

Somany Ceramics

Recovery building; normalcy distant

We attended Somany Ceramics' analyst meet, represented by Mr. Abhishek Somany (MD and CEO), Mr. Sailesh Kedawat (CFO), and Mr. Ameya Somany (KMP – son of MD). Management indicated that demand is showing signs of recovery. Exports from the Morbi industry are improving. The company has cut channel incentives and intends further reductions as demand strengthens, supporting margin expansion. It forecasts high single-digit tile growth over the coming years, alongside double-digit sanitaryware revenue growth in FY26 and FY27. Non-tiles revenue share is targeted to rise to 25% over the next four years (from 15% in FY25). The company will launch a new premium-segment brand within the next three months to elevate its premium sales mix. Management anticipates a FY26 PBT loss at the Max plant, akin to FY25's INR 260mn, but expects breakeven within 18 months as the plant ramps up, supported by investments in a new press to boost margins. We project a 5% tile volume CAGR from FY25-28E. We model 7%, 10%, and 18% CAGR for revenue, EBITDA, and APAT, respectively, over FY25-28E. We maintain our estimates for FY26-28E. We like Somany due to its robust retail distribution, improving product mix, and focus on working capital management. We maintain ADD rating on with a target price of INR 490/share (20x Mar-28E consolidated EPS).

- **Improving demand, Morbi exports picking up:** Management indicated that demand is showing signs of recovery. Exports from the Morbi industry are improving. The company has cut channel incentives and intends further reductions as demand strengthens, supporting margin expansion. It expects high single-digit growth in tiles over the coming years and double-digit revenue growth in sanitaryware in FY26 and FY27. Non-tiles revenue share is targeted to rise to 25% over the next four years (from 15% in FY25). The company will launch a new premium-segment brand within the next three months to elevate its premium sales mix.
- **Focus on Max plant ramp-up:** The Max plant commissioned Jan-24, manufactures large-sized tiles, has a revenue potential of ~INR 2.5bn, with most sales catering to institutional customers. Capacity utilization stood at 50% in Q2FY26. Management anticipates a FY26 PBT loss at the Max plant, akin to FY25's INR 260mn, but expects breakeven within 18 months as the plant ramps up, supported by investments in a new press to boost margins.
- **No major expansion plans:** Somany currently has adequate production capacity and is focusing on maximizing output from its existing tile facilities rather than undertaking any major expansion over the next 2–3 years. However, the company will consider a small capex to enhance its sanitaryware capacity for value-added products in the coming quarters.
- **Outlook and valuation:** In our view, the unorganized Morbi tile manufacturers have disrupted the industry by flooding the domestic market with low-priced products. Given the ongoing geopolitical and tariff tensions, Indian tile exports are expected to remain volatile. We project a 5% tile volume CAGR from FY25-28E. We forecast a 7%, 10%, and 18% CAGR for revenue, EBITDA, and APAT, respectively, over FY25-28E. We maintain our estimates for FY25-28E. We like Somany due to its robust retail distribution, improving product mix, and focus on working capital management. We maintain ADD rating on with a target price of INR 490/share (20x Mar-28E consolidated EPS).

ADD

CMP (as on 08 Jan 2026)	INR 405
Target Price	INR 490
NIFTY	25,877

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 490	INR 490
EPS	FY26E	FY27E
revision %	-	-

KEY STOCK DATA

Bloomberg code	SOMC IN
No. of Shares (mn)	41
MCap (INR bn) / (\$ mn)	17/184
6m avg traded value (INR mn)	12
52 Week high / low	INR 640/393

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.5)	(30.9)	(35.4)
Relative (%)	(14.4)	(31.4)	(43.2)

