Initiating Coverage
3rd Sept 2025

Somany Ceramics Ltd.

Pent up Demand Uptick; Margin Expansion Ahead

CMP: INR 457

Rating: BUY

Target Price: INR 772

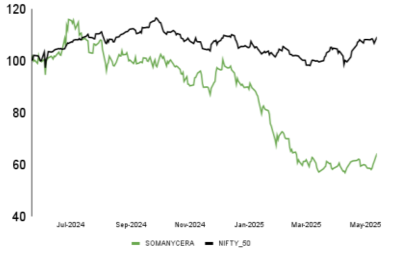
Stock Info	
BSE	531548
NSE	SOMANYCERA
Bloomberg	SOMC:IN
Sector	Ceramics
Face Value (INR)	2
Equity Capital (INR Mn)	8,330
Mkt Cap (INR Mn)	19,548
52w H/L (INR)	742/396
Avg Yearly Volume (in 000')	43.76

Shareholding Pattern %
(As on June, 2025)

Promoters	55.01
FIIs	1.39
DIIs	23.01
Public & Others	20.59

Stock Performance (%)	1m	6m	12m
Somany Ceramics	(7.9)	(13.8)	(31.9)
NIFTY	0.03	11.7	(2.3)

Somany Ceramics vs Nifty 50



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Founded in 1969, Somany Ceramics Ltd (SOMC). is India's second-largest tile manufacturer(capacity of ~75 MSM), with a diversified product portfolio spanning ceramic wall and floor tiles, vitrified tiles, sanitary ware and bath fittings. The company operates a balanced mix of owned and joint-venture manufacturing facilities, supported by a nationwide dealer network of 2,880+ dealers. Somany has a strong presence in both retail and institutional segments, with an increasing focus on premium offerings and value-added products. Leveraging brand equity, design innovation and a growing export footprint, the company aims to capture market share in Tier 2/3 cities while enhancing operational efficiencies through capacity expansion and technological upgrades.

Investment rationale

Capex cycle to generate free cash flow going ahead: Between FY22-25, Somany Ceramics undertook significant capex of INR 54.2bn adding ~20 MSM (Million Sq. Meters) of captive capacity, a +45% increase in captive capacity. For FY26E the management has indicated the capacity to be adequate, with incremental demand to be fulfilled by outsourcing model. We believe this capex cycle to playout from FY26E onwards as the industry witnesses an uptick in pent-up demand and Average Selling Price's (ASP's) continue to grow.

Improving market scenario, with growth in volumes & realizations expected ahead: With improvement in export from Morbi, the ASP/MSM for SOMC is expected to improve from current levels of INR 301(blended) to INR 325 in FY27E and INR 334 in FY28E. Increase in ASP would aid in margin expansion as input costs remain static. We expect EBITDA margin for FY26/27/28E to be ~9.5%/10.0%/10.6% respectively.

Bathware; High-Growth Segment with Structural Tailwinds: The bathware segment has emerged as a key growth driver for Somany Ceramics, contributing ~15% to FY25 revenues, with management guiding for a sustained contribution in FY26E. We model this segment to account for ~17% of the topline by FY28E, rationaled by the company's pivot toward gaining higher market share, wherein focus is being shifted on scaling up the sanitary ware portfolio. Penetration into Tier3 towns continues to deepen, aimed at accelerating volumes and market share gains. With improving utilizations, we foresee the segment to contribute to 5% of PAT in FY28E.

Prices of Natural Gas have stabilized, margin improvement expected: Gas is a significant component of the company's input costs. Natural gas is used to fire tiles and harden it. In FY23, Power & Fuel costs accounted at ~26% of Sales. With improving global scenario, the company and the industry as a whole witnessed an improvement in this input cost, making up only ~19% of Sales of FY25 for SOMC. The average gas price for SOMC in FY23 was INR 59 SCM, which decreased to INR 45 SCM in FY24 and has largely remained the same in FY25. We expect this cost to eventually reduce to ~17-16%(FY26-28E) with improved efficiency and possibility of bringing gas under GST, resulting an improvement in margins.

Real Estate Upcycle: India's residential/real estate sector is poised for robust growth from 2025-30, with housing sales expected to grow at 7-10% CAGR and prices rising 5-7% annually. Key drivers include urbanization, per capita income growth, infrastructure expansion and rising demand in Tier-2/3 cities. Mid-income and premium housing will lead demand, supported by favorable interest rates and low inventory overhang from major Real estate players. Somany Ceramics, stands to benefit directly from this trend due to its renowned brand, wide distribution network and expanding presence in premium and value segments.

Outlook and Valuation: **Looking ahead to FY25-28E, we expect revenue growth of 10.4% on CAGR basis, we expect this outlook to be a fair estimate alongside an EBITDA margin improvement to 10.6%(FY28E) from current 8.3% on the back of improved volumes and lower input costs. The bath ware segment is expected to contribute to ~5% of consolidated PAT from current 3.4%, aided improvement in utilization, the faucet division which is running at peak capacity could necessitate incremental capex if demand sustains. We believe, the real-estate upcycle in India continues to be a long term tailwind for SOMC as demand for premium tiles grow and tiles remain an imminent leg of the real estate life cycle. A sustained demand recovery in the mid-premium housing segment is likely to drive higher realizations, positioning SOMC to benefit disproportionately versus peers with weaker brand equity. At CMP INR 457, We initiate coverage a "BUY" rating at a TP of INR 772, valued at a 20x of FY28E EPS of INR 38.6; an upside of 68.9%.**

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Investment Rationale

i) Capex cycle to generate cash flow going ahead: Between FY22-25, Somany Ceramics undertook significant capex of INR 54.2bn adding ~20 MSM (Million Sq. Meters) of captive capacity a **+45%** growth over its captive capacity, beyond captive capacity the company also increased outsourcing contracts to meet additional demand without having to add capacity. The strategic aim was to hedge the company from outward risk like rise in input and freight costs.

For FY26E the management has indicated the capacity to be adequate, with incremental demand to be fulfilled by outsourcing model. We believe this capex cycle majorly to playout from FY26E onwards as the industry witnesses an uptick in demand and Average Selling Price's (ASP's) continue to grow.

Tile Volumes (Own+JV+Outsource)

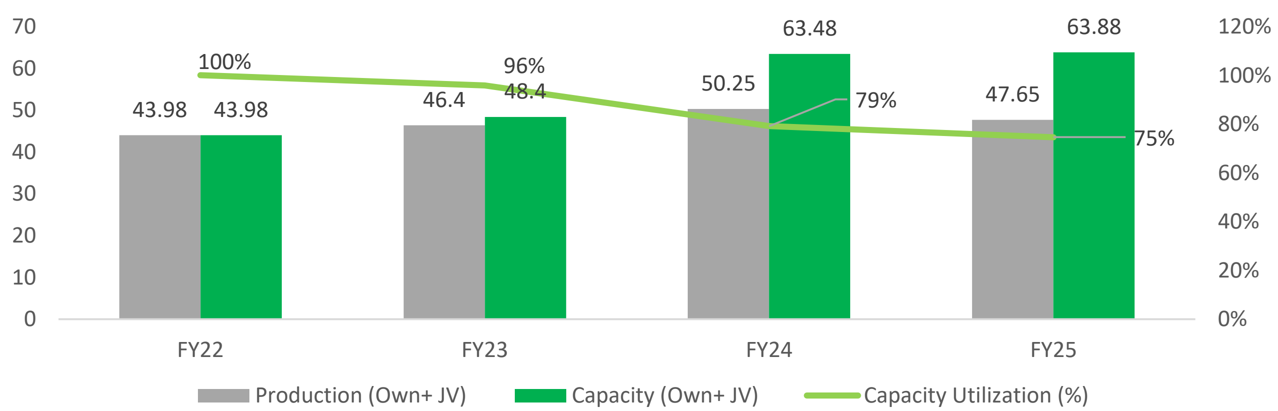
Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Own Manufacturing	22.5	25.3	33.5	33.5	33.5	37.5	42.0
YoY growth (%)	*16%*	*13%*	*32%*	*0%*	*0%*	*12%*	*12%*
JV	21.5	23.1	30.0	30.4	30.4	34.1	37.1
YoY growth (%)	*9%*	*7%*	*30%*	*1%*	*0%*	*12%*	*9%*
Outsourcing	13.9	15.5	18.0	11.0	13.20	15.18	17.46
YoY growth (%)	*29%*	*12%*	*16%*	*-39%*	*20%*	*15%*	*15%*
Total Tile Volume	**57.9**	**63.9**	**81.5**	**74.9**	**77.1**	**86.7**	**96.6**
YoY growth (%)	*16%*	*10%*	*28%*	*-8%*	*3%*	*13%*	*11%*

ASP's remained muted in FY23-25 as export markets degrew and unorganized players in Morbi forayed to domestic markets to sell unsold goods. Gas prices inflated during this tenure as conflict between Russia-Ukraine escalated, further as conflict near the Red-Sea region escalated freight costs grew significantly in the region making it challenging for tile manufactures in Morbi to sell their goods.

All factors combined led to oversupply in the domestic market and ASP's to drop, in turn eroding margins.

We believe the pent-up demand due to these undue factors to pickup from hereon and SOMC's capacity to be well augured to cater to fore coming growth in volumes.

Sufficient capacity to cater future demand; additional volumes can be added via Outsourcing



Minor capex expected in FY26E centered towards Bath Fittings/Sanitary ware segments & existing capacity optimization

Cash Flow from Investing	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capex	**-2,680**	**-1,720**	**-1,570**	**-950**	**-300**	**-390**	**-507**
Change in Investment	52	731	269	-10	-18	-32	-58
Others	76	79	72	72	93	122	158
Net CFI	**-2,553**	**-909**	**-1,229**	**-888**	**-225**	**-301**	**-407**

Investment Rationale

ii) Improving market scenario, with growth in volumes & realizations expected ahead: The ceramic tile industry has been witnessing headwinds, primarily because of demand slowdown in export markets and Red sea crisis as majority of the capacity in Morbi being centered towards the same. This in result has led Morbi players to dump their stock in the domestic market, creating an oversupply scenario.

Segment	Volume Share	Value Share	Key Notes
Organized Manufacturers	~40-45%	~50-55%	Includes major brands and their outsourced volumes
Unorganized Manufacturers	~55-60%	~45-50%	Mostly Morbi cluster and smaller regional players

Financial Year	Export Volume (INR Bn)	YoY Change
FY23-24	~INR 200 Bn	-
FY24-25	~INR 160 Bn	-20%
FY25-26E	~INR 200 Bn	+25%

The Indian tile industry's export-heavy structure, particularly from the Morbi cluster, continues to create systemic challenges for organized players like Somany Ceramics. With over half of Morbi's capacity oriented towards exports, any disruption in global trade typically results in surplus inventory being redirected into the domestic market, creating excess supply and intense price competition. The recent Red Sea crisis amplified this, with freight costs spiking and demand from key export markets (Middle East, Africa, select European regions) slowing. Combined with elevated gas prices, Morbi players diverted volumes to domestic markets, leading to heightened competition and hampering realizations(ASP's).
Unlike Morbi-based exporters who operate on low fixed costs and minimal brand spends, Somany's structured distribution network, brand investments, and compliance standards expose it more to such abrupt oversupply cycles. Consequently, realizations and dealer sentiment remain vulnerable in such phases.

Somany continues to mitigate these headwinds by:

i) Scaling up differentiated, high-margin products like GVT
ii) Leveraging its dealer network to sustain market share.
iii) Driving growth in relatively insulated segments such as sanitary ware, bath fittings and adhesives.
iv) Utilizing outsourcing/JV models to maintain demand-linked production flexibility.

With export scenarios expected to improve from a prolonged phase of muted demand. We expect volumes and realizations to improve and production to run at optimum capacity.

Average Selling Prices expected to improve

Sales Realization (INR/sqm)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Own Manufacturing	317	330	322	308	323	334	342
YoY growth (%)	*8%*	*4%*	*-2%*	*-5%*	*5%*	*3%*	*3%*
JV	317	348	309	349	360	372	381
YoY growth (%)	*9%*	*10%*	*-11%*	*13%*	*3%*	*3%*	*3%*
Outsourcing	317	330	321	297	306	316	324
YoY growth (%)	*16%*	*4%*	*-3%*	*-7%*	*3%*	*3%*	*3%*
Blended (ASP)	317	336	317	318	330	341	349
YoY growth (%)	*10%*	*6%*	*-6%*	*0%*	*4%*	*3%*	*2%*

Source: Company reports, Ceramic Association, Arihant Capital Research

Investment Rationale

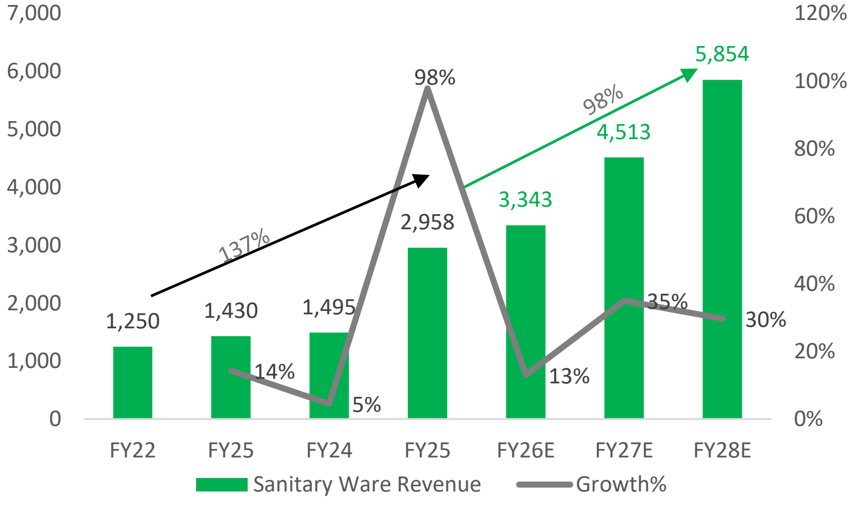
iii) Bathware; High-Growth Segment with Structural Tailwinds: The bath ware segment acts as a proxy to the Real Estate and Tiles sector as renovation and new residential housings demand for washbasins, toilets bathtubs and faucets etc.

Somany Ceramics entered the sanitaryware and CP fittings segment in 2010. By 2017 it had become **India's fifth-largest sanitaryware brand.** Bathware sales grew significantly in FY25, and the company hopes for double-digit growth in Bathware for FY26.

From FY22-25, the bath ware segment for SOMC grew **40%+**, given allied demand with the tile segment and a low base. The bathware business aids in diversifying SOMC's product portfolio and has constantly making market share gains. This segment too faces competition from unorganized players however the intensity is lesser compared to its core tile business given its production complexity. The 'Kerovit' brand is centered to cater the upper-premium and luxury segment, where the competitive intensity is much lesser and margins are accretive.

