RESULT REVIEW

BUY
TP: Rs 480 | ⮝ 24%

SOMANY CERAMICS | Building Materials | 28 January 2026

Estimates beat; demand outlook remains constructive

- **Revenue in line; EBITDA margin beat. Revenue grew 6% YoY, driven by 4% YoY growth in tiles and 18% YoY growth in non-tiles**
- **Tile revenue growth of 3.6% YoY was led by volume/realisation of 2.3%/1.2% YoY respectively**
- **Roll forward our TP to Dec-27EPS and ascribe a 15x (vs 20x), arriving at a TP of Rs 480; we maintain BUY, on a meaningful upside**

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Positive Q3: SOMC's Q3FY26 topline came broadly in line with our estimate (+1.0% variance), while it beat our EBITDA/APAT estimates by ~15.2%/7.5%, driven by better-than-expected operating margin (+80 bps YoY to 9.1% vs 8.0% estimated). Overall, revenue grew 5.8% YoY, while EBITDA/APAT increased 16.0%/72.9% YoY in Q3FY26.

Highlights: SOMC's tile sales volumes grew 2.3% YoY in Q3FY26, led by strong growth in outsourced tiles (+15.0% YoY), while own tile volumes were largely flat (+1.1% YoY) and JV volumes declined (-9.8% YoY), due to lower utilisation. Tiles realisation improved by 0.9%/1.2% QoQ/YoY in Q3FY26. Non-tiles revenue grew 18.0% YoY, driven by bathware (+12.3%) and adhesives (+35.5%), aiding mix improvement. EBITDA margin expanded 80 bps YoY to 9.1% on better operating leverage, lower energy and other costs, despite gross margin pressure. Net debt has gone down from Rs 2.07bn in Sep'26 to Rs 1.89 bn, as of Dec'25.

Outlook: Management believes that the Indian tiles industry is out of the woods given the gradual recovery in domestic tiles demand in future and higher tiles exports (8-9% YoY in FY26E). Revenue growth guidance for FY26 was maintained (decent single digit). EBITDA margin is projected to improve by 100-150bps YoY in Q4FY26 to be driven by operating leverage benefit and reduction in A&P spends. Max JV losses narrowed sequentially in Q3FY26 and are expected to reduce meaningfully in Q4FY26, with FY27 losses guided below Rs 100 mn from Rs 250–260 mn. Project business revenue share is targeted to increase from 22-23% in Q3FY26 to 25% in FY27 due to recovery in real estate.

Maintain BUY with Dec-26 TP of Rs 480: While we factor in near-term margin improvement driven by lower fuel costs and reduced A&P spends. We moderate our valuation multiple to 15x (vs 20x earlier) to reflect SOMC's mid-teens EBITDA growth profile and persistent competitive intensity in the tile segment, alongside gas price uncertainty. We roll forward our TP to Dec-27E EPS and arrive at a TP of Rs 480. Given the meaningful upside, we maintain our BUY rating.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SOMC IN/Rs 387
Market cap	US$ 172.9mn
Free float	45%
3M ADV	US$ 0.1mn
52wk high/low	Rs 624/Rs 372
Promoter/FPI/DII	55%/1%/23%

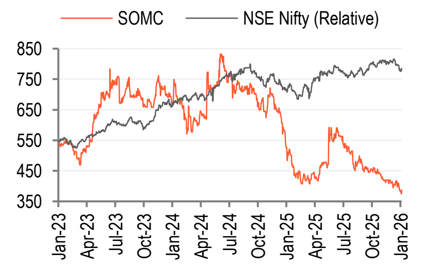
Source: NSE | Price as of 28 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,588	27,381	29,960
EBITDA (Rs mn)	2,209	2,246	2,809
Adj. net profit (Rs mn)	605	598	1,126
Adj. EPS (Rs)	14.8	14.6	27.5
Consensus EPS (Rs)	14.7	18.6	25.5
Adj. ROAE (%)	7.2	6.8	11.8
Adj. P/E (x)	26.2	26.6	14.1
EV/EBITDA (x)	8.2	7.8	5.9
Adj. EPS growth (%)	(39.0)	(1.2)	88.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly financials - Consolidated

Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	BOBCAPS Q3FY26E	Variance (%)
Total operating income	6,823	6,449	5.8	6,852	(0.4)	19,719	18,898	4.3	6,756	1.0
Raw-Material expense	3,281	2,921	12.3	3,609	(9.1)	9,780	8,633	13.3		
Gross Profit	3,542	3,528	0.4	3,243	9.2	9,939	10,265	(3.2)		
Employee expense	935	894	4.5	898	4.2	2,704	2,653	1.9		
Energy costs	1,259	1,307	(3.7)	1,097	14.7	3,501	3,817	(8.3)		
Other expense	729	792	(8.0)	713	2.2	2,096	2,210	(5.2)		
EBITDA	620	535	16.0	535	15.9	1,637	1,584	3.3	538	15.2
D&A	279	228	22.3	263	6.2	802	612	31.1		
EBIT	341	306	11.2	272	25.2	835	973	(14.2)		
Interest cost	121	133	(8.7)	123	(1.8)	372	403	(7.7)		
Non-operating expense/(income)	(26)	2	(1,516.7)	(37)	(30.9)	(81)	(32)	152.0		
PBT	245	172	42.6	186	32.0	545	603	(9.6)		
Tax	75	75	(0.1)	63	19.8	178	210	(15.1)		
Reported PAT	170	97	75.9	123	38.2	367	393	(6.6)		
Adjusted PAT	180	104	72.9	150	20.1	434	398	8.8	168	7.5
As % of net revenues			**chg (bps)**		**chg (bps)**			**chg (bps)**		
Gross margin	51.9	54.7	(279)	47.3	459	50.4	54.3	(391)		
Employee cost	13.7	13.9	(17)	13.1	60	13.7	14.0	(33)		
Energy cost	18.4	20.3	(181)	16.0	244	17.8	20.2	(244)		
Other cost	10.7	12.3	(161)	10.4	27	10.6	11.7	(107)		
EBITDA margin	9.1	8.3	80	7.8	128	8.3	8.4	(8)		
Tax rate	30.6	43.7	(1312)	33.7	(312)	32.7	34.8	(212)		
APAT margin	2.6	1.6	102	2.2	45	2.2	2.1	9		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Tiles revenue (Rs mn)								
- Own	1,739	1,698	2.4	1,833	(5.1)	5,232	5,275	(0.8)
- JV	1,886	2,000	(5.7)	1,840	2.5	5,409	6,283	(13.9)
- Outsourced	2,030	1,761	15.3	2,033	(0.1)	5,832	4,554	28.1
Total	**5,655**	**5,459**	**3.6**	**5,706**	**(0.9)**	**16,473**	**16,112**	**2.2**
Non-tiles revenue (Rs mn)								
Bathware	798	710	12.3	764	4.4	2,191	2,017	8.6
Adhesives	313	231	35.5	336	(6.8)	922	645	42.8
Total	**1,111**	**941**	**18.0**	**1,100**	**1.0**	**3,113**	**2,662**	**16.9**
Tiles sales volume (MSM)								
- Own	5.6	5.6	1.1	5.9	(5.4)	17.0	17.1	(0.4)
- JV	5.0	5.6	(9.8)	4.9	2.0	14.5	18.3	(20.8)
- Outsourced	6.8	5.9	15.0	6.9	(1.4)	19.8	15.1	31.3
Total	**17.5**	**17.1**	**2.3**	**17.8**	**(1.8)**	**51.3**	**50.4**	**1.7**
Blended realization	323	320	1.2	321	0.9	321	319	0.5
Blended EBITDA per unit (Rs/sqm)	35.5	31.3	13.3	30.1	18.0	31.9	31.4	1.6

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Industry Dynamics:** Management indicated a gradual improvement in domestic demand during Q3FY26, supported by better retail walk-ins and higher offtake from building completions. Exports from the Morbi cluster improved and are expected to grow ~8-9% YoY to Rs 19-19.5bn in FY26, helping absorb excess capacity and ease domestic supply pressure. Management highlighted that stronger exports support domestic pricing discipline and capacity utilisation, improving the overall demand environment.

- **Pricing scenario:** SOMC indicated a reduction in discounting in the tiles segment and reiterated plans to implement a meaningful price hike in the bathware segment effective 1st Feb'25, to offset rising brass costs.

- **Guidance:** Management maintained guidance for decent single-digit revenue growth for FY26 and expects EBITDA margin improvement of ~1–1.5% in Q4FY26. Volume growth is expected to improve modestly.

