

BUY

TP: Rs 600 | ▲ 36%

SOMANY CERAMICS

| Building Materials

| 07 November 2025

Mixed Q2; capacity ramp-up to fuel margin expansion ahead

- SOMC tiles sales volume grew at a muted pace for the 6th consecutive quarter on muted demand and heavy monsoon in the North region
- Tiles volume growth guidance revised down from high-single-digit to mid-high single-digit rate for FY26
- Maintain BUY on healthy earnings growth prospects with reasonable valuations; TP remains unchanged at Rs 600 per share

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Mixed Q2: SOMC Q2FY26 topline came broadly in line with our estimate, but beats our EBITDA estimate by 16.2% due to better-than-expected operating margin (-59bps YoY to 7.8% vs 6.8% estimated). Overall, SOMC revenue grew by 2.8% YoY, but EBITDA/APAT fell by 4.4%/12.6% YoY in Q2FY26.

Highlights: SOMC tiles sales volume was relatively flat (-0.1% YoY) in Q2FY26 due to the impact of a heavy monsoon in the North region (accounts for 46-47% of its total volume). Own tiles volume was down 0.8%/24.9% YoY in Q2FY26 due to outage of Kassar, Haryana plant by 20-25 days on account of leakage in GAIL gas pipeline. Outsourced tiles volume was up 32.0% in Q2FY26. Tiles realisation improved by 0.4% QoQ in Q2FY26. Non-tiles revenue rose sharply by 17.7% YoY in Q2FY26, driven by both bathware (+9.0%) and adhesives (+44.0%). EBITDA margin contracted by 59bps YoY to 7.8% in Q2FY26 due to low capacity utilisation (-200bps YoY to 75%). Net debt has gone down from Rs 2.31bn in Jun'25 to Rs 2.07bn in Sep'25.

Outlook: Management believes that the Indian tiles industry is out of the woods due to a gradual recovery in the domestic tiles demand and higher tiles exports (+9-14% YoY in FY26E). Tiles volume growth guidance for FY26 was revised down to mid-high single-digit rate (vs high-single-digit earlier). Plans to take a price hike by Dec'25-end or early Q4FY26. EBITDA margin is projected to improve by 100-150bps in H2FY26 over H1FY26, to be driven by operating leverage benefit. Max plant reported a loss of Rs 75mn in Q2FY26 (vs Rs 65mn in Q1FY26) but will likely breakeven by Q4FY26 due to ramp-up of its plant (from 50% in Q1FY26 to 75-80% in Q4FY26). Project business revenue share is targeted to increase from 15-17% in Q2FY26 to 18-19% in FY27 owing to the recovery in real estate.

Maintain BUY with unchanged TP of Rs 600: We maintain our BUY on the stock. We have cut our EPS estimates (-6.1%/-3.9%/-5.2% for FY26E/FY27E/FY28E) due to downward revision in tiles sales volume for FY26, but our TP remains unchanged at Rs 600 per share due to roll forward of our valuation to Sep'27 (Jun'27 earlier). Our target P/E multiple remains unchanged at 20x.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	SOMC IN/Rs 441
Market cap	US\$ 203.9mn
Free float	45%
3M ADV	US\$ 0.2mn
52wk high/low	Rs 737/Rs 395
Promoter/FPI/DII	55%/1%/23%

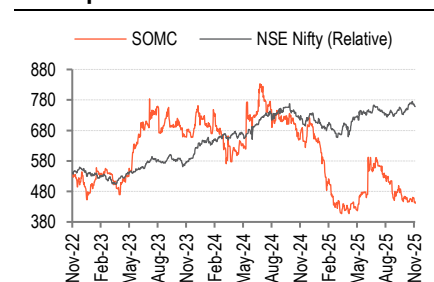
Source: NSE | Price as of 7 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,588	27,605	30,117
EBITDA (Rs mn)	2,209	2,369	2,809
Adj. net profit (Rs mn)	605	780	1,126
Adj. EPS (Rs)	14.8	19.0	27.5
Consensus EPS (Rs)	14.7	23.1	42.4
Adj. ROAE (%)	7.2	8.8	11.6
Adj. P/E (x)	29.9	23.2	16.1
EV/EBITDA (x)	9.2	8.3	6.8
Adj. EPS growth (%)	(39.0)	28.9	44.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly financials - Consolidated