The sanitary ware segment is expected to grow at by 98% to INR 5,854 Mn in FY28E, with current utilization at ~96%(Q4FY25). We expect the sanitary ware segment to contribute to 18% of revenue(FY28E) given uptick in volumes from the premium real estate segment.

We expect Sanitary ware & Bath fittings segment revenue to contribute to 18% of revenue in FY28E, from current 14.7%.

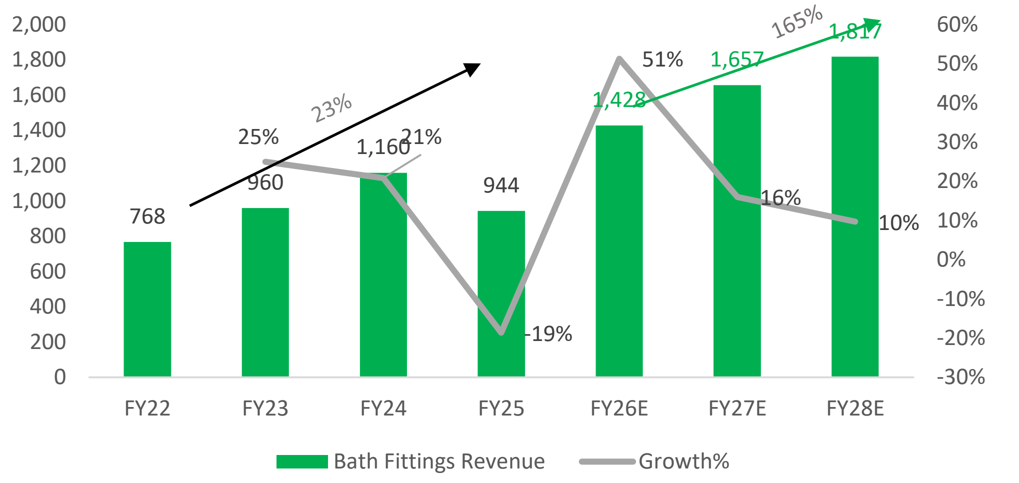


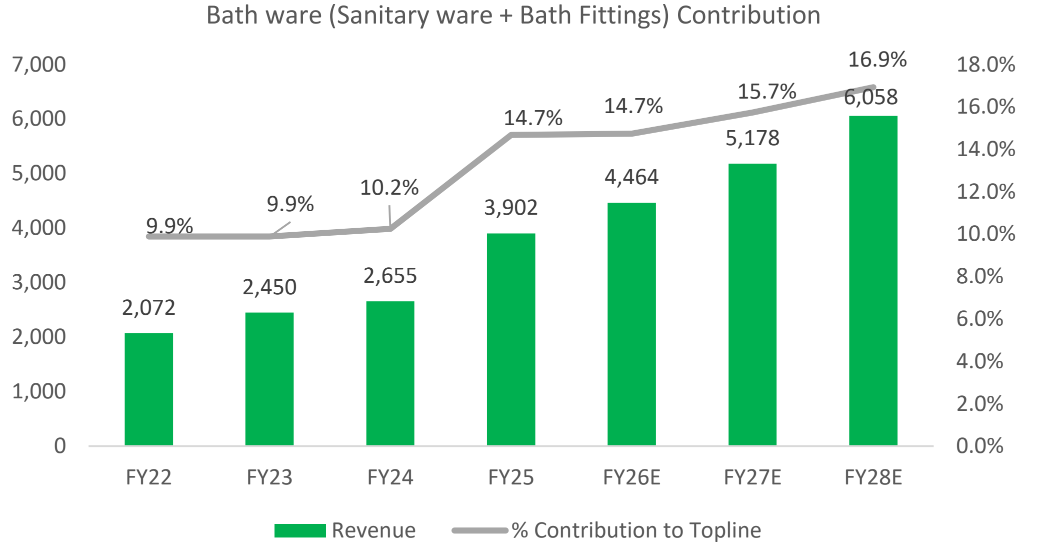
The bath fittings segment grew 88% from FY22-25, the segment has a higher repeat customer rate as the life of the bath fittings is lesser than sanitary ware. This segment operates at peak capacity right now (101%), The company anticipates the need for small capex to enhance sanitary ware capacity of current capacity. This approach underlines the segment's profitability and growth potential.

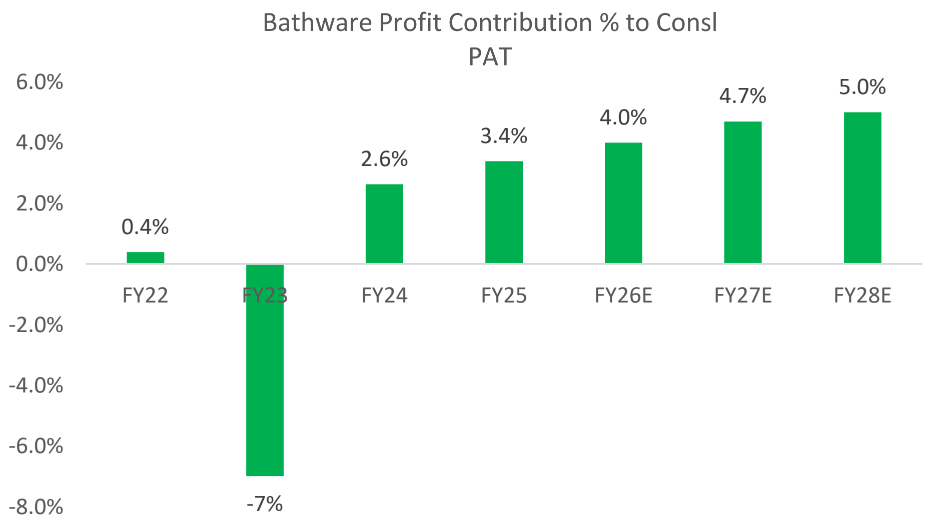
Given a high repeat buying rate and better growth given a low base, we expect this segment to contribute to 17% to topline and 5% to PAT in FY28E.

Source: Company reports, Ceramic Association, Arihant Capital Research

Investment Rationale







Source: Company reports, Ceramic Association, Arihant Capital Research

Investment Rationale

iv) Prices of Natural Gas have stabilized: Gas is a significant component of the company's input costs. Natural gas is used to fire tiles and harden it. Power & Fuel costs account at ~20% of Sales. With conflict near the red sea region the prices of Natural Gas inflated, making up 25% of overall sales. With improving global scenario, the company and the industry as a whole witnessed an improvement in this input cost, making up only ~19% of Sales for SOMC.

The average gas price for SOMC in FY23 was INR 59 SCM, which decreased to INR 45 SCM in FY24 and has largely remained the same in FY25. We expect this cost to eventually reduce to ~19%(FY26-28E) with improved efficiency and possibility of bringing Gas under GST.

A Critical Cost Lever for Tile Manufacturers

Natural gas plays an essential role in the tile manufacturing process, particularly in the firing of tiles in kilns, which typically operate at temperatures exceeding 1,100°C. It constitutes anywhere from 25-35% of total production costs, depending on the product mix (e.g. vitrified tiles consume more energy than ceramic tiles) and geography.

Impact of Russia-Ukraine War (2022-23) on Input Costs

The Russia-Ukraine war in 2022 triggered severe disruptions in the global natural gas market:

European benchmark TTF prices surged over USD 90/MMBtu, while U.S. Henry Hub prices peaked at USD 8.81/MMBtu in August 2022, a sharp rise from pre-war levels of USD 3.5-4.
This had a cascading effect globally, including on India, where spot LNG import prices and long-term contract prices rose significantly.

For Tile companies, this translated into:

i) EBITDA margin compression across quarters.
ii) Inventory misalignment, as manufacturers could not pass on the entire cost to customers.
iii) Shift in product mix toward lower gas-consuming SKUs or outsourcing.

Gas Prices vs Margins: A Direct Correlation

The correlation between gas prices and EBITDA margins is particularly pronounced for companies like Somany, given its large-scale in-house manufacturing footprint (vs peers who outsource a greater share)

In FY23, when gas prices spiked, the company’s EBITDA margins fell from ~10% (FY22) to ~7.6%.
The situation was compounded by weak export demand and elevated freight/logistics costs, increasing strain on profitability. We expect a gradual recovery in margins on the back of improving gas costs.

Exhibit: Impact of Gas Price Fluctuation on Margins

- Gas constitutes ~25-30% of total cost of production (higher in Morbi-based outsourced manufacturing).
- Realization per scm: ~INR 324 (FY25)
- Q1FY26 average gas price for SOMC: **INR** 47/scm

	FY21	FY22	FY23	FY24	FY25	Q1FY26
Average Gas Cost/SCM	INR 47	INR 45	INR 59	INR 45	INR 44	~INR 47
EBITDA Margin	11.5%	9.9%	7.6%	9.8%	8.3%	8.0%

Investment Rationale

Recovery in Gas Prices - At 2-Year Lows (USD 6.41/MMBtu)

As of June 2025, natural gas prices have corrected sharply, reaching a two-year low of $6.41/MMBtu (Henry Hub equivalent). This has a positive impact on the tile industry:

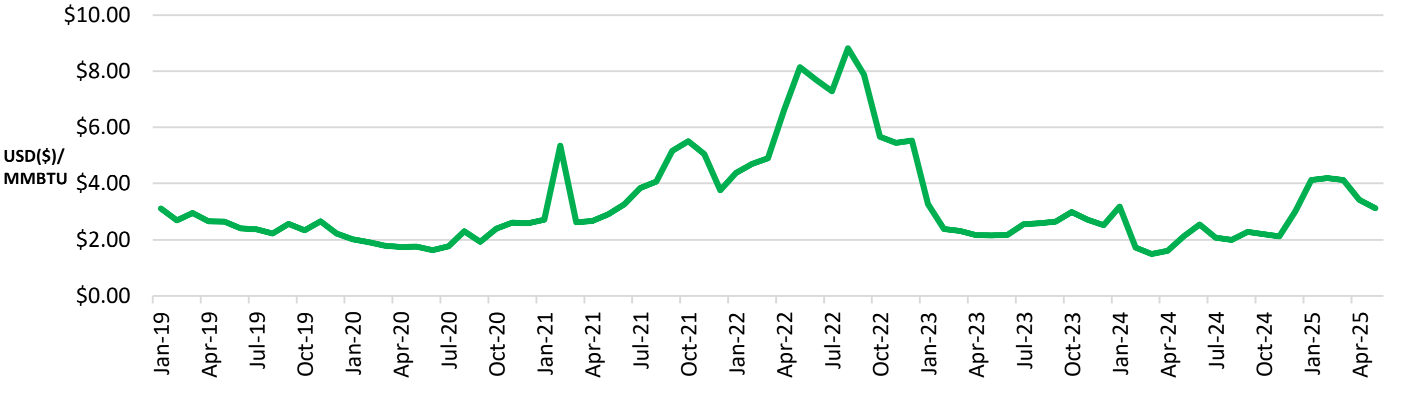
Gross margin improvement is likely across Q1-Q2 FY26, especially for energy-intensive product segments
EBITDA margins are poised to recover back to mid-teens levels (13-15%), provided demand remains stable
Better pricing visibility and inventory planning for both domestic and export markets
Lower energy costs also support higher capacity utilization, which improves operating leverage

With gas prices stabilizing and trending lower, the cost curve for tile manufacturers is turning favorable. For a company like Somany, which has significant in-house production and a premium brand positioning, this translates into stronger operating leverage, improved profitability, and potential for market share gains.

Short-Term (FY26: July 2025-March 2026) - **Stable to Soft**
Expected Range: **USD 5.5-6.5/MMBtu**
Drivers: Mild weather in Europe and Asia has lowered heating and cooling demand. Strong LNG exports from the U.S and growing production from Qatar and Australia are keeping global supply comfortable. Morbi manufacturers and Indian importers benefit from this as contract prices (often oil-linked or spot-indexed) are resetting at lower levels. Impact on India: Spot LNG (delivered price) likely remains below USD 10/MMBtu or INR 34-38/scm, favorable for industrial use.

Medium-Term (FY27: April 2026-March 2027) - **Gradual Uptrend Possible**
Expected Range: **USD 6.5-7.5/MMBtu**
Drivers : Asian demand growth: India, China, and Southeast Asia are expected to ramp up gas consumption for industrial and residential use. LNG contracts renewals: Some long-term supply contracts (e.g., Qatar to India) are due for renegotiation at potentially higher rates. Carbon transition policies: Push for gas as a "transition fuel" in place of coal could put upward pressure on prices in Europe and Asia. Geopolitical tensions: Any flare-up (Middle East, Ukraine, Taiwan Strait) could spike short-term prices.

Long-Term (Post FY27) - **Moderated and Range - Bound**
Range Forecast (2027-2030): **USD 6-8/MMBtu**
Structural Changes: Energy transition acceleration: Renewables and battery storage expansion globally may cap long-term gas demand. LNG infrastructure buildout: U.S. and Qatar expanding capacity through 2026-28, which will stabilize supply. India's gas push: Domestic gas share expected to rise to 15% of energy mix by 2030 (vs 6.5% in 2025), supported by city gas distribution and industrial consumption.

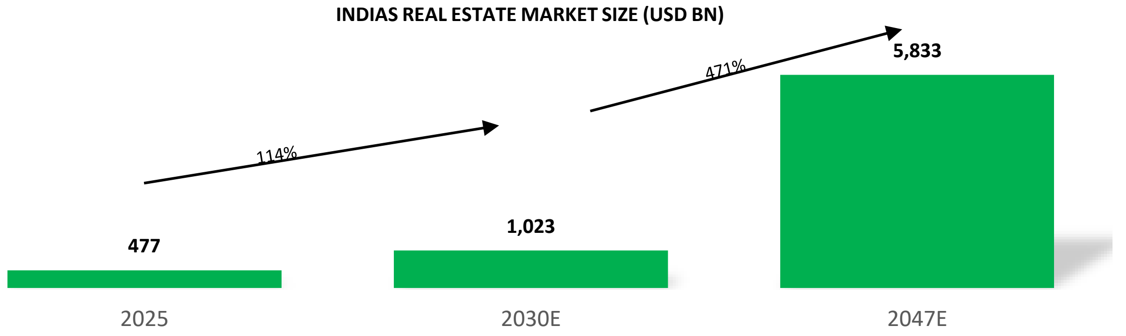


Source: Yahoo Finance, Arihant Capital research

Investment Rationale

v) Real Estate Upcycle: India's residential/real estate sector is poised for solid growth from 2025-2028, with housing sales expected to grow at 7-10% CAGR and prices rising 5-7% annually. Key drivers include urbanization, income growth, infrastructure expansion and rising demand in Tier-2/3 cities. Mid-income and premium housing will lead demand, supported by favorable interest rates, digital innovation, and sustainability becoming mainstream. Somany Ceramics, stands to benefit directly from this trend due to its strong brand, wide distribution network and expanding presence in premium and value segments.

