Ceat

Operator: Ladies and gentlemen, good day and welcome to the Q2 FY27 earnings conference call of Ceat Ltd., hosted by ICICI Securities Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Mehta from ICICI Securities Limited. Thank you, and over to you.

Ronak Mehta – ICICI Securities: Thank you, Yashashwi. Good evening, everyone. On behalf of ICICI Securities, we would like to welcome you all to the Ceat Ltd. Q2 FY27 earnings conference call. Today, we have with us from the management team Mr. Arnab Banerjee, Managing Director and CEO, and Mr. Kumar Subbiah, Chief Financial Officer. We will start the call with brief opening remarks from the management team about the quarter gone by and then proceed to the Q&A session. Thank you, and over to you, Mr. Kumar.

Arnab Banerjee – MD & CEO: Good afternoon, everybody, and welcome to Ceat Ltd.'s Q2 FY27 earnings call. I will take you through the business updates for the quarter, and then Kumar will share his remarks on the financial performance. After that, we will have the Q&A. I also have Amit Tolani, who heads the OHT division at Ceat Ltd., with me. If you have any questions on Camso, we can address them as well.

During Q2, structural consumption tailwinds triggered by last year's GST reforms continued to anchor domestic volumes. On the input side, however, we continue to face sharp cost inflation. During Q2, the further raw material cost increase was around 8-9% over Q1. This was in addition to the approximately 15% increase in Q1 over March exit prices. Q3 RMC will also be about 3% higher than Q2. Thus, by December, the total increase will be 27% over March exit prices. Our gross margins have been stagnant at around 33.6% and are behind our comfort zone of 7 to 7% more gross margin that we would like to operate with. This, coupled with the further raw material price hike expected in Q3, calls for more price hikes in all segments in Q3. We maintained a tight grip on all cost elements, which resulted in EBITDA of 7.1% in Q2.

On the demand side, while the near-term structural anchors remain supportive, demand may moderate during Q3 on the back of a higher base in the previous year, the El Niño effect, and the recent repo rate increase. In the near term, we expect replacement demand to be led by the two-wheeler segment, where demand is still strong, particularly in rural markets. MCV growth is expected to be in the mid-single digits. In passenger vehicles, there is some concern about growth, which may be in the low single digits. In OEM, demand is still holding strong across categories, although it could moderate year-on-year because of the high-base effect. Farm production seems to be tapering off due to lower demand after the monsoon deficit.

In the international business, recovery has been strong on the back of demand revival in Africa and LATAM. The segments witnessing good demand are two-wheeler and commercial vehicle. However, freight rates and elongated, unpredictable transit times are challenges to manage. Sales to the Middle East, although improving, still remain impacted.

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Q2 witnessed robust performance, with strong revenue growth of about 23% year-on-year on a standalone basis and underlying volume growth of close to 10%. Standalone EBITDA in Q2 stood at 461 crores. Growth momentum continued during Q2 over last year, with 23% value growth. The replacement segment grew in the mid-teens, while both OEM and IB segments grew in the high 20s. Overall growth in CV, four-wheeler, two-wheeler, and farm was in excess of 20%, or in the strong double digits. Replacement growth was led by the two-wheeler and commercial categories, while growth in four-wheelers was muted. The salience of premium two-wheeler and four-wheeler products grew in replacement. OEM grew handsomely in all categories, led by strong demand, and we enhanced our fitment in premium vehicles and EVs in OEM. Growth in IB was strong across categories, in the high 20s and even 30s in some segments.

For the Camso business, the transition is nearly complete. About 85% of the customers have now come into Ceat Ltd.'s fold, with sales being made directly to them. We expect to complete the balance transition by the end of Q3. Alongside the customer transition, we have now set up local entities in the US, Canada, the UK, France, Germany, and Poland, which helps us serve customers in these markets locally rather than as an exporter from Sri Lanka. In Q2 FY28, we will have control over the entire Camso value chain, right from raw material procurement to end-customer servicing, and the project to install upstream equipment at the Sri Lankan plant is running on time. That makes FY28 the first year of Camso running entirely on the Ceat Ltd. platform, and we expect the margin benefits of the integration to start showing up. We have gross margin visibility to the extent of 50-55% in Camso. Capacity utilization at the Sri Lankan plant is less than 50%, leaving headroom for growth. H2 volumes in this financial year are expected to grow by 20% plus over the H1 actual volume base. This business is close to being EBITDA positive in H2, and we expect it to be EPS accretive at the consolidated level by FY29. We are taking steps to eliminate the mark-to-market losses or gains on the US dollar loan component from Ceat Ltd. India to OHT Lanka, and we will keep you informed about the execution of this by the end of next quarter.

