Somany Ceramics (SOMCER)

CMP: ₹550 | Target ₹ 660 (20%) | Target Period: 12 months | BUY

November 9, 2026

Margin guidance raised!

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.

Q2FY27 performance: Somany Ceramics delivered a strong Q2FY27 performance, with consolidated revenue from operations rising 25.4% YoY to ₹854 crore, driven by strong tiles revenues growth amidst price hikes. Tile volumes grew 5.4% YoY to 18.77 MSM, led by a 15.3% increase in own manufacturing volumes to 6.84 MSM, while JV and outsourced volumes remained largely stable at 4.98 MSM and 6.95 MSM, respectively. Improved product mix, pricing actions and better operating leverage drove consolidated EBITDA up 86.4% YoY to ₹100 crore, with EBITDA margin expanding 380 bps to 11.7% from 7.9% in Q2FY26. PAT increased 176.9% YoY to ₹42 crore.

Investment Rationale:

- **Guidance of high-single digit volume growth in Tiles:** The Management **expects high-single-digit tile volume growth in FY27, underpinned by improved capacity utilization and favourable pricing dynamics**. Somany is also **shifting towards high-value GVT**, whose share increased to 45% of the mix, up from 41% in the previous year, with entirety of the upcoming ~16MSM of capacity expansion dedicated exclusively to GVT. **This strategic allocation is expected to propel the GVT share to a dominant 65% to 70% of total sales within the next two to three years aiding topline growth through an improved product mix. Thus, we bake Tiles revenues CAGR of 13.3% over FY26-FY28E to ₹2982 crore, with volume CAGR of 6.4% over the same period to ~81.6MSM. Overall topline is expected to grow at 13.1% CAGR over FY26-28E to ₹3572 crore**.
- **Management revises margin guidance upwards:** Management **upgraded its EBITDA margin expansion guidance for FY27 to a 2-2.5% improvement over FY26 levels**, a substantial revision from the initial 1-1.5% expectation. This implies an exit EBITDA margin in the range of 11.5% to 12.0%. We **conservatively project EBITDA margins of ~11.3%/11% in FY27 & FY28, respectively vs 9.2% in FY26. We expect earnings CAGR of ~40% 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, we expect demand recovery to sustain ahead for organised players including Somany. We maintain **BUY rating** with a revised **price target of ₹660** valuing it at **17x its FY28E EPS**.

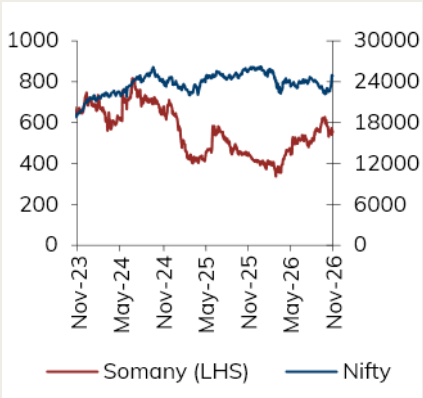
Particulars

Particular	₹ crore
Market Capitalization	2,255
Total Debt (FY26)	251
Cash (FY26)	148
EV	2,359
52-week H/L (₹)	631 / 332
Equity capital	8.2
Face value	2.0

Shareholding pattern

	Dec-24	Mar-26	Jun-26	Sep-26
Promoters	55.0	55.2	55.2	55.2
FII	0.9	1.3	1.4	2.9
DII	23.0	21.6	19.4	16.0
Other	21.1	21.8	24.0	25.9

Price Chart



Key risks

(i) Volatility in gas prices.

(ii) Unorganised players competition

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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%	3,421	3,572	13.1%
EBITDA	253	221	258	6.3%	387	391	23.2%
EBITDA Margin (%)	9.8	8.3	9.2		11.3	11.0	
PAT	97	60	81	7.3%	158	159	40.0%
EPS (₹) *	23.6	14.7	19.8		38.5	38.8	
P/E (x)	23.3	37.5	27.8		14.3	14.2	
EV/EBITDA (x)	9.9	11.2	9.1		5.8	5.2	
RoNW (%)	13.5	7.8	9.6		16.3	14.5	
RoCE (%)	14.8	10.9	11.8		19.1	17.9	