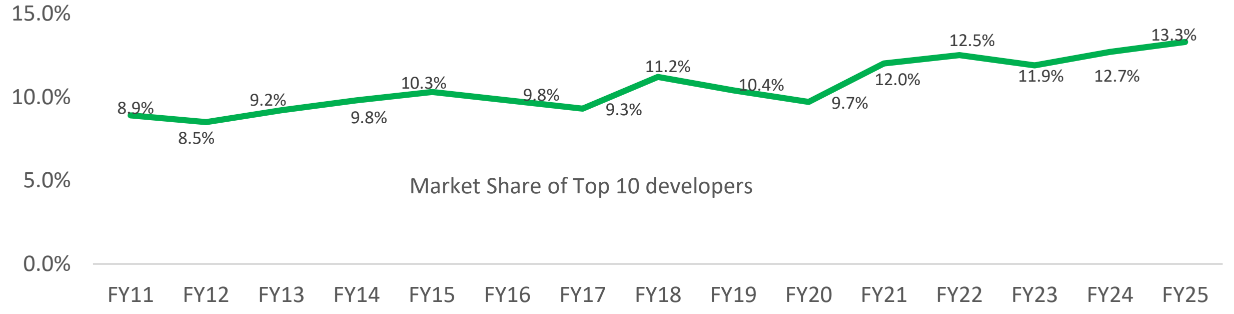
Exhibit : MULTIFOLD GROWTH IN INDIAS REAL ESTATE MARKET SIZE (USD BN)



Size of Organized Real-Estate Market in India and expected growth ahead

• Indian Real-Estate sector is expected to grow 114% between 2025 to 2030 with rise in built-up supply across segments.

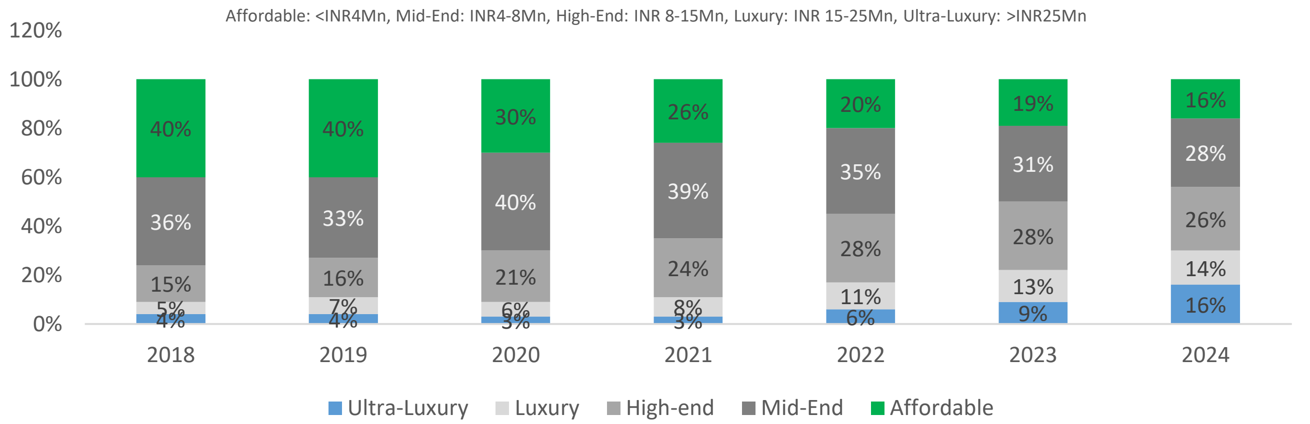
• The total built-up supply of residential real estate in top 8 cities is estimated to reach 6,198 million square ft. by 2030, marking a 39% increase over 2024 driven by government push for urbanization and increased investments.



Source: Prop Equity, Company Reports, Arihant Capital Research

• Market share of top 10 developers continue to improve with higher than industry growth.

Ultra-Luxury and Luxury gaining market share and expected to increase ahead- Positive for Premium Tile Co.'s



Source: ANAROCK Research, Arihant Capital Research

Investment Rationale

According to PropEquity, a total of 406,889 homes were delivered across India's top nine cities in FY25, marking a 33% increase from the previous year. In FY26 project pipeline is expected to grow futher with increased market share of Ultra-Premium and Premium segments

Developer	FY26 Project Pipeline	Key Details
Lodha	INR 250 Bn	Launching INR 190 Bn in residential projects across Mumbai, Pune & Bengaluru; raised to INR 250 Bn total after Q1FY26 launches of INR 80 Bn.
Godrej Properties	INR 325 Bn	Ambitious sales target supported by a pipeline of newly launched projects worth INR 400 Bn.
Prestige Group	INR 420 Bn	Launching its largest township in NCR (Ghaziabad) with GDV of INR 120 Bn; multiple ongoing projects.
Century Real Estate	INR 90 Bn + 1.5 MSF (commercial)	Planning 10+ new projects (residential & plotted) totaling INR 90 Bn GDV; 1.5 million sq ft commercial launches.
DLF (Sales)	INR 200-250 Bn (sales/bookings target)	DLF targets INR 200-250 Bn in FY26 sales with ~INR 170 Bn pipeline

Project Sales Gaining Momentum; Targeting 24% Contribution

Somany Ceramics is witnessing a gradual but notable shift in its revenue mix as institutional (project) sales gain traction, driven by increased participation from both private and government segments. For FY25, the company derived 81% of its sales from the retail channel, with project sales contributing ~19%—split between private projects (10%) and government contracts (8.5%). Notably, in Q4FY25, this share improved to 10.5% (private) and 9.3% (government), reflecting Somany's growing focus on institutional business.

Historically, retail sales have comprised 70-80% of domestic revenues. However, management has outlined a clear strategy to reduce this share to ~75% in FY26, with project sales expected to rise to ~25%, primarily led by increased orders from private builders. The company aims to grow the overall project contribution by 500-700 bps over the next few years, identifying this segment as a meaningful growth lever despite its lower margin profile.

Retail Channel (81% of FY25 Sales): Retail sales continue to be driven by individual home builders (IHBs), with a significant 75-80% contribution from Tier 2-4 towns, where Somany maintains a strong distribution footprint. Despite macro headwinds, retail volumes grew in Q3FY25, partially offsetting muted builder and export activity.

Project Channel (19% of FY25 Sales): In urban metros such as Mumbai, Delhi, Bangalore, and Chennai, real estate activity has largely transitioned to organized project-led development, reducing the share of IHBs. Tiles are typically installed during the final ~3 months of construction, and branded players like Somany benefit from superior product assurance and service levels. Although project orders carry lower pricing and longer payment cycles compared to retail, they provide higher capacity utilization, better working capital turnover, and enable improved tile quality through scale efficiencies.

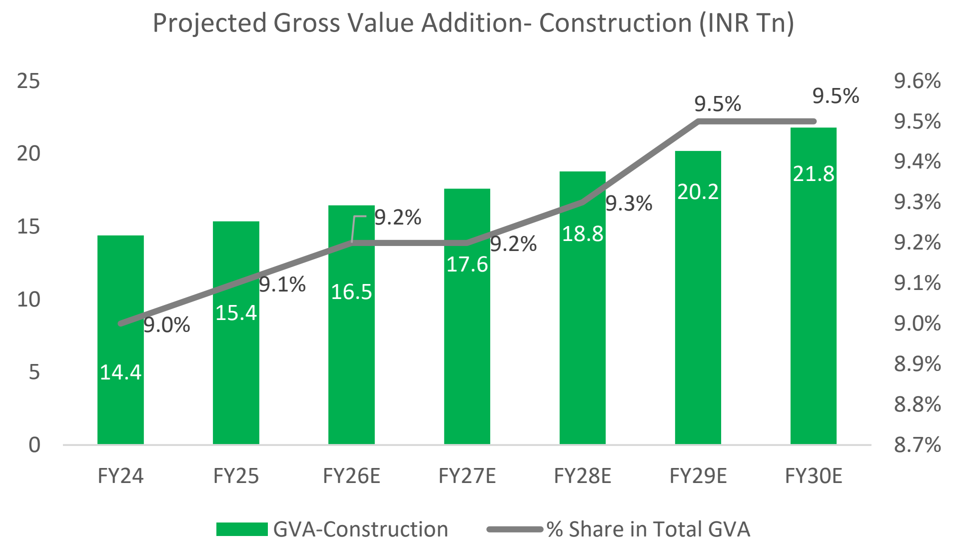
Government Projects (~8.5% of FY25 Sales): While contributing meaningfully to top line (~11-12% historically), this segment continues to be the least profitable due to high compliance and bidding pressures. The company has strengthened its institutional sales team, especially in South India, to improve win-rates and deepen regional penetration.

Looking ahead for FY26, the company remains optimistic about institutional sales growth, particularly from private builders, with the expectation of a 3-5% improvement in their contribution. Exports and government project shares are likely to remain broadly stable, positioning project sales as the next trigger for volume-driven growth.

Source: Company reports, Arihant Capital Research

Investment Rationale

The construction sector, along with the output generated from real estate services and ownership of dwellings, contributes nearly 14.3% to the economy's total output (at constant prices) in FY23.



Future Construction Outlook

India's construction market is expected to be the second largest globally by 2030, with construction sector GVA expected to grow to INR 21.8 trillion, projected to grow at 7.2% CAGR between FY 2024-30. Separately, projections by the United Nations indicate that India's population will reach 1.64 Bn by 2047, with 51% living in urban centers. A growing young population migrating to cities creates a demand for new housing units, student accommodation, and rental properties. This puts pressure on existing infrastructure and necessitates construction of new schools, hospitals, and public transportation systems. Thus, acknowledging the fact that good infrastructure is critical to support overall economic growth, infrastructure remains a thrust area for the government. The Government plans to develop smart cities with improved infrastructure, sustainable living spaces, and efficient waste management systems. The construction sector is set to witness a robust growth, driven by higher budgetary allocation on infrastructure on yearly basis and flagship infrastructure projects like NIP, PM Gati Shakti, Smart Cities, Swachh Bharat Mission, and metro rail expansions.

North India is the fastest-growing regional market in the India construction landscape. Key reasons include:

i) Rapid urbanization and infrastructure investments in Delhi, Uttar Pradesh, Haryana, Punjab, and Rajasthan
ii) Major infrastructure corridors like the Delhi-Mumbai Industrial Corridor (DMIC)
iii) Projects such as Eastern Peripheral Expressway and metro expansions in cities like Delhi, Lucknow, and Kanpur
iv) Real Estate and Industrial Growth

Cities such as Gurugram, Noida, and Ghaziabad are witnessing a boom in:
i) Residential construction (affordable to luxury segments)
ii) Commercial infrastructure (office complexes, retail malls)
iii) Industrial facilities (factories, logistics parks, warehouses)
iv) Additionally, the demand for healthcare and educational infrastructure has surged post-pandemic. Investments are flowing into the construction of hospitals, medical colleges, and schools, particularly in North Indian states.

With Somany Ceramics primarily having a wider distribution channel in the North and East, we expect this rapid growth in the RE space in North India to be a tailwind for the company.

Source: Dun&Bradstreet reports, Arihant Capital Research

Exhibit: Dealer Network Comparison with Peers

Company	Dealers Network	Exclusive Showrooms	Addition Plans Annual	Key Focus	Strengths
Somany	2,880	~514	100-150	Premium showrooms, display support	North/East India penetration
Kajaria	1,880+	~460	200	Tier 2/3 expansion, showroom upgrade	Brand recall, wide range
Orientbell	2,000+	381	~50	Digital enablement, visual tools	Dealer tech, cost-efficient ops
AGL	1,200+	277+	-	Morbi dealers, semi-urban focus	Export reach, Tier 3/4 growth
Nitco	1,000+	180+	-	Active amongst MBO	Premium brand, but cash-strapped

Source: Company Reports, Ceramic World, Arihant Capital Research

Higher active dealer network to aid in distribution for Somany

How Dealer Network Supports Margin Stability

A wider dealer network aids in diverting stock to markets with lesser supply, dealers often stick with branded players like Somany due to faster movement of inventory, credit support and brand pull, despite substantial discounted options from Morbi based players. Somany ceramics has the largest distribution network in the country with ~3,000 touchpoints enabling them to access tier 2/3 cities with ease.

The company's strategy involves:

• **Expansion in Tier 2, Tier 3, and Tier 4 towns:** A significant portion (75-80%) of retail sales originates from these smaller towns. The company focuses on strengthening its presence in these areas to tap into new markets and serve a wider customer base.

• **Max Plant Stabilization and Ramp-up:** The Somany Max plant, which produces large format tiles (LFTs), is a key green shoot for growth. It is getting stabilized and was at 51% capacity utilisation in Q3 FY25, with another launch planned for March/April to further increase capacity. The goal is to reach 75-80% capacity utilization in a couple of quarters, which would lead to a improvement in its profitability. The plant is expected to reach a profitability level by Q2FY26.

Exhibit: Premium received by dealers Peer to Peer

Company	Dealer Premium (vs base tile)	Notes
Somany	Medium-High	Good urban recall, moderate dealer loyalty
Kajaria	High	Brand-led, customer pull, exclusive showroom network
Orientbell	Low-Medium	Premium products, larger ceramic share
AGL (Asian Granito)	Low	Volume-driven model
Morbi players	Very low (INR 0-3/sq. ft.)	Push-based sales, no brand support

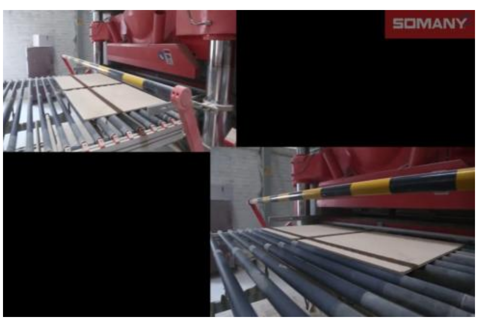
Source: Company Reports, Arihant Capital Research

HOW ARE TILES MADE?

Raw Material Preparation : Raw clay, quartz, and feldspar are collected, cleaned, and mixed.

Mixture goes to a ball mill, blended with water and additives.

Spray Drying : The slurry is dried using an agitator and spray dryer, reducing moisture to 5-6% for optimal pressing.



Pressing Mixture : Tiles are transferred to pressing machines with molds to shape the tiles.

