

Somany Ceramics

Not yet a surge, demand is just a murmur

We met with Somany Ceramics' management, including Mr. Abhishek Somany (MD and CEO), Mr. Sailesh Kedawat (CFO), and Mr. Kumar Sunit (Head—Strategy and IR). The management reported that in Q1, the industry saw good demand in the first half, which then slowed due to the monsoon's onset. The company is hopeful of a price hike in the coming months. For FY26, it forecasts high-single to low-double-digit volume growth. Management expects to enhance EBITDA margins by 100-150bps YoY in FY26. The company has no tile segment expansion plans for the coming quarters. We expect the persistent issue of Morbi dumping to continue to hinder volume growth and margins of tile majors. Somany's newly commissioned large-sized tiles Max plant in Gujarat, with a 4.5MSM capacity, is expected to drive volume growth and improve product mix. We downgrade Somany to ADD from Buy, owing to the rally in the stock price rally in the past month. We maintain our TP at INR 550/share (20x Mar-27E consolidated EPS).

- **Demand and pricing:** Management highlighted that the industry experienced good demand in the first half of Q1, which slowed later due to the onset of the monsoon. The company is hopeful of a price hike in coming months. For FY26, it has forecasted a high-single to low-double-digit volume growth. It expects to increase EBITDA margins by 100-150bps YoY in FY26.
- **Focus on Max plant ramp-up:** The Max plant (large-sized tiles) has a revenue potential of INR 2.5bn. In the previous quarter Q4FY25, this plant operated at 55% utilization. The plant reported a PBT loss ~INR 0.26bn in FY25, mainly due to unfavorable product mix and low utilization. Management aims to touch PBT breakeven by FY26-end. Notably, realization from cheap and premium products from this plant is 50% and 100% higher, respectively, than the company's average realization.
- **No expansion plan:** Somany is focusing on maximizing production from its existing tile capacity, which can operate at 95-100% utilization, rather than pursuing any expansion. The Nepal expansion has been on hold due to oversupply and weak demand in the market. Sanitaryware capacity may be increased in future quarters, requiring an investment of ~INR 0.3-0.5bn. Brownfield expansion remains a viable option for future tile capacity additions, with a completion time of 2-3 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 tensions, Indian tile exports are expected to remain volatile. While strong real estate sales have provided some impetus to the tile sector, much of this potential growth has been offset by Morbi's aggressive pricing, in our view. Somany's new large-sized tiles Max plant in Gujarat, with a 4.5MSM capacity commissioned at the end of January 2024, is expected to boost the company's volume growth, enhance the product mix, and improve margin. We project a 6% tile volume CAGR from FY25 to FY27E. We forecast a 7%, 11%, and 39% CAGR for revenue, EBITDA, and APAT, respectively, over FY25-27E. We maintain our estimates for FY25-27E. We like Somany due to its robust retail distribution, improving product mix, and focus on working capital management. We downgrade Somany, however, to ADD, owing to stock price rally in the past month. We maintain our TP at INR 550/share (20x Mar-27E consolidated EPS).

ADD

CMP (as on 01 July 2025)	INR 557
Target Price	INR 550
NIFTY	25,542

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 550	INR 550
EPS	FY26E	FY27E
revision %	-	-

KEY STOCK DATA

Bloomberg code	SOMC IN
No. of Shares (mn)	41
MCap (INR bn) / (\$ mn)	23/267
6m avg traded value (INR mn)	29
52 Week high / low	INR 842/395

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	30.9	(15.1)	(32.8)
Relative (%)	20.8	(21.7)	(38.1)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	55.01	55.01
FIs & Local MFs	23.61	23.63
FPIs	1.56	1.49
Public & Others	19.82	19.87
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

