

Somany Ceramics | ADD

Reiterates growth and profitability outlook

We attended the analyst meet of Somany Ceramics represented by its MD & CEO Mr Abhishek Somany and CFO Mr Sailesh Kedawat. Key takeaways: i) Management reaffirmed their guidance of high single-digit YoY growth in tiles and double-digit YoY growth in sanitaryware and adhesives over the next two years; in non-tiles, management targets to increase revenue share to ~25% over the next four years (versus 15% in FY25). ii) Targeting EBITDA margin of 10%-plus in the near term (versus ~8% in 1HFY26) on the back of a richer value-added mix, and a further improvement to 12–14% over the next two years. iii) Demand trends improved both YoY and QoQ in 3QFY26, iv) Tiles capacity remains adequate with no major additions planned; adhesives capacity has been expanded while the Max plant is expected to break even in about 18 months. v) Institutional segment revenue to scale up from 15–16% now to 22–23% in the near term. Maintain 'ADD' with a TP of INR 450 based on 18x Mar '28E P/E.

- Reiterates guidance; growth visibility intact:** Management reaffirmed their outlook of high single-digit YoY revenue growth in tiles and double-digit YoY growth in sanitaryware & adhesives over the next two years. Additionally, they plan to scale up the non-tiles revenue share from ~15% in FY25 to ~25% over the next four years. On EBITDA margin front, management expects >10% over coming quarters versus ~8% in 1HFY26 driven by a richer value-added mix and the ramp-up of a new premium brand with a medium-term margin aspiration of 12–14% over the next two years. By business mix, management aims to increase institutional share from 15–16% to 22–23% in the near term, and anticipates exports share to remain in low single digits.
- Pickup in demand hints at recovery:** Management highlighted demand trends improved YoY and QoQ in 3Q. They added exports have picked up in the current year (tiles export volumes up 9% YoY in 7MFY26; refer to our **Exim Monthly: Mixed trend** report), resulting in lower domestic dumping by Morbi players. In addition, the company will launch a new premium-segment brand in three months to lift its premium sales mix. While no price hikes were taken, management highlighted tighter control on discounting, which shall aid margin recovery.
- Core capacity in place; selective capex in sanitaryware segment:** Management reiterated sufficient capacity in the tiles division with no expansion envisaged over the next ~24 months, barring maintenance capex. Selective, small-scale capex may be undertaken to augment sanitaryware capacity, primarily to support higher value-added offerings. In adhesives, the company highlighted that capacity at the North plant has doubled while the South plant—comparable in size to the North plant's pre-expansion capacity—is slated for commissioning over coming weeks, thereby strengthening regional footprint and growth readiness.
- Max plant's turnaround underway:** Somany has two loss-making JVs—Max and Sudha—and has taken corrective measures at the Max plant to accelerate its path to profitability following a delay in breakeven. Commissioned in Jan'24, the Max facility focuses on large-format tiles with an estimated revenue potential of ~INR 2.5bn, largely catering to institutional demand. While the JV is expected to report a loss of INR 260–270mn in FY26E, management expects PAT breakeven over the next ~18 months aided by investments in a new press aimed at improving operating leverage and margins.

Financial Summary						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	25,914	26,588	27,525	29,184	31,726	
Sales Growth (%)	4.6	2.6	3.5	6.0	8.7	
EBITDA	2,532	2,209	2,191	2,361	2,660	
EBITDA Margin (%)	9.8	8.3	8.0	8.1	8.4	
Adjusted Net Profit	989	621	582	747	1,024	
Diluted EPS (INR)	24.1	15.1	14.2	18.2	25.0	
Diluted EPS Growth (%)	48.1	-37.3	-6.2	28.3	37.0	
ROIC (%)	11.0	8.3	7.1	8.8	10.7	
ROE (%)	13.1	8.3	7.3	8.8	11.1	
P/E (x)	16.9	27.0	28.8	22.4	16.4	
P/B (x)	2.3	2.2	2.0	1.9	1.7	
EV/EBITDA (x)	8.1	8.9	8.7	7.8	6.5	
Dividend Yield (%)	0.8	0.7	0.7	0.7	0.7	

