

One-offs led Weak Quarter; H2 to be better!

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, the company has guided for mid to high single digit tiles volumes ahead in FY26.

Q2FY26 Performance: Somany ceramics tile volumes were flat YoY at 17.8 MSM with tile revenues of ₹ 570.6, were up 0.4% YoY. The overall revenue was at ₹ 680.5 crore, was up 2.9% YoY. The EBITDA margins were subdued at 8.1%, down 72bps YoY, given the higher operating expenses. PAT stood at ~₹15 crore, down 12.6% YoY from ₹17.2 crore, reflecting weak operating leverage.

Investment Rationale

- One-Off Impacts Behind, Gradual recovery ahead:** We note that Q2 performance was weighed down by one-off disruptions, including a 20-25-day outage at the Kassar plant due to gas pipeline leak (impacting EBITDA by ~120-125 bps), severe rainfall in North India, and a planned 40-day shutdown at the Vintage JV for product-mix realignment. Management also highlighted a gradually improving demand environment and reiterated its mid-to-high single-digit revenue growth guidance for FY26, supported by steady demand trends across key product categories. We expect Tiles revenues CAGR of 8.7% over FY25-27 to ₹ 2665 crore, with volume CAGR of 7.8% over the same period to ~82.3 MSM. Overall topline is expected to grow at 8.5% CAGR over FY25-27E to ₹3115 crore.
- Structural Margin Expansion ahead supported by Operating Leverage, Mix Improvement:** Muted volumes and one-off impacted the margins in Q2. The management, however, has guided for a 150 bps EBITDA margin improvement in H2, reaching 10%+, supported by operating leverage as utilisation rises from 75% toward 85-87%, while gas prices likely to remain stable, with no expected volatility. Structural margin increase is further likely to be supported by a favourable product-mix shift, with GVT (the highest-margin tile segment) already at 41% of the mix and guided to cross 50% in the next 12-18 months, alongside faster growth in the bathware segment (targeting to exceed 20% of revenue over two years). We expect EBITDA margins of ~9.1/9.5% in FY26 and FY27, respectively vs 8.4% in FY25. We expect earnings CAGR of ~37.2% over FY25-27E, 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 by H2FY26.
- We value Somany at ₹550, at 20x FY27 P/E and assign a BUY rating



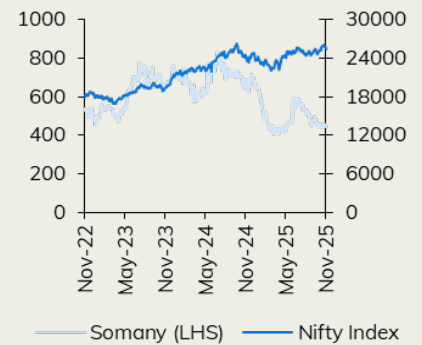
Particulars

Particular	₹ crore
Market	1,807
Capitalization	
Total Debt (FY25)	302
Cash (FY25)	78
EV	2,032
52 week H/L (₹)	737 / 395
Equity capital	8.2
Face value	2.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	55.0	55.0	55.0	55.0
DII	23.6	23.6	23.0	23.2
FII	1.6	1.5	1.4	1.0
Other	19.8	19.9	20.6	20.9

