BUY (Maintain)

CMP: **INR 441** Target Price: **INR 604** ▲ 37%

ICICI Securities

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08 November 2025

India | Equity Research | Results update

Somany Ceramics

Tiles

Tile volume and margins lower than estimates

Somany Ceramics (SOMC) reported lower-than-expected (vs I-sec estimates) Q2FY26 consol. revenue growth of 2.8% YoY with tile volume flat YoY (6-year CAGR of 6%). Consol. OPM fell 59bps YoY (-16bps QoQ) to 7.8%, as gross margin (including power and fuel cost) fell 172bps YoY, resulting in an EBITDA decline of 4.4% YoY. Management stated demand conditions were subdued in Q2FY26, further aggravated due to heavy rains in North India. It guides for mid-to-high single-digit tile volume growth in FY26, with OPM expanding 100–150bps over FY25 OPM (aided by operating leverage and better capacity utilisation). We tweak FY26–27E EBIDTA by ~4.8–1.6% and maintain **BUY**, due to reasonable valuations with a rolled-over unchanged Sep'26E TP of INR 604.

Tile volume growth flat YoY

In Q2FY26, SOMC reported consol. revenue growth of 2.8% YoY to ~INR 6.8bn, as tile volume remained flat YoY (6-year CAGR of 6%), while tile realisation was +0.5% YoY (+0.4% QoQ). For H1FY26, tile volume grew just 1.3% YoY. The bathware segment grew ~9% YoY to INR 734mn; and in H1FY26, it grew 6.7% YoY. Management notes demand being soft in Q2 and further impacted due to heavy rains, especially in Northern India (~46–47% of total sales). It guides for mid-to-high single-digit revenue growth in FY26. For the bathware segment, management expects low-double-digit revenue growth in FY26. Its net working capital days decreased by 3 QoQ to 14 and net debt decreased to INR 2.1bn (down ~INR 200mn QoQ). We model a tile volume CAGR of 7.7% over FY25–27E.

OPM declines 59bps to 7.8% due to lower gross margins

SOMC's consol. OPM fell 59bps YoY (-16bps QoQ) to 7.8% in Q2FY26, primarily due to lower utilisation and also gas outage, which resulted in Kassar plant's shutdown for 20 days. Gross margins declined 172bps YoY (including power and fuel cost), which was partly negated by employee/other expenses dipping 28bps/85bps. Management guides for consol. OPM to improve 100–150bps (over FY25's margin of 8.3%) in FY26 due to operating leverage and better capacity utilisation of its large-slab facility (Max plant). Management aims to see better utilisation of the facility in H2FY26; thus, overall profitability should improve. We model FY26–27E margins of 9.1–9.6% (vs. ~9.7% average OPM over FY16–25).

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	26,588	28,248	31,005	33,784
EBITDA	2,224	2,564	2,966	3,271
EBITDA %	8.4	9.1	9.6	9.7
Net Profit	605	913	1,146	1,332
EPS (INR)	14.7	22.3	28.0	32.5
EPS % Chg YoY	(38.0)	51.0	25.5	16.2
P/E (x)	29.9	19.8	15.8	13.6
EV/EBITDA (x)	9.1	7.5	6.1	5.2
RoCE (%)	7.5	9.5	11.5	12.4
RoE (%)	8.1	11.3	12.9	13.4

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Market Data

Market Cap (INR)	18bn
Market Cap (USD)	204mn
Bloomberg Code	SOMC IN
Reuters Code	SOCE.BO
52-week Range (INR)	737 /395
Free Float (%)	44.0
ADTV-3M (mn) (USD)	0.2

Price Performance (%)	3m	6m	12m
Absolute	(14.1)	4.7	(34.9)
Relative to Sensex	(17.3)	1.7	(39.5)

ESG Score	2023	2024	Change
ESG score	**69.3**	**67.1**	**(2.2)**
Environment	52.2	55.9	3.7
Social	75.0	71.9	(3.1)
Governance	75.9	72.3	(3.6)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(0.6)	(0.6)
EBITDA	(4.8)	(1.6)
EPS	1.1	(3.6)

Previous Reports

14-08-2025: Q1FY26 results review

08-05-2025: Q4FY25 results review

Valuation and view

In Q2FY26, SOMC's operational performance was below our estimate; thus, we tweak our EBITDA estimates by 4.8%/1.6% for FY26/FY27. The near-term demand environment remains subdued; but in the medium term, demand is expected to pick up, as many real estate projects launched earlier are scheduled to see completion FY27 onwards. Valuation remains reasonable (15.8x FY27E PER) with a healthy balance sheet and strong brand presence.

