

Somany Ceramics Ltd.

February 7, 2025

CMP: INR 506 | Target Price: INR 778 | Potential upside: 54%

BUY

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info

BB Code	SOMC IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	872/473
Mkt Cap (Bn)	INR 21 / \$0.24
Shares o/s (Mn)	41.0
3M Avg. Daily Volume	1,98,98

Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev.%
Revenue	6.4	6.6	(3.3)
EBITDA	0.5	0.6	(4.5)
EBITDAM %	8.4	8.5	(12)Bps
PAT	0.1	0.2	(45.9)

Key Financials

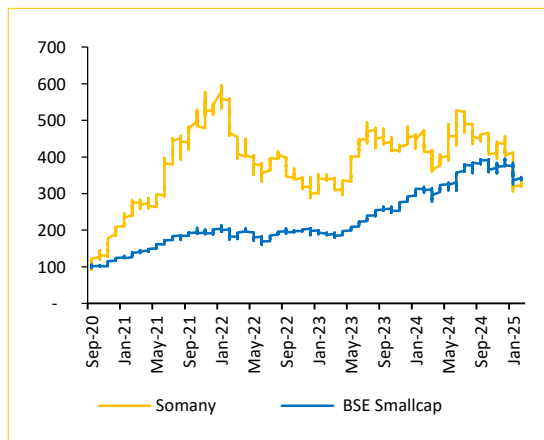
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	24.8	25.9	28.1	31.1	35.1
YoY (%)	18.3	4.6	8.4	10.8	12.8
EBITDA	1.9	2.5	2.3	2.7	3.3
EBITDAM %	7.6	9.8	8.3	8.8	9.4
Adj PAT	0.7	1.0	0.8	1.0	1.4
EPS	16.8	23.6	19.0	25.3	35.4
ROE %	9.4	12.9	10.3	12.3	15.0
ROCE %	8.9	14.2	12.4	14.0	16.4
PE(x)	30.0	21.4	26.6	20.0	14.3
EV/EBITDA	13.1	9.2	10.1	8.5	6.8

Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	55.01	55.01	55.01
FIs	1.56	1.78	1.63
DIs	23.61	23.52	23.53
Public	19.80	19.68	19.83

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Smallcap	70.0	80.4	9.1
SOMC	(39.4)	(5.9)	(31.1)



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SOMC Q3FY25: Revenue and EBITDA in-line but depreciation one-off makes PAT fall sharply; 4.5% YoY volume growth a pleasant surprise in a cyclically contracting market.

- Q3FY25 consolidated revenues at INR6,401 Mn, (vs CEBPL est. INR6,365 Mn), was up 5.1% YoY and down 3.2% QoQ. Total volume for Q3 stood at 17.1MSM, was up 4.5% on YoY basis.
- Consolidated EBITDA for Q3FY25 was reported at INR535 Mn, (vs CEBPL est. INR539 Mn), down 9.4/4.5% YoY/QoQ. Realizations remained flat at INR 320; down 1% YoY.
- PAT for Q3FY25 reported at INR93Mn, (vs CEBPL est. INR188Mn), down 58.1/45.8% YoY/QoQ mainly due to higher interest and depreciation cost. EPS for the quarter came at INR2.3.

Retail demand expected to rebound as housing picks up: Retail demand for 3QFY25 declined by 300bps to 77%, compared to 80% in FY24. However, management expects demand to return to normal levels of 80% in the coming quarters, driven by a recovery in individual housing demand. Meanwhile, the share of government projects increased by 300bps to 11%, up from 8% in FY24. Private projects and exports contributed 8% and 3%, respectively.

Max plant's higher utilization to boost margins with GVT growth: Higher capacity utilization at the Max plant is expected to drive margin improvement. The plant's utilization rate has increased to 51%, up from 36% in 2QFY25, leading to a greater share of GVT products. GVT (Glazed Vitrified Tiles) revenue for the current quarter stands at 38%, compared to 34% in 3QFY24. Management aims to increase this share to 50% over the next 1–2 years, which is expected to improve margins by 100–150bps. Meanwhile, the revenue share of Ceramics and PVT products stands at 34% and 28%, respectively.

