International Journal of Creative and Open Research in Engineering and Management
ISSN: 3108-1754 (Online)
Volume 02 Issue 11 November-2026 | Impact Factor: 3.5



Profitability Analysis of Financial Health Assessment of CEAT Ltd

A Five-Year Ratio, DuPont and Cash-Flow Study, FY2022 to FY2026

Vedant Vijaykumar Somwanshi, MBA Student

School of Business, Indira University, Tathwade, Pune – 411033

Under the guidance of **Prof. Aishwarya Pawar**

How to Cite this Article:

Somwanshi, V. V. (2026). Profitability Analysis of Financial Health Assessment of CEAT Ltd. International Journal of Creative and Open Research in Engineering and Management, 02(11), 1-9. https://doi.org/10.55041/ijcope.v2i11.092

License:

This article is published under the terms of the Creative Commons Attribution 4.0 International License (CC BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author(s) and the source are credited.

© The Author(s). Published by International Journal of Creative and Open Research in Engineering and Management.







https://doi.org/10.55041/ijcope.v2i11.092

Abstract

This study assesses the financial health of CEAT Limited, a leading Indian tyre manufacturer, over the five fiscal years FY2022 to FY2026, using profitability as the organising lens. It combines ratio and trend analysis, compound annual growth rates, an EBITDA-margin bridge, a three-step DuPont decomposition, cash-conversion tests and working-capital analysis on secondary data from the company's standalone balance sheet and its consolidated profit and loss account, cash flow statement and key-ratio disclosures. Revenue grew at a compound annual rate of 13.79%, from ₹9,374.81 crore to ₹15,718.38 crore, while EBITDA margin rose from 7.56% to 12.83% and reported return on capital employed (ROCE) and return on net worth (RONW) rose from 5.32% to 17.25% and from 2.17% to 13.83%. The margin bridge attributes 3.84 of the 5.27 percentage-point gain in EBITDA margin to lower raw-material and stock-adjustment costs, and the DuPont decomposition attributes about 98% of the log-change in return on equity to profit margin rather than asset turnover or leverage. Operating cash flow grew at 30.33% a year and, over the five years, exceeded investing outflows. Financial health is nevertheless uneven. Current and quick ratios stayed below 1.0 throughout, and standalone borrowings rose by about ₹1,064 crore in FY2026, the year in which the Camso acquisition closed, lifting the debt-equity ratio from 0.44 to 0.60 even as interest cover improved to 3.88. The evidence indicates that CEAT's profitability recovery is real, cash-backed and margin-led, but exposed to raw-material costs and to a short-term funding mix that warrants monitoring.

Keywords: CEAT Limited; financial health; profitability analysis; ratio analysis; DuPont analysis; Indian tyre industry; cash flow

JEL classification: G30, G32, M41

1. Introduction

A firm's financial health cannot be read from a single number. A rising profit can coexist with weak short-term liquidity, and a falling debt burden can coexist with poor returns. Credit analysts, investors and management therefore read profitability, liquidity, leverage and efficiency together, and read them over several years rather than for one. This approach has a long history in the empirical literature on financial ratios (Beaver, 1966; Altman, 1968; Nissim & Penman, 2001).

Tyre manufacturing is a demanding setting for such an assessment. It is capital-intensive, and its cost base is dominated by raw materials, chiefly natural and synthetic rubber, so margins move with input-cost cycles. CEAT Limited, part of the RPG Group, is one of India's leading tyre makers, and the period FY2022 to FY2026 is analytically rich for it. Profits recovered sharply from a low base, margins moved through a cost cycle, and in FY2026 the company completed the acquisition of Michelin's Camso off-highway tyres and tracks business (Das, 2025; European Rubber Journal, 2025).



Headline growth figures can mislead in such a period. CEAT's profit after tax (PAT) grew at a compound rate of over 100% a year, but from a very small base. A reader who stops at that figure would miss that returns have not climbed in a straight line, that liquidity ratios remain below 1.0, and that borrowing rose in the latest year. This paper therefore asks four questions:

1. **RQ1.** How did CEAT's profitability evolve between FY2022 and FY2026, and which cost and efficiency drivers explain the change?
2. **RQ2.** Is the reported profit supported by cash generation?
3. **RQ3.** How did liquidity, working capital, leverage and debt-service capacity change, particularly in FY2026?
4. **RQ4.** Taken together, what does the evidence say about CEAT's financial health, and which indicators should management and analysts monitor?

The paper makes four contributions. First, it assesses profitability, cash flow, liquidity and leverage on one consistent five-year dataset rather than in isolation. Second, it quantifies the sources of margin expansion with an EBITDA-margin bridge and a DuPont attribution. Third, it treats three analytical hazards explicitly: the base effect in PAT growth, the mix of standalone and consolidated statements, and the timing of the Camso acquisition, which closed in FY2026 and not earlier. Fourth, it documents the Excel-based, Power Query-driven workbook and dashboard through which the analysis was automated, so that it can be refreshed and replicated.

Section 2 reviews related work and sets out the conceptual framework. Section 3 describes the data and methods. Section 4 presents the results. Section 5 discusses the findings and their implications, Section 6 states the limitations, and Section 7 concludes.

2. Literature Review and Conceptual Framework

2.1 Ratio analysis and the assessment of financial health

Early empirical work showed that financial ratios carry information about a firm's condition. Beaver (1966) found that individual ratios, particularly those based on cash flow and leverage, discriminated between failed and non-failed firms. Altman (1968) combined several ratios covering liquidity, profitability, leverage, solvency and activity into a single multivariate score. The shared lesson is that no single ratio is sufficient and that the dimensions should be read together. Nissim and Penman (2001) link ratio analysis to valuation by separating profitability from financing leverage, and Penman (2013) develops the same logic as a textbook framework for reformulating financial statements. This study follows that multi-dimensional logic, organising the evidence into growth, profitability, cash generation, liquidity, leverage and market valuation.

2.2 DuPont analysis

The DuPont identity decomposes return on equity into profit margin, asset turnover and the equity multiplier, which separates operating performance from asset use and financing structure. Soliman (2008) shows that market participants use the DuPont components and that changes in margin and turnover carry information about future profitability. The decomposition is useful here because a high return on net worth can be reached through better margins, better asset use or heavier borrowing, and each implies a different level of risk.

2.3 Earnings quality and cash flow

Profit that is not matched by operating cash flow may be driven by accruals that are less persistent. Sloan (1996) shows that the accrual component of earnings is less persistent than the cash flow component. A cash-conversion test, comparing operating cash flow with EBITDA, is therefore a natural complement to any profitability study.

