

BUY

TP: Rs 600 | ▲ 18%

SOMANY CERAMICS

Building Materials

14 August 2025

In-line Q1; capacity ramp-up to fuel margin expansion ahead

- **SOMC tiles volume grew at a muted pace for the past 5 consecutive quarters, on a weak demand and still competition from Morbi**
- **Maintained guidance of growing tiles volume at high-single digit with improvement in EBITDA margin (+1.0-1.5%) for FY26**
- **Maintain BUY on healthy earnings growth prospects with reasonable valuations; TP raise by 9% to Rs 600 per share**

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In-line Q1: SOMC Q1FY26 results came broadly in line with our estimate (Revenue: +0.2%; EBITDA: +0.4%; APAT: +0.2%). Overall, SOMC revenue grew by 4.5% YoY, but EBITDA/APAT fell by 1.6%/15.6% YoY in Q1FY26.

Highlights: SOMC tiles volume grew at a muted pace of 3.0% YoY in Q1FY26 driven by higher outsourced volume (+55.0%). Own/JV tiles volume was down 1.4%/26.4% YoY in Q1FY26. Tiles realisation was relatively stable (-0.1% YoY) in Q1FY26. Non-tiles revenue grew sharply by 14.7% YoY in Q1FY26, driven by both bathware (+4.0%) and adhesives (+50.5%). EBITDA margin was down 49bps YoY to 8.0% in Q1FY26 due to low-capacity utilisation (-400bps YoY to 77%). Net debt has slightly increased from Rs 2.25bn in Mar'25 to Rs 2.31bn in Jun'25.

Outlook: Management believes demand conditions continues to remain challenging with stiff competition from Morbi players in view of weak exports scenario. However, the company has maintained its tiles volume growth guidance at high-single-digit rate in FY26. The company took a small price hike in Jul'25. Management aims to improve EBITDA margin by 1.0-1.5% in FY26 to be driven by operating leverage benefit. Max plant reported a loss of Rs 65mn in Q1FY26, but it is likely to become profitable due to the ramp-up of its plant (from 51% in Q1FY26 to 70-75% in H2FY26). The company targets to raise share of project business (23-25% in Q1FY26) by 5-6% in future to improve its capacity utilisation.

Maintain BUY; TP raise by 9% to Rs 600: We maintain our BUY as we see (a) strong earnings growth prospects (EPS to log 35.6% CAGR over FY25-FY28E); (b) improvement in ROE profile (from 7.2% in FY25 to 13.7% in FY28E) in anticipation of margin improvement (from 8.3% in FY25 to 10.1% in FY28E) due to gradual ramp-up of its capacity (c) reasonable valuation (trades at 21.5x on 1Y forward P/E vs. 5Y average of 31.1x). We have broadly maintained our EBITDA estimates, but we have increased our TP to Rs 600 (Rs 550 earlier), due to the roll forward of our valuation from Mar'27 to Jun'27. Our target P/E multiple remains unchanged at 20x.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SOMC IN/Rs 510
Market cap	US\$ 239.1mn
Free float	45%
3M ADV	US\$ 0.4mn
52wk high/low	Rs 753/Rs 395
Promoter/FPI/DII	55%/1%/23%

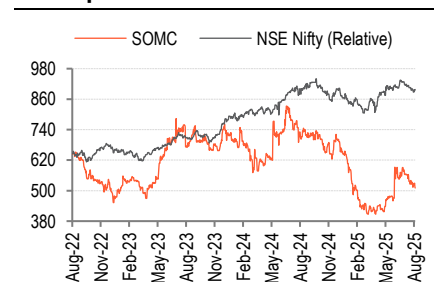
Source: NSE | Price as of 14 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,588	28,334	30,955
EBITDA (Rs mn)	2,209	2,449	2,936
Adj. net profit (Rs mn)	605	830	1,172
Adj. EPS (Rs)	14.8	20.2	28.6
Consensus EPS (Rs)	14.7	23.1	42.4
Adj. ROAE (%)	7.2	9.4	12.0
Adj. P/E (x)	34.6	25.2	17.9
EV/EBITDA (x)	8.2	7.6	6.6
Adj. EPS growth (%)	(39.0)	37.2	41.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly financials - Consolidated

