# SOMANY CERAMICS

RESULT UPDATE

## KEY DATA

| Rating | BUY |
|---|---|
| Sector relative | Outperformer |
| Price (INR) | 514 |
| 12 month price target (INR) | 591 |
| 52 Week High/Low | 754/395 |
| Market cap (INR bn/USD bn) | 21/0.2 |
| Free float (%) | 45.0 |
| Avg. daily value traded (INR mn) | 42.8 |

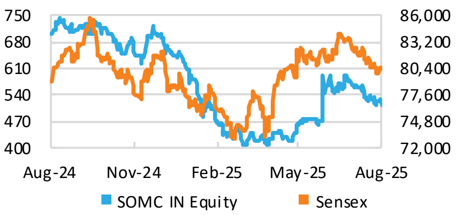
## SHAREHOLDING PATTERN

| | Jun-25 | Mar-25 | Dec-24 |
|---|---|---|---|
| Promoter | 55.01% | 55.01% | 55.02% |
| FII | 1.39% | 1.49% | 1.56% |
| DII | 23.01% | 23.63% | 23.61% |
| Pledge | 0% | 0% | 0% |

## FINANCIALS (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Revenue | 26,588 | 28,495 | 30,633 | 32,983 |
| EBITDA | 2,209 | 2,661 | 3,003 | 3,325 |
| Adjusted profit | 601 | 1,008 | 1,279 | 1,536 |
| Diluted EPS (INR) | 14.6 | 24.6 | 31.2 | 37.4 |
| EPS growth (%) | (38.0) | 67.9 | 26.8 | 20.1 |
| RoAE (%) | 8.1 | 12.4 | 14.0 | 14.8 |
| P/E (x) | 34.9 | 20.8 | 16.4 | 13.7 |
| EV/EBITDA (x) | 14.3 | 11.1 | 9.4 | 7.9 |
| Dividend yield (%) | 0 | 0.6 | 0.6 | 0.6 |

## PRICE PERFORMANCE




# Volumes weak; lower utilisation drags

Somany Ceramics (SOMC) posted weak Q1FY26 results. While volumes rose ~3% YoY, margins came in at 8%. Realisations were flat during the quarter due to demand pressure and lower utilisation. Given higher depreciation, PAT fell 16% YoY. SOMC maintains volume growth guidance of high single-digits in FY26 with a 100–150bp improvement in EBITDA margin as utilisation level for the Max plant picks up. The company remains focused on maintaining a strong balance sheet.

Given strict discipline on cash flows and balance sheet, we reckon Somany shall be the beneficiary when sectoral headwinds reverse. Retain 'BUY' with a revised TP of INR591 (earlier INR561) based on 18x Q1FY28E EPS.

## Volumes below estimate; targets high single-digit growth in FY26

SOMC reported volume growth of 3% YoY, below our estimate (7%) while realisations were flat YoY. Demand remains weak across the country. An export slowdown from Morbi continues to hurt with surplus capacity redirected to domestic markets. The share of the B2B segment was 25%, which SOMC aims to ramp up by 2%. During Q1, sanitaryware contributed INR630mn to the top line (INR610mn in Q1FY25) and the company expects low double-digit growth. While Q1FY26 has been sluggish with demand pressure and muted exports, SOMC expects tile volumes to grow in high single-digit in FY26, aided by a better performance in July.

## Margin dips led by weak demand and lower utilisation

In Q1FY26, margins fell to 8% (-50bp YoY) despite stable gas prices driven by lower utilisation levels and JV performance. Furthermore, the Max plant's ramp-up has been slow with utilisation levels reaching 51% for Q1FY26. The company is investing INR500mn on two additional press lines at Max, to manufacture non-value added, aimed at increasing utilisation levels to 75% in H2FY26. SOMC has also undertaken cost rationalisation measures such as maintaining ad costs and curtailing travel expenses. Management maintains their guidance of 100–150bp improvement in EBITDA margins.