Continuing with our comments on the key trends of electrification, international business, premiumization, and digital and AI, on the electrification platform, during Q2 we maintained leadership with a 25% share in the OEM PCUV electric segment and strengthened our two-wheeler EV share to beyond 35%. International business salience in Q2 was approximately 20% on a standalone basis, and on a consolidated basis it was 24%, including Camso turnover, which is fully international. We have a plan to take it to 33% at the total Ceat Ltd. level in 5 years.

In Q2, the OHT business delivered its strongest-ever quarter, registering strong year-on-year growth of about 30% plus. This was despite headwinds from elevated ocean freight rates and continued increases in raw material costs, which put pressure on margins. During Q2, we also added 21 new off-highway SKUs. In the on-road tires business, growth was robust, with improving realization. The segment registered mid-20s growth during Q2 on a year-on-year basis. Europe, LATAM, and Southeast Asia business growth has been good. However, record freight rate increases and difficulties in container availability continue to be challenges.

On premiumization, Q2 saw multiple launches in the two-wheeler and passenger car markets, with premium offerings in higher rim sizes, off-roading applications, and certain niche sizes. Ceat Ltd.'s overall sales volume of premium passenger tires, which we define as 17-inch-plus rim-size tires, registered high growth on a year-to-date basis, in the mid-30s. Our two-wheeler premium

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portfolio, comprising motorcycle steel radials, fabric radials, and tires for 250cc-plus bikes, also grew handsomely, registering high mid-teens growth.

On digital and AI, at Ceat Ltd. we are scaling up AI adoption through a portfolio of top-management-led initiatives across key business functions. During the quarter, functions advanced their use of AI and analytics for predictive insights, proactive anomaly identification, process automation, and faster decision-making across sales, finance, manufacturing, supply chain, and other areas. In parallel, our enterprise data lake project is progressing well. Our SAP RISE project also continued to advance as planned. During Q2, premium tire sales through leads grew by 1.2x, while overall four-wheeler tire sales through leads grew by 36% over the same period last year. Positive sentiment for the brand moved up by 37% year-on-year.

Regarding US tariffs, the applicable duty on auto components remains at 25% plus the original 4% tariff. Therefore, on-road tires, including truck-bus radial and passenger car tires, continue to fall under this category. Off-highway tires are subject to the lower 10% global tariff, so OHT tire exports from Sri Lanka also attract the same 10% duty. For tracks, the applicable tariff is 10%. However, the metal component of tracks, which is primarily steel, continues to attract a higher tariff of 25%.

Sustainability remains a key driver of innovation, efficiency, and long-term value creation at Ceat Ltd. We have improved logistics efficiency, reduced inbound transport intensity, and successfully deployed LNG-powered trucks for natural rubber transportation. We have also begun working with suppliers to increase the adoption of alternative-fuel vehicles across our supply chain. Our commitment to sustainable products was recognized with a gold award from the Indian Society for Quality for CEAT Circle 90, India's most sustainable passenger car tire. With this, I would like to hand over the call to Kumar for his remarks.

Kumar Subbiah - CFO: Thank you, Arnab. Good afternoon, ladies and gentlemen, and thank you for joining our Q2 FY27 earnings call. I will share some more financial data points with you, after which we can enter the Q&A session.

First, overall financial performance. Our consolidated net revenue for the quarter stood at 4,762 crores, representing year-on-year growth of about 26.2%. The revenue that we delivered in Q2 was the highest ever. This was aided by a combination of strong volume and price growth on a year-on-year basis. Approximately 40% of the growth came through volumes, and the balance came through positive price and mix.

