CEAT

November 14, 2017

**National Stock Exchange of India Limited**
Plot No. C/1, "G" Block, Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051

**BSE Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

**Symbol: CEATLTD**

**Security Code: 500878/952523**

**Sub: Intimation of Earnings conference call for Un-audited Financial Results for the quarter and half year ended September 30, 2017**

In continuation to our letter dated November 7, 2017, please note the following dial-in details for the Q2 FY18 - Earnings Conference Call scheduled on Wednesday, November 15, 2017 at 4.00 pm IST:

| Location | Number |
|---|---|
| India | +91 22 3938 1074 / (city code) 3940 3977 |
| USA | 18667462133 |
| UK | 08081011573 |
| Singapore | 8001012045 |
| Hong Kong | 800964448 |

Further we are enclosing herewith Investor Presentation for Q2 FY 2017-18.

You are requested to kindly take the same on records.

Thanking you

Sincerely,
For **CEAT Limited**

**Shruti Joshi**
**Company Secretary**

Encl: as above

An RPG Group Company

# Q2 FY18 – Investor Presentation

November 14th, 2017

# Disclaimer

This presentation may include statements which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements.

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# Section 1: RPG Group Overview

# RPG Group: Powered by Passion, Driven by Ethics

UNLEASH**TALENT**
TOUCH**LIVES**
OUT**PERFORM**
AND☺

RPG Enterprises was founded in 1979. The group currently operates in various industries - Infrastructure, Technology, Life Sciences, Plantations and Tyre Manufacturing. The group has a history of business dating back to 1820 AD in banking, textiles, jute and tea. 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**

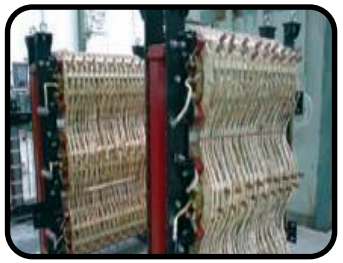
One of India's leading manufacturer of automobile tyres

**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.



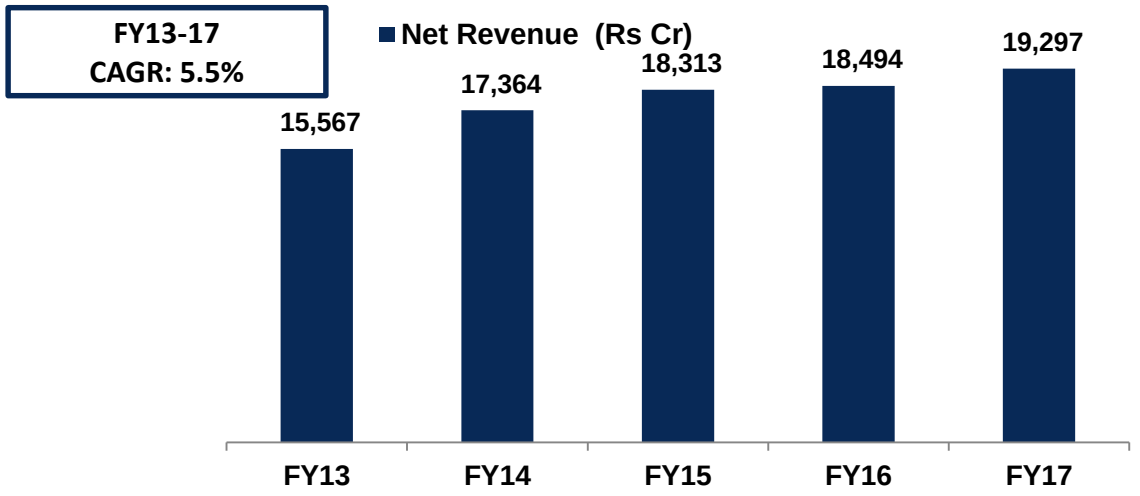
**Raychem RPG**

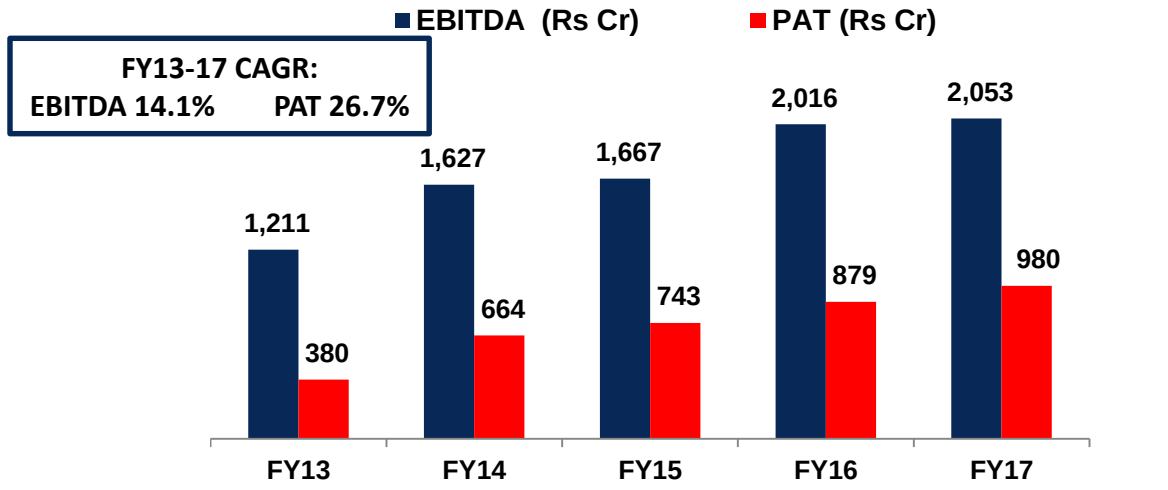
Engineering products and services catering to infrastructure segment of the economy.

