

Varmora Granito

Playing on premiumization strategy

Summary

Incorporated in November 2003 and headquartered at Morbi, Gujarat, Varmora Granito Limited is among the top four players in the Indian tiles market by FY26 revenue as per the Technopak Report, with a 6.6% share of the Indian GVT market. It sells glazed vitrified tiles (GVT) and technical products, polished vitrified tiles, ceramic tiles, bathware and adhesives through 305 exclusive brand outlets and 2,758 multi-brand outlets across 988 cities, and exports to over 100 countries. Eight Morbi facilities carry tiles capacity of 43.80 Mn sqm, and a 50% joint venture, Allembly, started a 6.40Mn sqm GVT plant at Tezpur, Assam in July 2026. In FY26, revenue rose 4.59% YoY to Rs15,125Mn, GVT and technical products reached 84.19% of tile revenue, PAT rose 79.03% YoY to Rs551Mn. On upper price band of IPO, the stock is valued at 60x PER on FY26 EPS of Rs2.5 (on diluted equity). The current valuation assigned is premium to its listed peers viz Kajaria and Somany Ceramics.

Key Investment Rationale

- **Among the top four Indian tile players with the best GVT mix:** As per Technopak the Company is among the top four by FY26 revenue with a 6.6% share of the Indian GVT market, and GVT and technical products are 84.19% of tile revenue against 42.0% at Orient Bell and 34.1% at Somany. GVT is forecasted to grow at 14.5% CAGR over FY26-30 to 45.5% of industry value.
- **Structural formalisation and premiumisation:** Technopak forecasts the tiles market to reach Rs 765.2 Bn by FY30 (8.4% CAGR from FY26), the organised share to rise from 47% to 56%, EBO channel share from 6.5% to 8.4% and per capita consumption from 0.8 sqm to 1.0 sqm against 4.0 sqm in China.
- **Asset-light route into the fastest growing region:** The 50% Allembly joint venture put a 6.40 Mn sqm GVT plant into Tezpur in July 2026 for Rs250Mn of equity plus an 8% trademark royalty, against East India tile demand forecast to grow at 9.6% CAGR to Rs107.1Bn by FY30.

Issuer	Varmora Granito Ltd
Transaction Type	Fresh Issue of 2,16,21,621 Equity shares aggregating upto Rs. 3,200 Mn along with Offer for Sale of Rs 3,880 Mn
Issue Open / Close	22-Sep-2026 / 24-Sep-2026
Type of Offering	Fresh Issue + Offer for Sale
Total Offer Size	Rs. 7,080 Mn
Price Band	Rs. 140-148/Sh
Bid Lot	101 Equity Shares and in multiples thereafter
Percentage of Offer Size (Allocation)	- QIB: 50% - NII: 15% - Retail: 35%
Objective	Repayment/ pre-payment, in full or in part, of all or certain outstanding borrowings and accrued interest thereon availed by Covertek Ceramica Pvt.Ltd. and Varmora Sanitarywares Pvt. Ltd, and of the subsidiary, Simola Tiles LLP, through investment in such Subsidiaries

Share holding pattern (%)

	Pre-Issue	Post-Issue
Promoter	52%	47%
Public	48%	53%
Total	100%	100%

Financial Snapshot

(Rs mn)	FY24	FY25	FY26
Revenue	14,355	14,460	15,125
Change yoy, %	8	1	5
EBITDA	1,132	1,516	1,715
EBITDA Margin (%)	7.9	10.5	11.3
Adj. PAT	449	308	559
EPS (Rs)	2.2	1.5	2.7
PE(x)	67	98	54

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About the Company

Varmora Granito Limited was incorporated as a private limited company in Gujarat on November 18, 2003, converted to a public limited company on May 14, 2025, and is promoted by Bhavesh Vallabhdas Varmora (Chairman and Managing Director), Hiren R Varmora and Pramodkumar Parsotambhai Patel, each associated with the Company since 2003. Five erstwhile subsidiaries were amalgamated into the Company with effect from April 1, 2023. Two subsidiaries remain, Covertex Ceramica Private Limited and Varmora Sanitarywares Private Limited, both wholly owned. Simola Tiles LLP, acquired in FY23, was divested entirely on September 5, 2026 and is no longer a subsidiary. Allembly Ceramics Private Limited, in which the Company has invested Rs 250.00 Mn for a 50% stake, is a joint venture, alongside Aavala Granito and Renite Vitrified; Fiorenza Granito and Sentosa Granito are associates.

