BOBCAPS
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HOLD
TP: Rs 560 | ⮝ 10%

SOMANY CERAMICS | Building Materials | 13 August 2026

Operating efficiency drives earnings beat

- **Revenue grew 24% YoY; EBITDA surged 79% as margins expanded 353bps**
- **Utilisation and own/JV mix drive 20% realisation growth and higher profitability**
- **Ascribe 15x PE Jun'28E, arriving at a TP of Rs 560 (Jun'27E); we maintain HOLD**

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Operating efficiency drives earnings beat; EBITDA margin expands 350bps: Somany Ceramics (SOMC) reported revenue growth of 24% YoY, 16% above our estimate, while EBITDA grew 79% YoY, 65% ahead of our estimate. EBITDA margin expanded 353bps YoY to 11.5%, with management attributing the improvement to higher capacity utilisation and operating efficiencies across its own plants and JVs. APAT increased 243% YoY, aided by stronger operating performance and lower interest costs.

Higher utilisation and own/JV mix support profitability: Tiles volumes grew 3% YoY, while blended realisations increased 20%, supported by higher contribution from own and JV production. Own tile volumes grew 22% YoY, with own capacity utilisation at 69%, while JV utilisation remained elevated at 94%. Own and JV revenue grew 44% and 24%, respectively, supporting a 74% YoY increase in blended EBITDA per sqm to Rs 52.4 (vs Rs 30.1 sqm in Q1FY26). Management also highlighted that capacity utilisation had improved significantly across both its own plants and JVs, while Morbi disruption constrained volumes in April.

Concall highlights: Management expects mid-single-digit volume growth as Morbi operations normalise, while pricing remains supportive despite higher gas costs. Utilisation-led operating leverage and improving JV profitability should support margins, with ~Rs 2.75bn capex planned across new capacity and debottlenecking. Export weakness remains a near-term drag, while lean channel inventory and improving working capital provide some support.

Maintain HOLD with Jun'27 TP of Rs 560: We raise FY27E/FY28E EBITDA by 7%/2% and PAT by 8%/4%, reflecting stronger utilisation and operating efficiencies. We expect EBITDA margin to sustain around 9.6-10.0% over FY27E-29E, supported by improving utilisation and JV profitability. We ascribe unchanged 15x P/E on Jun'28E, arriving at a TP of Rs 560 (Jun'27E). We maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SOMC IN/Rs 508
Market cap	US$ 219.4mn
Free float	45%
3M ADV	US$ 1.1mn
52wk high/low	Rs 552/Rs 332
Promoter/FPI/DII	55%/1%/23%

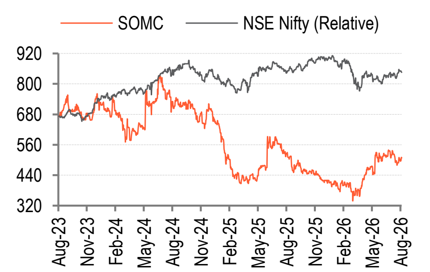
Source: NSE | Price as of 12 Aug 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	27,898	32,488	33,672
EBITDA (Rs mn)	2,578	3,112	3,298
Adj. net profit (Rs mn)	840	1,293	1,480
Adj. EPS (Rs)	20.5	31.5	36.1
Consensus EPS (Rs)	19.8	27.8	33.7
Adj. ROAE (%)	9.5	13.2	13.3
Adj. P/E (x)	24.8	16.1	14.1
EV/EBITDA (x)	8.7	6.8	6.3
Adj. EPS growth (%)	38.9	53.9	14.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly financials - Consolidated