Price Chart



Key risks

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

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Key Financial Summary

₹ crore	FY22E	FY23	FY24	FY25	5 yr CAGR (FY20-25)	FY26E	FY27E	2 yr CAGR FY25-27E
Net Sales	2,083	2,465	2,577	2,643	10.0%	2,818	3,115	8.5%
EBITDA	207	189	253	221	14.0%	258	297	16.0%
EBITDA Margin (%)	9.9	7.7	9.8	8.4		9.1	9.5	
PAT	88.7	71.5	96.9	60.1	45.2%	87.9	113.0	37.2%
EPS (₹) *	20.9	16.8	23.6	14.7		21.4	27.6	
P/E (x)	21.1	26.2	18.7	30.1		20.6	16.0	
EV/EBITDA (x)	10.2	11.2	8.1	9.1		7.5	6.2	
RoNW (%)	12.2	9.1	13.5	7.8		10.4	12.1	
RoCE (%)	10.7	9.0	14.8	10.9		12.5	14.4	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Guidance: Management Guidance:** The management reiterated its mid-to-high single-digit revenue growth guidance for FY26, supported by steady demand trends across key product categories. Management also maintained its outlook for an EBITDA margin improvement of 150 bps in H2, implying an H2 EBITDA margin of upwards of 10% as operating efficiencies, mix optimisation, and cost controls gradually flow through. It added that sanitaryware and bathware portfolio is expected to deliver low double-digit growth for the year, aided by distribution expansion and improving retail traction.
- **Allied business performance:**
 - **Sanitaryware and Faucets:** The Sanitaryware and Bathware segment delivered ~9% growth in Q2FY26, reflecting continued momentum despite a challenging demand environment. Within the same, 60% of the revenue was toward sanitaryware and 40% toward bath fittings, with segment margins reported to be slightly better than tiles. For FY26, the company is maintaining its guidance of low double-digit growth for the sanitaryware and bathware portfolio, supported by seasonally stronger demand in H2. **Over the medium term, the company expects its non-tiles businesses (bathware + adhesives) to contribute over 20% of revenues, with sanitaryware alone targeted at ~15% of revenue within the next two years.** Management is also working toward rebalancing the internal mix from the current 60:40 split to a more even 50:50 between sanitaryware and faucets, which should aid margin accretion as scale and brand equity improve.
 - **Max JV:** The Max JV remained loss-making during the quarter, posting a loss of ₹7.5 crore, weighed down by suboptimal ~50% capacity utilisation. Management indicated that corrective actions have already been implemented and expressed confidence that utilisation will improve to 75-80% by Q4FY26. At that level, the JV is expected to stop incurring losses, with profitability anticipated from next fiscal year. The JV continues to carry elevated debt, contributing ~₹85 crore to the overall JV debt pool.
 - **Vintage JV:** The Vintage JV also dragged overall performance due to a planned 40-day shutdown undertaken to revamp the product mix, as the earlier focus on double-charge vitrified tiles faced weaker demand from government projects. With the product realignment completed, the plant has returned to full operations from the start of Q3, and management expects a steady improvement in performance going forward. The JV's debt burden has moderated, and alongside the Max JV, it forms the bulk of the ₹257 crore total JV debt.
- **Morbi Tile Exports:** Management noted that tile industry exports driven largely by the Morbi cluster have begun to recover after a weak phase, with export data for the first five months of FY26 (Apr-Aug 2025) indicating ~7% growth. Based on this trend, the company projects full-year exports to reach ₹19,000-20,000 crore, compared to ₹17,000-17,500 crore last year. Management views this rebound as positive for the domestic market, as rising exports are likely to draw Morbi manufacturers back toward overseas volumes, reducing their competitive intensity locally and creating additional room for branded players to strengthen their positioning.

- **Tile Segment Performance:** Company's tile segment delivered a steady operational performance, supported by improving demand conditions and better mix management. While growth remained moderate through H1 due to a soft macro backdrop and subdued government project demand, Q2 saw a gradual pickup, aided by stronger retail traction and stabilizing input costs. Management highlighted that the overall operating environment is improving, with exports from the Morbi cluster showing early signs of revival an important development, as higher export activity typically reduces domestic supply pressure and helps branded players maintain pricing discipline. **Margins for the tile business remained stable year-on-year, with management confident of 150 bps improvement in H2, driven by operating efficiencies, cost optimization, and normalization of gas prices. Overall, the tile segment is positioned for mid-to-high single-digit growth in FY26 with improving profitability visibility into H2.**
- **Demand Commentary:** Management indicated that **overall demand is gradually improving, noting that the industry is now "out of the woods" with demand "coming back slowly and steadily."** They do not foresee a sharp V-shaped recovery but expect a measured, steady turn through the year. In the domestic market, demand in North India was significantly impacted in Q2 due to heavy rains and flooding, affecting a region that contributes nearly half of industry volumes. However, management views this as temporary, with demand already beginning to normalize and expected to recover in the current quarter. **Despite major festive holidays, October still delivered marginal growth, which management considers encouraging as the remainder of the quarter provides a clearer run-rate.** They also highlighted that the real estate-driven volume upcycle for tiles is only beginning, with the stronger impact expected to unfold over the next 12-24 months.
- **Gas Price:** Management indicated that **gas prices remained flat during the quarter, with no changes across any of the company's operating locations.** Going, they do not anticipate any volatility and expect gas prices to largely remain flat, providing a stable cost environment for the remainder of the year.
- **Dealer Network:** Management reported a net addition of 119 dealers in H1FY26, taking the overall dealer base to approximately 3,000. The company also expanded its branded retail presence, with the number of exclusive showrooms increasing to around 520 by the end of Q2.
- **Capex:** Management reiterated that **the company has no major capex planned for the next 12-18 months,** noting that all required investments have already been completed. With limited capital outlay ahead, the company expects debt levels to reduce and profitability to improve over the coming quarters.
- **Working Capital:** The company reported working capital at 14 days vs 17 days in Q1FY26.