The strategic choice that defines the business is product mix. Rather than compete on volume in ceramic and PVT, where realisations are lower and Morbi supply is fragmented, Varmora has directed every capacity addition since 2011 into GVT and, from 2024, into integrated stone technology (IST), which it was the first in Asia to commercialise under a technology partnership with SACMI Imola S.C. of Italy. GVT and technical products were 84.19% of tile revenue and 73.98% of total revenue in FY26, and 100% of new launches in each of the last three fiscals. High-volume, low-complexity ceramic and PVT tiles are sourced from 304 third-party contract manufacturers, all in Morbi, whose share of revenue has fallen from 32.19% in FY24 to 17.60% in FY26. Per Technopak, the Company held approximately 6.6% of the Indian GVT tiles market by revenue in FY26.

Product Portfolio

The portfolio spans 4,289 tile SKUs as of March 31, 2026 (4,177 in FY25, 4,009 in FY24) across 20 surface types, of which over 3,500 are the core tile range including GVT and technical products, PVT and ceramic; over 50 SKUs are IST. Bathware comprises over 400 faucet and fitting SKUs and over 600 sanitaryware SKUs; adhesives are bought in from third parties and sold as an ancillary. Between April 1, 2023 and March 31, 2026 the Company launched over 2,900 new tile SKUs and eight new surface finishes. A dedicated R&D team of 17 and a design team of 20 support launches. Machinery is imported from Italy and all facilities are ISO certified, with 16.22 MW of captive renewable capacity (8.10 MW wind, 8.12 MW solar) covering 32.84% of FY26 electricity consumption.

Exhibit 1: Revenue by Product Category (Rs mn)

Product Category	FY26	% Rev	FY25	% Rev	FY24	% Rev
GVT and technical products	11,189.80	73.98	10,058.44	69.56	9,408.85	65.54
PVT	1,287.92	8.52	1,560.40	10.79	1,820.28	12.68
Ceramics	812.86	5.37	1,160.50	8.03	1,254.86	8.74
Total - Tiles	13,290.58	87.87	12,779.34	88.38	12,483.99	86.96
Bathware	1,387.97	9.18	1,287.55	8.90	1,432.83	9.98
Adhesive	227.32	1.50	209.27	1.45	203.81	1.42
Others	218.77	1.45	184.13	1.27	234.18	1.63
Revenue from operations	15,124.64	100.00	14,460.29	100.00	14,354.81	100.00

Source: RHP, IDBI Capital.

The FY26 mix shift is the whole story of the year. GVT and technical products grew 11.25% to Rs 11,189.80 Mn while PVT fell 17.46% and ceramics 29.96%, so tiles grew 4.00% and total revenue 4.59%. Tile volume was essentially flat at 38.34 Mn sqm against 38.10 Mn sqm, so all of the growth came from realisation, which recovered to Rs 352.26 per sqm from Rs 340.38 in FY25, and from bathware, up 7.80% to Rs 1,387.97 Mn after a weak FY25.

Exhibit 2: Revenue by Channel and Geography (Rs mn)

Particulars	FY26	% Rev	FY25	% Rev	FY24	% Rev
India: EBO	2,822.56	18.66	2,631.22	18.20	2,269.03	15.81
India: MBO	7,360.72	48.67	7,130.94	49.31	6,841.77	47.66
Total domestic tiles	10,183.28	67.33	9,762.16	67.51	9,110.80	63.47
Bathware	1,387.97	9.18	1,287.55	8.90	1,432.83	9.98
Adhesives	227.32	1.50	209.27	1.45	203.81	1.42
Others	218.77	1.45	184.13	1.27	234.18	1.63
Exports: tiles	3,107.30	20.54	3,017.18	20.87	3,373.19	23.50
Revenue from operations	15,124.64	100.00	14,460.29	100.00	14,354.81	100.00

Source: RHP, IDBI Capital.

