SOMANY CERAMICS

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	441
12 month price target (INR)	633
52 Week High/Low	737/395
Market cap (INR bn/USD bn)	18/0.2
Free float (%)	45
Avg. daily value traded (INR mn)	15.2

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	55.00%	55.01%	55.01%
FII	0.98%	1.39%	1.49%
DII	23.17%	23.01%	23.63%
Pledge	0%	0%	0%

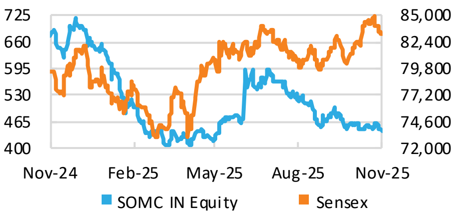
FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	26,588	28,433	30,689	33,145
EBITDA	2,210	2,653	3,066	3,431
Adjusted profit	602	935	1,279	1,557
Diluted EPS (INR)	14.7	22.8	31.2	38.0
EPS growth (%)	(37.9)	55.4	36.8	21.7
RoAE (%)	8.1	11.5	14.1	15.1
P/E (x)	30.1	19.3	14.1	11.6
EV/EBITDA (x)	14.4	11.3	9.3	7.7
Dividend yield (%)	0	0.7	0.7	0.7

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	28,433	30,689	-1	-1
EBITDA	2,653	2,066	-1	-2
Adjusted profit	997	1,310	-3	0
Diluted EPS (INR)	24	32	-3	0

PRICE PERFORMANCE



Gas outage hurts profits

Somany (SOMC) reported weak Q2FY26 results. While volumes were flat YoY, margins slipped 60bp YoY to 7.8%. Realisations during the quarter grew 0.5% on the back of price hikes taken by the company. Given higher depreciation, PAT has plunged 23% YoY. SOMC guided for mid-to-high single-digit volume growth with 100–150bp EBITDA margin increase in FY26 as utilisation levels for the Max plant improve. The focus remains on maintaining a strong balance sheet.

Given miss on Q2 results, we are trimming FY26E EPS by 3%. Given a 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 INR633 (earlier INR561) on 18x Q1FY28E EPS.

Volumes stagnant; high single-digit growth guidance maintained

SOMC reported flat YoY volumes at 17.8MSM (estimate: +4% YoY), as realisations inched up 0.5% YoY, aided by price hikes of 1.5% undertaken during the quarter. Management indicated that demand stayed weak across North India due to heavy rains while South India delivered a strong performance**.** Exports gained traction**,** growing ~7% YoY. Project sales accounted for 15–17% of revenue (exports ~3%), and are likely to rise to 18–19% as the real estate cycle continues to strengthen. During the quarter, bathware has contributed INR764mn (INR701mn in Q2FY25) and SOMC expects low double-digit growth. The company expects tile volumes to grow in high single digits in FY26, aided improving utilisation at the Max plant.

Gas supply issues affect margins; utilisation low

In Q2FY26, EBITDA margin shrunk to 7.8% (-60bp YoY), hurt by gas supply issues at the Kassar plant, which led to a 120–125bp margin hit, coupled with continued losses from JVs. The Max plant's ramp-up remained gradual with utilisation at ~50% in Q2FY26; however, management has implemented corrective measures and remains confident of achieving ~75% utilisation and breakeven by Q4FY26. Moreover, SOMC undertook a 40-day shutdown at its JV Vintage Tiles to reconfigure production lines toward newer tile varieties, moving away from government-focused double-charged vitrified tiles. Management reiterated FY26 guidance on 100–150bp improvement in EBITDA margin with double-digit margins achievable once utilisation reaches ~85%.