Regarding pricing, similar to Q1, the pricing impact was positive across all segments. During Q2, the OEM and replacement segments led the upward price readjustments. So far, replacement has been receptive to our pricing actions, with demand still holding strong. We have effected approximately 12-13% of price increase from the beginning of the current financial year until the end of September in replacement, and about 14-15% in the OEM segment from the beginning of the financial year until date. We still have some gap to bridge vis-à-vis the increase in raw material costs, and that will be addressed in due course.

Coming to operating margins, our consolidated EBITDA...

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Management: EBITDA for Q2 stood at 452 crores, translating to 9.5% of revenue. This represents an expansion of 95 basis points sequentially and a drop of about 403 basis points versus Q2 of last year. While our standalone EBITDA was about 461 crores for the quarter, translating to a margin of 10.14% of revenue during the quarter, this was an improvement of about 101 basis points quarter-on-quarter and a drop of about 356 basis points. The drop in gross margin versus the same period of the previous year is mainly on account of the increase in raw material costs over the last 6 months.

Our consolidated gross margin for Q2 stood at 34.6% and expanded by about 66 basis points sequentially, helped by other operating income and an increase in realization. The drop in margin, as I mentioned, is largely on account of raw material costs versus last year.

Coming to raw materials, during Q2, crude oil prices continued to remain at elevated levels. While crude averaged at a lower level in the beginning of the quarter, in July, at around $84-$85, ever since the ceasefire deadline expired in mid-August and re-escalation started toward the end of August, crude has been hovering around $100 per barrel. As we speak, crude continues to hover around $105 per barrel due to the increase in the crude premium. The crude derivative prices that go into tires moved even higher than the movement in crude prices during Q2.

Natural rubber prices followed a similar trajectory during the quarter, with the international benchmark, namely the Singapore Commodity Exchange, starting Q2 at around $2,200 per ton and moving since then to around the $2,600 level. In line with this movement and following price parity, domestic rubber prices also remained elevated and are currently priced at around 285 rupees per kg, which is a 20-year-plus high and continues to remain strong even in the current market conditions. The recent sharp movement in international natural rubber prices has, in a way, also closed the gap with local prices. Earlier, international prices were at a discount to local prices; today, they are more or less at parity with local prices.

Coming to the rupee, while the recent intervention package announced by the Reserve Bank of India has pulled back some of the negative sentiment, the rupee remained within a range, leading to a limited impact on our cost during the quarter. Overall, as guided in our Q1 call, raw material prices for Q2 surged by about 8-9% quarter-on-quarter compared to Q1. Moving into Q3, the pressure is expected to persist as commodity prices continue to remain high, and raw material costs are expected to move in the range of about 3-3.5% in Q3 over Q2. We hope and look forward to the West Asia war finally coming to an end, which should bring commodity prices back to normal levels.

Coming to capex, we spent about 493 crores during the quarter on standalone operations. This includes approximately 120 crores plus at the Nagpur plant as part of our capacity increase from 80,000 tires to 100,000 tires a day, and approximately 280 crores in Chennai toward the expansion of our truck-bus radial and passenger car tire capacities. Our capacity utilization continues to be high, particularly in the two-wheeler and truck-bus categories. The capex that we front-loaded in the first half of the year would help in meeting our demand in the coming quarters. For our overall capex, comprising growth capex plus normal maintenance capex, including R&D, we aim to manage it in the range of around 1,400 crores, as we guided in earlier quarters.

Coming to working capital, on a standalone basis, our net working capital increased by about 74 crores, largely on account of higher inventory arising from the higher scale of operations and higher

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value of materials. Working capital moved up by 280 crores on a consolidated basis, which includes inventory in transit for our overseas operations and receivables relating to {? Camso ?}, as we have started invoicing customers directly. On a consolidated basis, our debt stood at 3,846 crores, an increase of about 604 crores over Q1. To fund our Q2 capex program, we spent most of the money, and we also paid about 140 crores of dividend during the quarter.

