

May 15, 2024

RESULT REPORT Q4 FY24 | Sector: Building Materials

# Somany Ceramics Ltd.

**Beat on all front, stock available at lucrative valuations - maintain BUY!**

## Result Synopsis

Somany Ceramics Ltd (SOMC) displayed a strong performance in Q4FY24 Vs our expectations reporting a healthy revenue growth of 8.6%YoY & 20.5%QoQ. Tiles revenue (86% of sales) grew by 5%YoY & 18%QoQ (2-year CAGR stood at 7%), largely driven by volume growth of 7%YoY & 20%QoQ (2-year CAGR came in at 8%). However, on account of higher incentives & extra-discounts to push volumes, ASP declined by 2%YoY & 1%QoQ. Consequently, Gross margins declined to 52% in Q4FY24 Vs 54%/55% in Q4FY23/Q3FY24 respectively. However, with cost optimization & reduction in gas cost, operating margins improved to 11% as compared to 9%/9.6% in Q4FY23/Q3FY24 respectively. Bathware biz revenue came in at Rs796Mn, a growth of 7%YoY & 22%QoQ and Other biz revenue increased by 71%YoY & 20%QoQ. In Tile volumes, Own/JV/outourced constituted 35%/36%/29% Vs 38%/36%/26% in Q4FY24 respectively. Ceramics/PVT/GVT contribution came in at 35%/29%/36% respectively in Q4FY24.

Management aims to grow in high single digit-to-low double digit (9-10%) in FY25E, which will largely be driven by volumes, and also stated that operating margins should grow by 100-150bps on account of better utilization & higher contribution from GVT.

Though demand in Q1FY25E continues to remain muted, the overall scenario is expected to improve from H2FY25E onwards. Hence, we believe SOMC should report tile volume growth of 10%CAGR over FY24-FY26E. Though higher competition from Morbi manufacturers will keep pricing under-pressure, with better product mix we reckon overall ASP to remain steady from hereon, therefore tiles revenue should also grow by 10%CAGR over FY24-FY26E. We expect EBITDA margins to come in at ~10% for next 2-years, translating into an EBITDA growth of 12% over similar period. At CMP, the stock trades at lucrative P/E(x) of 19x/15x on FY25E/FY26E EPS of Rs33/41, respectively. We continue to value the company at P/E(x) of 20x on FY26E EPS, arriving at a target price of Rs817. Hence, we maintain our BUY rating on the stock.

## Result Highlights

- Revenue stood at Rs7.4Bn, a growth of 8.6%YoY & 20.5%QoQ. FY24 revenue stood at Rs25.9Bn a growth of 4.6%YoY.
- EBITDA for the quarter stood at Rs795Mn and margin came in at 10.8% Vs 9.0%/9.6% in Q4FY23/Q3FY24 respectively. FY24 EBITDA stood at Rs2.5Bn, a steep growth of 34%YoY with margin coming in 9.8%.
- Net profit for Q4FY24 stood at Rs339Mn, a massive increase of 39%YoY & 45%QoQ. FY24 PAT stood at Rs994Mn, a growth of 48.6%YoY.

## Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	7,375	6,492	6,999	13.6	5.4	Overall beat on our estimates.
EBITDA	795	626	684	26.9	16.2	
EBITDA Margin (%)	10.8	9.6	9.8	113 bps	100 bps	
Adjusted PAT	339	268	315	26.5	7.6	

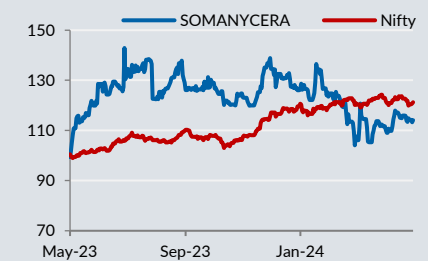
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 626
Target Price	: Rs 817
Potential Return	: +30.6%

## Stock data (as on May 15, 2024)

Nifty	22,201
52 Week h/l (Rs)	819 / 542
Market cap (Rs/USD mn)	25,377 / 304
Outstanding Shares (mn)	41
6m Avg t/o (Rs mn):	36
Div yield (%):	0.5
Bloomberg code:	SOMC IN
NSE code:	SOMANYCERA

