

January 29, 2026

## Modest volume growth; Margins improve...

**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

- Riding on real estate strong cycle, is likely to witness a growth revival in tiles volumes in FY27.

**Q3FY26 Performance:** Somany ceramics tile volume was up 2% YoY at 17.5 MSM with tile revenues of ₹ 565.5 crore, were up 3.5% YoY. The overall revenue at ₹ 682 crore, was up 5.8% YoY. The EBITDA margins at 9.1%, was up 80 bps YoY, aided by cost management. PBT at ₹ 24.5 crore was up 27.8% YoY.

### Investment Rationale

- Improving Morbi exports; Gradual recovery ahead:** Management indicated that gradual demand recovery is likely ahead and reiterated its decent single-digit revenue growth guidance for FY26. The management expects Morbi exports at ~₹19,000-19,500 crore in FY26, implying ~8-9% YoY growth, which is absorbing excess industry capacity and easing domestic supply pressure. **We expect Tiles revenues CAGR of 7.8% over FY25-FY28E to ₹2827 crore, with volume CAGR of 8.7% over the same period to ~86.1MSM. The volume growth is expected to revert back to high single digit by FY27. Overall topline is expected to grow at 8.2% CAGR over FY25-28E to ₹ 3372 crore.**
- Margins to improve ahead:** The management has guided for ~100-150 bps margin improvements in Q4FY26 and expects double-digit margins in FY27, aided by lower losses at Max subsidiary. It expects Max subsidiary losses to fall below ~₹10 crore in FY27 from likely ~₹ 25-26 crore in FY26, with breakeven thereafter, as utilisations stabilises. **We expect EBITDA margins of ~8.9/9.9%/9.9% in FY26, FY27 & FY28, respectively vs 8.3% in FY25. We expect earnings CAGR of ~28.6% over FY25-FY28E, largely led by volumes recovery and margins improvement.** On debt front, with no major capex planned, improving operating cash flows supported by higher capacity utilisation and narrowing losses at the Max plant, the gross debt is likely to come down by ₹ 70 crore over FY27 & FY28.

### 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.
- We value Somany at ₹530, at 20x FY28 P/E and assign a BUY rating.**

### Key Financial Summary

₹ crore	FY23	FY24	FY25	5 yr CAGR (FY20-25)	FY26E	FY27E	FY28E	3 yr CAGR FY25-28E
Revenues	2,478.5	2,591.4	2,658.8	10.0%	2,793.2	3,070.4	3,371.9	8.2%
EBITDA	188.7	253.2	220.9	3.0%	248.3	303.7	333.5	14.7%
EBITDA Margin (%)	7.6	9.8	8.3		8.9	9.9	9.9	
PAT	71.5	96.9	60.1	1.1%	79.2	109.2	127.7	28.6%
EPS (₹) *	16.8	23.6	14.7		19.3	26.6	31.1	
P/E (x)	24.1	17.2	27.7		21.0	15.2	13.0	
EV/EBITDA (x)	10.4	7.6	8.5		7.2	5.6	4.8	
RoNW (%)	9.1	13.5	7.8		9.5	11.8	12.5	
RoCE (%)	9.0	14.8	10.9		11.6	14.7	15.6	

Source: Company, ICICI Direct Research



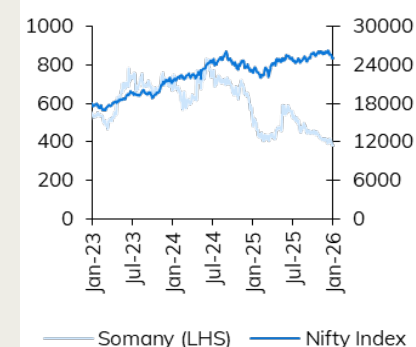
### Particulars

Particular	₹ crore
Market	1,665
Capitalization	
Total Debt (FY25)	302
Cash (FY25)	78
EV	1,889
52 week H/L (₹)	624/ 395
Equity capital	8.2
Face value	2.0

### Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	55.0	55.0	55.0	55.0
FII	1.5	1.4	1.0	0.9
DII	23.6	23.0	23.2	23.0
Other	19.9	20.6	20.8	21.1

### Price Chart



### Key risks

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

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## Performance highlights and outlook

- **Guidance:** The management reiterated its decent single-digit revenue growth guidance for FY26, supported by demand from completed real estate cycle and uptick in exports. It also maintained its outlook for an EBITDA margin improvement of 100 to 150 bps in Q4 and expects double digit margins in FY27, aided by lower losses at Max subsidiary as operating efficiencies, mix optimisation, and cost controls gradually flow through.
- **Allied business performance:**
  - **Sanitaryware and Faucets:** The company informed that the input cost pressure was seen in brass, with prices rising from ~₹570-580/kg in April to ~₹770-780/kg currently, implying a ~22-26% increase. Consequently, a meaningful price hike in faucets and bath fittings is scheduled effective February 1, aligned with peer actions.
  - **Max JV:** Losses at the JV have declined from ~₹7.5 crore per quarter in the previous two quarters to ~₹6 crore in Q3FY26, primarily driven by improving capacity utilisation. The plant is expected to see meaningful production ramp-up in February and March, which should result in a substantial reduction in losses in Q4FY26. For FY27, management guided that JV losses would decline sharply from ~₹25-26 crore in FY26 to below ₹10 crore, with a break-even to profit trajectory by FY28 as utilisation stabilises.
- **Tile Segment Performance:** The company reported an improvement in capacity utilisation to ~80% from 76% in Q2FY26, alongside a continued shift towards a more premium product mix. The contribution from GVT increased to ~42%, up from ~38% in the prior year, which supported margin resilience despite muted volume growth. Management remains cautiously optimistic on demand, expecting a gradual recovery in tile offtake. This outlook is underpinned by easing domestic oversupply, improved export absorption from the Morbi cluster, and a greater emphasis on discount discipline rather than near-term price increases.
- **Gas Price:** Management indicated that gas prices have remained largely stable during Q3FY26, with the average gas fuel cost at ~₹44/SCM, and does not expect any material volatility going forward. The company's diversified fuel sourcing and pan-India manufacturing footprint provide meaningful insulation against sharp price movements in any single market, with flexible propane-natural gas usage in Morbi and full natural gas usage in the South. While Gujarat gas prices saw a temporary swing of ~₹3/SCM over the past 1-2 quarters, the blended impact at the company level was marginal and propane and natural gas are currently at near parity.
- **Dealer Network:** Management reported a net addition of 170 dealers in M9FY26, taking the overall dealer base to ~3,050. The company also expanded its branded retail presence, with the number of exclusive showrooms increasing to 530 by the end of Q3.
- **Debt Position:** The company continued to strengthen its balance sheet in Q3FY26, with total external debt declining from ~₹288 crore at the start of the year to ~₹231 crore, comprising ~₹121 crore of term debt and ~₹95 crore of working capital borrowings largely housed in the Sudha and Max subsidiaries. Management expects the pace of deleveraging to accelerate, with repayments of ~₹9 crore in FY26 and ~₹70 crore cumulatively over FY27 & FY28, which would reduce net debt by ~₹80 crore by end of FY28. Additionally, no major capex planned, improving operating cash flows supported by higher capacity utilisation and narrowing losses at the Max plant is expected to drive continued balance sheet strengthening.

**Exhibit 1: Quarter Performance**

Particular	Q3FY26	Q3FY25	YoY (Chg %)	Q2FY26	QoQ (Chg %)	Comments
Net Sales	682	644.9	5.8	685.2	-0.4	Tiles volumes were up 2% YoY at 17.5 MSM with tile revenues of ₹ 565.5 crore, were up 3.5% YoY
Other Income	2.6	1.8	40.1	3.7	-30.9	
Raw Material Expense	153.4	155.8	-1.5	141.0	8.8	
Purchase of Traded Goods	204.8	182.2	12.4	210.3	-2.7	
Power & Fuel	125.9	130.7	-3.7	109.7	14.7	
Employee benefit expenses	93.5	89.4	4.5	89.8	4.2	
Other Expenses	72.9	79.2	-8.0	71.3	2.2	
EBITDA	62.0	53.5	16.0	53.5	15.9	
EBITDA Margin (%)	9.1	8.3	80 bps	7.8	128 bps	margin expansion aided by cost control
Depreciation	27.9	22.8	22.3	26.3	6.2	
Interest	12.1	13.3	-8.7	12.3	-1.8	
PBT	24.5	19.2	27.8	18.6	32.0	
Taxes	7.5	7.5	-0.1	6.3	19.8	
PAT	18.0	9.3	93.9	15.0	20.1	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in Estimates**