2.4 Working capital and profitability

Working capital management is the most studied financial theme in the Indian tyre industry. Deloof (2003) reported that, for Belgian firms, shorter receivable, inventory and payable periods were associated with higher gross operating



income, and Shin and Soenen (1998) found a negative relation between the length of the net trading cycle and corporate profitability. For the Indian tyre industry, a study of five companies over 2009-10 to 2018-19 found that working-capital management efficiency was highest at CEAT, followed by JK Tyre, MRF, Apollo Tyres and Balkrishna Industries ("Efficiency of Managing Working Capital," 2020). Ajmera (2021), studying three tyre companies, likewise reported favourable working-capital management at CEAT, while finding Balkrishna's profitability to be good relative to the others. Goel and Sharma (2015) examined working-capital efficiency trends across 1,200 Indian manufacturing firms over 2004 to 2013.

2.5 Research gap

The Indian tyre studies identified in this review concentrate on working capital and end their observation windows by 2018-19. They do not cover the post-2022 margin recovery or the Camso acquisition, and they do not join profitability, cash flow, liquidity and leverage into one assessment. This paper addresses that gap for CEAT over FY2022 to FY2026.

3. Data and Methodology

3.1 Research design

The study is descriptive and analytical, a longitudinal single-company case study based entirely on secondary data. No primary data were collected. The unit of analysis is CEAT Limited, and the review window is five fiscal years, FY2022 to FY2026. A fiscal year ends on 31 March, so FY2026 denotes the year ended 31 March 2026. All monetary values are in ₹ crore unless stated.

3.2 Data

The dataset covers the balance sheet on a standalone basis and the profit and loss account, cash flow statement and key financial ratios on a consolidated basis, together with the share price recorded at each fiscal year-end. The data were compiled into a single Excel workbook of thirteen linked sheets (Section 3.4). The structure of the dataset is summarised in Table 1.

Table 1. *Structure of the dataset*

Component	Basis	Use in this study
Balance sheet	Standalone	Asset base, shareholders' funds, borrowings, working-capital items, DuPont denominators
Profit and loss account	Consolidated	Revenue, costs, EBITDA, PBT, PAT, EPS, margins, margin bridge
Cash flow statement	Consolidated	Operating, investing and financing flows; cash conversion
Key financial ratios	Consolidated	ROCE, RONW, current and quick ratios, debt-equity, coverage and turnover ratios as reported
Share price	Fiscal year-end	Valuation and share-price CAGR

Note. Ratios labelled "reported" are taken from the key-ratio disclosures as given and follow the data provider's definitions. All other measures are computed by the authors from the statements.

Mixing a standalone balance sheet with consolidated flow statements is a data constraint, and it matters for interpretation. Three checks were made to gauge its effect. First, EBITDA was derived as profit before tax plus finance costs plus depreciation and amortisation, and the reported interest cover was reproduced from the statements: (profit before exceptional items and tax + finance costs) ÷ finance costs gives 1.38 for FY2022 and 3.88 for FY2026, matching the reported values. Second, standalone borrowings divided by standalone shareholders' funds gives 0.59 for FY2026 and 0.45 for FY2025, close to the reported debt-equity ratios of 0.60 and 0.44. Third, the current ratio computed from the standalone balance sheet (0.65 in FY2026) is higher than the reported ratio (0.52). Both lie below 1.0, so the conclusion on liquidity does not depend on the basis, but levels should not be compared across the two. Throughout the paper, "reported" liquidity ratios are used for trend analysis and standalone computations are labelled as such.



3.3 Analytical tools

Table 2 lists the measures and formulae. PAT is the profit for the period shown in the consolidated profit and loss account, before minority interest and the share of profit of associates. This is the PAT used in the project's dashboard. The attributable profit after minority interest and associates, which underlies reported earnings per share (EPS) and the reported net profit margin, is shown separately where it matters.

Table 2. *Measures and formulae*

Measure	Formula	Basis
EBITDA	Profit before tax + finance costs + depreciation and amortisation (includes other income; after exceptional items)	Consolidated
Margins	EBITDA, PBT or PAT ÷ total revenue × 100	Consolidated
CAGR	(Ending value ÷ beginning value)^(1/4) − 1, four growth periods between FY2022 and FY2026	As stated
EBITDA-margin bridge	FY2022 cost line as % of revenue minus FY2026 cost line as % of revenue, for each line	Consolidated
DuPont ROE	(PAT ÷ revenue) × (revenue ÷ total assets) × (total assets ÷ shareholders' funds)	Mixed
Share of ROE change	ln(component ratio FY2026 ÷ FY2022) ÷ ln(ROE FY2026 ÷ FY2022)	Mixed
Receivable days	Trade receivables ÷ total revenue × 365	Mixed
Inventory and payable days	Inventories or trade payables ÷ cost of materials consumed × 365	Mixed
Trade working-capital cycle	Receivable days + inventory days − payable days	Mixed
Operating cash conversion	Net cash from operating activities ÷ EBITDA × 100	Consolidated
Price ÷ EPS	Fiscal year-end share price ÷ basic EPS	Market / consolidated

Note. "Mixed" denotes a ratio whose numerator and denominator come from different consolidation bases.

Because the study has only five annual observations, formal significance testing is not meaningful. One correlation coefficient is reported in Section 4.3 and is explicitly descriptive.

3.4 Workbook and dashboard automation

The analysis was implemented in an Excel workbook organised as a pipeline: raw statement sheets (balance sheet, profit and loss, cash flow, ratios), four Power Query output sheets that reshape the wide statements into long format, a Master Data table consolidating those outputs, a Supporting Data sheet computing KPIs and CAGRs, a Charts Engine sheet feeding pivot charts, and a single-page dashboard. Because every downstream figure is derived from the raw sheets, updating them refreshes the KPIs and charts without manual re-entry. The CAGR cells use the four-period formula in Table 2.



4. Results and Analysis

4.1 Growth and scale

Table 3. *Growth and scale, FY2022 to FY2026 (₹ crore unless stated)*

Item	FY22	FY23	FY24	FY25	FY26
Total revenue	**9,374.81**	**11,331.82**	**11,963.21**	**13,235.42**	**15,718.38**
Growth, year on year (%)	–	20.9	5.6	10.6	18.8
EBITDA	**708.28**	**957.33**	**1,613.79**	**1,462.08**	**2,016.35**
Growth, year on year (%)	–	35.2	68.6	-9.4	37.9
Profit before tax	66.13	245.92	835.90	621.60	960.31
Profit after tax (PAT)	**41.83**	**174.17**	**614.48**	**449.57**	**681.44**
Growth, year on year (%)	–	316.4	252.8	-26.8	51.6
Basic EPS (₹)	18	46	159	117	173
Total assets (standalone)	8,960.90	9,469.13	9,828.45	11,094.20	13,692.44
Shareholders' funds (standalone)	3,150.27	3,345.60	3,951.12	4,285.79	5,067.02

Note. Revenue, EBITDA, profit and EPS are consolidated; total assets and shareholders' funds are standalone. EBITDA is computed as defined in Table 2. Source: Project workbook.

