

Weak Quarter; Gradual recovery ahead...

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 0.78 mn pieces, respectively

- Riding on real estate strong cycle, the company has guided for high single/low double digit tiles volumes ahead in FY26.

Q4FY25 Performance: Somany Ceramics tile volumes were up 3% YoY at 20.4 MSM with Tile revenues at ₹643.9 crore, up 1.9% YoY. The overall revenue was at ₹765.9 crore, up 4.7% YoY. EBITDA margins were subdued at 8.1%, down 270 bps YoY given the higher operating expenses. PAT was reported at ₹21.3 crore, down 30.7% YoY given the weak operating performance and subdued margins. For FY25, Tile volumes were up 2% YoY at 70.85 MSM. The overall revenue was at ₹2643 crore, up 2.6% YoY. EBITDA margins were subdued at 8.4%, down 140 bps YoY. PAT was reported at ₹60 crore, down 38% YoY

Investment Rationale

- Management expects recovery in FY26:** The management has indicated that demand should witness recovery driven by the real estate completion upsurge, further backed by various government initiatives which should support industry growth going ahead. Given the positive indicators, it has reiterated its ambitions of high single to low double digits volume growth in FY26. **We expect Tiles revenues CAGR of 11% over FY25-27 to ₹ 2789 crore, with volume CAGR of 9.7% over the same period to 85 MSM. Overall topline is expected to grow at 10.5% CAGR over FY25-27E to ₹3229 crore.**
- Operating leverage led margins expansion ahead:** Operating leverage is likely to improve going ahead on back of increased capacity utilization and gas prices coming down. Company also expects profitability to improve on account of product portfolio and strengthening of distribution network. The company has guided for margins to improve incrementally by 100-150 bps in FY26. Amid benign gas prices and operating leverage led benefits, **we expect EBITDA margins of ~9.4/9.9% in FY26 and FY27, respectively vs 8.4% in FY25. We expect earnings CAGR of ~42.9% 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 Somany growth trajectory to back by FY26.
- We value Somany at ₹570, at 19x FY27 P/E (~40% discount Kajaria's multiple of 32x) and assign a BUY rating**



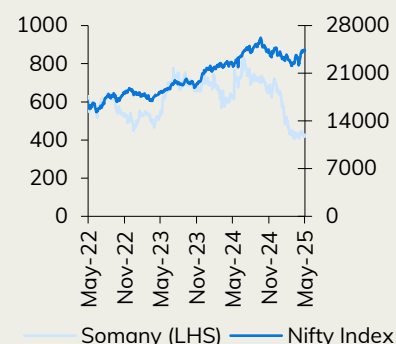
Particulars

Particular	₹ crore
Market	1,766
Capitalization	
Total Debt (FY25)	302
Cash (FY25)	78
EV	1,991
52 week H/L (₹)	873 / 395
Equity capital	8.2
Face value	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	55.0	55.0	55.0	55.0
DII	23.5	23.5	23.6	23.6
FII	1.6	1.8	1.6	1.5
Other	19.8	19.7	19.8	19.9