- **Max plant:** Losses at the Max JV continued in Q3FY26 due to lower utilisation but reduced sequentially. Management expects meaningful loss reduction in Q4FY26, with losses for FY27 guided to fall below Rs 100mn from Rs 250-260mn, and a potential turnaround thereafter as utilisation improves.

- **Product mix:** GVT share rose 400bps YoY to 42% in Q3FY26.

- **Sales mix:** Projects contributed 20-21% of revenues, exports contributed 1.5-2% of revenues and retail contributed 77-78% of revenues in Q3FY26. Projects are expected to rise to ~23% in FY27 driven by real estate recovery.

- **Distribution network:** SOMC has added ~170 dealers in 9MFY26, taking the total network to ~3,050 dealers, while the showroom count stood at ~530. Bundling remains a key lever, with ~25% of tile counters now selling bathware, while adhesives and bathware penetration remains easier through the legacy tile dealer base.

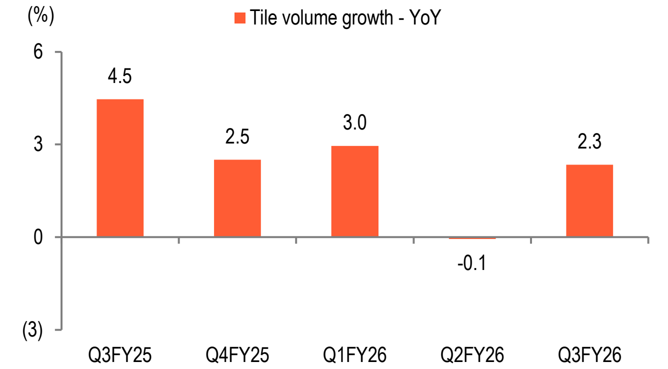
- **Gas:** Gas prices remained broadly stable during Q3FY26, with blended gaseous fuel cost at ~Rs 44/SCM in Q3FY26. Management expects Rs 42-43/SCM in Q4FY26. The company's diversified fuel mix provides insulation from volatility-North plants use natural gas and biofuel linked to multiple formulas, Morbi plants can switch between propane and gas at similar costs, while South plants run on natural gas. Management indicated that the recent Henry Hub spikes and Gujarat Gas price cuts had no material impact due to this blended sourcing structure.

- **Ad spends:** Maintained at 2.5% of sales (reported at 2% in Q3FY26 due to Salman Khan disassociation and related expense cuts).

- **Capex:** SOMC has no major growth capex plan for FY26 & FY27.

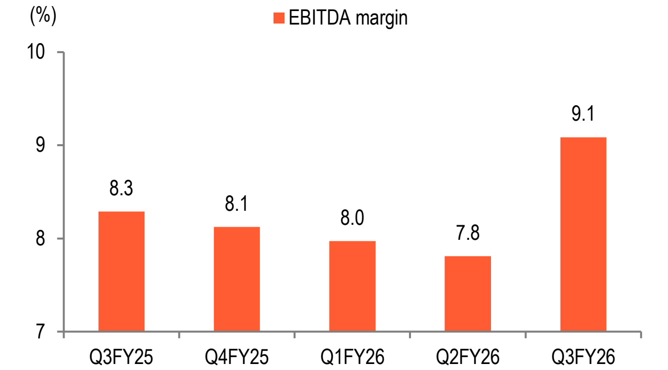
- **Debt:** Total external debt reduced to ~Rs 2.31bn from ~Rs 2.88bn at the start of FY26. Of this, Rs 1.21bn is term debt, largely repayable over the next three years, with management guiding debt reduction to ~Rs 0.5bn by FY28, excluding routine working capital borrowings.

