

IPO Note

21st September 2026

Company Overview

Varmora Granito is an established Indian tiles manufacturer with a diversified portfolio comprising glazed vitrified tiles (GVT), polished vitrified tiles (PVT), ceramic tiles and other premium, technology-led products. The company has consistently focused on innovation and premiumization, including the commercialization of Integrated Stone Technology (IST) in 2024 through a technology partnership with SACMI Imola S.C., an Italian tile equipment provider. GVT and technical products accounted for 84.2% of tile revenue in FY26, up from 75.4% in FY24, supporting an improvement in gross margin from 35.3% in FY24 to 37.9% in FY26. The company manufactured 81.7% of its revenue-generating products in-house in FY26 and operates eight manufacturing facilities in the Morbi cluster of Gujarat, providing greater control over product quality, technology and costs. Varmora has also built a strong multi-channel distribution network, comprising 305 exclusive brand outlets and 2,758 multi-brand outlets across India and outside India as of March 31, 2026. Its B2B network includes builders, contractors, developers and government institutions. The company supports its brand through ATL and BTL advertising, digital marketing, product launches, exhibitions and an influencer network of architects, builders and contractors. Its business is well positioned to benefit from the premiumization of the Indian tiles industry, with GVT's share of industry revenue expected to increase from 36.5% in FY26 to 45.5% by FY30. Given GVT's higher realizations compared with ceramic and PVT tiles, the company's increasing premium product mix provides scope for further improvement in realizations and margins.

Objects of the issue

The IPO consists of a fresh issue of Rs. 320 crores and an offer for sale of 388 crores.

The company proposes to utilize the proceeds from the issue towards the following objects:

- ⇒ Repayment/ pre-payment, in full or in part, of all or certain outstanding borrowings and accrued interest thereon availed by: (a) the company; and (b) The wholly-owned subsidiaries namely Covertek Ceramica Private Limited and Varmora Sanitarywares Private Limited (formerly, Varmora Sanitarywares LLP), through investment in such subsidiaries; and
- ⇒ General corporate purposes.

Investment Rationale

Well positioned to capitalize on structural growth and premiumization in the tiles industry

The Indian tiles industry offers a significant long-term growth opportunity, supported by low per-capita consumption, rising disposable incomes, increasing real estate development and the growing preference for tiles over alternatives such as natural stone. India's per-capita tile consumption stood at 0.8 sq. metre in FY24, significantly below Brazil at 3.4 sq. metres and China at 4.0 sq. metres, and is expected to increase to 1.0 sq. metre by FY30. The industry is also witnessing a structural shift towards organized and branded manufacturers, with the organized segment's share increasing from 40% in FY19 to 47% in FY26 and expected to reach 56% by FY30. Against this backdrop, the company is well positioned to benefit from industry formalization and premiumization through its diversified product portfolio, focus on premium products such as GVT, continued product innovation, advanced manufacturing capabilities and pan-India distribution network. Its revenue from operations grew from Rs. 1,435.5 crores in FY24 to Rs. 1,512.5 crores in FY26, representing a CAGR of 2.7%. The combination of increasing tile penetration, rising preference for premium and branded products, and the company's established market presence provides a platform for sustained growth as the organized tile industry expands.

Premium product mix and strong focus on GVT to drive realization and margins

The company has built a diversified and increasingly premium product portfolio comprising over 3,500 tile SKUs as of March 31, 2026, including GVT and technical products, PVT and ceramic tiles, with total SKUs increasing from 4,009 in FY24 to 4,289 in FY26. Its focus remains on differentiated,

Issue Details

Offer Period	22nd Sept. 2026 - 24th Sept. 2026
Price Band	Rs. 140 to Rs. 148
Bid Lot	101
Listing	BSE & NSE
Issue Size (no. of shares in Crores)	4.8
Issue Size	708
Face Value	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	JM Financial Ltd., Goldman Sachs (India) Securities Pvt. Ltd., SBI Capital Markets Ltd.
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Registrar	Kfin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	52.0%	46.6%
Public	48.0%	53.4%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

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Varmora Granito Ltd.

high-quality products, including marble-like products developed using Integrated Stone Technology (IST) and 20 different surface types catering to varied applications. The company has strategically prioritized GVT and technical products, which contributed 84.2% of tile revenue in FY26, up from 75.4% in FY24, while 100% of revenue from new product launches during FY24-FY26 came from these categories. GVT offers superior aesthetics, durability, stain resistance, low water absorption and design flexibility, while commanding a 15-30% higher realization than ceramic and PVT tiles. Industry adoption of GVT has also increased, with its share of the Indian tiles market rising from 28.5% in FY19 to 36.5% in FY26 and expected to reach 45.5% by FY30. Notably, all capacity expansions and enhancements undertaken since 2011 have been focused on strengthening the company's GVT offering. This premiumization strategy has supported an improvement in gross margin from 35.3% in FY24 to 37.9% in FY26, while tile realization remained broadly healthy at Rs. 352.3 in FY26.

