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One Pager
30th May 2025

Somany Ceramics Ltd.

Pent up Demand Uptick
Margin Expansion Ahead

CMP: INR 478

Rating: BUY

Target Price: INR 690

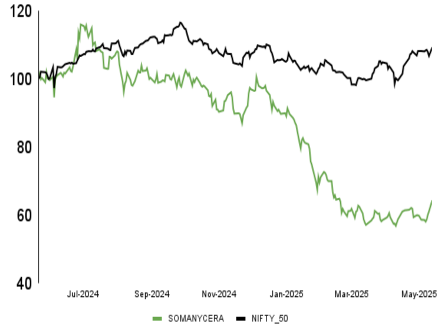
Stock Info	
BSE	531548
NSE	SOMANYCERA
Bloomberg	SOMC:IN
Sector	Ceramics
Face Value (INR)	2
Equity Capital (INR Mn)	8,330
Mkt Cap (INR Mn)	19,746
52w H/L (INR)	872/396
Avg Yearly Volume (in 000')	43.76

Shareholding Pattern %
(As on Mar, 2025)

Promoters	55.01
FIIs	1.49
DIIs	23.63
Public & Others	19.86

Stock Performance (%)	1m	6m	12m
Somany Ceramics	8.9	(25.3)	(33.1)
NIFTY	3.4	6.0	11.7

Somany Ceramics vs Nifty 50



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Improving Margins, with growth in Volumes expected ahead

Somany Ceramics Ltd(SOMC) has been experiencing sluggish demand, partly due to higher exports from the Morbi region leading to domestic oversupply and increased competition, though tile prices remain stable. We see early signs of recovery and are optimistic about pent up demand driven by strong real estate sales and infra push in the country. While profitability and growth was impacted in the short term by factors like higher discounts, depreciation and inflated gas costs, we anticipate an improvement in the business scenario from FY26E with a forecast for 13% growth and a margin increase, in line with guidance. The company prioritizes working capital management over near-term expansion in the tile segment, but is focusing on improving its product mix with higher-margin tiles and increasing capacity utilization which has remained relatively higher viz the industry. Despite some headwinds, we maintain a positive outlook and recommend a 'BUY' rating, citing the company's strong retail presence and strategic focus.

Operation Efficiencies: SOMC is continually prioritizing margins and a healthy balance sheet over unprofitable growth. They are also releasing capital for strategic initiatives, such as acquiring a construction chemical business and selling stakes in loss-making subsidiaries to leverage their channel and enhance value-added sale.

Prices of Natural Gas have stabilized: Gas is a significant component of the company's input costs. Natural gas is used to run plants, including spray dryers. Historically, the company has run its plants on gas and partly on coal for spray dryers. Power & Fuel costs account at ~20% of Sales. With conflict near the red sea region the prices of NatGas 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.

The average gas price for SOMC across the year 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 as a % of Sales to ~19-18% with improved efficiency and possibility of bringing Gas under GST.

Bathware Segment: The bathware segment has augured well for Somany growing by 11% in FY25 and is expected to do double digit growth in coming years, we expect bathware to make up a larger percentage of their topline (i.e ~14%) in FY28E from current levels of ~10%. The company is strategically narrowing its focus to a line-wise expansion model, prioritizing sanitary products until achieving sufficient scale, it continues to expand its penetration in on tier 3, 4 and 5 towns with an emphasis to drive volume growth and expand market share. Sanitaryware capacity utilization was 96% for this quarter, being up from previous levels of ~70% in Q4FY24. The focus for sanitaryware is on pushing more towards value-added segments. Faucets capacity utilization was about 90% in Q4FY25, operating on a single shift. This capacity is considered enough to run another shift, without additional capex if demand improves.

