Somany Ceramics (SOMCER)

ICICI Direct

CMP: ₹520 | Target ₹ 640 (23%) | Target Period: 12 months | BUY

August 13, 2026

Strong Performance on margins front!

About the stock: Somany Ceramics is the second largest tiles manufacturer in the domestic tiles market having ~80 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 mid-single digit volume growth in FY27 and sustaining double digits margins.

Q1FY27 performance: Topline was up 24% YoY to ₹750 crore, despite only a 2.8% YoY increase in tile volumes to 16.5 MSM, as supply disruptions in Morbi constrained volumes during early part of quarter. Tile revenue grew 23.7% YoY to ₹633 crore, primarily driven by a sharp 20.3% YoY increase in blended realisation to ₹384/sqm, following a 16–17% price hike to offset elevated natural gas costs and product mix. The stronger in-house contribution, pricing actions and better cost absorption helped consolidated EBITDA rise 78.9% YoY to ₹86 crore, with EBITDA margin expanding 353 bps to 11.5%. Reported PAT increased 242.7% YoY to ₹36 crore, aided by operating leverage and lower interest costs.

Investment Rationale:

- **Guidance of mid-single digit volume growth in Tiles:** The Management **expects mid-single-digit tile volume growth in FY27, supported by higher capacity utilisation and operational efficiencies**. Given the sharp rise in gas prices, the **company has undertaken 16-17% price hike compared to 30-35% by Morbi players.** The higher price hikes by Morbi players have narrowed the pricing gap with organised players, which management believes could improve the competitiveness and demand for branded tile manufacturers. **Thus, we bake Tiles revenues CAGR of 13.2% over FY26-FY28E to ₹2977 crore, with volume CAGR of 7% over the same period to ~82.6MSM. Overall topline is expected to grow at 12.2% CAGR over FY26-28E to ₹3512 crore**.
- **Double Digit margins to sustain ahead:** Management has **guided for sustaining double digit margins, 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 ~10.3%/10,2% in FY27 & FY28, respectively vs 9.2% in FY26. We expect earnings CAGR of ~30.6% over FY26-FY28E, largely led by pricing led topline growth and margins improvement**.

Rating and Target Price: Given the lower price differential between organised and unorganised player they expect demand recovery to sustain ahead for organised players including Somany. We recommend a **BUY rating** for Somany Industries with a revised **price target of ₹640** valuing it at **19x its FY28E EPS**.

SOMANY TILES | BATHWARE

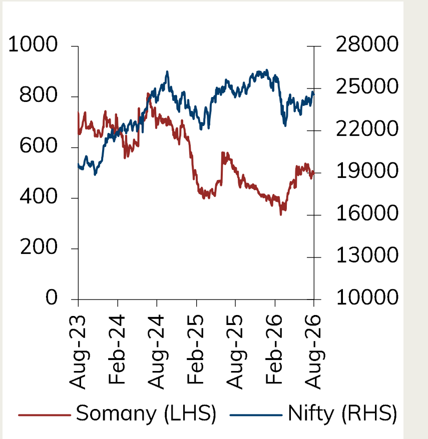
Particulars

(₹ Crore)	Amount
Market Capitalization	2,132
Debt (FY26)	251
Cash (FY26)	148
EV	2,236
52-week H/L (₹)	557 / 332
Equity Capital	8.2
Face Value (₹)	2.0

Shareholding pattern

	Sep-25	Dec-24	Mar-26	Jun-26
Promoters	55.0	55.0	55.2	55.2
FII	1.0	0.9	1.3	1.4
DII	23.2	23.0	21.6	19.4
Other	20.8	21.1	21.8	24.0

Price Chart



Key risks

(i) Volatility in gas prices.
(ii) Unorganised players competition

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Bhupesh Kawdia
bhupesh.kawdia@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY24	FY25	FY26	5 yr CAGR (FY21-26)	FY27E	FY28E	2yr CAGR FY26-28E
Revenues	2,591	2,659	2,790	11.1%	3,328	3,512	12.2%
EBITDA	253	221	258	6.3%	344	357	17.7%
EBITDA Margin (%)	9.8	8.3	9.2		10.3	10.2	
PAT	97	60	81	7.3%	130	138	30.6%
EPS (₹) *	23.6	14.7	19.8		31.8	33.8	
P/E (x)	22.0	35.5	26.3		16.4	15.4	
EV/EBITDA (x)	9.4	10.6	8.6		6.2	5.5	
RoNW (%)	13.5	7.8	9.6		13.8	13.1	
RoCE (%)	14.8	10.9	11.8		16.4	16.1	

