

Numbers remain muted, margin pressure sustains

**CMP: INR 510**

**Rating: BUY**

**Target Price: INR 690**

**Stock Info**

BSE	531548
NSE	SOMANYCERA
Bloomberg	SOMC:IN
Sector	Ceramics
Face Value (INR)	2
Equity Capital (INR Mn)	4,162
Mkt Cap (INR Mn)	19,746
52w H/L (INR)	754/396
Avg Yearly Volume (in 000')	576

**Shareholding Pattern %**

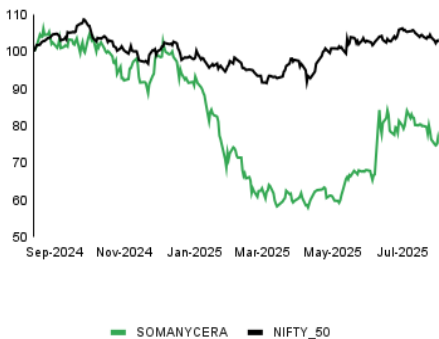
(As on Jun, 2025)

Promoters	55.01
FIIs	1.39
DIIs	23.01
Public & Others	20.59

**Stock Performance (%)**

	1m	6m	12m
Somany Ceramics	(9.4)	10.2	(27.5)
NIFTY	(1.8)	7.4	2.02

**Somany vs Nifty 50**



**Abhishek Jain**  
[Abhishek.jain@arihantcapital.com](mailto:Abhishek.jain@arihantcapital.com)  
022-42254827

**Ashvath Rajan**  
[Ashvath.rajan@arihantcapital.com](mailto:Ashvath.rajan@arihantcapital.com)  
022-42254870

In Q1FY26, Somany Ceramics posted a subdued set of numbers; missing our estimates. Lower capacity utilization and pricing pressure in the industry led to a degrowth in topline while margins remained muted. Revenue stood at INR 6,044 Mn (+4% YoY and -21% QoQ), lower than our estimate of INR 6,518 Mn. Gross profit stood at INR 2,009 Mn (-1% YoY and -13% QoQ), gross margins remained flat on a YoY basis at 33.23% viz (35.0% YoY and 30.08% QoQ). EBITDA stood at INR 482 Mn (-2% YoY and -23% QoQ) below our estimate of INR 553 Mn. EBITDA margins stood at 8%, less than our estimate of 8.4%. PAT stood at INR 74 Mn (-36% YoY and -61% QoQ), lower than our estimate of INR 97 Mn. PAT margin declined both YoY and QoQ to 1.2% in Q1FY26, compared to 2.4% YoY and 2.0% QoQ.

**Realization improvement expected from H2FY26 onwards:** SOMC expects realizations to improve from H2FY26 as the Max Plant moves towards profitability. Currently operating at 51–52% utilization, the plant incurred INR 62 Mn in losses in Q1FY26 and is likely to remain in the loss making until Q2. A capex of ~INR 500 Mn is in progress for presses and balancing equipment, aimed at lifting utilization to 70–75% in H2 and enabling production of mid-premium tiles. With industry demand expected to recover from H2 and a higher premium product mix, we believe margin expansion and stronger bottom-line performance are likely from H2FY26 onwards.

**Capacity utilization remains muted:** Domestic demand remained flat on a YoY basis. Margins were impacted primarily due to pricing pressure from Morbi. As exports remained sluggish, the industry continues to witness lower utilization levels. We expect, blended utilization levels to reach 65%+ as the 'Max Plant' ramps up and industrywide export scenario improves.

**Bathware segment expected to outperform:** The sanitary ware segment grew 5% YoY and is expected to grow ~14%(FY26E YoY), we believe this segment to aid revenues, helping offset demand volatility and pricing pressure in the core tile segment.

**Domestic construction demand remained muted:** The construction & real estate segment remained subdued in Q2 given early monsoon all over the country. Realtors have postponed construction activity for end August-September, we expect the ramp-up in construction activity to grasp the pent up monsoon demand and tile volumes to in turn improve.

**Outlook and Valuation:** Q1 displayed a muted set of numbers and margins continued to remain subdued. However, we expect an uptick in margins from H2FY26 onwards, as input costs remain stagnant and volumes improve with increasing realizations. We believe the bathware (sanitary & faucets), to fare better with a ~14% YoY growth trajectory. Overall construction activity is expected to pickup from next quarter onwards and export markets can witness marginal uptick, leading to volume growth and higher blended utilization levels. We reiterate our a TP of INR 690 valued at a P/E of 14x the FY28E EPS of INR 49.

Summary (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenue	26,588	31,495	37,106	43,508
EBITDA	2,209	2,948	3,736	4,585
Net Profit	580	1,047	1,473	2,011
EPS	14.1	25.5	35.9	49
P/E (x)	55.3	50	42	27.6
EV/EBITDA (x)	9.9	7.2	5.9	4.8
ROIC(%)	11.3%	17.7%	21.3%	22.7%
RoE (%)	7.7%	14.4%	16.6%	18.8%
Debt/Equity (x)	0.32	0.23	0.16	0.12