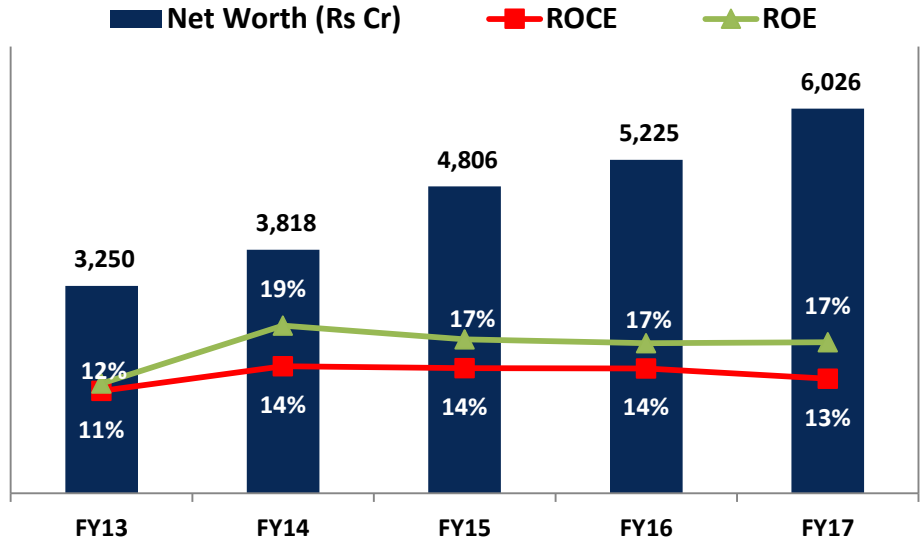
**Harrisons Malayalam**

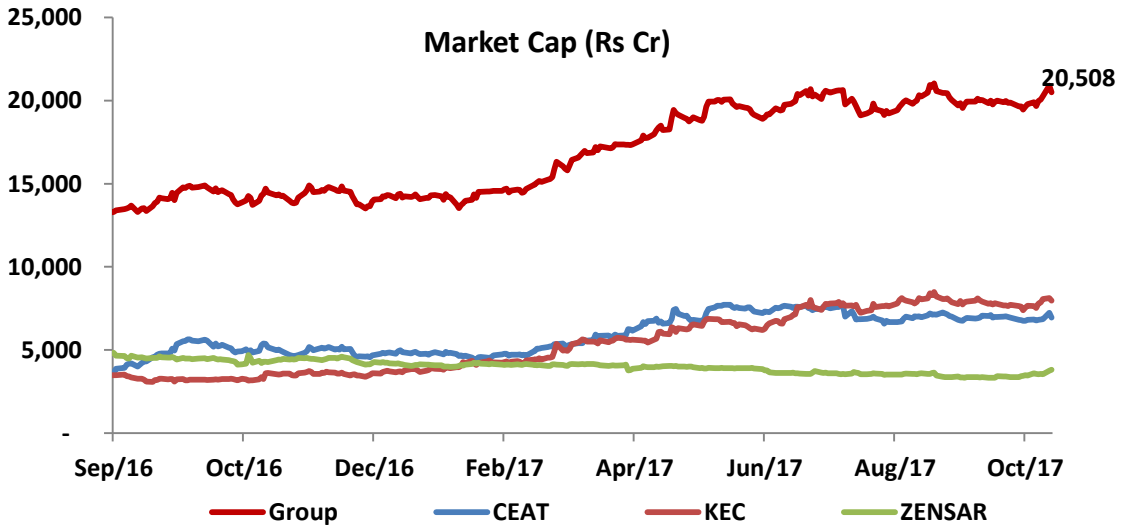
One of India's largest plantation companies with tea, rubber and other agro products.

# RPG Group: Key Financials




**Note:**

1) ROCE is calculated by taking EBIT divided by Average Capital Employed
2) ROE is calculated by taking PAT divided by Average Net-worth
3) Market Cap updated till 7th Nov 2017

# Section 2: 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 - Projects**

**Dilip Modak**

**Senior Vice President - Manufacturing**

**Chandrashekhar Ajgaonkar**

**Senior Vice President - Quality Based Management**

**Peter Becker**

**Senior Vice President - R&D and Technology**

# Overview

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

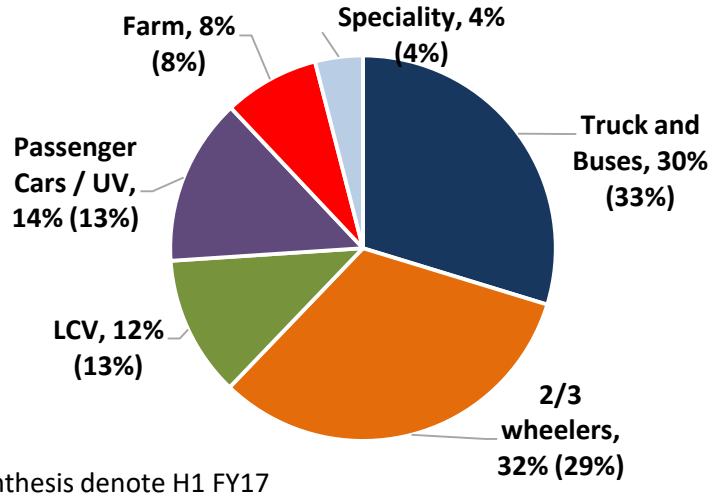
Distribution Network : **4,500+** dealers, **490+** exclusive CEAT franchisees

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

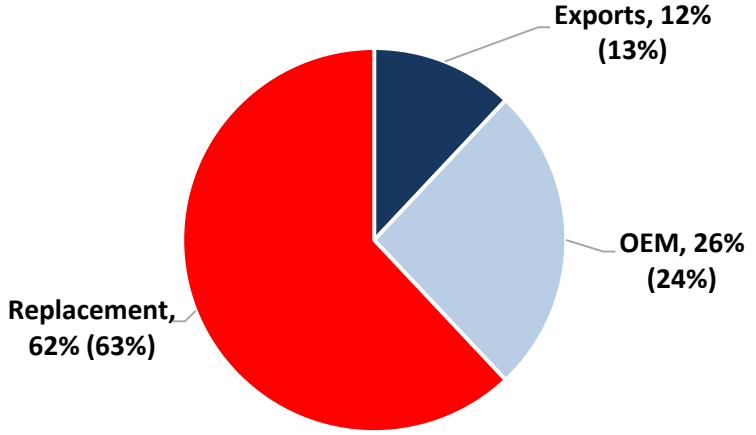
**100+** countries where products are sold with strong brand recall

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

**H1 FY 18 Revenue Breakup by Product**




**H1 FY 18 Revenue Breakup by Market**




**Note :** Figures in parenthesis denote H1 FY17

# Strategy

**Profitable growth**

**Domestic Market**

- ✓ Two wheelers
- ✓ Passenger cars & Utility vehicles

**International Market**

- ✓ Off Highway Tyres
- ✓ Emerging markets

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 in new models –** Hyundai New Verna, Ashok Leyland Dost, Mahindra E Alpha, Bajaj New Platina, Honda Cliq, Ashok Leyland Stag and Partner, Tork T6X, Hero Motocorp Achiever 150, Renault Kwid, M&M TUV 300, RE Himalayan, Bajaj Vikrant V15, etc.
- **Recent entries into OEM's existing models –** AL Partner LCV, Escort Tractors, Wagon R, Zylo, Daimler Truck Radials, Suzuki Gixxer, RE Classic, Yamaha FZ, Volvo Eicher Commercial Radial etc.
- **Platforms** like Fuelsmart, Gripp, Mileage X3, SecuraDrive etc.