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	55.01	55.01
FIs & Local MFs	23.01	23.17
FPIs	1.39	0.98
Public & Others	20.59	20.85
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Keshav Lahoti

keshav.lahoti@hdfcsec.com
+91-22-6171-7353

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Mahesh Nagda

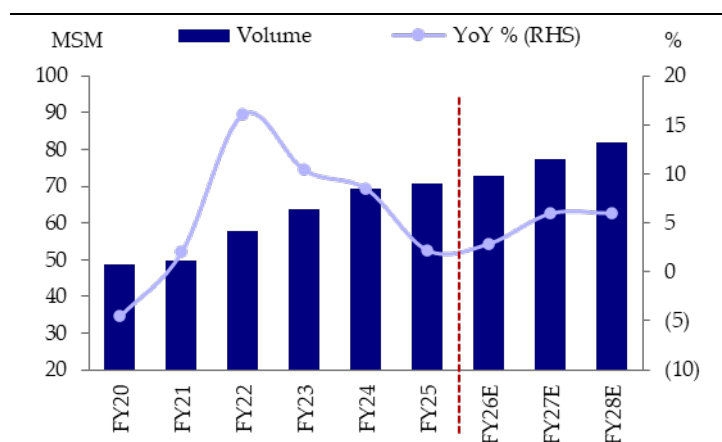
mahesh.nagda@hdfcsec.com
+91-22-6171-7319

Annual financial summary

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tiles sales (MSM)	57.9	63.9	69.3	70.9	72.9	77.3	81.9
NSR (Rs/Kg)	317.2	336	323	318	323	327	333
Tiles Revenue	18,358	21,483	22,426	22,551	23,572	25,237	27,286
Others Revenue	2,470	3,164	3,347	3,882	4,348	4,783	5,261
Net Sales	20,945	24,785	25,914	26,588	27,920	30,019	32,547
EBITDA	2,065	1,887	2,532	2,209	2,303	2,651	2,924
EBITDAM (%)	9.9	7.6	9.8	8.3	8.2	8.8	9.0
APAT	887	737	989	621	733	893	1,015
Diluted EPS (Rs)	20.9	17.4	24.1	15.1	17.9	21.8	24.7
EV / EBITDA (x)	9.8	11.4	8.1	9.0	8.3	6.9	6.2
P/E (x)	19.4	23.3	16.8	26.8	22.6	18.6	16.4
RoE (%)	11.3	8.5	11.5	7.4	8.5	9.8	10.3

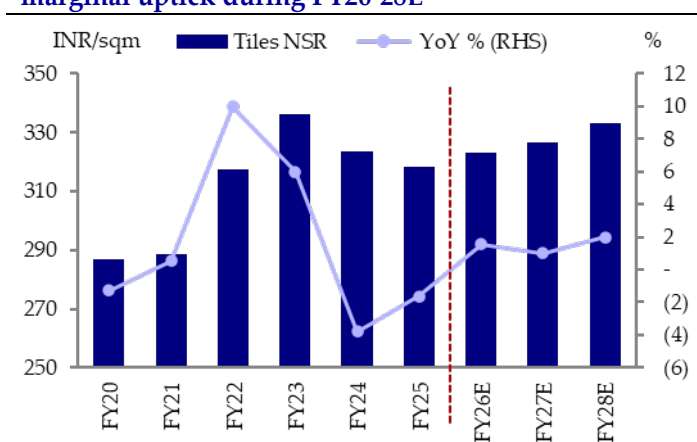
Source: Company, HSIE Research

We expect 5% tiles volume CAGR during FY25-28E



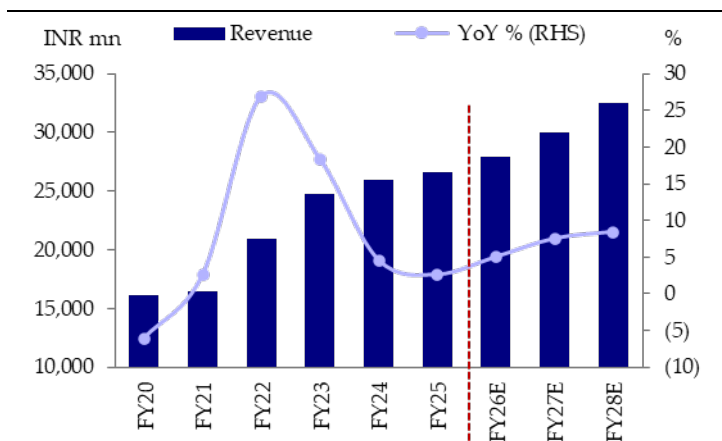
Source: Company, HSIE Research

Tiles realization has decreased in FY25; we expect marginal uptick during FY26-28E



