IPO REVIEW

Varmora Granito IPO

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- The company is one of the leading variety of tiles having diverse range and has premiumise its products under a well-known brand “Varmora”.
- The company has well diversified product range and a largest marketing network.
- It marked marginal growth in its top lines, and suffered a setback in bottom line for FY25
- Based on its recent average financial data, the issue appears exorbitantly priced.
- Only well-informed/cash surplus investors may park moderate funds for long term.

About the Company

Varmora Granito Ltd. (VGL) offers a diverse range of products comprising tiles, including glazed vitrified tiles (“GVT”), polished vitrified tiles (“PVT”) and ceramic tiles. It has consistently leveraged technology to pioneer design and quality advancements in the industry. For instance, it has commercialized integrated stone technology (“IST”) in 2024, with a technology partnership with SACMI Imola S.C. (“SACMI”), an Italian tile equipment provider.

According to the Technopak Report, the Indian domestic tiles market has witnessed significant growth over the past years. Valued at approximately Rs. 360.0 billion in Fiscal 2019, the Indian domestic tiles market expanded to Rs. 531.0 billion by Fiscal 2025, growing at a CAGR of 6.7% (Source: Technopak Report). The Indian domestic tiles market is further expected to grow to Rs. 765.2 billion by Fiscal 2030, representing a CAGR of 8.4% from Fiscals 2026 to 2030 (Source: Technopak Report).

Premiumization within the Indian tiles industry is evident - in Fiscal 2026, GVT accounted for 36.5% of the tile industry revenue in India and is expected to reach 45.5% by Fiscal 2030 and its market by value grew the fastest at a CAGR of 10.7% between Fiscals 2019 and 2025 as compared to ceramic tiles and PVT that have grown at a CAGR of 5.6% and 4.0%, respectively, during the same period (Source: Technopak Report). Moreover, GVT also has a 15-30% higher realization than ceramic and PVT tiles and changing product mix in favour of GVT is helping manufacturers improve their realization and gross margins (Source: Technopak Report).

VGL’s diverse product offerings comprise a wide range of high-quality, durable and aesthetic tiles. Its primary focus is on selling premium products such as GVT and technical products which represented 84.19%, 78.71% and 75.37% of its revenue from operations from tiles in Fiscals 2026, 2025 and 2024, respectively. This underscores its focus on developing and selling premium products. This has also driven an improvement in its Gross Margin from 35.26% in Fiscal 2024 to 37.92% in Fiscal 2026.

To sustain leadership in innovation and to maintain control over product quality and costs efficiency, 81.72% of VGL's revenue from operations was generated from products manufactured in-house in Fiscal 2026. As of date of this Red Herring Prospectus, it has eight strategically located manufacturing facilities (operated through the Company and Subsidiaries) in the Morbi cluster in Gujarat.

In addition to product innovation and premiumization, it has established a deep retail distribution footprint, particularly in India. The company sells products through a multi-channel distribution network comprising business-to-consumer ("B2C") retail channels, which includes 305 exclusive brand outlets ("EBOs") and 2758 multi brand outlets ("MBOs") (collectively, referred to as "Dealers") spread across India and outside India, as of March 31, 2026, and business-to-business ("B2B") channels, various builders, contractors, developers and government empanelment.

VGL's branding and marketing efforts emphasize the advanced specifications, aesthetics, functional attributes and technology that is used in the manufacturing of its products. The company undertakes various above-the-line ("ATL") and below-the-line ("BTL") advertisement and digital marketing campaigns across diverse channels (including social media, news channels, cinema, TV platforms and outdoor advertisement) to enhance brand awareness. It also bolsters sales and brand recognition by hosting product launch events, collaborations with recognised builder networks (such as Confederation of Real Estate Developers' Associations of India ("CREDAI")) and hosting stalls at exhibitions as well as by establishing an influencer network comprising architects, builders and contractors ("ABCs"). It believes the quality, range and functional attributes of products remain the biggest endorsement for its brand. As of March 31, 2026, it had 1153 employees on its payroll and additional 1575 contractual workers in various departments.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO worth Rs. 708.02 cr. (of approx. 47839256 equity shares at the upper cap). The IPO consists of fresh equity shares worth Rs. 320 cr. (approx. 21621622 equity shares at the upper cap) and an Offer for Sale (OFS) of 26217634 equity shares (worth Rs. 388.02 cr. at the upper cap). The company has announced a price band of Rs. 140 – Rs. 148 per equity shares of Rs. 2 each. The issue opens for subscription on September 22, 2026, and will close on September 24, 2026. The minimum application to be made is for 101 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 23.11% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 245.00 cr. for repayment/prepayment of certain borrowings of the group companies, and the rest for general corporate purposes.

The three joint Book Running Lead Managers (BRLMs) to this issue are JM Financial Ltd., Goldman Sachs (India) Securities Pvt. Ltd., SBI Capital Markets Ltd., while KFin Technologies Ltd. is the registrar to the issue. JM Financial Services Ltd., SBICAP Securities Ltd., Investec Capital Services (India) Pvt. Ltd. are syndicate members.

After issuing entire equity shares at par value, the company has issued/converted further equity shares in the price range of Rs. 4.00 – Rs. 293.42 per share (based on Rs. 2 FV) between February 2013, and September 2026. It has also issued bonus shares in the ratio of 4 for 1 in August 2023.The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. 2.45, Rs. 3.01, Rs. 4.36, and Rs. 74.82 per share.

Post-IPO, its current paid-up equity capital of Rs. 40.88 cr. (204390203 equity shares) will stand enhanced to Rs. 41.40 cr. (207011825 equity shares). Based on the upper cap of the price band, the company is looking for a market cap of Rs. 3063.78 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 1472.58 cr. / Rs. 44.94 cr. (FY24), Rs. 1492.68 cr. / Rs. 30.99 cr. (FY25), and Rs. 1562.53 cr. / Rs. 55.09 cr. (FY26). Thus, it marked steady growth in its top and bottom lines for the reported periods. Its contingent liabilities stood at Rs. 11.48 cr. as of March 31, 2026.

For the last three fiscals, the company has posted an average EPS of Rs. 2.49 (basic) and an average RoNW of 6.61%. The issue is priced at a P/BV of 3.74 based on its NAV of Rs. 39.52 as of March 31, 2026, and at a P/BV of 2.99 based on its post-IPO NAV of Rs. 49.42 per share at the upper cap.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 55.64. Based on FY25 earnings, the P/E stands at 99.33. The issue appears exorbitantly priced based on its recent average performance.

For the reported periods, the company has reported PAT Margins of 3.05% (FY24), 2.06% (FY25), 3.53% (FY26), and RoCE margins of 7.95%, 6.32%, 9.89%, respectively, for the referred periods.

Dividend Policy

The company has not declared any dividends for the reported periods of the offer document. It has already adopted a dividend policy in April 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Kajaria Ceramics, Asian Granito, Orient Bell, as its listed peers. They are currently trading at a P/E of 32.9, 116.0, and 27.5 (as of September 18, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

The three BRLMs associated with this issue has handled 80 IPOs in the last three fiscals and out of which 25 IPOs closed below the issue price on listing date.

Conclusion / Investment Strategy

VGL is one of the leading variety of tiles having diverse range and has premiumise its products under a well-known brand “Varmora”. The company has well diversified product range and a largest marketing network. It marked marginal growth in its top lines, and suffered a setback in bottom line for FY25. Based on its recent average financial data, the issue appears exorbitantly priced. Only well-informed/cash surplus investors may park moderate funds for long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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