## Stock performance



	1M	3M	1Y
Absolute return	3.6%	-8.1%	14.9%

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

Promoter	55.0%
FII+DII	25.1%
Others	19.9%

## Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	817	797

## Δ in earnings estimates

	FY25E	FY26E
EPS (New)	33.2	40.9
EPS (Old)	39.9	43.3
% change	-16.9%	-5.6%

## Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	25,914	28,148	31,275
YoY Growth	4.6	8.6	11.1
EBIDTA	2,533	2,815	3,190
EBIDTA (%)	9.8	10.0	10.2
PAT	994	1,360	1,676
YoY Growth	48.6	36.8	23.2
ROE	13.2	17.3	18.1
EPS	24.3	33.2	40.9
P/E	23.8	18.9	15.3
BV/Share	175.6	206.8	245.7
P/BV	10.4	10.0	8.3

## UDIT GAJIWALA

Lead Analyst

udit.gajiwala@ysil.in



SHALIN DAMANI, Associate

## Segmental Highlights for Q4FY24:

### Tiles

- Overall tile volumes stood at 18.9msm, a growth of 7%YoY & 20%QoQ (2-year CAGR 8%). Own volumes (35% of total) stood at 6.7msm, grew by 1.4% YoY & 15%QoQ. JVs (36% of total) registered a growth of 5%YoY & 21% QoQ to 6.7msm. Lastly, outsourced vols (29% of total), stood at 5.5msm, a growth of 18.6%YoY & 24.5%QoQ.
- Revenue of tiles stood at Rs6.1Bn, a growth of 5% YoY & 18.4%QoQ. Own tile revenue (34% of revenue), stood at Rs2.1Bn, a degrowth of 2.5%YoY & a growth of 13%QoQ. JVs sales (37% of tile revenue) remained flattish on a YoY basis & improved by 18.4%QoQ to Rs2.2Bn, and Outsourced sales (29% of tile revenue) stood at Rs1.8Bn, a steep increase of 21%YoY & 25.4%QoQ.
- Blended ASP came in at Rs324/sqm Vs Rs332/Rs328 in Q4FY23/Q3FY24, respectively. Own manufacturing's ASP stood at Rs314/sqm Vs Rs326/Rs320 in Q4FY23/Q3FY24, respectively. JVs realization came in at Rs333/sqm, a decline of 4%YoY & 2%QoQ. Outsourced ASP improved from Rs318/Rs323 in Q4FY23/Q3FY24, respectively to Rs325/sqm in Q4FY24.

### Others

- Bathware segment recorded a revenue of Rs796Mn, a growth of 7%YoY & 22%QoQ.
- Other biz (Epoxy, Adhesives etc.) reported a growth of 70.6%YoY & 20%QoQ to Rs183Mn.

## Exhibit 2: Quarterly Snapshot:

Rs mn	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
Revenue	6,224	6,792	5,865	6,552	6,121	7,375	8.6	20.5	24,785	25,914	4.6
Expenditure	5,818	6,182	5,359	5,910	5,531	6,581	6.4	19.0	22,898	23,381	2.1
- RM	2,784	3,111	2,757	2,934	2,728	3,561	14.5	30.5	10,694	11,979	12.0
- Staff Cost	758	805	760	822	794	867	7.7	9.2	3,012	3,244	7.7
- Power Cost	1,547	1,543	1,189	1,379	1,252	1,399	(9.4)	11.7	6,523	5,219	
- Other Cost	729	723	653	775	757	754	4.3	(0.4)	2,669	2,939	10.1
Operating Profit	406	610	506	642	590	795	30.3	34.6	1,887	2,533	34.2
OPM(%)	6.5	9.0	8.6	9.8	9.6	10.8	180 bps	113 bps	7.6	9.8	216 bps
Other Income	41	36	24	38	28	16	(55.2)	(43.4)	145	106	(27.0)
Depreciation	168	187	168	176	188	193	3.2	2.6	679	725	6.9
Interest	119	116	112	110	109	134	15.4	23.4	404	465	15.1
PBT	160	342	184	394	334	516	50.9	54.3	929	1,429	53.8
Tax	45	98	58	98	100	177	81.0	76.5	259	434	67.4
PAT	115	244	126	296	234	339	38.9	44.8	669	994	48.6
OCI	-	0	-	-	-	5	1,466.7		(6)	5	(182.5)
Reported PAT	115	244	126	296	234	344	40.6	46.8	663	999	50.6