We wish to inform you that we have received the necessary approvals from the authorities to convert about 24 million US dollars of debt provided by Ceat Ltd. India to Lanka {? HPST ?} Limited, and the same is reflected in the results as of the end of September. Our debt-to-EBITDA on a consolidated basis stands at a healthy level of about 1.93x, arrived at based on the trailing 12 months, which is a marginal increase over Q1 of about 1.58x. Our debt-equity ratio continues to remain healthy at about 0.77, a marginal increase over the Q1 level of about 0.65.

Coming to other expenses, our employee cost was marginally higher in Q2, by about 14 crores on a standalone basis and about 26 crores on a consolidated basis. This includes the revision in our salaries due to the annual cycle revision that starts in Q2. However, employee cost as a percentage of revenue declined in Q2 versus Q1, a trend that we have been witnessing for the last 4 quarters. Our consolidated other expenses were about 18.2%, a 39-basis-point improvement over Q1. This is at a time when we are seeing unprecedented increases in freight and other indirect costs. Despite broad inflationary pressures extending beyond direct input costs, we continue to manage them strictly and efficiently.

Our depreciation at a consolidated level remained in line with Q1, and our interest or finance cost was 87 crores versus 146 crores in the previous quarter. The drop is mainly on account of the fact that in Q1 we had certain foreign-currency-related costs that were part of it, which we did not have in Q2. Overall, our consolidated profit after tax for the quarter stood at about 112 crores, compared to about 186 crores during the same quarter of last year and 4 crores in the previous quarter. Thank you once again. With that, we can now open the floor for Q&A.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take our first question from the line of Raghunandan N.N. from Nuvama Research. Please go ahead.

Raghunandan N.N. – Nuvama Research: Thank you, sir, for the opportunity. It is good to see the margin improvement quarter-on-quarter given the challenging times. My first question was on the replacement demand outlook for H2. Could you talk about how you see TBR, PCR, and two-wheeler demand for H2 in replacement? Also, would dealer inventory levels be around normal levels or on the higher side?

Management: Replacement demand for H2, I think commercial vehicle tires could be growing at about the mid-single digits. Passenger vehicles, as I said, are growing at low-single digits. Two-wheelers are growing in the double digits, especially in rural markets, and overall also in the double digits. Farm could show low growth over last year in the second half. So this is the outlook for replacement.

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Regarding dealer inventory, because there has been a continuous price hike, even at the customer level the uptake has been uniformly good. People have stocked up and sold, and consumption has been good over the last 4 quarters, if you look at the period after GST. If dealer inventory had built up, it would have shown up by now. Therefore, we do not think dealer inventory is particularly high despite the price hikes.

Raghunandan N.N. – Nuvama Research: Noted, sir. Thank you for that. My second question was on the price hike. Given that replacement may require approximately a 17–18% price hike to fully pass on the impact, how do you see the replacement price hike plan for Q3 and Q4? Also, in the export market, how much have the price hikes been so far, and are there any plans to take a hike there going forward?

Management: We have a gap, as you can see in the margin situation. Gross margin was 33.5–33.6% in the first half, while our normal comfort zone is around 41–42%. Therefore, there is a 7–8% gap in gross margin as we have just completed the first half. That gap needs to be covered. In addition, a price increase in raw materials is expected in Q3 over Q2 to the extent of 3%. That also needs to be covered.

Therefore, there will be continuous price hikes in Q3 in replacement, and we will go country by country and category by category in international markets to seek opportunities for price hikes. The price hikes will be frequent but in low doses. The end of Q2 also saw a very low-dose price hike, and through October we are announcing further price hikes. This is going to continue for some more time, definitely in Q3. Q4 is too far away at this point to comment on, but we need to and shall take price hikes through Q3.

Raghunandan N.N. – Nuvama Research: Noted, sir. My third question was on {? Camso ?}. On {? Camso ?}, your previous commentary was that the transition across the value chain should happen by the end of FY27 and that customer transition should also be completed. I just wanted to understand whether it is on track or whether there is some delay in the transition, and how you see the revenue and margin trajectory ahead. Our understanding was that there would be a $10 million per month revenue trajectory, followed by a further increase after the transition. Also, could you talk about EBITDA and how you see the trajectory?