Exhibit 3: Domestic Sales by B2C and B2B Channel, and by City Tier (Rs mn)

Particulars	FY26	% Dom.	FY25	% Dom.	FY24	% Dom.
B2C (EBOs and MBOs)	7,915.59	66.80	7,767.33	68.82	8,204.69	75.96
B2B (builders, contractors, government)	3,934.47	33.20	3,519.02	31.18	2,595.99	24.04
Total domestic sales	11,850.06	100.00	11,286.35	100.00	10,800.68	100.00
Metro (% of revenue from operations)	967.46	6.40	924.98	6.40	907.71	6.32
Tier I (% of revenue from operations)	2,267.90	14.99	1,793.86	12.41	1,530.31	10.66
Tier II (% of revenue from operations)	8,614.70	56.96	8,520.80	58.93	8,272.06	57.63

Source: RHP, IDBI Capital

B2C share of domestic sales has fallen for a second year, from 75.96% in FY24 to 66.80% in FY26, while B2B grew 51.56% over two years to Rs 3,934 Mn.

Manufacturing Infrastructure and Capacity

Eight manufacturing facilities operate in the Morbi cluster, which per Technopak accounts for 90% of India's tile production. Installed tiles capacity was unchanged at 43.80 Mn sqm in FY26, but utilisation fell from 78.20% to 72.49% and production from 34.25 Mn sqm to 31.75 Mn sqm, reflecting the gas supply disruption in the fourth quarter and a deliberate shift away from outsourced low-complexity volume. Capex fell sharply to Rs 337.60 Mn (2.23% of revenue) from Rs 1,116.69 Mn, so the FY24 investment cycle is now complete and cash generative. Kilns run on both natural gas and propane, giving fuel flexibility; power and fuel was 21.06% of total income in FY26, down from 24.46%.

Exhibit 4: Tiles Installed Capacity and Utilisation by Facility (Mn sqm)

Facility (year est.)	Cap. FY26	Prod. FY26	Util. FY26 (%)	Util. FY25 (%)	Util. FY24 (%)
Varmora Unit Nextile (2017)	5.50	3.46	62.90	62.00	56.72
Varmora Unit Solaris (2009)	5.10	3.13	61.37	105.49	89.41
Varmora Unit Tocco (2011)	4.84	3.02	62.40	79.55	72.93
Varmora Unit 2, IST (2024)	3.96	2.32	58.59	60.60	-
Varmora Unit 3 (2024)	13.80	11.97	86.74	87.25	55.15
Covertex Ceramica (2020)	6.01	5.26	87.52	69.22	102.66
Simola Tiles LLP (2016), divested Sep-26	4.56	2.59	56.80	65.35	50.21
Varmora Unit Nokia (2008), dismantled Apr-24	-	-	-	47.12	46.56
Unit Varmora (2003), dismantled Mar-24	-	-	-	-	71.50
Total tiles	43.80	31.75	72.49	78.20	71.86

Source: RHP, IDBI Capital

Exhibit 5: Bathware and Ceramic Clay Capacity

Facility	Unit	Cap.	Prod. FY26	Util. FY26 (%)	Util. FY25 (%)	Util. FY24 (%)
Varmora Unit Conffi Sanitarywares (2014)	'000 pieces	858.60	571.70	66.59	86.69	88.02
Varmora Sanitarywares Pvt Ltd, ceramic clay (2022)	'000 MT	118.80	81.08	68.25	68.01	64.18

Source: RHP, IDBI Capital. Ceramic clay is an intermediate supplied to Unit Nextile.

Industry Overview

Competitive Position

The Company competes with large organised branded players (Kajaria, Somany, Asian Granito, Orient Bell, Simpolo, H&R Johnson) and with a long tail of unbranded Morbi manufacturers supplying the wholesale and project channels. Within that set Varmora is third largest by FY26 revenue behind Kajaria and Somany, has the highest GVT mix, the second highest gross margin and EBITDA margin behind Kajaria, the highest cumulative capex intensity over FY23-26, the second highest B2C share and the longest net working capital cycle.