# 2 Strong Brand

CEAT's unique solution to fill potholes to make roads safe

View here

#CEATHappyRoads

'Tarakki Pe Pakkad' TVC for farm tyres

View here

# 3 Extensive Distribution

## Shoppe

## Shop in Shop (SIS)

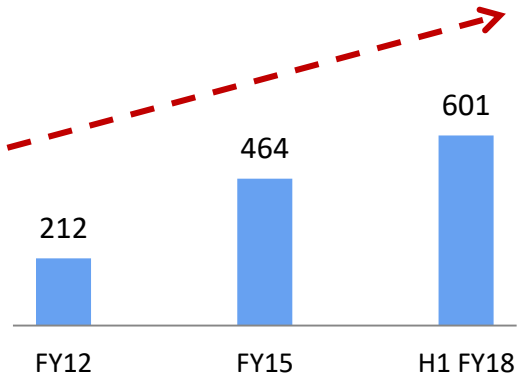
## Distribution Network

- 4,500+ dealers
- 490+ CEAT Franchisees (Shoppes + Hubs)
- 270+ two-wheeler distributors
- Developed Multi Brand Outlet / Shop in Shop model over last 2 years. Over 380+ outlets so far
- Launched CEAT Bike Shoppes in Bangalore and Kolkata

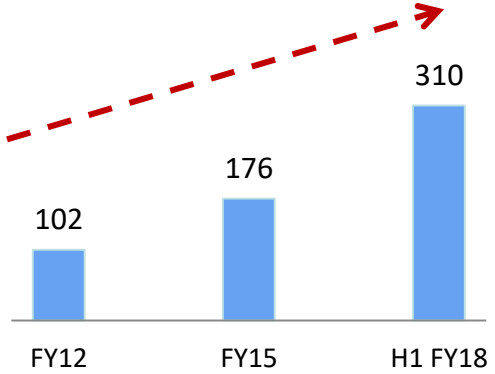
## Multi Brand Outlet (MBO)

## Bike Shoppe

## District coverage




## No. of CEAT Shoppes



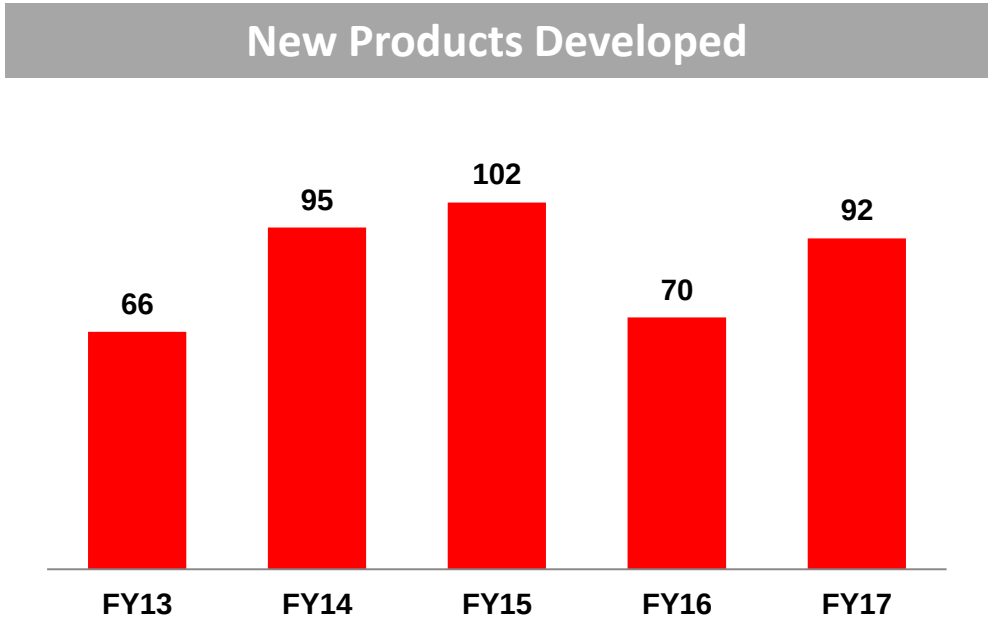
# 4 Deep OEM Partnerships

TATA MOTORS
Ashok Leyland
VE COMMERCIAL VEHICLES
A VOLVO GROUP AND EICHER MOTORS JOINT VENTURE
ESCORTS
Mahindra
DAIMLER
EICHER
SML ISUZU
AMW BUILT TO WIN
TAFE

MARUTI SUZUKI
TATA MOTORS
Mahindra
HYUNDAI
RENAULT
FORCE MOTORS
DATSUN

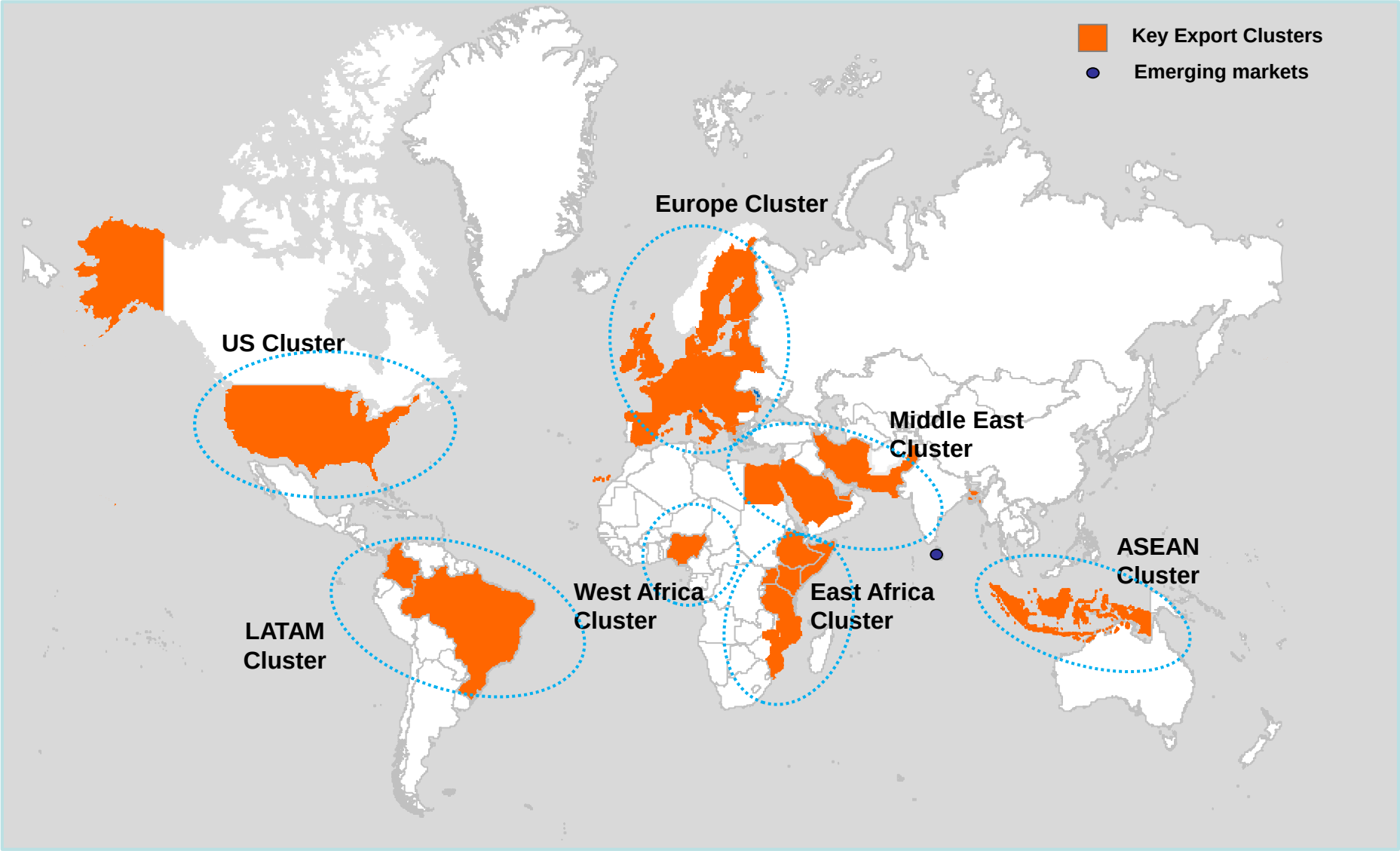
HONDA
Hero
ROYAL ENFIELD
BAJAJ
SUZUKI
LML
YAMAHA
PIAGGIO
TORK MOTORCYCLES

