



PROFITABLE GROWTH IN  
UNCERTAIN TIMES



**Q1 FY15 – Investor Presentation**  
July 22, 2014

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# Section I : RPG Group Overview

# RPG Group : History

- RPG Enterprises established in 1979 by Mr. R P Goenka
- In 80s, RPG group acquired various companies such as CEAT Tyres (1981) , KEC (1982); Searle India, now RPG Life Sciences (1983); Gramophone Company of India Ltd, now Saregama India (1986); and finally CESC, Harrisons Malayalam, Spencer & Co. and ICIM, now Zensar Technologies, all in 1989
- Ownership reorganization in 2010, resulting in two separate groups : RPG Group & RP-Sanjiv Goenka Group

## RPG Group



## RP-Sanjiv Goenka Group



# >> RPG Group : Business Portfolio

\$3 bn Global & diversified Indian business group

**CEAT**



TYRE

**KEC**



INFRASTRUCTURE

**ZenSar**  
TECHNOLOGIES



IT



SPECIALITY

## Presence in key sectors of economy

- ❖ Global presence in over 100 countries
- ❖ Employee strength of over 20,000 across geographies
- ❖ Global business of around 50%

PHARMA



PLANTATIONS



POWER / TELECOM  
ANCILLARY



# RPG Group : Governance Structure

## **Management Board Members (MBM)**

- ❖ Members : Chairman, Sector Heads, Group HR & Group Finance
- ❖ Purpose : Group level strategy decisions

## **Company Board of Directors**

- ❖ Members : Chairman, MD & Independent Directors who are experts in various fields
- ❖ Purpose : Company specific strategy decisions, results review & regulatory related aspects

## **Business Review Board (BRB)**

- ❖ Members : Chairman, Group HR, Group Finance, CEO & other Key Management Personnel of the companies
- ❖ Purpose : Strategic Planning, Annual Operating Plan & Business Performance Review

## **Centre Of Excellence (COE)**

- ❖ Functional COEs for critical functions such as Finance, IT, Manufacturing, Legal / Secretarial etc
- ❖ Platform for Best practice sharing, leverage opportunities at group level, any common agenda discussed incl knowledge sharing

# RPG Group : Corporate Social Responsibility



## Goals

- Engaging with and contributing to our communities around – Educate & Empower

- Being an eco-efficient company that believes in sustainable growth and makes it a part of its DNA

- Actively participate in the nation's effort to bridge the huge shortfall of skilled (technical) manpower

## Initiatives

- School/community development program around all our 15 plants & offices
- Set-up company-wide volunteering programs

- All plants to work towards Zero net consumption of natural resources
- Establish sustainability communications and reporting on performance

- Adopt Govt. ITIs to deliver relevant and quality courses
- Initiate technical Education at Govt schools in select States where RPG Plants are situated.

## Approach

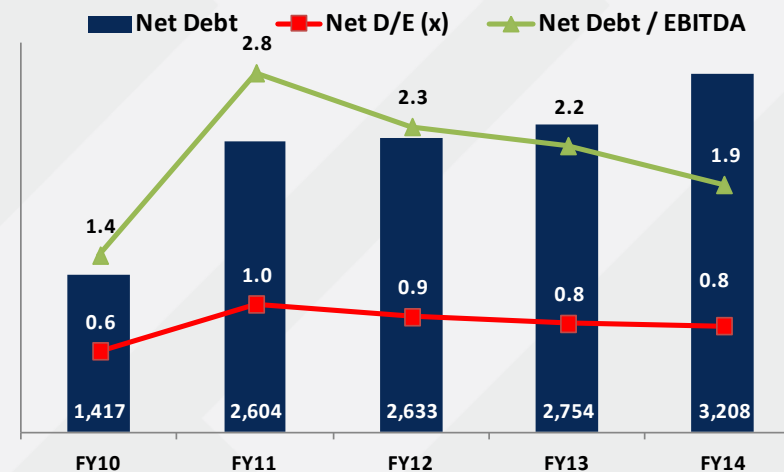
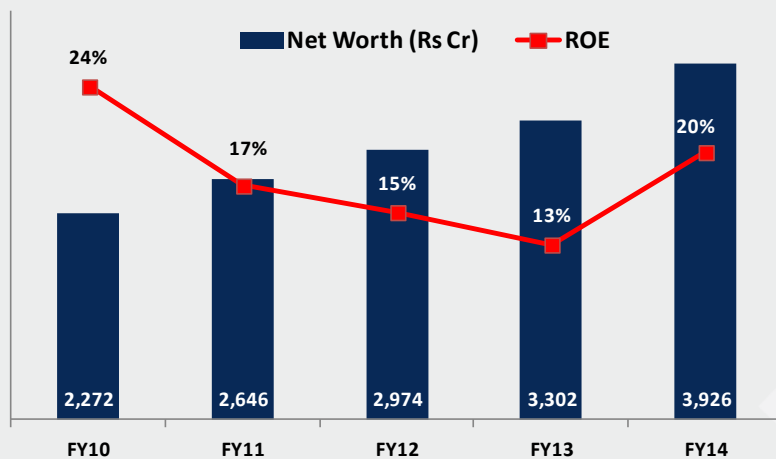
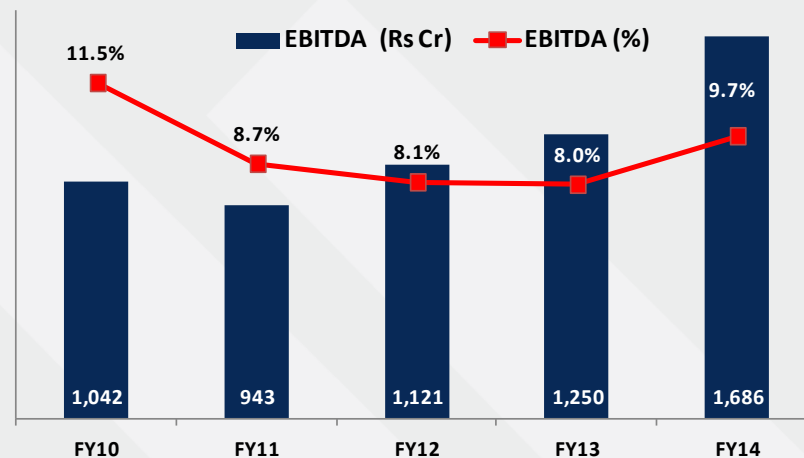
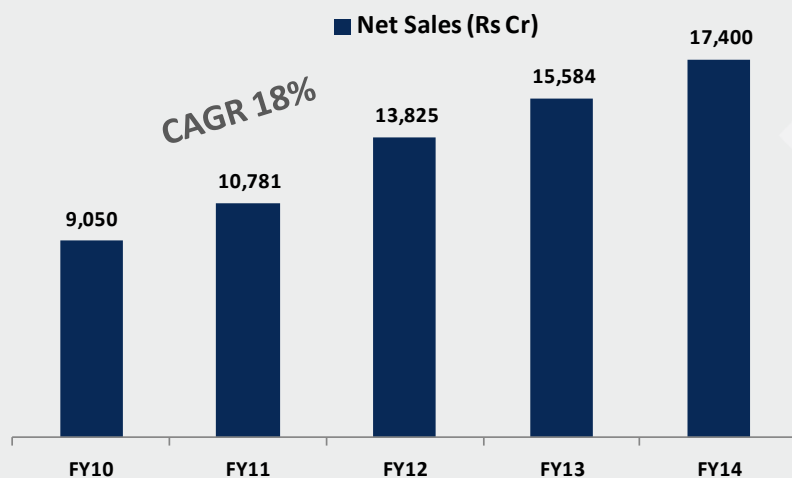
- Identify and engage with underprivileged schools/communities for English and Livelihood programmes

- Sensitise and motivate all employees to go Green and incorporate it into the Group strategy.

- Revamp the adopted ITIs & Govt technical High Schools to be Industry-oriented. Advocacy in govt circles to help realise potential.