Total revenue grew from ₹9,374.81 crore to ₹15,718.38 crore, a CAGR of 13.79%. Growth was uneven: 20.9% in FY2023, 5.6% in FY2024, 10.6% in FY2025 and 18.8% in FY2026. EBITDA grew faster, at a CAGR of 29.89%, and PAT faster still, from ₹41.83 crore to ₹681.44 crore, a CAGR of 100.90%. The PAT figure needs care. FY2022 profit was only 0.45% of revenue, so almost any later profit produces a very large growth rate. A less distorted view comes from EPS, which grew at 76.1% a year, and from attributable profit after minority interest and associates, which grew from ₹71.20 crore to ₹698.02 crore, a CAGR of 76.9%. Both are smaller than the PAT CAGR but still indicate a strong recovery.

A more informative measure of operating leverage is the incremental margin. Between FY2022 and FY2026 revenue rose by ₹6,343.57 crore and EBITDA by ₹1,308.07 crore, so about 20.6 paise of every additional rupee of revenue reached EBITDA, against an initial EBITDA margin of 7.56%. The corresponding incremental PAT margin was 10.1%. The balance-sheet base grew more slowly than revenue: total assets at 11.18% a year and shareholders' funds at 12.62%.



Figure 1. Total revenue and PAT, FY2022 to FY2026. *Source: Authors' computation from the project workbook.*



4.2 Profitability and returns

Table 4. *Profitability and return ratios*

Ratio	FY22	FY23	FY24	FY25	FY26
EBITDA margin (%)	**7.56**	**8.45**	**13.49**	**11.05**	**12.83**
PBT margin (%)	0.71	2.17	6.99	4.70	6.11
PAT margin (%)	0.45	1.54	5.14	3.40	4.34
Operating profit margin, reported (%)	7.58	8.60	13.83	11.15	13.05
Net profit margin, reported (%)	0.76	1.64	5.38	3.57	4.45
ROCE, reported (%)	**5.32**	**9.42**	**20.50**	**14.75**	**17.25**
RONW, reported (%)	**2.17**	**5.41**	**15.89**	**10.81**	**13.83**
Effective tax rate (%)	36.7	29.2	26.5	27.7	29.0

Note. Margins labelled without "reported" are computed on PAT as defined in Table 2. The reported net profit margin uses attributable profit after minority interest and associates, which explains its higher FY2022 value (0.76%) compared with the computed PAT margin (0.45%). Source: Project workbook.

EBITDA margin rose from 7.56% in FY2022 to a peak of 13.49% in FY2024, fell to 11.05% in FY2025 and recovered to 12.83% in FY2026. PBT and PAT margins followed the same path, with PAT margin moving from 0.45% to 5.14% in FY2024, then 3.40% and 4.34%. Reported returns rose in step. ROCE rose from 5.32% to 20.50% in FY2024, eased to 14.75% and ended at 17.25%, while RONW went from 2.17% to 15.89%, 10.81% and 13.83%.

Two features deserve emphasis. First, the improvement is large: ROCE more than tripled and RONW rose more than six-fold between FY2022 and FY2026. Second, it is not monotonic. FY2026 remains below the FY2024 peak on EBITDA margin (by 0.66 percentage points), ROCE (3.25 points) and RONW (2.06 points). The profitability recovery is therefore best described as a step-change followed by partial give-back and renewed recovery, not as a steady climb. The effective tax rate also fell, from 36.7% in FY2022 to 29.0% in FY2026, which helped PAT but is secondary to the operating effects analysed next.

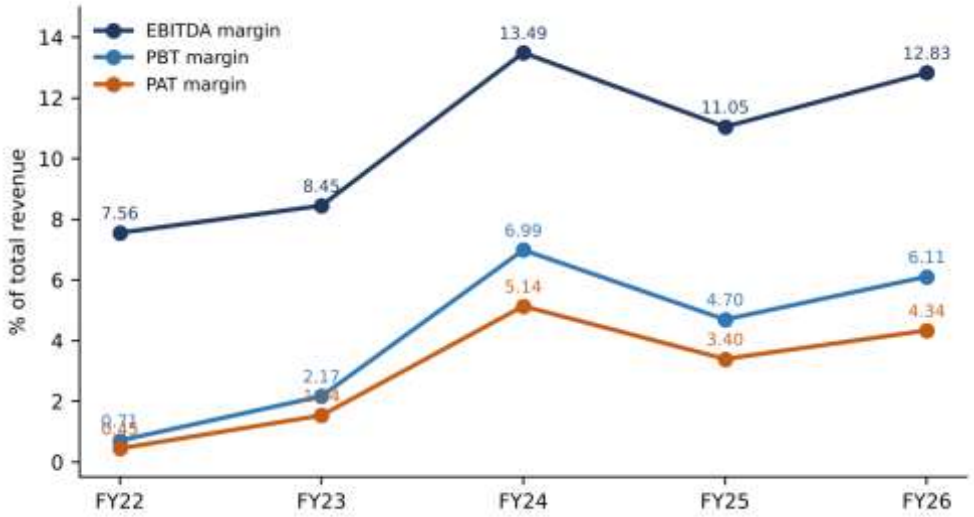


Figure 2. EBITDA, PBT and PAT margins as a percentage of total revenue. *Source: Authors' computation from the project workbook.*

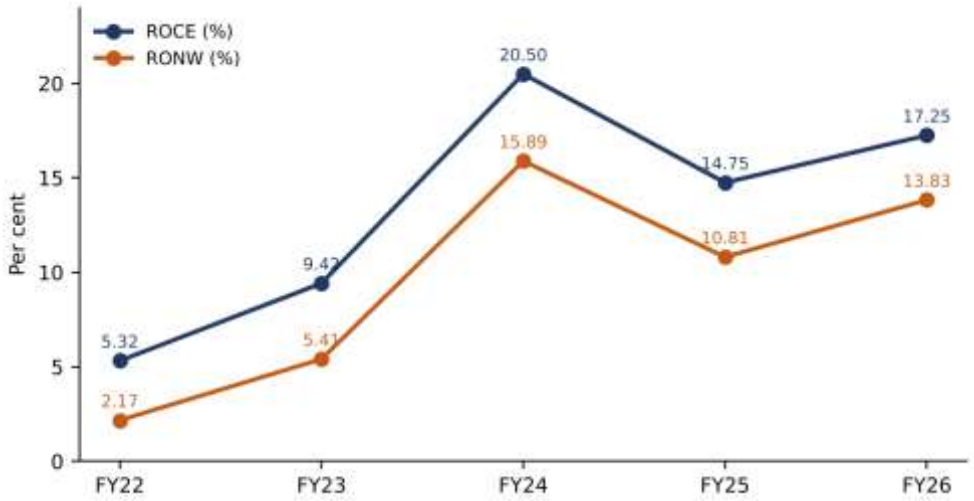


Figure 3. Reported ROCE and RONW, FY2022 to FY2026. *Source: Key financial ratios, project workbook.*