We maintain **BUY**, with a rolled-over unchanged Sep'26E target price of INR 604, set at an unchanged 20x PER one-year forward.

Exhibit 1: Q2FY26 consolidated result review

INR mn	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	H1FY26	H1FY25	% YoY
Net Revenue	**6,852**	**6,663**	**2.8%**	**6,044**	**13.4%**	**12,896**	**12,449**	**3.6%**
Raw Material	3,609	3,228	11.8%	2,890	24.9%	6,499	5,712	13.8%
% of sales	*52.7%*	*48.4%*	*423 bps*	*47.8%*	*486 bps*	*50.4%*	*45.9%*	*451 bps*
Power & Fuel	1,097	1,234	(11.1%)	1,146	(4.2%)	2,243	2,510	(10.7%)
% of sales	*16.0%*	*18.5%*	*-251 bps*	*19.0%*	*-294 bps*	*17.4%*	*20.2%*	*-277 bps*
Employee expense	898	891	0.7%	872	2.9%	1,770	1,759	0.6%
% of sales	*13.1%*	*13.4%*	*-28 bps*	*14.4%*	*-133 bps*	*13.7%*	*14.1%*	*-41 bps*
Other Expenses	713	750	(5.0%)	655	8.9%	1,368	1,418	(3.5%)
% of sales	*10.4%*	*11.3%*	*-85 bps*	*10.8%*	*-43 bps*	*10.6%*	*11.4%*	*-78 bps*
Total Expenditure	6,317	6,103	3.5%	5,563	13.6%	11,879	11,400	4.2%
% of sales	*92.2%*	*91.6%*	*59 bps*	*92.0%*	*16 bps*	*92.1%*	*91.6%*	*55 bps*
EBITDA	**535**	**560**	**(4.4%)**	**482**	**11.1%**	**1,017**	**1,050**	**(3.1%)**
EBITDA Margin (%)	*7.8%*	*8.4%*	*-59 bps*	*8.0%*	*-16 bps*	*7.9%*	*8.4%*	*-55 bps*
Depreciation/Amortisation	263	192	37.2%	260	1.2%	523	383	36.4%
EBIT	**272**	**368**	**(26.1%)**	**222**	**22.6%**	**494**	**666**	**(25.8%)**
EBIT Margin (%)	*4.0%*	*5.5%*	*-156 bps*	*3.7%*	*30 bps*	*3.8%*	*5.4%*	*-152 bps*
Net Interest Expenses	123	135	(8.5%)	127	(3.0%)	250	270	(7.2%)
Other 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 Expenses	63	74	(14.7%)	40	55.2%	103	135	(23.5%)
PAT before MI & extraordinaries	**123**	**173**	**(29.0%)**	**73**	**67.5%**	**197**	**296**	**(33.6%)**
Minority Interest	27	(2)	(1588.9%)	30	(11.3%)	57	(2)	NA
Exceptional items	0	0	nm	0	nm	0	0.1	NA
Reported PAT	**150**	**172**	(12.6%)	**104**	**44.6%**	**254**	**294**	(13.9%)
Adjusted PAT	**150**	**172**	(12.6%)	**104**	**44.6%**	**254**	**294**	(13.8%)