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	2,082.7	2,464.6	2,577.3	2,643.3	10.0%	2,911.0	3,228.9	10.5%
EBITDA	206.5	188.7	253.2	220.9	14.0%	274.1	320.3	20.4%
EBITDA Margin (%)	9.9	7.7	9.8	8.4		9.4	9.9	
PAT	88.7	71.5	96.9	60.1	45.2%	90.2	122.6	42.9%
EPS (₹) *	20.9	16.8	23.6	14.7		22.0	29.9	
P/E (x)	20.8	25.8	18.4	29.7		19.8	14.5	
EV/EBITDA (x)	10.1	11.1	8.0	9.0		6.9	5.6	
RoNW (%)	12.2	9.1	13.5	7.8		10.7	13.0	
RoCE (%)	10.7	9.0	14.8	10.9		13.0	15.2	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- Q4/FY25 performance** - Somany Ceramics tile volumes were up 3% YoY at 20.4 MSM with Tile revenues at ₹643.9 crore, up 1.9% YoY. The overall revenue was at ₹765.9 crore, up 4.7% YoY. EBITDA margins were subdued at 8.1%, down 270 bps YoY given the higher operating expenses. PAT was reported at ₹21.3 crore, down 30.7% YoY given the weak operating performance and subdued margins. For FY25, Tile volumes were up 2% YoY at 70.85 MSM. The overall revenue was at ₹2643 crore, up 2.6% YoY. EBITDA margins were subdued at 8.4%, down 140 bps YoY. PAT was reported at ₹60 crore, down 38% YoY
- Tile segment performance** – Somany Ceramics tiles volumes were up 3% YoY at 20.4 MSM. Demand scenario remained soft with continuous decline in exports impacting capacity utilisation significantly, which decreased by 8% to 81% in Q4 FY25 vs. 89% in Q4 FY24. Tile revenues at ₹643.9 crore were up 1.9% YoY.
- Tile Industry update** – As per the management, the industry witnessed weak domestic and export demand, with exports falling by 30% in FY25 from previous highs of ₹20000 crore in FY24. This has largely been attributed to the significant hike in ocean freight rates due to the red sea crisis. The sluggish market conditions created pricing pressure and lower capacity utilization. However, the management remains optimistic about domestic demand improving going forward. It cited favourable indicators such as the improving private real estate consumption further backed by government initiatives in housing, urbanisation and sanitation which are expected to support industry growth.
- Margin commentary** – The management indicated that gross margin decline was largely attributed to reduction in capacity utilization and slight increase in gas prices, which resulted in a 4.5% gross margin reduction.
- Guidance** – The company has maintained its guidance of high single digit to low double digit volume growth for FY26. The EBITDA margins are expected to improve incrementally by ~100-150 bps from the current levels in FY26.
- Product mix and sales mix** – In the tiles segment, ceramics stood at 33% for Q4 and 34% for the year. PVT stood at 28% for Q4 and FY25. GVT stood at 39% for Q4 and 38% for the year. As for the sales break up, the management indicated that 81% is from channel, 10% is from private projects and 8.5% is from government. It expects private and government to see an uptick of about 25% and channel sales to go down from 80% to 75%.
- Gas prices** –The gas price for the quarter stood at ₹47 scm and ₹44 scm for the year, up 5% YoY. The management indicated that prices were purely for natural gas as no other mixed fuel had been used. Region wise, north contributed about 40%, south was 29-30% and balance equally distributable between west and east.
- Pricing** – The company has not taken a price increase during the quarter. It cited there has been pricing pressure given the weak domestic demand. It does not target any price increase in the near future as well. The management indicated focusing on improving the product mix further and being more stringent on its receivables and discounting.
- Brand spends** – The brand spends remained at the same level of ~2% as of FY25, which they aim to increase to 2.5%, going forward.

- **Dealer additions** – The company continues to add new dealers, having made 181 new dealer additions. It aims to increase its footprint across tier-2/3/4 towns. It also mentioned that they have added approx. 41 small exclusive stores.
- **Capex** – The management indicated that no major capex would be required for FY26. It expects routine capex through the year, it may however require some capex for FY27.
- **Debt and Working capital** – The management indicated that working capital days have increased marginally by 5 days, largely owing to trade receivables. It indicated that debt levels were down to about ₹233 crore on the consolidated level.

Exhibit 1: Quarter Performance

Particular	Q4FY25	Q4FY24	YoY		QoQ	Comments
			(Chg %)	Q3FY25	(Chg %)	
Net Sales	769	737.5	4.3	644.9	19.2	Tiles volumes were up 3% YoY at 20.4 MSM. Tile revenues at ₹643.9 crore were up 1.9% YoY.
Other Income	3.8	1.6	138.4	1.8	108.2	
Raw Material Expense	145.0	132.8	9.3	155.8	-6.9	
Purchase of Traded Goods	234.7	179.3	30.9	182.2	28.8	
Power & Fuel	120.6	139.9	-13.8	130.7	-7.7	
Employee benefit	89.4	86.7	3.1	89.4	0.0	
Other Expenses	79.5	75.4	5.4	79.2	0.3	
EBITDA	62.5	79.5	-21.4	53.5	16.8	
EBITDA Margin (%)	8.1	10.8	-265 bps	8.3	-17 bps	
Depreciation	29.1	19.3	50.8	22.8	27.6	
Interest	12.2	13.4	-9.3	13.3	-8.2	
PBT	25.0	48.3	-48.4	19.2	30.1	
Taxes	6.3	17.7	-64.7	7.5	-16.9	
PAT	21.3	30.8	-30.7	9.3	129.7	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Net Sales	2,577	2,643	2,911	3,229	
Other Income	11	9	10	12	
Total Revenue	2,602	2,668	2,939	3,261	
Raw Material Expense	543	590	611	678	
Purchase of Traded Goods	599	711	763	840	
(Increase)/Decrease in Invent	56	(21)	15	16	
Employee benefit expenses	324	355	381	420	
Other Expenses	294	301	332	368	
Total Operating Expenditure	2,338	2,438	2,655	2,929	
EBITDA	253	221	274	320	
Interest	46	52	35	30	
Depreciation	73	90	110	118	
PBT	145	87	139	184	
Total Tax	43	27	39	52	
PAT before MI	99	58	100	133	
Minority Interest	3	(2)	10	10	
PAT	97	60	90	123	
YoY growth	35.5%	-38.0%	50.2%	35.9%	
EPS (Diluted)	23.6	14.7	22.0	29.9	