Source: Company, ICICI Direct Research

Q2FY27 – Key Performance highlights

- **Management guidance:** Underpinned by improved capacity utilization and favourable pricing dynamics; the company **maintained its guidance for high single-digit volume growth in the core tiles segment for FY27**. The bathware division is projected to be a standout performer, with management guiding for aggressive revenue growth of upwards of 20% for both FY27 and FY28. Crucially, the company **upgraded its EBITDA margin expansion guidance for FY27 to a 2.0% to 2.5% improvement over FY26 levels, a substantial revision from the initial 1.0% to 1.5% expectation**. This implies an exit EBITDA margin in the range of 11.5% to 12.0%.
- **Tiles segment:** The tiles segment **remains the core growth engine for Somany Ceramics, recording a 27% revenue growth to ₹723 crore during Q2FY27. Total tile sales volume grew by 5.4% to reach 18.8 MSM**. The company's margin expansion strategy is the continuous improvement in its product mix, specifically the **shift toward high-value Glazed Vitrified Tiles (GVT). GVT share increased to 45% of the mix, up from 41% in the previous year**. Management emphasized that the entirety of the upcoming ~16MSM of capacity expansion is dedicated exclusively to GVT. This strategic allocation is **expected to propel the GVT share to a dominant 65% to 70% of total sales within the next two to three years**.
- **Bath and sanitaryware segment:** During Q2FY27, bathware **revenues reached ₹87.8 crore, a 15% YoY growth**. Operationally, the Q2 capacity utilization stood at 80% for sanitaryware and reaching optimum levels for faucets. Despite inflationary pressures, margins in the bathware portfolio remained slightly higher than the core tiles business. For sanitaryware, the company successfully passed on the rising costs of fuel and plastic components to consumers. The faucet division faced stiffer headwinds, as brass prices practically doubled over the past 18 months. Since industry pricing largely mirrors the market leader, Somany could not pass on the entirety of this raw material inflation but managed sufficient price hikes to cushion the impact on profitability. **Overall, management anticipates this segment will sustain a 20% growth rate through FY28**.
- **Building solutions segment:** Somany's Building Solutions segment, which prominently features its adhesives portfolio recorded revenues of ₹~43 crore, showcasing a 28% YoY growth. Management revealed that the broader building solutions business is expanding at an exceptional rate of 40% to 50%, with strong momentum expected to persist well into the next financial year. To capitalize on this surging demand, the company successfully commissioned a massive new manufacturing facility in the North last month and initiated operations at another plant in the South during the previous quarter. Currently, the Building Solutions and sanitaryware segments combined contribute about 16-17% of total revenue. With continued aggressive expansion, **management envisions these high-growth segments scaling up to represent 20% to 25% of total sales volume over the next two to three years, driving margin accretion.**
- **Capacity expansion and utilization:** During Q2FY27, all operational tile plants ran at 100% capacity utilization, excluding brief 15 to 20-day planned shutdowns for strategic upgradations. Looking ahead, **the company expects to sell between 79 and 80 million square meters of tiles in the current fiscal year, aided by debottlenecking efforts that will add roughly 4 million square meters of annualized capacity**. For FY28, Somany targets the addition of 10-11 MSM by mid-year. A major highlight is the expansion of the Ceravit joint venture plant in the South. **Originally planned as a 9 MSM addition, it has been scaled up to 11-12 MSM with a total Capex of ₹250 crore, funded equally by debt and equity.** Other immediate Capex initiatives include ₹15 crore for modernization at Sudha, ₹8 crore at Vintage, and raising the sanitaryware JV stake to 76%.
- **Gas Prices:** Energy costs remained highly volatile during the first half of the year, posing a significant operational challenge that the company navigated with remarkable agility. While management anticipated a favorable normalization of gas prices by late July or early August, escalating geopolitical conflicts caused severe price fluctuations. Currently, **Somany's overall blended gas cost hovers at ₹~70/SCM, a steep rise from ₹45/scm in FY26 and ₹43/scm in Q2FY26. Despite an approximate**

16% to 17% absolute increase in gas prices since April, the company demonstrated exceptional pricing power by entirely passing these costs onto consumers. Crucially, Somany has engineered most of its manufacturing plants to be fully fungible between Natural Gas, LPG, and Propane, allowing it to source cheaper alternatives and maintain an edge over competitors. **Meanwhile, unorganized players in Morbi are struggling with gas prices near ₹80/scm. Management expects long-term gas prices to stabilize between ₹60 and ₹70/scm, which structurally favors organized players**.

- **Morbi Exports:** During the first five months of the fiscal year, total industry exports plummeted by ~31% in value and a staggering 44-45% in volume. Consequently, an estimated 35% of export-oriented units in Morbi were completely shut down at the time of the earnings call. **The primary culprits include exorbitant freight rates, heightened geopolitical tensions, rising land prices, and elevated gas costs nearing ₹80/scm, all of which have severely damaged Morbi's global competitiveness. As a result, industry-wide export revenue is projected to shrink to ₹12,000-13,000 crore this year from ₹18,750 crore previously.** This disruption benefits organized domestic players like Somany, as financially strained Morbi operators are virtually incapable of expanding capacity over the next 18 to 24 months, restricting overall market supply.

