

BUY**TP: Rs 550 | ▲ 31%****SOMANY CERAMICS**

Building Materials

08 May 2025

Margin recovery ahead on Max plant ramp-up

- Operating profit broadly in line; but missed PAT estimates on spike in D&A expense due to re-instatement of fixed asset
- Target to grow volume at high-single digit with improvement in EBITDA margin (+1.0-1.5%) for FY26
- Maintain BUY on reasonable valuations; cut TP by 15% to Rs 550 per share

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Mixed Q4: SOMC operating profit came broadly in line with our estimate (Revenue: +3.2%; EBITDA: -3.1%) but sharply missed our APAT estimate by 17.6%, due to a steep rise in D&A expense (+27.6% QoQ) on account of re-instatement of fixed assets. Overall, SOMC's revenue grew by 4.3% YoY, but EBITDA/APAT fell by 21.4%/28.7% YoY in Q4FY25.

Highlights: SOMC tiles volume grew at a muted pace of 2.5% YoY in Q4FY25, driven by higher outsourced volume (+47.5%). Own/JV tiles volume was down 2.4%/25.2% YoY in Q4FY25. Tiles realisation fell by 1.3% QoQ in Q4FY25, due to higher share of outsourced volume (from 35% in Q3FY25 to 40% in Q4FY25). Non-tiles revenue grew by 21.8% YoY in Q4FY25, driven by both bathware (+17.9%) and adhesives (+37.3%). EBITDA margin was down slightly by 17bps QoQ to 8.1% in Q4FY25, due to increased discounts, higher gas price and maintenance shutdown. Net debt was down from Rs 2.5bn in Dec'24 to Rs 2.25bn in Mar'25.

Outlook: SOMC targets to grow its volume at a high-single-digit rate in FY26. Management aims to improve EBITDA margin by 1.0-1.5% in FY26 in anticipation of a gradual ramp-up of Max plant (from 51% in Q3FY25 to 55% in Q4FY25) and operating leverage benefits. Max plant is expected to break even once its capacity gets ramped up to 70% level (likely to happen by H2FY26). The company has no plans to take a price hike in the near-future and targets to increase the share of project business from 19% in FY25 to 25% in FY26.

Maintain BUY; TP cut by 15% to Rs 550: We maintain BUY as we see (a) strong earnings growth prospects (EPS to log 36.6% CAGR over FY25-FY27E on a weak base); and (b) reasonable valuation (trades at 20.1x on 1YF P/E vs 5Y average of 30.4x). We have cut our TP to Rs 550 (Rs 650 earlier) due to the downward revision of our EPS estimates (-10.2%/-9.5% for FY26E/ FY27E) as well as a cut in our target P/E multiple (from 25x to 20x). We have rolled forward of our valuation from Dec'26 to Mar'27.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SOMC IN/Rs 421
Market cap	US\$ 203.5mn
Free float	45%
3M ADV	US\$ 0.2mn
52wk high/low	Rs 873/Rs 395
Promoter/FPI/DII	55%/1%/24%

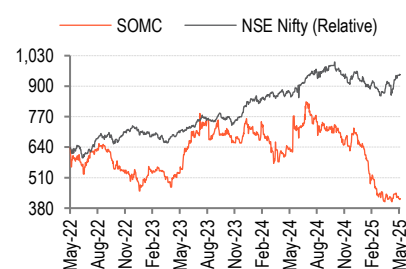
Source: NSE | Price as of 7 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,588	28,471	31,074
EBITDA (Rs mn)	2,209	2,471	2,961
Adj. net profit (Rs mn)	605	807	1,128
Adj. EPS (Rs)	14.8	19.7	27.5
Consensus EPS (Rs)	14.7	27.7	42.4
Adj. ROAE (%)	7.2	9.1	11.6
Adj. P/E (x)	28.5	21.4	15.3
EV/EBITDA (x)	6.6	6.1	5.3
Adj. EPS growth (%)	(39.0)	33.4	39.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance - Consolidated