# 5 World Class R&D




- 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 and technology partners
- Increased allocation towards R&D

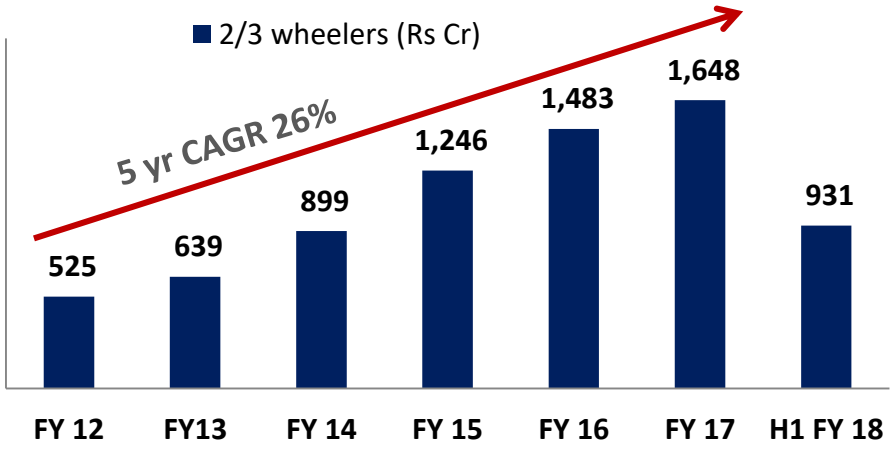
# 6 Expanding Global Reach

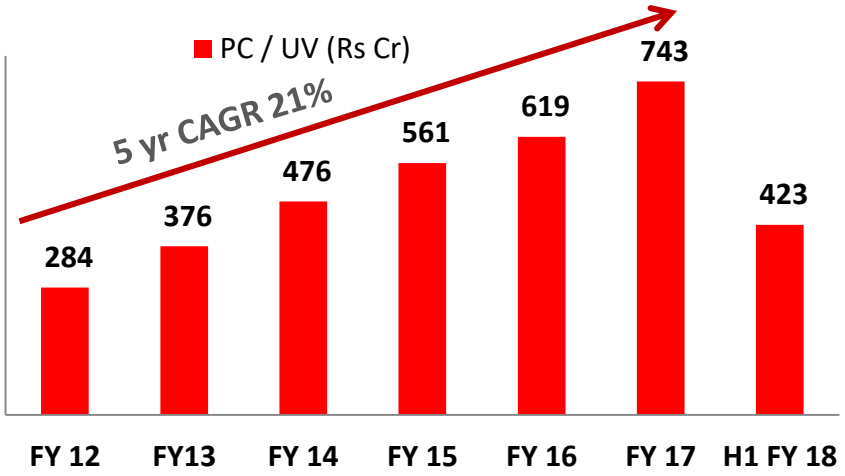



- **Sri Lanka:** Leadership position with 50+% market share
- Focused product and distribution strategy for select clusters

# Passenger Segment Trends

Revenue




**Expanding Capacities**

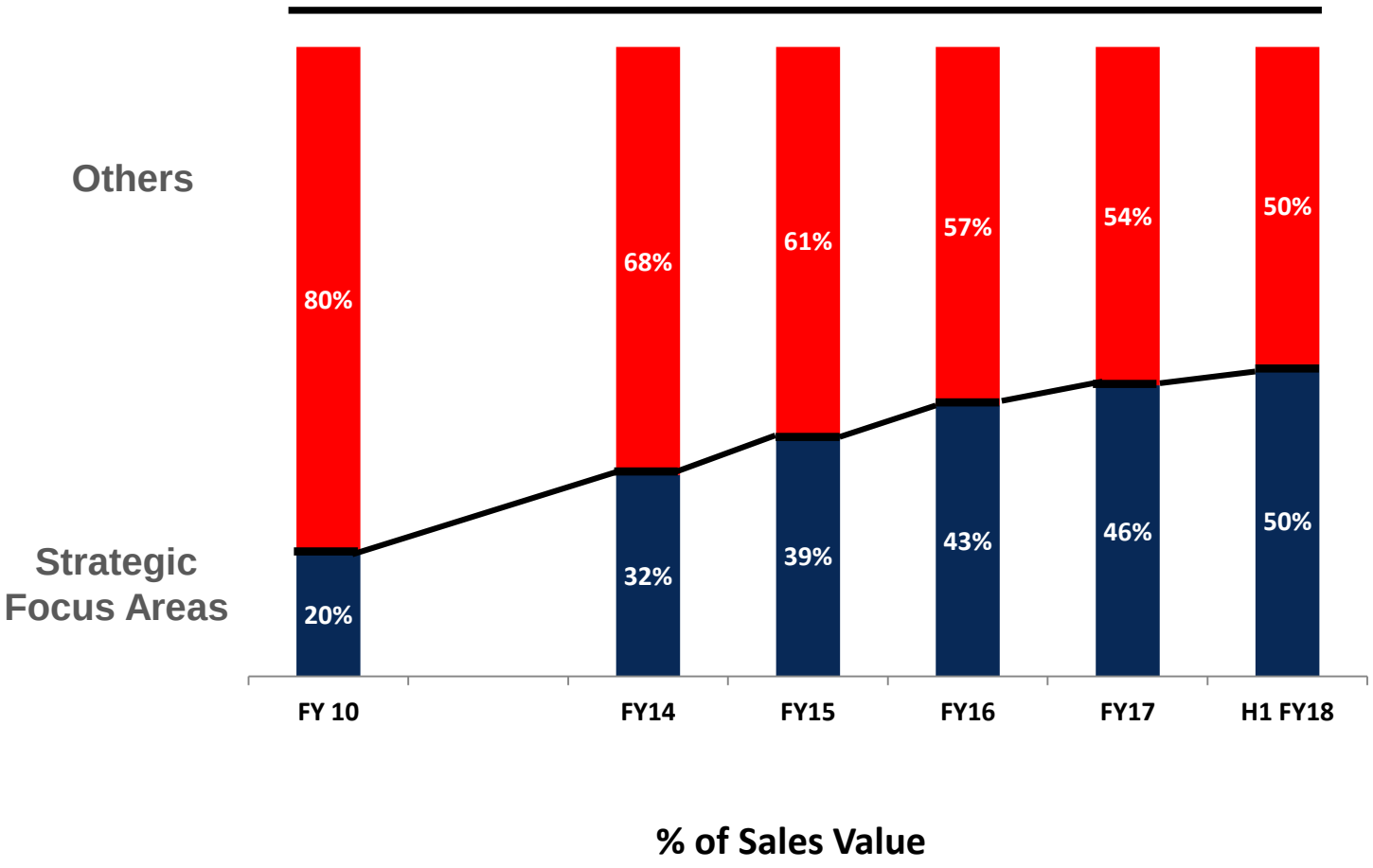
- Nagpur plant commissioned 69 MT/day capacity as of September 2017; total capacity of 120 MT/day
- Halol Phase II plant commissioned 76 MT/day as of September 2017; total capacity of 120 MT/day

