

Margins improve; volume recovery to sustain ahead

CMP: INR 452

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)	4,162
Mkt Cap (INR Mn)	18,283
52w H/L (INR)	624/332
Avg Yearly Volume (in 000')	58.3

Shareholding Pattern %

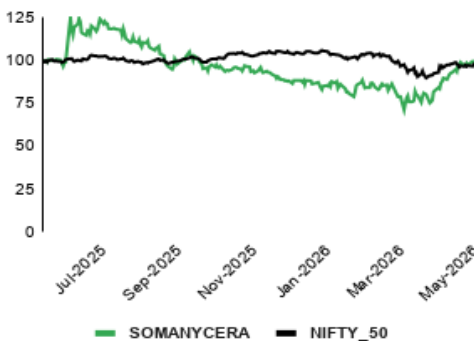
(As on May, 2025)

Promoters	55.19
FIIs	1.34
DIIIs	21.64
Public & Others	21.82

Stock Performance (%)

	1m	6m	12m
Somany Ceramics	4.6	6.5	(1.2)
NIFTY	(4.2)	(9.9)	(6.4)

Somany vs Nifty 50



Abhishek Jain
Abhishek.jain@arihantcapital.com
022-42254827

Ashvath Rajan
Ashvath.rajan@arihantcapital.com
022-42254870

Somany Ceramics Ltd reported robust set of numbers in Q4FY26, revenue stood at INR 8,119 mn (+6% YoY/+20% QoQ); slightly below our estimate of INR 8,218 mn. EBITDA stood at INR 918 mn (+48.4% YoY/+43.7% QoQ); above our estimates of INR 865 mn. EBITDA margin stood at 11.4% vs our estimate of 9.5%. PAT stood at INR 374mn (+94.7% YoY/+117.6% QoQ); above our estimates of INR 341 Mn. PAT margin stood at 4.6% above our estimate of 4.1% in Q4FY26.

Strong Margin recovery leading to an uptick in bottom-line: Management is continually focused on maintaining double-digit margins by optimizing costs. Following a 11.4% EBITDA margin in Q4, we anticipate margins to face near term pressure in Q1 but sustain at ~10% for FY27E.

Production Cost Impact and Pass-Through: The escalation in gas costs inflated the production cost of tiles by INR 5.5-6 per sq ft. When combined with other inflationary pressures, the total input cost increase is approximately INR 7 per sq ft. The company has largely offset this through calibrated price hikes of 15–17%, fully compensating for cost escalation in the retail segment and ~90% in the projects segment.

Supply Stability: Despite fuel-cost pressures, SOMC maintained stable production aided by a diversified manufacturing footprint and uninterrupted operations at its North and South facilities. The company implemented calibrated price hikes to offset the rising cost of gas.

Strategic Gain from Industry Consolidation: Organized companies like SOMC are a primary beneficiary of current market disruptions, as organized players gain market share over unorganized competitors in the Morbi region. Management estimates that 10%-15% of inefficient small-scale capacity may never restart due to high gas costs and labor shortages, leading to a more disciplined pricing environment where the price gap between branded and unbranded products has narrowed significantly. Furthermore, no significant new industry capacity is expected for the next 18-24 months due to currency volatility and economic uncertainty.

High-Growth Segments and Product Diversification: The sanitaryware and bathware segments continue to witness healthy traction, with segment revenue increasing to INR 3,200 Mn from INR 2,960 Mn. Management highlighted that only ~25% of the existing dealer network currently offers these categories, leaving significant room for distribution-led expansion. The company continues to target double-digit growth in these relatively higher-margin segments over the medium term.

Outlook and Valuation: Q4FY26 performance reflected improvement in both realizations and profitability, supported by price hikes and improving demand conditions. Improving construction activity, gradual recovery in housing demand and a favorable industry structure are expected to support volume growth and realization improvement going forward. We expect the bathware segment (sanitaryware and faucets) to remain a key growth driver, with segment revenue likely to grow at ~14% YoY over FY27E-28E. We maintain our TP of INR 772, valuing SOMC at 20x FY28E EPS of INR 38.5.

Summary (INR Mn)	FY25	FY26	FY27E	FY28E
Revenue	26,588	27,898	32,902	35,789
EBITDA	2,209	2,578	3,283	3,783
Net Profit	580	741	1,128	1,580
EPS	14.1	18.3	27.5	38.5
P/E F(x)	54.7	47.4	28.0	20.0
EV/EBITDA (x)	9.9	8.4	6.70	5.71
ROE(%)	8%	11%	13%	16%
RoCE (%)	11%	13%	14%	18%
Debt/Equity (x)	0.32	0.27	0.28	0.21

Source: Company, Arihant Research

INR Mn (Consolidated)	Q4FY256	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Net Sales	8,120	6,765	7,690	20%	6%
Gross Profit	2,533	2,226	2,009	6%	0%
<i>Gross Margin</i>	<i>31.19</i>	<i>32.90%</i>	<i>33.23%</i>	-	-
Employee costs	919	935	894	-2%	3%
Power & Fuel & Other Expenses	1,207	1,259	1,206	-4%	0%
EBITDA	864	562	625	54%	38%
<i>EBITDA margin</i>	<i>10.6%</i>	<i>8.3%</i>	<i>8.1%</i>	-	-
Other Non-Operating Income	32	26	38	-23%	-12%
Depreciation	273	279	291	-2%	-6%
EBIT	591	283	334	109%	77%
Finance costs	106	121	122	-13%	-13%
PBT	517	187	250	176%	107%
Tax Expense	168	75	63	123%	168%
<i>Effective tax rate</i>	<i>32%</i>	<i>40%</i>	<i>25%</i>	-	-
PAT	349	112	187	207%	93%
<i>PAT margin</i>	<i>4.3%</i>	<i>1.7%</i>	<i>2.4%</i>	-	-
EPS	8.57	2.8	4.44	207%	93%

Somany Ceramics Ltd– Q4 FY26 Concall Takeaways

Financial Performance and Guidance

FY26 revenue growth stood at 5%, while Q4FY26 growth stood at 6%. Management guided for FY27 revenue growth of ~20%, driven by high single-digit volume growth along with price hikes to offset elevated input costs given gas prices remain stable.

Management expects sustained double-digit growth, supported by increasing dealer network.

Margins and Guidance Overview

Management guided for EBITDA margin expansion of 150bps over the current 9.3% base, with margins expected to move toward the low teens over the medium term. The outlook remains supported by improving industry dynamics, as elevated gas prices and labour shortages continue to impact smaller unorganized players.

Operational Efficiency and Supply Chain

The Somany Max facility achieved break-even during the quarter versus a loss of INR90 Mn in Q4FY25. Management expects profitability to improve further through higher utilization and a better product mix.

Key operational metrics include:

- Capacity Utilization: Plants continue to operate at near-full utilization.
- Working Capital: Debtor days improved to 40 days from 51 days last year.
- Dealer Network: Added ~200 net dealers, taking the showroom network to ~3,100.

Input Costs and Pricing Strategy

The sharp increase in gas prices has materially impacted industry cost structures, prompting the company to implement price hikes of 15–17% across tiles and ~8% blended hikes in sanitaryware and bathware.

Cost escalation is estimated at ~INR7/sq ft, primarily led by gas inflation. Management believes the narrowing pricing gap between organized and unorganized players remains favourable for branded companies.

Capex and Capital Allocation

The company has guided for routine capex of INR700–800 Mn in FY27, focused on debottlenecking and improving value-added capabilities.

Balance sheet remains largely debt-free.

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st 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

Email Id

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

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Arihant Capital Markets Ltd.

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