Source: Company, YES Sec

## Exhibit 3: Operational Numbers:

Particulars	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
Revenue (Rs Mn)											
Own	2,117	2,153	2,108	2,089	1,857	2,100	(2.5)	13.1	8,335	8,154	(2.2)
JV	2,068	2,212	1,714	1,878	1,887	2,234	1.0	18.4	8,040	7,713	(4.1)
Other	1,246	1,469	1,253	1,664	1,419	1,780	21.2	25.4	5,108	6,117	19.7
<b>Total Tile</b>	<b>5,431</b>	<b>5,835</b>	<b>5,075</b>	<b>5,631</b>	<b>5,164</b>	<b>6,115</b>	<b>4.8</b>	<b>18.4</b>	<b>21,483</b>	<b>21,984</b>	<b>2.3</b>
<b>Bathware</b>	<b>603</b>	<b>742</b>	<b>582</b>	<b>640</b>	<b>653</b>	<b>796</b>	<b>7.2</b>	<b>21.9</b>	<b>2,430</b>	<b>2,671</b>	<b>9.9</b>
<b>Others</b>	<b>85</b>	<b>107</b>	<b>117</b>	<b>144</b>	<b>153</b>	<b>183</b>	<b>70.6</b>	<b>19.8</b>	<b>352</b>	<b>597</b>	<b>69.5</b>
Volume (msm)											
Own	6.4	6.6	6.5	6.3	5.8	6.7	1.4	15.3	25.3	25.3	0.2
JV	5.9	6.4	4.9	5.4	5.6	6.7	5.2	20.9	23.1	22.6	(2.3)
Other	3.8	4.6	4.0	5.2	4.4	5.5	18.6	24.5	15.5	19.0	22.9
<b>Total Tile</b>	<b>16.2</b>	<b>17.6</b>	<b>15.4</b>	<b>16.9</b>	<b>15.8</b>	<b>18.9</b>	<b>7.3</b>	<b>19.9</b>	<b>63.9</b>	<b>67.0</b>	<b>4.8</b>
Realization (Rs)											
Own	331	326	325	330	320	314	(3.8)	(2.0)	330	322	(2.4)
JV	348	347	347	348	340	333	(4.0)	(2.1)	348	341	(1.8)
Other	327	318	315	321	323	325	2.2	0.7	330	321	(2.6)
<b>Total Tile</b>	<b>336</b>	<b>332</b>	<b>329</b>	<b>333</b>	<b>328</b>	<b>324</b>	<b>(2.3)</b>	<b>(1.2)</b>	<b>336</b>	<b>328</b>	<b>(2.3)</b>

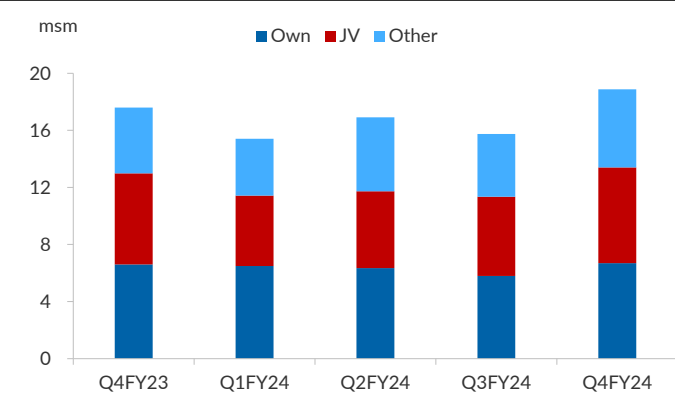
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Guidance:** Company expects to grow in high single to low double digit growth (~9-10%) in FY25E (domestic industry should grow by 5-6%), which will largely be driven by volumes. EBITDA margins should improve by 100-150bps in FY25E on account of better utilization & higher contribution of GVT. Demand in on-going quarter is muted due to elections however, management expects demand to improve H2FY25E onwards.
- On exports, management stated that run rate has improved to Rs17Bn/month from Rs13Bn/month.
- Tiles utilization for FY24 stood at 86% and the same in Q4FY24 came in at 89%.
- Realizations were under pressure due to extra incentives & discounts given to push volumes.
- GVT constituted 34% of total volumes in FY24 which is expected to grow to 38-40% in coming years (Q4FY24 the contribution was 36%). Ceramics/PVT contributed 37%/29% in FY24 & the same for Q4FY24 came in at 35%/29% respectively.
- Total capacity of GVT is 25msm of which 21msm is Own-manufacturing and 4msm is Outsourced.
- Brand spends for FY24 stood at 2.5% of sales which is expected to increase to 3% in FY25E.
- For FY25E, there will be only maintenance capex which will be Rs500-600Mn.
- Nepal capex has been delayed due to excess rains in the said region, this plant is expected to commence from H2FY26E.
- During FY24, company added 110-dealers (net) and plans to add ~100-150 (gross) dealers in next fiscal.
- Gas cost for FY24 stood at Rs45/scm Vs Rs59/scm in FY23. For FY24 gas cost at South/Morbi/North stood at Rs52/Rs45/Rs43-44 respectively.
- The Max plant is currently operating at ~40-50% utilization and management expects to operate at 80% by March'25.
- Retail and Insti-mix stood at 80%-20%. Govt is ~12% of revenue.