Particulars (Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	BOBCAPS Q1FY76E	Variance (%)
Total operating income	7,496	6,044	24.0	8,179	(8.4)	6,488	15.5
Raw-Material expense	3,402	2,890	17.7	4,381	(22.3)	3,082	10.4
Gross Profit	4,094	3,154	29.8	3,799	7.8	3,406	20.2
Employee expense	994	872	14.0	919	8.3	959	3.7
Energy costs	1,465	1,146	27.9	1,207	21.4	1,250	17.2
Other expense	772	655	17.9	750	2.9	675	14.5
EBITDA	862	482	78.9	923	(6.6)	523	65.0
D&A	285	260	9.9	273	4.6	273	4.6
EBIT	577	222	159.8	651	(11.3)	250	131.0
Interest cost	114	127	(10.1)	106	8.1	95	20.2
Non-operating expense/(income)	(35)	(19)	86.3	3	(1,206.3)	(32)	11.3
PBT	498	114	337.1	542	(8.1)	186	167.2
Tax	156	40	284.9	168	(7.2)	47	231.6
Reported PAT	342	74	365.7	374	(8.5)	139	145.5
Adjusted PAT	355	104	242.7	395	(10.1)	144	147.5
As % of net revenues	**Q1FY27**	**Q1FY26**	**chg (bps)**	**Q4FY26**	**chg (bps)**		
Gross margin	54.6	52.2	243	46.4	817	52.5	211
Employee cost	13.3	14.4	(116)	11.2	204	14.8	(152)
Energy cost	19.5	19.0	59	14.8	479	19.3	28
Other cost	10.3	10.8	(53)	9.2	113	10.4	(10)
EBITDA margin	11.5	8.0	353	11.3	21	8.1	345
Tax rate	31.2	35.5	(423)	30.9	29	25.2	607
APAT margin	4.7	1.7	303	4.8	(9)	2.2	253

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Tiles revenue (Rs mn)					
- Own	2,389	1,661	43.8	2,146	11.3
- JV	2,092	1,683	24.3	2,271	(7.8)
- Outsourced	1,844	1,769	4.2	2,334	(21.0)
Total	**6,325**	**5,113**	**23.7**	**6,750**	**(6.3)**
Non-tiles revenue (Rs mn)					
Bathware	765	629	21.5	998	(23.4)
Adhesives	352	273	29.0	372	(5.4)
Total	**1,117**	**902**	**23.8**	**1,370**	**(18.5)**
Tiles sales volume (MSM)					
- Own	6.7	5.5	22.2	6.9	(3.9)
- JV	4.8	4.5	7.3	6.1	(21.4)
- Outsourced	5.0	6.1	(18.0)	7.8	(36.1)
Total	**16.5**	**16.0**	**2.8**	**20.9**	**(21.1)**
Tiles Realization (Rs/sqm)					
- Own	358	304	17.7	309	15.8
- JV	434	375	15.8	370	17.2
- Outsourced	371	292	27.1	300	23.7
Blended realization	384	319	20.3	324	18.7
Blended EBITDA per unit (Rs/sqm)	52.4	30.1	74.0	44.3	18.3

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Demand remains healthy; Q1 volumes impacted by Morbi disruption:** Volume growth was limited to ~3% as Morbi capacity restrictions impacted production in Apr'26, with operations normalising in May'26. Management expects mid-single-digit volume growth, while channel inventory remains lean. Project/institutional business is expected to increase its contribution by 3-4ppt.

- **Price hikes offset gas inflation; pricing premium over Morbi narrows:** SMC took a 16-17% price hike to offset 16-18% YoY gas cost inflation, while Morbi producers increased prices by ~2x this quantum. This has narrowed SOMC's pricing premium, although management indicated that margin improvement remains primarily efficiency-led.

- **Exports remain a near-term drag:** Morbi export volumes remain 50-60% below peak levels due to geopolitical disruptions, which management expects to remain a drag through Q2. However, it does not see significant risk of export volumes being diverted to the domestic market given elevated gas costs.

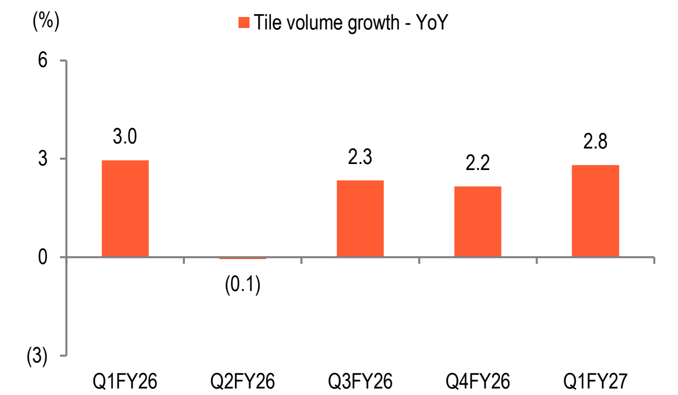
- **Utilisation drives margin expansion; management sees scope for further improvement:** Standalone utilisation improved to 83% from 72% YoY, driving operating leverage and expanding EBITDA margin to 11.6% (+360bps YoY). Management attributed the improvement to operating efficiencies rather than pricing and indicated scope for further margin improvement, subject to utilisation and product mix.