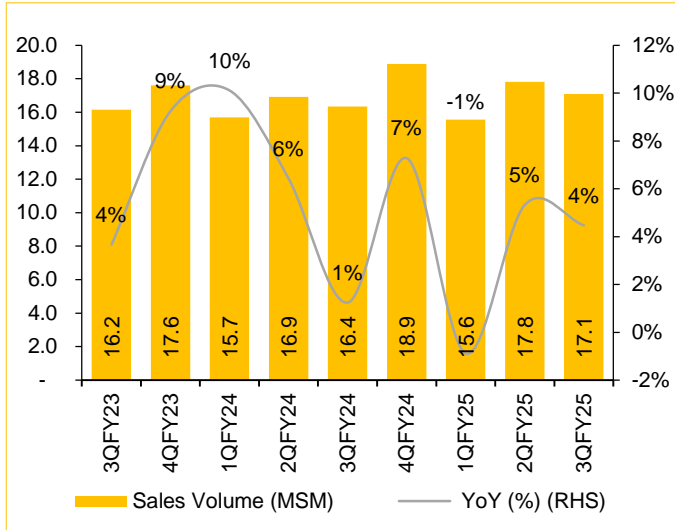
View and Valuation: We revise our FY25/26/27 EPS estimates downward by -32.3%/-28.8%/-19.3% due to lower retail share. We maintain our 'BUY' rating with a revised target price of INR 778, valuing the company at 22x (Unchanged) FY27 EPS. We expect volume growth to exceed industry growth, driven by an aggressive sales strategy addition of store count and market share gains. Additionally, we anticipate higher revenue contributions from Max plant and Bathware segment.

SOMC Ltd	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales (incl OOI)	6,449	6,663	(3.2)	6,121	5.3
Material Expenses	2,921	3,228	(9.5)	2,728	7.1
Gross Profit	3,528	3,435	2.7	3,394	3.9
Power & Fuel	1,307	1,234	5.9	1,252	4.3
Employee Expenses	894	891	0.3	794	12.6
Other Operating Expenses	792	750	5.6	757	4.6
EBITDA	535	560	(4.5)	590	(9.4)
Depreciation	228	192	19.1	188	21.3
EBIT	306	368	(16.8)	402	(23.8)
Other Income	18	13	37.9	28	(35.2)
Interest Cost	133	135	(1.6)	109	22.0
Exceptional Items	24	2	NA	(1)	NA
PBT	168	245	(31.3)	322	(47.8)
Tax	75	73	2.5	100	(25.1)
RPAT	93	171	(45.8)	222	(58.1)
APAT	117	173	(32.6)	221	(47.2)
Margin Analysis	Q3FY25	Q3FY24	YoY (bps)	Q2FY25	QoQ (bps)
Gross Margin (%)	54.7	51.6	314.9	55.4	-73.7
Employee Exp. % of Sales	13.9	13.4	49.3	13.0	89.4
Other Op. Exp % of Sales	12.3	11.3	102.9	12.4	-8.2
EBITDA Margin (%)	8.3	8.4	(11.1)	9.6	-135.3
Tax Rate (%)	44.7	30.0	1,475.2	31.2	1,358.4
APAT Margin (%)	1.8	2.6	(79.0)	3.6	-180.1