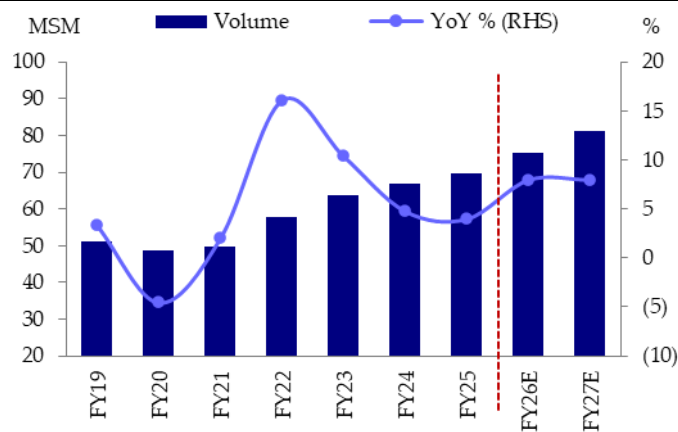
mahesh.nagda@hdfcsec.com
+91-22-6171-7319

Riddhi Shah

riddhi.shah@hdfcsec.com
+91-22-6171-7359

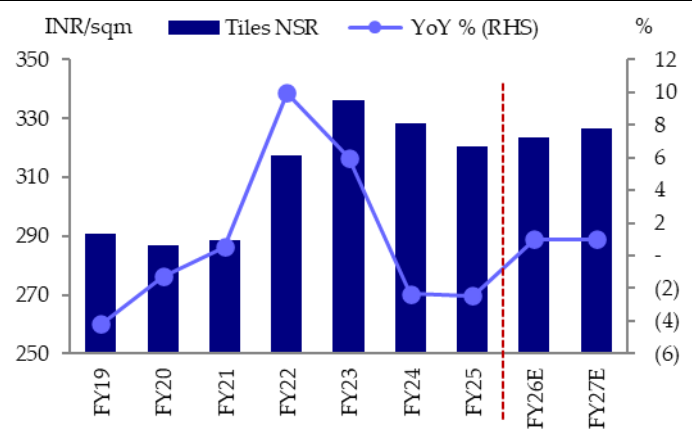
Somany Ceramics: Company Update

We expect 6% tiles volume CAGR during FY25-27E



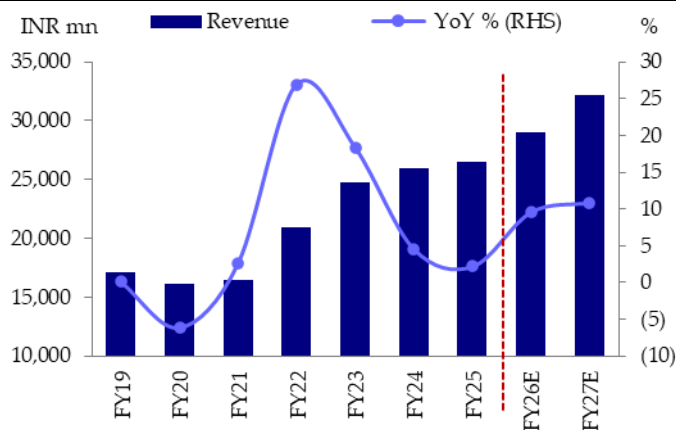
Source: Company, HSIE Research

Tiles realization has decreased in FY25; we expect marginal uptick during FY26-27E



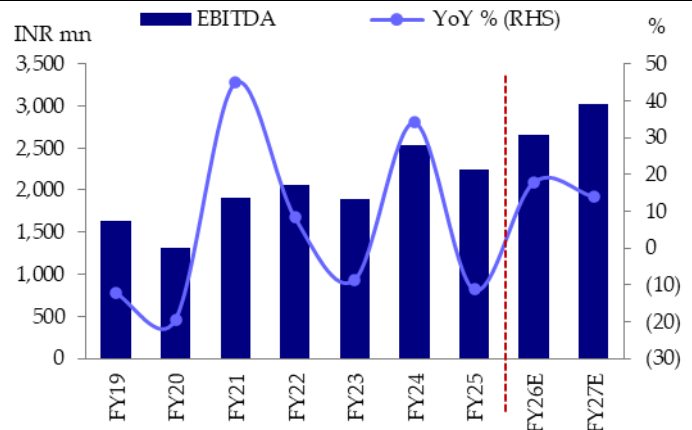
Source: Company, HSIE Research

We expect 7% revenue CAGR over FY25-27E (volume-led)