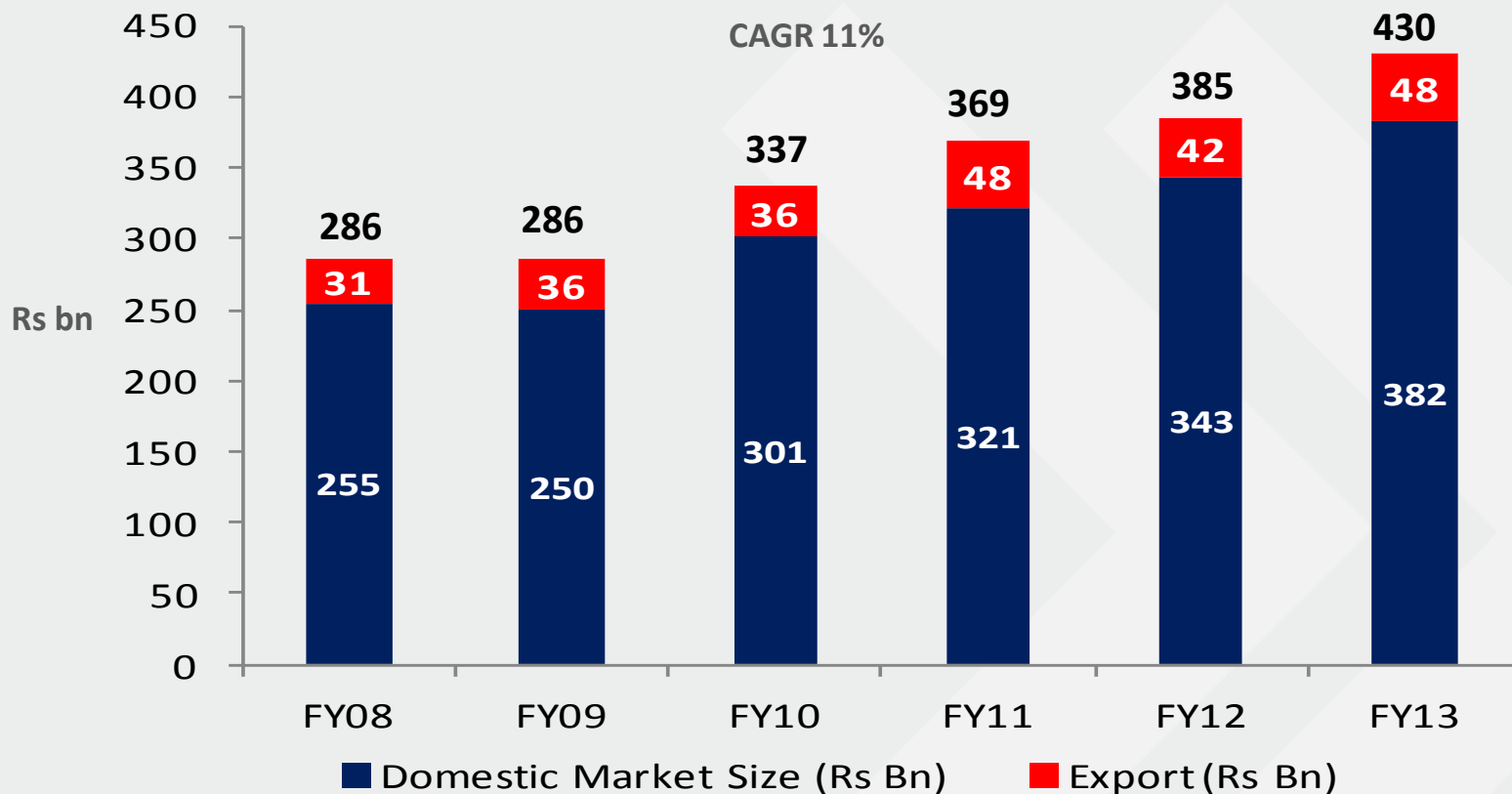
# RPG Group : Key Financials





## Section II. Tyre Industry Overview

# Indian Tyre Industry : Growth trends



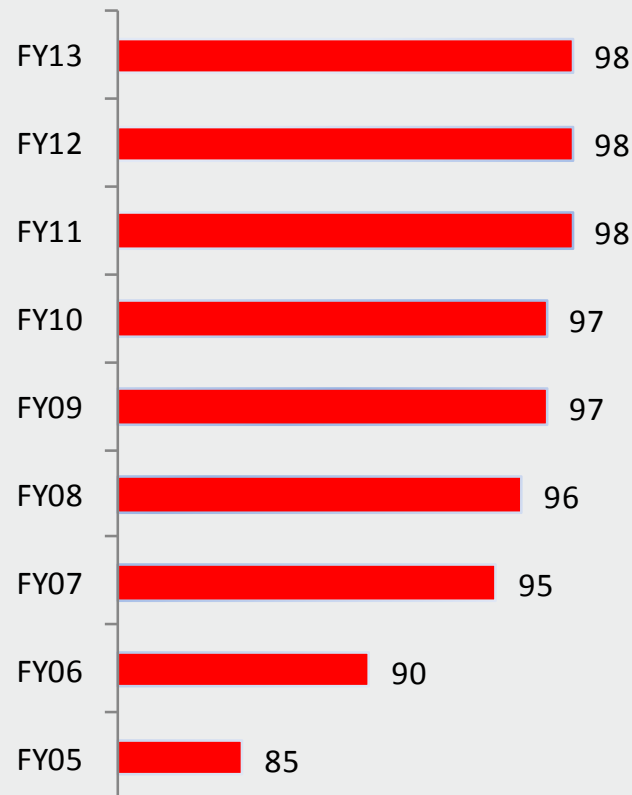
- Consistent growth over last 6 years
- Less cyclical compared to OEMs sales volume