Management Call – Highlights

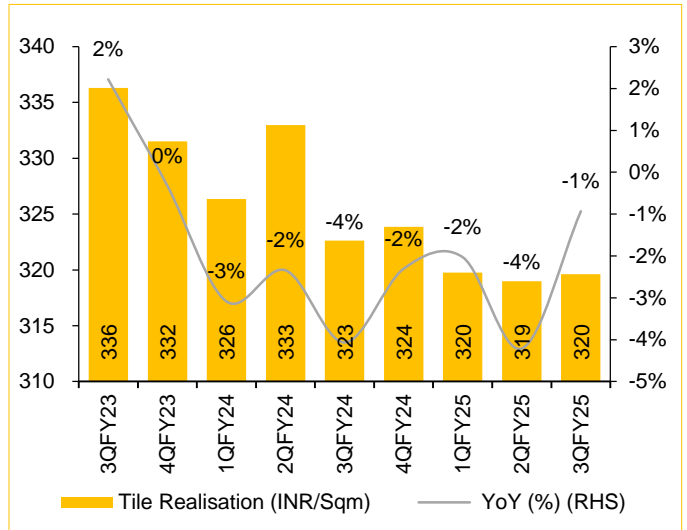
- Volume growth for tile segment is 4.5% vs negative growth for the industry
 - Bathware segment grew by 8.8% to INR 719Mn backed by better real estate demand with capacity utilization in this segment better than tiles at 87%.
 - The current capacity utilization stands at 80% vs 77% in 2QFY25.
 - Gas prices rose 4% QoQ to INR 45, with regional prices at INR 51 in the South, INR 49 in the West, and INR 43 in the North.
 - Company have added 134 dealers and 42 showrooms as on 9MFY25.
 - **Guidance:** The company anticipates mid-to-high single-digit growth, with Q4 expected to be slightly better than Q3. The Management is aiming for high single to low double-digit growth in FY25 and FY26. The company expects that increased capacity utilization, value-added sales, and cost reductions will improve margins.
 - Currently, retail sales account for 77-80% of the business, with government projects at 10-12% and private projects at 8-9%. The company expects private project sales to increase to 2 to 3%, reducing retail sales to 74-75%
 - **Somany Max Plant:** The Somany Max plant is expected to reach profitability by the second quarter of the next fiscal year. This plant has the potential to generate 250 crore in revenue at optimum capacity
 - The company is seeing positive signs in orders from residential and commercial builders, with supplies expected to increase in the first and second quarters. However, there is a delay in individual home buying.
 - **Segment Performance:** Ceramic tiles constituted 34% of sales, while polished vitrified tiles (PVT) were 28%, and glazed vitrified tiles (GVT), considered a "sunrise segment," accounted for 38%. The company is aiming for GVT to reach 40% of sales.
- Tile volume growth will be mid-to-high single-digit growth.
 - Max plant capacity utilization to reach 51%

