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## Modest volume growth; margins surprise positively !

**About the stock:** Somany Ceramics is the second largest tiles manufacturer in the domestic tiles market having ~75 MSM capacity along with bath fittings and sanitaryware capacity of 1.3 mn pieces and 0.48 mn pieces, respectively

- The company has guided for healthy single digit volume growth in FY27 and 100-150 bps margins expansion

**Q4FY26 Performance:** Somany Ceramics' tile volumes were up 2% YoY at 20.8 MSM, with tile revenues rising 4.8% YoY to ₹675.2 crore. Overall revenue stood at ₹812 crore, up 6% YoY. EBITDA margins reached 11.3%, up 317 bps YoY, aided by higher gross margins. PAT was reported at ₹37.8 crore, up 77.2% YoY, supported by healthy operating profit and a near break even performance at its Max JV. For FY25, tile volumes grew 2% YoY to 72.1 MSM. Overall revenue reached ₹2,770.5 crore, up 5% YoY. EBITDA margins came in at 9.3%, up 95 bps YoY, while PAT was reported at ₹81.2 crore, up 35.2% YoY.

### Investment Rationale

- Guidance of healthy single digit volume growth in Tiles:** The Management targets healthy single-digit volume growth for tiles and double-digit revenue growth for sanitaryware and bathware in FY27. Given the sharp rise in gas prices, the company has undertaken 15-17% price hike. **We note that at current prices, volume offtake might be challenging, and therefore, we expect strong volume growth in only in H2, as war situation stabilises. Thus, we bake Tiles revenues CAGR of 8.2% over FY26-FY28E to ₹2719 crore, with volume CAGR of 7% over the same period to ~82.6MSM. Overall topline is expected to grow at 7.8% CAGR over FY26-28E to ₹3243 crore.**
- Margins to improve ahead:** Management noted that EBITDA margins are projected to expand by 100-150 bps from the current level of 9.3%, driven by operational leverage, better asset utilization at the Max and Vintage plants, and market share gains from industry consolidation. **We expect EBITDA margins of ~9.9%/9.9% in FY27 & FY28, respectively vs 9.2% in FY26. We expect earnings CAGR of ~21.2% over FY26-FY28E, largely led by volumes recovery and margins improvement.**

### Rating and Target Price

- With demand expected to pick up driven by real estate completion cycle coupled with improving operational efficiency, we expect the company growth trajectory to back in FY27. Nonetheless, elevated gas prices, would be a key monitorable as volume offtake at higher tiles prices could be challenging.
- We value Somany at ₹520, at 18x FY28 P/E and maintain a BUY rating.**



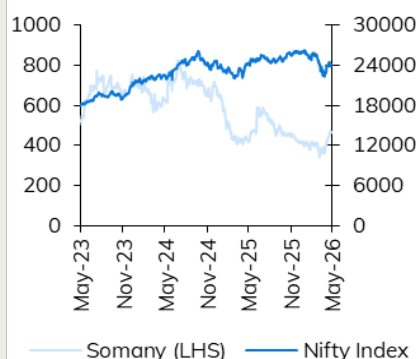
#### Particulars

Particular	₹ crore
Market	1,820
Capitalization	
Total Debt (FY26)	251
Cash (FY26)	148
EV	1,924
52 week H/L (₹)	624 / 395
Equity capital	8.2
Face value	2.0

#### Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	55.0	55.0	55.0	55.2
FII	1.4	1.0	0.9	1.3
DII	23.0	23.2	23.0	21.6
Other	20.6	20.8	21.1	21.8

#### Price Chart



#### Key risks

- Sustained slowdown in demand;
- Any sharp rise in gas prices

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### Key Financial Summary

₹ crore	FY24	FY25	FY26	5 yr CAGR (FY21-26)	FY27E	FY28E	2yr CAGR FY26-28E
Revenues	2,591.4	2,658.8	2,789.8	11.1%	3,060.2	3,242.9	7.8%
EBITDA	253.2	220.9	257.8	6.3%	302.7	321.5	11.7%
EBITDA Margin (%)	9.8	8.3	9.2		9.9	9.9	
PAT	96.9	60.1	81.2	7.3%	106.7	119.2	21.2%
EPS (₹) *	23.6	14.7	19.8		26.0	29.1	
P/E (x)	18.5	29.9	22.1		16.8	15.1	
EV/EBITDA (x)	8.1	9.1	7.3		6.0	5.1	
RoNW (%)	13.5	7.8	9.6		11.5	11.7	
RoCE (%)	14.8	10.9	11.8		13.7	14.1	