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Total operating income	7,690	7,375	4.3	6,449	19.2	26,588	25,914	2.6	7,451	3.2
Raw-Material expense	4,171	3,561	17.1	2,921	42.8	12,804	11,979	6.9		
Gross Profit	3,519	3,815	(7.7)	3,528	(0.2)	13,784	13,934	(1.1)		
Employee expense	894	867	3.1	894	(0.0)	3,547	3,244	9.4		
Energy costs	1,206	1,399	(13.8)	1,307	(7.7)	5,023	5,219	(3.8)		
Other expense	795	754	5.4	792	0.3	3,005	2,940	2.2		
EBITDA	625	795	(21.4)	535	16.8	2,209	2,532	(12.8)	644	(3.1)
D&A	291	193	50.8	228	27.6	903	725	24.5		
EBIT	334	602	(44.6)	306	8.8	1,306	1,807	(27.7)		
Interest cost	122	134	(9.3)	133	(8.2)	524	465	12.8		
Non-operating expense/(income)	(38)	(49)	(22.0)	2	NM	(70)	(86)	(18.0)		
PBT	250	516	(51.6)	172	45.2	852	1,428	(40.3)		
Tax	63	177	(64.7)	75	(16.9)	272	434	(37.3)		
Reported PAT	187	339	(44.8)	97	93.5	580	994	(41.7)		
Adjusted PAT	204	287	(28.7)	104	96.2	603	983	(38.7)	248	(17.6)
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	45.8	51.7	(596)	54.7	(894)	51.8	53.8	(193)		
Employee cost	11.6	11.8	(13)	13.9	(224)	13.3	12.5	82		
Energy cost	15.7	19.0	(328)	20.3	(458)	18.9	20.1	(125)		
Other cost	10.3	10.2	11	12.3	(195)	11.3	11.3	(4)		
EBITDA margin	8.1	10.8	(265)	8.3	(17)	8.3	9.8	(146)		
Tax rate	25.0	34.3	(930)	43.7	(1871)	32.0	30.4	155		
APAT margin	2.7	3.9	(123)	1.6	104	2.3	3.8	(153)		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

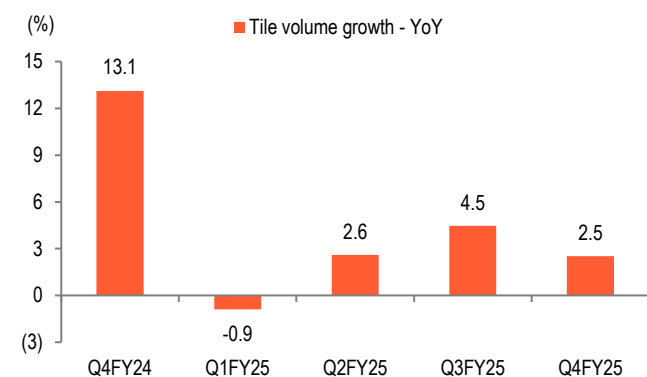
Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Tiles revenue (Rs mn)								
- Own	1,984	2,100	(5.5)	1,698	16.8	7,259	8,154	(11.0)
- JV	2,119	2,437	(13.0)	2,000	5.9	8,403	8,155	3.0
- Outsourced	2,336	1,780	31.2	1,761	32.7	6,890	6,118	12.6
Total	6,439	6,317	1.9	5,459	17.9	22,551	22,427	0.6
Non-tiles revenue (Rs mn)								
Bathware	941	798	17.9	710	32.4	2,958	2,667	10.9
Adhesives	279	203	37.3	231	20.8	925	680	36.0
Total	1,220	1,001	21.8	941	29.6	3,882	3,346	16.0
Tiles sales volume (MSM)								
- Own	6.5	6.7	(2.4)	5.6	17.7	23.6	25.3	(6.8)
- JV	5.8	7.7	(25.2)	5.6	3.4	24.1	24.9	(3.6)
- Outsourced	8.1	5.5	47.5	5.9	36.4	23.2	19.1	21.7
Total	20.4	19.9	2.5	17.1	19.5	70.9	69.3	2.2
Tiles Realization (Rs/sqm)								
- Own	304	314	(3.2)	306	(0.7)	308	322	(4.5)
- JV	367	315	16.3	358	2.5	349	327	6.8
- Outsourced	288	324	(11.1)	296	(2.7)	297	321	(7.5)
Blended realization	315	317	(0.6)	320	(1.3)	318	324	(1.6)
Blended EBITDA per unit (Rs/sqm)	30.6	39.9	(23.3)	31.3	(2.2)	31.2	36.5	(14.7)

