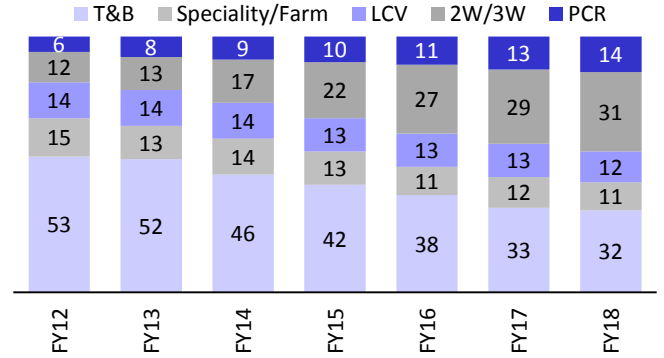
Story in charts

Exhibit 6: Revenues to post 16% CAGR over FY18E-20E



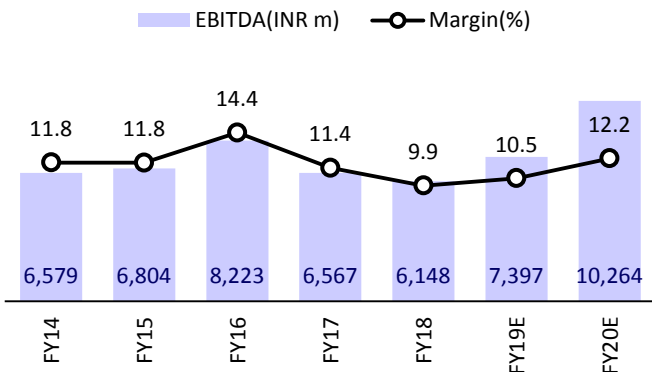
Source: MOSL, Company

Exhibit 7: Increasing contribution from strategic focus areas



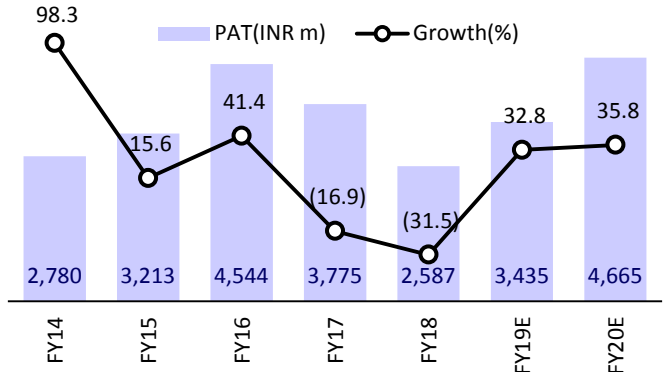
Source: MOSL, Company

Exhibit 8: EBITDA to post 29% CAGR over FY18E-20E



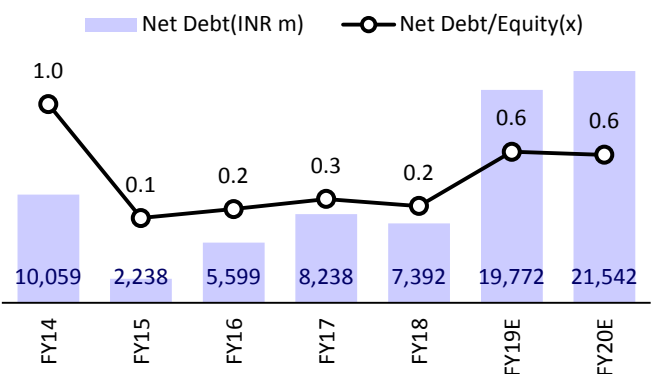
Source: MOSL, Company

Exhibit 9: PAT to post 33% CAGR over FY18E-20E



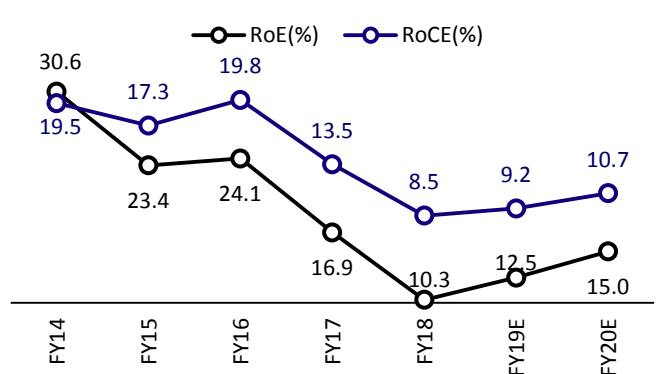
Source: MOSL, Company

Exhibit 10: Net debt to rise due to heavy capex planned



Source: MOSL, Company

Exhibit 11: Return ratios to improve from FY18 lows



Source: MOSL, Company

Financials and Valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Revenues from Ops	55,540	57,521	57,141	57,665	62,308	70,445	84,131
Change (%)	9.9	3.6	-0.7	0.9	8.1	13.1	19.4
EBITDA	6,579	6,804	8,223	6,567	6,148	7,397	10,264
Margin (%)	11.8	11.8	14.4	11.4	9.9	10.5	12.2
Depreciation	865	934	1,075	1,431	1,686	1,996	2,428
EBIT	5,713	5,870	7,148	5,137	4,462	5,400	7,836
Int. and Finance Charges	1,720	1,319	907	817	974	1,051	1,780
Other Income	140	226	299	186	295	330	363
PBT bef. EO Exp.	4,133	4,777	6,539	4,506	3,783	4,679	6,418
EO Items	-100	-61	-114	133	-340	0	0
PBT after EO Exp.	4,032	4,716	6,425	4,639	3,443	4,679	6,418
Total Tax	1,324	1,576	1,978	1,064	1,340	1,544	2,054
Tax Rate (%)	32.8	33.4	30.8	22.9	38.9	33.0	32.0
Reported PAT	2,712	3,172	4,465	3,878	2,380	3,435	4,665
Adjusted PAT	2,780	3,213	4,544	3,775	2,587	3,435	4,665
Change (%)	98.3	15.6	41.4	-16.9	-31.5	32.8	35.8
Margin (%)	5.0	5.6	8.0	6.5	4.2	4.9	5.5

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	360	405	405	405	405	405	405
Net Worth	10,286	17,134	20,547	24,150	26,061	29,041	33,087
Minority Interest	363	327	322	292	234	234	234
Total Loans	11,738	7,640	6,632	9,240	8,717	19,317	22,567