Source: Company, ICICI Direct Research

## Performance highlights and outlook

- **Guidance:** The Management targets **decent single-digit volume growth for tiles and double-digit revenue growth for sanitaryware and bathware in FY27**. It indicated that if current 15-17% price hikes hold and demand recovers, topline growth could reach ~20-25%. **EBITDA margins are projected to expand by 100-150 bps, driven by operational leverage, better asset utilization at the Max and Vintage plants, and market share gains from industry consolidation.**
- **Tile Segment:** In FY26, **overall capacity utilisation hit ~79% (~82% in Q4), driven by a strategic shift toward higher-value products as GVT sales rose ~3% while ceramic and PVT volumes fell ~3%**. Management expects **organised, branded tile players to gain a competitive edge and market share from industry consolidation, Morbi disruptions, and elevated gas prices, which have significantly narrowed the pricing gap with unorganised competitors as unorganised players have taken a price hike of 30-35%, organised players have taken a price hike of 15-20%**. For FY26, the management observed an overall cost increase of approximately ₹6.5-7/sq. ft. due to rising gas and other input costs; however, they noted that retail price hikes have largely offset this increase.
- **Allied business performance:**
  - **Sanitaryware and Faucets:** The business **grew ~8% to ~₹320 crore in FY26**. Management highlighted that sanitaryware and bathware/faucets yield higher margins than tiles. These segments benefit from cross-selling through the existing dealer network. Currently, **only ~25% of dealers sell Somany sanitaryware, leaving significant headroom for expansion. Additionally, the company implemented ~8% blended price hikes across sanitaryware and bathware**. It continues investing in capacity and value addition to improve profitability and strengthen the premium product mix.
  - **Max JV:** The Max plant achieved near break-even in Q4FY26 Vs. a loss of ~₹9 crore in Q4FY25. Management highlighted that performance improvement was driven by better capacity utilisation following investments in a new press and higher production at the facility with this, it stated **that the turnaround is sustainable, expects the plant loss to stay below ₹10 crore for FY27 and to turn profitable in FY28**.
- **Gas Price:** Middle East tensions **caused a Q4 gas price surge post March 2026. In Morbi gas price stood at ₹74/SCM plus 6% tax, whereas in northern regions it stayed near ₹70-71/SCM**. Southern prices sit at ₹78/SCM but the management anticipates further drop by at least ₹17-18 starting June resulted due to a long-term supply agreement.
- **Dealer Network:** Management reported a net addition of 200 dealers in FY26, taking the overall dealer base to 3100.
- **Advertisement Expenses:** The advertisement expenses stood at 2% of turnover, slightly lower due removal of rand ambassadors.
- **Working Capital position:** As of Q4FY26, working capital days dropped to 9 (vs. 13 days in Q4FY25), while net debt stood at ₹105 crore (vs. ₹225 crore in Q4FY25) with a D/E ratio of 0.12
- **Capex plan:** The company has budgeted ₹70-₹80 crore for routine capex in FY27.