Exhibit 1: Quarter Performance

Particular	Q2FY26	Q2FY25	YoY (Chg %)	Q1FY26	QoQ (Chg %)	Comments
Net Sales	684	666.3	2.7	603.4	13.4	Tiles volumes were flat YoY at 17.8 MSM with tile revenues of ₹ 570.6, were up 0.4% YoY
Other Income	4.6	1.3	250.8	3.0	55.9	
Raw Material Expense	141.0	144.1	-2.1	136.6	3.2	
Purchase of Traded Goods	210.3	169.9	23.8	183.3	14.8	
Power & Fuel	109.7	123.4	-11.1	114.6	-4.2	
Employee benefit expenses	89.8	89.1	0.7	87.2	2.9	
Other Expenses	71.3	75.0	-5.0	65.5	8.9	
EBITDA	52.6	56.0	-6.1	47.1	11.6	
EBITDA Margin (%)	7.7	8.4	-72 bps	7.8	-12 bps	
Depreciation	26.3	19.2	37.2	26.0	1.2	One offs, impacted margins
Interest	12.3	13.5	-8.5	12.7	-3.0	
PBT	18.6	24.7	-24.7	11.4	63.1	
Taxes	6.3	7.3	-14.6	4.0	55.2	
PAT	15.0	17.2	-12.6	10.4	44.6	

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

Particulars	FY26E			FY27E			Comments
	Old	New	Change	Old	New	Change	
Revenue	2911	2836	-2.6	3229	3135	-2.9	Realign estimates
EBITDA	274	258	-6.0	320	297	-7.2	
EBITDA Margin (%)	9.4	9.1	-34 bps	9.9	9.5	-40 bps	
Adjusted PAT	90	88	-2.6	123	113	-7.8	
EPS	22.0	21.4	-2.6	29.9	27.6	-7.8	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Net Sales	2,577	2,643	2,818	3,115
Other Income	11	9	12	13
Total Revenue	2,602	2,668	2,848	3,148
Raw Material Expense	543	590	592	654
Purchase of Traded Goods	599	711	738	810
(Increase)/Decrease in Invent	56	(21)	14	16
Employee benefit expenses	324	355	378	417
Other Expenses	294	301	321	355
Total Operating Expenditure	2,338	2,438	2,579	2,837
EBITDA	253	221	258	297
Interest	46	52	49	35
Depreciation	73	90	105	113
PBT	145	87	116	163
Total Tax	43	27	36	46
PAT before MI	99	58	80	117
Minority Interest	3	(2)	(8)	4
PAT	97	60	88	113
YoY growth	35.5%	-38.0%	46.3%	28.6%
EPS (Diluted)	23.6	14.7	21.4	27.6