Source: Company data, JM Financial. Note: Valuations as of 12/Jan/2026



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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	450
Upside/(Downside)	10.0%
Previous Price Target	450
Change	0.0%

Key Data – SOMC IN

Current Market Price	INR409
Market cap (bn)	INR16.8/US\$0.2
Free Float	41%
Shares in issue (mn)	41.0
Diluted share (mn)	41.0
3-mon avg daily val (mn)	INR9.0/US\$0.1
52-week range	624/393
Sensex/Nifty	83,878/25,790
INR/US\$	90.2

Price Performance

%	1M	6M	12M
Absolute	-2.6	-27.5	-32.6
Relative*	-1.0	-28.7	-37.8

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Quarterly analysis – Consolidated

INR mn	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	1HFY25	1HFY26	YoY (%)
Revenue	6,663	6,449	7,690	6,044	6,852	2.8	13.4	12,449	12,896	3.6
EBITDA	560	535	625	482	535	(4.4)	11.1	1,050	1,017	(3.1)
EBITDA margin (%)	8.4	8.3	8.1	8.0	7.8			8.4	7.9	
Interest	135	133	122	127	123	(8.5)	(3.0)	270	250	(7.2)
Depreciation	192	228	291	260	263	37.2	1.2	383	523	36.4
Other income	13	18	38	19	37	179.5	94.2	34	56	63.9
Adj. PBT	247	192	250	114	186	(24.7)	63.1	431	300	(30.4)
Exceptional item	-	(20)	-	-	-	NA	NA	-	-	NA
PBT	247	172	250	114	186	(24.7)	63.1	431	300	(30.4)
Minority Interest	2	4	(26)	(30)	(27)	NA	NA	2	(57)	NA
Tax	73	75	63	40	63	(14.6)	55.2	135	103	(23.4)
Tax rate (%)	29.7	43.7	25.0	35.5	33.7			31.3	34.4	
Adj. PAT	172	113	213	104	150	(12.6)	44.6	294	254	(13.9)
EPS (INR)	4.2	2.8	5.2	2.5	3.7	(12.6)	44.6	7.2	6.2	(13.9)