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	BOBCAPS Q1FY26E	Variance (%)
Total operating income	6,044	5,786	4.5	7,690	(21.4)	6,030	0.2
Raw-Material expense	2,890	2,485	16.3	4,171	(30.7)		
Gross Profit	3,154	3,301	(4.5)	3,519	(10.4)		
Employee expense	872	868	0.5	894	(2.5)		
Energy costs	1,146	1,276	(10.2)	1,206	(5.0)		
Other expense	655	668	(2.0)	795	(17.6)		
EBITDA	482	490	(1.6)	625	(22.9)	480	0.4
D&A	260	192	35.5	291	(10.8)		
EBIT	222	298	(25.5)	334	(33.4)		
Interest cost	127	135	(5.9)	122	4.4		
Non-operating expense/(income)	(19)	(21)	(9.1)	(38)	(49.9)		
PBT	114	184	(38.0)	250	(54.4)		
Tax	40	61	(34.0)	63	(35.4)		
Reported PAT	74	123	(40.0)	187	(60.7)		
Adjusted PAT	104	123	(15.6)	204	(49.2)	103	0.2
As % of net revenues			(bps)		(bps)		
Gross margin	52.2	57.1	(487)	45.8	642		
Employee cost	14.4	15.0	(57)	11.6	280		
Energy cost	19.0	22.1	(310)	15.7	327		
Other cost	10.8	11.5	(71)	10.3	50		
EBITDA margin	8.0	8.5	(49)	8.1	(15)		
Tax rate	35.5	33.3	217	25.0	1043		
APAT margin	1.7	2.1	(41)	2.7	(94)		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

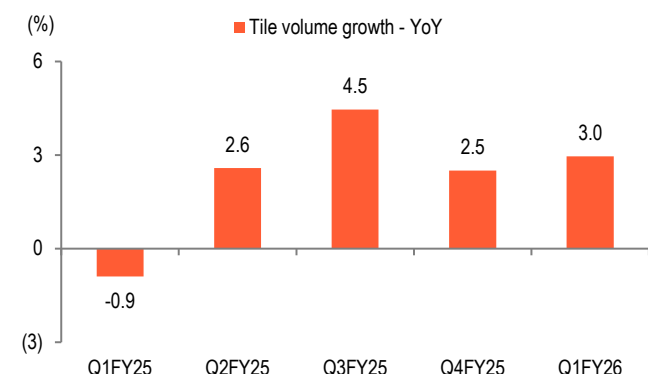
Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Tiles revenue (Rs mn)					
- Own	1,661	1,726	(3.8)	1,984	(16.3)
- JV	1,683	2,037	(17.4)	2,119	(20.6)
- Outsourced	1,769	1,210	46.3	2,336	(24.3)
Total	5,113	4,972	2.8	6,439	(20.6)
Non-tiles revenue (Rs mn)					
Bathware	629	605	4.0	941	(33.1)
Adhesives	273	181	50.5	279	(2.3)
Total	902	787	14.7	1,220	(26.1)
Tiles sales volume (MSM)					
- Own	5.5	5.5	(1.4)	6.5	(16.4)
- JV	4.5	6.1	(26.4)	5.8	(22.3)
- Outsourced	6.1	3.9	55.0	8.1	(25.2)
Total	16.0	15.6	3.0	20.4	(21.6)
Tiles Realization (Rs/sqm)					
- Own	304	312	(2.4)	304	0.1
- JV	375	334	12.3	367	2.2
- Outsourced	292	309	(5.6)	288	1.2
Blended realization	319	320	(0.1)	315	1.2
Blended EBITDA per unit (Rs/sqm)	30.1	31.5	(4.4)	30.6	(1.7)

