

CEAT LIMITED

I hold 140 shares of CEAT Ltd. since June 2018 purchased at ₹1398. Could you please advice if I should hold the stock or exit?

- Milind Sakpal

BSE/NSE Code	500878 / CEATLTD
Face Value	₹10
CMP	₹1,244.00
52-Week	High ₹2,030.00 / Low ₹983.80
Your Current Profit/(Loss)	(11.01 per cent)

HOLD

CEAT Limited is engaged in the manufacture and sale of automotive tyres, tubes and flaps. The company manufactures radials for a range of vehicles. It offers products for light commercial vehicles (LCVs), motorcycles, scooters, cars, farm vehicles and trailers, etc. It has a capacity to produce approximately 95,000 tyres per day.

On the financial front, on a consolidated basis, the company posted a 15.21 per cent growth in terms of net sales on a YoY basis and in Q2FY19, it stood at ₹1754.61 crore as against ₹1523.03 crore in the corresponding quarter of the previous year. However the profit before interest, depreciation and tax (PBIDT) of the company went down by 8 per cent in the latest quarter ended September 2018, which stood at ₹159.24 crore as against Rs174.68 crore posted by the company in Q2FY18.

The profit after tax (PAT) also witnessed a decline of 13 per cent and stood at ₹57.25 in Q2FY19 as against ₹66.52 crore in Q2FY18.

On the annual front, the company's net sales for FY18 stood at ₹6230.77 crore, a jump of 8 per cent from ₹5766.51 crore in FY17. In terms of Pprofit before interest, depreciation and tax (PBIDT), the company witnessed a marginal 5 per cent fall and stood at ₹650 crore in FY18 while in FY17 it came in at ₹683.25 crore. The PAT however went down by 36 per cent in FY18 and came in at ₹210 crore from ₹330.86 crore in FY19. On the valuation front, the company posted a return on equity (ROE) of 10.30 per cent and return on capital employed (ROCE) at 14.77 per cent. The company's financial performance does not seem to be too strong, but with crude prices slipping from high, it is a positive for CEAT.

We would advise you to exit 20 per cent at the level of ₹1320 and then hold the rest to exit from time to time as you book profits. Thus we recommend a **HOLD**.