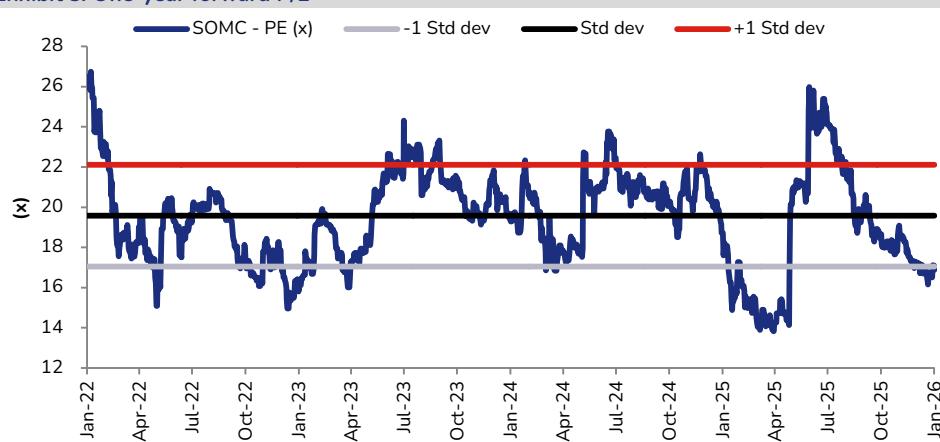
Source: Company, JM Financial

Exhibit 2. Quarterly segmental performance – Consolidated

Particulars	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	1HFY25	1HFY26	YoY (%)
Sales (INR mn)*	6,615	6,401	7,659	6,015	6,805	2.9	13.1	12,374	12,820	3.6
Own Manufacturing	1,851	1,698	1,984	1,661	1,833	(1.0)	10.3	3,577	3,494	(2.3)
JVs	2,247	2,000	2,119	1,683	1,840	(18.1)	9.4	4,283	3,523	(17.7)
Others	1,584	1,761	2,336	1,769	2,033	28.3	14.9	2,793	3,802	36.1
Sanitaryware & Bath Fittings	934	941	1,220	902	1,100	17.7	21.9	1,721	2,002	16.3
Volume (msm)	17.8	17.1	20.4	16.0	17.8	(0.1)	11.2	33.4	33.8	1.3
Own Manufacturing	6.0	5.6	6.5	5.5	5.9	(0.8)	8.6	11.5	11	(1.1)
JVs	6.6	5.6	5.8	4.5	4.9	(24.9)	10.0	12.7	9	(25.6)
Others	5.3	5.9	8.1	6.1	6.9	32.0	14.4	9.2	13	41.8
Realisation (INR/msm)	319	320	315	319	321	0.5	0.4	319	320	0.2
Own Manufacturing	309	306	304	304	309	(0.1)	1.6	310	307	(1.2)
JVs	341	358	367	375	372	9.1	(0.6)	338	374	10.6
Others	302	296	288	292	293	(2.8)	0.5	305	293	(4.0)

Source: Company, JM Financial, *Note: Excluding other operating income

Exhibit 3. One-year forward P/E



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)	Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	25,914	26,588	27,525	29,184	31,726	Shareholders' Fund	7,201	7,717	8,176	8,800	9,701
Sales Growth	4.6%	2.6%	3.5%	6.0%	8.7%	Share Capital	82	82	82	82	82
Other Operating Income	0	0	0	0	0	Reserves & Surplus	7,119	7,635	8,094	8,718	9,619
Total Revenue	25,914	26,588	27,525	29,184	31,726	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	11,979	12,804	13,572	13,806	15,061	Minority Interest	1,128	726	626	550	469
Personnel Cost	3,244	3,547	3,725	3,911	4,107	Total Loans	3,351	3,019	2,819	2,319	1,519
Other Expenses	8,158	8,028	8,037	9,105	9,898	Def. Tax Liab. / Assets (-)	289	257	257	257	257
EBITDA	2,532	2,209	2,191	2,361	2,660	Total - Equity & Liab.	11,969	11,719	11,879	11,927	11,947
<i>EBITDA Margin</i>	9.8%	8.3%	8.0%	8.1%	8.4%	Net Fixed Assets	11,232	10,737	10,281	10,199	10,091
<i>EBITDA Growth</i>	34.2%	-12.8%	-0.8%	7.8%	12.7%	Gross Fixed Assets	15,244	15,585	16,185	17,185	18,185
Depn. & Amort.	725	903	1,056	1,082	1,108	Intangible Assets	0	0	0	0	0
EBIT	1,807	1,306	1,135	1,279	1,552	Less: Depn. & Amort.	4,108	5,011	6,067	7,149	8,257
Other Income	106	90	110	116	121	Capital WIP	96	163	163	163	163
Finance Cost	465	524	508	437	326	Investments	146	164	164	164	164
PBT before Excep. & Forex	1,449	872	737	958	1,347	Current Assets	8,380	8,673	9,342	9,926	10,740
Excep. & Forex Inc./Loss(-)	-21	-20	0	0	0	Inventories	3,466	3,379	3,519	3,725	4,037
PBT	1,428	852	737	958	1,347	Sundry Debtors	3,372	3,688	3,818	4,048	4,401
Taxes	434	272	254	287	404	Cash & Bank Balances	709	777	1,175	1,323	1,472
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	0	39	39	39	39
Assoc. Profit/Min. Int.(-)	25	-21	-100	-77	-81	Other Current Assets	833	791	791	791	791
Reported Net Profit	969	601	582	747	1,024	Current Liab. & Prov.	7,788	7,855	7,908	8,363	9,048
Adjusted Net Profit	989	621	582	747	1,024	Current Liabilities	7,630	7,688	7,741	8,196	8,881
Net Margin	3.8%	2.3%	2.1%	2.6%	3.2%	Provisions & Others	158	167	167	167	167
Diluted Share Cap. (mn)	41.0	41.0	41.0	41.0	41.0	Net Current Assets	592	818	1,434	1,564	1,692
Diluted EPS (INR)	24.1	15.1	14.2	18.2	25.0	Total - Assets	11,969	11,719	11,879	11,927	11,947
Diluted EPS Growth	48.1%	-37.3%	-6.2%	28.3%	37.0%						
Total Dividend + Tax	127	123	123	123	123						
Dividend Per Share (INR)	3.1	3.0	3.0	3.0	3.0						