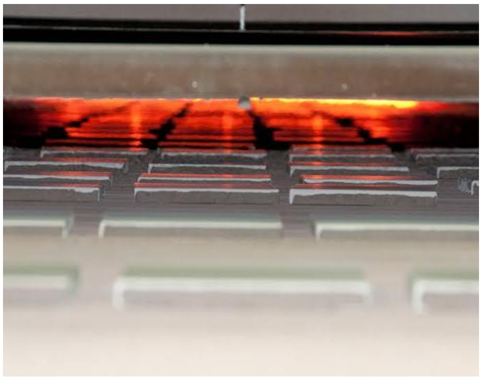
Cooling Tiles : Tiles are rapidly cooled to stabilize design and structure before printing.

Glazing Tiles: A layer of glaze is coated over the tiles to make it sturdy, appealing and give tiles a glossy finish.

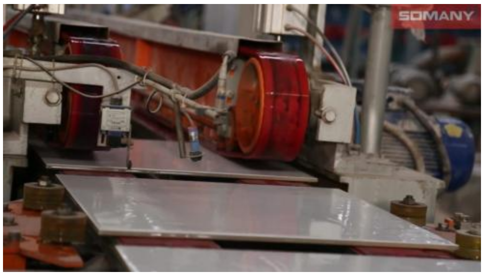
Source: Company reports, Arihant Capital Research

HOW ARE TILES MADE?

Printing Design : Computerized printers apply custom designs. Tiles undergo 2nd transparent glaze to lock in design.



Firing Tiles : Tiles are fired in kilns at ~1200°C for ~45 minutes to harden and reduce porosity.



Polishing & Rectification : Final polish and manual defect sorting ensures a finished product.

Quality Control & Packaging: Post polishing and passing quality control checks the finished tiles are packaged in units of 5,7 tiles usually and are ready to be shipped.

Source: Company reports, Arihant Capital Research

Industry Overview

Market Size & Growth:

India is the second-largest ceramic tile producer globally, with a total production of over 1.5 bn sq. meters per annum. The Indian tile industry is valued at approximately INR 500-550 bn (~USD 6.5-7 Bn) and is expected to grow at a CAGR of 7-9% over the next 3-5 years.

Key drivers of growth:

1. Growing Housing Demand & Urbanization: Government initiatives like PM Awas Yojana and Housing for All are boosting affordable housing.

2. Premiumization Trend: Growing disposable incomes and aspirational lifestyles are shifting demand from basic ceramic to vitrified and glazed tiles.

3. Outsourcing by organized players to mitigate capex related risk:
i) Increasing outsourcing (which shifted part of the input cost burden to third-party vendors).
ii) Curtailing production in high-cost locations during peak volatility.
iii) Passing on input cost volatility like gas prices.

GVT/PGVT (Glazed/Polished Vitrified Tiles) are the fastest growing due to growing aesthetic preferences and durability.

Type of Tiles in India	Features	Market Share
Ceramic Wall & Floor	Entry-level tiles; high in Tier 2/3	~40-45%
Vitrified Tiles (PGVT/GVT)	Premium, polished; used in floors	~40-45%
Outdoor/Industrial Tiles	Durable, anti-skid; institutional use	~5-10%

Industry Structure: Organized vs Unorganized

• The unorganized sector, heavily concentrated in Morbi is cost-competitive but vulnerable to regulatory and energy-related volatility.
• Increasing GST enforcement and formalization are gradually shifting share from unorganized to organized players.
• Organized players (eg Somany, Kajaria, AGL, Simpolo) control ~50-55% of the market, led by brand, distribution and product innovation.

Real Estate Industry

Growth drivers across Real-Estate:

• **Urbanization:** By 2030, 38% of India's population is predicted to live in urban areas with continuous economic growth and improvement in living standards.

• **Government initiatives** like PMAY, Smart Cities, Metro-Rail expansion, etc are set to drive expansion across segments of real-estate.

• **FDI and retail investment** through REITs will drive commercial expansion of real-estate across markets, fulfilling demand for flexible working and co-working spaces.

Source: Company reports, Arihant Capital Research

Industry Overview

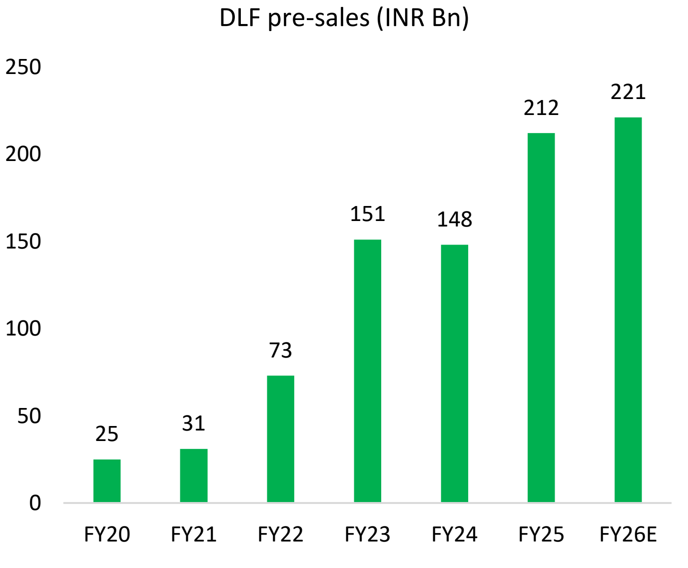
Size of Organized Real-Estate Market in India and expected growth ahead

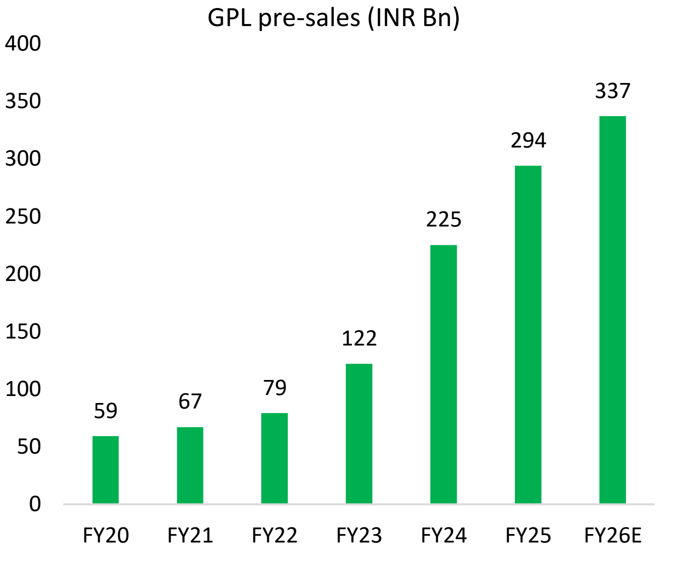
• Indian Real-Estate sector is expected to grow 114% between 2025 to 2030 with rise in built-up supply across segments.

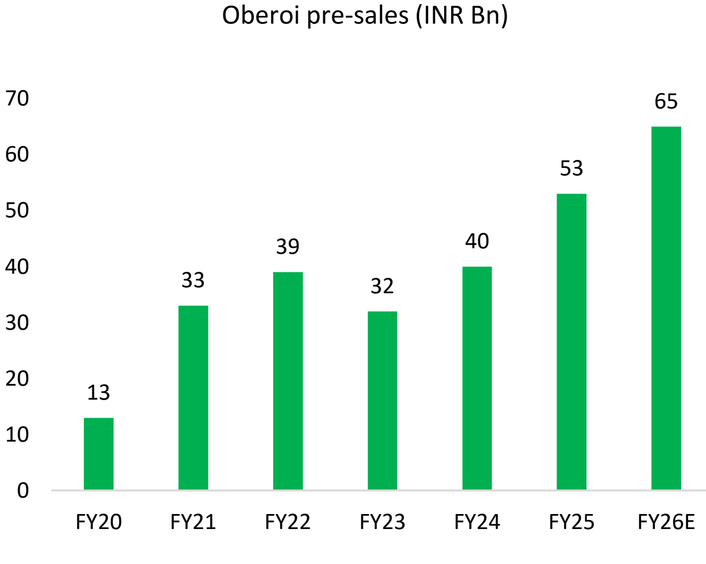
• The total built-up supply of residential real estate in top 8 cities is estimated to reach 6,198 million square ft. by 2030, marking a 39% increase over 2024 driven by government push for urbanization and increased investments.

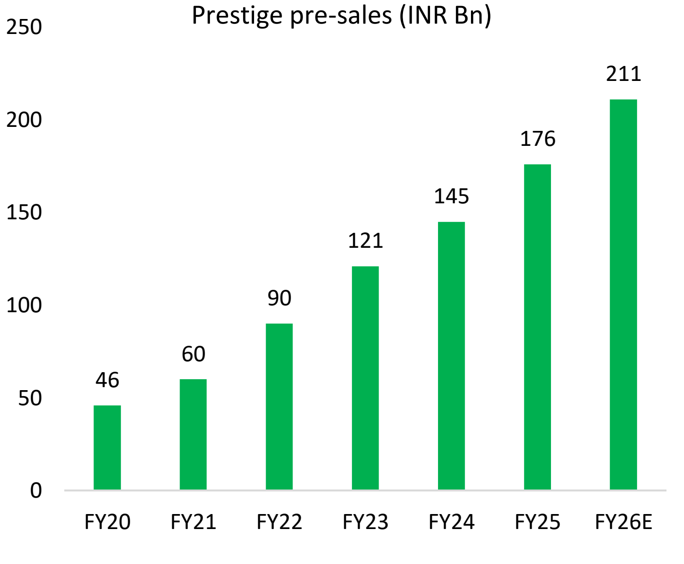
According to PropEquity, a total of 406,889 homes were delivered across India's top nine cities in FY25, marking a 33% increase from the previous year.

Top Real Estate Players Pre Sales Data









Source: PropEquity, Arihant Capital Research

Housing Deliveries in Major Cities (FY25)

City-wise Deliveries:
- Pune: 81,563 units (41% YoY growth)
- Kolkata: 17,718 units (88% YoY growth)
- Hyderabad: Significant increase
- Chennai: Notable growth
- Delhi-NCR: 44,423 units (8% YoY decline)

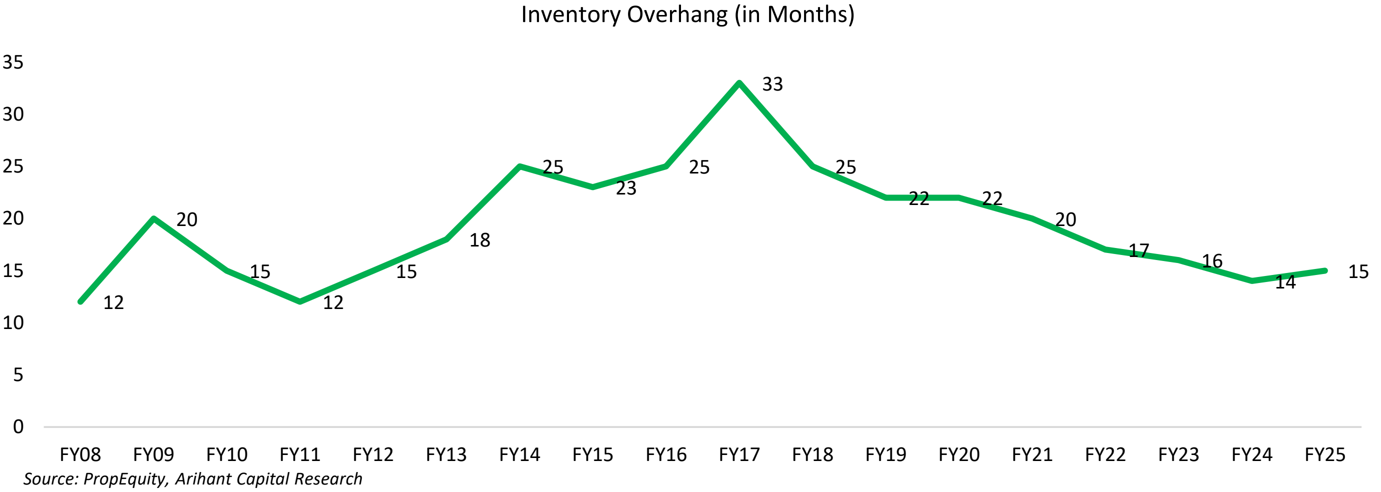
Tier-2 Cities Gaining Traction
- In 2025, the value of homes sold in India's top 15 tier-2 cities increased by 6% YoY signaling growing demand beyond major metropolitan areas.

Rising Home Prices and Premiumization
- Nationally, home prices rose by 9% in 2024, with cities like Bengaluru and Kolkata witnessing increases of 44% and 29%, respectively, over a two-year period.
- Notably, properties priced above INR 1 Cr constituted over half of the total annual sales for the first time, indicating a shift towards premium housing.

Implications for Tile Demand
The expansion in real estate directly correlates with increased tile consumption due to:
- **Enhanced Aesthetic Preferences:** The premium housing trend drives demand for high-quality, aesthetically pleasing tiles, particularly vitrified tiles known for their durability and finish.
- **Volume Growth:** The surge in housing deliveries translates to higher tile requirements for flooring and wall applications.
- **Geographical Expansion:** Growth in tier-2 cities opens new markets for tile manufacturers, necessitating diversified product offerings to cater to varied regional preferences.

Given robust pre-sales and deliverables of the real estate sector in FY25-26E, the tile sector are poised to benefit from sustained demand. The alignment of real estate growth with tile consumption patterns indicates a positive trajectory for the tile industry in the near to medium term.