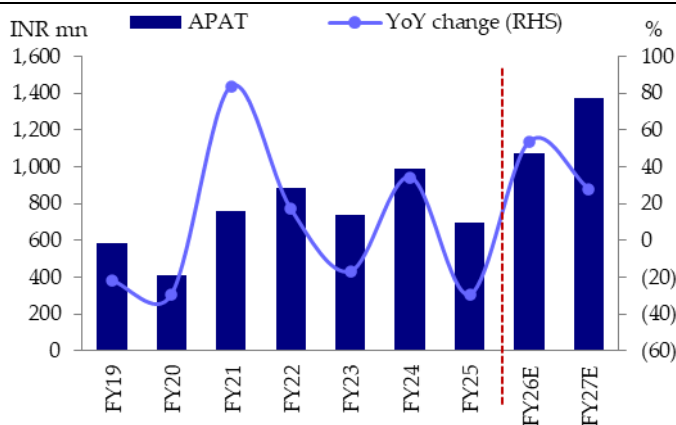
Source: Company, HSIE Research

We project 11% EBITDA CAGR for FY25-27E



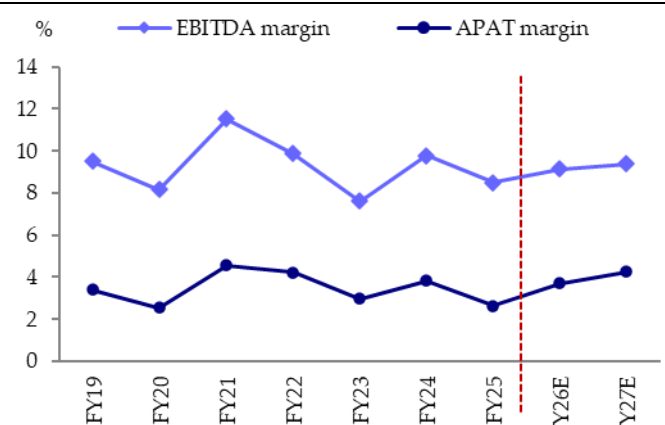
Source: Company, HSIE Research

Owing to higher EBITDA, lower depreciation, and interest, we build in 39% APAT CAGR for FY25-27E