# Off Highway Tyres

**Status Update**

- Greenfield OHT (Off Highway Tyres) radial plant in Ambernath
- Investing INR 330 Crs for a Phase 1 capacity of 40 MT/day which will be further ramped up to 100 MT/day
- Plant is now live and tyres are being tested across multiple global markets

# Strategic Focus Areas – Continued Momentum




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

- CAGR of 25%
- Substantial contribution towards increasing profitability
- Market share growing

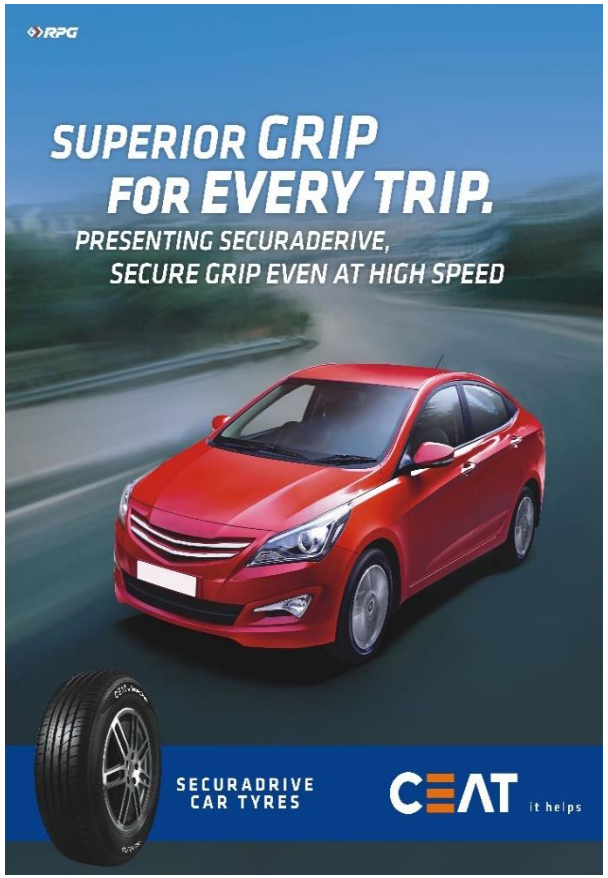
# Section 3: Operational & Financial Overview

# Q2 FY18 Operational Highlights

## Platforms & Products

**SecuraDrive Tyres**

superior grip at higher speeds and effective braking




**Milaze X3 tyres**

superior longevity; lasts upto 1 lakh kilometers.

**All season tyres (Europe)**

## OEM entries

Hyundai's New Verna

Ashok Leyland Dost Plus

Mahindra E- Alfa

# Q2 FY18 Operational Highlights

## Deming Prize

- CEAT bagged the prestigious Deming Prize in October 2017
- The Deming Prize recognizes companies that achieve business transformation by implementing Total Quality Management (TQM).
- CEAT is the first tyre company in the world, outside of Japan, to have the honour of receiving this award
- This is a significant milestone and testimony of CEAT's journey of quality and customer-centricity

# Consolidated: Q2 FY18 Financial Highlights

**Q2 FY18 v/s Q1 FY18 (Q-o-Q)**

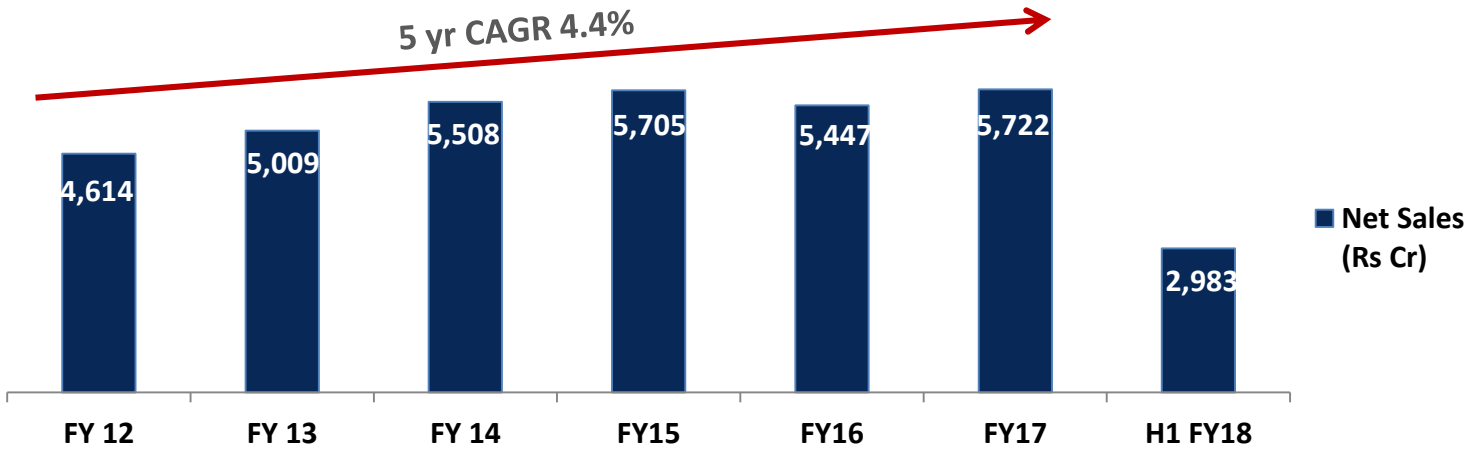
- Net revenue from operations increased by 4.3% at INR 1,523 Crs from INR 1,460 Crs
- Gross margins have expanded to 39.4% from 34.2%
- EBITDA stood at INR 181 crs compared to INR 58 Crs; margins at 11.9% from 4.0%
- PAT stood at INR 73 Crs compared to INR 1 Cr
- Debt / equity at 0.4x; same as for Q1 FY18
- Debt / EBITDA stood at 1.4x from 4.4x

