

# Somany Ceramics Ltd

**Benign performance as expected, lucrative valuations drive BUY rating!**

## Result Synopsis

Subdued demand scenario keeps Somany Ceramics Ltd (SOMC) performance under pressure. Company's tiles revenue grew marginally by 3.5%YoY to Rs5.46Bn wherein volumes increased by 4.5%YoY & realizations remained flattish over similar period. However, volume and revenue numbers were marginally better than our estimates. Operating margins for the quarter stood at 8.3% Vs est of 8.4% and as compared to 9.6%/8.4% margins in Q3FY24/Q2FY25 respectively. Lower volume off-take and reduction in ASP weighed on operating margins. Net profit degrew sharply largely due to higher tax rates which as %PBT came in at 39% Vs 31%/30% in Q3FY24/Q2FY25 respectively. Bathware biz revenue increased by 9%YoY to Rs710Mn.

## Management Guidance

Company maintained their guidance of mid to high-single digit growth and expect margins to improve with better utilizations. Brand spends will continue to be ~2.5% of sales.

## Our View

We have revised our FY25E's volume growth estimate lower owing to lackluster performance in 9MFY25 due to lower demand and higher competitive intensity from Morbi. We expect volumes to grow by 7%CAGR over FY24-FY27E. However, with expected reduction in price, we believe tile revenue to grow by 6% CAGR over FY24-FY27E. We have also revised our margin expectation lower by ~100bps for coming 2-years to 9.5% in FY26E & FY27E. Hence, our EPS has been revised downwards by 17% for both FY26E and FY27E to Rs30.5 and Rs36.4 respectively. At CMP, the stock trades at P/E(x) of 14x on FY27E EPS. Given the lucrative multiples, we maintain our BUY rating on the stock, with a revised target price of Rs728 by valuing the company at P/E(x) if 20x on FY27E EPS.

## Result Highlights

- Revenue for the quarter stood at Rs6.44Bn, a growth of 5%YoY.
- EBITDA margins came in at 8.3% Vs 9.6%/8.4% in Q3FY24/Q2FY25 respectively. Absolute EBITDA degrew by 9%YoY to Rs535Mn.
- Net profit stood at Rs97Mn, a decline of 47% YoY (excluding exceptional gain/loss). The profit declined due to higher tax rate with came in at 39% Vs 31%/30% in Q3FY24/Q2FY25 respectively.
- Tile volumes grew by 4.5%YoY while ASP remained flattish YoY & consequently tile revenue increased marginally by 3.5%YoY.

## Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	6,449	6,107	6,391	5.6	0.9	Revenue above estimates, margin in-line.
EBITDA	535	513	554	4.2	(3.5)	
EBITDA Margin (%)	8.3	8.4	8.7	-11 bps	-38 bps	
Adjusted PAT	97	150	185	(35.5)	(47.6)	

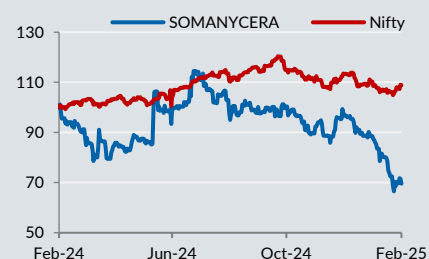
Source: Company, YES Sec

Reco	: <b>BUY</b>
CMP	: Rs 505
Target Price	: Rs 728
Potential Return	: +44.1%

## Stock data (as on Feb 6, 2025)

Nifty	23,603
52 Week h/l (Rs)	873 / 472
Market cap (Rs/USD mn)	21,117 / 241
Outstanding Shares (mn)	41
6m Avg t/o (Rs mn):	45
Div yield (%):	0.5
Bloomberg code:	SOMC IN
NSE code:	SOMANYCERA

## Stock performance



	1M	3M	1Y
Absolute return	-20.5%	-24.7%	-31.2%

## Shareholding pattern (As of Dec'24 end)

Promoter	55.0%
FII+DII	25.2%
Others	19.8%

## Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	728	873

## Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	19.1	30.5	36.4
EPS (Old)	27.6	36.9	43.6
% change	-30.8%	-17.4%	-16.6%

## Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	26,771	29,330	32,213
YoY Growth	3.3	9.6	9.8
EBITDA	2,276	2,786	3,060
EBITDA (%)	8.5	9.5	9.5
PAT	785	1,250	1,492
YoY Growth	(21.1)	59.4	19.3
ROE	10.4	14.9	15.4
EPS	19.1	30.5	36.4
P/E	26.4	16.6	13.9
BV/Share	191.7	219.1	252.3
P/BV	2.6	2.3	2.0

## UDIT GAJIWALA

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- Share of Own/JV/outourced in volume terms stood at 32%/33%/35% and 31%/37%/32% in revenue terms respectively.
- Bathware revenue grew by 9%YoY to Rs710Mn.
- Utilization of tiles/sanitaryware/bathware came in at 86%/87%/109% respectively during the quarter.

## Exhibit 2: Quarterly Snapshot:

Rs mn	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Revenue	6,552	6,121	7,375	5,786	6,663	6,449	5.3	(3.2)	18,538	18,898	1.9
Expenditure	5,910	5,531	6,581	5,296	6,103	5,914	6.9	(3.1)	16,800	17,314	3.1
- RM	2,934	2,728	3,561	2,485	3,228	2,921	7.1	(9.5)	8,419	8,633	2.5
- Staff Cost	822	794	867	868	891	894	12.6	0.3	2,377	2,653	11.6
- Power Cost	1,379	1,252	1,399	1,276	1,234	1,307	4.3	5.9	3,820	3,817	
- Other Cost	775	757	754	668	750	792	4.6	5.6	2,185	2,210	1.2
Operating Profit	642	590	795	490	560	535	(9.4)	(4.5)	1,738	1,584	(8.8)
OPM(%)	9.8	9.6	10.8	8.5	8.4	8.3	-135 bps	-11 bps	9.4	8.4	-99 bps
Other Income	38	28	16	21	13	18	(35.2)	37.9	90	52	(42.0)
Depreciation	176	188	193	192	192	228	21.3	19.1	532	612	14.9
Interest	110	109	134	135	135	133	22.0	(1.6)	330	403	21.9
Exceptional	-	13	33	-	-	(20)	-	-	(53)	(20)	-
PBT	394	334	516	184	247	172	(48.6)	(30.3)	913	602	(34.0)
Tax	98	100	177	61	74	75	(25.1)	2.3	257	210	(18.4)
PAT	296	234	339	123	173	97	(58.7)	(44.2)	655	393	(40.1)
OCI	-	-	5	-	(2)	-	-	-	-	(2)	-
Reported PAT	296	234	344	123	172	97	(58.7)	(43.7)	655	391	(40.4)