Source: Company, BOBCAPS Research

Earnings call highlights

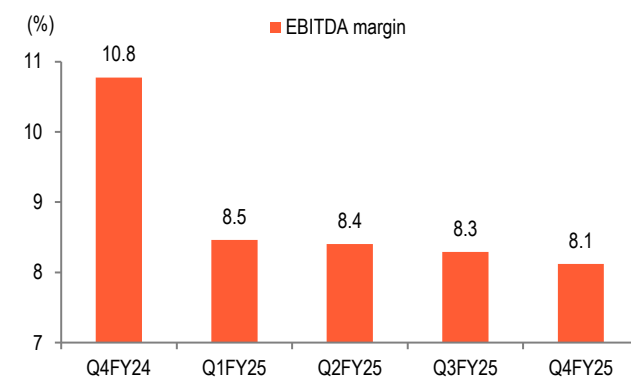
- **Demand scenario:** Indian tiles demand remained sluggish across pockets (Tier 1/2/3/4 cities) in Q4FY25. Unorganised players have gained market share in FY25 due to dumping goods at a cheap price in the domestic market, on account of a steep decline in exports (-20% YoY in FY25). Going ahead, management expects the organised players to regain market share in FY26 as many Morbi plants are getting shut (having become uneconomical) and anticipation of recovery in tiles export from India due to a steep fall in ocean rate.
- **Pricing scenario:** SOMC needed to provide additional discounts towards the end of Q4FY25 to push its product in the market and keep tight control on its receivables. The company has no plans of taking any price hike in near future.
- **Guidance:** SOMC target to grow its volume at a high-single-digit rate in FY26. EBITDA margin is projected to improve by 1.0-1.5% in FY26 in anticipation of a gradual ramp-up of Max plant and operating leverage benefits.
- **Max plant:** Plant operating rate has improved from 51% in Q3FY25 to 55% in Q4FY25. However, the plant is still incurring operating loss due to low capacity utilization. As per management, Max plant is expected to break even once capacity gets ramped up to 70% level (expected to happen by H2FY26).
- **Product mix:** GVT share rose 300bps YoY to 39% in Q4FY25.
- **Sales mix:** In FY25, the company's sales channel mix consisted of 81% channel sales, 10% private projects, and 8.5% government projects. In Q4 FY25, the mix shifted slightly with government projects increasing to 9.3% and private projects to 10.5%. For FY26, the company aims to reduce channel sales to 75% while boosting the combined share of private and government projects to 25%, aligning with growing opportunities in real estate and infrastructure.
- **Distribution network:** In FY25, Somany Ceramics expanded its distribution network by adding a net of 181 dealers and 40 showrooms.
- **Bathware:** Revenue grew by 17.9% YoY in Q4FY25. Going ahead, the company expects the division revenue to grow at a double-digit rate in FY26.
- **Brand spend,** as a proportion of sales, remains stable at 2.0% in Q4FY25 but likely to increase to 2.5% in FY26, so as to strengthen marketing efforts.
- **Gas price** has gone up by 5% in Q4FY25.
- **Depreciation** amount has gone up sharply in Q4FY25, due to re-instatement of fixed assets.
- **Capex:** SOMC has no major growth capex plan for FY26.

Fig 3 – SOMC's tile volumes grew at a muted pace of 2.5% YoY in Q4FY25



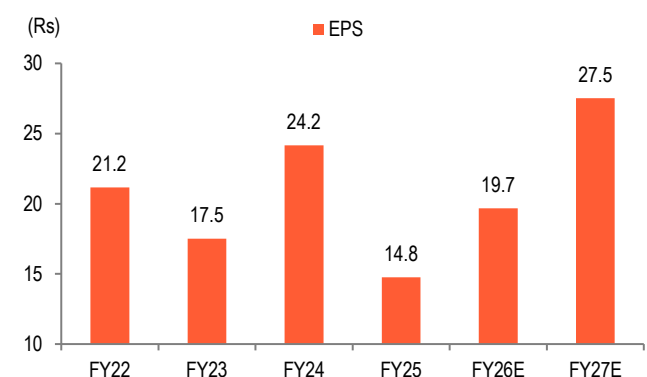
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin was down 17bps QoQ to 8.1% in Q4FY25, due to increased discounts and higher gas price