**Q2 FY18 v/s Q2 FY17 (Y-o-Y)**

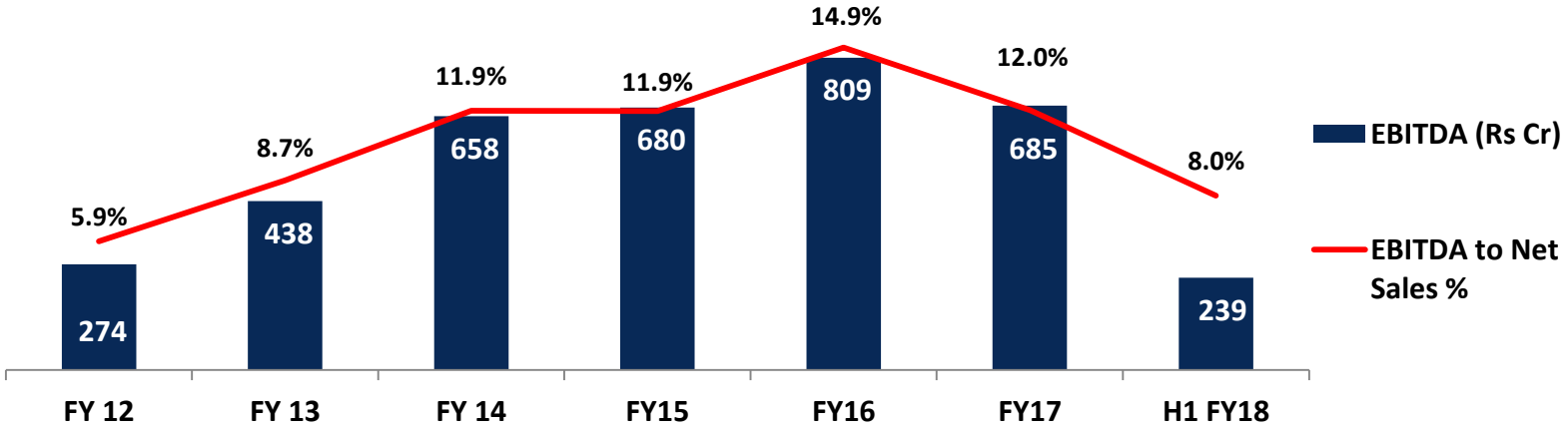
- Net revenue from operations increased by 6.7% at INR 1,532 Crs from INR 1,427 Crs
- Gross margins have contracted to 39.4% from 42.6%
- EBITDA stood at INR 181 Crs compared to INR 194 Crs; margins at 11.9% from 13.6%
- PAT stood at INR 73 Crs compared to INR 106 Crs
- Debt / equity at 0.4x compared to 0.3x
- Debt / EBITDA stood at 1.4x from 1.0x

# Consolidated: Financial Trends

Revenue growth




Margin trends




**Note**

FY16 onwards the figures are per IND AS; Other financial figures are as per IGAAP as published in previous periods

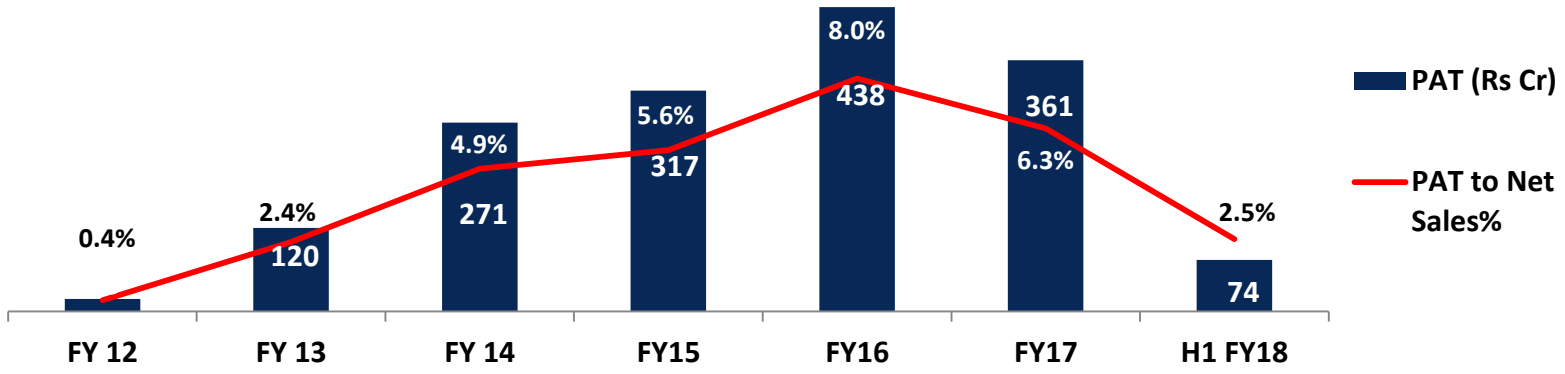
FY16 onwards the Company's investment in Sri Lanka JV is accounted using Equity method under IND AS which was earlier consolidated using proportionate consolidation method