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	96.9	60.1	87.9	113.0
Depreciation	72.5	90.3	104.8	112.9
Interest Paid	46.5	52.4	48.9	34.8
Cash Flow before WC change	209.8	193.7	221.6	251.7
Net Increase in Current Asset:	(23.0)	(19.4)	(108.9)	(90.8)
Net Increase in Current Liabili	182.2	(11.7)	74.5	79.0
Net CF from Op. Activities	369.1	162.6	187.3	239.8
(Purchase)/Sale of Fixed Asse	(122.5)	(140.6)	(38.6)	(120.0)
Others	35.2	81.8	10.6	13.0
Net CF from Inv. Activities	(87.2)	(58.7)	(28.0)	(107.0)
Proceeds/Repayment of Debt	(153.3)	(33.2)	(30.0)	(40.0)
Dividend and Dividend Tax	(12.5)	(12.0)	(17.6)	(22.6)
Interest Paid	(46.5)	(52.4)	(48.9)	(34.8)
Net CF from Fin. Activities	(212.2)	(97.6)	(96.5)	(97.4)
Net Cash flow	(83.6)	6.8	62.7	35.4
Opening Cash/ Cash Equivale	154.6	70.9	77.7	140.4
Cl. Cash/ Cash Equivalent	70.9	77.7	140.4	175.9

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Share Capital	8.2	8.2	8.2	8.2
Reserves & Surplus	711.9	763.5	833.8	924.2
Total Shareholders funds	720.1	771.7	842.0	932.4
Secured Loan	149.4	153.0	123.0	83.0
Unsecured Loan	185.7	149.0	149.0	149.0
Total Debt	335.1	301.9	271.9	231.9
Deferred Tax Liability	36.9	35.2	35.2	35.2
Minority Interest	112.8	72.6	64.6	68.6
Other Long Term Liabilities	75.0	91.9	91.9	91.9
Long Term Provisions	11.0	12.5	12.5	12.5
Liability side total	1,291	1,286	1,318	1,372.5
Assets				
Gross Block	1,479.6	1,512.7	1,552.7	1,672.7
Net Block	1,113.4	1,056.3	991.5	998.6
Capital WIP	9.6	16.3	16.3	16.3
Current Investments	14.6	12.7	12.7	12.7
Long-term loans & advances	-	3.9	3.9	3.9
Inventories	346.6	337.9	386.1	426.6
Sundry Debtors	337.2	368.8	393.2	434.6
Loans and Advances	-	-	-	-
Other Current Assets	52.2	48.7	84.9	93.9
Cash	70.9	77.7	140.4	175.9
Total Current Assets	821.5	845.7	1,017.3	1,143.6
Creditors	559.3	334.3	386.1	426.6
Provisions	4.8	4.2	4.2	4.2
Other Current Liabilities	128.8	342.7	365.3	403.7
Total Current Liabilities	692.8	681.1	755.6	834.6
Net Current Assets	128.6	164.6	261.7	309.0
Assets side total	1,291	1,286	1,318	835

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
Per Share Data				
EPS	23.6	14.7	21.4	27.6
Cash EPS	41.3	36.7	47.0	55.1
BV	175.6	188.2	205.4	227.4
Revenue per Share	628.6	644.7	687.4	759.6
Dividend per share	3.0	5.0	5.0	5.0
Operating Ratios				
EBITDA / Total Operating Inco	9.8	8.3	9.1	9.5
PAT / Total Operating Income	3.7	2.3	3.1	3.6
Inventory Days	49	47	50	50.0
Debtor Days	48	51	51	50.9
Creditor Days	79	46	50	50.0
Return Ratios				
RoE	13.5	7.8	10.4	12.1
RoCE	14.8	10.9	12.5	14.4
RoIC	15.1	11.1	13.3	15.8
Valuation Ratios				
EV / EBITDA	8.1	9.1	7.5	6.2
P/E	18.7	30.1	20.6	16.0
EV / Net Sales	0.8	0.8	0.7	0.6
Market Cap / Sales	0.7	0.7	0.6	0.6
Price to Book Value	2.5	2.3	2.1	1.9
Turnover Ratios				
Asset turnover	2.0	2.1	2.1	2.3
Gross Block Turnover	1.7	1.7	1.8	1.8
Solvency Ratios				
Net Debt / Equity	0.3	0.3	0.1	0.0
Current Ratio	1.1	1.1	1.1	1.1
Debt / EBITDA	1.0	1.0	0.5	0.1
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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