Source : ATMA, CRISIL

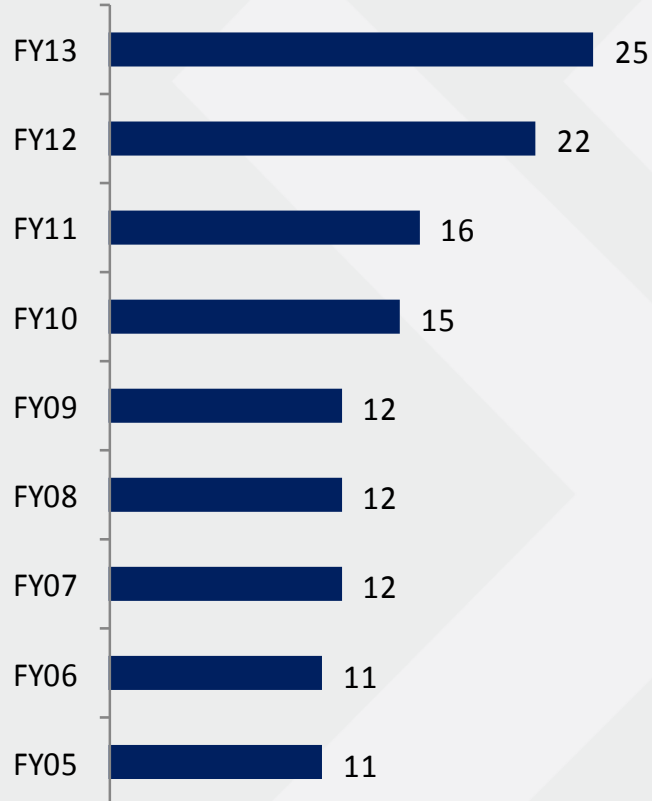


# Indian Tyre Industry : Radialisation trends

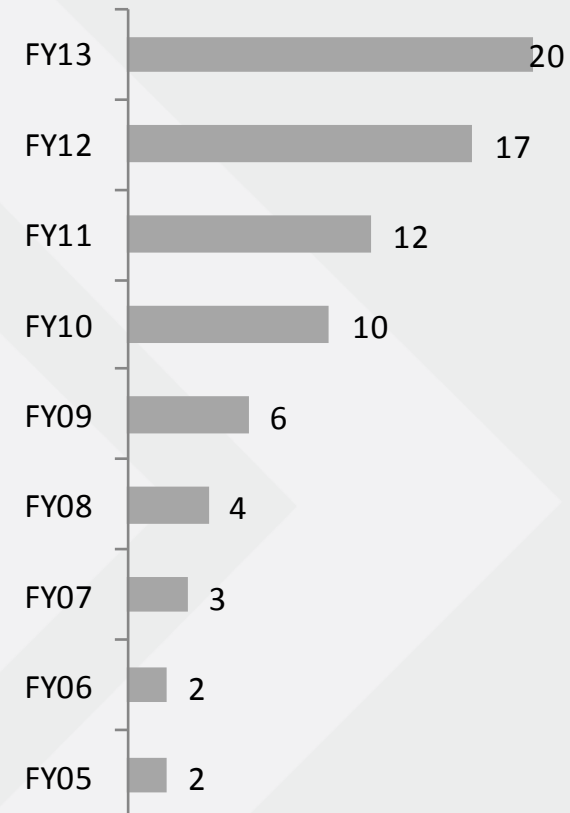
## Passenger Cars



## LCV



## Truck & Bus

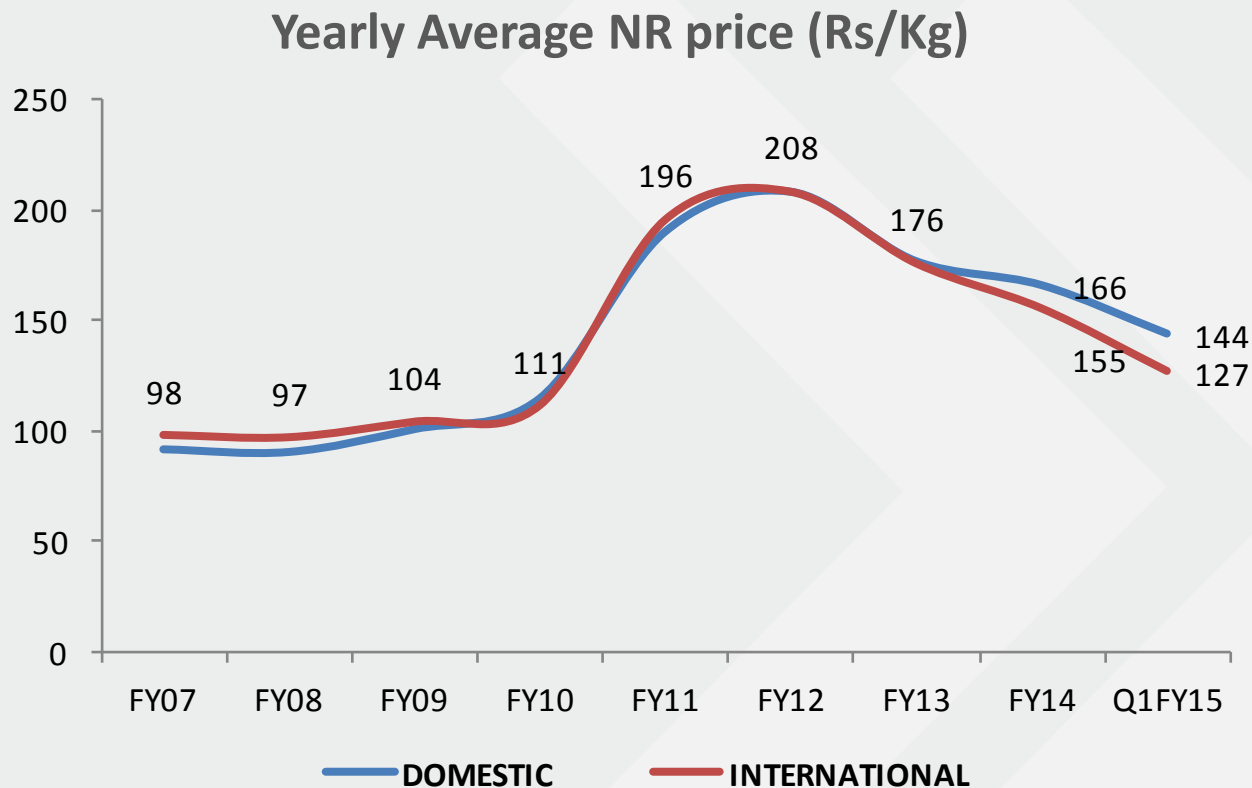


**Truck and Bus Radialisation to reach 40% in 3-4 years**

Source : ATMA, Internal Analysis



## Natural Rubber : Recent Price trends



Natural Rubber prices have followed a stable trend, except in FY11

Source : Rubber Board

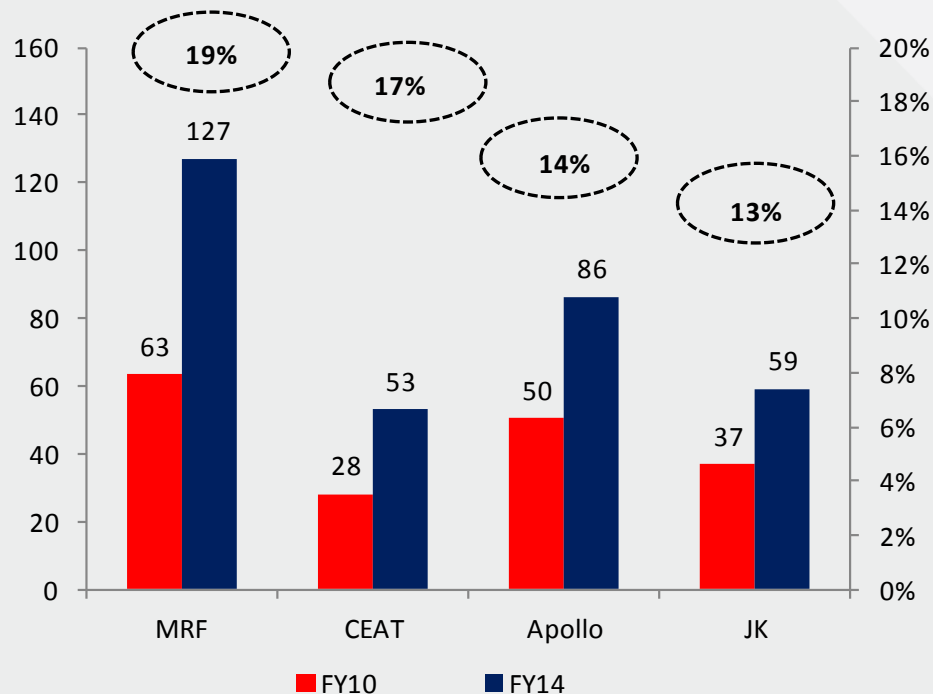


## Section III. Peer Analysis

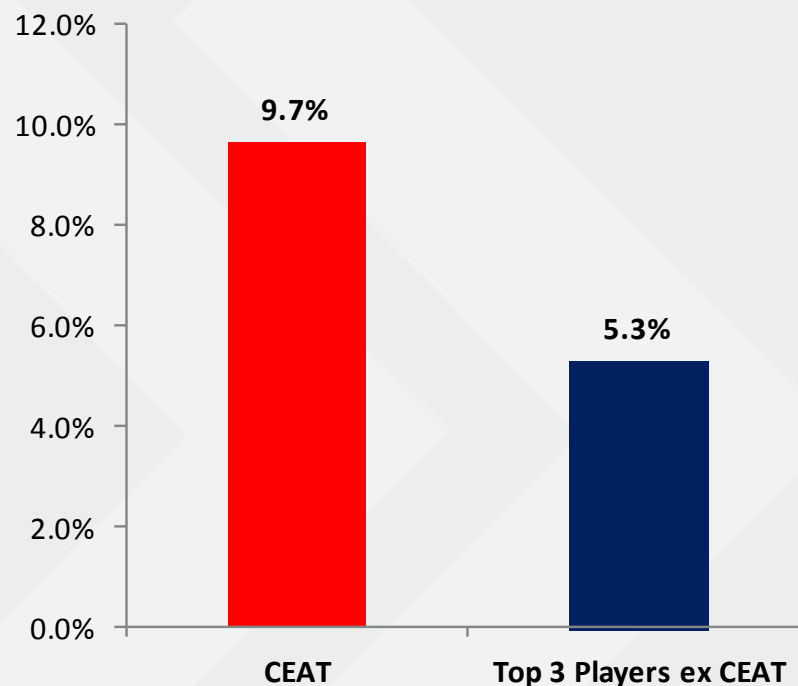


# Indian Tyre Industry : Key players & Market Share

Net Sales (Rs Bn) / 4 yr CAGR %



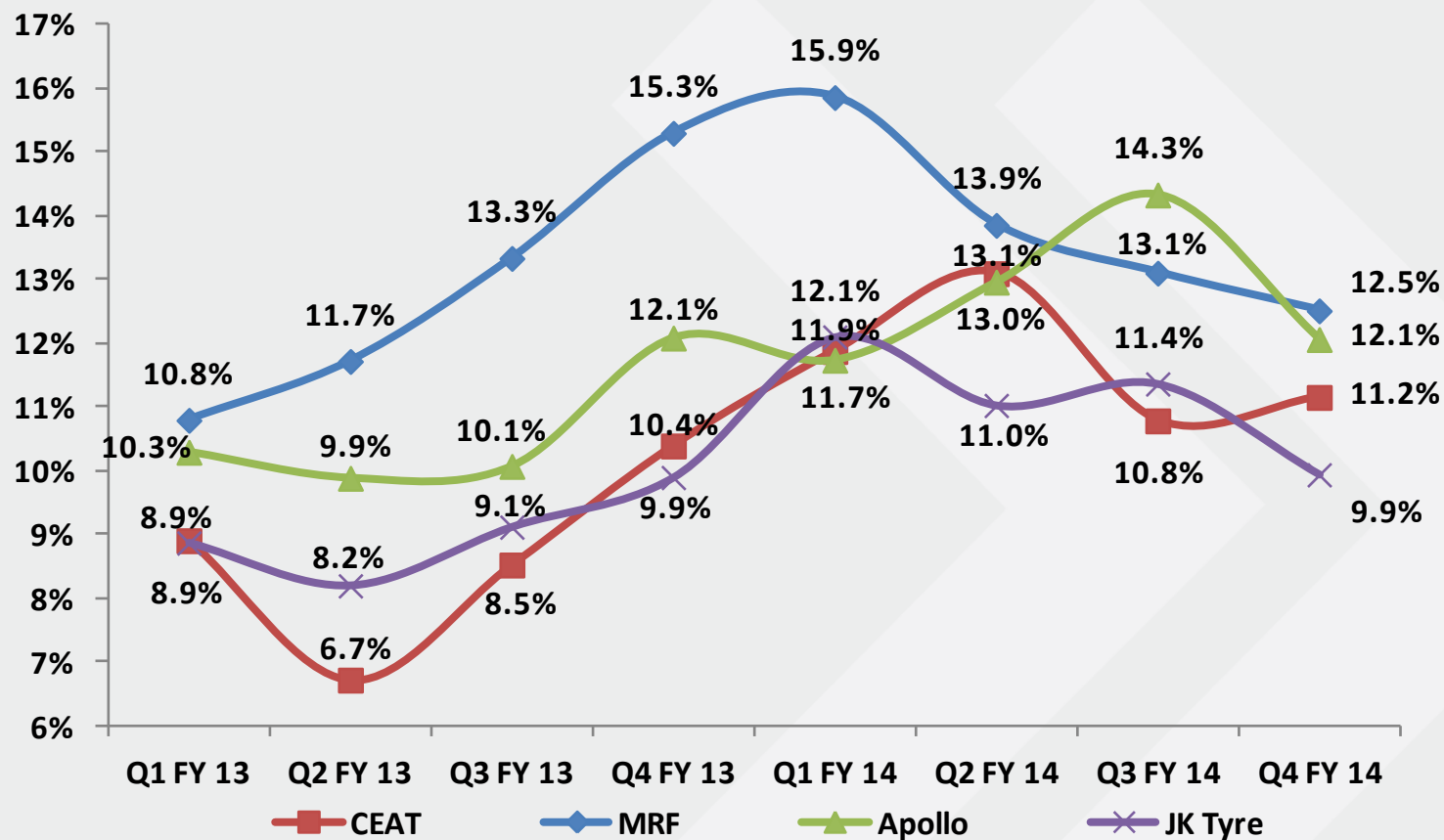
FY 14 YoY Sales growth



**CEAT 2<sup>nd</sup> fastest growing company in last 4 years;**  
**Fastest growing company in the last 2 years FY14 & FY13**



## EBITDA Margin Comparison : Last 8 Quarters



Focussed strategy yielding in improved margins





## Section IV : CEAT Overview & Strategic Drivers



## CEAT : Overview

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

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

Leading Exporter with exports to over **110+** countries

**4600+** Employees

Distribution Network : **3500+** dealers, **300+** exclusive CEAT franchisees

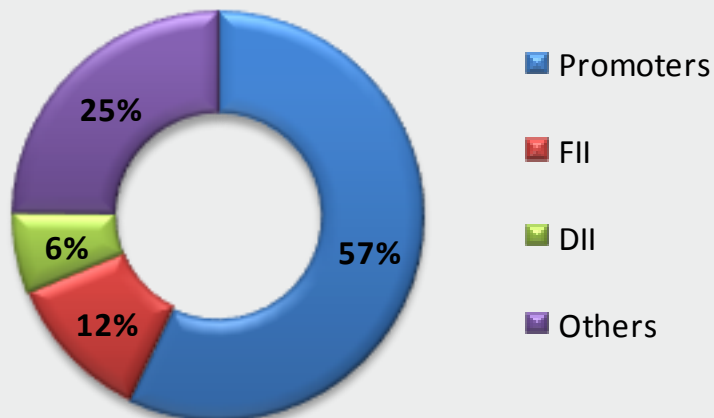
**3** Manufacturing plants - Mumbai, Nasik & Halol