4.3 Sources of margin expansion

Table 5. *Cost structure as a percentage of total revenue*

Cost line (% of total revenue)	FY22	FY23	FY24	FY25	FY26
Raw materials and stock adjustments	64.30	65.17	57.88	62.20	60.45
Employee benefit expenses	7.40	6.49	7.07	6.47	6.82
Other expenses	20.61	19.60	21.07	20.06	19.45
Exceptional items (charge)	0.14	0.29	0.49	0.22	0.45
EBITDA margin	**7.56**	**8.45**	**13.49**	**11.05**	**12.83**
Material cost composition, reported	67.39	66.06	59.10	63.99	60.97

Note. Raw materials and stock adjustments combine cost of materials consumed, purchases of stock-in-trade and changes in inventories of finished goods, work-in-progress and stock-in-trade. The four cost lines and EBITDA sum to 100% of revenue. The last row is the reported material cost composition ratio, shown as a cross-check. Source: Project workbook.

Table 5 and Figure 4 bridge the 5.27-point gain in EBITDA margin between FY2022 and FY2026. Lower raw-material and stock-adjustment costs contributed 3.84 points, about three-quarters of the gain. Lower other expenses contributed 1.16 points and lower employee costs 0.58 points, while higher exceptional charges subtracted 0.32 points. The reported material cost composition ratio shows the same direction, falling from 67.39% to 60.97%. The correlation between the raw-material cost ratio and EBITDA margin across the five years is −0.94. With five observations this is a descriptive pattern, not a statistical test, but it is consistent with the bridge: when raw-material costs fell as a share of revenue (FY2024), margin peaked, and when they rose again (FY2025, 62.20%), margin fell.

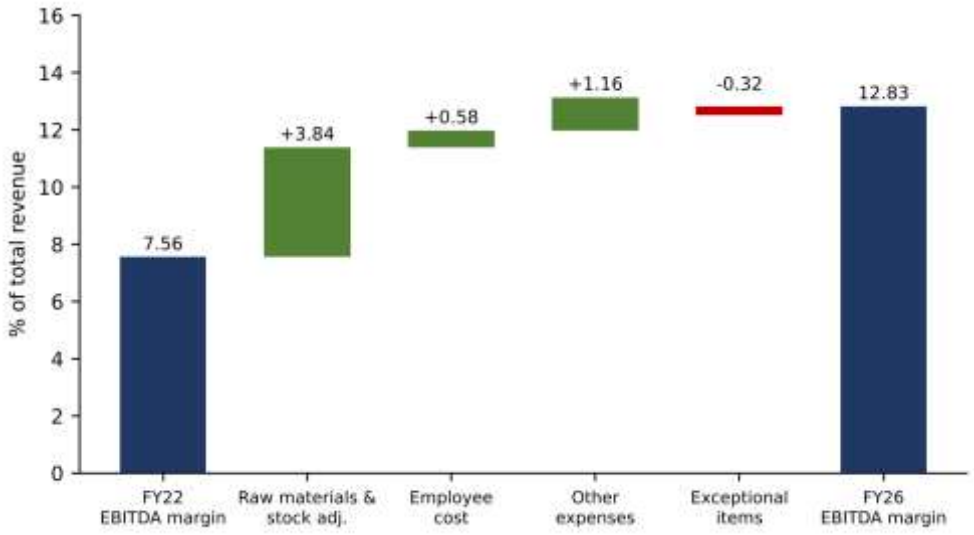


Figure 4. Bridge of EBITDA margin from FY2022 to FY2026 (percentage points of total revenue). *Source: Authors' computation from the project workbook.*

A brokerage analysis of the FY2026 annual reports of three tyre makers reports that standalone operating margins expanded for CEAT, Apollo Tyres and MRF, with CEAT's standalone EBITDA margin at 13.4%, up 210 basis points (Autocar Professional, n.d.). That figure is on a different basis from the consolidated 12.83% computed here, so the levels are not comparable, but the direction agrees.

4.4 DuPont decomposition

Table 6. *DuPont decomposition of return on equity*

Component	FY22	FY23	FY24	FY25	FY26
PAT margin (PAT ÷ revenue, %)	0.45	1.54	5.14	3.40	4.34
Asset turnover (revenue ÷ total assets, x)	1.046	1.197	1.217	1.193	1.148
Equity multiplier (total assets ÷ shareholders' funds, x)	2.844	2.830	2.488	2.589	2.702
Computed ROE (%)	**1.33**	**5.21**	**15.55**	**10.49**	**13.45**
Reported RONW (%)	2.17	5.41	15.89	10.81	13.83

Note. PAT is consolidated; total assets and shareholders' funds are standalone, so computed ROE differs from reported RONW, which is on a consolidated basis. The gap is largest in FY2022 (0.84 points), when the share of profit of associates (₹28.75 crore) was large relative to PAT. Reported turnover ratios use the data provider's definitions and are not comparable in level with the turnover measure here.

Between FY2022 and FY2026 computed ROE rose from 1.33% to 13.45%. Profit margin rose 9.72 times, asset turnover 1.10 times, and the equity multiplier fell by a factor of 0.95. In log terms, the margin explains about 98.2% of the change in ROE, asset turnover 4.0% and the equity multiplier −2.2%. The improvement in returns was earned in operations and not engineered through leverage. Leverage was actually slightly lower in FY2026 than in FY2022, even though it rose after FY2024 (equity multiplier 2.49 in FY2024, 2.70 in FY2026). The reported fixed-asset turnover ratio, which rose from 1.27 to 1.73, points the same way on asset use, though its contribution to overall returns is small compared with margin.



4.5 Cash flow and earnings quality

Table 7. *Cash flow summary (₹ crore, consolidated)*

Item	FY22	FY23	FY24	FY25	FY26
Operating activities	**618.89**	**1,205.49**	**1,719.26**	**1,091.96**	**1,785.55**
Investing activities	-944.37	-849.11	-853.70	-922.44	-2,270.60
Financing activities	313.16	-319.53	-871.02	-176.74	476.64
Net change in cash	-12.32	36.85	-5.46	-7.22	-8.41
Closing cash and equivalents	23.77	60.62	55.16	47.94	39.53
Operating cash flow ÷ EBITDA (%)	87.4	125.9	106.5	74.7	88.6
Operating plus investing cash flow	-325.48	356.38	865.56	169.52	-485.05

Note. Operating plus investing cash flow is a post-investment cash measure. Investing flows include purchases and sales of investments as well as capital expenditure, so it is not a pure free cash flow. Source: Project workbook.