**Exhibit 1: Quarter Performance**

Particular	Q4FY26	Q4FY25	YoY (Chg %)	Q3FY26	QoQ (Chg %)	Comments
Net Sales	818	769.0	6.4	682.3	19.9	Tiles volumes were up 2% YoY at 20.8 MSM with tile revenues of ₹675.2 crore, were up 4.8% YoY
Other Income	3.2	3.8	-16.1	2.6	24.7	
Raw Material Expense	147.4	145.0	1.6	153.4	-3.9	
Purchase of Traded Goods	243.2	234.7	3.6	204.8	18.8	
Power & Fuel	120.6	120.6	0.1	125.9	-4.2	
Employee benefit expenses	91.9	89.4	2.7	93.5	-1.7	
Other Expenses	75.0	79.5	-5.6	72.9	3.0	
EBITDA	92.4	62.5	47.9	62.0	49.0	
EBITDA Margin (%)	11.3	8.1	317 bps	9.1	220 bps	margin expansion aided by higher gross margins
Depreciation	27.3	29.1	-6.3	27.9	-2.3	
Interest	10.6	12.2	-13.2	12.1	-12.7	
PBT	57.7	25.0	131.0	24.5	135.2	
Taxes	16.8	6.3	168.2	7.5	123.2	
PAT	37.8	21.3	77.2	18.0	110.0	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in Estimates**

Particulars	FY27E			FY28E			Comments
	Old	New	Change	Old	New	Change	
Revenue	3070	3060	-0.3	3371.9	3242.9	-3.8	Realign estimates
EBITDA	304	303	-0.4	333.5	321.5	-3.6	
EBITDA Margin (%)	9.9	9.9	-01 bps	9.9	9.9	02 bps	
Adjusted PAT	109	107	-2.1	127.7	119.2	-6.6	
EPS	26.6	26.0	-2.2	31.1	29.1	-6.5	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement					₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E	
Net Sales	2,643	2,771	3,040	3,221	
Other Income	9	11	12	12	
<b>Total Revenue</b>	<b>2,668</b>	<b>2,801</b>	<b>3,072</b>	<b>3,255</b>	
Raw Material Expense	590	578	638	676	
Purchase of Traded Goods	711	842	851	902	
(Increase)/Decrease in Invent	(21)	(4)	-	-	
Employee benefit expenses	355	361	395	419	
Other Expenses	301	285	325	345	
<b>Total Operating Expenditure</b>	<b>2,438</b>	<b>2,532</b>	<b>2,757</b>	<b>2,921</b>	
<b>EBITDA</b>	<b>221</b>	<b>258</b>	<b>303</b>	<b>322</b>	
Interest	52	48	40	33	
Depreciation	90	107	121	125	
<b>PBT</b>	<b>87</b>	<b>114</b>	<b>153</b>	<b>176</b>	
Total Tax	27	35	47	53	
PAT before MI	58	74	107	122	
Minority Interest	(2)	(7)	-	3	
<b>PAT</b>	<b>60</b>	<b>81</b>	<b>107</b>	<b>119</b>	
YoY growth	-16.0%	35.2%	31.4%	11.7%	
<b>EPS (Diluted)</b>	<b>14.7</b>	<b>19.8</b>	<b>26.0</b>	<b>29.1</b>	