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Total operating income	6,852	6,663	2.8	6,044	13.4	12,896	12,449	3.6	6,814	0.6
Raw-Material expense	3,609	3,228	11.8	2,890	24.9	6,499	5,712	13.8		
Gross Profit	3,243	3,436	(5.6)	3,154	2.8	6,397	6,737	(5.0)		
Employee expense	898	891	0.7	872	2.9	1,770	1,759	0.6		
Energy costs	1,097	1,234	(11.1)	1,146	(4.2)	2,243	2,510	(10.7)		
Other expense	713	750	(5.0)	655	8.9	1,368	1,418	(3.5)		
EBITDA	535	560	(4.4)	482	11.1	1,017	1,050	(3.1)	460	16.2
D&A	263	192	37.2	260	1.2	523	383	36.4		
EBIT	272	368	(26.1)	222	22.6	494	666	(25.8)		
Interest cost	123	135	(8.5)	127	(3.0)	250	270	(7.2)		
Non-operating expense/(income)	(37)	(13)	179.5	-19	94.2	(56)	(34)	63.9		
PBT	186	247	(24.7)	114	63.1	300	431	(30.4)		
Tax	63	73	(14.6)	40	55.2	103	135	(23.4)		
Reported PAT	123	173	(29.0)	74	67.5	197	296	(33.6)		
Adjusted PAT	150	171	(12.6)	104	44.6	254	294	(13.8)	99	50.9
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	47.3	51.6	-423	52.2	-486	49.6	54.1	-451		
Employee cost	13.1	13.4	-28	14.4	-133	13.7	14.1	-41		
Energy cost	16.0	18.5	-251	19.0	-294	17.4	20.2	-277		
Other cost	10.4	11.3	-85	10.8	-43	10.6	11.4	-78		
EBITDA margin	7.8	8.4	-59	8.0	-16	7.9	8.4	-55		
Tax rate	33.7	29.7	401	35.5	-172	34.4	31.3	314		
APAT margin	2.2	2.6	-39	1.7	47	2.0	2.4	-40		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

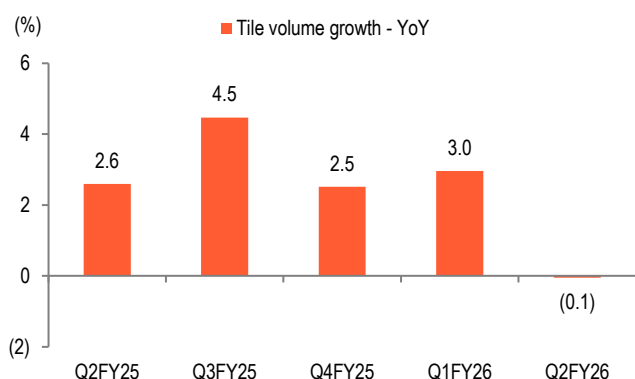
Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Tiles revenue (Rs mn)								
- Own	1,833	1,851	(1.0)	1,661	10.3	3,494	3,577	(2.3)
- JV	1,840	2,247	(18.1)	1,683	9.4	3,523	4,283	(17.7)
- Outsourced	2,033	1,584	28.3	1,769	14.9	3,802	2,793	36.1
Total	5,706	5,681	0.4	5,113	11.6	10,818	10,653	1.6
Non-tiles revenue (Rs mn)								
Bathware	764	701	9.0	629	21.4	1,393	1,306	6.7
Adhesives	336	233	44.0	273	23.1	609	414	46.8
Total	1,100	934	17.7	902	21.9	2,002	1,721	16.3
Tiles sales volume (MSM)								
- Own	5.9	6.0	(0.8)	5.5	8.6	11.4	11.5	(1.1)
- JV	4.9	6.6	(24.9)	4.5	10.0	9.4	12.7	(25.6)
- Outsourced	6.9	5.3	32.0	6.1	14.4	13.0	9.2	41.8
Total	17.8	17.8	(0.1)	16.0	11.2	33.8	33.4	1.3
Blended realization	321	319	0.5	319	0.4	320	319	0.2
Blended EBITDA per unit (Rs/sqm)	30.1	31.4	(4.4)	30.1	(0.1)	30.1	31.5	(4.4)