Source: I-Sec research, Company data

Exhibit 2: Q2FY26 segmental result review

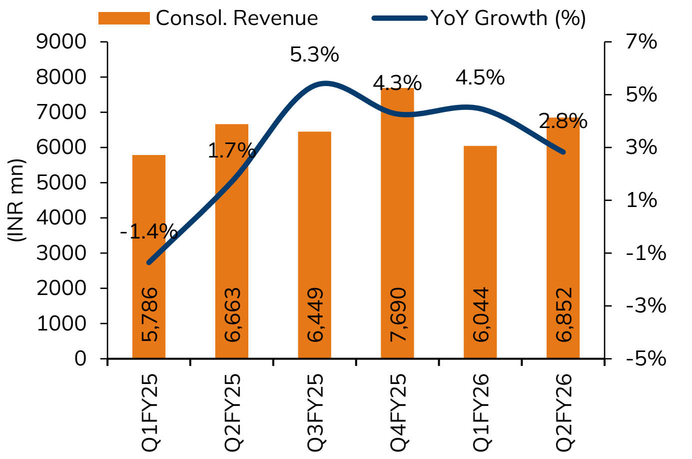
	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	H1FY26	H1FY25	% YoY
Tiles Revenue (INR mn)								
Own Manufacturing	1,833	1,851	(1.0%)	1,661	10.3%	3,494	3,577	(2.3%)
JVs	1,840	2,247	(18.1%)	1,683	9.4%	3,523	4,283	(17.7%)
Outsourced	2,033	1,584	28.3%	1,769	14.9%	3,802	2,793	36.1%
Bathware	764	701	9.0%	629	21.4%	1,393	1,306	6.7%
Others	336	233	44.0%	273	23.1%	609	414	46.8%
Total	**6,805**	**6,615**	**2.9%**	**6,015**	**13.1%**	**12,820**	**12,374**	**3.6%**
Tiles Volume (MSM)								
Own Manufacturing	5.9	6.0	(0.8%)	5.5	8.6%	11.4	11.5	(1.0%)
JVs	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	41.7%
Total	**17.8**	**17.8**	**(0.1%)**	**16.0**	**11.2%**	**33.8**	**33.4**	**1.3%**
Tiles Realisation (INR/sqm)								
Own Manufacturing	309	309	(0.1%)	304	1.6%	307	311	(1.3%)
JVs	372	341	9.1%	375	(0.6%)	374	338	10.6%
Outsourced	293	302	(2.8%)	292	0.5%	293	305	(3.9%)
Blended	**321**	**319**	**0.5%**	**319**	**0.4%**	**379**	**371**	**2.2%**

Source: I-Sec research, Company data

Q2FY26 conference call: Takeaways

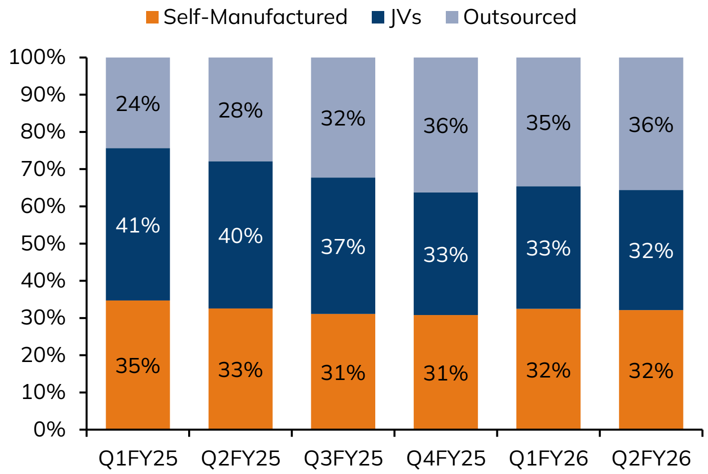
- **Demand** was subdued in Q2, further aggravated by the monsoon and floods in North India. Gross margins were under stress during Q2 due to gas outage at its Kassar plant, resulted in a shut down for 20 days in Sep'25 and affecting margins by ~100-120bps in margins. Management has indicated that it plans to improve margins going forward, driven by higher utilisations.
- **Tiles demand by region:** North India has not seen growth in Q2 while south India has performed better.
- **Max plant** had losses of ~INR 750mn in Q2. Management has taken corrective action and will likely see its result Q4 onwards.
- **Vintage JV** had a shut down for 40 days on account of change in product mix for tiles due to low government spend; operations have resumed in Q3.
- **Sanitaryware** revenues grew by 9% YoY to INR 734mn with margins better than tiles. The plant is now functioning smoothly and management expects this business to see better performance ahead. Revenue mix is 60% sanitary ware and 40% faucets.
- **Guidance**: Management maintained its guidance for mid-to-high single-digit volume growth and operating margin improvement of 100-150bps (over the FY25 OPM) in FY26. For the bathware segment, it expects low double-digit revenue growth in FY26.
- **Gas prices** in Q2 were stable QoQ
- **Capex**: Management has only planned for maintenance capex for FY26 and no other significant expansion plans are in place.
- **Revenue mix**: ~82% of sales was retail, projects ~15-16% and exports ~ 2%. Company aims to increase projects' share by 3-4% in upcoming years.
- **A&P** spend in Q2 was ~2.3-2.5% of sales and management expects to maintain the same in future.
- **Tiles Product-mix:** Ceramic tiles accounted for 33% of total sales: PVT: 26%, and GVT 41%. Ceramic tiles were down 1% and GVT sales has gone up by 1%. Management targets to increase GVT sales to 50% of sales.
- The company has filed for **insurance claim** for the loss incurred in the Kassar plant shut down.
- **Distribution:** Net dealer addition is 119 in H1, totals to 3,000 dealers; and number of exclusive showrooms has grown to 520.