Volume grew by 4.5% YoY due to muted demand



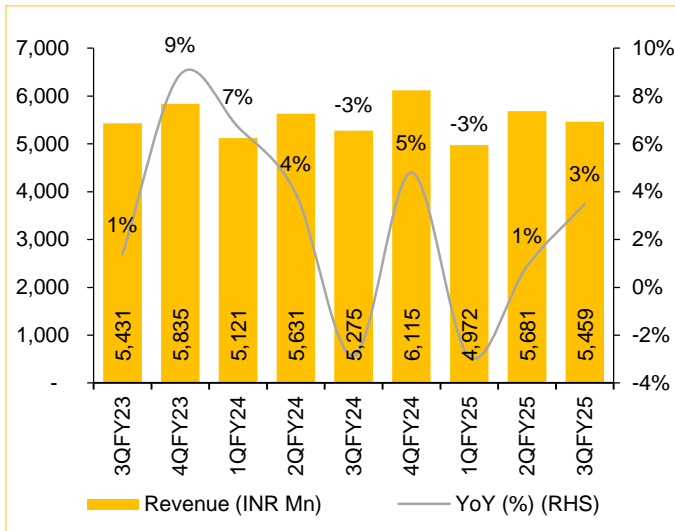
Source: Company, CEBPL

Realizations remained flat



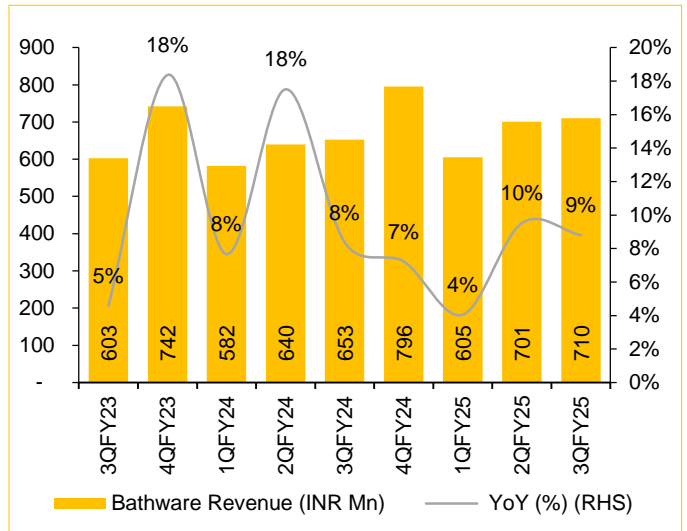
Source: Company, CEBPL

Revenue grew by 3% on YoY due to better volume



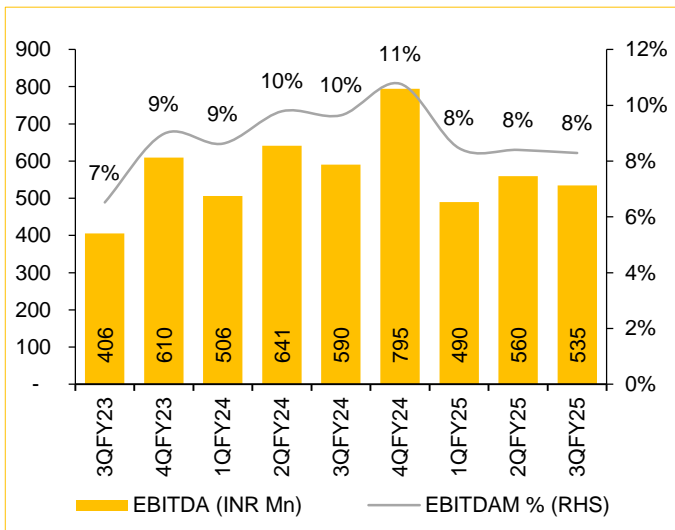
Source: Company, CEBPL

Bathware sales up by 9% due to better demand.



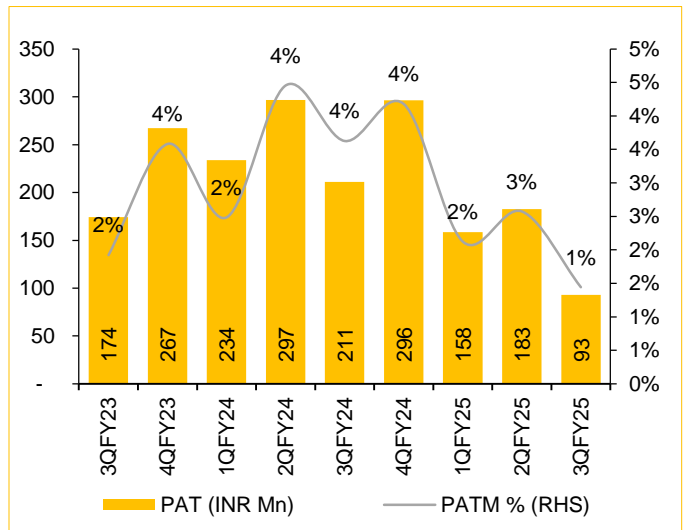
Source: Company, CEBPL

EBITDA down by 9% whereas margins remained flat.