## Strong focus on balance sheet; high hopes on Durabuild

While its working capital days increased by four days to 17 in Q1FY26, the receivables days have gone down by 62 days. Through the Durabuild acquisition, SOMC aims to tap into the construction chemical business (a completely new segment for SOMC). The company wants to focus on the waterproofing IPs of Durabuild (concrete, bathrooms, terraces and walls). SOMC pegs the market size at INR60bn for adhesives and ad mixture each.

## Financials

| Year to March | Q1FY26 | Q1FY25 | % Change | Q4FY25 | % Change |
|---|---|---|---|---|---|
| Net Revenue | 6,044 | 5,786 | 4.5 | 7,690 | (21.4) |
| EBITDA | 482 | 490 | (1.6) | 625 | (22.9) |
| Adjusted Profit | 104 | 123 | (15.6) | 213 | (51.4) |
| Diluted EPS (INR) | 2.4 | 2.9 | (15.6) | 5.0 | (51.4) |

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# Financial Statements

### Income Statement (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Total operating income | 26,588 | 28,495 | 30,633 | 32,983 |
| Gross profit | 13,784 | 15,102 | 16,389 | 17,745 |
| Employee costs | 3,547 | 3,796 | 4,061 | 4,346 |
| Other expenses | 8,028 | 8,646 | 9,324 | 10,074 |
| EBITDA | 2,209 | 2,661 | 3,003 | 3,325 |
| Depreciation | 903 | 911 | 941 | 972 |
| Less: Interest expense | 524 | 423 | 363 | 303 |
| Add: Other income | 90 | 99 | 109 | 120 |
| Profit before tax | 852 | 1,427 | 1,808 | 2,170 |
| Prov for tax | 272 | 414 | 524 | 629 |
| Less: Other adj | 0 | 0 | 0 | 0 |
| Reported profit | 601 | 1,008 | 1,279 | 1,536 |
| Less: Excp.item (net) | 0 | 0 | 0 | 0 |
| Adjusted profit | 601 | 1,008 | 1,279 | 1,536 |
| Diluted shares o/s | 41 | 41 | 41 | 41 |
| Adjusted diluted EPS | 14.6 | 24.6 | 31.2 | 37.4 |
| DPS (INR) | 0 | 3.0 | 3.0 | 3.0 |
| Tax rate (%) | 32.0 | 29.0 | 29.0 | 29.0 |

### Balance Sheet (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Share capital | 82 | 82 | 82 | 82 |
| Reserves | 7,635 | 8,494 | 9,623 | 11,008 |
| Shareholders funds | 7,717 | 8,576 | 9,705 | 11,090 |
| Minority interest | 726 | 730 | 735 | 740 |
| Borrowings | 3,019 | 2,619 | 2,219 | 1,819 |
| Trade payables | 3,343 | 4,403 | 4,683 | 5,010 |
| Other liabs & prov | 3,821 | 2,935 | 3,167 | 3,380 |
| Total liabilities | 19,669 | 20,307 | 21,553 | 23,083 |
| Net block | 10,122 | 9,713 | 9,273 | 8,803 |
| Intangible assets | 171 | 171 | 171 | 171 |
| Capital WIP | 163 | 163 | 163 | 163 |
| Total fixed assets | 10,456 | 10,047 | 9,608 | 9,138 |
| Non current inv | 38 | 38 | 38 | 38 |
| Cash/cash equivalent | 1,073 | 2,632 | 3,787 | 5,251 |
| Sundry debtors | 3,688 | 3,123 | 3,441 | 3,705 |
| Loans & advances | 57 | 63 | 69 | 76 |
| Other assets | 4,356 | 4,405 | 4,612 | 4,877 |
| Total assets | 19,669 | 20,307 | 21,553 | 23,083 |