Deferred Tax Liabilities	1,148	1,259	1,582	1,449	1,893	1,893	1,893
Capital Employed	23,535	26,361	29,084	35,130	36,904	50,484	57,780
Gross Block	23,041	15,014	21,394	27,029	31,428	48,428	54,908
Less: Accum. Deprn.	7,617	0	1,073	2,504	4,190	6,186	8,615
Net Fixed Assets	15,424	15,014	20,321	24,525	27,238	42,242	46,293
Goodwill on Consolidation	227	0	0	0	0	0	0
Capital WIP	823	2,238	2,991	3,263	3,100	3,100	4,620
Total Investments	0	4,430	1,955	2,316	2,135	2,135	2,135
Curr. Assets, Loans&Adv.	18,927	16,134	15,813	19,066	19,137	20,423	25,316
Inventory	7,536	6,534	6,397	9,435	7,846	9,500	11,131
Account Receivables	7,545	6,732	5,935	6,138	7,472	8,674	9,841
Cash and Bank Balance	1,679	973	630	359	863	-917	563
Curr. Liability & Prov.	11,865	11,456	11,996	14,039	14,706	17,416	20,583
Account Payables	6,888	6,379	6,353	7,737	8,851	9,500	11,131
Net Current Assets	7,061	4,678	3,817	5,026	4,432	3,008	4,732
Appl. of Funds	23,535	26,361	29,084	35,130	36,904	50,484	57,780

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)							
EPS	68.7	79.4	112.3	93.3	64.0	84.9	115.3
Cash EPS	90.1	102.5	138.9	128.7	105.6	134.3	175.4
BV/Share	254.3	423.6	508.0	597.0	644.3	717.9	818.0
DPS	9.1	10.0	11.5	11.5	11.5	9.3	12.7
Payout (%)	15.8	14.3	12.0	14.5	23.6	13.3	13.3
Valuation (x)							
P/E				17.1	25.0	18.8	13.8
Cash P/E				12.4	15.1	11.9	9.1
P/BV				2.7	2.5	2.2	2.0
EV/Sales				1.3	1.2	1.2	1.0
EV/EBITDA				11.2	11.8	11.5	8.4
Dividend Yield (%)				0.7	0.7	0.6	0.8
Return Ratios (%)							
RoE	30.6	23.4	24.1	16.9	10.3	12.5	15.0
RoCE	19.5	17.3	19.8	13.5	8.5	9.2	10.7
RoIC	19.9	19.7	23.4	15.0	9.1	9.4	11.0
Working Capital Ratios							
Asset Turnover (x)	2.4	2.2	2.0	1.6	1.7	1.4	1.5
Inventory (Days)	50	41	41	60	46	49	48
Debtor (Days)	50	43	38	39	44	45	43
Creditor (Days)	45	40	41	49	52	49	48
Leverage Ratio (x)							
Net Debt/Equity	1.0	0.1	0.2	0.3	0.2	0.6	0.6

Consolidated - Cash Flow Statement

(INR Million)