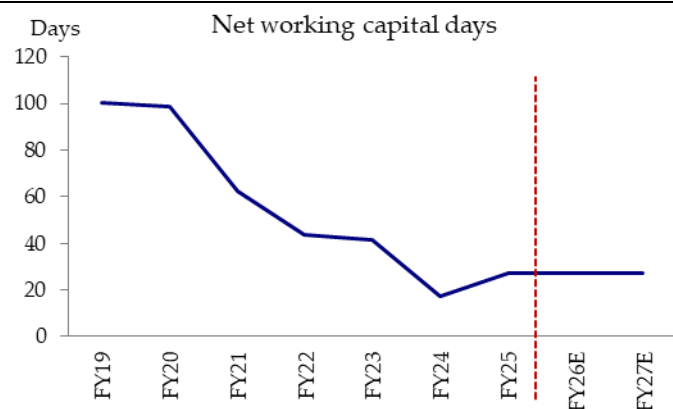
Source: Company, HSIE Research

From the low of FY25, we expect margin to gradually increase in FY26/27E



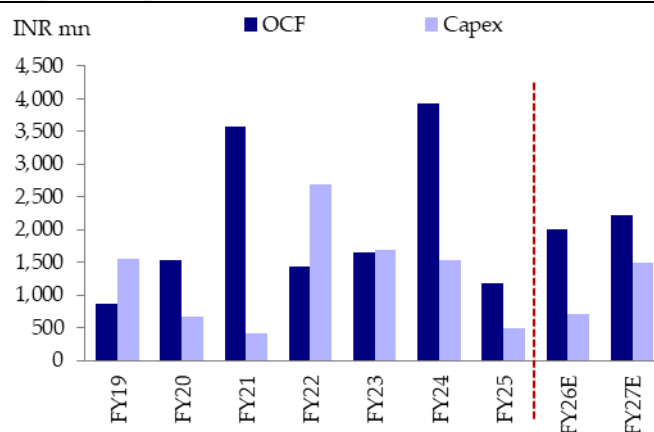
Source: Company, HSIE Research

The company has tightened working capital



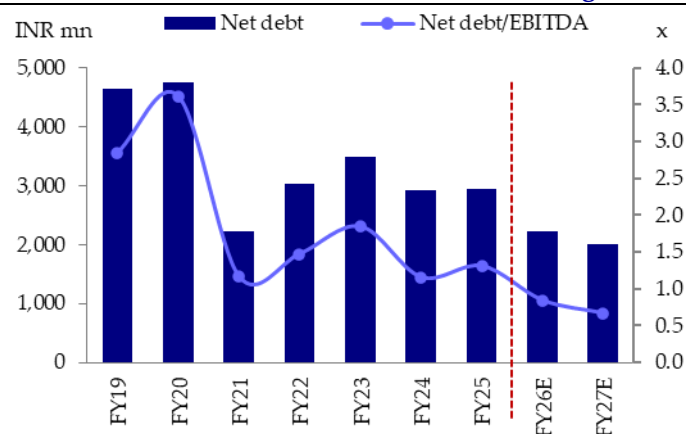
Source: Company, HSIE Research

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



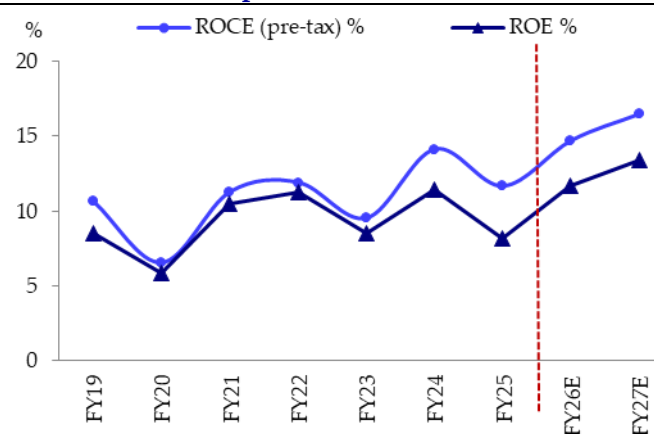
Source: Company, HSIE Research

Debt level to decrease; balance sheet will strengthen



Source: Company, HSIE Research

Return ratios to improve in FY26/27E



Source: Company, HSIE Research

Key operating assumptions

Segmental performance	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Tiles volume (MSM)	48.9	49.8	57.9	63.9	69.3	70.9	75.1	79.6
YoY change (%)	(4.5)	2.0	16.1	10.4	8.5	2.2	6.0	6.0
NSR (INR/sqm)	287	288	317	336	324	318	318	321
YoY change (%)	(1.3)	0.5	10.0	6.0	(3.8)	(1.6)	-	1.0

Source: Company, HSIE Research

Financials (consolidated)