Source: Company, YES Sec

## Exhibit 3: Operational Numbers:

Particulars	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Revenue (Rs mn)											
Own	2,089	1,857	2,100	1,726	1,851	1,698	(8.5)	(8.2)	6,054	5,275	(12.9)
JV	1,961	1,999	2,234	2,037	2,247	2,000	0.1	(11.0)	5,719	6,283	9.9
Other	1,664	1,419	1,780	1,210	1,584	1,761	24.0	11.2	4,338	4,554	5.0
<b>Total Tile</b>	<b>5,714</b>	<b>5,275</b>	<b>6,115</b>	<b>4,972</b>	<b>5,681</b>	<b>5,459</b>	<b>3.5</b>	<b>(3.9)</b>	<b>16,110</b>	<b>16,112</b>	<b>0.0</b>
<b>Bathware</b>	<b>636</b>	<b>653</b>	<b>796</b>	<b>605</b>	<b>701</b>	<b>710</b>	<b>8.8</b>	<b>1.3</b>	<b>1,867</b>	<b>2,017</b>	<b>8.0</b>
<b>Others</b>	<b>176</b>	<b>153</b>	<b>183</b>	<b>181</b>	<b>233</b>	<b>231</b>	<b>51.5</b>	<b>(0.9)</b>	<b>471</b>	<b>645</b>	<b>37.1</b>
Volume (msm)											
Own	6.3	5.8	6.7	5.5	6.0	5.6	(4.3)	(7.2)	18.6	17.1	(8.3)
JV	5.8	6.1	6.7	6.1	6.6	5.6	(9.0)	(15.0)	17.2	18.3	6.2
Other	5.2	4.4	5.5	3.9	5.3	5.9	35.0	13.1	13.6	15.1	11.4
<b>Total Tile</b>	<b>17.4</b>	<b>16.3</b>	<b>18.9</b>	<b>15.6</b>	<b>17.8</b>	<b>17.1</b>	<b>4.5</b>	<b>(4.1)</b>	<b>49.4</b>	<b>50.4</b>	<b>2.1</b>
Realization (Rs)											
Own	330	320	314	312	309	306	(4.4)	(1.1)	325	309	(4.9)
JV	336	326	333	334	341	358	9.9	4.8	332	344	3.5
Other	321	323	325	309	302	296	(8.1)	(1.7)	320	302	(5.7)
<b>Blended Tile</b>	<b>329</b>	<b>323</b>	<b>324</b>	<b>320</b>	<b>319</b>	<b>320</b>	<b>(1.0)</b>	<b>0.2</b>	<b>326</b>	<b>319</b>	<b>(2.1)</b>

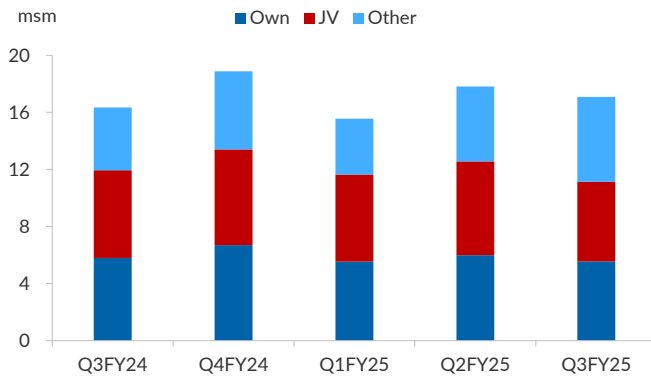
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- Management has maintained their guidance of mid to high single digit for FY25E and high single to low double digit for FY26E with EBITDA margins to improve with increase in capacity utilization.
- Tile exports declined from Rs200Bn in FY24 to ~Rs13-14Bn for FY25E which has put pressure on Morbi. ~70% of Morbi's domestic sales are to smaller builders who are extremely price sensitive. Owing to deferred purchases in real estate, Morbi has seen negative growth in the quarter which has resulted in some player to shut operations completely and some to shut operations for the month.
- Gas price increased by 4% due to adverse dollar movement and increase in spot natural prices. Prices should be impacted further by 1-2% as dollar moved from Rs84-85 to Rs87-88 in Q3FY25.
- Natural gas price for the company has remained fairly stable in Q3FY25 at Rs45. The same was Rs44 in Q3FY24 and FY24. North/West/South gas prices also remained stable at Rs43/49/51 respectively.
- Ceramic/PVT/GVT contributed 32%/28%/38% of sales. GVT contribution is expected to cross 40% going ahead.
- Government/Private (builders)/Exports/Retail contributes 10-12%/7-8%/2-3%/77-80% to sales respectively. Private sales are expected to increase by 2-3% as company has received orders from builders that would be at a lower pricing. However, the same would be offset by an increase in capacity utilization to cater to the orders.
- Capacity utilization for sanitaryware/faucets was 87%/109% respectively for Q3FY25. Small capex is planned for sanitaryware to expand capacity within next 12-18 months. Fittings is already in the process of expansion.
- Somany Max plant operated at a capacity utilization of 51% that is expected to increase in Mar/Apr'25 with the new upcoming launches. At optimum capacity utilization plant can do topline of Rs2.5Bn which is currently at 50% (~Rs1.25Bn). The plant is expected to be profitable by next quarter.
- Company has added 134 net dealers and 46 showrooms in 9MFY25.
- Brand spends were 2.5% of sales and management plans to maintain the same ratio.
- One-off line balancing and advanced depreciation of some new machinery increased total depreciation by Rs30-40Mn. The normalized run-rate would be Rs190-200Mn.
- Net debt was Rs2.99Bn of which ~78% was in 2 entities viz. Rs1.15Bn in Sudha Somany & Rs1.2Bn in Somany Max. Asset turnover was at 2.3x.
- Somany has acquired 52% stake in Dura Build Care Pvt Ltd for Rs105Mn and will increase the same to 100% in next 3-5 years. Dura Build Care is involved in the construction chemical business that will strengthen Somany's adhesive & grout portfolio. Dura Build Care's manufacturing facility is in Bahadurgarh itself.