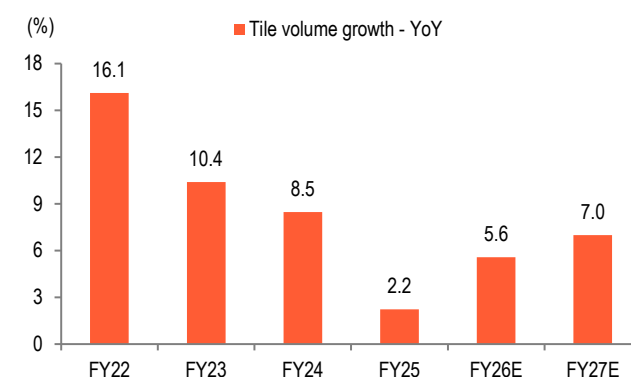
Source: Company, BOBCAPS Research

Fig 5 – SOMC EPS projected to grow at a healthy 36.6% CAGR over FY25-FY27E on a weak base...



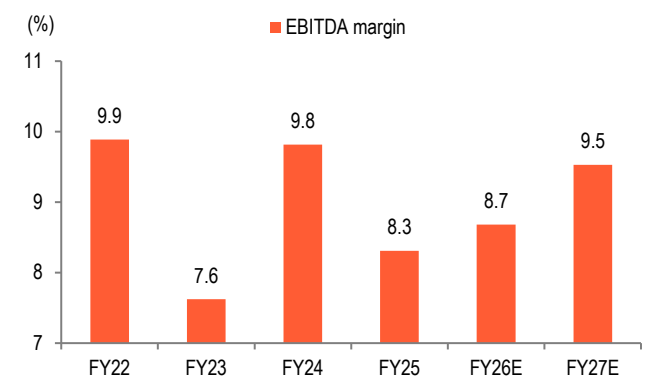
Source: Company, BOBCAPS Research

Fig 6 – ... on expectations of reasonable volume growth assumption of 6.3% CAGR over FY25-FY27E...



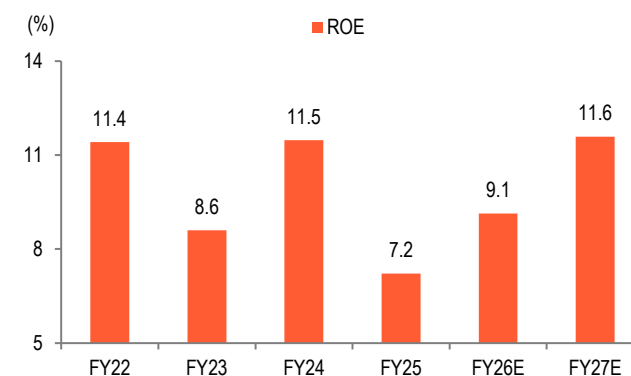
Source: Company, BOBCAPS Research

Fig 7 – ... and gradual improvement in EBITDA margin due to ramp-up of Max plant and operating leverage



Source: Company, BOBCAPS Research

Fig 8 – ROE projected to improve over medium-term on higher operating rate and improved margin profile



Source: Company, BOBCAPS Research

Valuation Methodology

We maintain BUY as we see (a) strong earnings growth prospects (EPS to log 36.6% CAGR over FY25-FY27E on a weak base); and (b) reasonable valuation (trades at 20.1x on 1YF P/E vs 5Y average of 30.4x).