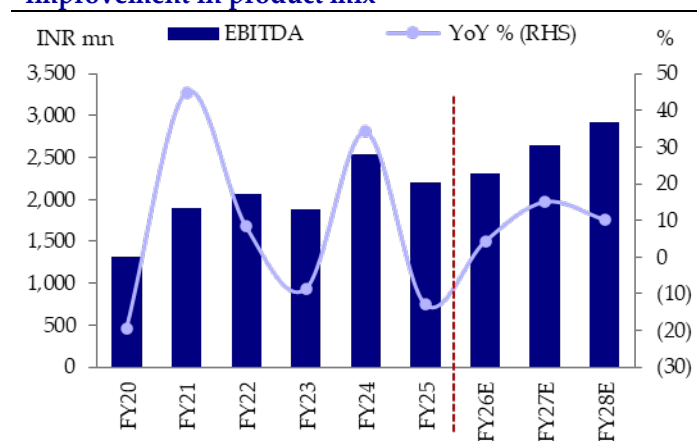
Source: Company, HSIE Research

We expect 7% revenue CAGR over FY25-28E (volume-led)



Source: Company, HSIE Research

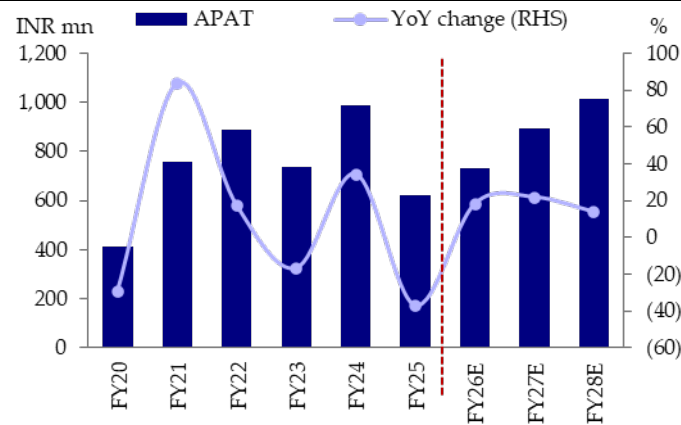
We project 10% EBITDA CAGR for FY25-28E owing to improvement in product mix



Source: Company, HSIE Research

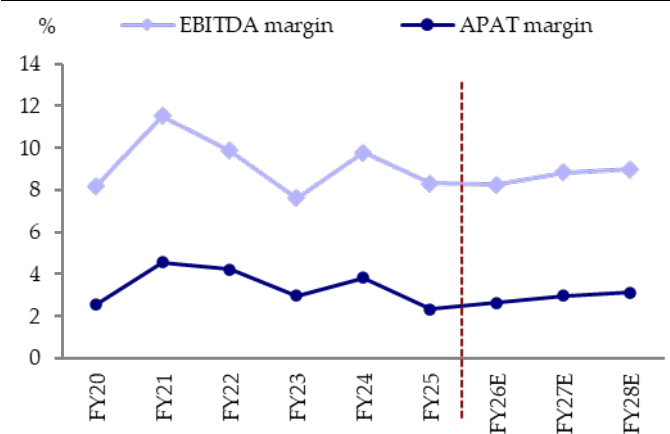
Somany Ceramics: Company Update

We build in 18% APAT CAGR for FY25-28E



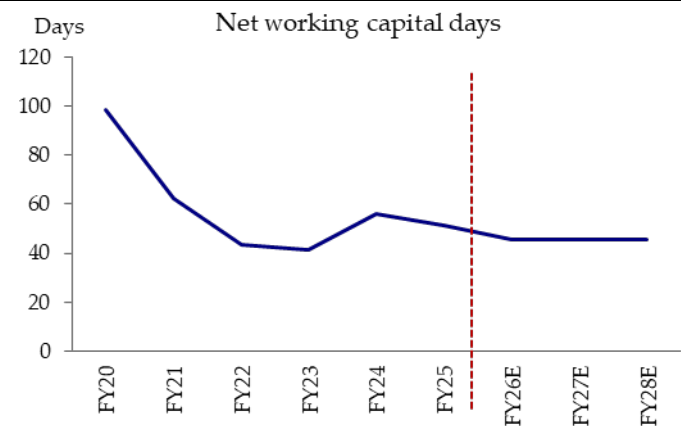
Source: Company, HSIE Research

From the low of FY25, we expect margin to gradually increase in FY26/27/28E aided by reduction in Max plant