Valuation

Varmora Granito Limited is a leading Indian manufacturer and distributor of comprehensive building interior and surfacing solutions, specializing in glazed vitrified tiles (GVT), polished vitrified tiles (PVT), ceramic tiles, bathware, and adhesives. The company operates eight in-house manufacturing units strategically clustered in Morbi, Gujarat, complemented by an extensive multi-channel distribution reach comprising 305 Exclusive Brand Outlets (EBOs), 2,758 Multi-Brand Outlets (MBOs), direct institutional builder partnerships, and an export footprint spanning over 100 countries. The Indian ceramic tiles and bathware industry is experiencing sustained formalization and structural growth, propelled by rapid urbanization, expanding residential real estate launches, shorter home-renovation cycles, and government-backed infrastructure outlays. Consumer preferences are increasingly shifting toward premium, large-format glazed vitrified surfaces and integrated bathroom concepts, providing branded players with superior pricing resilience and operating margins. The broader sector also benefits from India's global cost competitiveness, which continues to unlock multi-year export expansion across Middle Eastern, European, and American markets. The company has maintained steady financial progress between FY24 and FY26, with revenue from operations growing from Rs. 1,435.5 crores in FY24 to Rs. 1,446.0 crores in FY25 and Rs. 1,512.5 crores in FY26. Operating profitability demonstrated healthy operating leverage on the back of an enriching product mix where high-margin GVT and technical surfaces rose to 74.0% of operational revenue as EBITDA expanded at a CAGR of 23.1% from Rs. 113.2 crores (7.9% margin) in FY24 to Rs. 151.7 crores (10.5% margin) in FY25 and Rs. 171.5 crores (11.3% margin) in FY26. Profit Before Tax advanced from Rs. 63.0 crores in FY24 to Rs. 76.6 crores in FY26, while net profit grew to Rs. 55.0 crores in FY26, supporting a strengthening balance sheet with net worth expanding to Rs. 810.2 crores. **On the valuation front, based on FY26 diluted EPS of Rs. 3.1, the company commands a P/E multiple of approximately 48.5x, moderating meaningfully from 67.6x in FY24 and 85.1x in FY25 as earnings rebounded and operational scale took effect. In addition, the planned Rs. 320 crores fresh issue earmarked primarily for debt pre-payment is poised to significantly pare down financing costs, accelerate return ratios, and de-risk the balance sheet. While input fuel price volatility, regional production concentration in Morbi, and working capital cycles remain essential monitorables, the medium to long term outlook stays robust given the structural housing tailwinds and continuous product premiumization. We, thus, recommend a "SUBSCRIBE" rating for this issue.**

Key Risks:

- ⇒ A significant 81.7% of the company's revenue from operations in FY26 was generated from products manufactured in-house. Any disruption, shutdown, operational issue or delay at its manufacturing facilities, particularly dedicated facilities for specific products, could adversely impact production, supply, revenues and profitability.
- ⇒ The company derived a substantial 73.9% of its total revenue from GVT and technical products in FY26. Any slowdown in demand, adverse changes in consumer preferences or increased competition in these segments could negatively impact the company's revenue, profitability and overall financial performance.

Income Statement (Rs. in Crores)

Particulars	FY24	FY25	FY26
Revenue			
Revenue from operations	1,435	1,446	1,512
Total revenue	1,435	1,446	1,512
Expenses			
Cost of material consumed	310	406	384
Purchase of stock in trade	363	231	213
Change in inventories of finished goods, work in progress and stock-in-trade	(4)	(91)	44
Employee benefit expenses	98	109	112
Other expenses	556	639	588
Total operating expenses	1,322	1,294	1,341
EBITDA	113	152	171
Depreciation & amortization expenses	62	119	106
EBIT	52	32	66
Finance costs	29	42	39
Other Income	37	47	50
Profit before share of profit of JV, exceptional items and income tax	60	36	76
Share of profit of associates and joint venture, net of tax	3	1	1
Exceptional items	0	0	1
Profit Before Tax	63	38	77
Total Tax	18	7	22
Net Profit	45	31	55
Diluted EPS	2.2	1.7	3.1

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in Crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	88	63	234
Cash flow from/(used in) investing activities	337	(120)	(46)
Net cash flows (used in) / from financing activities	115	47	(188)
Net increase/(decrease) in cash and cash equivalents	(133)	(10)	(0)
Cash and cash equivalents at the beginning of the period	225	92	82
Cash and cash equivalents at the end of the period	92	82	82

Source: RHP, BP Equities Research

Balance Sheet (Rs. in Crores)

Particulars	FY24	FY25	FY26
ASSETS			
Non-current assets			
(a) Property, Plant and Equipment	688	646	561
(b) Capital work in progress	3	10	27
(c) Right of use assets	16	15	16
(d) Goodwill	33	33	33
(e) Other Intangible assets	16	12	7
(f) Financial Assets			
Investments	32	34	53
Other financial assets	6	3	5
(g) Deferred Tax Assets (net)	9	5	4
(h) Tax assets (net)	0	1	1
Other non-current assets	7	3	5
Total Non-Current Assets	808	761	713
Current assets			
Inventories	190	286	248
Financial Assets			
Trade receivables	333	382	383
Cash and cash equivalents	92	82	82
Other balances with banks	6	33	33
Loans	9	10	12
Other Financial Assets	8	8	9
Other current assets	28	28	30
Total Current Assets	668	829	797
Total Assets	1,476	1,590	1,510
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	40	40	40
(b) Investment entirely equity in nature	18	0	0
(c) Other Equity	630	692	766
(d) Non controlling interest	16	11	4
Total Equity	703	743	810
Liabilities			
Non Current Liabilities			
(a) Financial liabilities			
Borrowings	262	221	171
Lease Liabilities	14	14	18
Other financial liability	1	0	0
Provision	4	5	6
Deferred tax liabilities	22	15	12
Other non current liabilities	43	35	16
Total Non Current Liabilities	347	291	223
Current liabilities			
(a) Financial liabilities			
Borrowings	151	284	187
Lease Liabilities	2	2	2
Trade Payables	193	210	221
Other financial liabilities	63	41	31
Contract Liabilities	11	8	10
Provision	0	0	0
Current Tax liabilities	2	0	8
Other current liabilities	4	11	18
Total Current Liabilities	426	556	477
Total Liabilities	1,476	1,590	1,510

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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