Exhibit: PAN India Inventory Overhang at a low of 14-15 Months, indicating further construction activity ahead



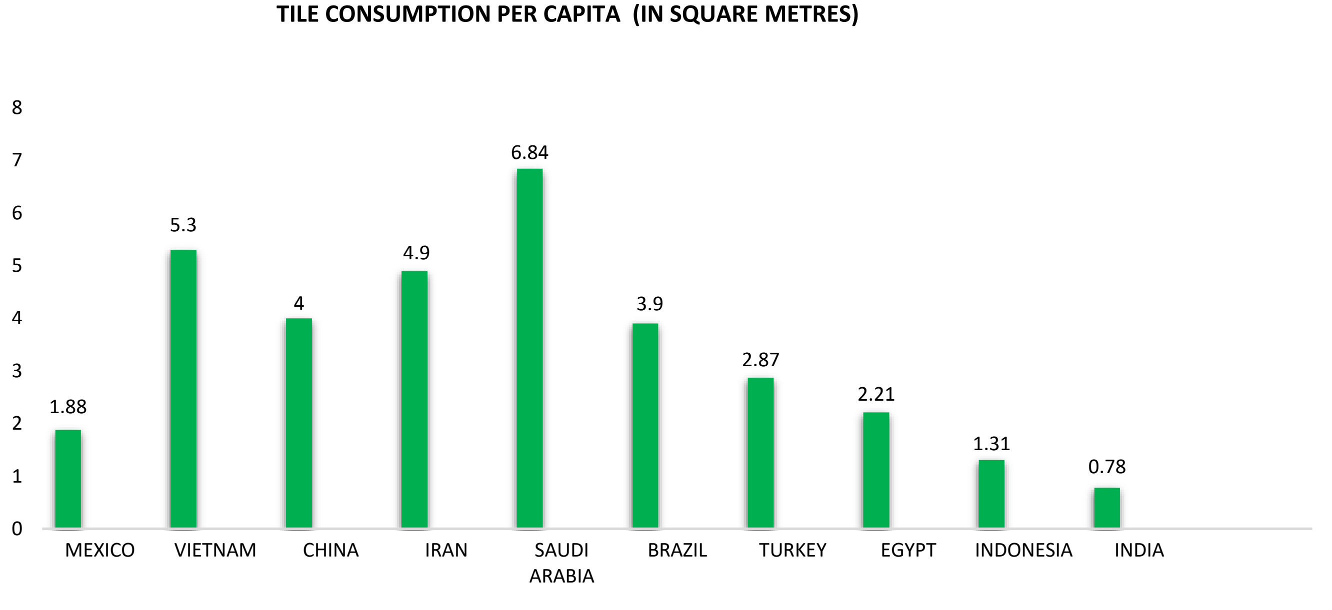
Source: PropEquity, Arihant Capital Research

Industry Overview

The scarcity of affordable housing in India is primarily concentrated in the economically weaker section (EWS) and low income group (LIG) households, posing policy challenges to the central government. In the early years of India's economic development, the emphasis on housing for poor was laid in the rural areas of India. However, in 2007, the government of India introduced The National Urban Housing and Habitat Policy (NUHHP) with an intent to promote public private partnerships for realizing the objective of "Affordable Housing for All". The NUHHP promoted policy measures such as **reserving 10-15% land** and 20-25% of floor area ratio (FAR) in new housing projects for affordable housing.

This provided an opportunity for the private developers to participate in infusing supply of affordable houses in India. Over the last few years, policies such as the Rajiv Awas Yojana (RAY), Rajiv Rinn Yojana (RRY) which later changed to Credit Linked Subsidy Scheme (CLSS), Affordable Housing in Partnership (AHP) and Pradhan Mantri Awas Yojana (PMAY) were introduced by the government with the objective of making provision for affordable housing for the urban poor in India. In 2015, the government launched PMAY-U with provisions such as tax rebates, monetary support, relaxed development regulations, discounted interest rates with an objective to provide "Housing for all" by 2022. Overall, under PMAY-U, the government had sanctioned 119 mn units of housing under the affordable segment.

Exhibit: Per capital Tile consumption India vs Other Geographies



Despite being the world's second-largest tile producer, India's **per capita tile consumption remains relatively low**, indicating substantial headroom for long-term volume growth. This under-penetration, combined with rapid urbanization, rising disposable incomes and formalization of the sector coupled with growth in the real estate segment positions the Indian tile industry and its leading players in a structural tailwind over the coming years.

Source: Company reports, Arihant Capital Research

Industry Overview

Export Capacity in India, China and other geographies

Top Exporting Countries (SQM Mn)											
No	Country	2018	2019	2020	2021	2022	% on 2022 National Production	% on 2022 world exports	% var 22/21	Value 2022 (mn Eur)	Avg export price (Eur/Sqm)
1	China	854	779	622	601	579	7.9%	20.9%	-3.60%	NA	NA
2	Spain	414	415	422	496	431	86.2%	15.6%	-13.10%	4,303	10
3	India	274	359	437	483	422	18.3%	15.2%	-12.70%	1,759	4.2
4	Italy	328	323	318	364	356	82.6%	12.9%	-2.10%	5,971	16.8
5	Iran	150	162	179	182	194	40.4%	7.0%	6.40%	NA	-
6	Turkey	99	112	132	154	127	33.0%	4.6%	-17.60%	1,015	8
7	Brazil	106	101	6	128	113	12.2%	4.1%	-11.90%	490	4.3
8	Poland	43	50	58	62	5	52.6%	1.8%	-19.40%	462	9.2
9	UAE	43	45	52	48	43	50.0%	1.6%	-9.80%	204	4.7
10	Mexico	46	41	37	41	42	14.5%	1.5%	3.50%	267	6.4
	TOTAL	2,357	2,387	2,263	2,559	2,312	18.4%	85.1%	-7.90%		
	TOTAL WORLD	2,815	2,831	2,771	3,013	2,770	16.5%	100.0%	-8.10%		

India has emerged as the 2nd largest manufacturer and exporter of tiles in the world, slightly below Chinese tile exports, surpassing Spain in 2023-24. Indian tiles are known to be affordable and high quality compared to its Chinese counterparts. Despite slowdown in other geographies India has nearly doubled its capacity from 2018 onwards.
A sizable chunk of the capacity in India (Morbi) is centered towards export markets and meets international standards.

Availability of raw materials like clay, silica, feldspar and quartz, access to ports, cheap labour and high tech machinery make Indian tiles a reliable option for international buyers, with markets like the Middle east and North America favoring Indian manufactured tiles over their Chinese counterparts.

While China saw degrowth in its tile exports and countries like Spain and Brazil witnessing flat growth, India emerged with a +54% growth over FY18-22 in its tile exports.

A bulk of capacity in China is centered towards captive use and exports have not been a center of focus. Many Chinese tile companies have witnessed shut downs given to low utilization levels while Indian tile manufacturers, despite industry and export slowdown have maintained decent levels of utilization.

'China +1' strategy globally has led to India being the favored location for tiles as Indian tile prices are at par with China and offer better quality.

Source: Company reports, Arihant Capital Research

Industry Overview

The per capita tile consumption remains relatively low in India compared to other developing/developed economies despite holding the 2nd largest manufacturing capacity in the world.

The annual growth in India's household spending per capita at 7.8% will outpace that of other developing Asian economies like Indonesia, Philippines and Thailand. The country's ongoing urbanization will also help boost consumer spending as companies can easily access consumers and open more physical retail stores to cater to them. BMI estimates India's household spending will exceed USD 3 trillion as disposable income rises by a compounded 14.6% annually until 2027. By then, a projected 25.8% of Indian households will reach USD 10,000 in annual disposable income. With growing income per capita disposable income the desire for aesthetic spaces grow and the Tile space is well positioned to capitalize on this trend.

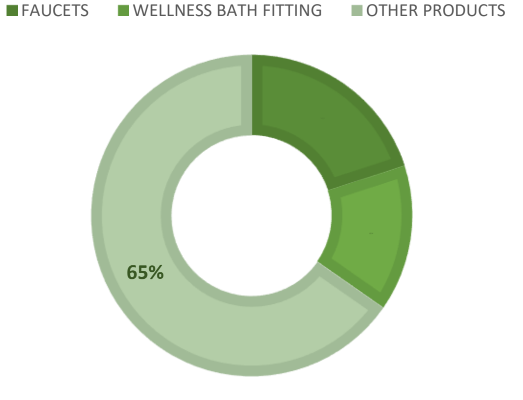
India Bath Fittings Market Overview (2025-2030):

Valued at USD 11.49 billion in 2025, the Indian bath fittings market is projected to reach USD 16.67 billion by 2030, growing at a CAGR of 7.74%. This growth is driven by urbanization, rising disposable incomes, and shifting consumer lifestyles. Housing has become more affordable (affordability index at 3.2 in 2021), and government initiatives like the Smart Cities Mission (USD 28.3 bn in projects) are accelerating infrastructure development.

Consumer preferences are shifting, especially in urban areas, where bathrooms are seen as lifestyle spaces. The luxury segment is expanding, with affluent households spending 5-6x more than the tier below them. Demand is rising for smart, water-efficient, and tech-enabled products like IoT-controlled fittings and voice-activated faucets.

Additionally, the retail landscape is evolving e-commerce is rapidly growing, prompting companies to adopt Omni channel models. Organized players are also expanding into tier II and III cities to meet increasing demand for branded, premium fittings.

MARKET SHARE(INDIA) BY PRODUCT TYPE SEGMENT(2024)



Other products include- Sanitary ware

Source: Company reports, Arihant Capital Research

Industry Overview

Key Risks

1. Volatility in Natural Gas Prices

Natural gas is a critical input in the tile manufacturing process, especially for firing kilns. Any sharp fluctuation in gas prices significantly impacts operating margins.

• Domestic gas prices, though now linked to a pricing formula based on global benchmarks, remain volatile due to geopolitical tensions and seasonal demand.

• Morbi cluster, a major tile hub, is especially sensitive ~40-50% of India's tile production is concentrated here and is heavily dependent on imported LNG.

• In FY24 and early FY25, spot LNG prices ranged between USD 9-18/mmbtu, causing frequent price resets and cost inflation.

• Passing on costs to customers remains difficult in a fragmented market with price-sensitive demand.

• A sustained rise in gas prices without a corresponding increase in tile prices could compress EBITDA margins by 150-250 bps for integrated players.

2. Freight and Logistics Cost Fluctuations

Freight costs, both domestic and international, pose another major risk, especially for export-oriented players.

• Container shortages, Red Sea disruptions, and higher bunker fuel prices in FY24 and FY25 have pushed up export freight costs by 25-40% YoY in some geographies.

• Given the low value-to-volume ratio of tiles, even marginal increases in freight significantly affect landed costs and price competitiveness in international markets.

• Domestically, rising diesel costs and limited availability of rakes can drive up inbound logistics costs for raw materials (clay, feldspar, quartz) and outbound costs to dealers.

Margin Sensitivity: An increase of INR 2-3/sq. ft in logistics cost can erode 50-70 bps in margin, particularly in the mid-premium segment.

3. Demand-Supply Imbalance & Pricing Pressure

• Continued capacity additions (~50+ MSM/year industry-wide) may outpace demand growth, leading to price undercutting.

• Export market saturation or imposition of duties (e.g., in GCC or Europe) can hurt utilization and pricing power.

Source: Company reports, Arihant Capital Research

Industry Overview

4. Morbi Overcapacity

Morbi in Gujarat is world's 2nd largest tile manufacturing hub, contributing over 80% of the India; ceramic tile exports and a significant share of domestic supply the cluster has emerged as a structural challenge for organized players whose market is primarily . Over the past few years, a rapid and largely unregulated capacity expansion in Morbi (especially post-COVID) led to surplus production, with current installed capacity estimated at 1,200+ MSM (catering majorly to export markets) versus estimated domestic demand of ~850-900 MSM. This has created intense pricing pressure, especially in the mid-to-low price segments, where Morbi players often with lower overheads and minimal brand costs undercut organized players.

For regulated players this dynamic has two key implications. First, it squeezes margins in commoditized product categories, especially in Tier 2 and Tier 3 markets, where price sensitivity is high and Morbi players tend to take larger market share. Second, it limits the pricing power of branded players in segments where product differentiation is low. However, as regulatory scrutiny (e.g., GST enforcement, environmental norms) tightens and gas/fuel costs remain volatile, many smaller Morbi players face operational strain. This leads to consolidation in supply, potentially stabilizing prices. Regulated players have navigated this environment by focusing on premium tiles, outsourcing selectively and expanding into non-tile verticals (eg bathware, adhesives), thereby maintaining scale without significant capex or price wars, however to compete and obtain better margins continues to be a challenge as oversupply is coupled with price sensitive buyers.

With overcapacity and margin pressures increasing, even large organized players have begun outsourcing select SKUs from unorganized Morbi units. This shift enables them to remain cost-competitive, especially in the mass-market ceramic and vitrified segments, without incurring significant capex.

While this approach offers volume flexibility and pricing advantage, it also blurs the lines between organized and unorganized manufacturing, making branding, distribution strength, and quality control the true differentiators. For organized players, the key lies in maintaining brand integrity, consistent quality, and premium positioning, even when partially sourcing from unregulated manufacturers. Over time, this hybrid model may allow leading companies to consolidate market share leveraging the low-cost manufacturing base of Morbi, while dominating distribution and product innovation through their organized platforms.

Source: Company reports, Arihant Capital Research

Channel Check Highlights

Growing preference for Mid-to-Premium Tile Brands in 'Renovation Segment' from dealer interactions suggest that the home renovation market in India is largely driven by local contractors and interior designers who influence customer preferences. Home renovators are increasingly opting for mid-to-premium tile offerings over low-cost alternatives, especially in the upper middle-high income class home renovation segment, primarily driven by evolving consumer tastes and design preferences.

Notably, demand for mid-to-high-end tiles remains resilient even amid broader pricing pressures in the sector. Players operating in this segment benefit from a faster adoption cycle for innovation and trending designs, allowing them to sustain consumer interest and volume growth. Mid-sized brands that balance design innovation, perceived quality, and competitive pricing have emerged as preferred choices for home renovators.

Dealer margins are typically higher on mid-sized(~30%) brands compared to larger known brands(15-20%), making them a favorable product to push at the retail level. However, the premium and sub-premium brands that offer large format tiles face lower competitive intensity and better demand based pull. Realization for tile companies contributing positively to margin stability. In contrast, the institutional or builder segment tends to remain sticky with long-term suppliers, emphasizing consistency over innovation. However, the shift in preferences observed in the retail/renovation market reflects a structural trend in favor of organized mid-tier players that offer both value and aesthetics.

Business Overview

Somany Ceramics Ltd. is India's second-largest tile manufacturer by capacity, with **75+MSM** (33.45/28.12/18,Own/Subsidaries/Tie Ups) across eight plants (including joint ventures and outsourcing arrangements). The company has a well-diversified product mix comprising ceramic wall and floor tiles, glazed vitrified tiles (GVT), and polished vitrified tiles (PVT), catering to both premium and mass-market segments. Somany has built a pan-India presence through a multi-layered distribution network of 15,000+ channel partners and over 500 exclusive showrooms, ensuring access across metros and deep penetration into Tier 2/3 markets.

The company has expanded into high-growth, adjacent verticals such as **sanitaryware, faucets, and tile adhesives**, which are margin-accretive and support portfolio diversification. Its asset-light model outsourcing nearly 30-35% of total tile volumes offers operational flexibility and limits capex intensity. While margins remain structurally lower than peers like Kajaria ceramics due to a higher share of commoditized offerings and outsourcing, management is actively pushing premiumization through differentiated formats and technological investments. Backed by strong brand recall, a broad retail footprint and improving product mix, Somany is well-positioned to capitalize on the cyclical upturn in housing and infrastructure over FY25-28E, with operating leverage and brand-led growth likely to aid earnings momentum going forward.