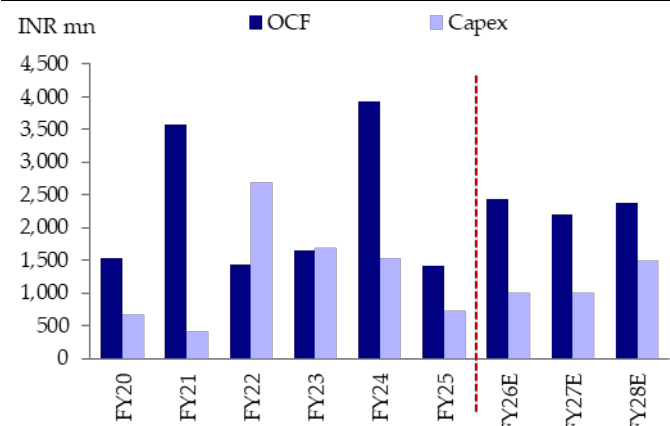
Source: Company, HSIE Research

The company has tightened working capital



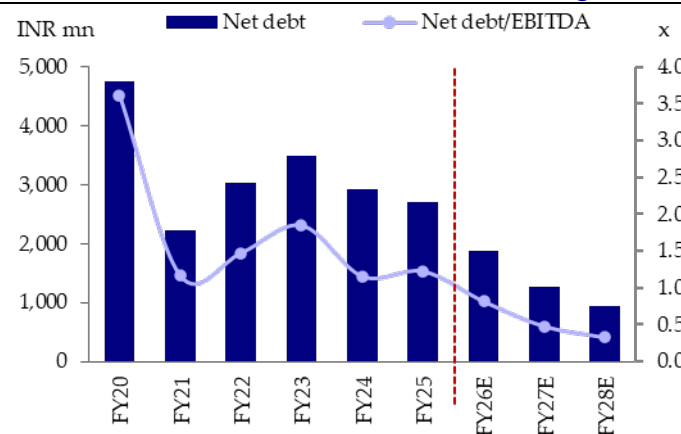
Source: Company, HSIE Research

Capex has slowed due to the absence of major expansion plans. OCF to remain healthy



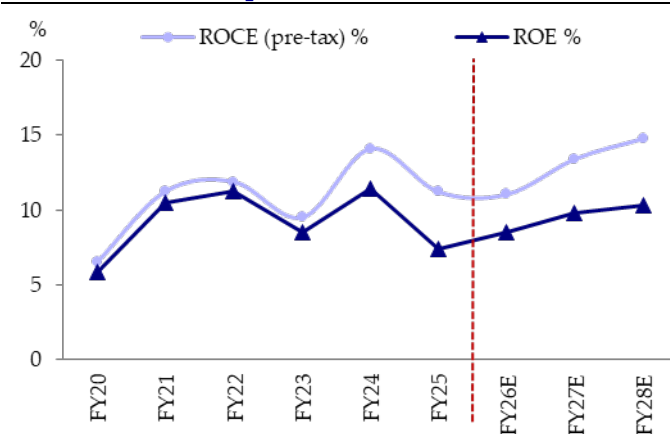
Source: Company, HSIE Research

Debt level to decrease; balance sheet will strengthen



Source: Company, HSIE Research

Return ratios to improve in FY26/27/28E



Source: Company, HSIE Research

Financials (consolidated)