Source: Company, BOBCAPS Research

Earnings Call Highlights

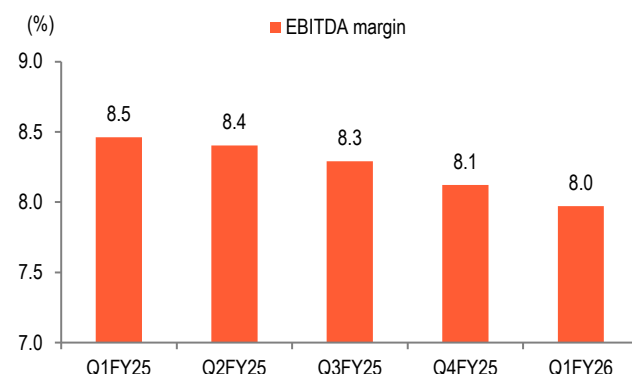
- **Demand scenario:** Indian tiles demand remained weak in Q1FY26. Competitive intensity has gone up in the value-added segment from the Morbi players. Around 70-80 Morbi plants have been shut down and further industry consolidation is expected in near future due to weak exports outlook.
- **Pricing scenario:** SOMC tiles realisation was stable in Q1FY26. The company took a small price hike in Jul'25 and does not expect any reduction in near future.
- **Guidance:** SOMC maintains its guidance of growing tiles volume at 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:** SOMC has reported PAT loss of Rs 65mn in Q1FY26, due to low operating rate (51% in Q1FY26 vs 55% in Q4FY25). The company targets the plant operating rate to improve to 70-75% in H2FY26, as it is planning to launch products in the mid-premium range (by adding two more press lines) in order to better utilize its facility. The plant is expected to become profitable in FY27.
- **Product mix:** GVT share rose 300bps YoY to 40% in Q1FY26.
- **New product launches:** SOMC plans to launch two value-added products in Sept'25 and post-Diwali. The company plans to produce floor tiles in one of its plants to utilise capacity in a better manner in future.
- **Sales mix:** B2B revenue share was ~75-77% in Q1FY26. Management plans to increase share of B2B revenue by 5-6% to improve capacity utilisation. Margin in B2B is normally 4-5% lower vs retail. Region-wise, North stood at 38-39%, South at 27%, exports at 2.5-3%, and the rest split between East and West in Q1FY26.
- **Distribution network:** SOMC added 65 new dealers in Q1FY26 and plans to add 250 net dealers in FY26, mainly in tier 2/3 towns and untapped areas of tier 1.
- **Bathware:** Revenue grew by 4.0% YoY in Q1FY26, due to maintenance shutdown of one of its sanitaryware kiln. Going ahead, SOMC expects the bathware revenue to grow at a double-digit rate in FY26.
- **Construction chemicals:** SOMC has acquired a majority stake in Dura Build (JV) to enter into waterproofing and admixture products. The addressable market size is Rs 120bn (waterproofing: Rs 60bn and admixtures: Rs 60bn). The company plans to acquire the 100% stake in Dura Build over the next 3-4-year period. Plans to launch the products by Sept'25 in both B2B and B2C segments.
- **Gas:** Prices are largely stable across India and with a marginal decrease in Q1FY26.
- **Capex:** SOMC has no major growth capex plan for FY26. The Board has approved an investment of Rs 500 mn into Max subsidiary for plant upgradation and funding its loss.

Fig 3 – SOMC's tile volumes grew at a muted pace of 3.0% YoY in Q1FY26 on weak demand conditions



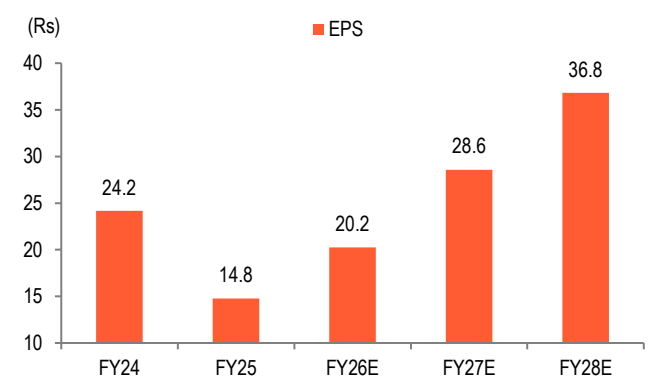
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin was down 49bps YoY to 8.0% in Q1FY26