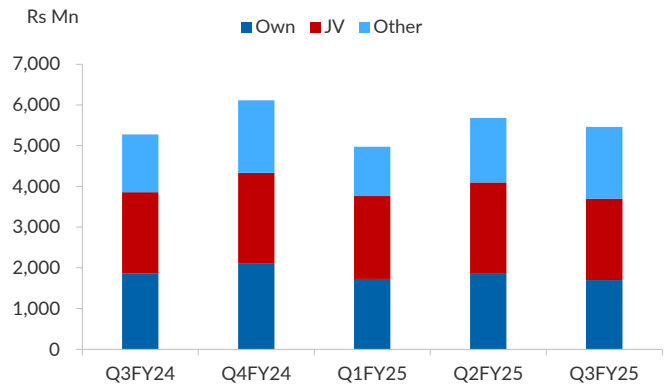
## QUARTERLY TRENDS

**Exhibit 4: Tiles volume grew by 4.5%YoY...**



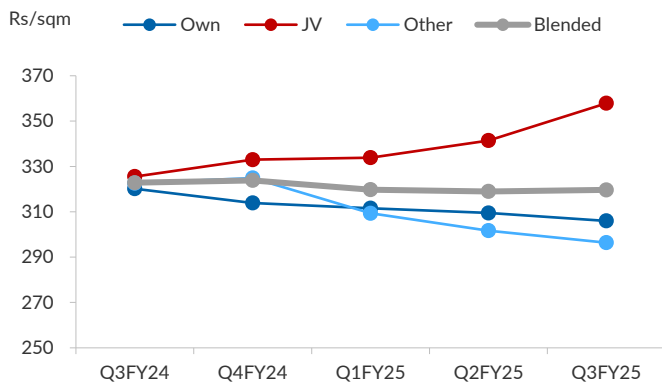
Source: Company, YES Sec

**Exhibit 5: Tile revenue increased by 3.5%YoY...**



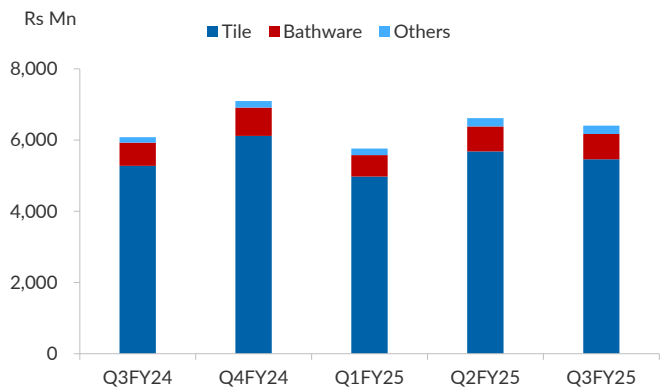
Source: Company, YES Sec

**Exhibit 6: Blended ASP stood at Rs320/sqm...**



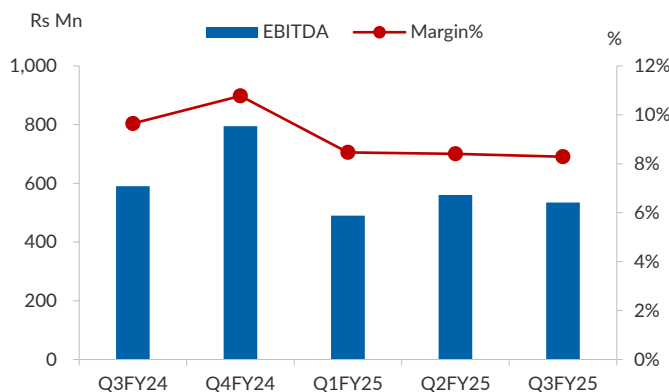
Source: Company, YES Sec

**Exhibit 7: Tiles contributed to 85% of revenue...**



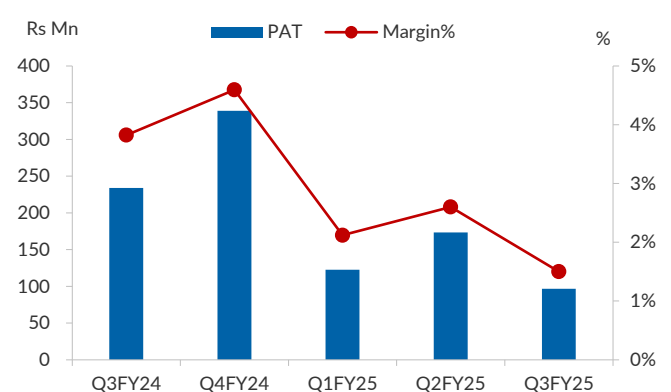
Source: Company, YES Sec

**Exhibit 8: Blended margin declined to 8.3%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs97Mn...**



Source: Company, YES Sec

## FINANCIALS

**Exhibit 10: Income Statement**

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	24,785	25,914	26,771	29,330	32,213
COGS	10,694	11,979	12,260	13,324	14,845
GP	14,091	13,934	14,511	16,006	17,368
GP%	56.9	53.8	54.2	54.6	53.9
Employee Cost	3,012	3,244	3,568	3,996	4,476
Power & Fuel	6,523	5,219	5,375	5,537	5,703
Other Cost	2,669	2,939	3,292	3,687	4,129
EBITDA	1,887	2,533	2,276	2,786	3,060
EBITDA%	7.6	9.8	8.5	9.5	9.5
Finance Cost	404	465	503	465	390
Depreciation	679	725	787	814	841
Other Income	145	106	135	160	160
PBT	950	1,449	1,121	1,667	1,989
Tax	259	434	336	417	497
PAT	669	994	785	1,250	1,492
PAT%	2.7	3.8	2.9	4.3	4.6
EPS	16	24	19	30	36