Source: Company, BOBCAPS Research

Earnings Call Highlights

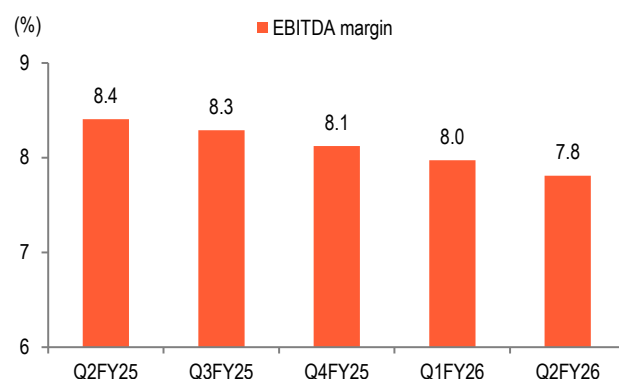
- **Demand scenario:** Indian tiles demand remained muted in Q2FY26 due to muted demand, on account of heavy monsoon in North India and slow government spends. Indian tiles industry exports have grown ~7% YoY in 5MFY26. Management believes the pick-up in tiles exports could benefit domestic branded players as Morbi players' focus would get diverted towards export market.
- **Pricing scenario:** The company implemented 1.5% price hike in Q2FY26. SOMC may take another price hike by the end of Q3FY26 or early Q4FY26.
- **Guidance:** Tiles volume growth guidance for FY26 was revised down to mid-high single-digit rate (vs high-single-digit earlier). EBITDA margin is projected to improve by 100-150bps in H2FY26 over H1FY26 on the back of operating leverage benefit. SOMC is confident of clocking double-digit EBITDA margins by FY27 as utilisation is expected to reach 85–87% levels (vs 75% in Q2FY26).
- **Max plant:** The company has reported PAT loss of Rs 75mn in Q2FY26 (Rs 65mn in Q2FY26) given the low operating rate (50% in Q2FY26 vs 51% in Q1FY26). The plant is likely to break even by Q4FY26 because of the ramp-up of its plant (from 50% in Q1FY26 to 75-80% in Q4FY26). The plant is expected to become profitable in FY27.
- **Product mix:** GVT share rose 300bps YoY to 41% in Q2FY26.
- **Sales mix:** Projects contributed 15-17% of revenues, exports contributed 2.5-3% of revenues and retail contributed 80% of revenues in Q2FY26. Projects are expected to rise to 18-19% in FY27, driven by the real estate recovery.
- **Distribution network:** SOMC has added 119 new dealers in H1FY26. The company has 3,000 active dealers and 520 exclusive showrooms in Sep'25.
- **Bathware:** Revenue grew by 9.0% YoY in Q2FY26. Sanitaryware forms 60% of the bathware division revenue. Management expects low double-digit growth for the segment in FY26. Division revenue share is expected to reach 15-16% of the total revenue over the next 1-2 years.
- **Construction chemicals:** revenue grew by 44.0% YoY in Q2FY26.
- **Gas:** prices were largely stable on QoQ basis in Q2FY26 and expected to remain stable in the near future.
- **Capex:** SOMC has no major growth capex plan for FY26 and FY27.

Fig 3 – SOMC's tile volumes were relatively flat (-0.1% YoY) in Q2FY26 due to heavy monsoon in the North market



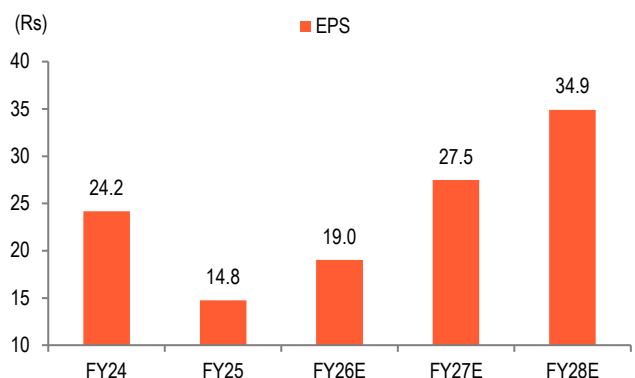
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin stays under pressure in Q2 due to outage of Kasar, Haryana plant by 20-25 days