Fig 3 – SOMC's tile volumes growth turns positive YoY



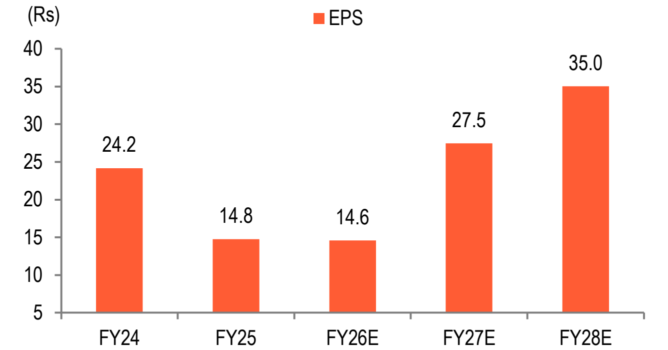
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin recovery after a substantial dip



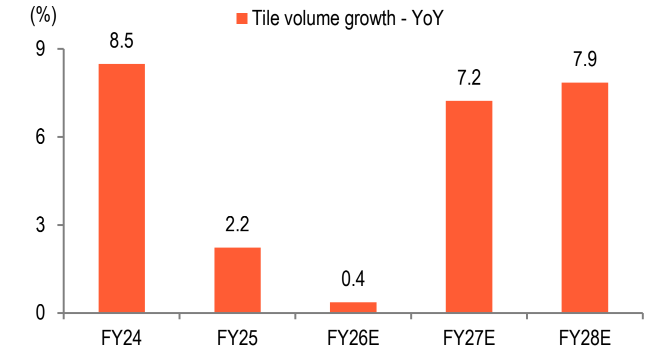
Source: Company, BOBCAPS Research

Fig 5 – SOMC EPS projected to grow at a healthy 33.4% CAGR over FY25-FY28E over a weak base...



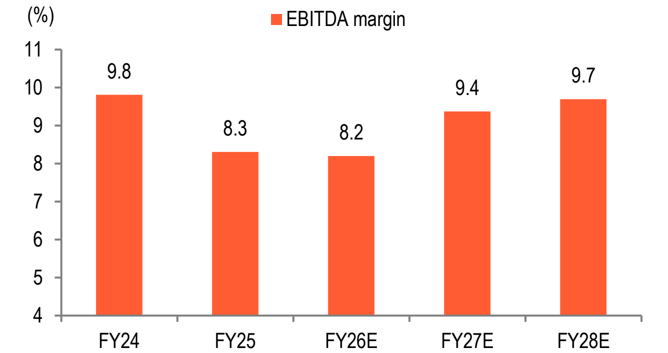
Source: Company, BOBCAPS Research

Fig 6 – … on expectations of reasonable volume growth assumption of 5.1% CAGR over FY25-FY28E…



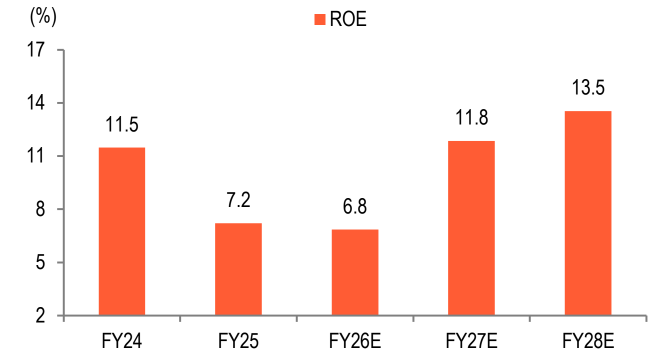
Source: Company, BOBCAPS Research

Fig 7 – … and gradual improvement in EBITDA margin due to ramp-up of Max plant and operating leverage



Source: Company, BOBCAPS Research

Fig 8 – ROE projected to improve over medium-term on higher operating rate and improved margin profile