Source: Company, CEBPL

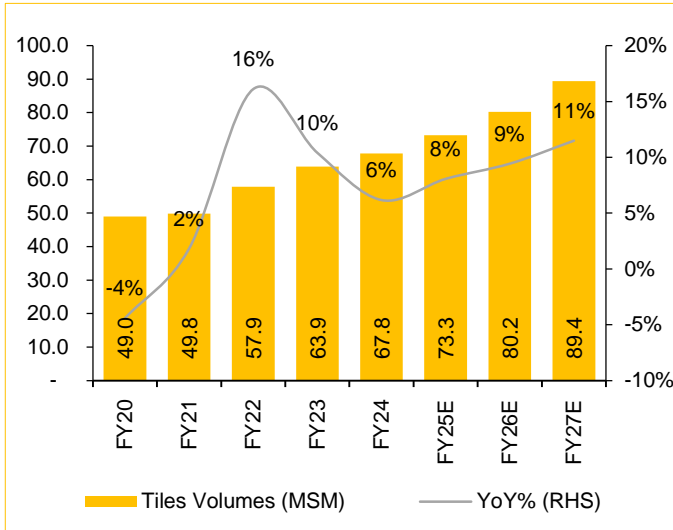
PAT shrinks big by 56% on YoY basis



Source: Company, CEBPL

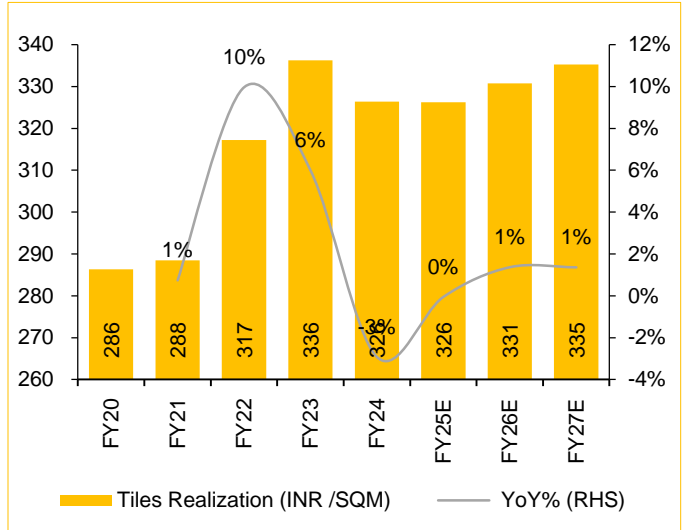
*All figures are in INR Million

Better housing and Real estate demand will boost volume



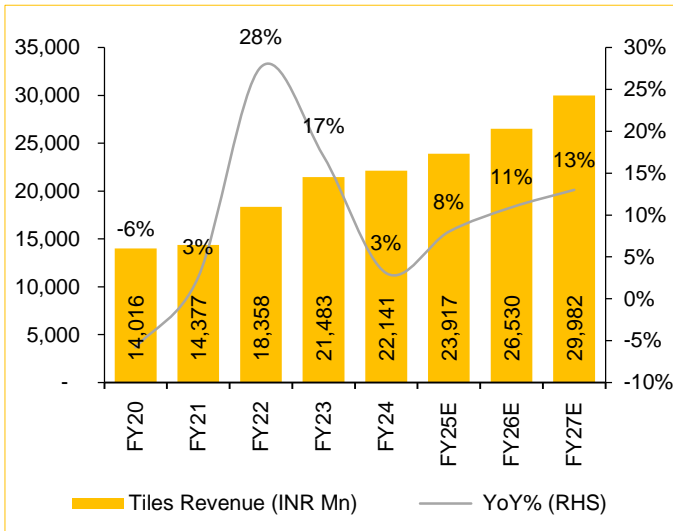
Source: Company, CEBPL

Realizations expected to improve



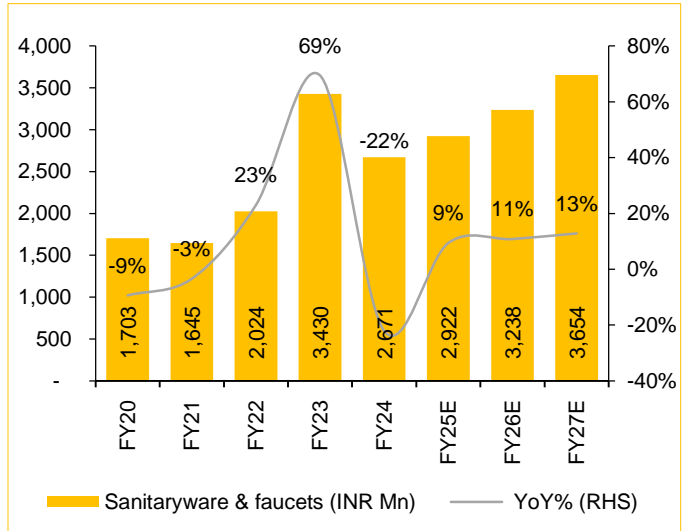
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Revenue is up due to higher volume.



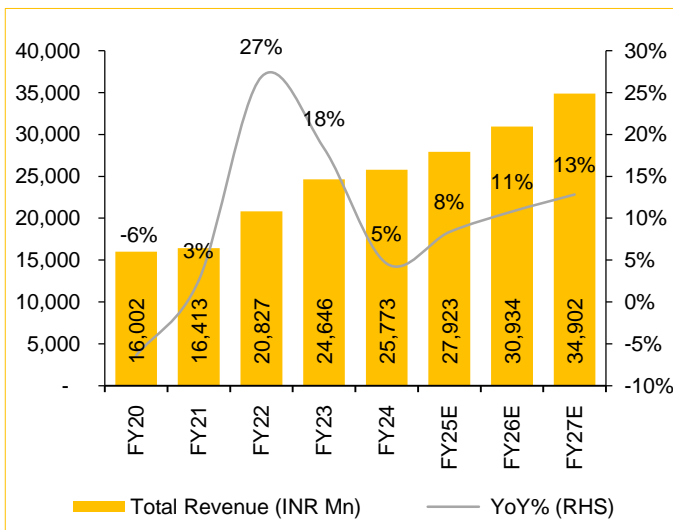
Source: Company, CEBPL

Bathware Segment Revenue.