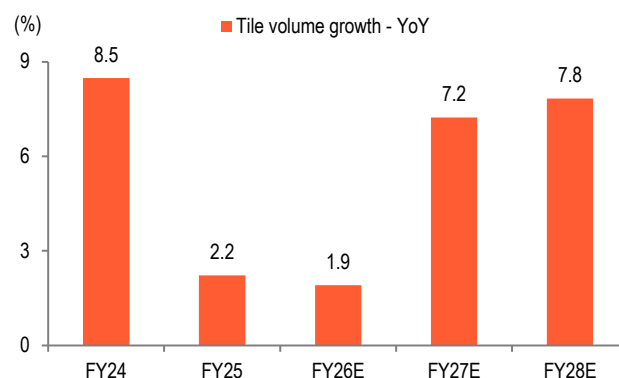
Source: Company, BOBCAPS Research

Fig 5 – SOMC EPS projected to grow at a healthy 33.2% CAGR over FY25-FY28E over a weak base...



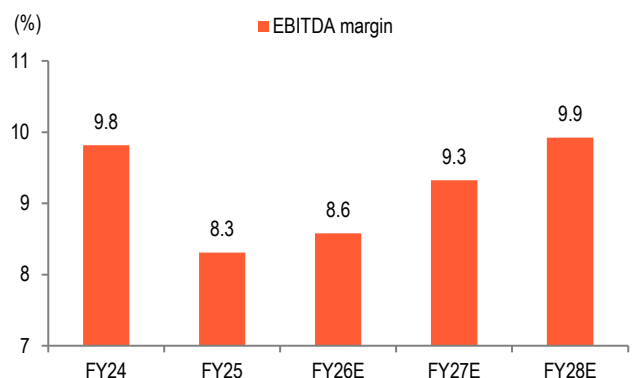
Source: Company, BOBCAPS Research

Fig 6 – ... on expectations of reasonable volume growth assumption of 5.6% CAGR over FY25-FY28E...



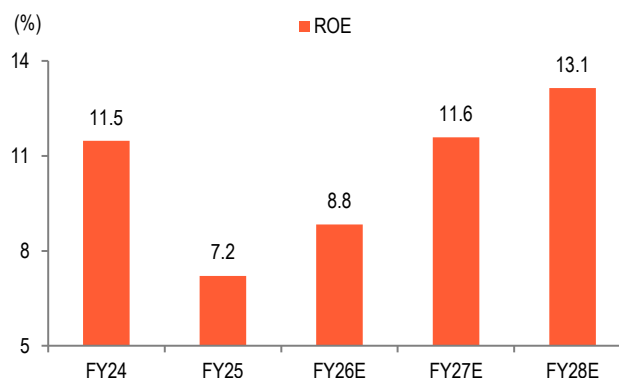
Source: Company, BOBCAPS Research

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 due to (a) strong earnings growth prospects (EPS to log 33.2% CAGR over FY25-FY28E) (b) improvement in ROE profile (from 7.2% in FY25 to 13.1% in FY28E) in the anticipation of margin improvement (from 8.3% in FY25 to 9.9% in FY28E) (c) reasonable valuation (trades at 17.9x on 1Y forward P/E vs 5Y average of 31.7x).