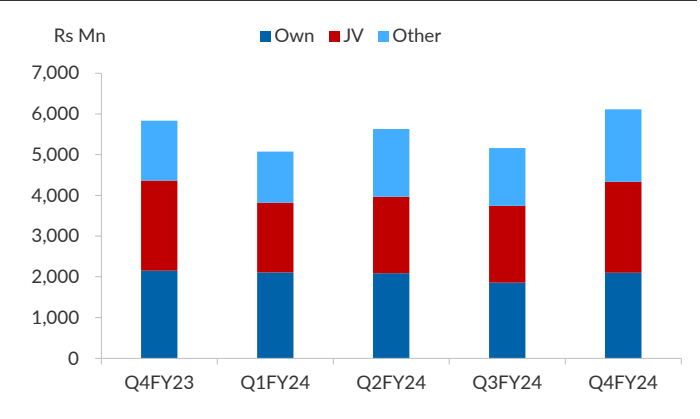
## QUARTERLY TRENDS

**Exhibit 4: Tiles Volume was up by 7%YoY...**



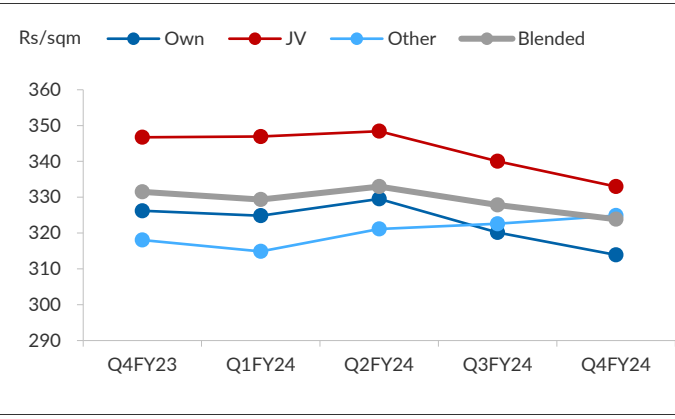
Source: Company, YES Sec

**Exhibit 5: Own + JVs revenue remained flattish YoY...**



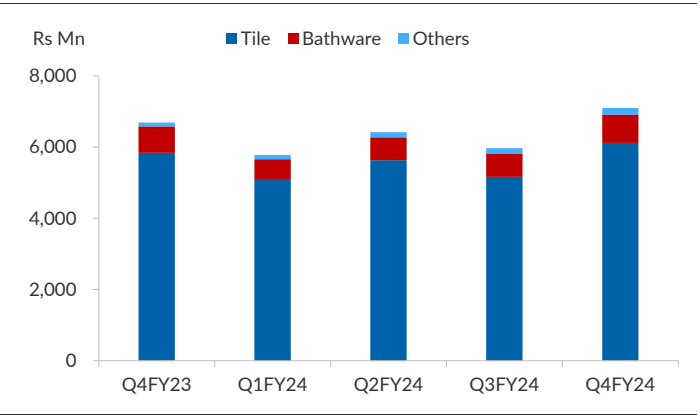
Source: Company, YES Sec

**Exhibit 6: Blended ASP declined to Rs324/sqm...**



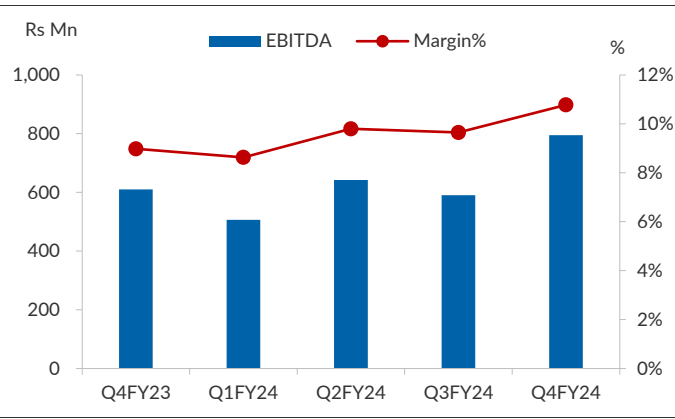
Source: Company, YES Sec

**Exhibit 7: Tile revenue increased by 5%YoY...**



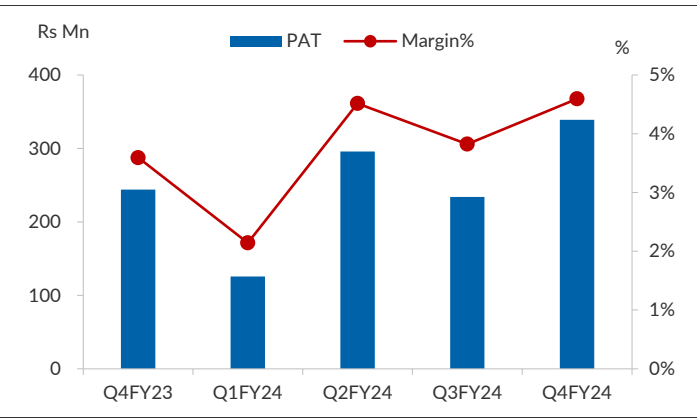
Source: Company, YES Sec

**Exhibit 8: Blended margin improved to 10.8%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs339Mn...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Sales	20,945	24,785	25,914	28,148	31,275
COGS	9,205	10,694	11,979	13,098	14,865
GP	11,740	14,091	13,934	15,050	16,410
GP%	56.1	56.9	53.8	53.5	52.5
Employee Cost	2,571	3,012	3,244	3,568	3,996
Power & Fuel	4,810	6,523	5,219	5,375	5,537
Other Cost	2,293	2,669	2,939	3,292	3,687
EBITDA	2,065	1,887	2,533	2,815	3,190
EBITDA%	9.9	7.6	9.8	10.0	10.2
Finance Cost	296	404	465	350	294
Depreciation	640	679	725	787	814
Other Income	134	145	106	135	152
PBT	1,264	950	1,449	1,813	2,234
Tax	329	259	434	453	559
PAT	934	669	994	1,360	1,676
PAT%	4.5	2.7	3.8	4.8	5.4
EPS	22.0	15.8	24.3	33.2	40.9