Income Statement

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	20,945	24,785	25,914	26,588	28,252	30,374
<i>Growth %</i>	<i>26.9</i>	<i>18.3</i>	<i>4.6</i>	<i>2.6</i>	<i>6.3</i>	<i>7.5</i>
Raw Material	9,205	10,694	11,979	12,804	13,725	14,719
Power & Fuel	4,810	6,471	5,219	5,023	5,085	5,467
Freight Expense	363	369	412	399	424	456
Employee cost	2,571	3,012	3,244	3,547	3,725	3,948
Other Expenses	1,931	2,353	2,527	2,606	2,841	3,082
EBITDA	2,065	1,887	2,532	2,209	2,451	2,702
<i>EBITDA Margin (%)</i>	<i>9.9</i>	<i>7.6</i>	<i>9.8</i>	<i>8.3</i>	<i>8.7</i>	<i>8.9</i>
<i>EBITDA Growth %</i>	<i>8.5</i>	<i>(8.6)</i>	<i>34.2</i>	<i>(12.8)</i>	<i>11.0</i>	<i>10.2</i>
Depreciation	640	679	725	903	795	852
EBIT	1,426	1,209	1,807	1,306	1,656	1,850
Other Income	134	145	106	90	90	90
Interest	296	404	465	524	402	372
PBT	1,264	950	1,449	872	1,344	1,568
Tax	330	259	434	272	363	423
Minority Interest	47	(46)	25	21	25	25
RPAT	887	715	969	559	956	1,119
EO (Loss) / Profit (Net Of Tax)	-	(22)	(21)	(20)	-	-
APAT	887	737	989	579	956	1,119
<i>APAT Growth (%)</i>	<i>17.3</i>	<i>(16.9)</i>	<i>34.3</i>	<i>(41.5)</i>	<i>65.2</i>	<i>17.1</i>
AEPS	20.9	17.4	24.1	14.1	23.3	27.3
<i>AEPS Growth %</i>	<i>17.1</i>	<i>(16.9)</i>	<i>39.0</i>	<i>(41.5)</i>	<i>65.2</i>	<i>17.1</i>

Source: Company, HSIE Research

Balance Sheet

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	85	85	82	82	82	82
Reserves And Surplus	7,178	7,785	7,119	7,635	8,345	9,218
Total Equity	7,263	7,870	7,201	7,717	8,427	9,300
Minority Interest	1,076	1,076	1,128	726	751	776
Long-term Debt	2,524	2,653	2,624	1,971	1,471	1,471
Short-term Debt	2,600	2,689	1,152	1,632	1,632	1,632
Total Debt	5,124	5,342	3,775	3,603	3,103	3,103
Deferred Tax Liability	323	243	289	257	257	257
Long-term Liab+ Provisions	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS	13,786	14,531	12,393	12,303	12,538	13,436
APPLICATION OF FUNDS						
Net Block	7,520	10,152	11,209	10,634	10,539	11,187
Capital WIP	2,267	473	96	163	163	163
Other Non-current Assets	-	-	-	38	38	38
Total Non-current Assets	9,788	10,624	11,305	10,835	10,740	11,387
Inventories	2,737	3,915	3,466	3,379	3,814	4,101
Debtors	2,368	2,683	3,372	3,688	3,390	3,645
Cash and Cash Equivalents	2,086	1,864	855	903	1,378	1,311
Other Current Assets (& Loans/adv)	903	941	760	769	818	870
Total Current Assets	8,095	9,403	8,452	8,739	9,400	9,926
Creditors	2,602	3,777	2,865	3,343	3,673	3,949
Other Current Liabilities & Provns	1,495	1,720	4,499	3,929	3,929	3,929
Total Current Liabilities	4,096	5,497	7,364	7,272	7,602	7,878
Net Current Assets	3,999	3,907	1,089	1,468	1,798	2,049
TOTAL APPLICATION OF FUNDS	13,786	14,531	12,393	12,303	12,538	13,436

Source: Company, HSIE Research

Cash Flow

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	1,264	929	1,428	852	1,344	1,568
Non-operating & EO Items	(94)	(29)	(19)	19	(90)	(90)
Interest Expenses	296	404	465	524	402	372
Depreciation	640	679	725	903	795	852
Working Capital Change	(327)	(90)	1,676	(662)	144	(318)
Tax Paid	(353)	(247)	(340)	(223)	(363)	(423)
OPERATING CASH FLOW (a)	1,426	1,646	3,934	1,412	2,232	1,961
Capex	(2,680)	(1,683)	(1,527)	(732)	(700)	(1,500)
Free Cash Flow (FCF)	(1,255)	(38)	2,407	680	1,532	461
Investments	52	695	226	(31)	-	-
Non-operating Income	76	79	72	45	90	90
INVESTING CASH FLOW (b)	(2,553)	(909)	(1,229)	(718)	(610)	(1,410)
Debt Issuance/(Repaid)	954	199	(3,092)	(65)	(500)	-
Interest Expenses	(312)	(385)	(470)	(518)	(402)	(372)
FCFE	(613)	(224)	(1,155)	97	630	89
Share capital issuance	(2)	100	130	30	-	-
Dividend	-	(127)	(127)	(123)	(246)	(246)
FINANCING CASH FLOW (c)	639	(213)	(3,560)	(676)	(1,148)	(618)
NET CASH FLOW (a+b+c)	(489)	523	(855)	18	474	(67)
Closing Cash & Equivalents	1,900	2,610	1,009	872	1,378	1,311