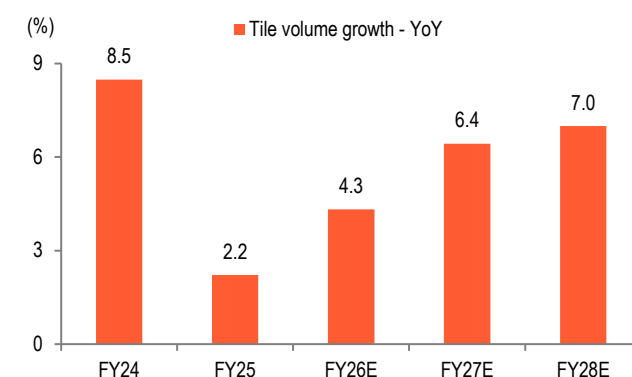
Source: Company, BOBCAPS Research

Fig 5 – SOMC EPS projected to grow at a healthy 35.6% CAGR over FY25-FY28E over a weak base...



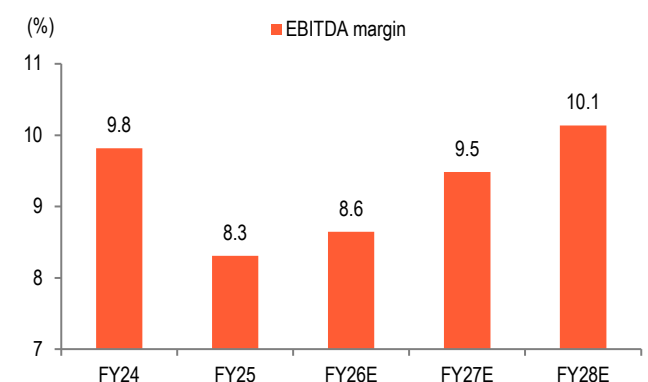
Source: Company, BOBCAPS Research

Fig 6 – ... on expectations of reasonable volume growth assumption of 5.9% CAGR over FY25-FY28E...



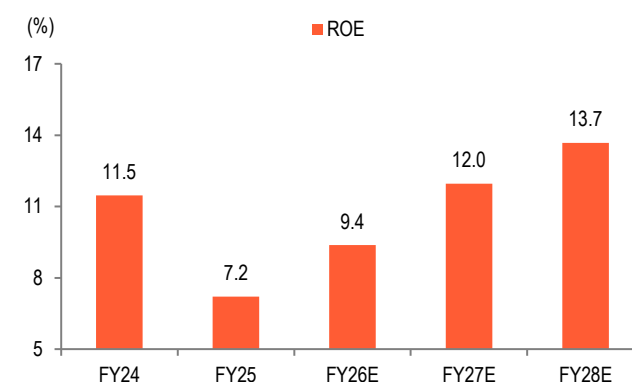
Source: Company, BOBCAPS Research

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 our BUY as we see (a) strong earnings growth prospects (EPS to log 35.6% CAGR over FY25-FY28E) (b) improvement in ROE profile (from 7.2% in FY25 to 13.7% in FY28E) in anticipation of improvement in margin (from 8.3% in FY25 to 10.1% in FY28E) due to a gradual ramp-up of its capacity (c) reasonable valuation (trades at 21.5x on 1Y forward P/E vs 5Y average of 31.1x).

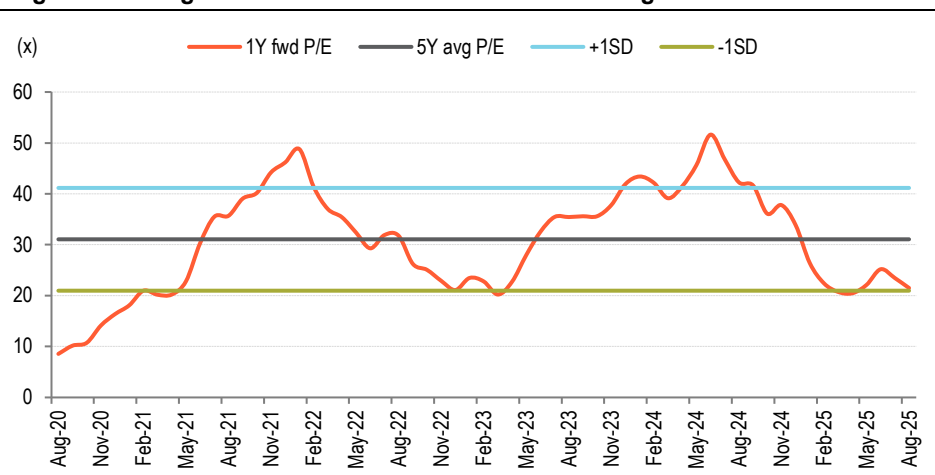
We have broadly maintained our EBITDA estimates, but we have increased our TP to Rs 600 (Rs 550 earlier), due to roll forward of our valuation from Mar'27 to Jun'27. Our target P/E multiple remains unchanged at 20x