Operating cash flow rose from ₹618.89 crore to ₹1,785.55 crore, a CAGR of 30.33%, which is more than double the revenue CAGR. Operating cash conversion, measured as operating cash flow ÷ EBITDA, varied: 87.4% in FY2022, 125.9% in FY2023, 106.5% in FY2024, 74.7% in FY2025 and 88.6% in FY2026. The low FY2025 value coincides with a working-capital build on the standalone balance sheet, where inventories rose by ₹275.11 crore and trade receivables by ₹376.36 crore. Over the five years, cumulative operating cash flow of ₹6,421.15 crore exceeded cumulative investing outflows of ₹5,840.22 crore by ₹580.93 crore, and cumulative net financing was an outflow of ₹577.49 crore, so the business broadly funded its investment from internal cash and repaid debt on balance.

FY2026 is the exception. Investing outflows jumped to ₹2,270.60 crore against operating cash flow of ₹1,785.55 crore, a gap of ₹485.05 crore that was covered by net financing inflows of ₹476.64 crore. The workbook also records no equity dividend for FY2026, against ₹121.35 crore in FY2025, and a reported earning retention ratio of 100%. In terms of Sloan's (1996) argument, the evidence supports the quality of reported earnings: profit growth was accompanied by cash growth, although the conversion rate dipped in the year of working-capital build.

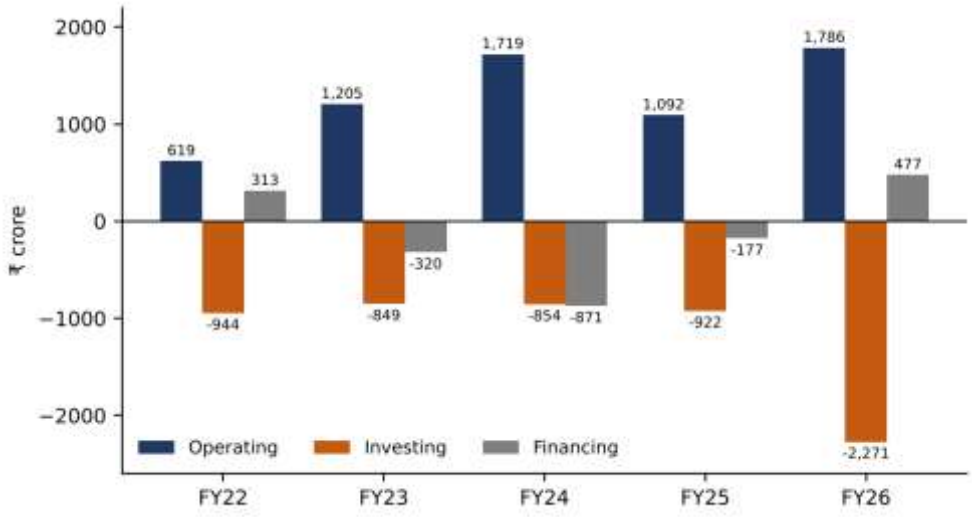


Figure 5. Cash flows from operating, investing and financing activities (₹ crore). *Source: Authors' computation from the project workbook.*



4.6 Liquidity and working capital

Table 8. *Liquidity and working-capital indicators*

Indicator	FY22	FY23	FY24	FY25	FY26
Current ratio, reported (x)	**0.61**	**0.51**	**0.51**	**0.51**	**0.52**
Quick ratio, reported (x)	0.39	0.40	0.40	0.43	0.48
Current ratio, standalone balance sheet (x)	0.71	0.64	0.61	0.65	0.65
Current assets less current liabilities (₹ crore)	-1,046.56	-1,469.66	-1,657.01	-1,788.81	-2,177.86
Receivable days	44.9	42.0	38.9	45.6	40.9
Inventory days	75.9	55.8	59.8	61.8	63.7
Payable days	127.1	112.8	123.0	120.2	128.4
Trade working-capital cycle (days)	**-6.4**	**-15.0**	**-24.3**	**-12.8**	**-23.8**
Trade payables ÷ current liabilities (%)	59.5	55.3	54.5	53.2	53.6

Note. Days measures are computed from the standalone balance sheet and consolidated flows (see Table 2). Payable days are measured against cost of materials consumed, although trade payables also relate to other purchases, so they overstate true payable days and should be read as a relative indicator across years. Source: Project workbook.

Reported liquidity is weak and has been so throughout. The current ratio fell from 0.61 in FY2022 to 0.51 in FY2023 and was 0.52 in FY2026. The quick ratio improved from 0.39 to 0.48 but remains well under 1.0. The deficit of current assets against current liabilities on the standalone balance sheet widened from ₹1,046.60 crore to ₹2,177.90 crore.

The table shows why the ratios are low and what the low ratios do and do not mean. Receivable days (40.9) and inventory days (63.7) in FY2026 are short compared with payable days of 128.4, so the trade working-capital cycle is negative at about −24 days: suppliers finance more of the operating cycle than customers and inventory consume. Trade payables make up more than half (53.6%) of current liabilities. A negative operating cycle of this type is not by itself a sign of distress, and the shorter receivable and inventory periods are consistent with the efficiency findings of Deloof (2003) and Shin and Soenen (1998) and with the favourable assessments of CEAT in the tyre-industry studies (“Efficiency of Managing Working Capital,” 2020; Ajmera, 2021). Inventory days improved from 75.9 to 63.7 and receivable days from 44.9 to 40.9 over the period.

The more telling pressure comes from short-term borrowings. They rose from ₹352.24 crore in FY2022 to ₹1,488.33 crore in FY2026, a 4.2-fold increase, and their share of total borrowings rose from 17.0% to 49.7% (Table 9). Liquidity therefore depends on continued supplier credit and on refinancing of short-term debt, which makes the low current ratio more consequential than a purely trade-driven deficit would be.

4.7 Leverage, debt service and the Camso acquisition

Table 9. *Borrowings, leverage and coverage (₹ crore unless stated)*

Indicator	FY22	FY23	FY24	FY25	FY26
Long-term borrowings	1,719.16	1,440.56	956.60	923.52	1,503.67
Short-term borrowings	352.24	625.17	636.37	1,004.77	1,488.33
Total borrowings	**2,071.40**	**2,065.73**	**1,592.97**	**1,928.29**	**2,992.00**
Short-term share of borrowings (%)	17.0	30.3	39.9	52.1	49.7
Debt-equity ratio, reported (x)	**0.64**	**0.61**	**0.40**	**0.44**	**0.60**
Long-term debt-equity, reported (x)	0.53	0.42	0.24	0.21	0.30
Total borrowings ÷ EBITDA (x)	2.92	2.16	0.99	1.32	1.48
Interest cover, reported (x)	**1.38**	**2.15**	**4.32**	**3.34**	**3.88**
Financial charges coverage, reported (x)	3.48	4.09	6.21	5.37	5.82
Finance costs ÷ revenue (%)	2.21	2.14	2.25	2.10	2.28

Note. Borrowings are from the standalone balance sheet; EBITDA and revenue are consolidated. Source: Project workbook.