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,428	852	737	958	1,347
Depn. & Amort.	725	903	1,056	1,082	1,108
Net Interest Exp. / Inc. (-)	465	524	508	437	326
Inc (-) / Dec in WCap.	1,676	-662	-217	18	21
Others	-19	19	-110	-116	-121
Taxes Paid	-340	-223	-254	-287	-404
Operating Cash Flow	3,934	1,412	1,720	2,092	2,277
Capex	-1,570	-798	-600	-1,000	-1,000
Free Cash Flow	2,364	614	1,120	1,092	1,277
Inc (-) / Dec in Investments	269	35	0	0	0
Others	72	45	110	116	121
Investing Cash Flow	-1,229	-718	-490	-885	-879
Inc / Dec (-) in Capital	-1,554	4	0	0	0
Dividend + Tax thereon	-127	-123	-123	-123	-123
Inc / Dec (-) in Loans	-1,538	-65	-200	-500	-800
Others	-340	-492	-508	-437	-326
Financing Cash Flow	-3,560	-676	-831	-1,060	-1,249
Inc / Dec (-) in Cash	-855	18	399	148	149
Opening Cash Balance	1,564	759	777	1,175	1,323
Closing Cash Balance	709	777	1,175	1,323	1,472

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	3.8%	2.3%	2.1%	2.6%	3.2%
Asset Turnover (x)	2.0	2.2	2.3	2.5	2.7
Leverage Factor (x)	1.7	1.6	1.5	1.4	1.3
RoE	13.1%	8.3%	7.3%	8.8%	11.1%

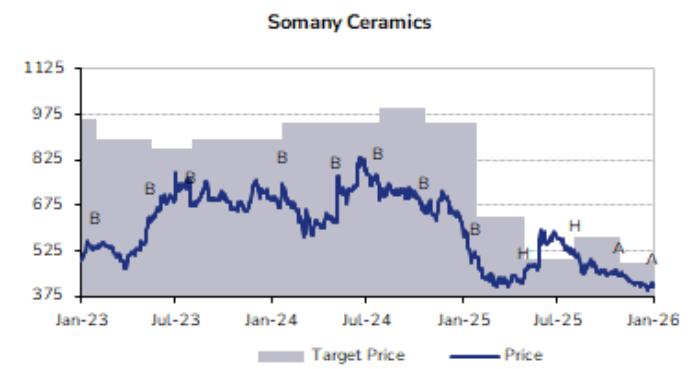
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	175.6	188.2	199.4	214.6	236.6
ROIC	11.0%	8.3%	7.1%	8.8%	10.7%
ROE	13.1%	8.3%	7.3%	8.8%	11.1%
Net Debt/Equity (x)	0.4	0.3	0.2	0.1	0.0
P/E (x)	16.9	27.0	28.8	22.4	16.4
P/B (x)	2.3	2.2	2.0	1.9	1.7
EV/EBITDA (x)	8.1	8.9	8.7	7.8	6.5
EV/Sales (x)	0.8	0.7	0.7	0.6	0.5
Debtor days	47	51	51	51	51
Inventory days	49	46	47	47	46
Creditor days	119	115	112	112	112

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Nov-21	Buy	1,030	
23-Nov-21	Buy	1,120	8.7
3-Feb-22	Buy	1,100	-1.8
2-Mar-22	Buy	990	-10.0
22-Apr-22	Buy	1,000	1.0
20-May-22	Buy	880	-12.0
7-Jun-22	Buy	880	0.0
12-Nov-22	Buy	960	9.1
9-Feb-23	Buy	890	-7.3
24-May-23	Buy	860	-3.4
12-Aug-23	Buy	890	3.5
3-Feb-24	Buy	950	6.7
16-May-24	Buy	950	0.0
4-Aug-24	Buy	995	4.7
30-Oct-24	Buy	950	-4.5
7-Feb-25	Buy	640	-32.6
7-May-25	Hold	500	-21.9
14-Aug-25	Hold	570	14.0
8-Nov-25	Add	485	-15.0
8-Jan-26	Add	450	-7.3

Recommendation History



APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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