Management: First, regarding the project and the customer transition, customer transition is about 85% complete and, by and large, will be completed in Q3. Therefore, it is more or less on track.

The other transition is on the upstream side of the plant in Sri Lanka, where we have to set up upstream equipment. We had said that it would be completed by the end of this financial year; it may spill over to Q1 of next year. Therefore, substantively, there is no significant delay, and by Q1 we should be able to ramp up the complete value chain in the plant. That answers the transition question.

As we have the customers in our hands, we are looking at volume ramp-up of about 20% plus, definitely in the second half of this financial year, versus the actual volume delivered in H1 of this financial year. We are seeing a 20% possibility of volume growth, and there will be further growth in FY28 and FY29, of course. The plant has the capacity to meet that demand. In terms of EBITDA, we should approach EBITDA neutrality and become EBITDA positive in the second half of this financial

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year, which will improve further in FY28.

Raghunandan N.N. – Nuvama Research: Noted, sir. Thank you for the thoughts. I will fall back to the queue.

Operator: Thank you. We will take our next question from the line of Siddarth Bera from Nomura. Please go ahead.

Siddarth Bera – Nomura: Thank you for the opportunity, sir. My first question is on volumes. You mentioned close to 10% volume growth at an overall level in Q2. What were the replacement and export volume growth figures in the quarter?

Management: In Q2, year-on-year, you are right that we had close to 10% overall volume growth. Replacement was lower, at low-single-digit volume growth, while exports and OEM were in the lower double digits in terms of volume growth. Therefore, it averaged out at about close to 10%.

Siddarth Bera – Nomura: Understood. In the last quarter, we saw slightly better replacement growth. Have we seen some moderation in replacement growth given the price hikes we have been taking? Is that also impacting demand? My second question is on the export side. You mentioned that we have not passed on the entire cost. When export demand is good, what would be the catalyst, or why is the price pass-through somewhat slower there?

Management: First, regarding replacement, we had a production bottleneck in a couple of categories during this quarter. It was a slight internal issue that led to some of the volume being lower, and it had nothing to do with demand. Overall, there is also a little seasonality in Q2. Q2-on-Q2 growth is decent, but if you compare Q2 with Q1, demand does come down after the summer months. Therefore, there was nothing extraordinary about that.

There is no slowdown in the market, barring the seasonal adjustment in replacement and a minor issue in our own production capacity during July and August. That explains the replacement performance.

In international business, yes, price transmission has been slow, and we still have to transmit more price increases in the international market. What happens there is that we proceed selectively, country by country, depending on the competitive situation, which is different in each country. Globally, everyone is present, from the top-ranked European players to Chinese brands. We are a value brand, and we are positioned at about 15-25% below the top European brands. In that competitive scenario, it is sometimes difficult to take a price hike at the same time in all countries. That is why, on average, transmission is lower than in the domestic market. Having said that, both gross margin and EBITDA margin in the international business are still accretive over the domestic market.

Siddarth Bera – Nomura: Understood, sir. My last question is on working capital. We saw a significant drag in the first half of this year. Incrementally, as we proceed through the full year, do you think this will see further pressure from the first half given the commodity scenario, or do you expect some normalization in areas where we have probably been more conservative? I would appreciate your thoughts.

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Management: On the standalone results, when commodity prices impact raw material costs, the value of raw materials as well as finished goods goes up quarter-on-quarter. That had some impact. Normally, it gets compensated in the form of an equivalent amount of trade payables if there is a match in terms of the number of credit days versus the number of inventory days that you hold.

In the quarter ended September 30, we did have an impact on account of the higher value, and raw material inventory was slightly higher than in June and March. We had to keep slightly more inventory, particularly imported inventory, due to the increase in transit time, and to ensure that all our factories ran efficiently without any loss of production due to raw material shortages. That had a small role in the approximately 70 crores increase in working capital in Q2 versus Q1.

Overall, I think working capital was around 270 crores on the positive side as of the end of September on a standalone basis. Until recently, we had been operating closer to zero or negative. The increase in working capital is partly because the cost of materials has increased, and the average holding of both raw material and finished goods inventory has been slightly higher than the average period of payables. That had some role to play.