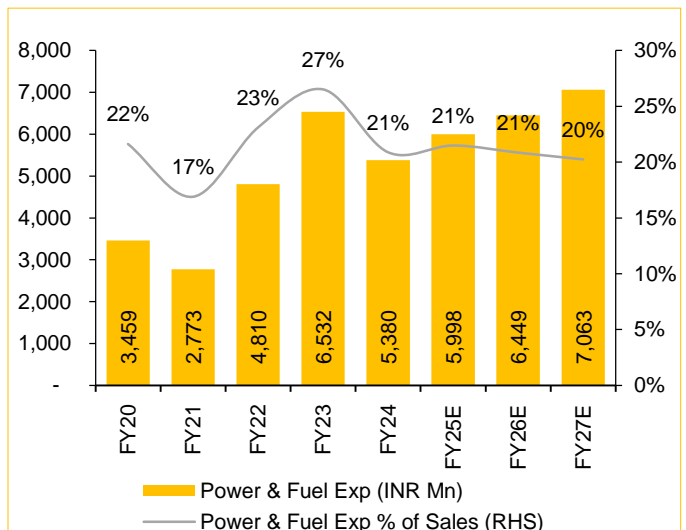
Source: Company, CEBPL

Total Revenue to grow by 11% CAGR



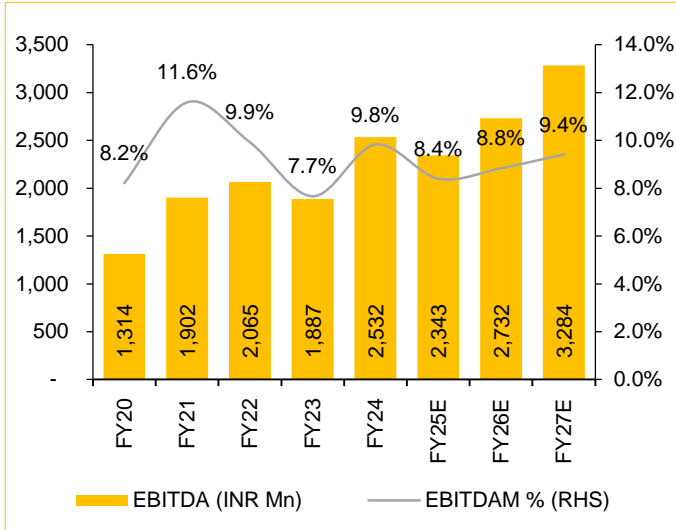
Source: Company, CEBPL

Power and fuel cost to remain stable.