Source: Company, YES Sec

**Exhibit 11: Balance Sheet**

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	85	82	82	82	82
Reserves	7,785	7,119	7,777	8,900	10,264
Non-current Liab	3,027	3,086	3,086	2,809	2,532
ST Borrowings	3,033	1,494	1,494	1,271	1,048
Payables	3,777	5,593	2,646	2,876	3,204
Other current Liab	1,197	1,205	1,205	1,205	1,205
<b>Total Equity &amp; Liab</b>	<b>20,111</b>	<b>19,838</b>	<b>17,548</b>	<b>18,401</b>	<b>19,594</b>
Gross Block	12,660	14,488	14,988	15,488	15,988
Acc Dep	3,013	3,738	4,525	5,339	6,180
Net Block	9,647	10,750	10,463	10,149	9,808
CWIP	473	96	96	96	96
Other Noncurrent Assets	495	321	321	321	321
Inventory	3,915	3,466	1,640	1,782	1,985
Receivables	2,683	3,372	3,484	3,817	4,192
Cash & Bank	1,546	709	421	1,113	2,068
Other Current Assets	524	522	522	522	522
<b>Total Assets</b>	<b>20,111</b>	<b>19,838</b>	<b>17,548</b>	<b>18,401</b>	<b>19,594</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	929	1,428	1,121	1,667	1,989
Depreciation & Amortization	679	725	787	814	841
Finance cost	404	465	503	465	390
(Incr)/Decr in Working Capital	(9)	168	(123)	(25)	(25)
Taxes	(247)	(340)	(336)	(417)	(497)
Cash from ops.	1,646	3,934	842	2,284	2,473
(Incr)/ Decr in PP&E	(1,765)	(1,615)	(500)	(500)	(500)
Cash Flow from Investing	(909)	(1,229)	(500)	(500)	(500)
(Decr)/Incr in Borrowings	135	(1,563)	-	(500)	(500)
Finance cost	(385)	(470)	(503)	(465)	(390)
Cash Flow from Financing	(214)	(3,560)	(630)	(1,093)	(1,018)
Incr/(Decr) in cash	523	(855)	(288)	691	955
Cash and cash equivalents at beg of year	937	1,447	709	421	1,113
Cash and cash equivalents at end of year	1,460	592	421	1,113	2,068