Balance sheet focus continues; no major capex planned

While SOMC's working capital days increased marginally by one day to 14**,** the company continues to focus on strengthening its balance sheet despite the challenging demand environment. Moreover, no major capex is planned over the next 12–18 months**,** reflecting its disciplined capital allocation approach.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	6,852	6,663	2.8	6,044	13.4
EBITDA	535	560	(4.4)	482	11.1
Adjusted Profit	158	172	(7.7)	104	52.7
Diluted EPS (INR)	3.7	4.0	(7.7)	2.4	52.7

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	26,588	28,433	30,689	33,145
Gross profit	14,672	15,638	17,124	18,561
Employee costs	3,547	3,796	4,061	4,346
Other expenses	8,915	9,189	9,997	10,785
EBITDA	2,210	2,653	3,066	3,431
Depreciation	903	1,040	1,061	1,081
Less: Interest expense	524	493	363	303
Add: Other income	90	108	116	124
Profit before tax	853	1,228	1,757	2,170
Prov for tax	272	356	510	629
Less: Other adj	0	0	0	0
Reported profit	602	935	1,279	1,557
Less: Excp.item (net)	0	0	0	0
Adjusted profit	602	935	1,279	1,557
Diluted shares o/s	41	41	41	41
Adjusted diluted EPS	14.7	22.8	31.2	38.0
DPS (INR)	0	3.0	3.0	3.0
Tax rate (%)	31.9	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	8,420	9,549	10,956
Shareholders funds	7,717	8,502	9,631	11,038
Minority interest	726	663	632	616
Borrowings	3,019	2,619	2,219	1,819
Trade payables	3,343	4,207	4,460	4,795
Other liabs & prov	3,726	2,949	3,203	3,426
Total liabilities	19,574	19,983	21,188	22,737
Net block	10,463	9,924	9,365	8,786
Intangible assets	171	171	171	171
Capital WIP	163	163	163	163
Total fixed assets	10,797	10,258	9,699	9,120
Non current inv	38	38	38	38
Cash/cash equivalent	903	2,244	3,436	5,027
Sundry debtors	3,688	3,116	3,447	3,723
Loans & advances	39	43	47	52
Other assets	4,109	4,285	4,522	4,779
Total assets	19,574	19,983	21,188	22,737

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Volume Growth (%)	2.2	5.0	7.0	7.0
Realisation Growth	(1.6)	1.0	0	0
Capex (INR mn)	718.3	401.0	402.0	402.0
EBITDA margin (%)	8.3	9.3	10.0	10.4
Net profit margin (%)	2.3	3.3	4.2	4.7
Revenue growth (% YoY)	2.6	6.9	7.9	8.0
EBITDA growth (% YoY)	(12.7)	20.1	15.5	11.9
Adj. profit growth (%)	(37.9)	55.4	36.8	21.7

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	602	935	1,279	1,557
Add: Depreciation	903	1,040	1,061	1,081
Interest (net of tax)	351	331	243	203
Others	(1,106)	627	(374)	(162)
Less: Changes in WC	(662)	479	(65)	20
Operating cash flow	1,412	2,454	2,275	2,658
Less: Capex	(834)	(501)	(502)	(502)
Free cash flow	578	1,953	1,773	2,156

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	3.3	3.0	3.0	3.0
Fuel cots % of Sales	18.9	19.3	19.4	19.4
Manf exp % of Sales	9.3	8.0	8.2	8.1
Employee % of Sales	13.3	13.3	13.2	13.1
Promotion % of Sales	2.0	2.0	2.0	2.0
Dep % of Gross Block	6.4	7.2	7.1	7.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	8.1	11.5	14.1	15.1
RoCE (%)	12.1	14.8	17.5	19.1
Inventory days	105	99	99	98
Receivable days	48	44	39	39
Payable days	137	108	117	116
Working cap (% sales)	3.9	1.9	2.0	1.8
Gross debt/equity (x)	0.4	0.3	0.2	0.2
Net debt/equity (x)	0.3	0	(0.1)	(0.3)
Interest coverage (x)	2.5	3.3	5.5	7.8

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	30.1	19.3	14.1	11.6
Price/BV (x)	2.3	2.1	1.9	1.6
EV/EBITDA (x)	14.4	11.3	9.3	7.7
Dividend yield (%)	0	0.7	0.7	0.7