FY16 onwards the EBITDA includes profit from Sri Lanka JV

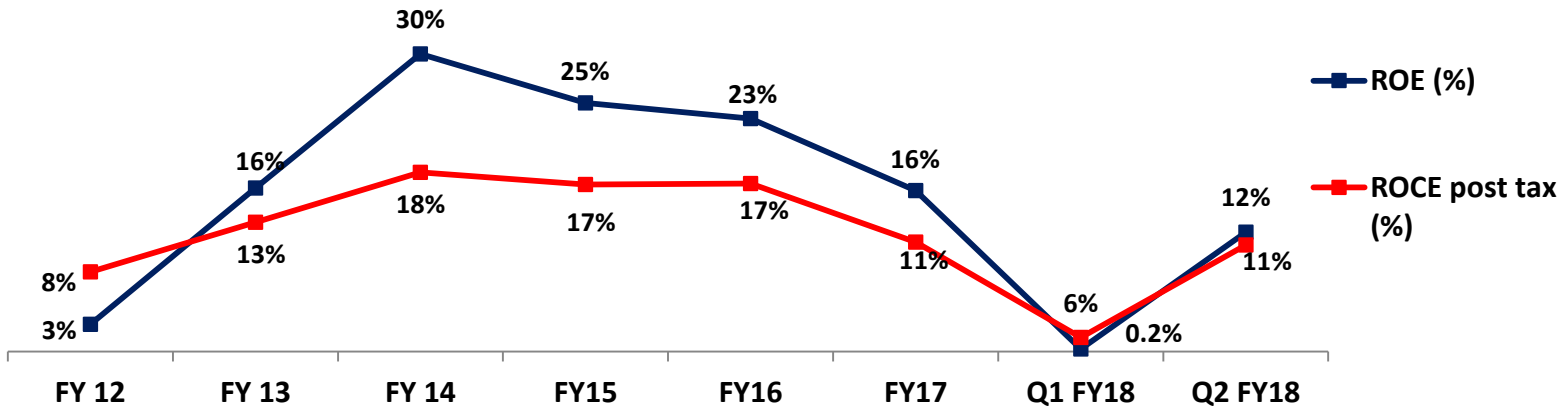
EBITDA does not include Non- operating income

# Consolidated: Financial Trends

PAT trends




Return Ratios




**Notes**

FY16 onwards the figures are per IND AS; Other financial figures are as per IGAAP as published in previous periods

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

# Consolidated: Q2 FY18 Financials

INR Cr

| Parameter | Q2FY17 | Q1FY18 | Q2FY18 | QoQ | YoY | H1FY17 | H1FY18 | YoY |
|---|---|---|---|---|---|---|---|---|
| **Net Revenue from operations** | **1,427** | **1,460** | **1,523** | **4%** | **7%** | **2,897** | **2,983** | **3%** |
| Raw Material | 819 | 961 | 923 | -4% | 13% | 1,655 | 1,884 | 14% |
| **Gross margin** | **608** | **499** | **600** | **20%** | **-1%** | **1,242** | **1,099** | **-12%** |
| **Gross margin %** | **42.6%** | **34.2%** | **39.4%** | **500 bps** | **-300 bps** | **42.9%** | **36.8%** | **-600 bps** |
| Employee | 100 | 100 | 111 | 11% | 11% | 196 | 211 | 8% |
| Other Expenses | 323 | 344 | 314 | -9% | -3% | 676 | 658 | -3% |
| **EBITDA** | **194** | **58** | **181** | **211%** | **-7%** | **389** | **239** | **-38%** |
| **EBITDA %** | **13.6%** | **4.0%** | **11.9%** | **800 bps** | **-200 bps** | **13.4%** | **8.0%** | **-500 bps** |
| Finance Cost | 16 | 23 | 24 | 5% | 46% | 41 | 46 | 12% |
| Depreciation | 32 | 40 | 41 | 3% | 29% | 62 | 80 | 30% |
| **Operating PBT** | **146** | **(4)** | **117** | **na** | **-20%** | **286** | **113** | **-61%** |
| Exceptional expense | - | 0 | 8 | na | na | 1 | 8 | 857% |
| Non-Operating income | 4 | 10 | 6 | -38% | 76% | 9 | 17 | 80% |
| **PBT** | **149** | **6** | **115** | **1777%** | **-23%** | **294** | **121** | **-59%** |
| **PAT** | **106** | **1** | **73** | **5188%** | **-31%** | **210** | **74** | **-65%** |

**Notes**

Figures are as per IND AS

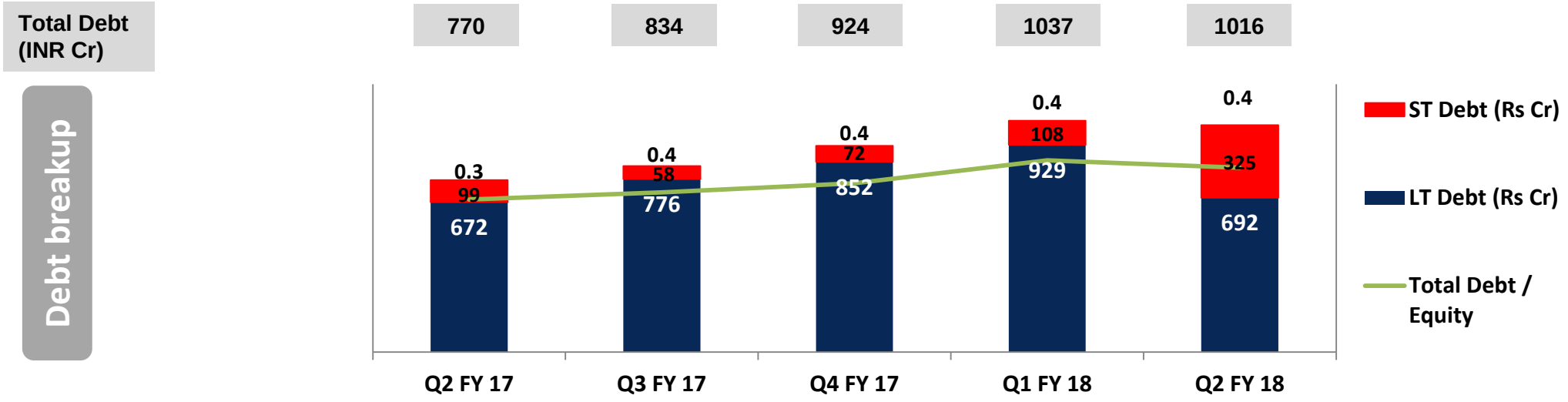
Revenue from operations for periods prior to Q2FY18 is net of excise duty

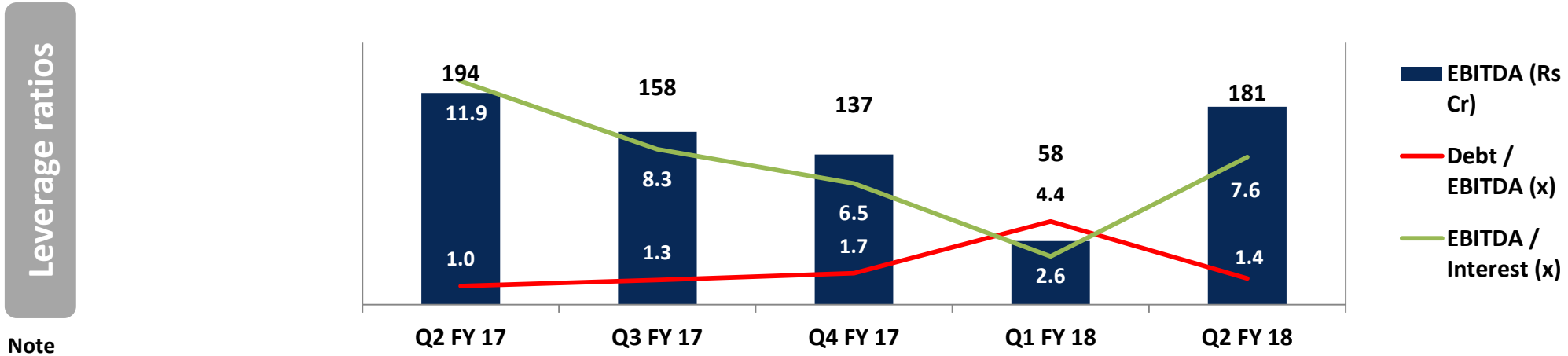
Company's investment in Sri Lanka JV is accounted using Equity method under IND AS which was earlier consolidated using proportionate consolidation method