**10** Million+ Tyres produced annually



# CEAT : Equity Shareholding & Price trends

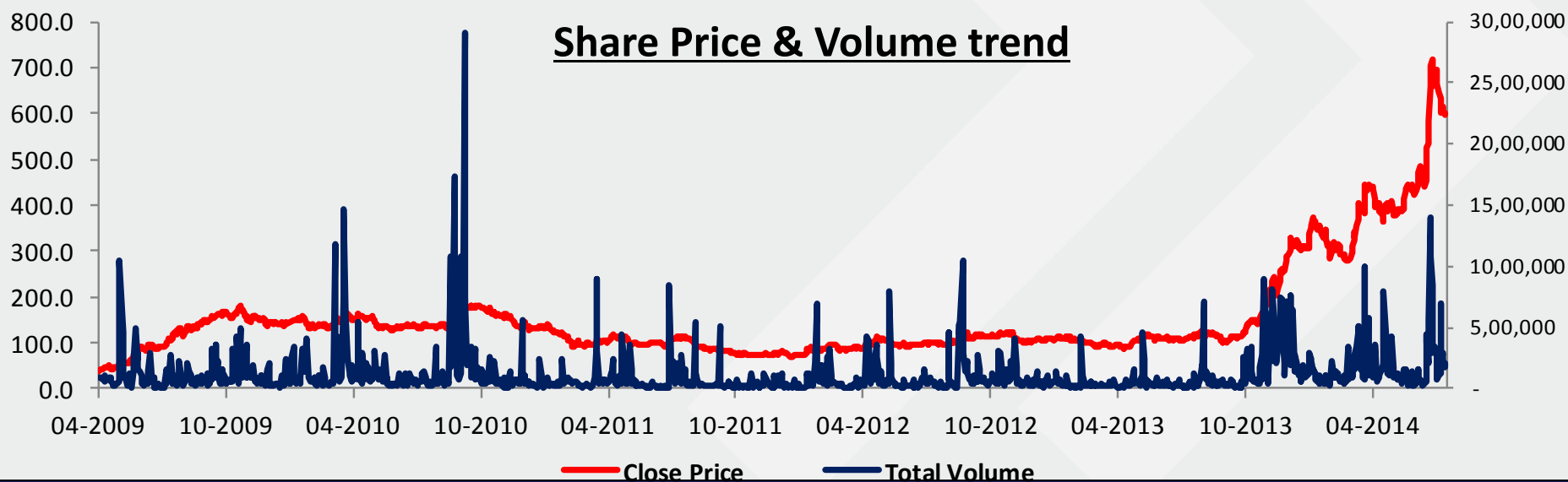
## June 30, 2014 Shareholding Pattern



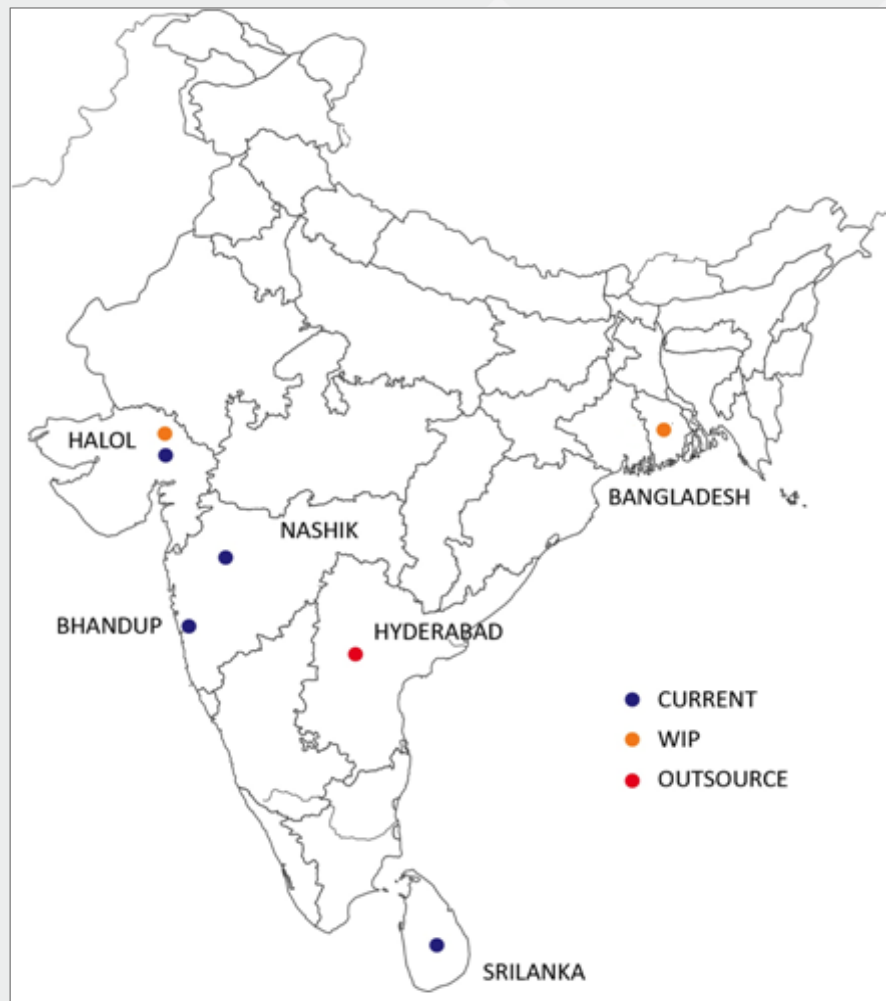
## Market Information

- Market Price (July 21): Rs 665 share
- Face Value : Rs 10/share
- Market Cap (July 21): Rs 2,392 Cr
- Net Worth: Rs. 1,075 Cr

## Share Price & Volume trend

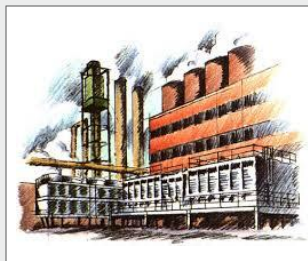


# CEAT : Plant Locations

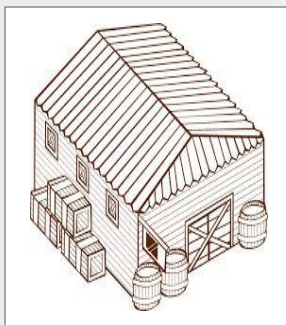


# CEAT : Distribution Process Flow

Factory  
3 Owned +1 Outsourced



22 Warehouses /  
19 Delivery Centres

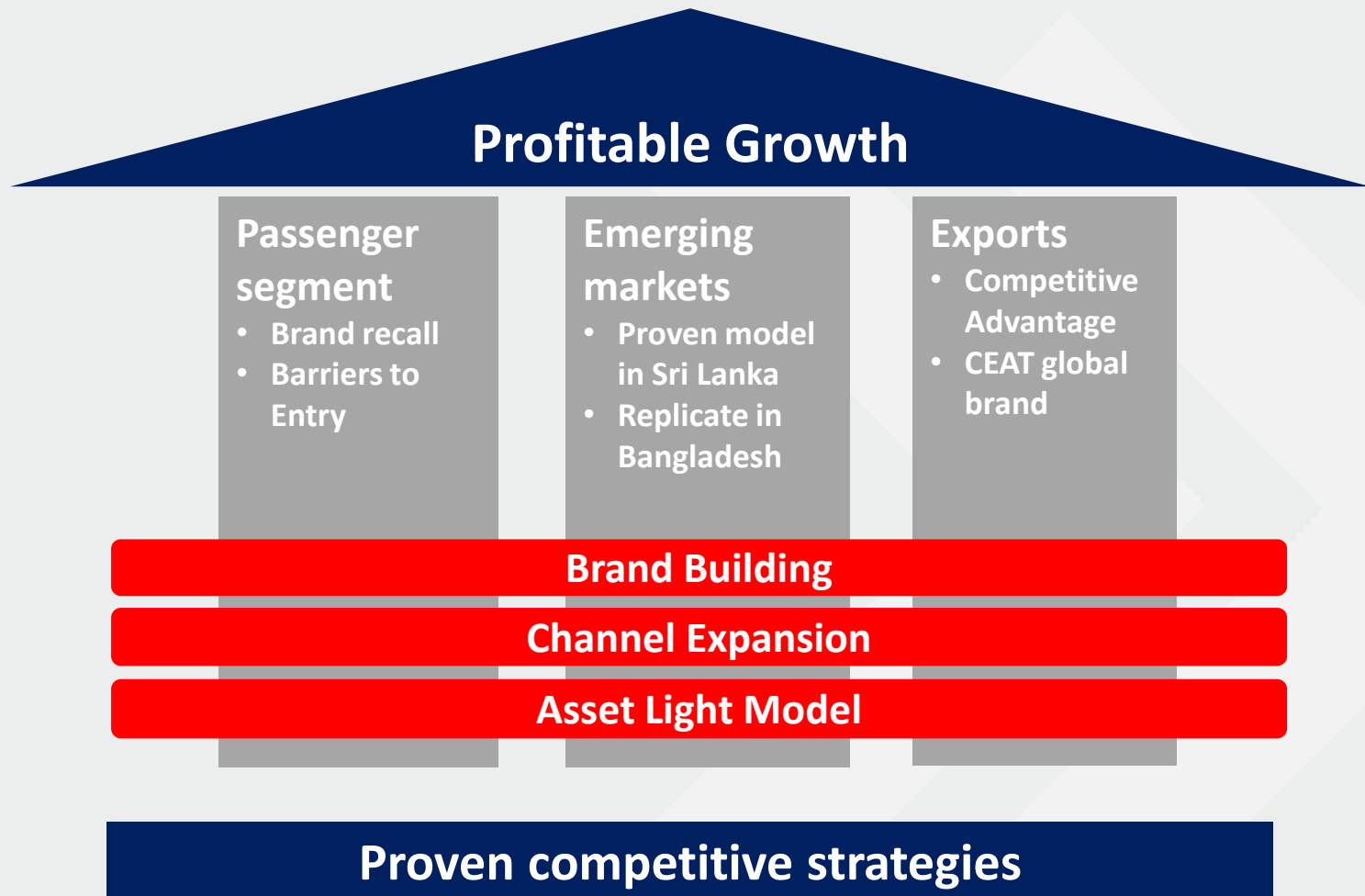


130 + C&F Agents



Replacement  
HUB – 223, Shoppe – 97, Distributors –  
268, Dealers – 2964





# >> CEAT : Brand Investment

“Idiot Safe”  
campaign (for  
Bike Tyres)



“Monsoon Smart”  
campaign (For All Season  
Bike Tyre with “Superior  
Wet Grip”)