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(37.9)	55.4	36.8	21.7
RoE (%)	8.1	11.5	14.1	15.1
EBITDA growth (%)	(12.7)	20.1	15.5	11.9
Payout ratio (%)	0	13.2	9.6	7.9

Q2FY26 conference call: Key highlights

Opening remarks

- Capacity utilization was 75%, affected by a 20–25-day outage at the Kassar plant due to disruption in the Bhavana gas pipeline. Gas supply was restored on September 20th; however, this resulted in a 120–125bp EBITDA margin loss.
- The loss is covered by insurance and compensation is likely to be recognised in the P&L in due course.
- Volumes were also affected by excessive rains across North India while the southern region outperformed the past few quarters.
- The JVs, including MAX, continue to incur losses, though corrective measures have been implemented; a turnaround is likely Q4FY26 onwards.
- The Vintage JV remained shut for 40 days to reconfigure production from double-charged vitrified tiles (largely supplied to government projects) to new tile varieties in line with an improved product mix.
- GVT tiles are likely to contribute over 50% of total sales in the next 12–18 months.
- Brand spends were ~2% of sales in Q2FY26.
- Working capital days increased marginally by one day; receivables declined, and the balance sheet remains well under control.
- Net dealer additions during H1FY26 were 119.
- Total debt reduced to INR2.57bn.
- Management expects double-digit EBITDA margins in coming quarters.

Guidance

- The company expects mid-to-high single-digit volume growth in FY26.
- Targeting an EBITDA margin improvement of 100–150bp for FY26.
- High double-digit margins are likely once capacity utilisation reaches ~85%.
- Full capacity utilisation could generate an additional INR5–6bn in tile sales and ~INR1bn from bathware.
- Management emphasised that capacity utilisation remains the key margin lever.

Industry trends

- The company has retained price hikes of ~1.5% and is evaluating further hikes in Q3FY26 and Q4FY26. Most branded players have already taken price hikes.
- Exports were down by INR60mn during the quarter.
- Industry exports rose ~7% YoY to INR190–200 bn over the last five months (versus INR170–175bn in the same period last year).
- Management believes the industry is emerging from a downturn though the recovery is likely to be gradual rather than V-shaped. Morbi players are beginning to face stress.

Max plant

- The Max plant operated at ~50% utilisation in Q2FY26. Management expects utilisation to reach 75% by Q4FY26 (breakeven level), with profitability likely from FY27.
- Loss for the quarter stood at INR 75 mn.

Sanitaryware and Bathware

- Bathware segment grew 9.5% YoY in Q2FY26.
- Sanitaryware and fittings contribute ~12% of total revenue (Sanitaryware: 60%, Fittings: 40%). Margins are slightly better than tiles but remain modest.
- Management is targeting ~15% revenue contribution from this segment in the near term with the broader non-tile business expected to exceed 20% of total revenues in the next few years.
- The segment reported 9% growth in Q2FY26 and is tracking towards low double-digit growth for FY26.

Miscellaneous

- Project sales contribute 15–17% of revenue, exports ~3%, and the rest retail. Project sales are likely to rise to 18–19% as the real estate cycle strengthens.
- Gas costs remained flat QoQ with no change in gas prices.

Product mix (Q2FY26)

- Ceramic: 33%
- GVT: 26%
- PVT: 41% (lowest margin contributor)
- Margin profile: PVT < Ceramic < GVT