Source: Company, ICICI Direct Research

Q1FY27 – Key Performance highlights

- **Guidance**: Management **expects mid-single-digit tile volume growth in FY27, supported by higher capacity utilisation and operational efficiencies, while remaining confident of sustaining double digit EBITDA margins**. They indicated that channel inventory has normalised and remains lean, with demand expected to improve going forward. At current capacities, management sees maximum revenue potential of ~₹3,850 crore from existing own and JV capacities, with the new Tirupati facility providing additional upside.
- **Tile Segment**. **Blended tile realisation increased 20.3% YoY to ₹384/sqm in Q1FY27, reflecting the pass-through of higher input costs. Somany implemented a 16-17% price increase, compared to 30-35% by Morbi players. July prices were slightly higher than May-June levels, while August witnessed a further marginal increase.** The higher price hikes by Morbi players have narrowed the pricing gap with organised players, which management believes could improve the competitiveness and demand for branded tile manufacturers. **Tile volumes in Q1 were constrained by lower availability of outsourced material as Morbi operations were disrupted by gas scarcity. Somany does not manufacture PVT tiles and remains dependent on outsourcing partners for this category**. Morbi operations normalised from May and reached 100% utilisation from mid-June, although management indicated that the last leg of Morbi capacity is unlikely to restart
- **Allied Business – Bathware, Sanitaryware & Faucets:** Bathware revenue grew ~22% YoY to ₹76.5 crore in Q1FY27, while management indicated that bathware margins are around 1% better than tile margins. Capacity utilisation stood at 77% in sanitaryware and 95% in faucets, versus 80% for tiles, with further improvement expected in Q2. Management remains positive on healthy growth in the Bathware and Sanitaryware businesses.
- **Product Mix:** Own manufacturing, JV and outsourced products accounted for 34%, 34% and 32%, respectively, of the sales mix. The favourable product mix, higher utilisation and operational efficiencies supported the improvement in profitability during the quarter.
- **Capacity Utilisation: Blended utilisation stood at 80% in tiles**, 77% in sanitaryware and 95% in faucets
- **Somany Max:** Losses at Somany Max declined sharply to ~₹1 crore in Q1FY27 from ~₹7 crore in Q1FY26. Management expects further improvement as utilisation increases, with FY27 losses expected to remain below ₹10 crore versus ₹21 crore in FY26.
- **Gas Prices:** Blended natural gas cost was ~₹68/SCM in Q1FY27. Gas prices in the South/Morbi region were in the mid-₹70s/SCM, while northern-region prices were around ₹68-69/SCM. Prices remained volatile during the quarter, although management expects the situation to normalise. The company implemented a 16-17% price hike to offset higher gas costs.
- **Morbi Exports**: **Exports declined sharply by around 50-60% YoY and are expected to remain subdued until freight conditions normalise**. Higher freight and raw-material costs following the resumption of Morbi operations have weighed on export competitiveness.
- **Capex and NWC: The capex for FY27 is expected at ~₹270 crore, including ~₹220 crore towards the Tirupati project.** The balance will be deployed towards balancing equipment across existing plants and sanitaryware. Management does not plan any major capacity addition during FY27 but expects to unlock 3-4 MSM of incremental capacity through debottlenecking by Q3FY27. In addition, **a 9+ MSM Tirupati facility is being established at an investment of ~₹220 crore and is expected to become operational by Q3/Q4FY28**. Around 60% of the project is expected to be funded through internal accruals. NWC days declined by 5 days YoY to 12 days as of Q1FY27, while net debt stood at ₹107 crore as of 30 June 2026

Exhibit 1: Quarter performance

Particular	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Net Sales	749.6	604.4	24.0	817.9	-8.4	Tiles volumes were up 2.8% YoY at 16.5 MSM, as supply disruptions in Morbi constrained volumes. Tile revenue grew 23.7% YoY to ₹633 crore, primarily driven by a sharp 20.3% YoY increase in blended realisation given a 16–17% price hike to offset elevated natural gas costs and product mix.
Other Income	3.5	1.9	86.3	3.2	11.3	
Raw Material Expense	150.6	136.6	10.2	147.4	2.2	
Purchase of Traded Goods	194.8	183.3	6.3	243.2	-19.9	
Power & Fuel	146.5	114.6	27.9	120.6	21.4	
Employee benefit expenses	99.4	87.2	14.0	91.9	8.3	
Other Expenses	77.2	65.5	17.9	75.0	2.9	
EBITDA	86.2	48.2	78.9	92.4	-6.6	
EBITDA Margin (%)	11.5	8.0	353 bps	11.3	21 bps	Margin expansion aided by higher gross margins driven by realisation growth
Depreciation	28.5	26.0	9.9	27.3	4.6	
Interest	11.4	12.7	-10.1	10.6	8.1	
PBT	49.8	11.4	337.1	57.7	-13.7	
Taxes	15.6	4.0	284.9	16.8	-7.2	
PAT	35.5	10.4	242.7	37.8	-6.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

Particulars	FY27E			FY28E			Comments
	Old	New	Change	Old	New	Change	
Revenue	3060	3328	8.8	3243	3512	8.3	
EBITDA	303	344	13.7	322	357	11.0	
EBITDA Margin (%)	9.9	10.3	45 bps	9.9	10.2	25 bps	
Adjusted PAT	107	130	22.0	119	138	16.2	
EPS	26.0	31.8	22.0	29.1	33.8	16.2	