“Pakka  
Bharosa”  
CEAT SUV  
Campaign



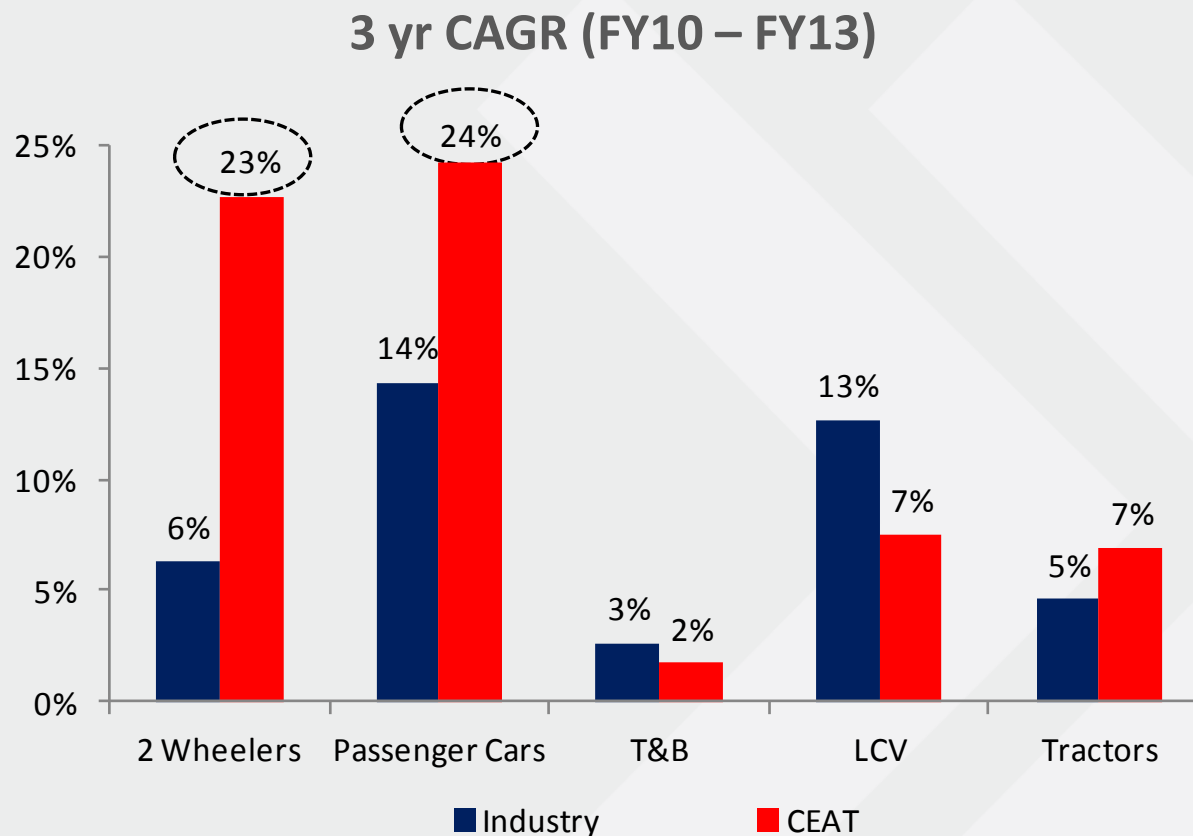
“Superior Grip”  
campaign (for UVR  
Tyres)



Association with  
KBC – A popular TV  
game show



## >> CEAT : Segment wise Sales growth



Higher than Industry growth in passenger segments; gaining market share



# CEAT : OE Presence

## Truck & Bus



## Passengers / UV

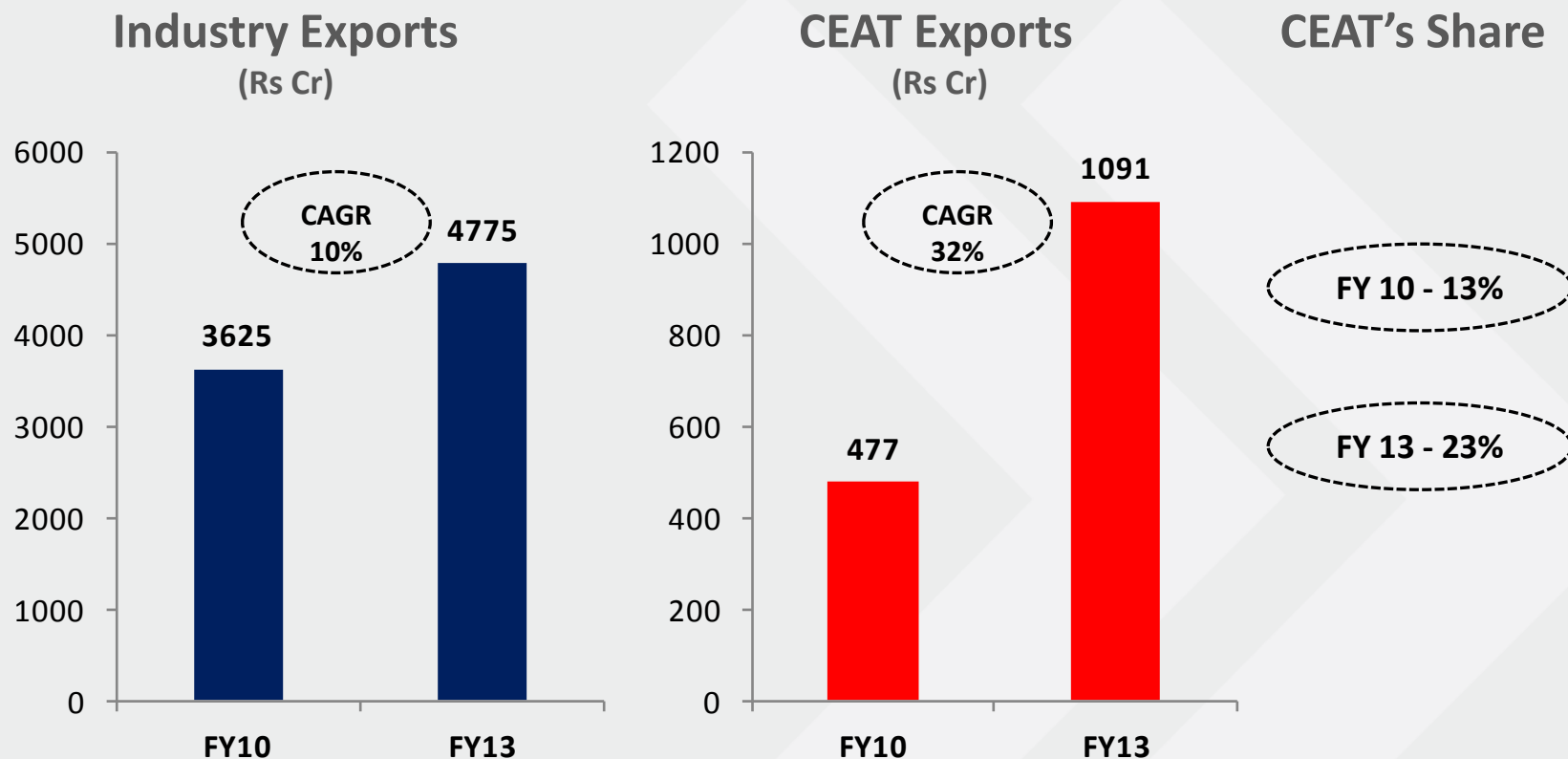


## Motor cycles





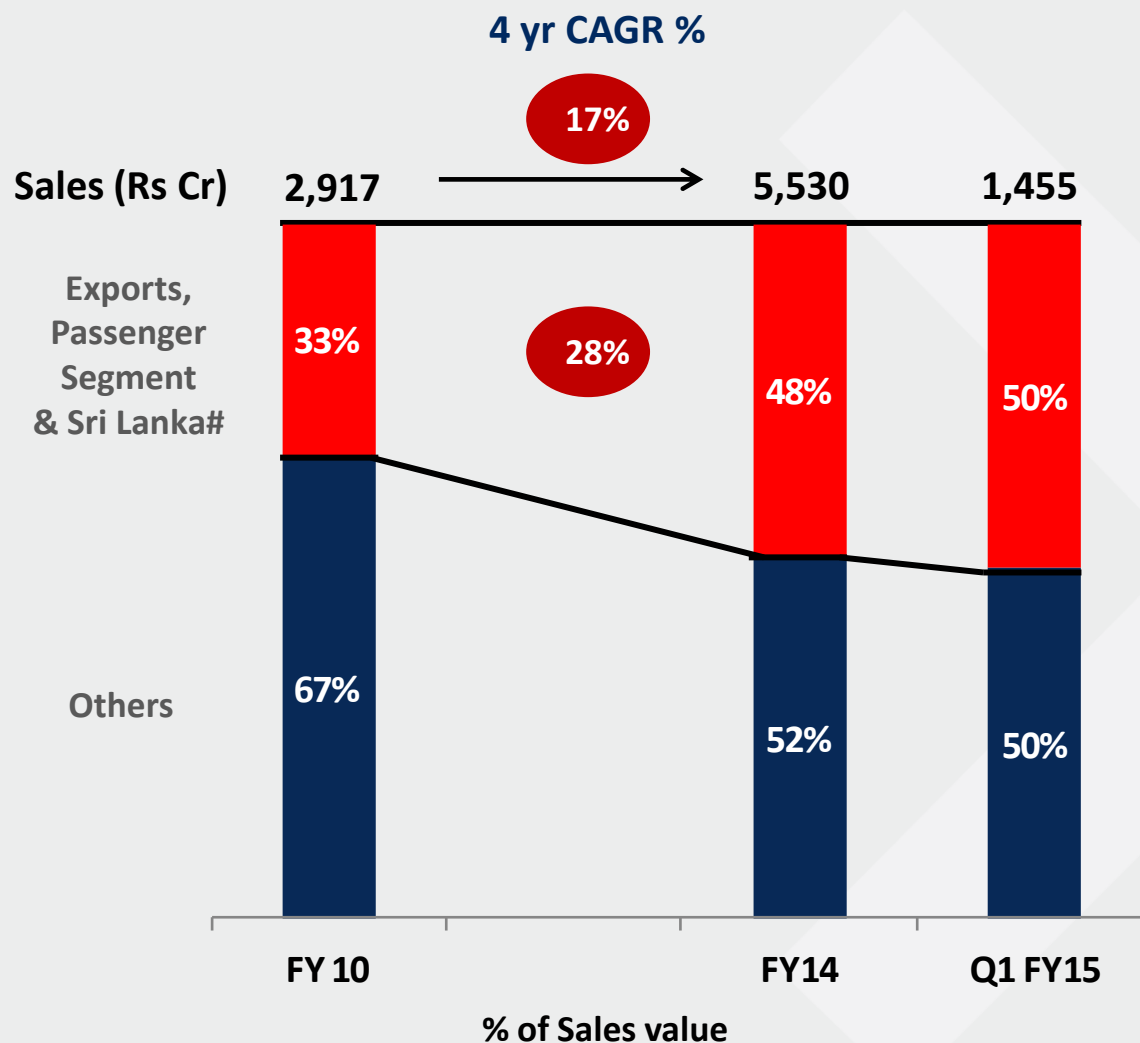
## CEAT : Exports Leadership in last 3 years