Exhibit 7: Addressable Market Size and Growth

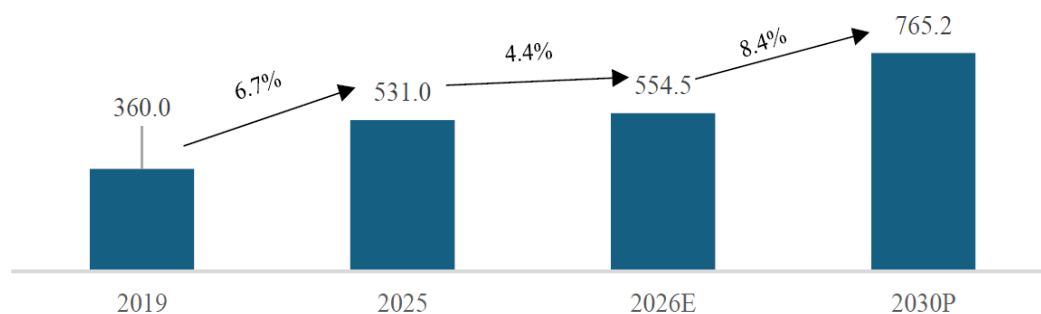
Market	FY26E	FY30E	CAGR FY26-30 (%)
India tiles market (wall and floor), by value	Rs 554.5bn	Rs 765.2bn	8.4
India tiles market, by volume (Mn sq ft)	12,556	15,852	6.0
GVT sub-segment (share of tiles by value)	36.5%	45.5%	14.5
India sanitary and bathware market	Rs 357.0bn	Rs 522.0bn	10.0
India natural stone market (IST addressable)	Rs 423.4bn	Rs 534.5bn	6.0
India construction industry (USD bn)	858.8	1,253.0	9.9
East India tiles market	Rs 74.3bn	Rs 107.1bn	9.6
North India tiles market	Rs 174.4bn	Rs 241.0bn	8.4

Source: Technopak Report as cited in the RHP, IDBI Capital.

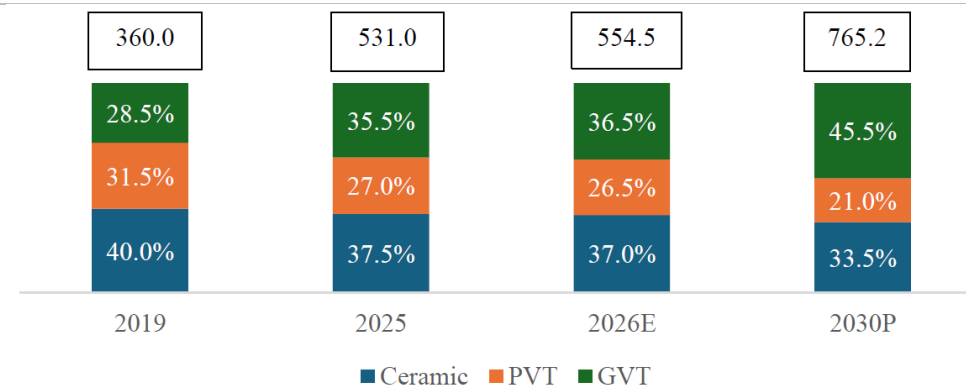
Exhibit 8: Operational Benchmarking of Selected Listed Peers (FY26)

Company	Rev. (Rs mn)	Plants	Tiles cap. (Mn sqm)	Cap. added 2016-26	Outsourced (%)	GVT % of tiles	EBOs	Dealers	B2C (%)
Varmora Granito	15,125	12	70.2	43.8	17.6	84.2	305	3,063	66.8
Asian Granito	18,581	14	54.5	18.0	13.3	51.0*	277+	2,700	60.0
Kajaria Ceramics	48,304	9	87.8	19.2	21.8	37.0*	430	1,800+	70.0
Orient Bell	6,915	5	42.4	18.4	34.5	42.0	381	2,000+	NA
Somany Ceramics	27,898	9	75.0	14.8	NA	34.1	533	3,061	83.0