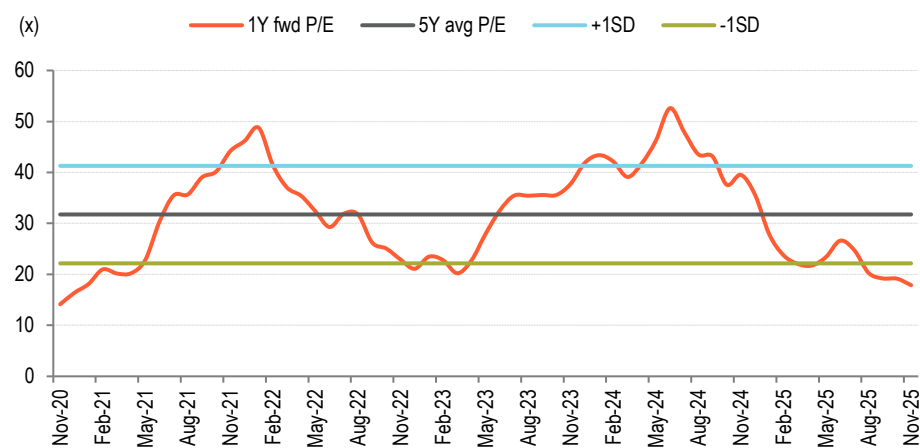
We have cut our EPS estimates (-6.1%/-3.9%/-5.2% for FY26E/FY27E/FY28E) due to the downward revision in tiles sales volume for FY26, but our TP remains unchanged at Rs 600 per share due to roll forward of valuation to Sep'27 (Jun'27 earlier). Our target P/E multiple remains unchanged at 20x.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Total operating income	27.6	30.1	33.2	28.3	31.0	34.1	(2.6)	(2.7)	(2.9)
EBITDA	2.4	2.8	3.3	2.4	2.9	3.5	(3.3)	(4.3)	(4.9)
EBITDA Margin	8.6	9.3	9.9	8.6	9.5	10.1	(6bps)	(16bps)	(21bps)
Adjusted PAT	0.8	1.1	1.4	0.8	1.2	1.5	(6.1)	(3.9)	(5.2)
EPS	19.0	27.5	34.9	20.2	28.6	36.8	(6.1)	(3.9)	(5.2)

Source: BOBCAPS Research

Fig 10 – Trading at 17.9x on 1Y forward P/E vs. 5Y average P/E of 31.7x



Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	25,914	26,588	27,605	30,117	33,158
EBITDA	2,544	2,209	2,369	2,809	3,290
Depreciation	725	903	1,044	1,099	1,173
EBIT	1,819	1,306	1,325	1,710	2,117
Net interest inc./(exp.)	(465)	(524)	(498)	(496)	(496)
Other inc./(exp.)	106	90	130	148	148
Exceptional items	11	0	0	0	0
EBT	1,449	872	956	1,362	1,769
Income taxes	434	272	288	343	445
Extraordinary items	21	20	0	0	0
Min. int./Inc. from assoc.	(25)	21	111	107	107
Reported net profit	969	601	780	1,126	1,431
Adjustments	22	4	0	0	0
Adjusted net profit	991	605	780	1,126	1,431

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,865	3,343	3,491	3,808	4,193
Other current liabilities	4,015	3,427	3,427	3,427	3,427
Provisions	48	42	44	48	53
Debt funds	3,351	3,019	3,062	3,166	3,292
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	8,282	9,216	10,404
Shareholders' fund	8,330	8,442	9,200	10,242	11,537
Total liab. and equities	19,838	19,669	20,619	22,087	23,897
Cash and cash eq.	855	903	1,817	2,576	3,593
Accounts receivables	3,372	3,688	3,829	4,178	4,600
Inventories	3,466	3,379	3,796	4,209	4,699
Other current assets	522	487	508	555	611
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	20,619	22,087	23,897

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	3,929	1,734	1,651	1,980	2,267
Capital expenditures	(1,406)	(395)	(500)	(1,000)	(1,000)
Change in investments	0	(38)	0	0	0
Other investing cash flows	74	70	130	148	148
Cash flow from investing	(1,332)	(362)	(370)	(852)	(852)
Equities issued/Others	(3)	0	0	0	0
Debt raised/repaid	(1,533)	(332)	42	104	126
Interest expenses	(465)	(524)	(498)	(496)	(496)
Dividends paid	(126)	(124)	(132)	(191)	(243)
Other financing cash flows	(1,481)	(343)	221	214	214
Cash flow from financing	(3,607)	(1,323)	(367)	(368)	(398)
Chg in cash & cash eq.	(1,009)	49	914	759	1,016
Closing cash & cash eq.	855	903	1,817	2,576	3,593