Fig 9 – Revised estimates

Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Total operating income	28.3	31.0	28.5	31.1	(0.5)	(0.4)
EBITDA	2.4	2.9	2.5	3.0	(0.9)	(0.8)
EBITDA Margin	8.6	9.5	8.7	9.5	(3bps)	(4bps)
Adjusted PAT	0.8	1.2	0.8	1.1	2.9	3.9
EPS	20.2	28.6	19.7	27.5	2.9	3.9

Source: Company, BOBCAPS Research

Fig 10 – Trading at 21.5x on 1Y forward P/E vs 5Y average P/E of 31.1x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars	FY24A	FY25A	FY26E	FY27E	FY28E
Tile Volume Growth	8.5	2.2	4.3	6.4	7.0
Tile Realization Growth	(3.8)	(1.6)	1.5	1.4	1.9
Tile Revenue Growth	4.4	0.6	5.8	7.9	9.1
Non-Tile Revenue Growth	20.3	16.0	15.0	16.3	16.3
Non-Tile Revenue Share	13.0	14.7	15.8	16.8	17.7

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, and
- Steep rise in gas prices

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	25,914	26,588	28,334	30,955	34,142
EBITDA	2,544	2,209	2,449	2,936	3,461
Depreciation	725	903	1,044	1,099	1,173
EBIT	1,819	1,306	1,405	1,837	2,288
Net interest inc./(exp.)	(465)	(524)	(508)	(508)	(508)
Other inc./(exp.)	106	90	76	76	76
Exceptional items	11	0	0	0	0
EBT	1,449	872	973	1,405	1,856
Income taxes	434	272	264	354	467
Extraordinary items	21	20	0	0	0
Min. int./Inc. from assoc.	(25)	21	121	121	121
Reported net profit	969	601	830	1,172	1,509
Adjustments	22	4	0	0	0
Adjusted net profit	991	605	830	1,172	1,509

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,865	3,343	3,583	3,914	4,317
Other current liabilities	4,015	3,427	3,427	3,427	3,427
Provisions	48	42	45	50	55
Debt funds	3,351	3,019	3,092	3,201	3,333
Other liabilities	1,229	1,396	1,396	1,396	1,396
Equity capital	82	82	82	82	82
Reserves & surplus	7,119	7,635	8,323	9,296	10,549
Shareholders' fund	8,330	8,442	9,252	10,345	11,719
Total liab. and equities	19,838	19,669	20,794	22,332	24,246
Cash and cash eq.	855	903	1,915	2,767	3,846
Accounts receivables	3,372	3,688	3,930	4,294	4,736
Inventories	3,466	3,379	3,759	4,132	4,640
Other current assets	522	487	522	570	629
Investments	0	38	38	38	38
Net fixed assets	10,750	10,029	9,485	9,386	9,212
CWIP	96	163	163	163	163
Intangible assets	458	606	606	606	606
Deferred tax assets, net	81	95	95	95	95
Other assets	238	282	282	282	282
Total assets	19,838	19,669	20,794	22,332	24,246

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	3,929	1,734	1,771	2,133	2,394
Capital expenditures	(1,406)	(395)	(500)	(1,000)	(1,000)
Change in investments	0	(38)	0	0	0
Other investing cash flows	74	70	76	76	76
Cash flow from investing	(1,332)	(362)	(424)	(924)	(924)
Equities issued/Others	(3)	0	0	0	0
Debt raised/repaid	(1,533)	(332)	72	109	132
Interest expenses	(465)	(524)	(508)	(508)	(508)
Dividends paid	(126)	(124)	(141)	(199)	(257)
Other financing cash flows	(1,481)	(343)	242	242	242
Cash flow from financing	(3,607)	(1,323)	(335)	(357)	(391)
Chg in cash & cash eq.	(1,009)	49	1,012	852	1,079
Closing cash & cash eq.	855	903	1,915	2,767	3,846