- **JV profitability improves, adding to earnings:** JVs turned profitable at Rs 30mnr in Q1FY27 vs a Rs 100mn loss in Q1FY26. Management expects a >Rs 300mn YoY improvement in FY27, with balancing and debottlenecking capex in JVs largely completing by Q3FY27 and benefits expected from Q4FY27.

- **Capacity expansion to support medium-term growth:** The company is setting up a 9mn sqm greenfield plant in the South with ~Rs 2.20bn capex, targeted for commissioning in Q3-Q4FY28. In addition, ~45mn sqm of debottlenecking and balancing capacity is being added across existing facilities, largely by Q3-Q4FY27. Total capex is guided at ~Rs 2.75bnr, with 65-70% funded through internal accruals.

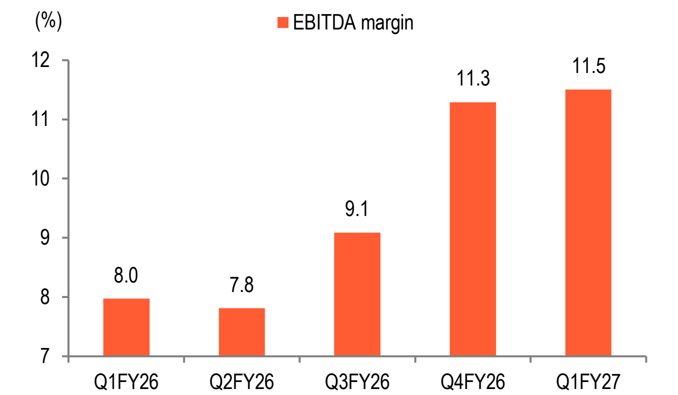
- **Working capital improves; subsidiaries remain on recovery path:** Working capital days improved to 12 from 17, supported by lower inventory and stable receivables. Somany Max's loss narrowed to Rs 15mn, while construction chemicals capacity expansion in the North and South is expected to support growth from Q2.

Fig 3 – SOMC's tile volumes grew by 3% YoY in Q1FY27



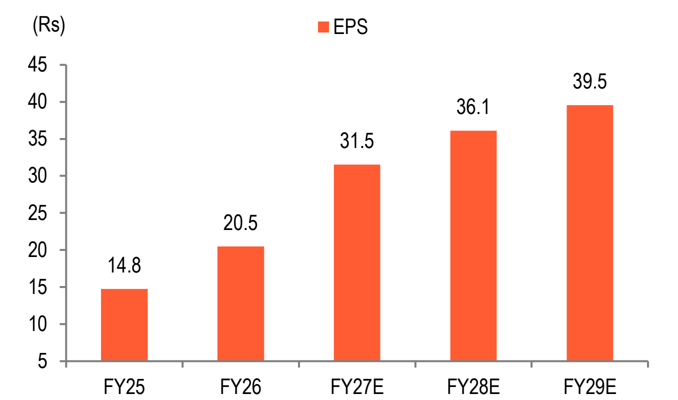
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin sharply expanded by 353bps YoY to 11.5% in Q1FY27



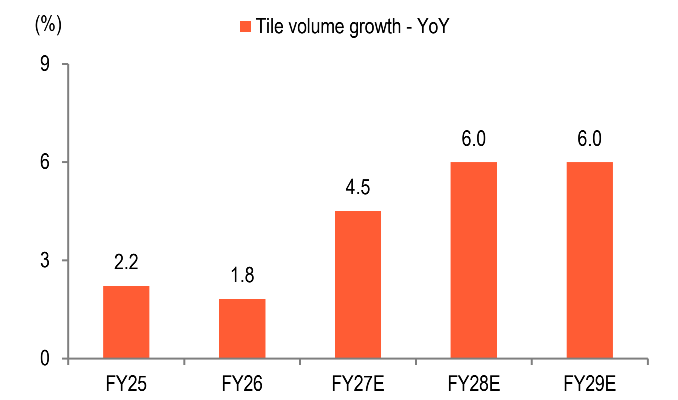
Source: Company, BOBCAPS Research

Fig 5 – SOMC EPS projected to grow at a healthy 24.5% CAGR over FY26-FY29E...