Second, the composition of our revenue is also changing. When the share of international business increases, receivable days in our books also move up because the money is collected after the inventory reaches its destination, and there is some transit time. There is no inefficiency or anything of that nature; it is more about the change in the model.

To cut a long story short, our endeavor is to bring working capital back closer to the zero level, or to the 0-100 crores level, in the next 1-2 quarters in a normal and stable environment. However, if there is any change or fluctuation in transit time, particularly on the cross-border side, we may end up holding a slightly higher level of inventory to provide supply security to our factories.

When it comes to the consolidated level, structurally there will be some element of working capital as we start taking over customer servicing from Camso-Michelin. The stock is produced in Sri Lanka but sold in other parts of the world. Therefore, there is transit time as well as a receivable period. Some amount of working capital will consequently remain in the consolidated business. We are trying to assess that impact, and perhaps in subsequent quarters we will be able to provide a little more color on it.

Siddarth Bera - Nomura: Understood, sir. Thanks a lot. I will come back in the queue.

Operator: Thank you. The next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.

Rishi Vora - Kotak Securities: Thank you for the opportunity. My first question is on the competitive dynamics. We have talked about 12-13% price hikes. How has peer-set pricing been? Has the industry taken a similar quantum of price increases?

Management: In replacement, yes, the price increases have been similar. There could be a time lag of 1-2 weeks here and there. The quantum may be a quarter percent or half a percent higher or lower, but directionally it is similar.

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Rishi Vora – Kotak Securities: At least in your opinion, is the ability to take further price increases not going to be difficult, given that the industry has so far been disciplined on that front?

Management: I cannot predict that, but we need price increases and we will go for price increases. That is what I can say.

Rishi Vora – Kotak Securities: Understood. Regarding the quarter, how much of the price increase has actually flowed through, and what will come through in Q3? How should we think about that?

Management: Total revenue growth minus volume growth can be taken as price growth. That price growth will include some element of mix impact. However, that is one good way of understanding price growth.

Rishi Vora – Kotak Securities: Therefore, roughly an 8% quarter-on-quarter ASP increase would have happened, which I think is similar. Incrementally...

Management: Yes, that is correct.

Rishi Vora – Kotak Securities: Sequentially, the ASP increase beyond mix will depend on the price hikes taken from October onward, correct? There is no lag in terms of price pass-through from Q2 that will happen. Is that how we should read it?

Management: There is some lag. There is some lag. In OEM, there is a lag of 3 months. In replacement also, there is a little bit of a lag. I think Arnab mentioned in his opening remarks or in one of the questions that there is a 6-7% gap versus our normal margin levels of about {? 40% to 41% ?}. That is the gap to be bridged.

Rishi Vora – Kotak Securities: I understood that. From a Q3 perspective, I was trying to understand whether we will see any benefit coming through from the under-recoveries in Q2.

Management: There is some lag in Q2. I think it is better to assume that there is a 3-month kind of lag overall. What happened in the previous quarter—for example, whatever happened in Q1—we were able to recover in Q2 with some kind of a lag. You can expect a similar lag for what happened in Q2 in terms of recovery at the rupees-per-kg level. Anything beyond that translates into gross margin percentage improvement.

Rishi Vora – Kotak Securities: In your assessment, should third-quarter gross margin be stable versus Q2 if there is 3% commodity inflation, as you have guided?

Management: I think it depends. We will wait until the price increases happen because we would like the price increase assumptions that we have made to materialize. Therefore, it should be closer to the current levels. More clarity will come once we execute our pricing plans appropriately.

Rishi Vora – Kotak Securities: Understood. My last question is on CV replacement demand. Despite the 12-13% price increase we have taken, we are not seeing any challenges on the demand side, because you are still guiding for mid-single-digit growth on an elevated base. In the industry, among all the fleet operators, are we not seeing any demand slowdown, apart from the base effect?