Exhibit 3: Consolidated quarterly revenue



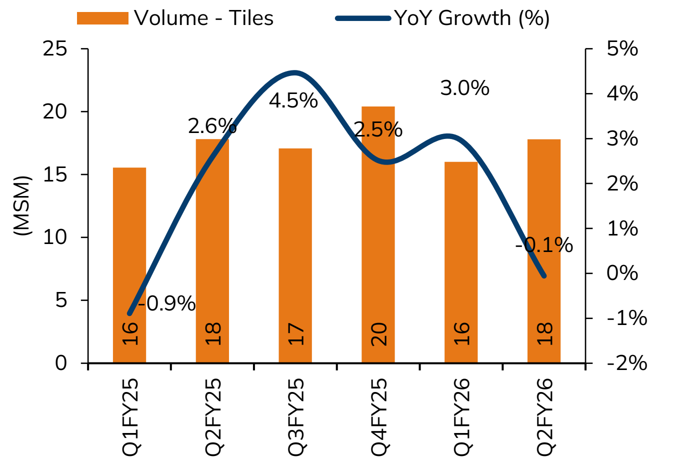
Source: I-Sec research, Company data

Exhibit 4: Quarterly revenue breakup



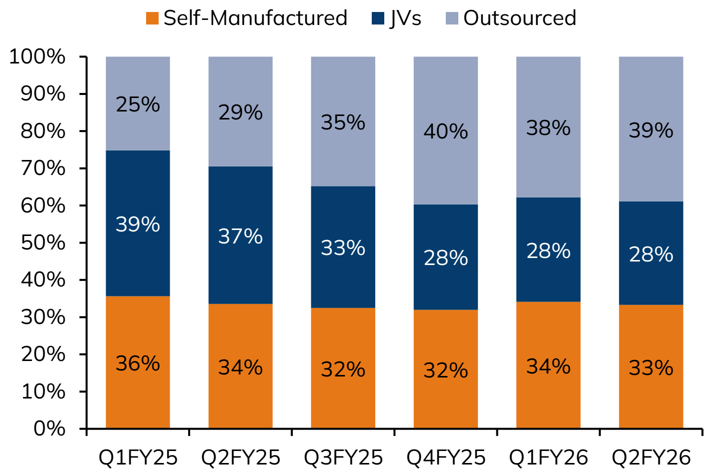
Source: I-Sec research, Company data

Exhibit 5: Quarterly volume growth



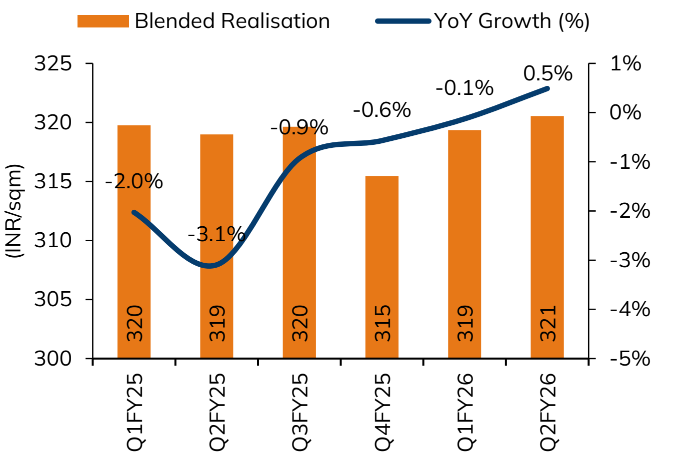
Source: I-Sec research, Company data

Exhibit 6: Quarterly volume breakup



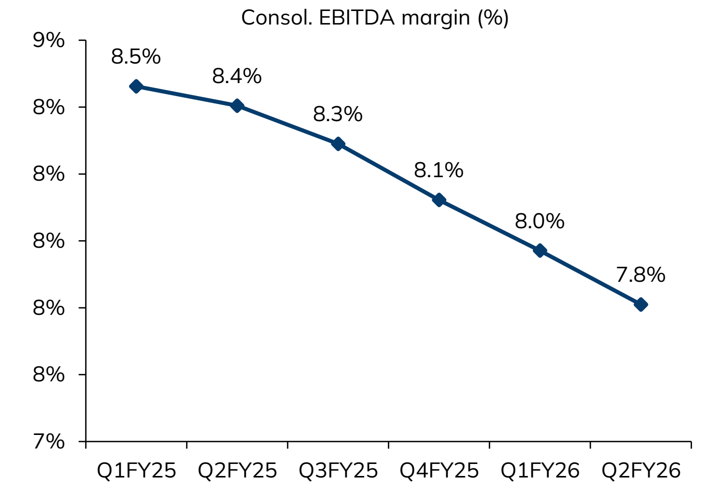
Source: I-Sec research, Company data

Exhibit 7: Quarterly realisation



Source: I-Sec research, Company data

Exhibit 8: Quarterly consolidated EBITDA margin



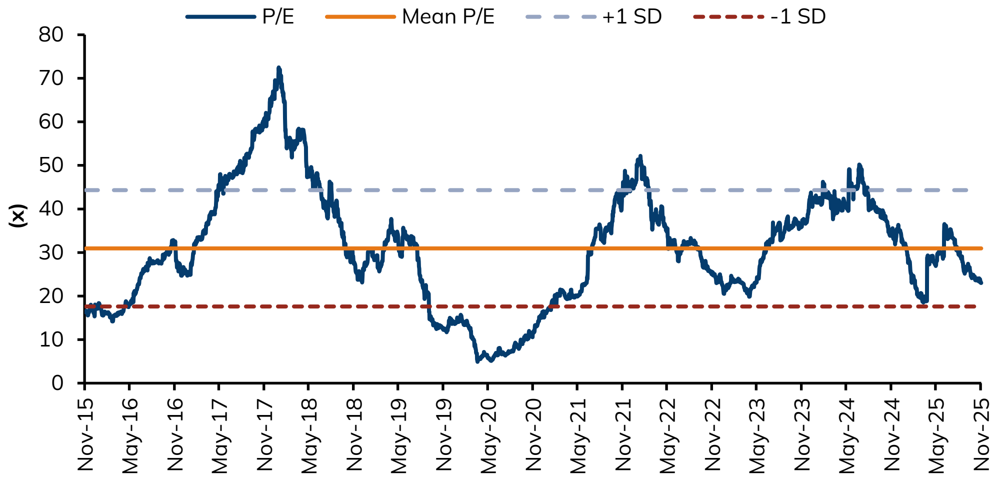
Source: I-Sec research, Company data

Valuation

SOMC is one of the leading players in the Indian tile market with significant presence in markets beyond tier-1 cities. It has a strong brand with a wide distribution and broad product portfolio. The company focuses on the retail segment, which accounts for ~80% of total revenue.

The stock trades at a P/E of 15.8x FY27E, which is attractive and led by healthy growth prospects (EBITDA CAGR of 15.5% during FY25–27E driven by tile volume CAGR of 7.7%). We maintain **BUY**, with an unchanged rolled-over Sep'26E target price of INR 604, set at unchanged 20x PER one-year forward.

Exhibit 9: 1-year forward P/E band



Source: I-Sec research, Company data

Key downside risks