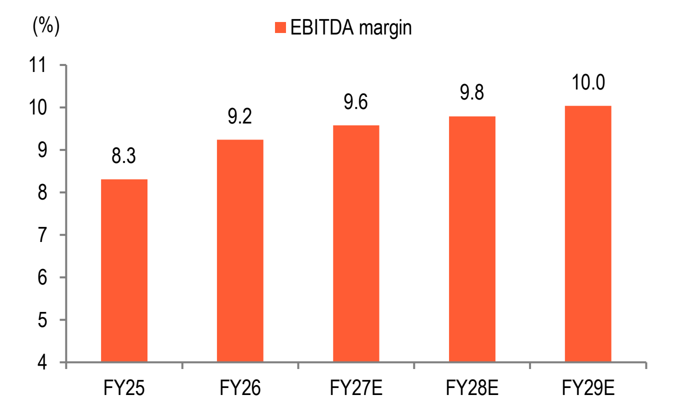
Source: Company, BOBCAPS Research

Fig 6 – … on expectations of volume growth assumption of 48.8% CAGR over FY26-FY29E on a weak base…



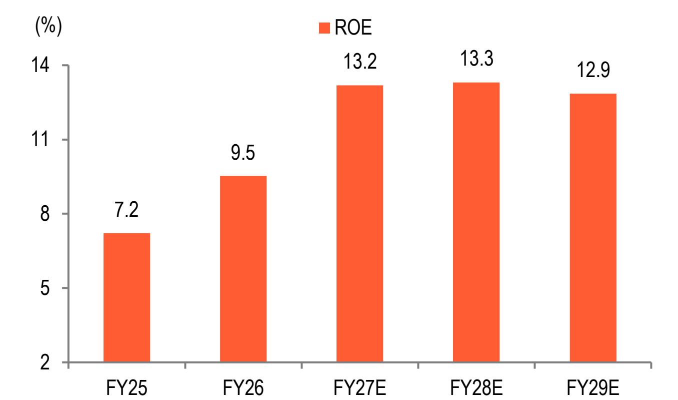
Source: Company, BOBCAPS Research

Fig 7 – … and a gradual improvement in EBITDA margin due to the 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

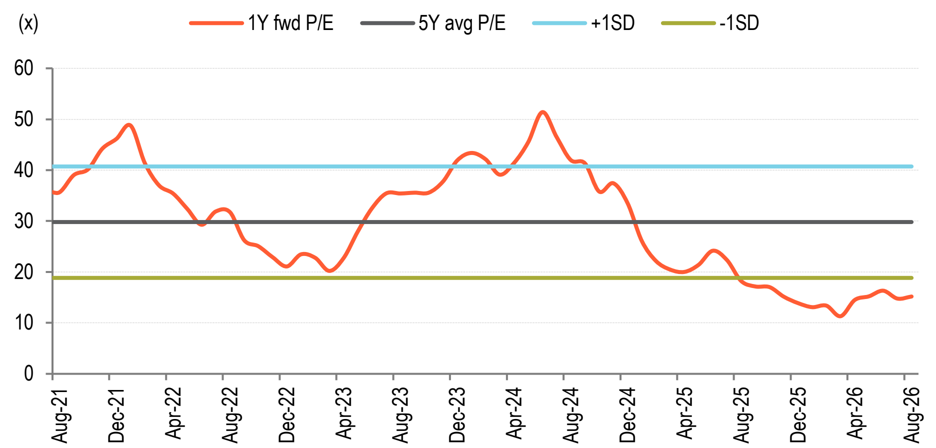
We raise FY27E/FY28E EBITDA by 7%/2% and PAT by 8%/4%, reflecting stronger utilisation and operating efficiencies. We expect EBITDA margin to sustain around 9.6-10.0% over FY27E-29E, supported by improving utilisation and JV profitability. We ascribe unchanged 15x P/E on Jun'28E, arriving at a TP of Rs 560 (Jun'27E). We maintain HOLD.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Total operating income	32.5	33.7	36.5	30.5	33.7	37.1	6	(0)	(2)
EBITDA	3.1	3.3	3.7	2.9	3.2	3.6	7	2	3
EBITDA Margin (%)	9.58	9.79	10.04	9.57	9.61	9.58	1	18	45
Adjusted PAT	1.3	1.5	1.6	1.2	1.4	1.7	8	4	(2)
EPS	31.5	36.1	39.5	29.2	34.7	40.5	8	4	(2)