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement					₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E	
<b>Profit after Tax</b>	<b>60.1</b>	<b>81.2</b>	<b>106.7</b>	<b>119.2</b>	
Depreciation	90.3	107.5	121.3	125.5	
Interest Paid	52.4	47.7	40.1	32.5	
<b>Cash Flow before WC chang</b>	<b>193.7</b>	<b>223.2</b>	<b>256.2</b>	<b>268.2</b>	
Net Increase in Current Asset	(19.4)	60.9	(143.6)	(49.8)	
Net Increase in Current Liabili	(11.7)	(40.5)	111.8	44.3	
<b>Net CF from Op. Activities</b>	<b>162.6</b>	<b>243.6</b>	<b>224.4</b>	<b>262.7</b>	
(Purchase)/Sale of Fixed Asse	(32.3)	(132.9)	(100.0)	(60.0)	
Others	(26.5)	73.9	12.0	12.0	
<b>Net CF from Inv. Activities</b>	<b>(58.7)</b>	<b>(59.0)</b>	<b>(88.0)</b>	<b>(48.0)</b>	
Proceeds/Repayment of Debt	(33.2)	(50.7)	(40.0)	(40.0)	
Dividend and Dividend Tax	(12.0)	(16.2)	(21.3)	(23.8)	
Interest Paid	(52.4)	(47.7)	(40.1)	(32.5)	
<b>Net CF from Fin. Activities</b>	<b>(97.6)</b>	<b>(114.6)</b>	<b>(101.5)</b>	<b>(96.4)</b>	
	-	-	-	-	
<b>Net Cash flow</b>	<b>6.8</b>	<b>69.9</b>	<b>34.9</b>	<b>118.4</b>	
Opening Cash/ Cash Equivale	70.9	77.7	147.6	182.5	
<b>Cl. Cash/ Cash Equivalent</b>	<b>77.7</b>	<b>147.6</b>	<b>182.5</b>	<b>300.9</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet					₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E	
<b>Liabilities</b>					
Share Capital	8.2	8.2	8.2	8.2	
Reserves & Surplus	763.5	834.2	919.5	1,014.9	
Total Shareholders funds	771.7	842.4	927.7	1,023.1	
Secured Loan	153.0	136.8	96.8	56.8	
Unsecured Loan	149.0	114.5	114.5	114.5	
Total Debt	301.9	251.3	211.3	171.3	
Deferred Tax Liability	35.2	33.5	33.5	33.5	
Minority Interest	72.6	77.5	77.5	80.5	
Other Long Term Liabilities	91.9	157.0	157.0	157.0	
Long Term Provisions	12.5	9.0	9.0	9.0	
<b>Liability side total</b>	<b>1,286</b>	<b>1,371</b>	<b>1,416</b>	<b>1,474</b>	
<b>Assets</b>					
Gross Block	1,512.7	1,646.2	1,746.2	1,806.2	
Net Block	1,056.3	1,082.3	1,060.9	995.4	
Capital WIP	16.3	18.9	18.9	18.9	
Current Investments	12.7	12.3	12.3	12.3	
Long-term loans & advances	3.9	2.6	2.6	2.6	
Inventories	337.9	352.3	416.5	441.2	
Sundry Debtors	368.8	300.8	330.0	349.7	
Loans and Advances	-	-	-	-	
Other Current Assets	48.7	41.5	91.6	97.1	
Cash	77.7	147.6	182.5	300.9	
Total Current Assets	845.7	854.3	1,032.9	1,201.1	
Creditors	334.3	333.8	416.5	441.2	
Provisions	4.2	6.9	6.9	6.9	
Other Current Liabilities	342.7	300.0	329.2	348.7	
Total Current Liabilities	681.1	640.7	752.5	796.9	
Net Current Assets	164.6	213.7	280.4	404.2	
<b>Assets side total</b>	<b>1,286</b>	<b>1,371</b>	<b>1,416</b>	<b>1,474</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Per Share Data</b>				
EPS	14.7	19.8	26.0	29.1
Cash EPS	36.7	46.0	55.6	59.7
BV	188.2	205.5	226.3	249.5
Revenue per Share	648.5	680.4	746.4	791.0
Dividend per share	5.0	5.0	5.0	5.0
<b>Operating Ratios</b>				
EBITDA margin	8.4	9.3	10.0	10.0
PAT / Total Operating Income	2.3	2.9	3.5	3.7
Inventory Days	46.4	46.1	49.7	49.7
Debtor Days	50.6	39.3	39.4	39.4
Creditor Days	45.9	43.7	49.7	49.7
<b>Return Ratios</b>				
RoE	7.8	9.6	11.5	11.7
RoCE	10.9	11.8	13.7	14.1
RoIC	11.1	12.6	15.1	17.2
<b>Valuation Ratios</b>				
EV / EBITDA	9.2	7.4	6.1	5.2
P/E	30.3	22.4	17.1	15.3
EV / Net Sales	0.8	0.7	0.6	0.5
Market Cap / Sales	0.7	0.7	0.6	0.6
Price to Book Value	2.4	2.2	2.0	1.8
<b>Turnover Ratios</b>				
Asset turnover	2.1	2.0	2.2	2.2
Gross Block Turnover	1.7	1.7	1.7	1.8
<b>Solvency Ratios</b>				
Net Debt / Equity	0.3	0.1	0.0	(0.1)
Current Ratio	1.1	1.1	1.1	1.1
Debt / EBITDA	1.0	0.4	0.1	(0.4)
<b>Quick Ratio</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>

Source: Company, ICICI Direct Research

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