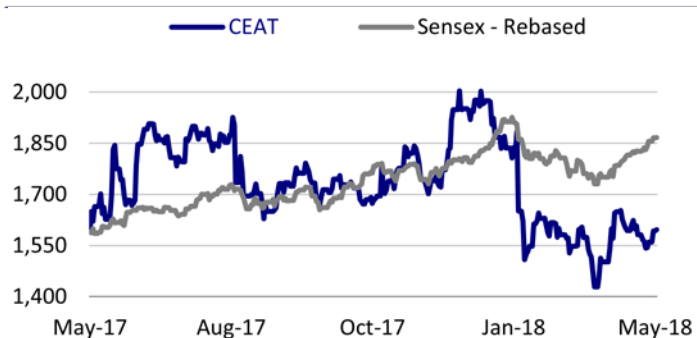
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	4,032	4,716	5,869	4,373	3,783	4,679	6,418
Depreciation	865	934	1,077	1,431	1,686	1,996	2,428
Interest & Finance Charges	1,720	1,319	-74	-55	679	721	1,417
Direct Taxes Paid	-891	-1,123	-1,686	-1,017	-1,340	-1,544	-2,054
(Inc)/Dec in WC	-3,736	1,714	820	-2,174	1,098	-356	-245
CF from Operations	1,991	7,560	6,006	2,558	5,906	5,497	7,965
Others	-23	-73	1,015	789	0	0	0
CF from Operating incl EO	1,968	7,487	7,021	3,347	5,906	5,497	7,965
(Inc)/Dec in FA	-1,446	-2,999	-7,137	-5,824	-4,236	-17,000	-8,000
Free Cash Flow	523	4,488	-117	-2,477	1,670	-11,503	-35
(Pur)/Sale of Investments	370	0	2,491	-333	181	0	0
Others	57	-2,990	321	722	295	330	363
CF from Investments	-1,018	-5,989	-4,326	-5,434	-3,760	-16,670	-7,637
Issue of Shares	109	3,934	0	0	0	0	0
Inc/(Dec) in Debt	1,387	-3,994	-1,354	2,963	-523	10,600	3,250
Interest Paid	-1,723	-1,476	-930	-765	-974	-1,051	-1,780
Dividend Paid	-167	-404	-979	-7	-561	-455	-618
Others	2	0	0	0	184	300	300
CF from Fin. Activity	-392	-1,940	-3,264	2,191	-1,873	9,393	1,152
Inc/Dec of Cash	558	-442	-569	104	272	-1,780	1,480
Opening Balance	1,121	1,679	706	137	240	863	-917
Closing Balance	1,679	1,237	137	240	512	-917	563

Corporate profile

Company description

CEAT, a flagship company of the RPG Group, is the fourth largest tyre manufacturer in India in terms of revenue (~12% market share). With manufacturing facilities at Bhandup (bias tyres), Nashik (bias and radial), Halol (radial) and Nagpur (2W/3Ws), the company's capacity stands at >900MT/day (95,000 tyres/day). It operates in India via a robust distribution network of 4,500+ dealers, 33 regional offices, 400+ franchisees, 6 manufacturing facilities and 250+ distributors.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-18	Dec-17	Mar-17
Promoter	50.8	50.8	50.8
DII	11.8	10.2	7.5
FII	22.3	25.1	23.9
Others	15.2	13.9	17.8

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
JWALAMUKHI INVESTMENT HOLDINGS	8.0
MIRAE ASSET EMERGING BLUECHIP FUND	3.7
WESTBRIDGE CROSSOVER FUND, LLC	3.5
AMANSA HOLDINGS PRIVATE LIMITED	3.5
TATA INDIA CONSUMER FUND	1.1

Source: Capitaline

Exhibit 4: Top management

Name	Designation
H V Goenka	Chairman
Anant Vardhan Goenka	Managing Director
Hari L Mundra	Director
Shruti Joshi	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
H V Goenka	Mahesh S Gupta *
Anant Vardhan Goenka	Paras K Chowdhary *
Hari L Mundra	Punita Lal *
Arnab M Banerjee	Ranjit V Pandit *
Atul C Choksey *	S Doreswamy *
H Khaitan *	Vinay Bansal *

*Independent

Exhibit 6: Auditors

Name	Type
D C Dave & Co	Cost Auditor
KPMG	Internal
Parikh & Associates	Secretarial Audit
S R B C & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	64.0	68.8	-7.0
FY19	84.9	107.3	-20.9
FY20	113.7	128.1	-11.2

Source: Bloomberg

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL) is a SEBI Registered Research Analyst having registration no. INH00000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Metropolitan Stock Exchange Of India Ltd. (MSE) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at <http://onlinereports.motilaloswal.com/Dorman/documents/Associate%20Details.pdf>

MOSL, its associates, Research Analyst or their relative may have any financial interest in the subject company. MOSL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MOSL and its associate company(ies), their directors and Research Analyst and their relatives may: (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. MOSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, MOSL or any of its associates may have:

- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
- Subject Company may have been a client of MOSL or its associates during twelve months preceding the date of distribution of the research report.

MOSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions:

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement

CEAT

Analyst ownership of the stock

No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH00000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors. Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered/qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. No. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall 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. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, and any all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-38281085.

Registration details of group entities: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MCX/NCDX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH00000412. AMFI: ARN 17397. Investment Adviser: INA000007100. IRDA Corporate Agent-CA0541. Motilal Oswal Asset Management Company Ltd. (MOAMC); PMS (Registration No.: INP00000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML); PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. * Motilal Oswal Commodities Broker Pvt. Ltd. offers Commodities Products. * Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products