Source: Company, Arihant Research

<b>INR Mn (Consolidated)</b>	<b>Q1FY26</b>	<b>Q4FY25</b>	<b>Q1FY25</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
<b>Net Sales</b>	<b>6,044</b>	<b>7,690</b>	<b>5,786</b>	<b>-21%</b>	<b>4%</b>
Gross Profit	2,009	2,313	2,025	-13%	-1%
<i>Gross Margin</i>	33.23%	30.08%	35.00%	-	-
Employee costs	872	894	395	-2%	0%
Power & Fuel & Other Expenses	1,146	1,206	1210	-5%	-10%
<b>EBITDA</b>	<b>482</b>	<b>625</b>	<b>490</b>	<b>-23%</b>	<b>-2%</b>
<i>EBITDA margin</i>	8.0%	8.1%	8.5%	-	-
Other Non-Operating Income	19	38	13	21%	44%
Depreciation	260	291	192	-10.6%	36%
<b>EBIT</b>	<b>222</b>	<b>334</b>	<b>298</b>	<b>-33%</b>	<b>-25%</b>
Finance costs	127	122	135	4%	-6%
<b>PBT</b>	<b>114</b>	<b>250</b>	<b>114</b>	<b>-54%</b>	<b>-35%</b>
Tax Expense	40	63	176	-35%	-34%
<i>Effective tax rate</i>	35%	25%	35%	-	-
<b>PAT</b>	<b>74</b>	<b>187</b>	<b>115</b>	<b>-61%</b>	<b>-36%</b>
<i>PAT margin</i>	1.2%	2.4%	2.0%	-	-
EPS	1.8	4.4	2.3	<b>-60%</b>	<b>-35%</b>

**Guidance:**

- Overall Revenue Growth: The company is maintaining its guidance for high single-digit revenue growth for the current year.
- Operating Margin Expansion: Management is confident of achieving an operating margin expansion of approximately 1% to 1.5% for the current year. This improvement is expected to be driven primarily by better capacity utilisation.
- H2 Performance Expectation: H2 is projected to be better than the current situation, with significant improvements in capacity utilisation and overall performance. This optimism extends to Q2, which is already looking better than last year's July, with September expected to be a better month.
- Employee Cost Efficiency: Despite giving increments, the company expects to reduce employee cost as a percentage of revenue by approximately 1% this year, even with humble digit growth. This is due to a focused approach on not filling all attrition gaps and extending current team responsibilities.

**Capacity Utilisation:**

- Consolidated capacity utilisation which reduced from 81% to 77%, is expected to improve significantly in Q2 and be in H2.
- The Max plant, which produces high-end tiles and operated at a low 51-52% capacity utilisation and incurred a loss of approximately INR 62 Mn in the last quarter, is a key focus. The company is investing to add presses and other equipment to increase its utilisation to above 70-75% in H2 or more, and aims to make it profitable by next year. This investment will also allow the plant to produce some mid-premium products to avoid shutdown losses.
- The kiln shutdown in Q1, which impacted active operations, is now resolved, and the kiln is back to 100% capacity, expected to yield better.
- Several volatile plants are undergoing small investments to become fungible and produce floor tiles from H2 onwards, which is expected to significantly increase manufacturing capacity utilisation.
- Efforts are on to increase B2B mix by at least 5-6% to better utilise capacity, while being cautious about receivables.

**Durabuild Acquisition**

- The company has concluded a Joint Venture (JV) with Durabuild, with the go-to-market strategy commencing next month (September). This venture focuses on construction chemicals, specifically waterproofing and admixtures.
- The estimated market for waterproofing is approximately INR 60,000 Mn, and for admixtures, it's approximately INR 110,000 - 120,000 Mn. The company is currently at nascent in this market, with Durabuild's current admixture sales being only ~INR 20-30 Mn.

**Retail and Distribution Expansion:**

- Retail expansion continues with 65 net dealer additions in the last quarter.
- The company targets approximately 250 net additions of dealers going forward, primarily in Tier 2, Tier 3 towns, and some areas of Tier 1 cities.

**Product Innovation & Value Addition:**

- The company is intensely focused on value addition and moving up the value chain, rather than competing on price in commoditised segments.

**Sanitaryware Segment**

- Despite sanitaryware revenue being flat in Q1 due to a plant shutdown, the sanitaryware plant is now back online and expected to perform.
- The combined segment is projected to achieve low double-digit growth for the current year.

**Market Dynamics & Challenges:**

- Domestic Demand: While domestic demand has not further declined, there is some pressure, especially in the value-added segment.
- Export Market: Exports from India have declined to INR 18,000 Mn last year and are expected to decline further by a couple of thousand (trend showing not more than INR 16,000 Mn) this year.
- Competitive Intensity: The company acknowledges stiff competition, particularly from players in Morbi resorting to "extremely high scale evasions of taxes." Management believes such practices are unsustainable, with 70-80 plants already shut down and more expected to follow.
- Receivables Management: Despite the pressured market, the company is rigorously managing its receivables, which are reportedly better than last year, especially in July and August. This vigilance extends to B2B projects where delayed receivables are a concern.

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

### Head Office

#1011, Solitaire Corporate Park  
Building No. 10, 1<sup>st</sup> Floor  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E)  
Mumbai – 400093  
Tel: (91-22) 42254800

### Registered Office

6 Lad Colony,  
Y.N. Road,  
Indore - 452003, (M.P.)  
Tel: (91-731) 4217100/101  
CIN: L66120MP1992PLC007182

### Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

### Absolute Return

#### Research Analyst Registration No.

INH000002764

#### Contact

SMS: 'Arihant' to 56677

#### Website

[www.arihantcapital.com](http://www.arihantcapital.com)

#### Email Id

[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

### Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800

**Disclaimer:** This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800