Source: BOBCAPS Research

Fig 10 – Trading at 15.2x on 1YF P/E vs 5Y average P/E of 29.8x



Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**26,588**	**27,898**	**32,488**	**33,672**	**36,531**
EBITDA	2,209	2,578	3,112	3,298	3,666
Depreciation	903	1,075	1,129	1,228	1,448
EBIT	1,306	1,503	1,983	2,070	2,218
Net interest inc./(exp.)	(524)	(477)	(423)	(411)	(411)
Other inc./(exp.)	90	113	157	197	237
Exceptional items	0	0	0	0	0
EBT	872	1,139	1,716	1,855	2,043
Income taxes	272	346	476	467	514
Extraordinary items	20	52	0	0	0
Min. int./Inc. from assoc.	21	71	52	92	92
Reported net profit	**601**	**812**	**1,293**	**1,480**	**1,621**
Adjustments	4	28	0	0	0
Adjusted net profit	**605**	**840**	**1,293**	**1,480**	**1,621**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,343	3,338	3,914	4,057	4,401
Other current liabilities	3,427	3,000	3,000	3,000	3,000
Provisions	42	69	81	84	91
Debt funds	3,019	2,513	2,538	2,596	2,736
Other liabilities	1,396	1,994	1,994	1,994	1,994
Equity capital	82	82	82	82	82
Reserves & surplus	7,635	8,342	9,504	10,835	12,293
Shareholders' fund	8,442	9,199	10,414	11,837	13,387
Total liab. and equities	**19,669**	**20,113**	**21,941**	**23,567**	**25,609**
Cash and cash eq.	903	1,598	2,753	2,283	4,087
Accounts receivables	3,688	3,008	3,502	3,630	3,938
Inventories	3,379	3,523	3,759	3,938	4,273
Other current assets	487	415	486	504	547
Investments	38	38	38	38	38
Net fixed assets	10,029	9,654	9,525	11,297	10,849
CWIP	163	189	189	189	189
Intangible assets	606	1,258	1,258	1,258	1,258
Deferred tax assets, net	95	107	107	107	107
Other assets	282	324	324	324	324
Total assets	**19,669**	**20,113**	**21,941**	**23,567**	**25,609**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**1,575**	**2,839**	**2,422**	**2,651**	**2,818**
Capital expenditures	(834)	(556)	(1,000)	(3,000)	(1,000)
Change in investments	0	0	0	0	0
Other investing cash flows	116	14	157	197	237
Cash flow from investing	**(718)**	**(542)**	**(843)**	**(2,803)**	**(763)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	22	(569)	25	58	140
Interest expenses	(518)	(466)	(423)	(411)	(411)
Dividends paid	(123)	(123)	(131)	(150)	(164)
Other financing cash flows	(57)	(83)	105	185	185
Cash flow from financing	**(676)**	**(1,241)**	**(424)**	**(318)**	**(250)**
Chg in cash & cash eq.	**181**	**1,056**	**1,155**	**(470)**	**1,805**
Closing cash & cash eq.	**1,036**	**2,092**	**3,247**	**2,777**	**4,581**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	14.7	19.8	31.5	36.1	39.5
Adjusted EPS	14.8	20.5	31.5	36.1	39.5
Dividend per share	3.0	2.0	3.2	3.6	4.0
Book value per share	188.2	205.5	233.8	266.3	301.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	0.9	0.8	0.7	0.6	0.6
EV/EBITDA	10.5	8.7	6.8	6.3	5.5
Adjusted P/E	34.4	24.8	16.1	14.1	12.8
P/BV	2.7	2.5	2.2	1.9	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	69.4	73.8	75.3	79.8	79.4
Interest burden (PBT/EBIT)	66.8	75.8	86.6	89.6	92.1
EBIT margin (EBIT/Revenue)	4.9	5.4	6.1	6.1	6.1
Asset turnover (Rev./Avg TA)	135.2	138.7	148.1	142.9	142.6
Leverage (Avg TA/Avg Equity)	2.3	2.3	2.2	2.1	2.0
Adjusted ROAE	7.2	9.5	13.2	13.3	12.9