Income Statement

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	24,785	25,914	26,588	27,920	30,019	32,547
<i>Growth %</i>	<i>18.3</i>	<i>4.6</i>	<i>2.6</i>	<i>5.0</i>	<i>7.5</i>	<i>8.4</i>
Raw Material	10,694	11,979	12,804	13,932	14,860	16,111
Power & Fuel	6,471	5,219	5,023	5,026	5,403	5,858
Freight Expense	369	412	431	391	450	488
Employee cost	3,012	3,244	3,547	3,654	3,873	4,183
Other Expenses	2,353	2,527	2,574	2,615	2,782	2,983
EBITDA	1,887	2,532	2,209	2,303	2,651	2,924
<i>EBITDA Margin (%)</i>	<i>7.6</i>	<i>9.8</i>	<i>8.3</i>	<i>8.2</i>	<i>8.8</i>	<i>9.0</i>
<i>EBITDA Growth %</i>	<i>(8.6)</i>	<i>34.2</i>	<i>(12.8)</i>	<i>4.3</i>	<i>15.1</i>	<i>10.3</i>
Depreciation	679	725	903	1,081	1,151	1,221
EBIT	1,209	1,807	1,306	1,222	1,500	1,703
Other Income	145	106	90	130	130	130
Interest	404	465	524	485	476	443
PBT	950	1,449	872	868	1,154	1,390
Tax	259	434	272	234	312	375
Minority Interest	(46)	25	(21)	(100)	(50)	-
RPAT	715	969	601	733	893	1,015
EO (Loss) / Profit (Net of Tax)	(22)	(21)	(20)	-	-	-
APAT	737	989	621	733	893	1,015
<i>APAT Growth (%)</i>	<i>(16.9)</i>	<i>34.3</i>	<i>(37.3)</i>	<i>18.1</i>	<i>21.7</i>	<i>13.7</i>
AEPS	17.4	24.1	15.1	17.9	21.8	24.7
<i>AEPS Growth %</i>	<i>(16.9)</i>	<i>39.0</i>	<i>(37.3)</i>	<i>18.1</i>	<i>21.7</i>	<i>13.7</i>

Source: Company, HSIE Research

Balance Sheet

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital	85	82	82	82	82	82
Reserves And Surplus	7,785	7,119	7,635	8,122	8,769	9,537
Total Equity	7,870	7,201	7,717	8,204	8,851	9,619
Minority Interest	1,076	1,128	726	626	576	576
Long-term Debt	2,653	2,624	1,971	1,519	1,572	1,140
Short-term Debt	2,689	1,152	1,632	1,342	854	866
Total Debt	5,342	3,775	3,603	2,861	2,425	2,006
Deferred Tax Liability	243	289	257	257	257	257
Long-term Liab+ Provisions	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS	14,531	12,393	12,303	11,948	12,109	12,458
APPLICATION OF FUNDS						
Net Block	10,152	11,209	10,634	10,554	10,403	10,682
Capital WIP	473	96	163	163	163	163
Other Non-current Assets	-	-	38	38	38	38
Total Non-current Assets	10,624	11,305	10,835	10,754	10,603	10,883
Inventories	3,915	3,466	3,379	3,769	4,053	4,394
Debtors	2,683	3,372	3,688	3,350	3,602	3,906
Cash and Cash Equivalents	1,864	855	903	990	1,170	1,060
Other Current Assets (& Loans/adv)	941	760	769	818	870	927
Total Current Assets	9,403	8,452	8,739	8,927	9,695	10,286
Creditors	3,777	2,865	3,343	3,630	3,903	4,231
Other Current Liabilities & Provns	1,720	4,499	3,929	4,104	4,287	4,479
Total Current Liabilities	5,497	7,364	7,272	7,733	8,189	8,710
Net Current Assets	3,907	1,089	1,468	1,194	1,506	1,576
TOTAL APPLICATION OF FUNDS	14,531	12,393	12,303	11,948	12,109	12,458

Source: Company, HSIE Research

Cash Flow

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	929	1,428	852	868	1,154	1,390
Non-operating & EO Items	(29)	(19)	19	(130)	(130)	(130)
Interest Expenses	404	465	524	485	476	443
Depreciation	679	725	903	1,081	1,151	1,221
Working Capital Change	(90)	1,676	(662)	360	(131)	(180)
Tax Paid	(247)	(340)	(223)	(234)	(312)	(375)
OPERATING CASH FLOW (a)	1,646	3,934	1,412	2,429	2,208	2,369
Capex	(1,683)	(1,527)	(732)	(1,000)	(1,000)	(1,500)
Free Cash Flow (FCF)	(38)	2,407	680	1,429	1,208	869
Investments	695	226	(31)	-	-	-
Non-operating Income	79	72	45	130	130	130
INVESTING CASH FLOW (b)	(909)	(1,229)	(718)	(870)	(870)	(1,370)
Debt Issuance/(Repaid)	199	(3,092)	(65)	(742)	(436)	(419)
Interest Expenses	(385)	(470)	(518)	(485)	(476)	(443)
FCFE	(224)	(1,155)	97	202	296	6
Share capital issuance	100	130	30	-	-	-
Dividend	(127)	(127)	(123)	(246)	(246)	(246)
FINANCING CASH FLOW (c)	(213)	(3,560)	(676)	(1,472)	(1,158)	(1,108)
NET CASH FLOW (a+b+c)	523	(855)	18	86	180	(110)
Closing Cash & Equivalents	2,610	1,009	872	990	1,170	1,060