Source: Company, BOBCAPS Research

Valuation Methodology

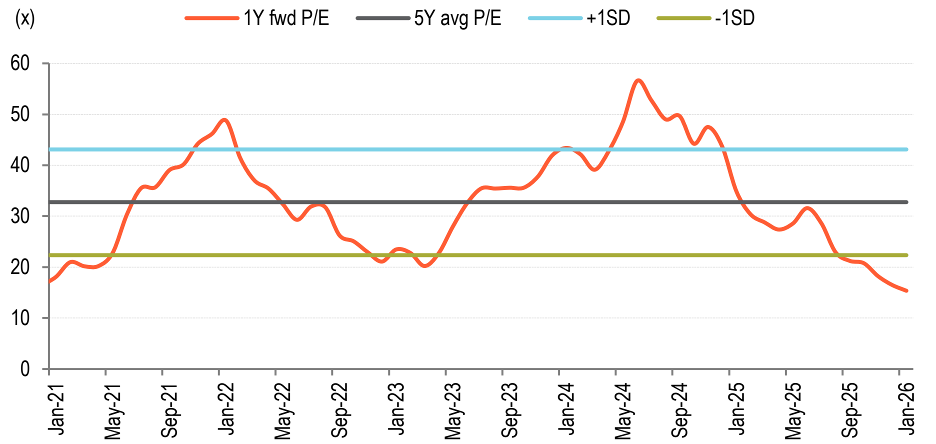
While we factor in near-term margin improvement on lower fuel costs and reduced A&P spends, we moderate our valuation multiple to 15x (vs 20x earlier) to reflect SOMC's mid-teens EBITDA growth profile and persistent competitive intensity in the tile segment, alongside gas price uncertainty. We roll forward our TP to Dec-27E EPS and arrive at a TP of Rs 480. Given the meaningful upside, we maintain our BUY rating.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Total operating income	27.4	30.0	33.0	27.5	30.0	33.0	(0)	(0)	(0)
EBITDA	2.2	2.8	3.2	2.2	2.8	3.2	1	2	(1)
EBITDA Margin	8.2	9.37	9.70	8.1	9.22	9.82	9	15	(12)
Adjusted PAT	0.6	1.1	1.4	0.7	1.1	1.4	(11)	3	3
EPS	14.6	27.5	35.0	16.4	26.6	34.0	(11)	3	3