Leverage fell and then rose. Reported debt-equity moved from 0.64 in FY2022 to a low of 0.40 in FY2024, then to 0.44 in FY2025 and 0.60 in FY2026. The FY2026 value is thus still below its FY2022 level, and the "rising leverage" signal applies to the period since FY2024. Standalone borrowings were ₹2,071.40 crore in FY2022, ₹1,592.97 crore in FY2024 and ₹2,992.00 crore in FY2026. The FY2026 increase of ₹1,063.71 crore (55.2%) comprised ₹580.15 crore of long-term and ₹483.56 crore of short-term borrowings. Relative to earnings, total borrowings were 1.48 times EBITDA in FY2026, compared with 2.92 times in FY2022 and 0.99 times in FY2024.

Debt-service capacity improved over the full period but is below its FY2024 high. Interest cover rose from 1.38 in FY2022 to 4.32 in FY2024 and stood at 3.88 in FY2026; the financial charges coverage ratio rose from 3.48 to 6.21 and then stood at 5.82. Finance costs were 2.21% of revenue in FY2022 and 2.28% in FY2026, so the larger debt stock was not obtained at a visibly higher cost relative to sales.

The timing of the Camso acquisition matters for interpretation. CEAT announced the agreement in December 2024, an all-cash transaction valued at US$225 million that included two manufacturing facilities in Sri Lanka and the global rights to the Camso brand after a three-year licensing period (Mahajan, 2024). The transaction was completed on 1 September 2025 (Das, 2025; European Rubber Journal, 2025), with Camso revenue recognised from that date (Datta, 2025). FY2026 is therefore the first year in which the acquisition appears in the accounts, and it contains seven months of Camso operations. The rise in borrowings in FY2025 (from ₹1,592.97 crore to ₹1,928.29 crore) cannot be attributed to the acquisition; it coincides with the working-capital build noted above. Management indicated at the time of completion that US$138 million had been paid, with US$43 million due in FY2027 and US$44 million in FY2029, and that consolidated net debt would rise from about ₹1,900 crore in FY2025 to about ₹2,900 crore in FY2026 before easing (Datta, 2025). The standalone net borrowings computed here (₹1,885.20 crore in FY2025 and ₹2,958.00 crore in FY2026) are of a similar order, which supports reading the FY2026 increase as the result of the acquisition-and-investment cycle. The statements do not, however, separate the acquisition's effect from other investment, and the definitions of net debt may differ.

The standalone balance sheet adds a further clue. In FY2026 non-current investments rose by ₹327.70 crore to ₹492.69 crore and long-term loans and advances rose from nil to ₹788.64 crore. This pattern is consistent with the parent funding group entities, but confirming it would require the notes to the accounts, which are not part of the dataset. The consolidated investing outflow of ₹2,270.60 crore in FY2026, up from ₹922.44 crore, is the better indicator of the combined scale of the acquisition and capital expenditure.

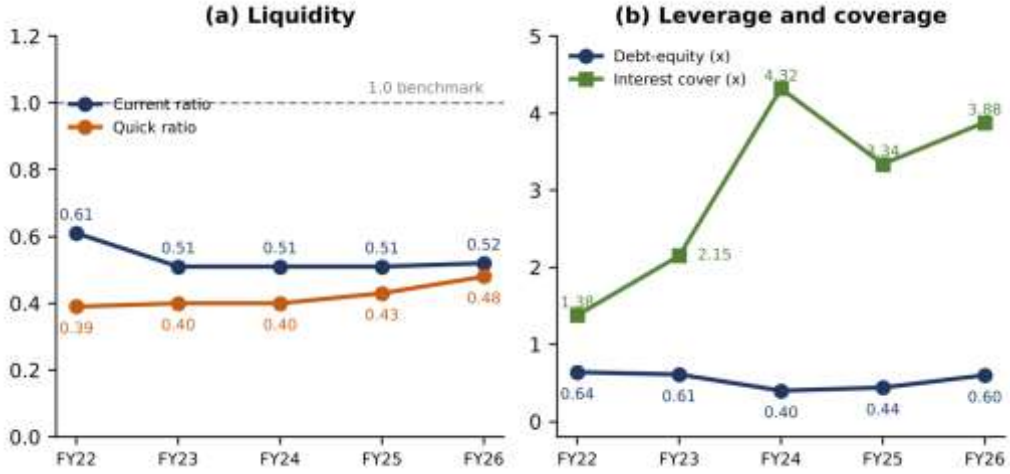


Figure 6. Liquidity (panel a) and leverage and coverage (panel b), FY2022 to FY2026. *Source: Key financial ratios, project workbook.*



4.8 Market valuation

Table 10. *Share price, earnings per share and valuation multiple*

Item	FY22	FY23	FY24	FY25	FY26
Share price at fiscal year-end (₹)	932.15	1,450.55	2,682.40	2,879.50	3,242.50
Basic EPS (₹)	18	46	159	117	173
Price ÷ EPS (x)	**51.8**	**31.5**	**16.9**	**24.6**	**18.7**

Note. Share prices are the single values recorded at each fiscal year-end in the workbook, not period averages. Basic EPS is reported in whole rupees, so the multiples are approximate. Source: Project workbook.

The share price rose from ₹932.15 to ₹3,242.50, a CAGR of 36.57%. That is substantial, but it is less than half the 76.1% CAGR of EPS, and the price-to-earnings multiple compressed from 51.8 times in FY2022 to 18.7 times in FY2026. Part of this reflects the depressed FY2022 earnings base. The pattern shows that the market has rewarded the recovery but has not capitalised it at the FY2022 multiple, and it suggests investors price in some risk of reversal, consistent with the margin sensitivity documented in Section 4.3. Valuation conclusions from five year-end observations are tentative.

4.9 Composite assessment

Table 11. *Summary of financial health by dimension, FY2022 to FY2026*

Dimension	Key evidence	Direction	Assessment
Growth	Revenue CAGR 13.79%; EBITDA CAGR 29.89%; FY2026 revenue growth 18.8%	Up	Strong
Profitability	EBITDA margin 7.56% to 12.83%; PAT margin 0.45% to 4.34%; FY2026 below FY2024 peak	Up, not steady	Strong, cyclical
Capital efficiency	ROCE 5.32% to 17.25%; RONW 2.17% to 13.83%; about 98% of ROE change from margin	Up	Strong
Cash generation	Operating cash flow CAGR 30.33%; cash conversion 74.7% to 125.9%; cumulative OCF above cumulative investing outflow	Up	Strong
Liquidity	Reported current ratio 0.52; quick ratio 0.48; negative trade cycle; short-term debt 49.7% of borrowings	Flat, low	Weak
Leverage	Debt-equity 0.64 to 0.60 (low 0.40 in FY2024); borrowings 1.48 times EBITDA	Down, then up	Moderate
Debt service	Interest cover 1.38 to 3.88; below FY2024 level of 4.32	Up	Adequate
Market valuation	Share price CAGR 36.57%; price ÷ EPS 51.8 to 18.7	Up, de-rated	Cautious

Note. The "Assessment" column is the authors' judgement, based on the quantitative evidence in the preceding tables.