Source: Company, YES Sec

### Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	85	85	82	82	82
Reserves	7,178	7,785	7,119	8,397	9,991
Non-current Liab	2,828	3,027	3,086	2,809	2,532
ST Borrowings	3,366	3,033	1,494	1,271	1,048
Payables	2,255	3,777	5,593	2,827	3,208
Other current Liab	1,052	1,197	1,205	1,205	1,205
<b>Total Equity &amp; Liab</b>	<b>17,922</b>	<b>20,111</b>	<b>19,838</b>	<b>17,850</b>	<b>19,325</b>
Gross Block	9,436	12,660	14,488	14,988	15,488
Acc Dep	2,334	3,013	3,738	4,525	5,339
Net Block	7,102	9,647	10,750	10,463	10,149
CWIP	2,267	473	96	96	96
Other Noncurrent Assets	278	495	321	321	321
Inventory	2,737	3,915	3,466	1,752	1,988
Receivables	2,368	2,683	3,372	3,663	4,070
Cash & Bank	1,486	1,546	709	431	1,577
Other Current Assets	639	524	522	522	522
<b>Total Assets</b>	<b>17,922</b>	<b>20,111</b>	<b>19,838</b>	<b>17,850</b>	<b>19,325</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	1,264	929	1,428	1,813	2,234
Depreciation & Amortization	640	679	725	787	814
Finance cost	296	404	465	350	294
(Incr)/Decr in Working Capital	(19)	(9)	168	(134)	(26)
Taxes	(352)	(247)	(340)	(453)	(559)
Cash from ops.	1,567	1,646	3,934	1,154	2,521
(Incr)/ Decr in PP&E	(2,709)	(1,765)	(1,615)	(500)	(500)
Cash Flow from Investing	(2,553)	(909)	(1,229)	(500)	(500)
(Decr)/Incr in Borrowings	989	135	(1,563)	(500)	(500)
Finance cost	(312)	(385)	(470)	(350)	(294)
Cash Flow from Financing	499	(214)	(3,560)	(932)	(876)
Incr/(Decr) in cash	(487)	523	(855)	(278)	1,146
Cash and cash equivalents at beginning of year	1,426	937	1,447	709	431
Cash and cash equivalents at end of year	939	1,460	592	431	1,577