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Management: The base effect will come in. That is significant because Q3 and Q4 last year took off, as you know. The current growth rate is in the low to mid-single digits, as I said, and we expect that to continue. Even if there is moderation, it will not go to zero or negative. There is buoyancy in the market in construction, mining, and general goods movement. I am referring to replacement.

Rishi Vora – Kotak Securities: Understood. On a blended basis, do you expect replacement to grow by the mid-single digits in terms of volumes in the second half, taken together?

Management: More or less, yes. Yes, you are right.

Rishi Vora – Kotak Securities: Thank you very much. I will get back in the queue.

Operator: Thank you. The next question is from the line of Milli Vora from Equirus. Please go ahead.

Milli Vora – Equirus: Thank you for taking my question. My question was regarding the capex guidance. In the first half, we saw spending of around 800 crores, which was largely in the standalone business. What I am trying to understand is, going forward in the second half, what proportion of capex will also go into Camso, because we have been discussing the addition of upstream and downstream equipment there? Can you quantify the capex required for Camso?

Management: Camso's upstream readiness is expected by Q1, as Arnab mentioned regarding the transition. Our expected capex cash flow during the year is in the range of about 100–150 crores from the upstream perspective. That is the difference and the addition over standalone capex.

Milli Vora – Equirus: So is standalone capex 1,400 crores plus 150 crores, or is the 150 crores included in the 1,400 crores?

Management: It is 1,400 crores plus 150 crores. That would be the range.

Milli Vora – Equirus: Understood. Additionally, there is some acquisition payment remaining for Camso. When will we incur that—perhaps next year, in the second half?

Management: No, that will happen in August 2028. The 3-year period will end on August 31, 2028. Therefore, it is around that time that we will have to make the 44 million payment.

Milli Vora – Equirus: Understood. Lastly, regarding debt, we have seen debt increase by around 600 crores in the first half. What would be the comfortable range where we would not be very concerned about debt? Are there any targets at which we would be comfortable—for example, levels of 4,000–4,400 crores going forward?

Management: We never had any absolute debt target. We have always operated based on debt-to-EBITDA or debt-equity leverage ratios, which used to be the guiding principles with respect to debt.

There was some front-loading of capex in the first half of the year, particularly in Q2, to ensure readiness for our two-wheeler expansion in Nagpur and truck-bus radial expansion in Chennai. In the quarter that went by, we also paid about 140 crores of dividend. That also contributed to the utilization of the operating cash flow generated in Q2.

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In a tight scenario such as this, debt-to-EBITDA of 2-2.1 could be taken as a guiding principle. In the past, we used to say that we would not like to cross 3. We have brought that threshold down. Therefore, around the 2-2.1 level during the current year is the level at which we would like to operate.

Milli Vora – Equirus: Understood, sir. That is all from my side. Thank you.

Operator: Thank you. We will take our next question from the line of Ankur Poddar from Swan Investments. Please go ahead.

Ankur Poddar – Swan Investments: My question is regarding Camso. Could you throw some light on the revenue recognition of Camso for the quarter? Last quarter, you mentioned that we had reached a revenue run rate of $10 million per month. How is revenue currently ramping up, and how much of it are we recognizing? Is there a gap between the run rate you mentioned and what we are recognizing in our books?

Management: Amit, you can take this.

Amit: Revenue to the end customer stands at around $10 million per month. As Arnab informed you, we had taken over 85% of those customers into our fold by the end of September. We expect to have the remaining customers with us in Q3, by the end of November. Therefore, revenue to the end customer is running at $10 million, and sequentially, as we acquire these customers, that kind of revenue will also be seen in our statements.

Ankur Poddar – Swan Investments: Understood. Overall, how do we see this ramping up over the next couple of quarters? We are currently at $10 million. Do we see this ramping up, given that our overall capacity is closer to $150-200 million per annum? By when do we expect to reach that level?

Amit: Sequentially, you will continue to see an increase in volumes. As we mentioned earlier on the call, between H1 and H2 you will see a 20-25% increase.

Ankur Poddar – Swan Investments: Okay, all right. That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Vijay Pandey from Axis Capital. Please go ahead.

Vijay Pandey – Axis Capital: Thank you for taking my question. Regarding the price increases, I wanted to understand when we took the price increases and at what point during Q2. If you could quantify them by month, that would be helpful.

