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RPG Group's Ceat to acquire Camso brand from Michelin for \$225 million

The acquisition will give tyre major access to 40 global OEMs and broaden its product offering into construction tyres and bias tracks



Photo: X @CEATtyres

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CEAT, an RPG Group company, on Friday announced that it had entered into an agreement with global tyre company Michelin to acquire the Camso brand's Off-Highway construction equipment bias tyres and tracks business.

The all-cash deal, valued at \$225 million and including two manufacturing facilities in Sri Lanka and the global rights to the Camso brand, is set to be completed within 6-9 months, subject to regulatory approvals.

The acquired business recorded revenues of \$213 million last year. The announcement was made after market hours. CEAT stock rose 5.5 per cent on the BSE on Friday.

Camso is a premium brand in construction equipment tyre and tracks with a strong presence in aftermarket and original equipment (OE) markets across the EU and North America, CEAT said in a statement. CEAT will gain permanent ownership of the Camso brand across all categories after a three-year licensing period.

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This acquisition strengthens CEAT's portfolio in the high-margin Off-Highway Tyres (OHT) and tracks segments, which include agricultural tyres, harvester tyres, material handling tyres, and power sports tracks

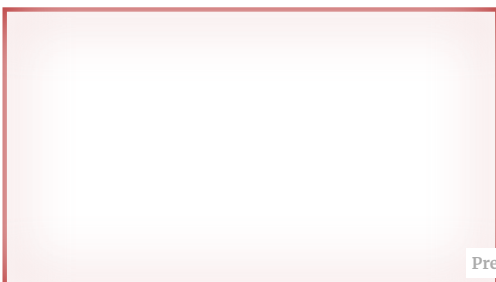
This will expand CEAT's product portfolio in the high-margin Off-Highway Tyres (OHT) and tracks segments, which include agriculture tyres and tracks, harvester tyres and tracks, power sports tracks and material handling tyres. Michelin will exit operations related to compact line bias tyres and construction tracks.

KEY TYRE DEALS IN INDIA

Date	Target	Acquirer	Amount (in \$ mn)
Sep 14, 2015	Cavendish Industries	JK Tyre	331.07
Apr 11, 2008	Empresas Tornel SA de CV	JK Tyre	67.55
Jan 30, 2006	Apollo Tyres South Africa Pty Ltd	Apollo Tyres	62.00
Nov 16, 2015	Reifencom GmbH/Bielefeld	Apollo Tyres	48.76
Aug 1, 2003	Auto Tyre Plant	Balkrishna	3.54

Note: All M&A deals Source: Bloomberg

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The acquisition assumes significance as CEAT is trying to expand its geographical footprint and is aiming to enter the US market in 2025. In the 2023-24 annual report, Anant Goenka, Vice-Chairman, RPG Enterprises noted that the company had entered 12 new geographies in FY24 and plans to enter “the world's largest tyre market, the US in 2025.”

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“This expansion underscores our capability to produce best-in-class products to meet global requirements. The entry into each country is done after gathering deep customer insights, country-specific product development and a strong Go to Market (GTM) strategy through a high-quality distribution network,” Goenka had said. Currently, CEAT exports to over 110 countries.

CEAT said on Friday that the acquisition was a significant milestone in its ambition to become a leading global player in the high-margin OHT segment.

“Over the last decade, CEAT has been focusing on building its OHT business, which now consists of 900 product offerings and covers around 84 per cent of the range requirement in the agricultural segment,” said the tyre major.

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It said that Camso will give CEAT the ability to widen its product base into tracks and construction tyres. More importantly, it will give CEAT access to a global customer base including over 40 international original equipment manufacturers (OEMs) and premium international OHT distributors.

CEAT brings in the ability for Camso to expand to other segments such as agriculture tyres.

“Both brands are highly complementary in their positioning and capabilities,” the company said.

Goenka said this acquisition “catalyzes” CEAT’s journey towards being a leading tyre maker globally.

“The Camso brand is an excellent fit with the growth strategy of CEAT’s Off-Highway Tyre business, thereby improving our margin profile. Access to the most premium customers, a high-quality brand and a qualified global workforce are what excites us the most about this acquisition,” said Arnab Banerjee, MD & CEO, CEAT.

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The track segment is a technologically superior segment with a limited number of global players.

Nour Bouhassoun, Senior Vice President, Beyond Road Business Line at Michelin felt that CEAT was the 'right fit' to carry on its bias tyres and tracks for the compact construction equipment business.

"Both our companies are fully committed to ensuring a smooth transition for our employees and business continuity for our customers and suppliers. With this operation, Michelin is continuing to reshape its Beyond Road Business, in line with the Group's sustainable growth strategy," Bouhassoun said.

For FY24, the off-highway tyres constituted 15 per cent of CEAT's revenues, while exports contributed 19 per cent and the replacement market 53 per cent. Original equipment manufacturers contributed 28 per cent of the revenues. In FY24, the company achieved its highest-ever revenue of Rs 11,893 crore (standalone).

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Export sales had grown in FY24, despite subdued demand due to continued inflation in Europe, currency volatility and geopolitical conflicts.

"CEAT witnessed an increase in demand and recorded an increase in sales in West Asia, Brazil, Latin American, South-East Asian markets and European countries. The demand has come back to normalcy in Saarc countries and the company not only gained lost volume but also increased its share of business," the company noted in its annual report.

For the September quarter of FY25, the company posted an 8.5 per cent Y-o-Y revenue growth to Rs 3304 crore. It said that the international business continues to 'recover well' and to grow with a slight degrowth on a Q-o-Q basis. As of Q2FY25, the off-highway segment constituted 15 per cent of revenues, and exports 19 per cent.

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