Exports doubled in the last 3 years with CAGR of 32%



# CEAT : Growing Profitable markets and product mix

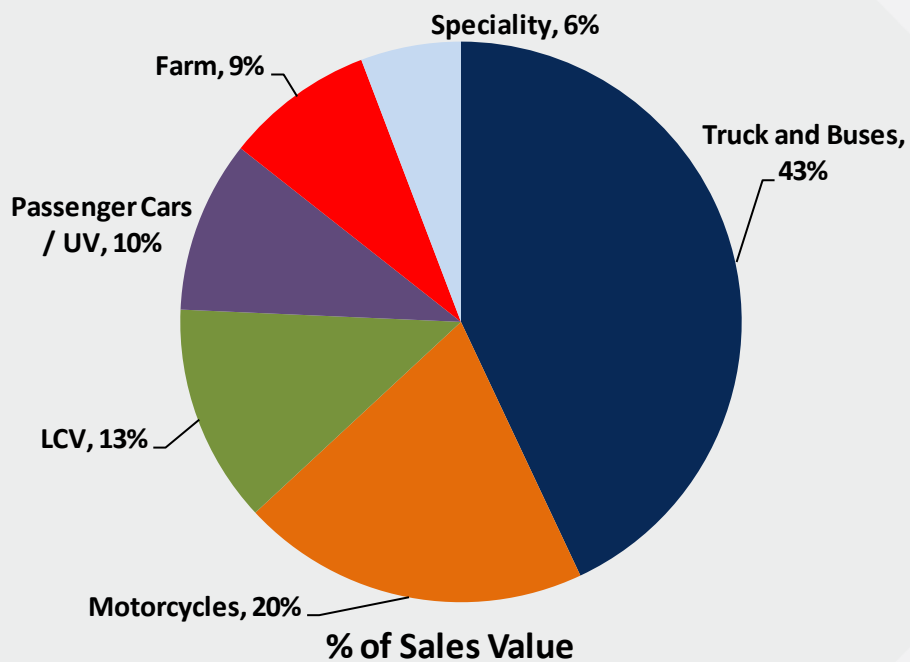


## “Strategic Focus Areas”

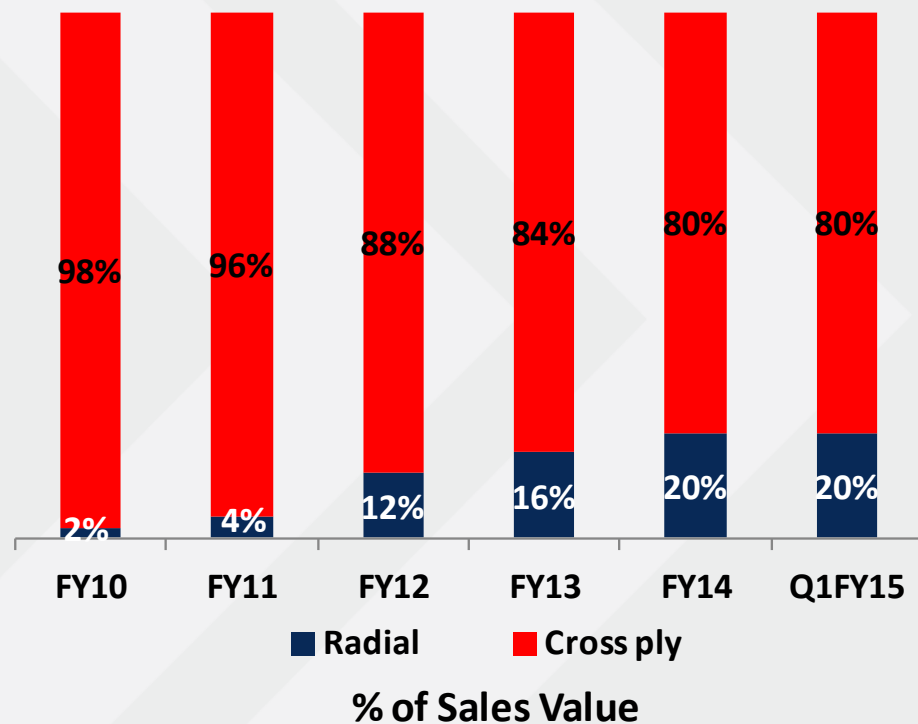
- Higher margin business
- Contributes 50% sales in Q1 FY15 compared to 33% in FY10
- Growing at higher rate of 28% CAGR
- Aspiration FY 17: 60% of sales & 80% of Operating profit by FY17

# CEAT : Product & Technology Mix

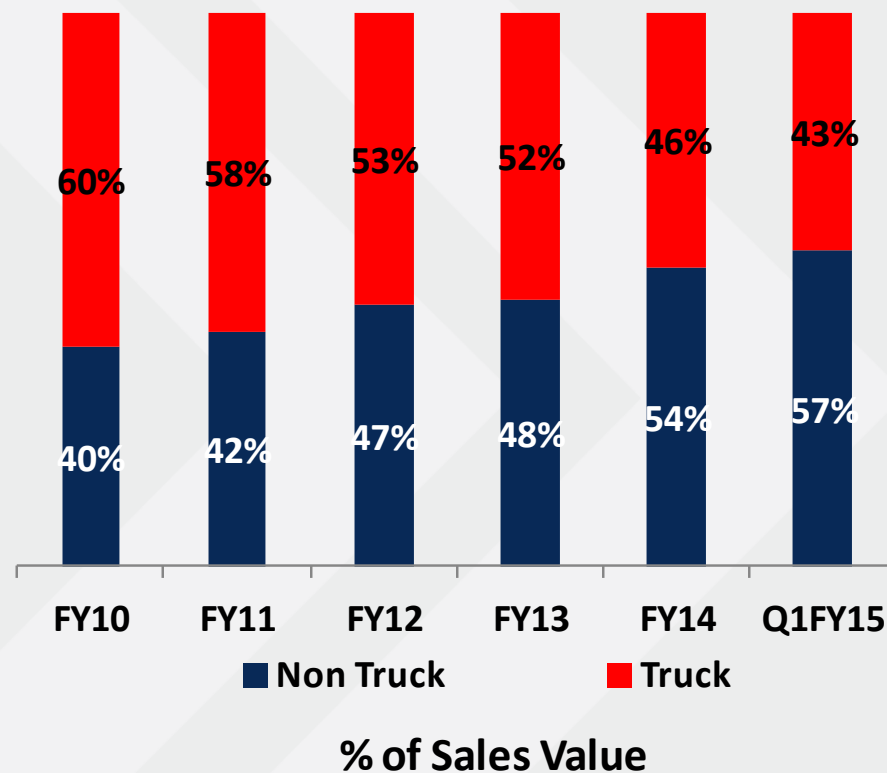
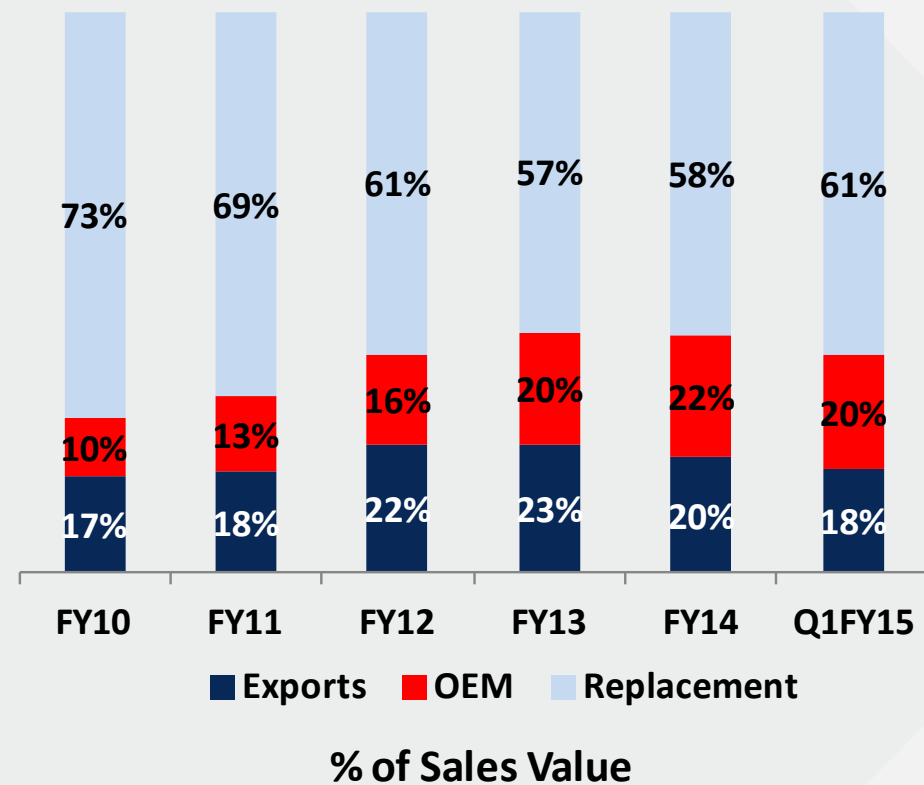
## Q1 FY15 Product break-up



## Radial & Cross ply



# CEAT : Market segments





# Section V : CEAT Financials and Results Analysis

# CEAT Consolidated : Q1 FY15 Key Highlights

## Q1FY15 v/s Q1FY14 (Y-o-Y)

- Strong Volume growth 10%; India 11%
- EBITDA% down -260 bps at 9.4%
- Finance cost at Rs 39 cr compared to Rs 41 cr (Down by Rs 2 Cr)
- PBT stands at Rs 80 cr compared to Rs 98 cr

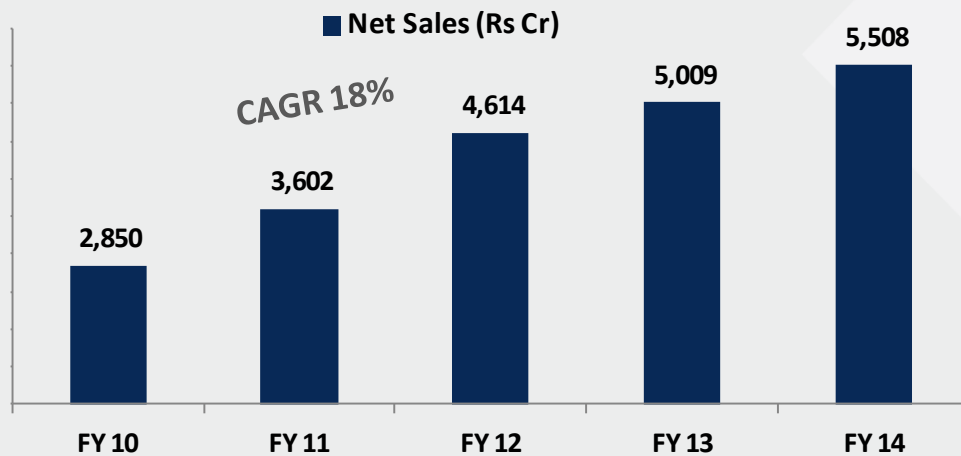
## Q1FY15 v/s Q4FY14 (Q-o-Q)

- Volume growth 1%
- EBITDA% down -190 bps
- Finance cost at Rs 39 cr compared to Rs 43 cr (Down by Rs 4 cr)
- PBT stands at Rs 80 cr compared to Rs 93 cr