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Profit after Tax	96.9	60.1	90.2	122.6	
Depreciation	72.5	90.3	109.5	117.9	
Interest Paid	46.5	52.4	35.4	30.2	
Cash Flow before WC change	209.8	193.7	235.2	268.7	
Net Increase in Current Asset:	(23.0)	(19.4)	(137.3)	(97.5)	
Net Increase in Current Liabili	182.2	(11.7)	99.2	84.8	
Net CF from Op. Activities	369.1	162.6	197.1	256.0	
(Purchase)/Sale of Fixed Asse	(122.5)	(140.6)	(38.6)	(120.0)	
Others	35.2	81.8	8.5	12.0	
Net CF from Inv. Activities	(87.2)	(58.7)	(30.1)	(108.0)	
Proceeds/Repayment of Debt	(153.3)	(33.2)	(30.0)	(40.0)	
Dividend and Dividend Tax	(12.5)	(12.0)	(18.0)	(24.5)	
Interest Paid	(46.5)	(52.4)	(35.4)	(30.2)	
Net CF from Fin. Activities	(212.2)	(97.6)	(83.4)	(94.7)	
Net Cash flow	(83.6)	6.8	83.6	53.3	
Opening Cash/ Cash Equivale	154.6	70.9	77.7	161.3	
Cl. Cash/ Cash Equivalent	70.9	77.7	161.3	214.6	

Source: Company, ICICI Direct Research

Exhibit 4: 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	835.6	933.7	
Total Shareholders funds	720.1	771.7	843.8	941.9	
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	82.6	92.6	
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	1,338	1,406.0	
Assets					
Gross Block	1,479.6	1,512.7	1,552.7	1,672.7	
Net Block	1,113.4	1,056.3	986.8	988.9	
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	398.8	442.3	
Sundry Debtors	337.2	368.8	406.2	450.5	
Loans and Advances	-	-	-	-	
Other Current Assets	52.2	48.7	87.7	97.3	
Cash	70.9	77.7	161.3	214.6	
Total Current Assets	821.5	845.7	1,066.6	1,217.4	
Creditors	559.3	334.3	398.8	442.3	
Provisions	4.8	4.2	4.2	4.2	
Other Current Liabilities	128.8	342.7	377.3	418.6	
Total Current Liabilities	692.8	681.1	780.3	865.1	
Net Current Assets	128.6	164.6	286.3	352.3	
Assets side total	1,291	1,286	1,338	865	

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY24	FY25E	FY26E	FY27E
Per Share Data				
EPS	23.6	14.7	22.0	29.9
Cash EPS	41.3	36.7	48.7	58.7
BV	175.6	188.2	205.8	229.7
Revenue per Share	628.6	644.7	710.0	787.5
Dividend per share	3.0	5.0	5.0	5.0
Operating Ratios				
EBITDA / Total Operating In	9.8	8.3	9.4	9.9
PAT / Total Operating Incorr	3.7	2.3	3.1	3.8
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	10.7	13.0
RoCE	14.8	10.9	13.0	15.2
RoIC	15.1	11.1	14.3	17.4
Valuation Ratios				
EV / EBITDA	8.0	9.0	6.8	5.5
P/E	18.2	29.4	19.6	14.4
EV / Net Sales	0.8	0.7	0.6	0.5
Market Cap / Sales	0.7	0.7	0.6	0.5
Price to Book Value	2.5	2.3	2.1	1.9
Turnover Ratios				
Asset turnover	2.0	2.1	2.2	2.3
Gross Block Turnover	1.7	1.7	1.9	1.9
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	0.4	0.0
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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