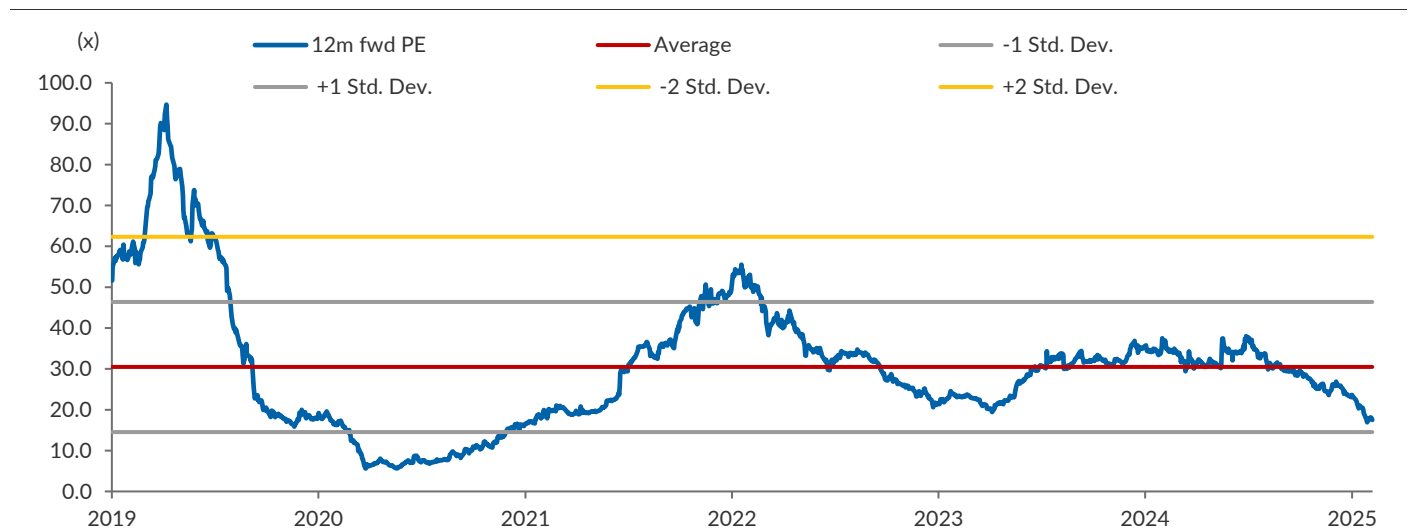
Source: Company, YES Sec

## Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>					
Revenue growth	18.3	4.6	3.3	9.6	9.8
EBITDA growth	(8.6)	34.2	(10.2)	22.4	9.8
EBIT growth	(13.2)	41.3	(15.2)	31.3	11.6
PAT growth	(28.4)	48.6	(21.1)	59.4	19.3
<b>Profitability ratios (%)</b>					
GP margin	56.9	53.8	54.2	54.6	53.9
EBITDA margin	7.6	9.8	8.5	9.5	9.5
EBIT margin	5.5	7.4	6.1	7.3	7.4
PAT margin	2.7	3.8	2.9	4.3	4.6
RoCE	12.9	18.1	15.3	18.8	19.3
RoE	8.8	13.2	10.4	14.9	15.4
<b>Per share values</b>					
EPS	15.8	24.3	19.1	30.5	36.4
CEPS	31.7	41.9	38.3	50.4	56.9
BVPS	185.4	175.6	191.7	219.1	252.3
<b>Valuation ratios (x)</b>					