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	23.6	14.7	19.0	27.5	34.9
Adjusted EPS	24.2	14.8	19.0	27.5	34.9
Dividend per share	3.0	3.0	3.2	4.7	5.9
Book value per share	175.6	188.2	204.0	226.8	255.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.8	0.8	0.7	0.6	0.5
EV/EBITDA	8.2	9.2	8.3	6.8	5.5
Adjusted P/E	18.2	29.9	23.2	16.1	12.6
P/BV	2.5	2.3	2.2	1.9	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	68.4	69.4	81.5	82.7	80.9
Interest burden (PBT/EBIT)	79.7	66.8	72.2	79.6	83.6
EBIT margin (EBIT/Revenue)	7.0	4.9	4.8	5.7	6.4
Asset turnover (Rev./Avg TA)	130.6	135.2	133.9	136.4	138.8
Leverage (Avg TA/Avg Equity)	2.3	2.3	2.3	2.3	2.2
Adjusted ROAE	11.5	7.2	8.8	11.6	13.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	4.6	2.6	3.8	9.1	10.1
EBITDA	34.6	(13.2)	7.2	18.6	17.1
Adjusted EPS	38.1	(39.0)	28.9	44.5	27.1
Profitability & Return ratios (%)					
EBITDA margin	9.8	8.3	8.6	9.3	9.9
EBIT margin	7.0	4.9	4.8	5.7	6.4
Adjusted profit margin	3.8	2.3	2.8	3.7	4.3
Adjusted ROAE	11.5	7.2	8.8	11.6	13.1
ROCE	16.5	12.2	11.9	13.9	15.3
Working capital days (days)					
Receivables	47	51	51	51	51
Inventory	49	46	50	51	52
Payables	40	46	46	46	46
Ratios (x)					
Gross asset turnover	2.0	1.9	2.0	2.0	2.1
Current ratio	1.0	1.0	1.2	1.3	1.4
Net interest coverage ratio	3.9	2.5	2.7	3.4	4.3
Adjusted debt/equity	0.3	0.3	0.1	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%

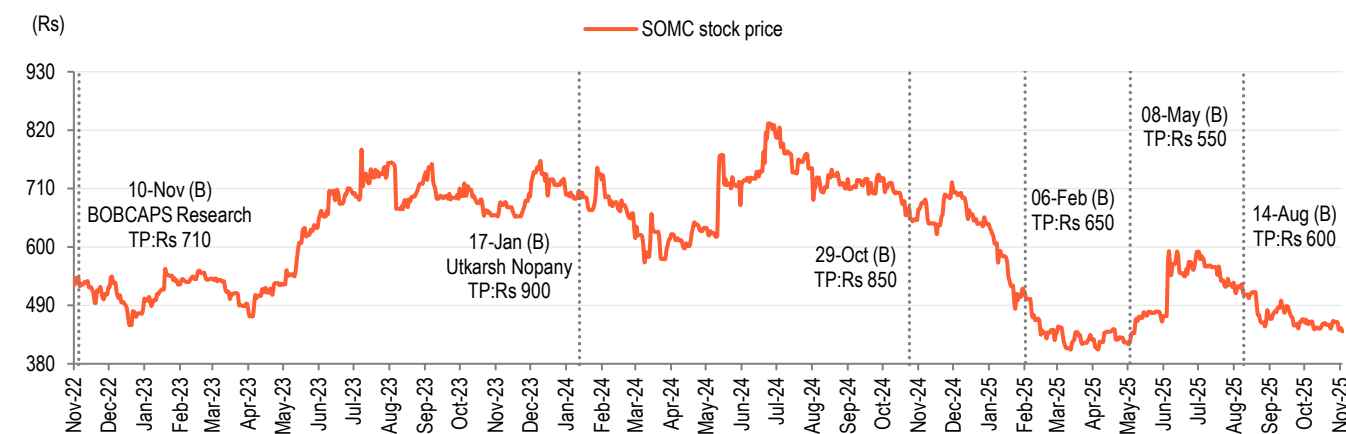
HOLD – Expected return from -6% to +15%

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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