Exhibit 1: Quarterly snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change
Revenues	6,852	6,663	2.8	6,044	13.4
Raw material	3,609	3,228	11.8	2,890	24.9
Staff costs	898	891	0.7	872	2.9
Others	1,810	1,984	(8.8)	1,800	0.5
Total expenditure	6,317	6,103	3.5	5,563	13.6
EBITDA	535	560	(4.4)	482	11.1
Depreciation	263	192	37.2	260	1.2
EBIT	272	368	(26.1)	222	22.6
Less: Interest Expense	123	135	(8.5)	127	(3.0)
Add: Other income	37	13	179.5	19	94.2
Add: Prior period items					
Add: Exceptional items	0	0		0	
Profit Before Tax	186	247	(24.7)	114	63.1
Less: Provision for Tax	63	73	(14.6)	40	55.2
Less: Minority Interest	0	2		-30	
Add: Share of profit from associates					
Exceptional Items(Net of tax)	9				
Reported Profit	132	172	(23.3)	104	26.9
Adjusted Profit	132	172	(23.3)	104	26.9
No. of Diluted shares outstanding (mn)	42	42		42	
Adjusted Diluted EPS	3.1	4.0	(23.3)	2.4	26.9
P/E (x)					
EV/EBITDA (x)					
ROE (%)					
As % of net revenues					
Raw material	52.7	48.4		47.8	
Staff expenses	13.1	13.4		14.4	
Other expenses	26.4	29.8		29.8	
EBITDA	7.8	8.4		8.0	
Net profit	1.9	2.6		1.7	

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 nine 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*

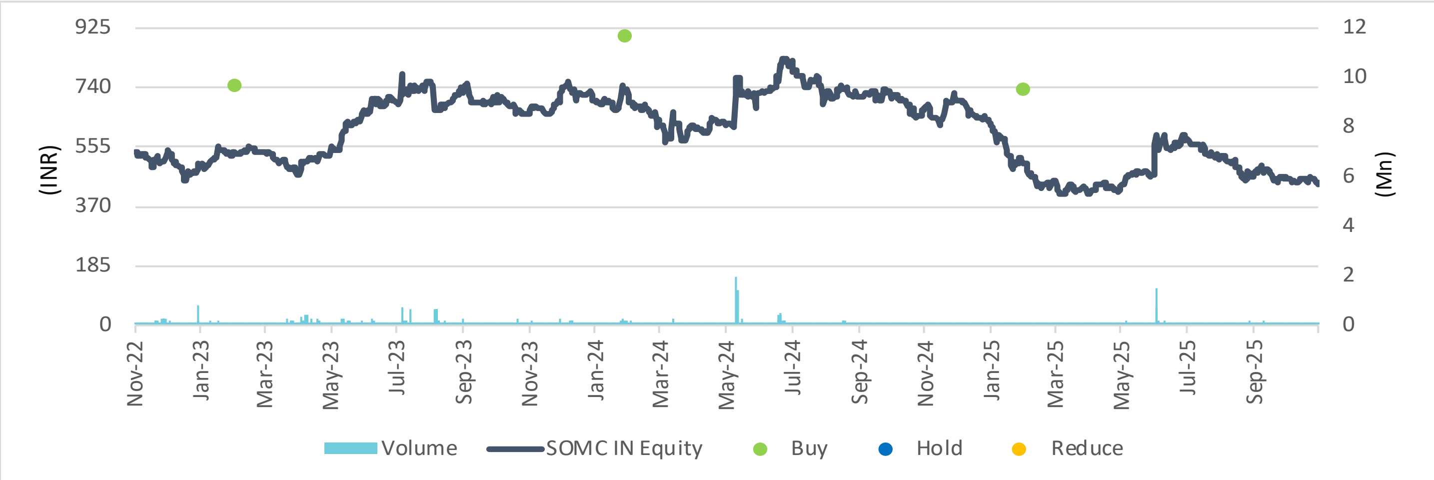
Recent Company Research

Date	Title	Price	Reco
14-Aug-25	Volumes weak; lower utilisation drags; *Result Update*	510	Buy
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

Recent Sector Research

Date	Name of Co./Sector	Title
06-Nov-25	Astral Ltd	Re-strategising aids bounce back; *Result Update*
04-Nov-25	Greenply Inds.	MDF plant shutdown takes a toll; *Result Update*
30-Oct-25	Apollo Pipes	Sectoral headwinds; profitability suffer; *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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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