- **Slowdown in housing market:** Housing market is the demand driver for tile sector. Any unexpected slowdown in tile market could adversely affect the company.
- **Higher raw material prices:** Gas accounts for ~25% of total production cost. Continuous increase in gas prices could adversely affect margins/demand for tiles.
- **Continuous slowdown in exports from Morbi:** A prolonged slowdown in exports from Morbi could lead to pressure on supply in domestic markets, and thus, affect growth prospects for the company.

Exhibit 10: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	55.0	55.0	55.0
Institutional investors	26.8	24.4	23.4
MFs and others	21.8	21.3	21.3
FIs/Banks	1.7	1.7	1.1
Insurance	0.1	0.0	0.0
FIIs	3.2	1.4	1.0
Others	18.2	20.6	21.6

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	26,588	28,248	31,005	33,784
Operating Expenses	**24,364**	**25,684**	**28,038**	**30,513**
EBITDA	2,224	2,564	2,966	3,271
EBITDA Margin (%)	**8.4**	**9.1**	**9.6**	**9.7**
Depreciation & Amortization	903	1,059	1,119	1,189
EBIT	1,321	1,505	1,847	2,082
Interest expenditure	**524**	**490**	**382**	**364**
Other Non-operating Income	70	117	132	138
Recurring PBT	867	1,133	1,597	1,856
Less: Taxes	**(281)**	**(290)**	**(409)**	**(475)**
PAT	586	843	1,189	1,381
Profit / (Loss) from Associates	-	-	-	-
Less: Minority Interest	21	70	(42)	(49)
Extraordinaries (Net)	(6)	-	-	-
Net Income (Reported)	601	913	1,146	1,332
Net Income (Adjusted)	**605**	**913**	**1,146**	**1,332**