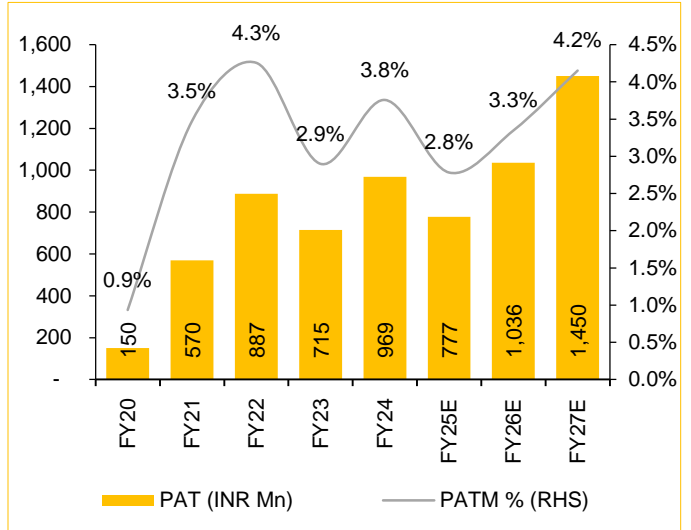
Source: Company, CEBPL

EBITDA to grow by 9% CAGR



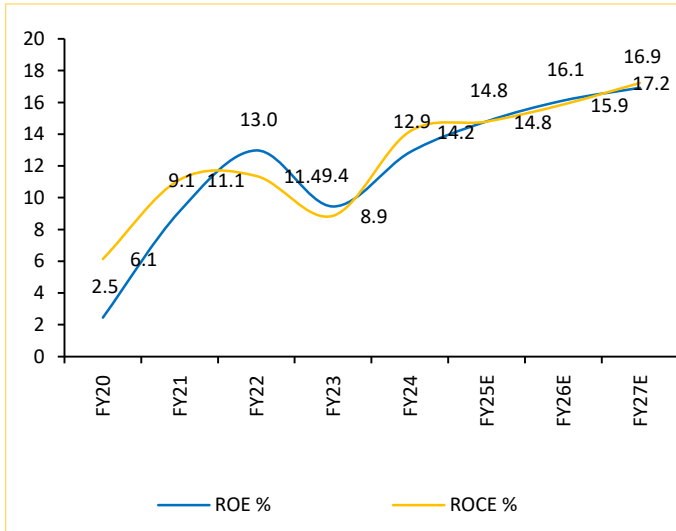
Source: Company, CEBPL

PAT to grow by 14% CAGR.