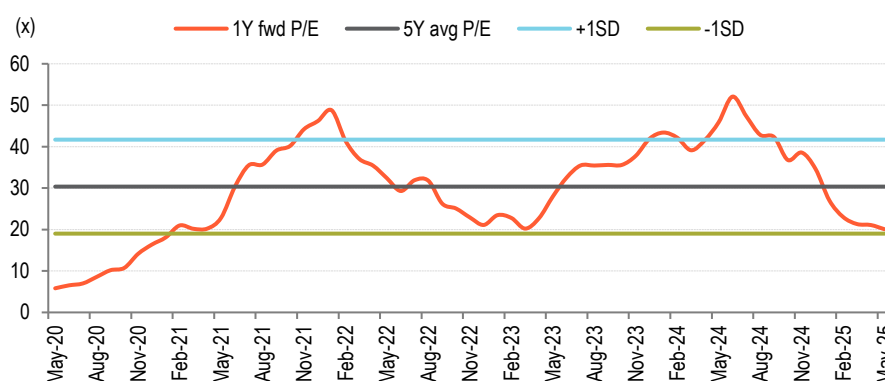
We have cut our TP to Rs 550 (Rs 650 earlier), due to the downward revision of our EPS estimates (-10.2%/-9.5% for FY26E/ FY27E) as well as a cut in our target P/E multiple (from 25x to 20x). We have rolled forward our valuation from Dec'26 to Mar'27.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Total operating income	28.5	31.1	28.5	31.2	(0.1)	(0.4)
EBITDA	2.5	3.0	2.5	3.0	(1.6)	(1.4)
EBITDA Margin	8.7	9.5	8.8	9.6	(13bps)	(10bps)
Adjusted PAT	0.8	1.1	0.9	1.2	(10.2)	(9.5)
EPS	19.7	27.5	21.9	30.4	(10.2)	(9.5)

Source: Company, BOBCAPS Research

Fig 10 – Trading at 20.1x on 1YF P/E vs.5Y average P/E of 30.4x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Tile Volume Growth	16.1	10.4	8.5	2.2	5.6	7.0
Tile Realization Growth	10.0	6.0	(3.8)	(1.6)	0.9	0.8
Tile Revenue Growth	27.7	17.0	4.4	0.6	6.5	7.8
Non-Tile Revenue Growth	23.4	23.8	20.3	16.0	14.5	16.2
Non-Tile Revenue Share	10.9	11.5	13.0	14.7	15.6	16.6

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- Weak tiles exports from India on a sustained basis
- Slow ramp-up of Max plant
- Steep rise in gas prices

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	24,785	25,914	26,588	28,471	31,074
EBITDA	1,889	2,544	2,209	2,471	2,961
Depreciation	679	725	903	1,128	1,188
EBIT	1,211	1,819	1,306	1,342	1,772
Net interest inc./(exp.)	(404)	(465)	(524)	(495)	(495)
Other inc./(exp.)	145	106	90	90	90
Exceptional items	2	11	0	0	0
EBT	950	1,449	872	937	1,367
Income taxes	259	434	272	236	344
Extraordinary items	22	21	20	0	0
Min. int./Inc. from assoc.	46	(25)	21	105	105
Reported net profit	715	969	601	807	1,128
Adjustments	28	22	4	0	0
Adjusted net profit	743	991	605	807	1,128

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	3,777	2,865	3,343	3,600	3,929
Other current liabilities	1,277	4,015	3,427	3,427	3,427
Provisions	52	48	42	46	50
Debt funds	4,884	3,351	3,019	3,098	3,206
Other liabilities	1,176	1,229	1,396	1,396	1,396
Equity capital	85	82	82	82	82
Reserves & surplus	7,785	7,119	7,635	8,304	9,241
Shareholders' fund	8,945	8,330	8,442	9,217	10,259
Total liab. and equities	20,111	19,838	19,669	20,783	22,266
Cash and cash eq.	1,864	855	903	1,801	2,704
Accounts receivables	2,683	3,372	3,688	3,949	4,310
Inventories	3,915	3,466	3,379	3,924	4,284
Other current assets	532	522	487	524	572
Investments	0	0	38	38	38
Net fixed assets	9,647	10,750	10,029	9,400	9,212
CWIP	473	96	163	163	163
Intangible assets	504	458	606	606	606
Deferred tax assets, net	84	81	95	95	95
Other assets	409	238	282	282	282
Total assets	20,111	19,838	19,669	20,783	22,266

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	1,520	3,929	1,734	1,651	2,182
Capital expenditures	(1,515)	(1,406)	(395)	(500)	(1,000)
Change in investments	0	0	(38)	0	0
Other investing cash flows	121	74	70	90	90
Cash flow from investing	(1,394)	(1,332)	(362)	(410)	(910)
Equities issued/Others	0	(3)	0	0	0
Debt raised/repaid	118	(1,533)	(332)	78	108
Interest expenses	(404)	(465)	(524)	(495)	(495)
Dividends paid	(132)	(126)	(124)	(137)	(192)
Other financing cash flows	70	(1,481)	(343)	210	210
Cash flow from financing	(348)	(3,607)	(1,323)	(344)	(368)
Chg in cash & cash eq.	(222)	(1,009)	49	898	903
Closing cash & cash eq.	1,864	855	903	1,801	2,704