Source: BOBCAPS Research

Fig 10 – Trading at 15.4x on 1YF P/E vs. 5Y average P/E of 32.7x



Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**25,914**	**26,588**	**27,381**	**29,960**	**32,990**
EBITDA	2,544	2,209	2,246	2,809	3,200
Depreciation	725	903	1,079	1,129	1,157
EBIT	1,819	1,306	1,167	1,680	2,043
Net interest inc./(exp.)	(465)	(524)	(493)	(403)	(392)
Other inc./(exp.)	106	90	121	175	215
Exceptional items	11	0	0	0	0
EBT	1,449	872	796	1,451	1,865
Income taxes	434	272	275	365	470
Extraordinary items	21	20	0	0	0
Min. int./Inc. from assoc.	(25)	21	77	40	40
Reported net profit	**969**	**601**	**598**	**1,126**	**1,436**
Adjustments	22	4	0	0	0
Adjusted net profit	**991**	**605**	**598**	**1,126**	**1,436**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,865	3,343	3,462	3,789	4,172
Other current liabilities	4,015	3,427	3,427	3,427	3,427
Provisions	48	42	44	48	53
Debt funds	3,351	3,019	2,552	2,459	2,585
Other liabilities	1,229	1,396	1,396	1,396	1,396
Equity capital	82	82	82	82	82
Reserves & surplus	7,119	7,635	8,131	9,065	10,257
Shareholders' fund	8,330	8,442	9,016	9,990	11,222
Total liab. and equities	**19,838**	**19,669**	**19,896**	**21,108**	**22,854**
Cash and cash eq.	855	903	1,326	2,093	3,123
Accounts receivables	3,372	3,688	3,798	4,156	4,576
Inventories	3,466	3,379	3,635	3,804	4,201
Other current assets	522	487	504	552	608
Investments	0	38	38	38	38
Net fixed assets	10,750	10,029	9,450	9,321	9,163
CWIP	96	163	163	163	163
Intangible assets	458	606	606	606	606
Deferred tax assets, net	81	95	95	95	95
Other assets	238	282	282	282	282
Total assets	**19,838**	**19,669**	**19,896**	**21,108**	**22,854**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**3,929**	**1,734**	**1,708**	**2,200**	**2,245**
Capital expenditures	(1,406)	(395)	(500)	(1,000)	(1,000)
Change in investments	0	(38)	0	0	0
Other investing cash flows	74	70	121	175	215
Cash flow from investing	**(1,332)**	**(362)**	**(379)**	**(825)**	**(785)**
Equities issued/Others	(3)	0	0	0	0
Debt raised/repaid	(1,533)	(332)	(467)	(93)	126
Interest expenses	(465)	(524)	(493)	(403)	(392)
Dividends paid	(126)	(124)	(102)	(191)	(244)
Other financing cash flows	(1,481)	(343)	154	80	80
Cash flow from financing	**(3,607)**	**(1,323)**	**(907)**	**(608)**	**(431)**
Chg in cash & cash eq.	**(1,009)**	**49**	**423**	**767**	**1,030**
Closing cash & cash eq.	**855**	**903**	**1,326**	**2,093**	**3,123**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	23.6	14.7	14.6	27.5	35.0
Adjusted EPS	24.2	14.8	14.6	27.5	35.0
Dividend per share	3.0	3.0	2.5	4.7	6.0
Book value per share	175.6	188.2	200.3	223.1	252.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.7	0.7	0.6	0.6	0.5
EV/EBITDA	7.3	8.2	7.8	5.9	4.9
Adjusted P/E	16.0	26.2	26.6	14.1	11.1
P/BV	2.2	2.1	1.9	1.7	1.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	68.4	69.4	75.1	77.6	77.0
Interest burden (PBT/EBIT)	79.7	66.8	68.2	86.4	91.3
EBIT margin (EBIT/Revenue)	7.0	4.9	4.3	5.6	6.2
Asset turnover (Rev./Avg TA)	130.6	135.2	137.6	141.9	144.4
Leverage (Avg TA/Avg Equity)	2.3	2.3	2.3	2.2	2.2
Adjusted ROAE	11.5	7.2	6.8	11.8	13.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	4.6	2.6	3.0	9.4	10.1
EBITDA	34.6	(13.2)	1.7	25.1	13.9
Adjusted EPS	38.1	(39.0)	(1.2)	88.4	27.5
Profitability & Return ratios (%)					
EBITDA margin	9.8	8.3	8.2	9.4	9.7
EBIT margin	7.0	4.9	4.3	5.6	6.2
Adjusted profit margin	3.8	2.3	2.2	3.8	4.4
Adjusted ROAE	11.5	7.2	6.8	11.8	13.5
ROCE	16.5	12.2	11.1	14.9	16.4
Working capital days (days)					
Receivables	47	51	51	51	51
Inventory	49	46	48	46	46
Payables	40	46	46	46	46
Ratios (x)					
Gross asset turnover	2.0	1.9	1.9	2.0	2.1
Current ratio	1.0	1.0	1.1	1.2	1.3
Net interest coverage ratio	3.9	2.5	2.4	4.2	5.2
Adjusted debt/equity	0.3	0.3	0.1	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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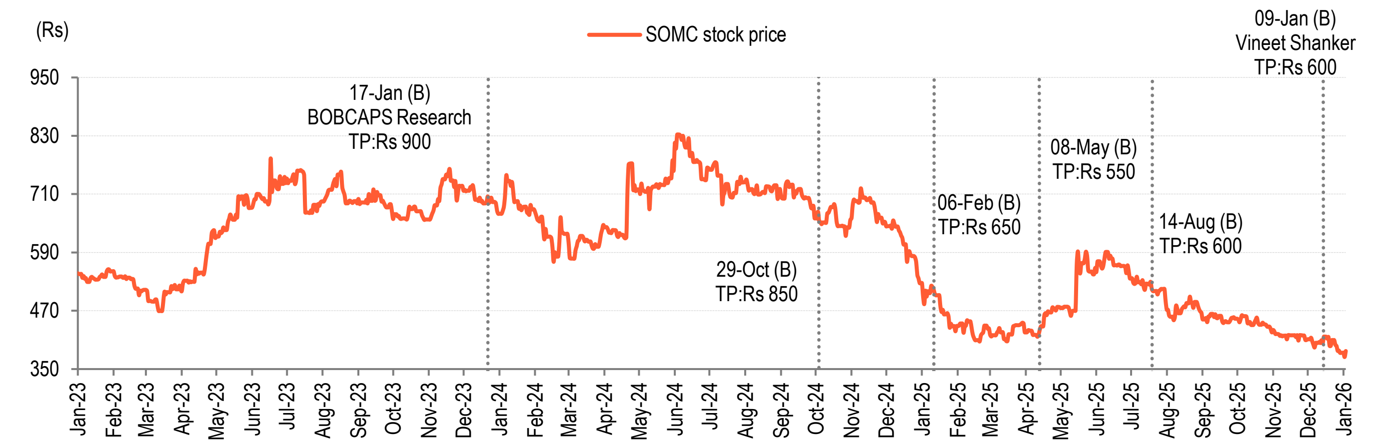
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SOMANY CERAMICS (SOMC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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