Outlook and Valuation:

Looking ahead to FY26-28E, we are positive for a double digit growth(~20% CAGR, we expect this outlook to be a fair estimate. Margin improvement of (~1.5%) is expected on the back of improved volumes and lower input costs. We value the company at 13x PE on FY28E EPS of INR 53.1 for a target price of INR 690 per share with a "BUY" rating.

Summary (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenue	26,588	30,078	34,793	40,881
EBITDA	2,209	2,983	3,346	4,559
Net Profit	580	1,104	1,383	2,178
EPS	14.1	26.9	33.7	53.1
P/E (x)	34.5	16.8	12.8	9.1
EV/EBITDA (x)	9.9	7.2	5.9	4.8
ROIC(%)	11.3%	17.7%	21.3%	22.7%
RoE (%)	7.7%	14.4%	16.6%	18.8%
Debt/Equity (x)	0.32	0.23	0.16	0.12

Source: Arihant Research, Company Filings

Industry Overview: Indian Ceramic Tile Industry

The Indian ceramic tile industry, one of the largest globally, stands at the intersection of growing domestic demand and expanding export opportunities. With a market size of over $7.2 billion and a CAGR of 8–10% over the past decade, the industry has evolved from a fragmented, largely unorganized sector to a more structured, semi-consolidated market.

India is the **second-largest tile producer globally,** with Morbi, Gujarat accounting for ~70–80% of domestic production. The industry enjoys several structural advantages: abundant raw materials, low labour costs, strong manufacturing ecosystem, and access to export markets in the Middle East, U.S., and Europe. Recent trade restrictions on Chinese imports in Western markets have opened up incremental opportunities for Indian exporters.

On the domestic front, rising urbanization, growth in residential and commercial real estate, higher disposable incomes, and government-led housing initiatives (e.g., PMAY, Smart Cities Mission) are supporting sustained volume growth. Increasing consumer preference for value-added and aesthetic tiles also bodes well for **premiumization** trends within the sector.

However, the industry is not without its challenges. It remains highly competitive and price-sensitive, particularly in the lower-end product categories, where unorganized players exert pricing pressure. Volatility in **gas prices**, a key input cost, materially impacts profitability, especially for Morbi-based manufacturers reliant on imported LNG. Export realizations are vulnerable to freight rate fluctuations and currency movements, while anti-dumping duties in key markets (e.g., GCC) also pose a risk.

Furthermore, the lack of significant brand differentiation and high working capital requirements act as structural drags. While larger players are focusing on increasing retail presence, automation, and backward integration to enhance competitiveness, the road to industry-wide consolidation remains gradual.

Overall, the Indian ceramic tile industry is entering a **multi-year growth cycle**, supported by favorable domestic demographics, shifting consumer preferences and global trade shifts. Companies that are focused on capacity optimization, product innovation, and deeper distribution networks are likely to outperform.

Metric	Somany Ceramics Ltd	Kajaria Ceramics Ltd	Orient Bell Ltd	Asian Granito Ltd
ROCE (%)	~12%	~20%	~7–9%	~5–6%
Capacity (MSM/year)	~65+	~85+	~35+	~35+
Exports as % of Revenue	~8–10%	~5–6%	~10–12%	~30%+
Retail/Showroom Strength	Expanding	Strong (over 1,500 dealers, exclusive showrooms)	Focused on Tier 2/3 reach	Moderate
Debt-to-Equity (x)	~0.3x	<0.1x	~0.2x	~0.6x

Q4FY25 – Somany Ceramics Ltd Key Concall Highlights

Guidance:

- Achieving high single-digit to low double-digit top-line growth. Improving operating margins by 1-1.5%.
- Increasing Max plant utilization to 75-80%.
- Increasing brand spend to 2.5% of sales.
- Improving product mix.
- Stricter controls on receivables and discounting.
- **Bathware Segment:** This segment is seen as very positive. Sales grew 18% in Q4 and 11% in FY25. Management hopes for double-digit growth in bathware for FY26E.
- The company is continually increasing 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.

Source: Arihant Research, Company Filings

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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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