### Important Ratios (%)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Volume Growth (%) | 2.2 | 7.0 | 7.0 | 7.0 |
| Realisation Growth | (1.6) | (1.0) | (1.0) | (1.0) |
| Capex (INR mn) | 718.3 | 60.3 | 402.0 | 402.0 |
| EBITDA margin (%) | 8.3 | 9.3 | 9.8 | 10.1 |
| Net profit margin (%) | 2.3 | 3.5 | 4.2 | 4.7 |
| Revenue growth (% YoY) | 2.6 | 7.2 | 7.5 | 7.7 |
| EBITDA growth (% YoY) | (12.8) | 20.5 | 12.9 | 10.7 |
| Adj. profit growth (%) | (38.0) | 67.9 | 26.8 | 20.1 |

### Free Cash Flow (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Reported profit | 601 | 1,008 | 1,279 | 1,536 |
| Add: Depreciation | 903 | 911 | 941 | 972 |
| Interest (net of tax) | 351 | 283 | 243 | 203 |
| Others | (1,105) | 406 | (281) | (196) |
| Less: Changes in WC | (662) | 345 | (19) | 3 |
| Operating cash flow | 1,412 | 2,264 | 2,201 | 2,511 |
| Less: Capex | (834) | (160) | (502) | (502) |
| Free cash flow | 578 | 2,104 | 1,699 | 2,009 |

### Assumptions (%)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| GDP (YoY %) | 6.5 | 6.5 | 6.5 | 6.5 |
| Repo rate (%) | 5.3 | 5.3 | 5.3 | 5.3 |
| USD/INR (average) | 75.0 | 75.0 | 75.0 | 75.0 |
| Packing % of Sales | 3.9 | 4.0 | 4.0 | 4.0 |
| Fuel cots % of Sales | 18.9 | 19.3 | 19.4 | 19.5 |
| Manf exp % of Sales | 5.4 | 5.0 | 5.0 | 5.0 |
| Employee % of Sales | 13.3 | 13.3 | 13.3 | 13.2 |
| Promotion % of Sales | 2.0 | 2.0 | 2.0 | 2.0 |
| Dep % of Gross Block | 6.1 | 6.1 | 6.1 | 6.1 |

### Key Ratios

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| RoE (%) | 8.1 | 12.4 | 14.0 | 14.8 |
| RoCE (%) | 12.1 | 15.8 | 17.7 | 18.8 |
| Inventory days | 98 | 97 | 99 | 98 |
| Receivable days | 48 | 44 | 39 | 40 |
| Payable days | 127 | 106 | 116 | 116 |
| Working cap (% sales) | 4.9 | 2.1 | 2.0 | 1.9 |
| Gross debt/equity (x) | 0.4 | 0.3 | 0.2 | 0.2 |
| Net debt/equity (x) | 0.2 | 0 | (0.2) | (0.3) |
| Interest coverage (x) | 2.5 | 4.1 | 5.7 | 7.8 |

### Valuation Metrics

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Diluted P/E (x) | 34.9 | 20.8 | 16.4 | 13.7 |
| Price/BV (x) | 2.7 | 2.4 | 2.2 | 1.9 |
| EV/EBITDA (x) | 14.3 | 11.1 | 9.4 | 7.9 |
| Dividend yield (%) | 0 | 0.6 | 0.6 | 0.6 |

*Source: Company and Nuvama estimates*

### Valuation Drivers

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| EPS growth (%) | (38.0) | 67.9 | 26.8 | 20.1 |
| RoE (%) | 8.1 | 12.4 | 14.0 | 14.8 |
| EBITDA growth (%) | (12.8) | 20.5 | 12.9 | 10.7 |
| Payout ratio (%) | 0 | 12.2 | 9.6 | 8.0 |