Business Overview

Business Mix & Distribution

Product Mix (for the year FY25): Ceramic PV was 34%, PD was 28%, and GV was 38%.
Sales Breakup (FY25): Channel sales were 81%, private projects 10%, and government projects 8.5%.
Sales Breakup (FY25): Government projects were 9.3%, and private projects 10.5.

FY26 Sales Outlook: Expect the channel mix to reduce to around **75%** and project sales (private + government) to increase to about **25%**. This shift is driven by anticipating more real estate projects reaching finishing stages.

Bathware Segment: This segment is seen as very bullish. Sales grew 18% in Q4 and 11% in FY25. Management hopes for double-digit growth in bathware again next year.
Distribution: Focus is shifting to be more line-wise, giving sanitary products primarily until a certain scale is reached before adding other products. The company is also continuing to increase their footprint in tier 3, 4, and 5 towns.

New Additions: Added 181 new dealers and 40 net new showrooms. Exclusive store numbers were not immediately available but can be provided offline.

Market Trends & Industry Dynamics

Demand: Weak demand has been observed across the board for the last year, affecting small towns as much as big towns. No specific area of concern or strong green shoot identified in domestic demand, although towns in states like Bihar and UP were mentioned as showing potential. Tier 1 cities account for roughly ~20% of sales.

Pricing: Pricing has been under pressure. The company has not taken specific pricing action in the March quarter. The dip in realisation in Q4 was due to product mix and higher discounting, especially in the channel, to move material. Management's strategy involves stricter controls on receivables and discounting, especially in projects. Improving product mix is also a focus.

Unorganised Market: Management acknowledges that the unorganised market may have gained some market share at the very low end in the last year, potentially due to pricing pressures. However, they believe consolidation will occur, citing the proliferation of dealers and the unstainable nature of single-time sales by some new brands.

Industry Challenges: Overcapacity in the market, particularly post-COVID due to sudden capacity increases driven by export potential, has led to market share shifts towards the unorganised sector. However, management foresees consolidation similar to the paint industry. Structural reasons making new capacity additions difficult in the Morbi region include difficulty in sourcing raw materials, high land prices, challenging taxation structures for partnerships, and compromises on quality and pricing by some manufacturers. Some old and new plants are becoming uneconomical under pricing pressure.

Growth Potential: While large double-digit volume growth seen in the past (e.g., 2015-16) may be less likely given the larger base, the focus is now on value growth and improving margins.

Strategic Focus for FY26

Achieving high single-digit to low double-digit top-line growth.
Improving operating margins by 1-1.5%.

- Increasing Max plant utilisation to 75-80%.
- Increasing brand spend to 2.5% of sales.
- Improving product mix.
- Stricter controls on receivables and discounting.

Latest Concall Highlights - Q1FY26

Guidance for 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.

Strategic Initiatives

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.

• This is considered a better margin business, although there will be certain pressure in year one and year two as the business is built out. The strategy involves leveraging the existing dealership network, attracting large distributors, and expanding into hardware and paint stores.

• The company aims to acquire up to 75% and potentially 100% of Durabuild over the next 3-4 years.

Latest Concall Highlights - Q1FY26

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: 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.

Source: Company reports, Arihant Capital Research

Low capex model by outsourcing :

Somany Ceramics follows a hybrid manufacturing model, combining in-house production with a significant share of outsourced manufacturing (~35%+ of total volumes). The outsourced manufacturing is primarily done through long-term partnerships with Morbi-based manufacturers, where Somany provides designs, quality specifications, and branding support, while leveraging local cost efficiencies and capacity availability.

This asset-light approach by outsourcing enables Somany to: i) Expand capacity without incurring large capex, ii) Maintain flexibility in scaling up or down based on demand, iii) Reduce fixed overheads, and iv) Access cost-competitive geographies like Morbi for price-sensitive product categories.

Exhibit: Shareholding Pattern in Subsidiaries and JV's

Sr No	Names of Subsidiary/JV's	% of shares held by Listed entity	Subsidiary/Associate / Joint Venture
1.	SR Continental Ltd	100%	Subsidiary
2.	Somany Bathware Ltd	100%	Subsidiary
3.	Somany Excel Vitrified Pvt Ltd	100%	Subsidiary
4.	Somany Piastrelle Pvt Ltd	100%	Subsidiary
5.	Somany Bath Fittings Pvt Ltd	100%	Subsidiary
6.	SRCL Buildwell Pvt Ltd	100%	Subsidiary
7.	Somany Max Private Ltd	80%	Subsidiary
8.	Sudha Somany Ceramics Private Ltd	60%	Subsidiary
9.	Amora Tiles Pvt Ltd	51%	Subsidiary
10.	Somany Sanitary Ware Pvt Ltd	51%	Subsidiary
11.	Vintage Tiles Pvt Ltd	100%	Subsidiary
12.	Acer Granito Pvt Ltd	100%	Subsidiary
13.	Vicon Ceramic Pvt Ltd	100%	Subsidiary
14.	Clean Max Ananta Pvt Ltd	100%	Subsidiary

Source: Company reports, Arihant Capital Research

Business Segments

Tiles is the largest segment (89%) amongst which Ceramic & Floor tiles make up ~34%, PVT(~23%), GVT(~32%) other segments bath ware(~9%) and adhesive(~1%) are high growth segments.

Ceramic Floor tiles: Somany Ceramics ceramic tile segment remains a core part of its portfolio, contributing **~34% of total tile sales in FY25** (vs. 37% in FY24), with a production capacity of ~30 MSM across facilities in Morbi and Derabassi(Punjab). While ceramic tiles continue to be widely used for wall and floor applications, the company is witnessing an industry-wide transition towards Glazed Vitrified Tiles (GVT), driven by better aesthetics, durability, and improving cost dynamics. In response, Somany has strategically exited two JV units in Q3FY25 one of which was ceramic-focused and underperforming due to intense price competition. Despite demand headwinds and price pressure from Morbi's export redirection into domestic markets, Somany has preserved market share in the branded segment by avoiding aggressive discounting. The company maintained 81% blended capacity utilization in Q4FY25, though premium-oriented plants like Somany Max operated at lower utilization (~35%), weighing on profitability. Going forward, management aims to increase GVT production, optimize plant utilization, and target entry-level segments, positioning these levers as key drivers of margin expansion.

GVT: Glazed Vitrified Tiles remain a key growth driver for Somany Ceramics, with management terming it a "sunrise segment". The company is strategically increasing its focus on large-format GVT, particularly through its Somany Max facility, which produces high-value slabs priced significantly above the portfolio average (50-100% premium to ASP of ₹320/sq. m). Despite lower early utilization (~35-55% in FY25), the plant is expected to break even by Q2 FY26, once utilization crosses 75%, driven by improving traction from builders and premium retail demand.

GVT's contribution to tile revenues has steadily increased from 34% in FY24 to **38% in FY25**, with management guiding toward a structural shift where GVT could exceed 50% of sales mix over the next 2-3 years. This growth comes at the expense of ceramic and PVT tiles, reflecting evolving consumer preferences and Somany's product realignment. The company currently has 25 MSM of GVT capacity (21 MSM in-house and 4 MSM outsourced), which management believes is adequate for the next 18 months.

Source: Company reports, Arihant Capital Research

Business Segments

While GVT offers better realizations, pricing pressures persist due to Morbi-led oversupply and normalization of previously premium formats. Somany has consciously avoided deep discounting or compromising on quality to chase volumes, helping preserve brand equity. With increasing adoption of larger slab formats and enhanced plant utilization, GVT remains central to Somany’s margin expansion roadmap, with management targeting a 100-150 bps improvement in EBITDA margins, contingent on stable gas prices and scale efficiencies.

PVT: Polished Vitrified Tiles remain a core part of Somany Ceramics product portfolio, known for their high-gloss finish, durability, and low maintenance. The company operates with an estimated annual capacity of ~17 MSM for PVT across three dedicated manufacturing facilities. Despite its scale, the segment has witnessed a gradual decline in revenue contribution, slipping from 29% in FY24 to **28% in FY25**, as GVT continue to gain prominence. Quarterly data confirms this trend PVT consistently accounted for 28-29% of segment revenues through FY25. Management has explicitly acknowledged the long-term shift, indicating that a substantial portion of ceramic and PVT tiles, especially for flooring, is expected to transition to GVT, given its design flexibility and aesthetic appeal. While the company continues to maintain quality in the PVT segment, it has deliberately avoided expanding into lower-realization or lower-quality PVT products, even at the cost of volume growth. This approach underscores Somany’s strategy to prioritize brand integrity and profitability over aggressive pricing or commoditization. Although PVT will remain relevant in certain mid-market applications, its share in the overall product mix is expected to decline structurally, as Somany reallocates focus and resources toward higher-margin, large-format GVT tiles, which align with evolving consumer preferences and margin enhancement objectives.

Bathware: Somany Ceramics is strategically expanding its footprint in the bathware segment, comprising sanitary ware and bath fittings, with a long-term vision of evolving into a comprehensive décor solutions provider. The product range includes premium sanitary ware, elegant bath fittings, and new launches like the “French Collection,” aligning with rising consumer aspirations for modern bathroom aesthetics.

Source: Company reports, Arihant Capital Research

Business Segments

Somany operates dedicated manufacturing units a **0.78 million piece pa** sanitaryware plant in Morbi, Gujarat, and a **1.30 million piece** bath fittings plant in Derabassi, Punjab. Capacity utilisation has steadily improved, with sanitaryware at 96% and faucets at full capacity in Q4 FY25, signaling potential need for expansion in the next 12-18 months. The bathware division reported INR 800 mn in Q4 FY25 sales, growing 18% YoY, and 11% for FY25, despite a relatively muted market. The company has maintained strong growth momentum across all quarters, backed by increased Shop-in-Shop formats, exclusive showrooms, and loyalty initiatives such as the "Rishtey" program for retailers and sub-dealers.

While management acknowledges that Somany is not yet a dominant player in this segment compared to peers like CERA or Parryware, it sees double-digit growth potential and is committed to building scale and branding. The segment is also supported by macro tailwinds such as rising hygiene awareness, Swachh Bharat Abhiyan, and growing adoption of smart bath fittings.

With India being the third-largest sanitaryware market globally and Asia-Pacific witnessing rapid growth, Somany's bathware segment is poised to benefit from structural tailwinds, efficient capacity utilization, and increased consumer upgrades—making it an important value-accretive driver over the medium term.

TILE ADHESIVE & ADJACENT: Somany Ceramics foray into construction chemicals and tile adhesives represents a strategic diversification aimed at leveraging its existing dealer network and B2B customer relationships. The company commenced in-house production of EzyFix adhesives in 2019, with manufacturing units located in Ahmedabad (Gujarat) and Bahadurgarh (Haryana). The adhesive and allied product segment is currently housed under the "Others" revenue category, contributing INR 2.02 bn in 9M FY25, or ~4.5% of FY24 revenues. In Q3 FY25, it accounted for 5.94% of total tile volumes, reflecting healthy traction. The company's Coverstone and grouting solutions are also part of this portfolio. Management remains optimistic on this segment, recently expanding into construction chemicals through an acquisition that complements its product and distribution synergy. This vertical, still in a nascent phase, is expected to benefit from high-growth tailwinds, low capital intensity, and alignment with the company's long-term goal of becoming a full-spectrum building materials brand. Somany views the adhesives and construction chemicals category as a scalable and margin-accretive opportunity, and plans to intensify investments in this space to drive incremental topline and improve operating leverage over the medium term.

Source: Company reports, Arihant Capital Research

Business Segments

GVT Tiles

Sample GVT Tile range from Somany Experience Center

MRP INR 125-127/- per sq. ft.

MRP INR 125/- per sq. ft.

MRP INR 117/- per sq. ft.

MRP INR 141/- per sq. ft.

Key Management

Personnel	Designation	Description
Mr. Abhishek Somany	CEO & Managing Director	Abhishek Somany is the Managing Director & CEO of Somany Ceramics Ltd., representing the third generation of his family to lead the company. He is widely recognized for steering Somany's transition from a traditional tile manufacturer to a diversified décor solutions provider, expanding the brand into bathware, sanitaryware, and large-format vitrified tiles, and strengthening its global reach across 55+ countries. Under his leadership, the company has emphasized innovation (patents for abrasion-resistant tiles and slip-shield technology), robust dealer network expansion, and efficient capacity utilization strategy
Mr. Shreekant Somany	Chairman & Managing Director (Executive)	Founder's heir and veteran leader who steered the company's diversification into bathware and adhesives. Under his leadership, Somany has become a prominent décor solutions provider
Mr. Amit Sahai	CEO - Tile Business	Heads Somany's tile division, focusing on sales, operations, and market penetration; pivotal for strategic growth in GVT and PVT segments .
Mr. Sailesh Raj Kedawat	CFO	Responsible for the company's financial planning, risk management, and reporting; instrumental in supporting expansion through disciplined capital allocation .
Mr. Ambrish Julka	Company Secretary & Compliance Officer	Leads legal, regulatory, and corporate governance functions; ensures statutory adherence and board coordination .
Mr. Manit Rastogi	Independent Director	Appointed in May 2024; contributes to governance, audit, and ethics frameworks.
Mr. Rameshwar Singh Thakur	Independent Director	Provides oversight on business strategy and compliance; represents shareholders in governance .
Mr. Vineet Agarwal	Independent Director	Offers independent oversight; contributes to audit, Nomination & Remuneration, and CSR committees .

Source: Company reports, Arihant Capital research

Financial Analysis

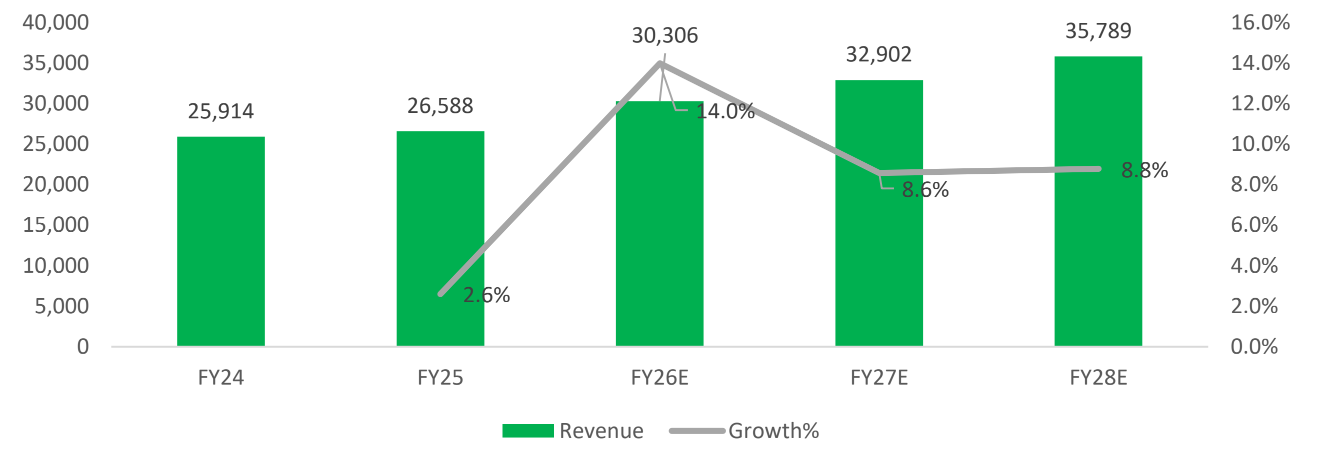
Revenue is expected to grow at a CAGR of 10.4% over the period of FY25-28E: We forecast Somany Ceramics revenue to grow at CAGR of 10.4% over FY25-FY28E to reaching INR 35,789 Mn, driven by strong momentum in the real estate and infrastructure sectors, along with a growing premiumization trend amongst consumers. The Bathware and Tile Adhesive segments are expected to grow at (+15.8% & +32.7% CAGR FY25-28E), aided by similar underlying drivers. Both segments combined are projected to grow at a faster pace than the core tile business and together is expected to account for 23% of Somany's topline respectively by FY28E, compared to the current ~18%.