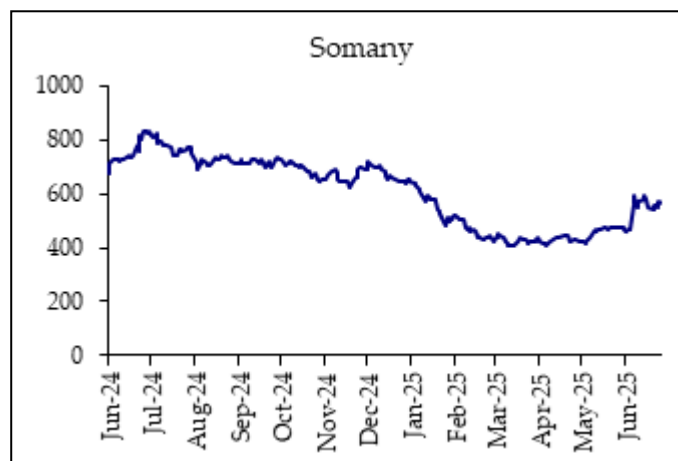
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY %						
EBITDA Margin	9.9	7.6	9.8	8.3	8.7	8.9
EBIT Margin	6.8	4.9	7.0	4.9	5.9	6.1
APAT Margin	4.2	3.0	3.8	2.2	3.4	3.7
RoE	11.3	8.5	11.5	6.9	10.9	11.6
RoIC Pre tax	14.7	11.1	15.2	11.4	14.8	16.0
RoCE (pre-tax)	11.9	9.5	14.1	11.2	14.0	14.8
EFFICIENCY						
Tax Rate %	26.1	27.3	30.0	31.2	27.0	27.0
Fixed Asset Turnover (x)	2.1	2.1	1.9	1.8	1.8	1.9
Inventory (days)	48	58	49	46	49	49
Debtors (days)	41	40	47	51	44	44
Other Current Assets (days)	16	14	11	11	11	10
Payables (days)	45	56	40	46	47	47
Other Current Liab & Provns (days)	26	25	63	54	51	47
Cash Conversion Cycle (days)	33	30	3	8	5	9
Net Debt/EBITDA (x)	1.5	1.8	1.2	1.2	0.7	0.7
Net D/E	0.4	0.4	0.4	0.3	0.2	0.2
Interest Coverage	4.8	3.0	3.9	2.5	4.1	5.0
PER SHARE DATA (Rs)						
EPS	20.9	17.4	24.1	14.1	23.3	27.3
CEPS	36.0	33.3	41.8	36.1	42.7	48.1
Dividend	3.0	3.0	3.0	3.0	6.0	6.0
Book Value	196.4	210.7	203.2	205.9	223.8	245.8
VALUATION						
P/E (x)	26.7	32.1	23.1	39.4	23.9	20.4
P/Cash EPS (x)	15.5	17.0	13.5	15.6	13.0	11.6
P/BV (x)	3.3	3.0	3.2	3.0	2.7	2.5
EV/EBITDA (x)	12.9	14.8	10.6	11.9	10.3	9.4
Dividend Yield (%)	0.5	0.5	0.5	0.5	1.1	1.1
OCF/EV (%)	5.4	5.9	14.7	5.4	8.8	7.7
FCFF/EV (%)	(4.7)	(0.1)	9.0	2.6	6.1	1.8
FCFE/M Cap (%)	(2.6)	(0.9)	(5.1)	0.4	2.8	0.4

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:

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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

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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