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	3,308	3,490
Other Income	9	11	12	12
Total Revenue	**2,668**	**2,801**	**3,340**	**3,524**
Raw Material Expense	590	578	695	733
Purchase of Traded Goods	711	842	926	977
(Increase)/Decrease in Inventories	(21)	(4)	-	-
Employee benefit expenses	355	361	430	454
Other Expenses	301	285	354	373
Total Operating Expenditure	**2,438**	**2,532**	**2,984**	**3,155**
EBITDA	**221**	**258**	**344**	**357**
Interest	52	48	42	34
Depreciation	90	107	121	125
PBT	**87**	**114**	**193**	**209**
Total Tax	27	35	62	68
PAT before MI	58	74	130	141
Minority Interest	(2)	(7)	-	3
PAT	**60**	**81**	**130**	**138**
YoY growth	-16.0%	35.2%	60.3%	6.4%
EPS (Diluted)	**14.7**	**19.8**	**31.8**	**33.8**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	**60**	**81**	**130**	**138**
Depreciation	90	107	121	125
Interest Paid	52	48	42	34
Cash Flow before WC changes	**194**	**223**	**282**	**289**
Net Increase in Current Assets	(19)	61	(217)	(50)
Net Increase in Current Liabilities	(12)	(40)	178	45
Net CF from Op. Activities	**163**	**244**	**242**	**284**
(Purchase)/Sale of Fixed Assets	(32)	(133)	(100)	(60)
Others	(26)	74	12	12
Net CF from Inv. Activities	**(59)**	**(59)**	**(88)**	**(48)**
Debt raise/repayment	(33)	(51)	(40)	(40)
Dividend and Dividend Tax	(12)	(16)	(26)	(28)
Interest Paid	(52)	(48)	(42)	(34)
Net CF from Fin. Activities	**(98)**	**(115)**	**(108)**	**(102)**
	-	-	-	-
Net Cash flow	**7**	**70**	**46**	**134**
Opening Cash/ Cash Equivalent	71	78	148	193
Cl. Cash/ Cash Equivalent	**78**	**148**	**193**	**327**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Share Capital	8	8	8	8
Reserves & Surplus	763	834	938	1,049
Total Shareholders funds	772	842	947	1,057
Secured Loan	153	137	97	57
Unsecured Loan	149	115	115	115
Total Debt	302	251	211	171
Deferred Tax Liability	35	34	34	34
Minority Interest	73	78	78	81
Other Long Term Liabilities	92	157	157	157
Long Term Provisions	12	9	9	9
Liability side total	**1,286**	**1,371**	**1,435**	**1,508**
Assets				
Gross Block	1,513	1,646	1,746	1,806
Net Block	1,056	1,082	1,061	995
Capital WIP	16	19	19	19
Current Investments	13	12	12	12
Long-term loans & advances	4	3	3	3
Inventories	338	352	453	478
Sundry Debtors	369	301	359	379
Loans and Advances	-	-	-	-
Other Current Assets	49	41	100	105
Cash	78	148	193	327
Total Current Assets	846	854	1,117	1,301
Creditors	334	334	453	478
Provisions	4	7	7	7
Other Current Liabilities	343	300	358	378
Total Current Liabilities	681	641	818	863
Net Current Assets	165	214	299	438
Assets side total	**1,286**	**1,371**	**1,435**	**1,508**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	14.7	19.8	31.8	33.8
Cash EPS	36.7	46.0	61.3	64.4
BV	188.2	205.5	230.9	257.9
Revenue per Share	648.5	680.4	811.7	856.5
Dividend per share	5.0	5.0	5.0	5.0
Operating Ratios				
EBITDA margin	8.4	9.3	10.4	10.2
PAT / Total Operating Income	2.3	2.9	3.9	3.9
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
Return Ratios				
RoE	7.8	9.6	13.8	13.1
RoCE	10.9	11.8	16.4	16.1
RoIC	11.1	12.6	18.4	20.1
Valuation Ratios				
EV / EBITDA	10.6	8.6	6.2	5.5
P/E	35.5	26.3	16.4	15.4
EV / Net Sales	0.9	0.8	0.6	0.6
Market Cap / Sales	0.8	0.8	0.6	0.6
Price to Book Value	2.8	2.5	2.3	2.0
Turnover Ratios				
Asset turnover	2.1	2.0	2.3	2.3
Gross Block Turnover	1.7	1.7	1.9	1.9
Solvency Ratios				
Net Debt / Equity	0.3	0.1	0.0	(0.2)
Current Ratio	1.1	1.1	1.1	1.1
Debt / EBITDA	1.0	0.4	0.0	(0.5)
Quick Ratio	0.6	0.5	0.6	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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