# Q1FY26 conference call: Key highlights

### Opening remarks

- Muted demand
  - Low sales in India
  - Lower exports from Morbi in Q1
- Exports: INR180bn (further decline of another INR20bn in FY26).
- Operating margins: Low capacity utilisation.
- JV faced maximum pressure.
- Max plant: High-end tiles: Corrective actions taken to improve utilisation. Expect better in H2.
- Sanitaryware: Kiln shutdown- but now back to 100% - better quality and yield.
- Extra depreciation: INR 50mn due to the reduction of life of some assets
- Capacity 71% utilisation
- Sales split: Ceramics:34%; PVT: 26% and GVT: 40%
- Brand spends: In line with last year
- Working capital has increased by four days
- Increase of 65 dealers.
- Guidance maintained: high single digit growth; EBITDA expansion of 1–1.5%
- Concluded the JV with Durabuild: -Water proofing products
- July was good. August should be better.

### Guidance

- Margins would improve with higher utilisation. Utilisation levels shall be better than last year. 1–1.5% margin expansion

### Industry

- Realisation is not going down
- Export: current trends: It should be in the same region.
- Morbi: Only surviving because of extremely high scale of GST evasion.
- Leader will want to gain volumes: But it shall be temporary and knee jerk reaction.
- Market share: domestic players flat
- Gas prices: gone down slightly- across India, largely flat

### Durabuild acquisition

- 150 different IPs
- Three years: option to buy
- 75% and then the rest
- Construction chemicals.
- Concentrating on the waterproofing IPs.
- INR60bn market on which the company is focusing

- Water-proofing : Starting from concrete to bathrooms, terrace and walls.
- Kasika, croche and Asian Paints other players.
- Ad mixtures: in concrete, INR60bn market- additive in RMC plant.
- Top line of the company:- Adhesives: INR20mn and INR60/70mn of ad mixture
- Ad mixture is B2B/Adhesives is B2C or B2B
- Entering into hardware shops

### Current demand scenario

- Further gone down with pressure.
- Value-added segment: Under pressure post quarter.

### Company-specific performance

- Small price hike has been taken in July
- Export will be higher for the company with a low base
- Max plant: 51–52% utilisation (target: 75% utilisation by H2FY26).
- Higher trading volumes: due to two JVs, which were exited.
- Wall tiles under pressure- Balancing equipment added.
- Max plant: 65mn during Q1. Confident of next year reducing it to zero.
- Sanitaryware and faucet: top line INR630mn (610mn)- early double digit expected
- Faucets: From INR 280mn increased to INR 310mn

### Cost

- No major employee related expenses have been cut
- No following the peers
- Ad costs: maintaining- as a percentage of revenue- it will be slightly higher
- Travel more effective: cautious; using more teleconferencing facilities

### Miscellaneous

- Receivables have gone down by one day
- No further movement expected there
- Investment of INR500mn in SMPL:
  - Some press to be added at Max: two additional- to produce slightly non-value added products- also adding balancing equipment
  - To cover certain losses.
- B2B: 25%- efforts to improve by 2–3%.
- 4–5% in margins between retail and projects; delayed
- 41% North 27% is south; Rest between East and west
- Q4 generally is better: higher sales push+ government spending is heightened
- Annual depreciation: INR1.10bn