Exhibit: Revenue Model

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Blended Realizations Tiles (INR/sqm)	**287**	**288**	**317**	**336**	**270**	**301**	**313**	**325**	**334**
Total Tile Volume	**48.9**	**49.8**	**57.9**	**63.9**	**81.5**	**74.9**	**75.5**	**77.3**	**78.9**
y/y growth (%)	*-5%*	*2%*	*16%*	*10%*	*28%*	*-8%*	*1%*	*2%*	*2%*
Sanitaryware/Faucets Revenue	1,852	1,645	2,072	2,450	2,655	3,902	4,464	5,178	6,058
yoy growth (%)	*-7%*	*-11%*	*26%*	*18%*	*8%*	*47%*	*14%*	*16%*	*17%*
Adhesives Revenue	134	280	175	332	597	925	1,156	1,491	2,162
y/y growth (%)	45%	109%	-37%	90%	80%	55%	25%	29%	45%

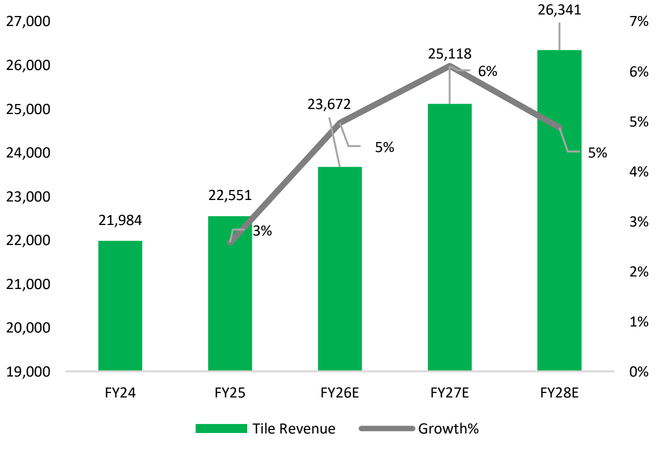
Source: Company Reports, Arihant Capital Research

Exhibit : Revenue is expected to grow at a CAGR of 10.4% over the period of FY25-27E.



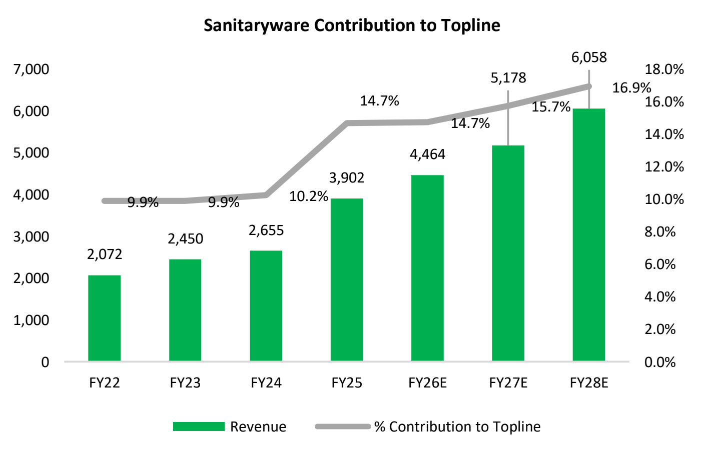
Source: Company reports, Arihant Capital Research

Exhibit : Tile Revenue



Source: Company reports, Arihant Capital Research

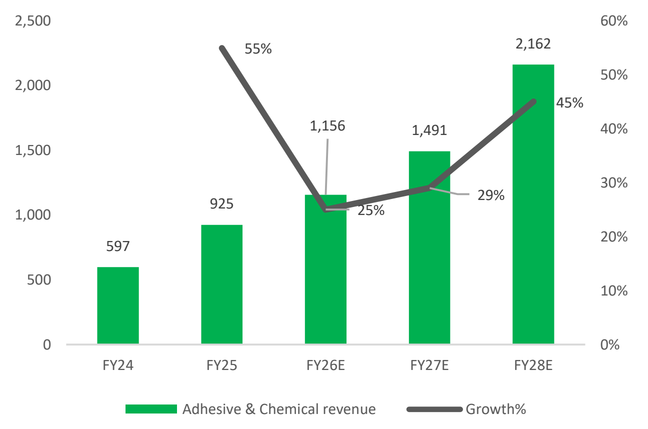
Exhibit: Bath ware Revenue (Sanitary ware & Bath fittings)



Source: Company reports, Arihant Capital Research

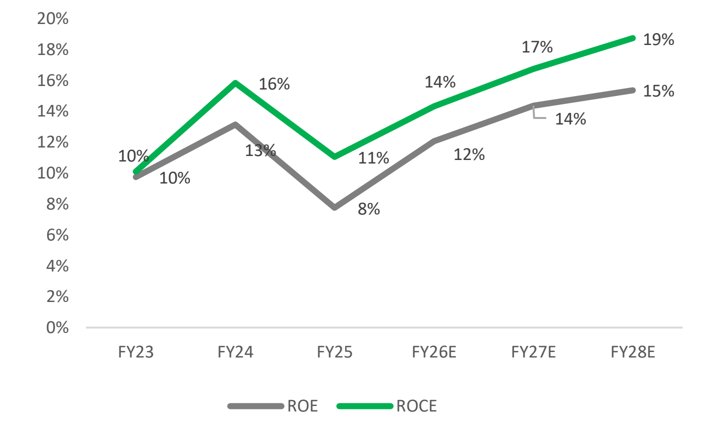
Financial Analysis

Exhibit : Adhesive & Affiliated chemical segment



Source: Company reports, Arihant Capital Research

Exhibit : ROE & ROCE expected to improve



Source: Company reports, Arihant Capital Research

Exhibit: We expect Cash Conversion Cycle to stabilize to 40 days

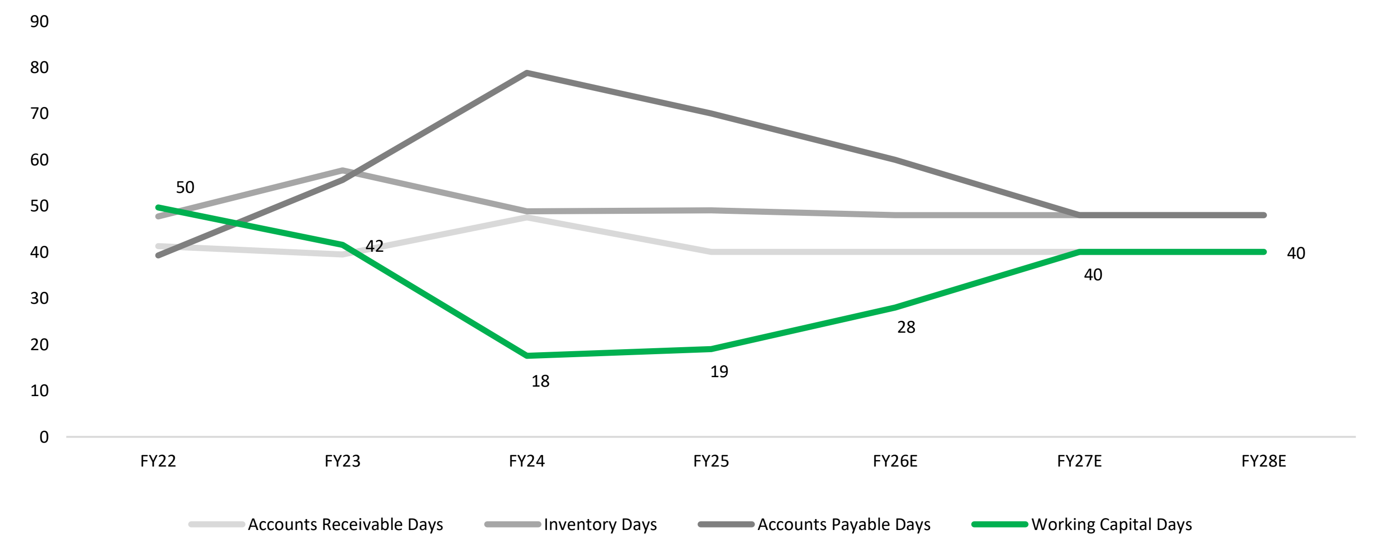
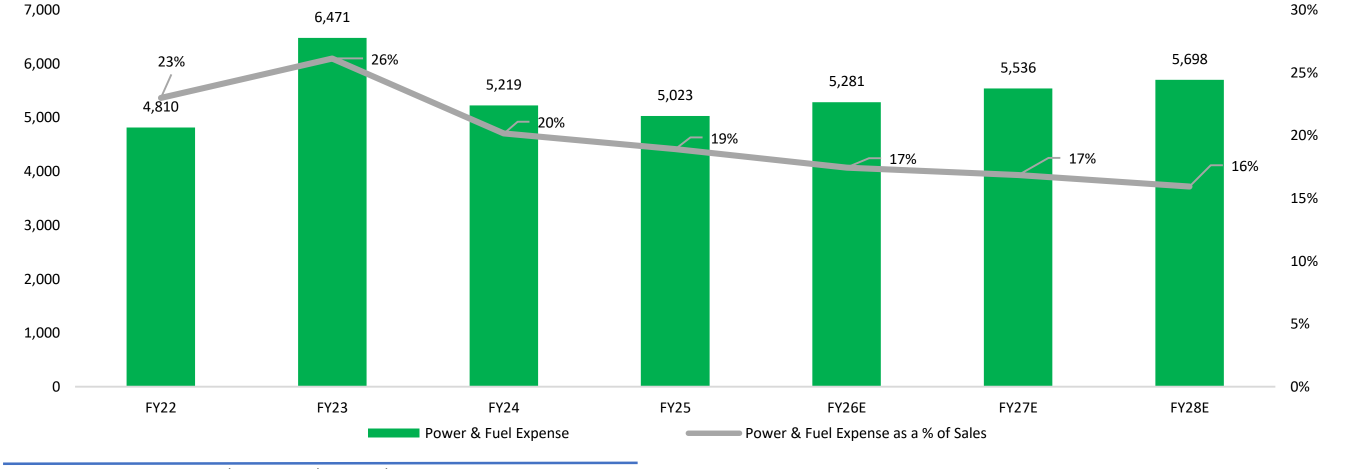


Exhibit: We expect Power & Fuel as a % of Sales to reduce given stabilizing gas prices and probable inclusion of gas under GST



Source: Company reports, Arihant Capital Research

Financial Analysis

Exhibit: Expense Sheet

Particular (INR mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Depreciation Costs	1,067	1,154	1,329	1,480	1,654	1,735	1,769	1,894
Raw Material Expenses	7,237	7,503	9,250	9,940	10,679	11,014	12,882	14,348
Traded Goods	5,233	8,048	8,821	9,830	8,977	10,121	11,711	13,199
Other Expenses	2,856	3,727	4,663	5,304	5,649	6,477	7,319	8,271
Power & Fuel	4,149	7,590	10,554	8,661	9,124	9,507	10,654	11,434
Personnel Expense	3,247	4,077	4,612	5,053	5,661	6,470	7,311	8,262
Interest Expense	107	127	223	211	200	237	229	220
Other Expenses	2,856	3,727	4,663	5,304	5,649	6,477	7,319	8,271
Total Expenditure	**26,752**	**35,953**	**45,783**	**45,738**	**47,413**	**52,038**	**59,194**	**65,899**

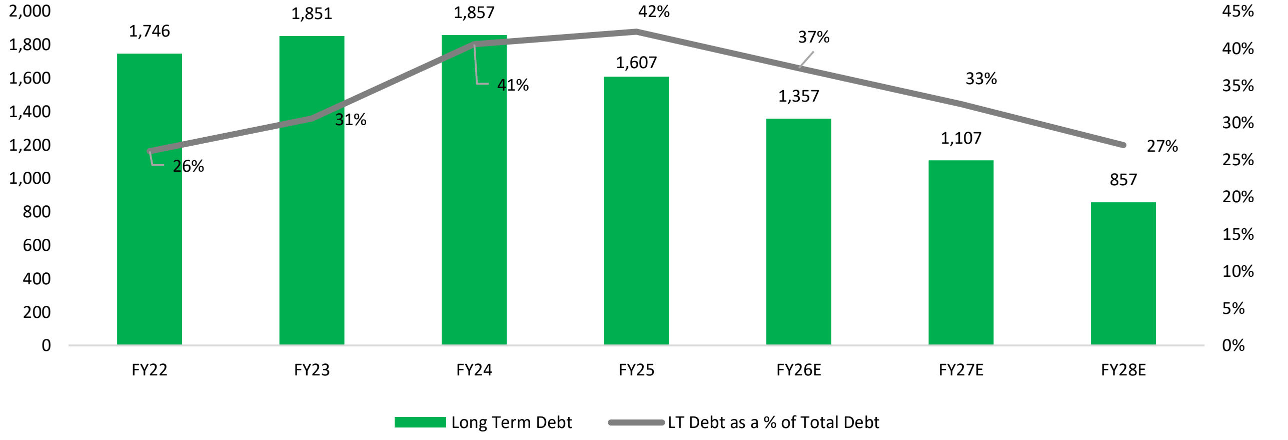
Reducing trend in Expenses as a % of Sales

Expenses as % of sales	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Cost of Materials Consumed + Change in Inventory	29%	23%	21%	23%	21%	22%	22%	21%
Purchase of Stock in Trade	19%	21%	22%	23%	27%	27%	28%	28%
Power & Fuel Expense	17%	23%	26%	20%	19%	17%	17%	16%
Personnel Cost	14%	12%	12%	13%	13%	13%	13%	13%
Other Expense	11%	11%	11%	11%	11%	11%	11%	11%
Total	**90%**	**90%**	**92%**	**90%**	**91%**	**90%**	**90%**	**89%**