5. Discussion

On RQ1, profitability improved sharply and the improvement was operational. EBITDA margin rose by 5.27 points, about three-quarters of it from a lower raw-material cost ratio, and the DuPont decomposition attributes almost all of the rise in return on equity to margin. This matters for the durability of the gain. Margin-led recovery tied to input costs is more exposed to reversal than recovery built on structural asset-turnover gains, and FY2025 shows the exposure: the raw-material cost ratio rose and EBITDA margin dropped by 2.44 points even as revenue grew 10.6%.

On RQ2, the profit is cash-backed. Operating cash flow grew faster than revenue and, over five years, funded the investment programme. The weaker conversion in FY2025 was linked to higher inventories and receivables, which is a timing effect and not a loss of earnings quality.

On RQ3, liquidity is structurally low and leverage moved up in FY2026. The negative trade working-capital cycle shows that low current and quick ratios stem from strong supplier credit and not from weak collection or stock turnover. The substantive risk is the shift in funding toward short-term borrowings and the larger debt stock after the acquisition. Interest cover of 3.88 and borrowings of 1.48 times EBITDA indicate that debt remains serviceable, but the coverage ratios are below their FY2024 levels. FY2026 contains only seven months of Camso, and deferred acquisition payments remain, so FY2027 will be the first full-year test of the acquisition's effect on margins and leverage.



On RQ4, CEAT's financial health, judged on profitability, returns and cash generation, improved markedly between FY2022 and FY2026. Judged on liquidity and funding structure, it remains an area of weakness. The composite picture in Table 11 is of a stronger earnings engine resting on a thin liquidity cushion.

5.1 Implications for management and analysts

1. **Track margin against the raw-material cost ratio.** Because margin gains are mainly cost-driven, the raw-material cost ratio should be monitored alongside EBITDA margin. Procurement tools such as forward buying or hedging of natural rubber, where feasible, could reduce the earnings volatility seen in FY2025.
2. **Lengthen the maturity of funding.** With short-term borrowings at nearly half of total debt, refinancing part of them into longer-term funding would reduce dependence on rollover and would give the low current ratio less weight.
3. **Report the Camso business separately for the first few years.** Segment-level disclosure of its revenue, margin and borrowings would let analysts distinguish the acquired business from the legacy operations, which the consolidated statements do not allow.
4. **Set early-warning indicators.** Debt-equity, total borrowings to EBITDA, interest cover and the short-term share of borrowings are suitable internal trigger metrics, reviewed alongside the current ratio and the trade working-capital cycle each quarter.
5. **Keep the dashboard current.** Connecting the workbook to a regular update of the statements would keep these indicators in front of decision-makers.

6. Limitations and Future Research

Several limitations apply. The study is a single-company case over five fiscal years, which is four growth periods, so it cannot capture a full raw-material or industry cycle, and the correlation reported is descriptive only. The balance sheet is standalone while the profit and loss, cash flow and ratio data are consolidated, so mixed-basis measures such as the DuPont decomposition, working-capital days and borrowings-to-EBITDA are approximations, and reported and computed liquidity ratios differ in level. Reported ratios follow the data provider's definitions. Share prices are single year-end observations. The effect of the Camso acquisition cannot be separated from other investment because the statements do not provide a segment breakdown, and the interpretation of the standalone investments and advances is inferential. No peer benchmarking is attempted, so the findings describe CEAT's own trajectory and not its position relative to competitors.

Future work could benchmark CEAT against MRF, Apollo Tyres, JK Tyre and Balkrishna Industries using the same framework, extend the horizon to ten years, move to quarterly data to capture the FY2027 effect of a full year of Camso operations, use consolidated balance sheets throughout, and link the dashboard to a live data feed.

7. Conclusion

This paper assessed CEAT Limited's financial health over FY2022 to FY2026 through profitability, cash flow, liquidity, leverage and valuation. Revenue grew at 13.79% a year, EBITDA margin widened from 7.56% to 12.83%, and ROCE and RONW rose to 17.25% and 13.83%. Most of the margin gain came from lower raw-material costs and almost all of the rise in return on equity came from margin, so the improvement was operational and cash-backed. It was also uneven, with FY2024 the high point and FY2025 a clear setback. Liquidity ratios stayed below 1.0, short-term borrowings grew to almost half of total debt, and borrowings rose by about ₹1,064 crore in FY2026 with the closing of the Camso acquisition, taking debt-equity to 0.60, still below its FY2022 level, with interest cover at 3.88.

The headline PAT CAGR of over 100% overstates the story because of a very small starting base. A fuller reading shows a firm that has improved its earnings engine considerably but has not yet built a comfortable liquidity cushion. For management, the priorities are to guard margins against raw-material swings, lengthen funding maturities and disclose the Camso contribution clearly. For analysts, the FY2027 results will show how much of the FY2026 position was transitional.



Declarations

Acknowledgement. The first author thanks Mr. Nitin Goyal, industry mentor at CEAT Limited, for guidance during the On-the-Job Training project on which this paper is based, and School of Business, Indira University, for the opportunity.

Data availability. All data are drawn from published financial information of CEAT Limited. The compiled workbook is available from the authors on request.

Statement on affiliation. The first author carried out the underlying On-the-Job Training project at CEAT Limited. The analysis uses only published financial information. The views expressed are the authors' own and do not represent those of CEAT Limited.

References

Ajmera, T. R. (2021). Working capital management and its impact on profitability in tyre industry: A study of selected companies. *Journal of Advanced Research in Economics and Administrative Sciences, 2*(1). https://doi.org/10.47631/jareas.v2i1.188

Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *The Journal of Finance, 23*(4), 589–609. https://doi.org/10.1111/j.1540-6261.1968.tb00843.x

Autocar Professional. (n.d.). *Indian tyre makers face FY27 margin pressure and higher capex outlay: Report*. Retrieved November 16, 2026, from https://www.autocarpro.in/news/indian-tyre-makers-face-fy27-margin-pressure-and-higher-capex-outlay-report-133783

Beaver, W. H. (1966). Financial ratios as predictors of failure. *Journal of Accounting Research, 4*, 71–111. https://doi.org/10.2307/2490171

Das, S. (2025, September 2). Tyre maker Ceat expects 10-15% revenue boost on Camso acquisition. *Business Standard*. https://www.business-standard.com/amp/companies/news/ceat-camso-deal-topline-boost-off-highway-tyres-125090201206_1.html

Datta, D. (2025, September 8). Camso acquisition at $225 mn valuation a long-term positive for Ceat. *Business Standard*. https://www.business-standard.com/markets/news/ceat-completes-camso-acquisition-long-term-positive-125090801381_1.html

Deloof, M. (2003). Does working capital management affect profitability of Belgian firms? *Journal of Business Finance & Accounting, 30*(3–4), 573–588. https://doi.org/10.1111/1468-5957.00008

Efficiency of managing working capital in select companies in the Indian tyre industry: An empirical analysis. (2020). *NMIMS Journal of Economics and Public Policy*. https://epp-journal.nmims.edu/2020/10/efficiency-of-managing-working-capital-in-select-companies-in-the-indian-tyre-industry-an-empirical-analysis

European Rubber Journal. (2025, September 2). *Michelin completes sale of Camso brand, Sri Lanka plants to Ceat*. https://www.european-rubber-journal.com/article/2097951/michelin-completes-sale-of-camso-brand-to-ceat

Goel, U., & Sharma, A. (2015). Working capital management efficiency in Indian manufacturing sector: Trends and determinants. *International Journal of Economics and Business Research, 10*(1).