EBITDA includes profit from Sri Lanka JV

EBITDA does not include Non- operating income

# Consolidated: Leverage / coverage Profile




**Note**

Figures are 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

EBITDA does not include Non- operating income

# Standalone: Q2 FY18 Financials

INR Cr

| Parameter | Q2FY17 | Q1FY18 | Q2FY18 | QoQ | YoY | H1FY17 | H1FY18 | YoY |
|---|---|---|---|---|---|---|---|---|
| **Net Revenue from operations** | **1,413** | **1,451** | **1,512** | **4%** | **7%** | **2,869** | **2,963** | **3%** |
| Raw Material | 816 | 965 | 920 | -5% | 13% | 1,650 | 1,885 | 14% |
| **Gross margin** | **597** | **486** | **592** | **22%** | **-1%** | **1,219** | **1,078** | **-12%** |
| **Gross margin %** | **42.2%** | **33.5%** | **39.2%** | **600 bps** | **-300 bps** | **42.5%** | **36.4%** | **-600 bps** |
| Employee | 95 | 96 | 105 | 9% | 11% | 185 | 201 | 9% |
| Other Expenses | 316 | 336 | 306 | -9% | -3% | 663 | 641 | -3% |
| **EBITDA** | **185** | **54** | **181** | **236%** | **-2%** | **371** | **235** | **-37%** |
| **EBITDA %** | **13.1%** | **3.7%** | **12.0%** | **800 bps** | **-100 bps** | **12.9%** | **7.9%** | **-500 bps** |
| Finance Cost | 16 | 22 | 23 | 5% | 49% | 40 | 45 | 13% |
| Depreciation | 31 | 39 | 41 | 3% | 29% | 61 | 80 | 30% |
| **Operating PBT** | **138** | **(8)** | **117** | **na** | **-15%** | **269** | **110** | **-59%** |
| Exceptional expense | (0) | 0 | 1 | na | na | 1 | 1 | 5% |
| Non-Operating income | 5 | 31 | 8 | -73% | 59% | 12 | 40 | 227% |
| **PBT** | **144** | **24** | **125** | **432%** | **-13%** | **281** | **149** | **-47%** |
| **PAT** | **102** | **19** | **83** | **336%** | **-18%** | **198** | **103** | **-48%** |

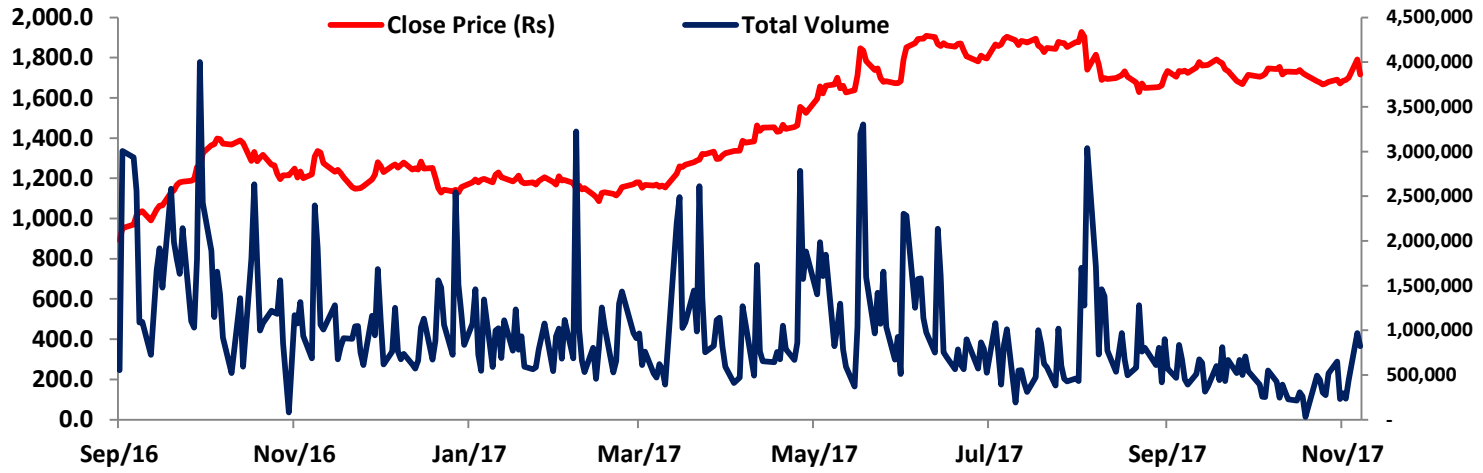
**Notes**

Financials are as per IND AS

Revenue from operations for periods prior to Q2FY18 is net of excise duty

EBITDA does not include Non- operating income

# Equity Shareholding & Price trends

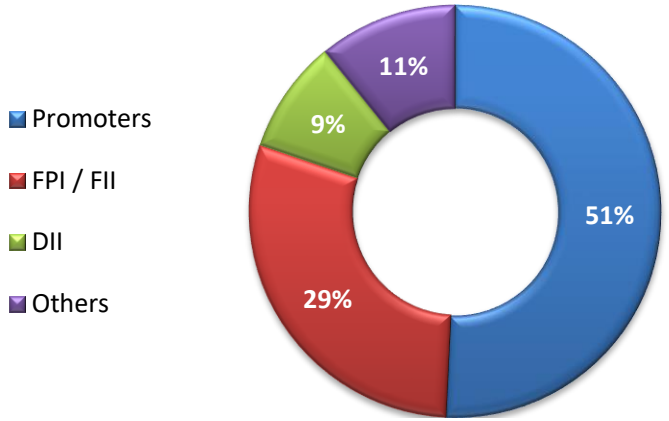



**Source :** Capitaline. The above data is updated till 7h Nov 2017

**Returns since September ' 16**

- CEAT: 92%
- NIFTY: 18%

## Shareholding Pattern as on September 30, 2017




## Market Information

- Market Price (Nov 13): INR 1,747/share
- Face Value : INR 10/share
- Market Cap (Nov 13): INR 7,068 Cr

# THANK YOU