Particulars	FY26E			FY27E			FY28E	
	Old	New	Change	Old	New	Change	New	Comments
Revenue	2818	2793	-0.9	3113	3070	-1.4	3371.9	Realign estimates
EBITDA	258	248	-3.7	311	304	-2.4	333.5	
EBITDA Margin (%)	9.2	8.9	-26 bps	10.0	9.9	-11 bps	9.9	
Adjusted PAT	88	79	-10.1	113	109	-3.4	127.7	
EPS	21.4	19.3	-10.1	27.6	26.6	-3.4	31.1	

Source: Company, ICICI Direct Research

## Financial Summary

**Exhibit 3: Profit and loss statement** ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Net Sales	2,643	2,775	3,050	3,350
Other Income	9	11	12	12
<b>Total Revenue</b>	<b>2,668</b>	<b>2,804</b>	<b>3,082</b>	<b>3,384</b>
Raw Material Expense	590	616	641	703
Purchase of Traded Goods	711	747	793	871
(Increase)/Decrease in Invent	(21)	-	15	17
Employee benefit expenses	355	364	397	435
Other Expenses	301	319	348	382
<b>Total Operating Expenditure</b>	<b>2,438</b>	<b>2,545</b>	<b>2,767</b>	<b>3,038</b>
<b>EBITDA</b>	<b>221</b>	<b>248</b>	<b>304</b>	<b>334</b>
Interest	52	49	42	35
Depreciation	90	106	115	123
<b>PBT</b>	<b>87</b>	<b>104</b>	<b>159</b>	<b>188</b>
Total Tax	27	31	46	55
PAT before MI	58	72	113	134
Minority Interest	(2)	(7)	4	6
<b>PAT</b>	<b>60</b>	<b>79</b>	<b>109</b>	<b>128</b>
YoY growth	-16.0%	31.8%	37.9%	17.0%
<b>EPS (Diluted)</b>	<b>14.7</b>	<b>19.3</b>	<b>26.6</b>	<b>31.1</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>79.2</b>	<b>109.2</b>	<b>127.7</b>
Depreciation	90.3	106.4	114.6	122.7
Interest Paid	52.4	48.9	41.7	34.5
<b>Cash Flow before WC chang</b>	<b>193.7</b>	<b>217.3</b>	<b>257.5</b>	<b>278.9</b>
Net Increase in Current Asset	(19.4)	(95.7)	(84.4)	(91.8)
Net Increase in Current Liabili	(11.7)	63.0	73.4	79.9
<b>Net CF from Op. Activities</b>	<b>162.6</b>	<b>184.6</b>	<b>246.4</b>	<b>267.0</b>
(Purchase)/Sale of Fixed Asse	(32.3)	(40.0)	(120.0)	(120.0)
Others	(26.5)	10.5	12.0	12.0
<b>Net CF from Inv. Activities</b>	<b>(58.7)</b>	<b>(29.5)</b>	<b>(108.0)</b>	<b>(108.0)</b>
Proceeds/Repayment of Debt	(33.2)	(30.0)	(40.0)	(40.0)
Dividend and Dividend Tax	(12.0)	(15.8)	(21.8)	(25.5)
Interest Paid	(52.4)	(48.9)	(41.7)	(34.5)
<b>Net CF from Fin. Activities</b>	<b>(97.6)</b>	<b>(94.8)</b>	<b>(103.6)</b>	<b>(100.1)</b>
	-	-	-	-
<b>Net Cash flow</b>	<b>6.8</b>	<b>60.4</b>	<b>34.9</b>	<b>58.9</b>
Opening Cash/ Cash Equivale	70.9	77.7	138.0	172.9
<b>Cl. Cash/ Cash Equivalent</b>	<b>77.7</b>	<b>138.0</b>	<b>172.9</b>	<b>231.8</b>