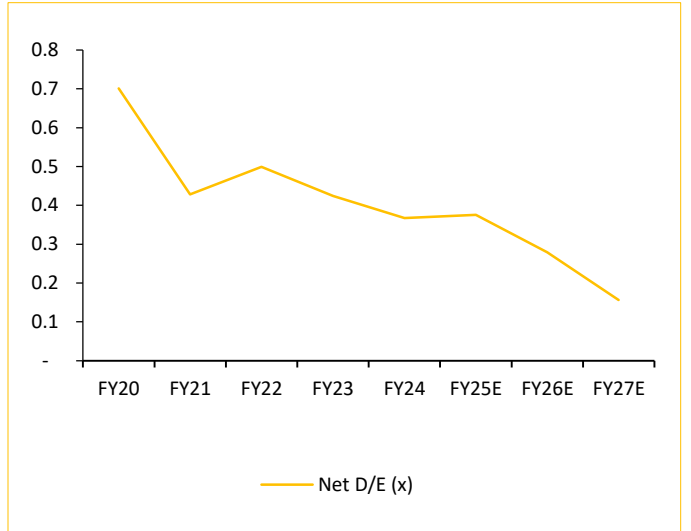
Source: Company, CEBPL

ROE/ROCE Trends

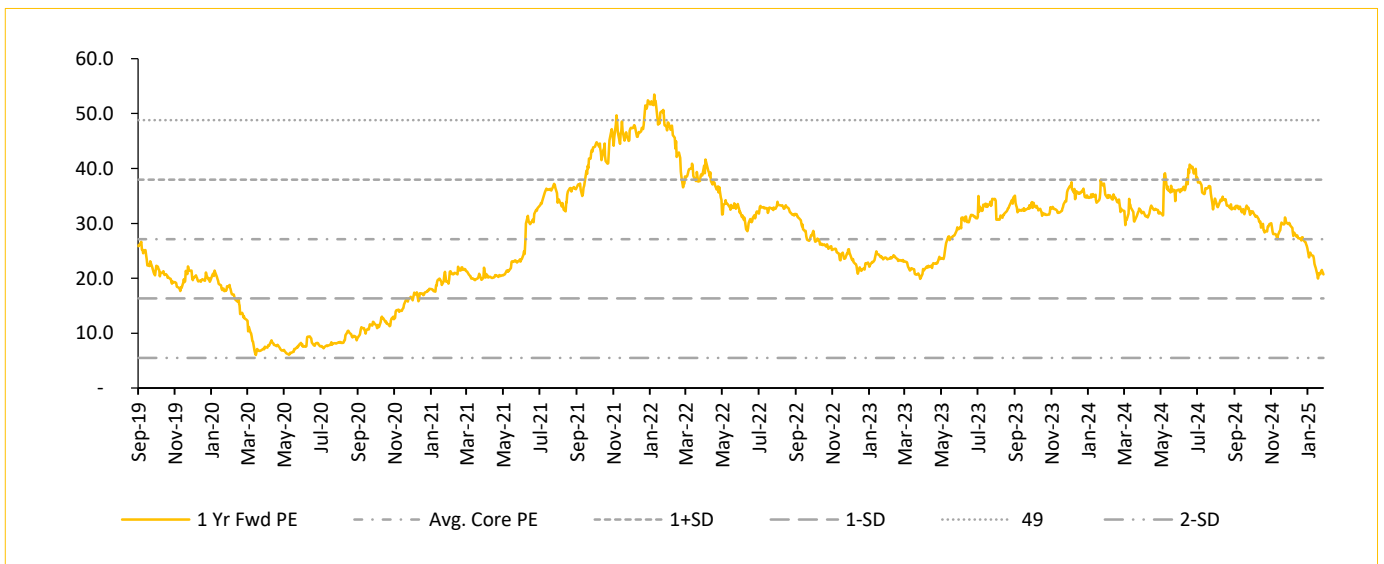


Source: Company, CEBPL

Net debt to equity to improve



Source: Company, CEBPL



Source: Company, CEBPL

Income statement

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	24,785	25,914	28,083	31,113	35,092
Gross profit	14,091	13,934	15,434	17,038	19,212
EBITDA	1,887	2,532	2,343	2,732	3,284
Depreciation	679	725	842	898	954
EBIT	1,209	1,807	1,501	1,834	2,330
Other income	145	106	75	85	100
Interest expense	404	465	426	426	390
Exceptional items	22	21	20	20	20
PBT	929	1,428	1,130	1,473	2,020
Reported PAT	715	969	777	1,036	1,450
EPS	17	24	19	25	35

Source: Company, CEBPL

Balance sheet

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net worth	7,870	7,201	7,948	8,953	10,372
Minority Interest	1,076	1,128	1,128	1,128	1,128
Total debt	4,884	3,351	3,551	3,551	3,251
Other liabilities & provisions	1,176	1,229	1,280	1,335	1,393
Total Net Worth & liabilities	15,005	12,910	13,908	14,967	16,144
Net Fixed Assets	10,079	11,136	11,290	11,388	11,430
Capital Work in progress	473	96	96	96	96
Goodwill	73	73	73	73	73
Cash & bank balance	1,545	709	568	1,051	1,633
Loans & Advances & other assets	493	319	327	337	347
Net working capital	3,888	1,286	2,122	3,074	4,199
Total Assets	15,005	12,910	13,908	14,967	16,144

Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from Operations	1,645	3,934	1,112	2,236	2,598
Capex	(1,719)	(1,570)	(996)	(996)	(996)
FCF	(74)	2,364	116	1,240	1,602
Cash flows from Investing	(909)	(1,229)	(996)	(1,296)	(1,296)
Cash flows from Financing	(213)	(3,559)	(257)	(457)	(721)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)	18	5	8	11	13
Revenue	(9)	34	(7)	17	20
EBITDA	(19)	36	(20)	33	40
PAT	20	(1)	11	10	13
Gross Profit					
Margin ratios	8	10	8	9	9
EBITDA Margin	3	4	3	3	4
PAT Margin	57	54	55	55	55
Gross Profit	5	7	5	6	7
EBIT Margin					
Performance ratios	0.9	1.6	0.5	0.8	0.8
OCF/EBITDA	0.2	0.4	0.1	0.2	0.2
OCF/IC%	9.4	12.9	10.3	12.3	15.0
ROE	8.9	14.2	12.4	14.0	16.4
ROCE %	11%	19%	14%	16%	20%
ROIC(Pre tax)	2.5	2.3	2.5	2.7	3.1
Fixed asset Turnover	1.7	2.0	2.0	2.1	2.2
Total asset Turnover					
Financial Stability ratios	0.4	0.4	0.4	0.3	0.2
Net Debt to Equity	1.8	1.0	1.3	0.9	0.5
Net Debt to EBITDA	3.0	3.9	3.5	4.3	6.0
Interest Cover(x)					
Valuation metrics	42	41	41	41	41
Fully diluted shares (Mn)	506	506	506	506	506
Price	21,492	20,748	20,746	20,746	20,746
Market Cap(INR. Mn)	30	21	27	20	14
PE(x)	0.3	0.1	0.5	0.2	0.2
P/OCF	24,788	23,349	23,688	23,205	22,323
EV	2.7	2.9	2.6	2.3	2.0
P/B	13.1	9.2	10.1	8.5	6.8
EV/EBITDA	0.2	0.4	0.1	0.2	0.2
Ocf/Ic	15.1	5.9	21.3	10.4	8.6
EV/OCF (x)	18	5	8	11	13

Source: Company, CEBPL

Historical Price Chart: SOMC Limited



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BUY	The security is expected to generate upside of 15% or more over the next 12 months
HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
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