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	23.6	14.7	20.2	28.6	36.8
Adjusted EPS	24.2	14.8	20.2	28.6	36.8
Dividend per share	3.0	3.0	3.4	4.9	6.3
Book value per share	175.6	188.2	205.0	228.7	259.3

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	7.1	8.2	7.6	6.6	5.8
Adjusted P/E	21.1	34.6	25.2	17.9	13.9
P/BV	2.9	2.7	2.5	2.2	2.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	68.4	69.4	85.3	83.4	81.3
Interest burden (PBT/EBIT)	79.7	66.8	69.2	76.5	81.1
EBIT margin (EBIT/Revenue)	7.0	4.9	5.0	5.9	6.7
Asset turnover (Rev./Avg TA)	130.6	135.2	136.3	138.6	140.8
Leverage (Avg TA/Avg Equity)	2.3	2.3	2.4	2.3	2.2
Adjusted ROAE	11.5	7.2	9.4	12.0	13.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	4.6	2.6	6.6	9.3	10.3
EBITDA	34.6	(13.2)	10.9	19.9	17.9
Adjusted EPS	38.1	(39.0)	37.2	41.2	28.8

Profitability & Return ratios (%)

EBITDA margin	9.8	8.3	8.6	9.5	10.1
EBIT margin	7.0	4.9	5.0	5.9	6.7
Adjusted profit margin	3.8	2.3	2.9	3.8	4.4
Adjusted ROAE	11.5	7.2	9.4	12.0	13.7
ROCE	16.5	12.2	12.0	14.1	15.7

Working capital days (days)

Receivables	47	51	51	51	51
Inventory	49	46	48	49	50
Payables	40	46	46	46	46

Ratios (x)

Gross asset turnover	2.0	1.9	2.0	2.1	2.2
Current ratio	1.0	1.0	1.2	1.3	1.4
Net interest coverage ratio	3.9	2.5	2.8	3.6	4.5
Adjusted debt/equity	0.3	0.3	0.1	0.0	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%

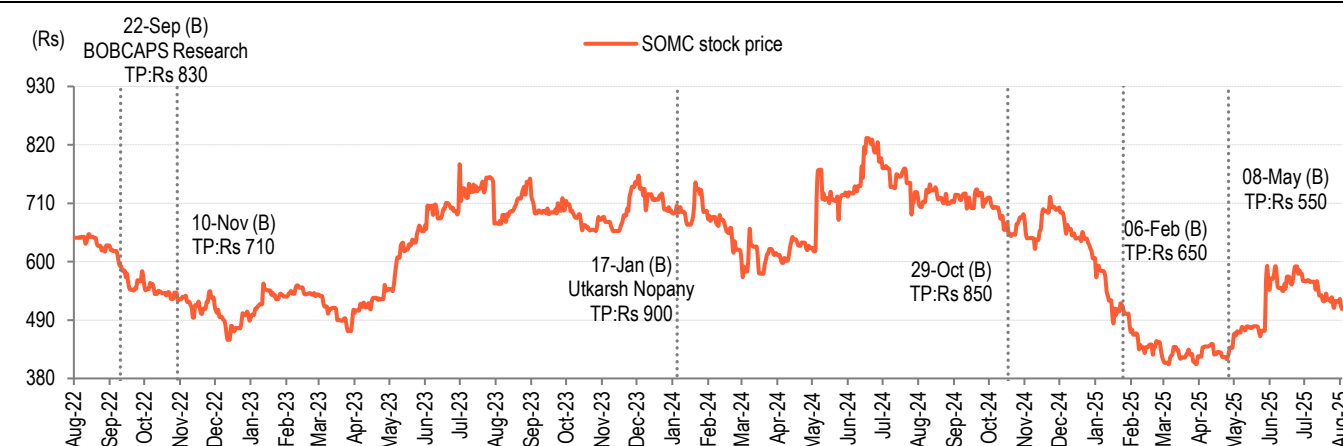
HOLD – Expected return from -6% to +15%

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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