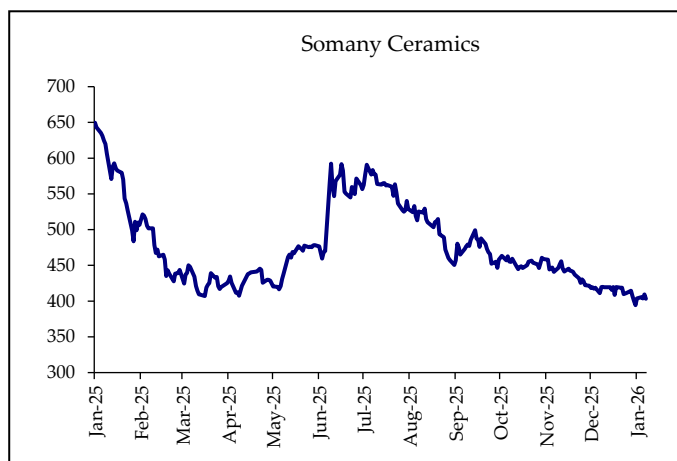
Source: Company, HSIE Research

Key Ratios

	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY %						
EBITDA Margin	7.6	9.8	8.3	8.2	8.8	9.0
EBIT Margin	4.9	7.0	4.9	4.4	5.0	5.2
APAT Margin	3.0	3.8	2.3	2.6	3.0	3.1
RoE	8.5	11.5	7.4	8.5	9.8	10.3
RoIC Pretax	11.1	15.2	11.4	11.0	13.8	15.3
RoCE (pre-tax)	9.5	14.1	11.2	11.1	13.4	14.8
EFFICIENCY						
Tax Rate %	27.3	30.0	31.2	27.0	27.0	27.0
Fixed Asset Turnover (x)	2.1	1.9	1.8	1.8	1.8	1.8
Inventory (days)	58	49	46	49	49	49
Debtors (days)	40	47	51	44	44	44
Other Current Assets (days)	14	11	11	11	11	10
Payables (days)	56	40	46	47	47	47
Other Current Liab & Provns (days)	25	63	54	54	52	50
Cash Conversion Cycle (days)	30	3	8	3	4	6
Net Debt/EBITDA (x)	1.8	1.2	1.2	0.8	0.5	0.3
Net D/E	0.4	0.4	0.3	0.2	0.1	0.1
Interest Coverage	3.0	3.9	2.5	2.5	3.2	3.8
PER SHARE DATA (Rs)						
EPS	17.4	24.1	15.1	17.9	21.8	24.7
CEPS	33.3	41.8	37.2	44.2	49.8	54.5
Dividend	3.0	3.0	3.0	6.0	6.0	6.0
Book Value	210.7	203.2	205.9	215.4	229.9	248.7
VALUATION						
P/E (x)	23.3	16.8	26.8	22.6	18.6	16.4
P/Cash EPS (x)	12.3	9.8	11.0	9.2	8.1	7.4
P/BV (x)	2.2	2.3	2.2	2.0	1.9	1.7
EV/EBITDA (x)	11.4	8.1	9.0	8.3	6.9	6.2
EV/MSM (Rs mn)	348	335	361	344	300	281
Dividend Yield (%)	0.7	0.7	0.7	1.5	1.5	1.5
OCF/EV (%)	7.6	19.1	7.1	12.8	12.0	13.1
FCFF/EV (%)	(0.2)	11.7	3.4	7.5	6.6	4.8
FCFE/M Cap (%)	(1.3)	(7.0)	0.6	1.2	1.8	0.0

Source: Company, HSIE Research

Price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

We, **Keshav Lahoti, CA and CFA, Rajesh Ravi, MBA, & Mahesh Nagda, CA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

Any holding in stock – NO

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. This report may have been refined using AI tools to enhance clarity and readability.

Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com