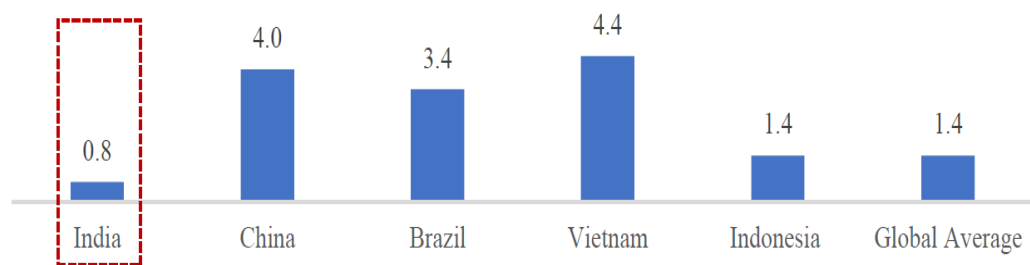
Source: Technopak Report as cited in the RHP

Exhibit 9: Indian Tiles Market Size by Value (in INR Billion)

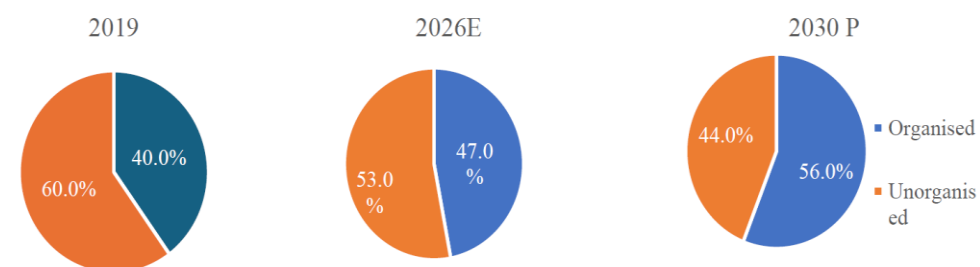
Source: Technopak Report as cited in the RHP

Exhibit 10: Ceramic, PVT, GVT Mix over the years by Value (FY) (Market Size in INR billion)

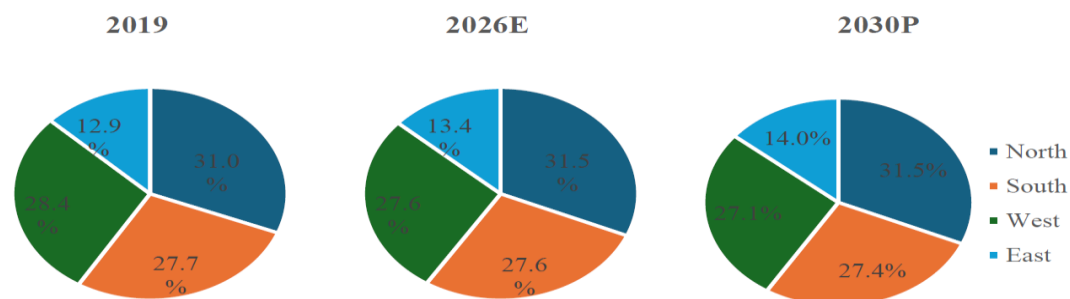
Source: Technopak Report as cited in the RHP

Exhibit 11: Per Capita Consumption of Tiles in India vs Other Key Economies (Sq. M) (CY2023)

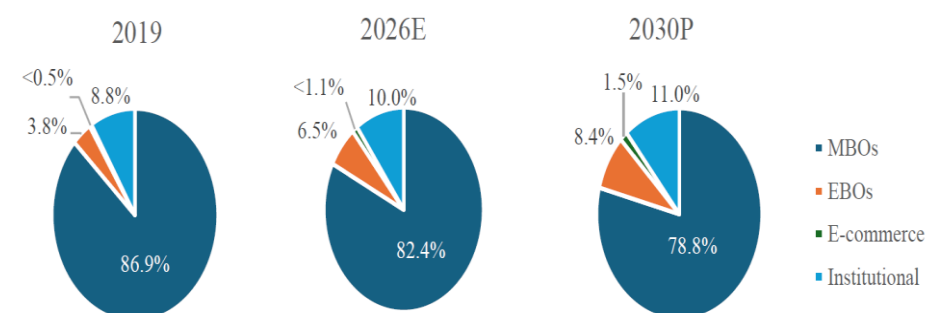
Source: Technopak Report as cited in the RHP

Exhibit 12: Ceramic, PVT, GVT Mix over the years by Value (FY) (Market Size in INR billion)