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Assets				
Inventories	3,379	3,659	3,995	4,347
Cash & cash eqv.	903	1,196	1,752	2,581
Sundry Debtors	3,688	3,715	3,992	4,350
Other Current Assets	769	851	934	1,018
Trade payables	3,343	3,484	3,824	4,167
Other Current Liabilities	3,929	4,011	4,403	4,798
Net Current Assets	**1,468**	**1,926**	**2,446**	**3,332**
Investments	38	38	38	38
Net Fixed Assets	10,191	9,770	9,651	9,462
Other Non Current Assets	606	606	606	606
Total Assets	**12,303**	**12,339**	**12,740**	**13,437**
Liabilities				
Borrowings	3,019	2,419	1,819	1,419
Other Non Current Liabilities	841	841	841	841
Total Liabilities	**3,860**	**3,260**	**2,660**	**2,260**
Equity Share Capital	82	82	82	82
Reserves & Surplus	7,635	8,341	9,300	10,348
Total Net Worth	**7,717**	**8,423**	**9,382**	**10,430**
Minority Interest	726	656	698	747
Total Liabilities & Net Worth	**12,303**	**12,339**	**12,740**	**13,437**

Source Company data, I-Sec research

Exhibit 14: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sept-25
Net Sales	6,449	7,690	6,044	6,852
% growth (YOY)	5.3	4.3	4.5	2.8
EBITDA	535	625	482	535
Margin %	8.3	8.1	8.0	7.8
Other Income	18	38	19	37
Extraordinaries	-20	9	0	0
Adjusted Net Profit	105	207	104	150

Source Company data, I-Sec research

Exhibit 15: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	718	1,667	2,385	2,562
Working Capital Changes	**(331)**	**(165)**	**35**	**(57)**
Capital Commitments	(244)	(637)	(1,000)	(1,000)
Free Cashflow	474	1,029	1,385	1,562
Other investing cashflow	**(38)**	-	-	-
Cashflow from Investing Activities	(282)	(637)	(1,000)	(1,000)
Issue of Share Capital	**0**	-	-	-
Inc (Dec) in Borrowings	(332)	(600)	(600)	(400)
Dividend paid	(123)	(137)	(229)	(333)
Others	67	0	0	0
Cash flow from Financing Activities	(388)	(737)	(829)	(733)
Chg. in Cash & Bank balance	**49**	**292**	**556**	**829**
Closing cash & balance	903	1,196	1,752	2,581

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	14.6	22.3	28.0	32.5
Adjusted EPS (Diluted)	14.7	22.3	28.0	32.5
Cash EPS	36.8	48.1	55.2	61.5
Dividend per share (DPS)	3.0	3.3	5.6	8.1
Book Value per share (BV)	188.2	205.4	228.8	254.4
Dividend Payout (%)	20.3	15.0	20.0	25.0
Growth (%)				
Net Sales	2.6	6.2	9.8	9.0
EBITDA	(12.6)	15.3	15.7	10.3
EPS (INR)	(38.0)	51.0	25.5	16.2
Valuation Ratios (x)				
P/E	29.9	19.8	15.8	13.6
P/CEPS	12.0	9.2	8.0	7.2
P/BV	2.3	2.1	1.9	1.7
EV / EBITDA	9.1	7.5	6.1	5.2
EV / Sales	0.8	0.7	0.6	0.5
Dividend Yield (%)	0.7	0.8	1.3	1.8
Operating Ratios				
Gross Profit Margins (%)	33.0	33.8	33.8	33.8
EBITDA Margins (%)	8.4	9.1	9.6	9.7
Effective Tax Rate (%)	32.5	25.6	25.6	25.6
Net Profit Margins (%)	2.3	3.2	3.7	3.9
NWC / Total Assets (%)	2.9	3.7	3.3	3.4
Net Debt / Equity (x)	0.3	0.1	0.0	(0.1)
Net Debt / EBITDA (x)	1.0	0.5	0.0	(0.4)
Profitability Ratios				
RoCE (%)	7.5	9.5	11.5	12.4
RoE (%)	8.1	11.3	12.9	13.4
Cash Conversion Cycle (on net sales)				
Inventory Turnover Days	46	47	47	47
Receivables Days	51	48	47	47
Payables Days	46	45	45	45

Source Company data, I-Sec research

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