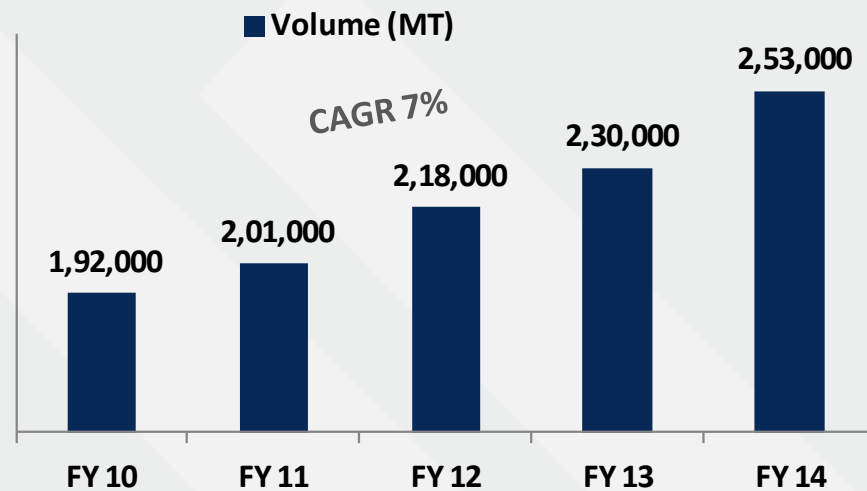
**Total D/E down to 1.0x compared to 1.2x YoY**

# CEAT : Consolidated Financials

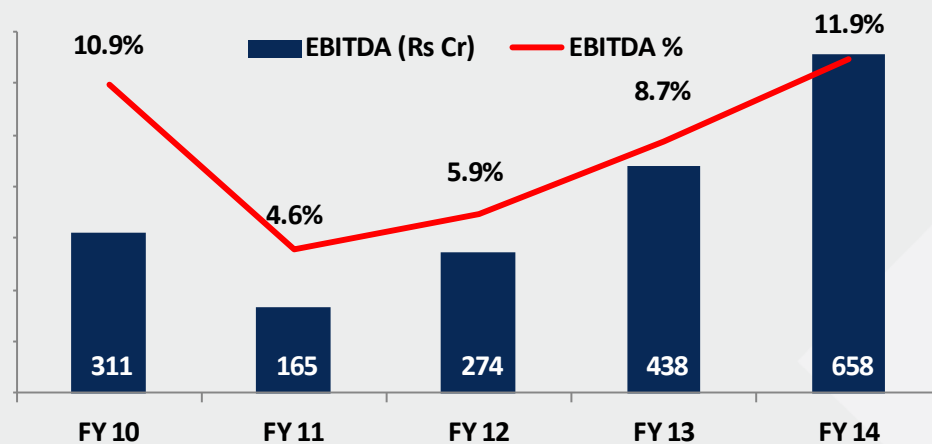
Revenue doubled in 4 years



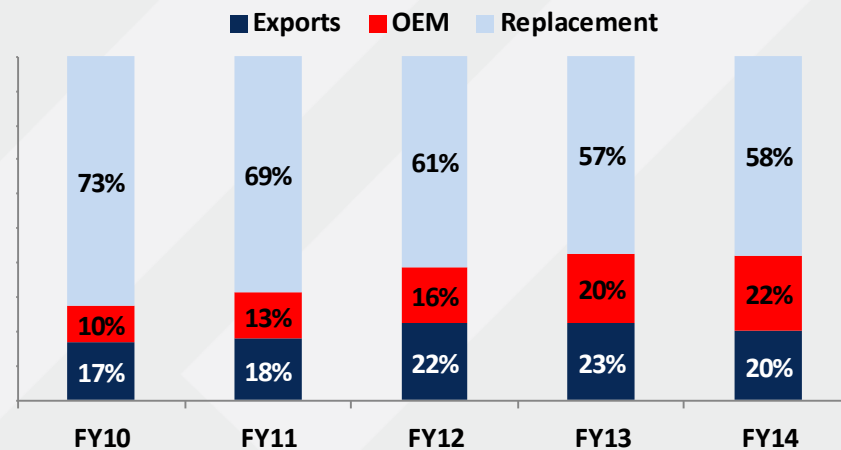
#Consistent volume growth



Improved margins



\*Changing segment mix



# 100% of CEAT SL volume numbers are included  
\* Segment Mix are for CEAT India only





# CEAT Consolidated : Q1FY15 Analysis

Parameter	Rs cr			
	Q1FY14	Q4FY14	Q1FY15	FY14
<b>Net Sales</b>	1,317	1,444	1,453	5,508
<b>Growth (%)</b>	10.3%	0.6%		
<b>EBITDA</b>	159	164	137	658
<b>Growth (%)</b>	-13.4%	-16.2%		
<b>EBITDA (%)</b>	12.0%	11.3%	9.4%	11.9%
<b>PAT</b>	65	62	52	271
<b>EPS (Rs.) (Basic)</b>	19.1	17.4	14.4	76.6
<b>Net Worth</b>	863	1,029	1,075	1,029
<b>Debt</b>	995	1,174	1,125	1,174
<b>D/E (x)</b>	1.2	1.1	1.0	1.1
<b>No of shares (cr)</b>	3.4	3.6	3.6	3.6
<b>B/V (Rs.)</b>	252	286	299	286

# CEAT India : Q1FY15 YoY Analysis

Rs Cr

Parameter	Q1FY14	Q1FY15	YoY	Remarks
<b>Net Sales</b>	<b>1,269</b>	<b>1,401</b>	<b>10.4%</b>	Strong volume growth of 11%
Raw Material	830	925	11.5%	Driven by volumes, marginally lower RMC
Employee	66	80	20.6%	Wage revision & increments
Other Expenses	237	277	17.1%	Higher volumes, ad spends & conversion costs
<b>EBITDA</b>	<b>147</b>	<b>128</b>	<b>-12.7%</b>	
<b>EBITDA %</b>	<b>11.6%</b>	<b>9.1%</b>	<b>-240 bps</b>	<b>Higher Employee costs &amp; opex</b>
Finance Cost	41	39	-3.8%	Reduction in borrowings & lower rates
Depreciation	22	21	-2.8%	
<b>Operating PBT</b>	<b>85</b>	<b>68</b>	<b>-19.6%</b>	
Exceptional expense	-	-	-	
Non-Operating income	3	3	0.3%	
<b>PBT</b>	<b>87</b>	<b>71</b>	<b>-18.9%</b>	
<b>PAT</b>	<b>58</b>	<b>47</b>	<b>-19.9%</b>	
<b>Volumes (mt)</b>	<b>57,100</b>	<b>63,400</b>	<b>11.0%</b>	

# CEAT India : Q1FY15 QoQ Analysis

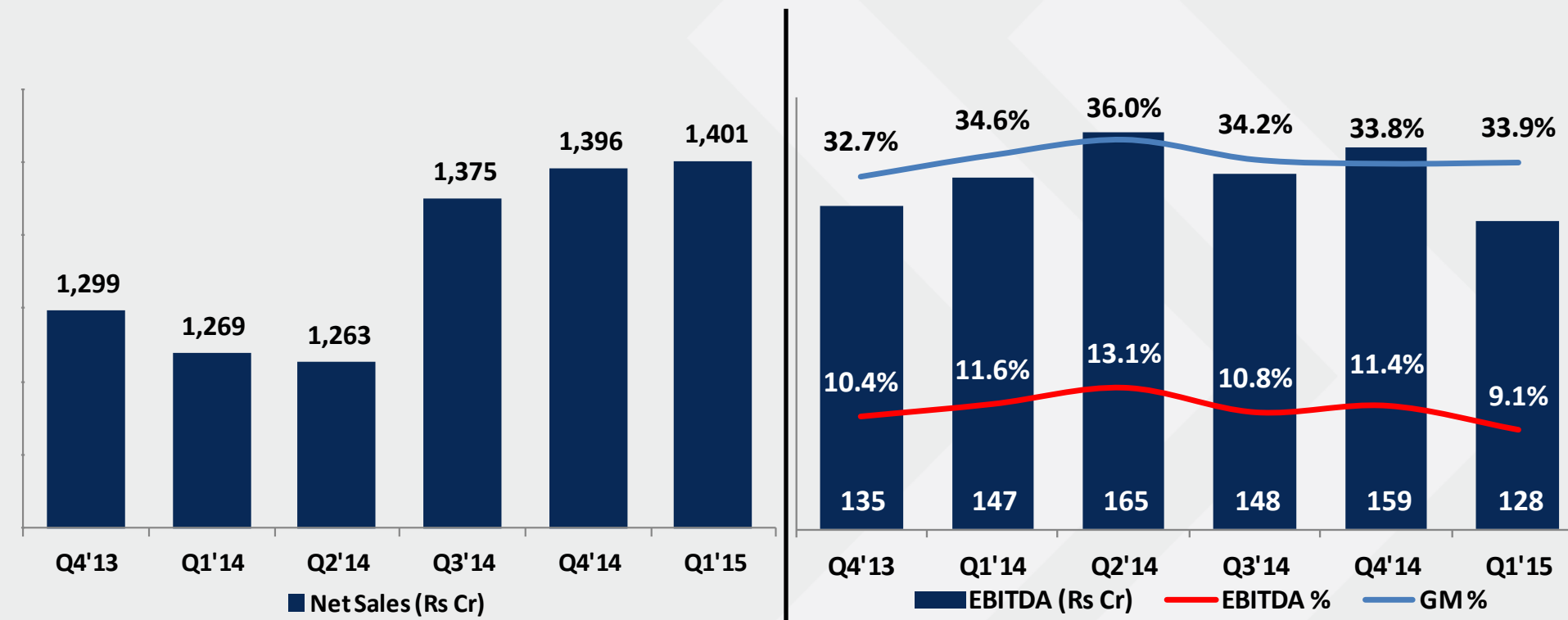
				Rs Cr
Parameter	Q4FY14	Q1FY15	QoQ	Remarks
<b>Net Sales</b>	<b>1,396</b>	<b>1,401</b>	<b>0.4%</b>	Volume growth 1%, marginally lower realisation
Raw Material	924	925	0.2%	Marginally lower RMC
Employee	69	80	15.7%	Wage revision & increments
Other Expenses	256	277	8.2%	Higher Ad spends & conversion costs
<b>EBITDA</b>	<b>159</b>	<b>128</b>	<b>-19.6%</b>	
<b>EBITDA %</b>	<b>11.4%</b>	<b>9.1%</b>	<b>-230 bps</b>	<b>Higher Employee costs &amp; opex</b>
Finance Cost	43	39	-9.8%	Reduction in borrowings & lower rates
Depreciation	21	21	1.8%	
<b>Operating PBT</b>	<b>95</b>	<b>68</b>	<b>-28.6%</b>	
Exceptional expense	10	-	-100.0%	VRS Expenses & provision for fire loss in Q4
Non-Operating income	4	3	-30.3%	
<b>PBT</b>	<b>89</b>	<b>71</b>	<b>-20.7%</b>	
<b>PAT</b>	<b>59</b>	<b>47</b>	<b>-20.1%</b>	
<b>Volumes (mt)</b>	<b>62,600</b>	<b>63,400</b>	<b>1.2%</b>	