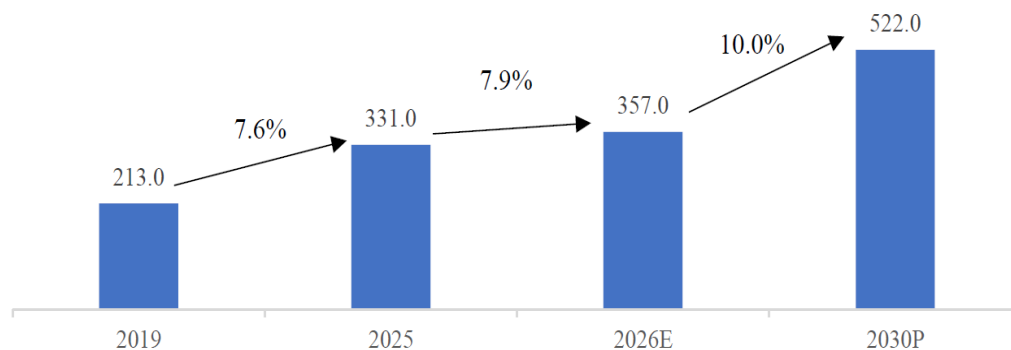
Source: Technopak Report as cited in the RHP

Exhibit 13: Indian Tiles Market Regional Split by Value (FY)

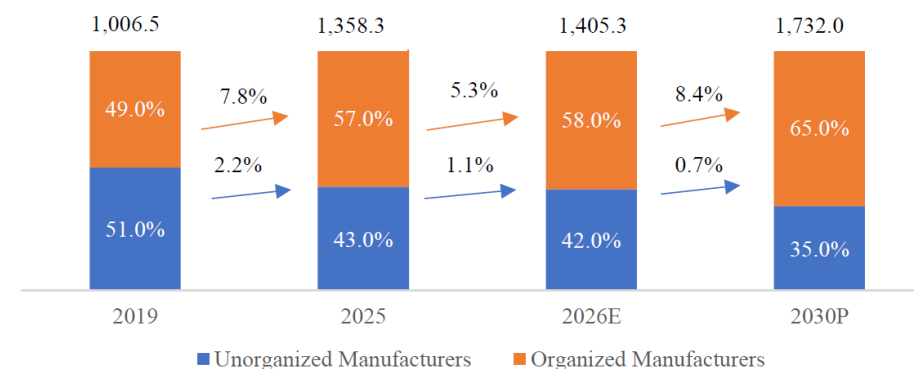
Source: Technopak Report as cited in the RHP

Exhibit 14: Sales Channel Segmentation for Tiles Industry (FY)

Source: Technopak Report as cited in the RHP

Exhibit 15: Indian Sanitary and Bathware Market Size (in INR billion) (FY)

Source: Technopak Report as cited in the RHP

Exhibit 16: Share of Organised/Unorganised Manufacturers in the Indian Flooring Market (FY)

Source: Technopak Report as cited in the RHP

Key Strengths

- **Premiumisation and the GVT shift:** GVT rose from 28.5% of Indian tile industry value in FY19 to 36.5% in FY26 and is forecast at 45.5% by FY30, growing at 14.5% CAGR against 5.7% for ceramic and 2.3% for PVT. GVT realisations are 15-30% above ceramic and PVT.
- **Low per capita consumption:** India consumes 0.8 sqm per capita against 4.0 sqm in China, 3.4 sqm in Brazil and a 1.4 sqm global average; Technopak expects 1.0 sqm by FY30 on real estate development, substitution of natural stone and new use cases such as facades and kitchen slabs.
- **Formalisation and consolidation:** The organised share rose from 40% in FY19 to 47% in FY26 and is projected at 56% by FY30. Kajaria took 90% of Keronite in May 2024; Varmora entered Assam through the Allemby joint venture in FY26.
- **Real estate and construction:** The Indian construction industry was USD 858.8 Bn in FY26 and is forecast at USD 1,253.0 Bn by FY30 (9.9% CAGR); the residential and commercial real estate market was USD 650 Bn in CY2025.
- **Retail experience and EBOs:** EBOs were 6.5% of the tiles market in FY26, forecast at 8.4% by FY30, and are viable only for branded players, which structurally advantages the top five. Experience centres using augmented and virtual reality are the next step in the same direction.
- **East India and the Northeast:** The Eastern region is the fastest growing tile market at 9.6% CAGR to FY30, supported by NESIDS, UNNATI 2024 and the Assam IPPA 2019 incentive schemes, the rationale for the Tezpur plant.