P/E	31.0	23.8	26.4	16.6	13.9
P/CEPS	15.4	13.8	13.2	10.0	8.9
P/B	2.6	3.3	2.6	2.3	2.0
EV/EBITDA	12.8	10.4	10.4	8.1	6.9
<b>Leverage ratios (x)</b>					
Debt/ Equity	0.6	0.5	0.4	0.3	0.2
Net debt/Equity	0.4	0.4	0.4	0.2	0.0
Net debt/EBITDA	1.8	1.0	1.3	0.6	0.1
Int coverage	3.4	4.1	3.2	4.6	6.1
<b>NWC days</b>					
Receivables	40	47	47	47	47
Inventory	58	49	49	49	49
Payables	56	79	79	79	79

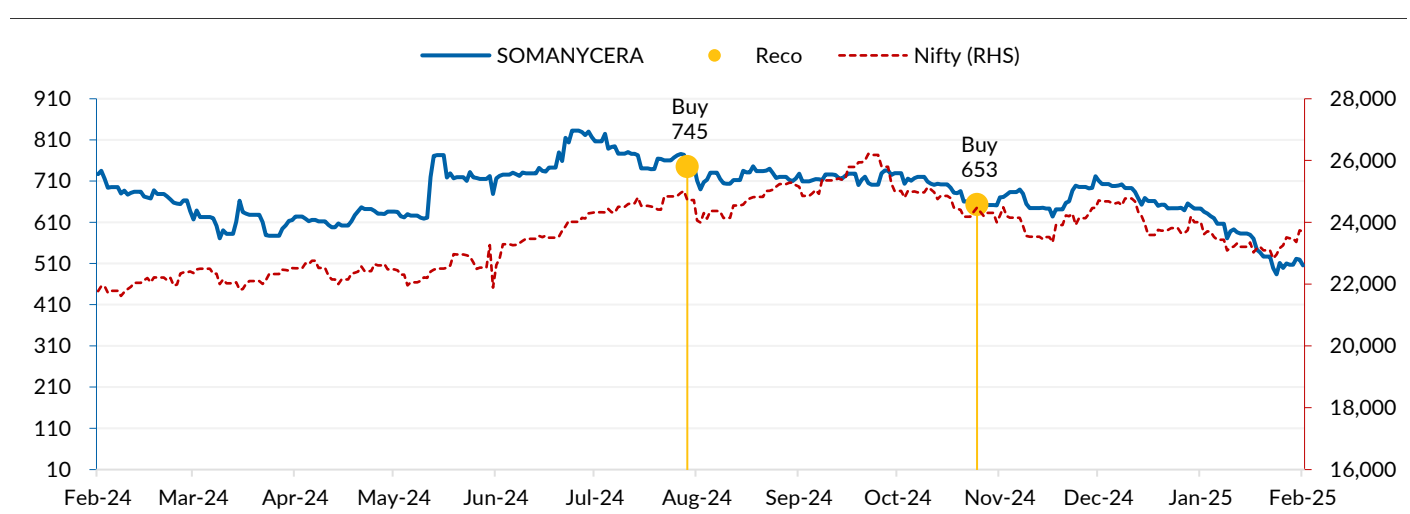
Source: Company, YES Sec

**Exhibit 14: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## Recommendation Tracker



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Analyst signature

Analyst signature

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