Mahajan, S. (2024, December 6). CEAT acquires Camso Off-Highway tyres and tracks business from Michelin in $225 million deal. *Autocar Professional*. https://www.autocarpro.in/NEWS/ceat-acquires-camso-off-highway-tyres-and-tracks-business-from-michelin-in-$225-million-deal-123864

Nissim, D., & Penman, S. H. (2001). Ratio analysis and equity valuation: From research to practice. *Review of Accounting Studies, 6*(1), 109–154. https://doi.org/10.1023/A:1011338221623

Penman, S. H. (2013). *Financial statement analysis and security valuation* (5th ed.). McGraw-Hill/Irwin.

Shin, H.-H., & Soenen, L. (1998). Efficiency of working capital management and corporate profitability. *Financial Practice and Education, 8*(2), 37–45.



Sloan, R. G. (1996). Do stock prices fully reflect information in accruals and cash flows about future earnings? *The Accounting Review, 71*(3), 289–315.

Soliman, M. T. (2008). The use of DuPont analysis by market participants. *The Accounting Review, 83*(3), 823–853. https://doi.org/10.2308/accr.2008.83.3.823

Appendix A. Supporting Data

The tables below reproduce the line items from the project workbook on which the analysis rests. "–" denotes a value not disclosed in the source.

Table A1. *Balance sheet, standalone (₹ crore)*

Item	FY22	FY23	FY24	FY25	FY26
Equity share capital	40.45	40.45	40.45	40.45	40.45
Reserves and surplus	3,109.82	3,305.15	3,910.67	4,245.34	5,026.57
Total shareholders' funds	**3,150.27**	**3,345.60**	**3,951.12**	**4,285.79**	**5,067.02**
Long-term borrowings	1,719.16	1,440.56	956.60	923.52	1,503.67
Total non-current liabilities	2,190.35	2,017.20	1,596.38	1,656.32	2,383.70
Short-term borrowings	352.24	625.17	636.37	1,004.77	1,488.33
Trade payables	2,155.00	2,270.83	2,332.64	2,738.68	3,345.55
Total current liabilities	**3,620.28**	**4,106.33**	**4,280.95**	**5,152.09**	**6,241.72**
Total capital and liabilities	**8,960.90**	**9,469.13**	**9,828.45**	**11,094.20**	**13,692.44**
Fixed assets	6,137.14	6,632.74	6,929.74	7,497.33	8,135.11
Non-current investments	126.02	130.27	155.73	164.99	492.69
Long-term loans and advances	0.00	0.00	0.00	0.00	788.64
Total non-current assets	6,387.18	6,832.46	7,204.51	7,730.92	9,628.58
Inventories	1,286.51	1,124.08	1,134.14	1,409.25	1,660.00
Trade receivables	1,152.87	1,302.83	1,275.97	1,652.33	1,759.65
Cash and cash equivalents	16.67	53.13	34.69	43.07	33.96
Total current assets	**2,573.72**	**2,636.67**	**2,623.94**	**3,363.28**	**4,063.86**

Table A2. *Profit and loss account, consolidated (₹ crore)*

Item	FY22	FY23	FY24	FY25	FY26
Revenue from operations (net)	9,197.09	11,149.05	11,781.71	13,020.70	15,678.00
Other income	11.40	16.94	19.73	17.55	40.38
Total revenue	**9,374.81**	**11,331.82**	**11,963.21**	**13,235.42**	**15,718.38**
Cost of materials consumed	6,186.90	7,350.74	6,923.43	8,318.83	9,507.74
Employee benefit expenses	693.80	735.20	845.71	856.22	1,071.44
Finance costs	206.95	242.10	269.06	277.79	358.62
Depreciation and amortisation	435.20	469.31	508.83	562.69	697.42
Other expenses	1,932.23	2,220.48	2,521.17	2,655.40	3,057.01
Total expenses	9,295.77	11,052.48	11,069.14	12,584.21	14,686.84
Exceptional items	-12.91	-33.42	-58.17	-29.61	-71.23
Profit before tax	**66.13**	**245.92**	**835.90**	**621.60**	**960.31**
Total tax expenses	24.30	71.75	221.42	172.03	278.87
Profit for the period (PAT)	**41.83**	**174.17**	**614.48**	**449.57**	**681.44**
Share of profit of associates	28.75	8.22	20.80	21.80	15.80
Profit after minority interest and associates	71.20	186.17	642.65	472.64	698.02
Equity share dividend	72.81	12.14	48.54	121.35	0.00



Table A3. *Additional reported ratios, consolidated*

Ratio	FY22	FY23	FY24	FY25	FY26
Operating profit margin (%)	7.58	8.60	13.83	11.15	13.05
Cash profit margin (%)	5.22	5.97	9.87	7.87	9.22
Net profit margin (%)	0.76	1.64	5.38	3.57	4.45
Return on long-term funds (%)	5.72	10.68	23.26	17.55	21.22
Adjusted return on net worth (%)	1.67	6.03	16.63	10.96	14.91
Inventory turnover (x)	7.15	9.94	10.38	9.36	8.79
Debtors turnover (x)	9.02	9.19	9.22	9.00	8.98
Fixed assets turnover (x)	1.27	1.48	1.72	1.41	1.73
Total assets turnover (x)	1.77	2.07	2.11	2.14	1.95
Number of days in working capital	-36.97	-37.81	-41.83	-35.59	-35.84
Financial charges coverage, post-tax (x)	3.45	3.71	5.28	4.73	4.89
Dividend payout, net profit (%)	102.26	6.52	7.55	25.67	–
Earning retention ratio (%)	-33.01	94.16	92.79	74.68	100.00
Adjusted cash flow times (x)	4.28	3.09	1.38	1.85	2.08

Note. Negative dividend-payout and earning-retention values for FY2022 reflect the dividend exceeding profit for that year in the source data. Source: Project workbook, Ratios sheet.