Exhibit 1: Quarter performance

Particular	Q2FY27	Q2FY26	YoY (Chg %)	Q1FY27	QoQ (Chg %)	Comments
Net Sales	**860.7**	**685.2**	**25.6**	**749.6**	**14.8**	High growth in tiles segment driven majorly by price hikes along with ~5.4% volume growth.
Other Income	2.2	3.7	-41.2	3.5	-38.7	
Raw Material Expense	181.8	141.0	29.0	150.6	20.8	
Purchase of Traded Goods	259.8	210.3	23.5	194.8	33.3	
Power & Fuel	177.5	109.7	61.8	146.5	21.1	
Employee benefit expenses	106.0	89.8	18.1	99.4	6.6	
Other Expenses	89.1	71.3	25.0	77.2	15.4	
EBITDA	**99.7**	**53.5**	**86.4**	**86.2**	**15.7**	
EBITDA Margin (%)	**11.6**	**7.8**	**378 bps**	**11.5**	**9 bps**	
Depreciation	28.0	26.3	6.5	28.5	-1.9	
Interest	11.4	12.3	-7.5	11.4	-0.2	
PBT	**62.5**	**18.6**	**236.3**	**49.8**	**25.5**	
Taxes	18.6	6.3	195.9	15.6	19.3	
PAT	**41.5**	**15.0**	**176.9**	**35.5**	**16.8**	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

Particulars	FY27E			FY28E			
	Old	New	(%) Change	Old	New	(%) Change	Comments
Revenue	3328	3421	2.8	3512	3572	1.7	Realigned Estimates
EBITDA	344	387	12.5	357	391	9.6	
EBITDA Margin (%)	10.3	11.3	98 bps	10.2	11.0	79 bps	
Adjusted PAT	130	158	21.3	138	159	15.0	
EPS	31.8	38.5	21.3	33.8	38.8	15.0	

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	3,401	3,550
Other Income	9	11	12	12
Total Revenue	**2,668**	**2,801**	**3,433**	**3,584**
Raw Material Expense	590	578	697	728
Purchase of Traded Goods	711	842	884	923
(Increase)/Decrease in Inventories	(21)	(4)	-	-
Employee benefit expenses	355	361	418	447
Other Expenses	301	285	354	369
Total Operating Expenditure	**2,438**	**2,532**	**3,033**	**3,181**
EBITDA	**221**	**258**	**387**	**391**
Interest	52	48	44	38
Depreciation	90	107	121	125
PBT	**87**	**114**	**234**	**240**
Total Tax	27	35	76	78
PAT before MI	58	74	158	162
Minority Interest	(2)	(7)	-	3
PAT	**60**	**81**	**158**	**159**
YoY growth	-16.0%	35.2%	94.5%	0.9%
EPS (Diluted)	**14.7**	**19.8**	**38.5**	**38.8**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	**60**	**81**	**158**	**159**
Depreciation	90	107	121	125
Interest Paid	52	48	44	38
Cash Flow before WC changes	**194**	**223**	**312**	**313**
Net Increase in Current Assets	(19)	61	(243)	(41)
Net Increase in Current Liabilities	(12)	(40)	200	37
Net CF from Op. Activities	**163**	**244**	**269**	**309**
(Purchase)/Sale of Fixed Assets	(32)	(133)	(100)	(60)
Others	(26)	74	12	12
Net CF from Inv. Activities	**(59)**	**(59)**	**(88)**	**(48)**
Proceeds/Repayment of Debt	(33)	(51)	(40)	(40)
Dividend and Dividend Tax	(12)	(16)	(32)	(32)
Interest Paid	(52)	(48)	(44)	(38)
Net CF from Fin. Activities	**(98)**	**(115)**	**(116)**	**(110)**
	-	-	-	-
Net Cash flow	**7**	**70**	**65**	**151**
Opening Cash/ Cash Equivalent	71	78	148	212
Cl. Cash/ Cash Equivalent	**78**	**148**	**212**	**364**

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	960	1,088
Total Shareholders funds	772	842	969	1,096
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**	**1,457**	**1,547**
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	466	486
Sundry Debtors	369	301	369	385
Loans and Advances	-	-	-	-
Other Current Assets	49	41	102	107
Cash	78	148	212	364
Total Current Assets	846	854	1,162	1,355
Creditors	334	334	466	486
Provisions	4	7	7	7
Other Current Liabilities	343	300	368	384
Total Current Liabilities	681	641	841	877
Net Current Assets	165	214	321	477
Assets side total	**1,286**	**1,371**	**1,457**	**1,547**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	14.7	19.8	38.5	38.8
Cash EPS	36.7	46.0	68.1	69.4
BV	188.2	205.5	236.3	267.3
Revenue per Share	648.5	680.4	834.3	871.1
Dividend per share	5.0	5.0	5.0	5.0
Operating Ratios				
EBITDA margin	8.4	9.3	11.4	11.0
PAT / Total Operating Income	2.3	2.9	4.6	4.5
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	16.3	14.5
RoCE	10.9	11.8	19.1	17.9
RoIC	11.1	12.6	21.9	23.1
Valuation Ratios				
EV / EBITDA	11.2	9.1	5.8	5.2
P/E	37.5	27.8	14.3	14.2
EV / Net Sales	0.9	0.8	0.7	0.6
Market Cap / Sales	0.8	0.8	0.7	0.6
Price to Book Value	2.9	2.7	2.3	2.1
Turnover Ratios				
Asset turnover	2.1	2.0	2.3	2.3
Gross Block Turnover	1.7	1.7	1.9	2.0
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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