# CEAT Sri Lanka : Q1 FY15 Analysis

Parameter	Q1FY14	Q4FY14	Q1FY15	QoQ	SL Rs cr
					YoY
Net Sales	253	231	235	1.8%	-6.9%
EBIDTA	51	42	49	16.7%	-5.0%
Finance Cost	2	1	0	-48.8%	-82.0%
Depreciation	3	4	5	19.9%	33.5%
Operating PBT	46	37	44	17.7%	-4.2%
PBT	46	37	44	17.7%	-4.2%
PAT	31	37	29	-21.3%	-6.0%
EBITDA %	20.3%	18.1%	20.7%	+260 bps	+40 bps
Volumes (mt)	4,270	4,010	4,170	4.0%	-2.4%



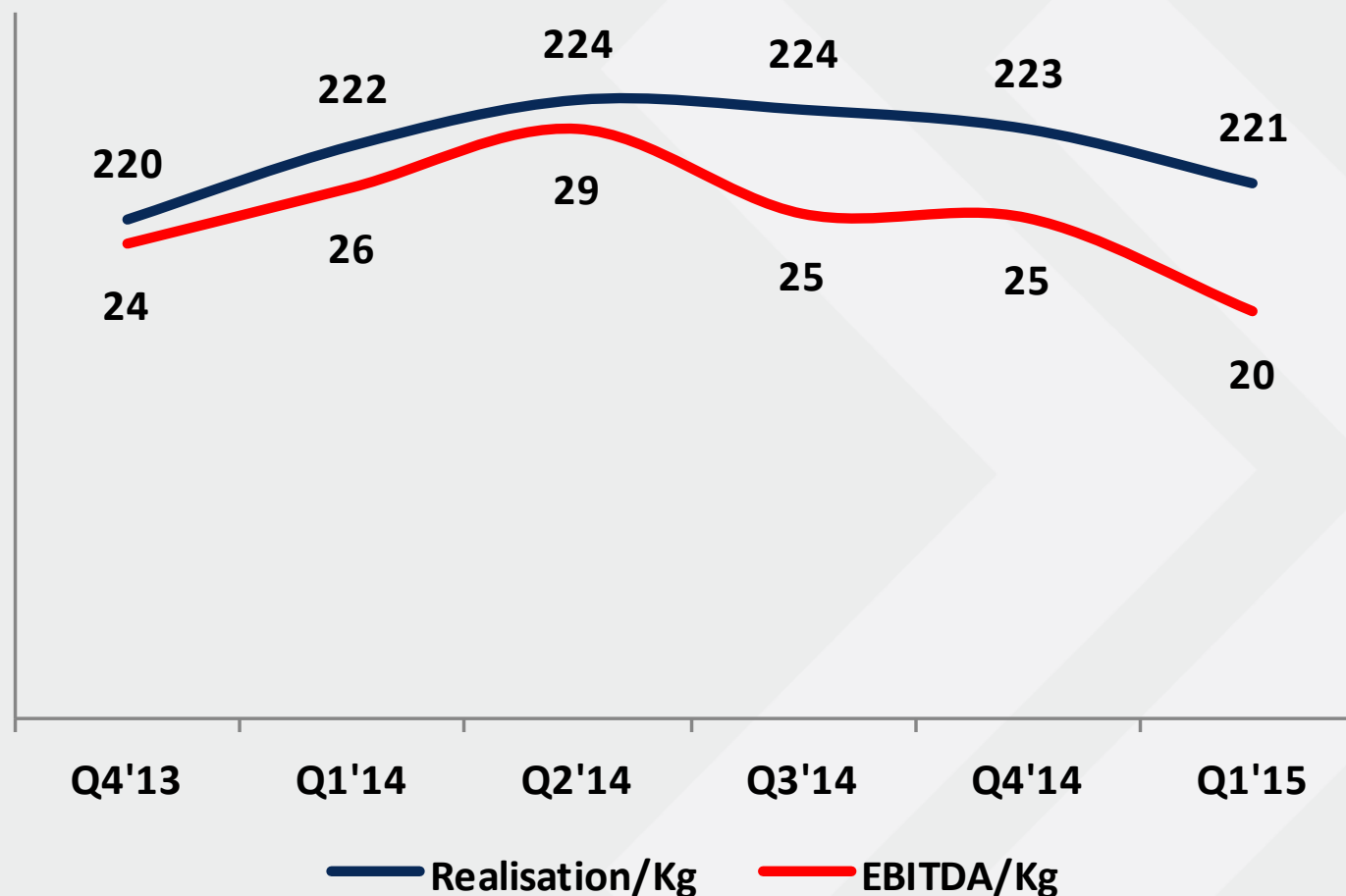
# CEAT India: Sales, Gross Margin & EBITDA Trends



Consistent improvement in margins and operating profits

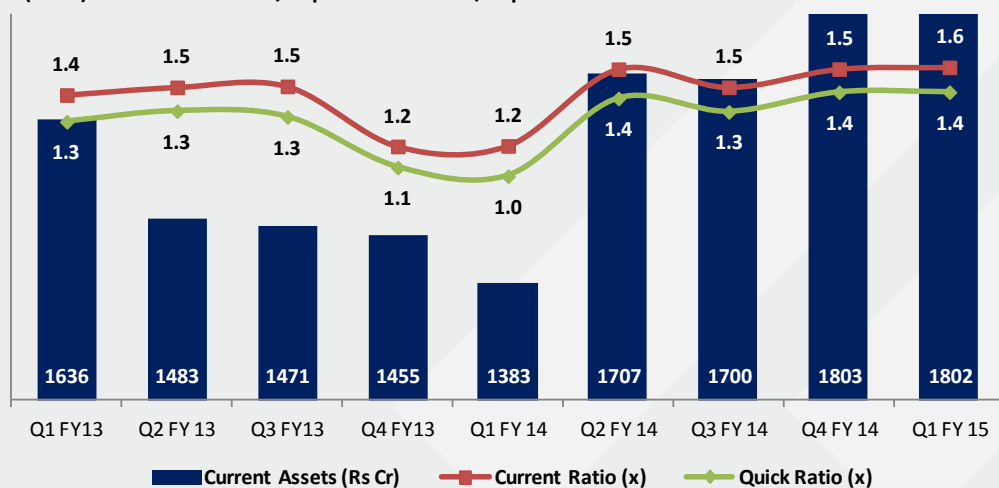
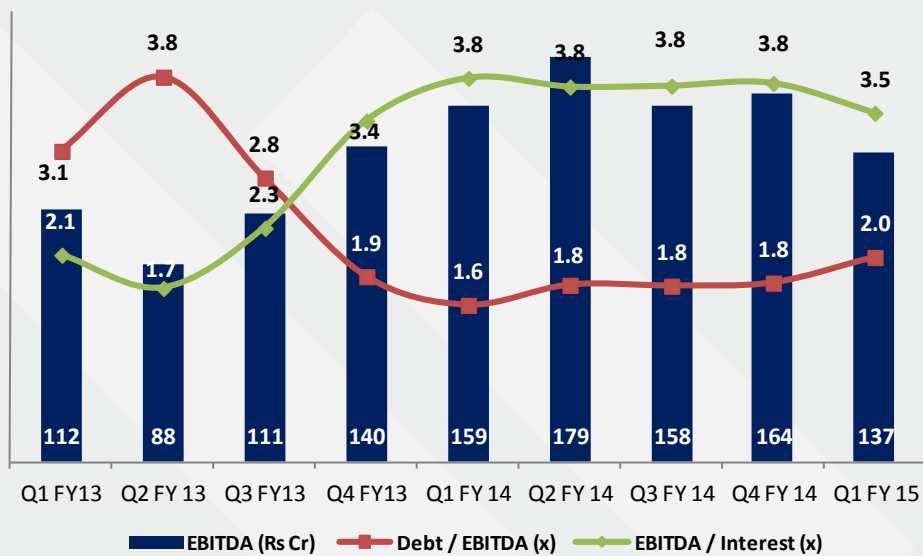
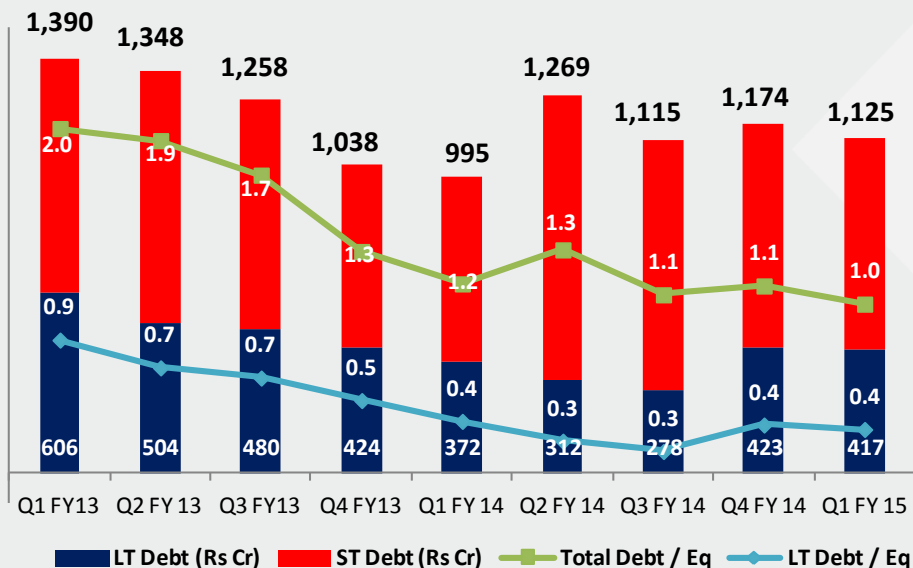


## CEAT India: Realization and EBITDA Trend





# CEAT Consolidated : Debt Profile improvement





THANK YOU

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