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	2.6	4.9	16.5	3.6	8.5
EBITDA	(13.2)	16.7	20.7	6.0	11.2
Adjusted EPS	(39.0)	38.9	53.9	14.5	9.5
Profitability & Return ratios (%)					
EBITDA margin	8.3	9.2	9.6	9.8	10.0
EBIT margin	4.9	5.4	6.1	6.1	6.1
Adjusted profit margin	2.3	3.0	4.0	4.4	4.4
Adjusted ROAE	7.2	9.5	13.2	13.3	12.9
ROCE	12.2	13.8	16.5	15.7	15.2
Working capital days (days)					
Receivables	51	39	39	39	39
Inventory	46	46	42	43	43
Payables	46	44	44	44	44
Ratios (x)					
Gross asset turnover	1.9	2.0	2.2	2.0	1.9
Current ratio	1.0	1.1	1.2	1.2	1.4
Net interest coverage ratio	2.5	3.1	4.7	5.0	5.4
Adjusted debt/equity	0.3	0.1	0.0	0.0	(0.1)

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

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Note: Recommendation structure changed with effect from 21 June 2021

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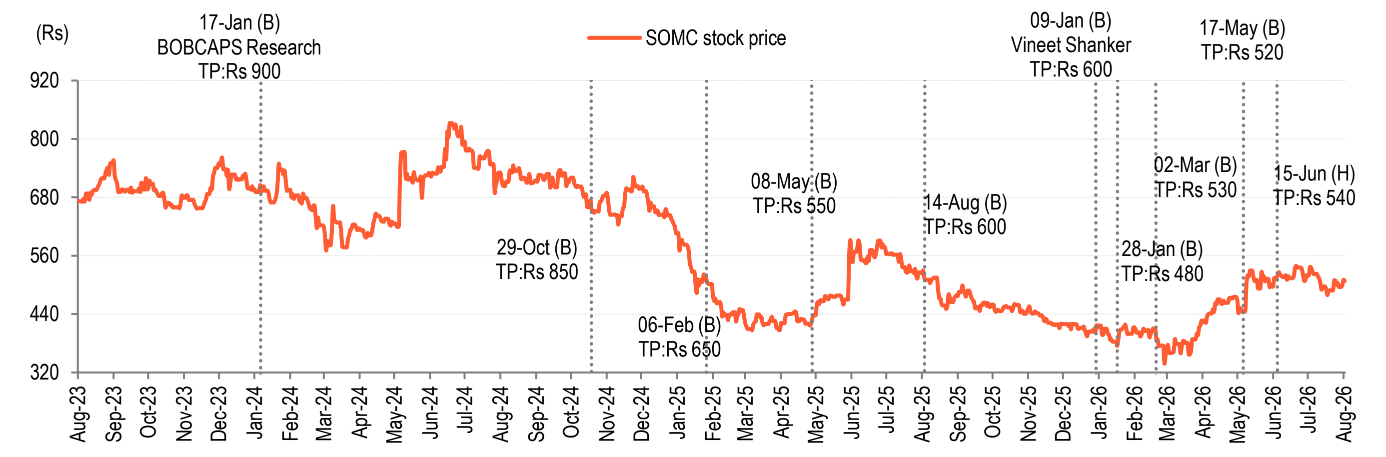
Ratings and Target Price (3-year history): SOMANY CERAMICS (SOMC IN)



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