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	16.8	23.6	14.7	19.7	27.5
Adjusted EPS	17.5	24.2	14.8	19.7	27.5
Dividend per share	3.0	3.0	3.0	3.3	4.7
Book value per share	185.4	175.6	188.2	204.5	227.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	7.9	5.7	6.6	6.1	5.3
Adjusted P/E	24.0	17.4	28.5	21.4	15.3
P/BV	2.3	2.4	2.2	2.1	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	78.2	68.4	69.4	86.1	82.5
Interest burden (PBT/EBIT)	78.5	79.7	66.8	69.8	77.1
EBIT margin (EBIT/Revenue)	4.9	7.0	4.9	4.7	5.7
Asset turnover (Rev./Avg TA)	123.2	130.6	135.2	137.0	139.6
Leverage (Avg TA/Avg Equity)	2.3	2.3	2.3	2.4	2.3
Adjusted ROAE	8.6	11.5	7.2	9.1	11.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	18.3	4.6	2.6	7.1	9.1
EBITDA	(8.8)	34.6	(13.2)	11.9	19.8
Adjusted EPS	(17.3)	38.1	(39.0)	33.4	39.9

Profitability & Return ratios (%)

EBITDA margin	7.6	9.8	8.3	8.7	9.5
EBIT margin	4.9	7.0	4.9	4.7	5.7
Adjusted profit margin	3.0	3.8	2.3	2.8	3.6
Adjusted ROAE	8.6	11.5	7.2	9.1	11.6
ROCE	9.8	16.5	12.2	11.6	13.8

Working capital days (days)

Receivables	40	47	51	51	51
Inventory	58	49	46	50	50
Payables	56	40	46	46	46

Ratios (x)

Gross asset turnover	2.3	2.0	1.9	2.0	2.1
Current ratio	1.1	1.0	1.0	1.2	1.3
Net interest coverage ratio	3.0	3.9	2.5	2.7	3.6
Adjusted debt/equity	0.3	0.3	0.3	0.1	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

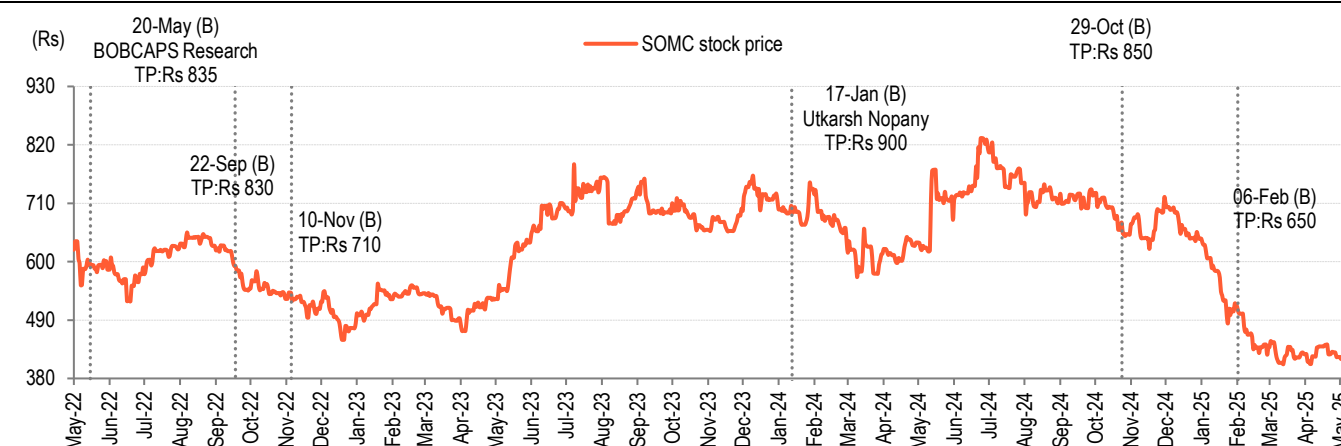
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SOMANY CERAMICS (SOMC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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