Source: Company reports, Arihant Capital Research

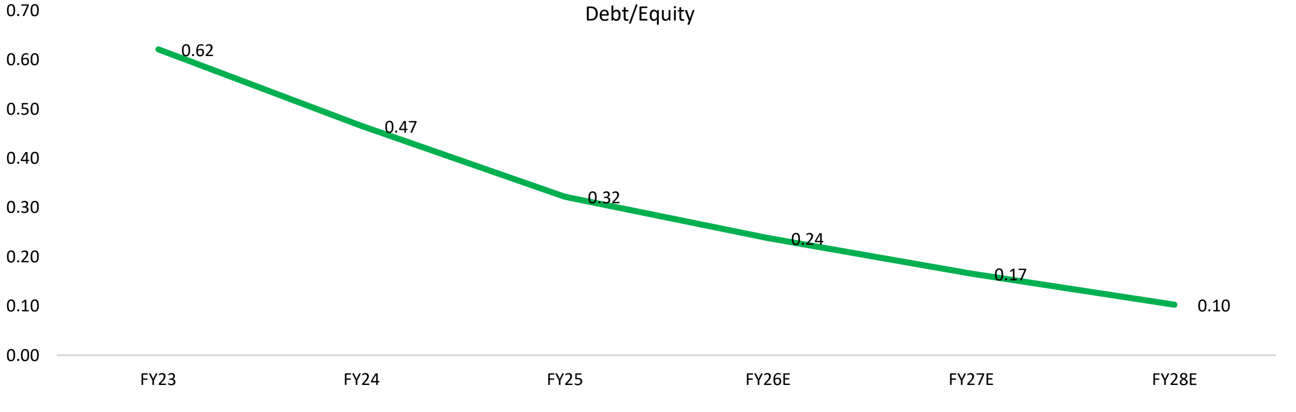
Financial Analysis

Maintaining debt levels while execution of Capex: The company is expected to maintain the debt and Capex funding(mostly maintenance) is expected through internal accruals going forward. The company is expected to have sufficient cash to repay the debt along with interest. The maintenance of debt and will lead to reduction in interest cost aiding in profit and profit margins.



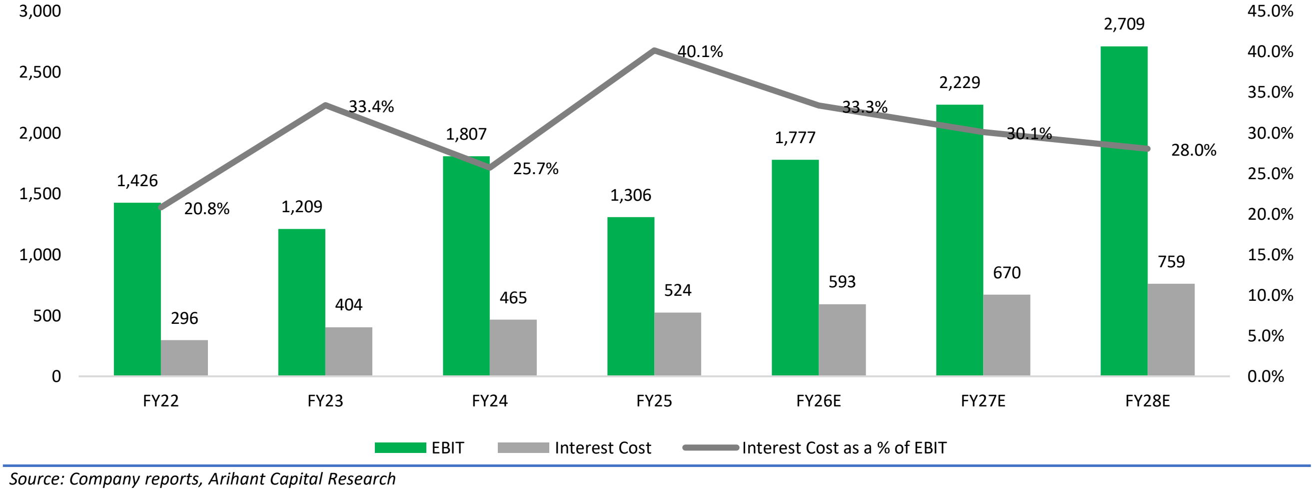
Source: Company reports, Arihant Capital Research

Exhibit: Debt to Equity is expected to reduce going forward.



Source: Company reports, Arihant Capital Research

Exhibit: Interest cost as a % of EBIT



Source: Company reports, Arihant Capital Research

Outlook & Valuation: **Looking ahead to FY25-28E, we expect revenue growth of 10.4% on CAGR basis, we expect this outlook to be a fair estimate alongside an EBITDA margin improvement to 10.6%(FY28E) from current 8.3% on the back of improved volumes and lower input costs. The bath ware segment is expected to contribute to ~5% of consolidated PAT from current 3.4%, aided improvement in utilization, the faucet division which is running at peak capacity could necessitate incremental capex if demand sustains. We believe, the real-estate upcycle in India continues to be a long term tailwind for SOMC as demand for premium tiles grow and tiles remain an imminent leg of the real estate life cycle. A sustained demand recovery in the mid-premium housing segment is likely to drive higher realizations, positioning SOMC to benefit disproportionately versus peers with weaker brand equity. At CMP INR 457, We initiate coverage a "BUY" rating at a TP of INR 772, valued at a 20x of FY28E EPS of INR 38.6; an upside of 68.9%.**

Exhibit: Revenue Model

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volume Breakup (MSM)									
Own Manufacturing	18.9	19.4	22.5	25.3	33.5	33.5	33.5	34.1	34.8
Y/Y growth (%)	-9%	3%	16%	13%	32%	0%	**0%**	**2%**	**2%**
JV	20.4	19.7	21.5	23.1	30.0	30.4	30.7	31.3	32.0
y/y growth (%)	10%	-3%	9%	7%	30%	1%	**1%**	**2%**	**2%**
Outsourcing	9.6	10.8	13.9	15.5	18.0	11.0	11.33	11.78	12.14
y/y growth (%)	-18%	12%	29%	12%	16%	-39%	**3%**	**4%**	**3%**
Total Sales Volume	**48.9**	**49.8**	**57.9**	**63.9**	**81.5**	**74.9**	**75.5**	**77.3**	**78.9**
y/y growth (%)	-5%	2%	16%	10%	28%	-8%	**1%**	**2%**	**2%**
Revenue Mix									
Tiles									
- Own Manufacturing	5,494	5,714	7,124	8,335	8,154	7,259	7,622	8,038	8,404
- JVs	-13%	4%	25%	17%	-2%	-11%	5%	5%	5%
- Outsourcing	5,923	5,723	6,833	8,040	7,713	8,403	8,741	9,219	9,639
	5%	-3%	19%	18%	-4%	9%	4%	5%	5%
Total Gross Tile Sales	14,017	14,377	18,358	21,483	21,984	22,551	23,672	25,118	26,341
	-6%	3%	28%	17%	2%	3%	5%	6%	5%
Sanitaryware/Faucets Revenue	1,852	1,645	2,072	2,450	2,655	3,902	4,464	5,178	6,058
yoy growth (%)	-7%	-11%	26%	18%	8%	47%	14%	16%	17%
Adhesives Revenue	134	280	175	332	597	925	1,156	1,491	2,162
y/y growth (%)	45%	109%	-37%	90%	80%	55%	25%	29%	45%
Total Sales	**16,002**	**16,303**	**20,605**	**24,265**	**25,236**	**27,377**	**29,292**	**31,786**	**34,561**

Source: Company, Arihant Capital Research

Valuation

Summary (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenue	26,588	30,306	32,902	35,789
EBITDA	2,209	2,866	3,283	3,783
Net Profit	580	986	1,128	1,580
EPS	14.1	24.0	27.5	38.5
P/E (x)	41.7	24.5	18.5	15.3
Valuation- P/E (FY28E)				
EPS (INR)	14.1	24.0	31.8	38.5
P/E	35.4	28.75	21.73	17.93
Target Price (INR)				**772**
CMP (INR)				**457**
Upside/Downside (%)				**68.9%**

Financial Statements

Income statement detailed summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	**20,945**	**24,785**	**25,914**	**26,588**	**30,306**	**32,902**	**35,789**
Y/Y growth	5%	3%	14%	9%	9%	5%	3%
Gross Profit	**6,930**	**7,620**	**8,716**	**8,761**	**10,117**	**11,051**	**12,410**
Gross Margin (%)	*33.1%*	*30.7%*	*33.6%*	*33.0%*	*33.4%*	*33.6%*	*34.7%*
EBITDA	**2,065**	**1,887**	**2,532**	**2,209**	**2,866**	**3,283**	**3,783**
EBITDA Margin (%)	*9.9%*	*7.6%*	*9.8%*	*8.3%*	*9.5%*	*10.0%*	*10.6%*
Depreciation	640	679	725	903	1,088	1,284	1,074
Interest expense	296	404	465	524	593	670	759
Other income	134	145	106	90	122	137	142
Profit before tax	**1,263**	**951**	**1,449**	**852**	**1,307**	**1,466**	**2,092**
Taxes	330	259	434	272	321	337	512
PAT	**887**	**737**	**989**	**580**	**986**	**1,128**	**1,580**
PAT Margin (%)	*4.2%*	*3.0%*	*3.8%*	*2.2%*	*3.3%*	*3.5%*	*4.4%*
EPS (INR)	**21.62**	**17.45**	**23.6**	**14.1**	**24.0**	**27.5**	**38.5**

Source: Company Reports, Arihant Capital Research

Financial Statements

Balance sheet summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Cash and Cash Equivalents	2,086	1,864	855	315	378	454	545
Accounts Receivable	2,368	2,683	3,372	2,914	3,321	3,606	3,922
Inventory	2,737	3,915	3,466	3,569	3,985	4,327	4,706
Loans and Advances	30	8	0	87	66	72	78
Others							
Total Current Assets	**7,860**	**8,994**	**8,215**	**7,407**	**8,273**	**8,980**	**9,773**
Net Fixed Assets	**7,448**	**10,079**	**11,136**	**11,183**	**11,045**	**11,261**	**11,187**
Gross Fixed Assets	**10,104**	**13,123**	**14,905**	**15,855**	**16,805**	**18,305**	**19,305**
Accumulated Depreciation	2,656	3,044	3,769	4,672	5,760	7,044	8,118
CWIP		473	96	0	0	0	0
Other Long Term Assets	121	314	147	177	222	281	357
Long Term Investments and Associates	155	179	172	182	200	232	290
Total Long Term Assets	**10,063**	**11,117**	**11,623**	**11,615**	**11,561**	**11,896**	**11,994**
Total Assets	**17,923**	**20,111**	**19,838**	**19,022**	**19,834**	**20,877**	**21,767**

Balance sheet summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Non-Cash Working Capital (Excl. Debt)	**2,869**	**2,024**	**432**	**785**	**2,621**	**2,866**	**3,136**
ST Debt and Current Portion of LT Debt/Borrowings	1,746	1,851	1,857	1,607	1,657	2,152	1,986
Accounts Payable	2,255	3,777	5,593	5,099	4,982	4,327	4,608
Other Current Liabilities	650	1,329	1,336	1,209	1,378	1,645	1,491
Total Current Liabilities	**6,755**	**8,139**	**8,423**	**7,202**	**7,054**	**6,466**	**6,394**
Long Term Debt	1,746	1,851	1,857	1,607	1,657	2,152	1,986
Other Long Term Liabilities	1,082	1,176	1,229	1,304	1,379	1,454	1,529
Total Long Term Liabilities	**2,829**	**3,027**	**3,086**	**2,911**	**3,091**	**3,661**	**3,290**
Total Debt	**6,679**	**6,060**	**4,580**	**3,805**	**3,635**	**3,405**	**3,175**
Minority Interest	1,076	1,076	1,128	1,128	1,128	1,128	1,128
Share Capital	85	85	82	82	82	82	82
Reserves & Surplus	7,178	7,785	7,119	7,699	8,480	9,540	10,874
Total Equity	**7,263**	**7,870**	**7,201**	**7,781**	**8,562**	**9,622**	**10,956**
Total Liabilities and Equity	**17,923**	**20,111**	**19,838**	**19,022**	**19,835**	**20,877**	**21,768**

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Cash Flow from Operations							
PBT	1,264	929	1,428	852	1,307	1,696	2,092
Depreciation	640	679	725	903	1,088	1,284	1,074
Others	202	375	445	0	0	0	0
Tax Paid	353	247	340	272	321	390	512
Changes in Working Capital	-327	-90	1,676	-353	-1,836	-245	-270
Net Cash from Operations	**1,426**	**1,646**	**3,934**	**1,129**	**238**	**2,345**	**2,383**
Cash Flow from Investing							
Capex	-2,680	-1,720	-1,570	-950	-300	-500	-800
Change in Investment	52	731	269	-10	-18	-32	-58
Others	76	79	72	72	93	122	158
Net Cash from Investing	**-2,553**	**-909**	**-1,229**	**-888**	**75**	**-411**	**-700**
Cash Flow from Financing	**1,426**	**1,646**	**3,934**	**1,129**	**238**	**2,345**	**2,383**
Change in debt	954	199	-3,092	-850	-150	270	-315
Change in Equity	-2	100	130	0	0	0	0
Others	-312	-512	-597	0	0	0	0
Net Cash from Financing	**639**	**-213**	**-3,560**	**-850**	**-150**	**270**	**-315**
Net Change in Cash and Cash Equivalents	**-489**	**523**	**-855**	**-609**	**163**	**2,204**	**1,368**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth in sales (%)	27%	18%	5%	3%	**14%**	**9%**	**9%**
Growth in Net Income (%)	27%	18%	5%	3%	**14%**	**9%**	**9%**
EPS	21.62	17.45	23.6	14.1	25.6	31.9	43.6
Y/Y	*56%*	*-19%*	*35%*	*-40%*	*81%*	*25%*	*37%*
Total Debt	5,596	4,884	3,351	2,501	2,051	1,601	1,151
EBITDA	2,065	1,887	2,532	2,209	2,988	3,599	4,623
D/EBITDA	2.71	2.59	1.32	1.13	0.82	0.75	0.61
D/E	0.77	0.6	0.44	0.32	0.27	0.27	0.21
Total Invested capital	13,935	13,829	11,681	11,411	11,803	12,414	13,542
RoIC	10.9%	9%	14%	11%	16%	18%	23%
RoE	13%	10%	13%	8%	12%	14%	15%
RoCE	13%	10%	16%	11%	14%	15%	18%

Source: Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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