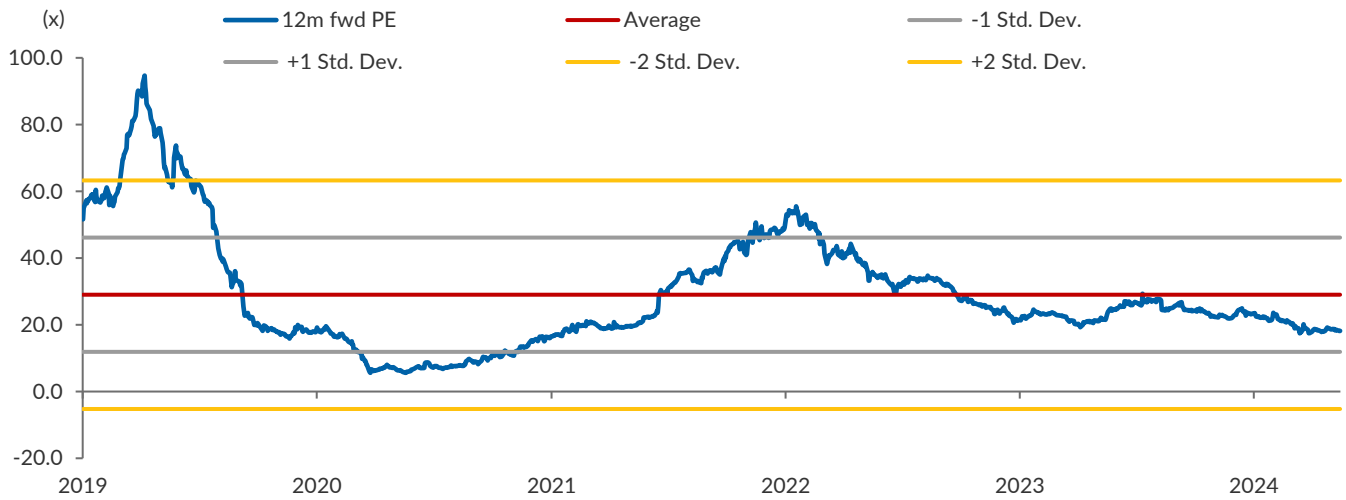
Source: Company, YES Sec

## Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Matrix (%)</b>					
Revenue growth	26.9	18.3	4.6	8.6	11.1
EBITDA growth	8.3	(8.6)	34.2	11.1	13.3
EBIT growth	9.7	(13.2)	41.3	13.0	16.9
PAT growth	52.4	(28.4)	48.6	36.8	23.2
<b>Profitability ratios (%)</b>					
GP margin	56.1	56.9	53.8	53.5	52.5
EBITDA margin	9.9	7.6	9.8	10.0	10.2
EBIT margin	7.4	5.5	7.4	7.7	8.1
PAT margin	4.5	2.7	3.8	4.8	5.4
RoCE	16.2	12.9	18.1	20.0	21.2
RoE	13.5	8.8	13.2	17.3	18.1
<b>Per share values</b>					
EPS	22.0	15.8	24.3	33.2	40.9
CEPS	37.1	31.7	41.9	52.4	60.7
BVPS	171.0	185.4	175.6	206.8	245.7
<b>Valuation ratios (x)</b>					
P/E	29.4	34.9	23.8	18.9	15.3
P/CEPS	3.8	3.0	3.3	3.0	2.5
P/B	15.1	14.1	10.4	10.0	8.3
EV/EBITDA	1.3	0.9	0.9	0.9	0.8
<b>Leverage ratios (x)</b>					
Debt/ Equity	0.7	0.6	0.5	0.3	0.2
Net debt/Equity	0.5	0.4	0.4	0.3	0.1
Net debt/EBITDA	1.8	1.8	1.0	0.9	0.2
Int coverage	5.3	3.4	4.1	6.2	8.6
<b>NWC days</b>					
Receivables	41	40	47	47	47
Inventory	48	58	49	49	49
Payables	39	56	79	79	79

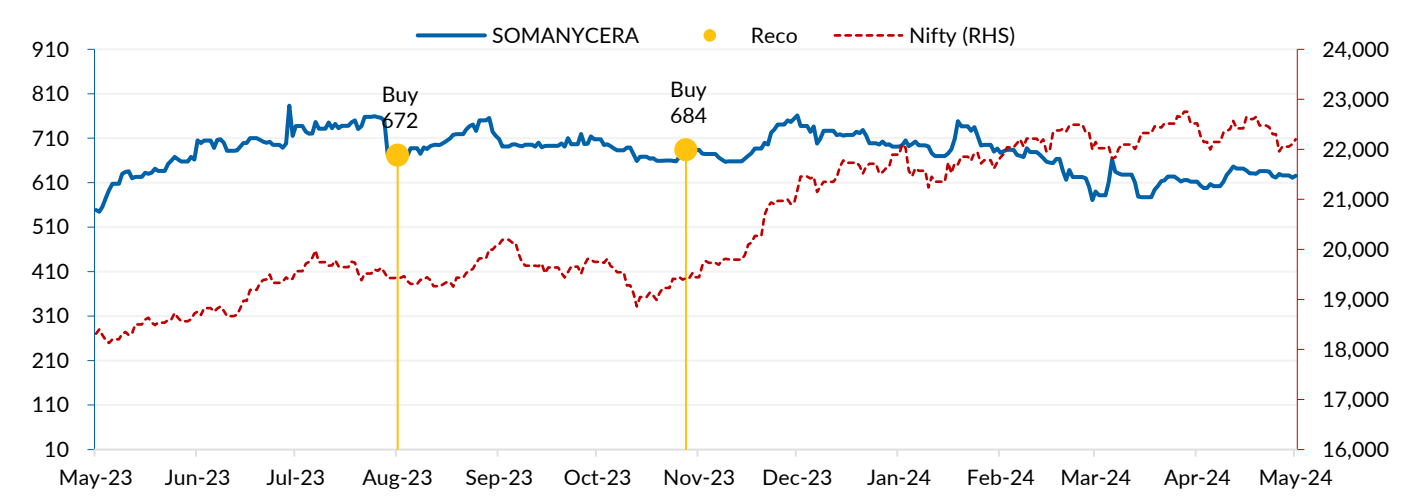
Source: Company, YES Sec

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



Source: Company, YES Sec

## Recommendation Tracker





## DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

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### YES Securities (India) Limited

**Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House,  
Off Western Express Highway, Santacruz East,  
Mumbai - 400 055, Maharashtra, India.

**Correspondence Address:** 7<sup>th</sup> Floor, Urmi Estate Tower A, Ganpatrao  
Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West),  
Mumbai - 400 013, Maharashtra, India.

✉ research@ysil.in | Website: www.yesinvest.in

**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single  
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Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL &  
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RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER:  
INA000007331 | Sponsor and Investment Manager to YSL Alternates  
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AMFI ARN Code - 94338.

**Details of Compliance Officer:** Name: Aditya Goenka,  
**Email id:** compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

**Grievances Redressal Cell:** customer.service@ysil.in/igc@ysil.in

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