**Exhibit 1: Financial snapshot (INR mn)**

| Year to March | Q1FY26 | Q1FY25 | % change | Q4FY25 | % change | FY26E |
|---|---|---|---|---|---|---|
| Revenues | 6,044 | 5,786 | 4.5 | 7,690 | (21.4) | 28,495 |
| Raw material | 2,890 | 2,485 | 16.3 | 4,171 | (30.7) | 13,393 |
| Staff costs | 872 | 868 | 0.5 | 894 | (2.5) | 3,796 |
| Others | 1,800 | 1,944 | (7.4) | 2,000 | (10.0) | 8,646 |
| Total expenditure | 5,563 | 5,296 | 5.0 | 7,065 | (21.3) | 25,834 |
| EBITDA | 482 | 490 | (1.6) | 625 | (22.9) | 2,661 |
| Depreciation | 260 | 192 | 35.5 | 291 | (10.8) | 911 |
| EBIT | 222 | 298 | (25.5) | 334 | (33.4) | 1,750 |
| Less: Interest Expense | 127 | 135 | (5.9) | 122 | 4.4 | 423 |
| Add: Other income | 19 | 21 | (9.1) | 38 | (49.9) | 99 |
| Add: Prior period items | | | | | | 0 |
| Add: Exceptional items | 0 | 0 | | 0 | | 0 |
| Profit Before Tax | 114 | 184 | (38.0) | 250 | (54.4) | 1,427 |
| Less: Provision for Tax | 40 | 61 | (34.0) | 63 | (35.4) | 414 |
| Less: Minority Interest | -30 | -0 | | -26 | | 5 |
| Add: Share of profit from associates | | | | | | 0 |
| Exceptional Items(Net of tax) | 0 | | | | | |
| Reported Profit | 104 | 123 | (15.6) | 213 | (51.4) | 1,008 |
| Adjusted Profit | 104 | 123 | (15.6) | 213 | (51.4) | 1,008 |
| No. of Diluted shares outstanding (mn) | 42 | 42 | | 42 | | 41 |
| Adjusted Diluted EPS | 2.4 | 2.9 | (15.6) | 5.0 | (51.4) | 24.6 |
| P/E (x) | | | | | | 12.2 |
| EV/EBITDA (x) | | | | | | 8.2 |
| ROE (%) | | | | | | 11.4 |
| As % of net revenues | | | | | | |
| Raw material | 47.8 | 42.9 | | 54.2 | | 47.0 |
| Staff expenses | 14.4 | 15.0 | | 11.6 | | 13.3 |
| Other expenses | 29.8 | 33.6 | | 26.0 | | 30.3 |
| EBITDA | 8.0 | 8.5 | | 8.1 | | 9.3 |
| Net profit | 1.7 | 2.1 | | 2.8 | | 3.5 |

*Source: Company, Nuvama Research*

## Company Description

SOMC is the third largest player in the Indian tile industry with market share pegged at 6% in FY19. It is the second largest company in India in terms of profitability after Kajaria Ceramics. Currently, the company has access to capacity of 62msm distributed across 9 plants. SOMC has also ventured into in-house manufacturing of sanitary ware products and has total capacity of 1.3mn pieces p.a. From being a ceramic wall and floor tiles manufacturer, it has diversified its product portfolio to polished vitrified tiles, glazed vitrified tiles and sanitary ware and bath fitting. Retail and institutional businesses contribute 70% and 30% to the company's revenue, respectively. It also caters to brand-enhancing names under institutional and retail sales.

## Investment Theme

SOMC has captured 6% market share of the domestic tiles industry anchored by a comprehensive product range, innovative products, aggressive brand spending, extensive distribution network and outsourced manufacturing. We anticipate the company's current endeavour to build manufacturing capacities primarily in value-added products to yield superior profitability and boost market share. Further, the company is on track to reduce debt and discontinue its treasury operations, which should help improve cash flow.

## Key Risks

**Slowdown in the real estate sector:** The tile industry's growth is highly dependent on overall economic development and the real estate sector. Any slowdown in the real estate sector will dampen KJC's growth prospects.

**Intensifying competition:** The tile industry is highly fragmented with the unorganised sector accounting for more than 50% value share and ~60% volume share. While Morbi players are currently focussing on exports, any slowdown in exports or over capacity addition could intensify competition in domestic market and may have detrimental effects on KJC's revenue.