Source: Company, ICICI Direct Research

**Exhibit 5: Balance Sheet** ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Liabilities</b>				
Share Capital	8.2	8.2	8.2	8.2
Reserves & Surplus	763.5	826.8	914.1	1,016.3
Total Shareholders funds	771.7	835.0	922.3	1,024.5
Secured Loan	153.0	123.0	83.0	43.0
Unsecured Loan	149.0	149.0	149.0	149.0
Total Debt	301.9	271.9	231.9	191.9
Deferred Tax Liability	35.2	35.2	35.2	35.2
Minority Interest	72.6	65.9	69.9	75.9
Other Long Term Liabilities	91.9	91.9	91.9	91.9
Long Term Provisions	12.5	12.5	12.5	12.5
<b>Liability side total</b>	<b>1,286</b>	<b>1,312</b>	<b>1,364</b>	<b>1,432</b>
<b>Assets</b>				
Gross Block	1,512.7	1,552.7	1,672.7	1,792.7
Net Block	1,056.3	989.9	995.4	992.6
Capital WIP	16.3	16.3	16.3	16.3
Current Investments	12.7	12.7	12.7	12.7
Long-term loans & advances	3.9	3.9	3.9	3.9
Inventories	337.9	380.2	417.9	458.9
Sundry Debtors	368.8	387.2	425.6	467.4
Loans and Advances	-	-	-	-
Other Current Assets	48.7	83.6	91.9	101.0
Cash	77.7	138.0	172.9	231.8
Total Current Assets	845.7	1,001.7	1,121.0	1,271.7
Creditors	334.3	380.2	417.9	458.9
Provisions	4.2	4.2	4.2	4.2
Other Current Liabilities	342.7	359.8	395.4	434.2
Total Current Liabilities	681.1	744.2	817.5	897.4
Net Current Assets	164.6	257.6	303.5	374.3
<b>Assets side total</b>	<b>1,286</b>	<b>1,312</b>	<b>1,364</b>	<b>1,432</b>

Source: Company, ICICI Direct Research

**Exhibit 6: Key ratios**

(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Per Share Data</b>				
EPS	14.7	19.3	26.6	31.1
Cash EPS	36.7	45.3	54.6	61.1
BV	188.2	203.7	225.0	249.9
Revenue per Share	648.5	681.3	748.9	822.4
Dividend per share	5.0	5.0	5.0	5.0
<b>Operating Ratios</b>				
EBITDA margin	8.4	8.9	10.0	10.0
PAT / Total Operating Income	2.3	2.8	3.6	3.8
Inventory Days	46.4	49.7	49.7	49.7
Debtor Days	50.6	50.6	50.6	50.6
Creditor Days	45.9	49.7	49.7	49.7
<b>Return Ratios</b>				
RoE	7.8	9.5	11.8	12.5
RoCE	10.9	11.6	14.7	15.6
RoIC	11.1	12.4	16.3	18.0
<b>Valuation Ratios</b>				
EV / EBITDA	8.5	7.2	5.6	4.8
P/E	27.7	21.0	15.2	13.0
EV / Net Sales	0.7	0.6	0.6	0.5
Market Cap / Sales	0.6	0.6	0.5	0.5
Price to Book Value	2.2	2.0	1.8	1.6
<b>Turnover Ratios</b>				
Asset turnover	2.1	2.1	2.3	2.4
Gross Block Turnover	1.7	1.8	1.8	1.9
<b>Solvency Ratios</b>				
Net Debt / Equity	0.3	0.1	0.1	(0.1)
Current Ratio	1.1	1.1	1.1	1.1
Debt / EBITDA	1.0	0.5	0.2	(0.2)
<b>Quick Ratio</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>

Source: Company, ICICI Direct Research

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