Management: Cumulatively, the price increases happened throughout Q2, as they did in Q1. The impact of the price increase in Q2 was approximately 8%. That was the quantum of price growth that happened in Q2. However, price increases happened at different points in time. Cumulatively, from April 1 to date, at the consolidated organizational level, our price increase was about 13% between April 1 and September 30.

Vijay Pandey – Axis Capital: How much would have been taken in August or September?

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Management: In July, the price increase in the OEM segment was about {? 12 to 13% ?}. In replacement, it started at the beginning of July. I think about 5.5% of the 8% increase happened in July, and the balance happened in August and September.

Vijay Pandey – Axis Capital: The 44 million payment for Camso—will that be made in September 2027 or September 2028?

Management: It will be at the end of August 2028. The cut-off date is relevant because we took over the business on September 1. Therefore, the payment has to be made around the end of August 2028.

Vijay Pandey – Axis Capital: One more thing: when we subtract consolidated from standalone, other income is negative and interest is also negative by 90 for this quarter. Can you help us understand the dynamics at play? What is impacting this, and how should we look at it?

Management: Regarding consolidated other income, we received approximately 20 crores of dividend from our joint venture entity in Sri Lanka, CEAT Kelani. Since Ceat Ltd. standalone receives that dividend, it is part of the standalone figures. In consolidation, it gets eliminated.

The second question is on finance cost, which I think you are referring to. In Q1, there was a one-off foreign-exchange-related cost, which was not present in Q2. That was the reason for the decline.

Vijay Pandey – Axis Capital: Going forward, how should we look at finance cost?

Management: Finance cost will move in line with debt levels. Therefore, if you take Q2 as a reference point, a 5-8% movement in debt levels is possible between Q2 and subsequent quarters, and finance cost will also move in line with that.

Vijay Pandey – Axis Capital: Currently, is the {? run rate ?} situation such that our current monthly realized run rate for Camso is around $10 million?

Management: At the customer-billing level, yes. It will progressively grow because, as we said, we have already taken control of customers to the extent of 85%, which will reach 100% in Q3. Therefore, you can say that customer billing of $10 million is the base rate, and growth will come on top of that.

Vijay Pandey – Axis Capital: Thank you, sir.

Operator: Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone now. We will take our next question from the line of Yash Agarwal from Nirmal Bang. Please go ahead.

Yash Agarwal – Nirmal Bang: Thank you for the opportunity. I wanted to know our revenue share in EVs in OEM, for both two-wheelers and passenger vehicles. What is our market share in premium tires?

Management: Our share of business in four-wheelers is about 25%, and in two-wheelers it is in excess of 30% in OEM EVs. In premium tires, the revenue share is close to 25%, or 24-25%.

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Yash Agarwal – Nirmal Bang: What is our mix in terms of domestic and natural rubber procurement, and has it changed after the reduction in the discount between international and domestic prices?

Management: Approximately two-thirds of our rubber is imported and one-third is purchased locally. This number has not changed recently on account of lower or near-parity international prices versus local prices.

Yash Agarwal – Nirmal Bang: We have taken price hikes to offset raw material inflation. Compared with peers, are we taking aggressive price hikes, or are we in line with what other peers are taking in the industry?

Management: In replacement, it is more or less in line. There could be a lag of a couple of weeks here and there, but directionally it is in line with how competition is behaving.

Yash Agarwal – Nirmal Bang: One last question on Camso: after complete integration from 2028, can we expect margins of around 12-13%, as guided earlier?

Management: As I mentioned, in H2 we expect to move from EBITDA neutrality to being EBITDA positive. At the EBITDA level, the margin should improve from there in FY28.

Yash Agarwal – Nirmal Bang: That is all from my side. Thank you.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to management for closing comments. Over to you.

Management: Thank you very much. As we reach the end of the first half of FY27, I wish all of you and your families, in advance, a happy festive season as we enter Q3. I look forward to seeing you on the call next January. Thank you.

Operator: Thank you. Thank you to all the members of the management team. On behalf of ICICI Securities Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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