# Additional Data

### Management

| | |
|---|---|
| Chairman and MD | Mr. Shreekant Somany |
| CEO and MD | Mr. Abhishek Somany |
| CFO | Mr. Sailesh Kedawat |
| CS | Mr. Ambrish Julka |
| Auditor | Singhi & Co |

### Holdings – Top 10*

| | % Holding | | % Holding |
|---|---|---|---|
| Kotak AMC | 6.90 | Kirtivardhan Fi | 1.03 |
| Franklin Resour | 5.23 | ICICI AMC | 0.66 |
| Nippon India | 4.78 | Dimensional fun | 0.47 |
| L&T MF | 4.23 | State street co | 0.03 |
| New Mark India | 1.10 | Nomura holdings | 0.02 |

**Latest public data*

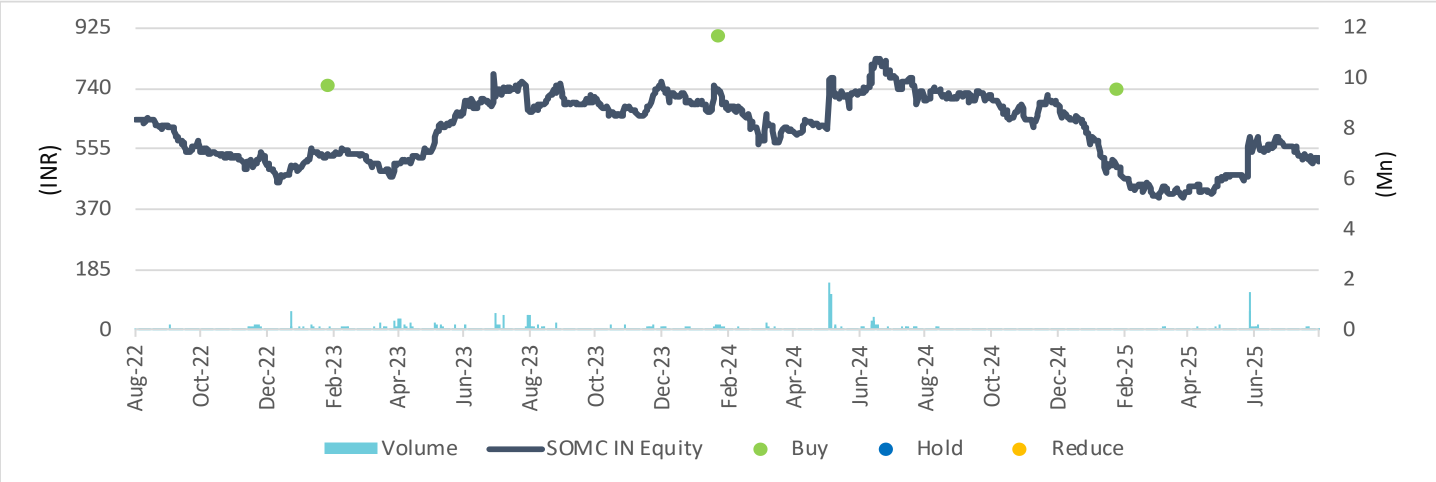
### Recent Company Research

| Date | Title | Price | Reco |
|---|---|---|---|
| 07-May-25 | Volumes weak; margins yet to pick up ; *Result Update* | 430 | Buy |
| 06-Feb-25 | Volumes lagging; margins continue to fal; *Result Update* | 505 | Buy |
| 18-Dec-24 | Bolstering balance sheet strength; *Visit Note* | 657 | Buy |

### Recent Sector Research

| Date | Name of Co./Sector | Title |
|---|---|---|
| 12-Aug-25 | Venus Pipes | Power demand gives boost; domestic reviv; *Result Update* |
| 12-Aug-25 | Astral Ltd | Q1FY26 a miss; CPVC resin capacity key; *Result Update* |
| 11-Aug-25 | Greenlam Industries | Cost surge axes earnings; *Result Update* |

### Rating and Daily Volume Interpretation




*Source: Bloomberg, Nuvama research*

### Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|---|---|---|
| Buy | 15% | 198 |
| Hold | <15% and >-5% | 70 |
| Reduce | <-5% | 36 |

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