Risks

■ Fuel supply issues

The US, Israel and Iran conflict disrupted natural gas and propane availability and pricing from early 2026, which the RHP says adversely affected production and revenue in the fourth quarter. Power and fuel was Rs 3,290.35 Mn or 21.06% of total income in FY26. Technopak expects industry volume growth to slow in FY27 for the same reason. The Company has raised prices in phases with no assurance of further pass-through.

■ Volume stagnation behind the margin story

Tile volume was flat at 38.34 Mn sqm and capacity utilisation fell from 78.20% to 72.49% in FY26. All revenue growth came from realisation and mix. If GVT price gains stall, there is no volume growth underneath.

■ Loss of Simola from the consolidated base

Simola Tiles LLP, contributing 4.56 Mn sqm of capacity and 2.59 Mn sqm of FY26 production, was divested on September 5, 2026. FY26 consolidated figures include it; FY27 will not, and the RHP does not quantify the revenue or profit effect.

■ Allembly joint venture execution

The Tezpur plant commenced in July 2026 under a 50% joint venture, against a project cost estimated at Rs 1,499.70 Mn. The Company has paid Rs 250.00 Mn, has given a best-efforts sourcing undertaking for the Northeast and earns an 8% trademark royalty, but does not control the asset and has no prior operating experience in Assam.

■ Working capital and receivables

Net working capital days of 96 against 64 at Kajaria and 42 at Somany; trade receivables of Rs 3,826.67 Mn are 25.30% of revenue and were flat despite 4.59% growth. Rs 208.66 Mn of export receivables are outstanding beyond the RBI realisation window with the penalty unascertainable.

- **Morbi and single-cluster concentration**

All eight facilities and 304 third-party contract manufacturers are in Morbi; contract-manufactured product was 17.60% of FY26 revenue on non-exclusive purchase orders with no capacity commitments.

- **EBO geographic concentration**

170 of 305 EBOs (55.74%) are in Uttar Pradesh, Rajasthan, Haryana and Gujarat, and the Uttar Pradesh count fell from 69 to 60 in FY26. All EBOs and MBOs are franchisee-owned and franchisee-operated.

- **Channel mix moving to lower-margin B2B**

B2C fell from 75.96% of domestic sales in FY24 to 66.80% in FY26 while B2B grew 51.56%. Technopak treats B2B as the tighter-margin channel.

- **Export exposure**

Exports were 21.11% of sale of products in FY26 and are exposed to shipping availability, Strait of Hormuz risk, anti-dumping duties and tariffs; government grant income tied to export volumes was Rs 199.40 Mn.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY24	FY25	FY26
Net sales	14,355	14,460	15,125
<i>Change (yoy,%)</i>	8	1	5
Operating expenses	(13,223)	(12,944)	(13,410)
EBITDA	1,132	1,516	1,715
<i>Change (yoy,%)</i>	(2)	34	13
<i>Margin (%)</i>	7.9	10.5	11.3
Depreciation	(616)	(1,194)	(1,060)
EBIT	516	322	655
Interest paid	(291)	(425)	(394)
Other income	371	466	501
Pre-tax profit	597	364	754
Tax	(181)	(69)	(215)
Effective tax rate (%)	30.3	18.9	28.6
Minority Interest	33.7	12.6	12.3
Net profit	449	308	551
Exceptional items	-	-	(8)
Adjusted net profit	449	308	559
<i>Change (yoy,%)</i>	(18)	(32)	82
EPS	2.2	1.5	2.7

Balance Sheet

(Rs mn)

Year-end: March	FY24	FY25	FY26
Shareholders' funds	6,877	7,320	8,060
Share capital	400	403	403
Reserves & surplus	6,478	6,917	7,657
Total Debt	2,624	2,213	1,714
Other liabilities	844	693	516
Curr Liab & prov	4,261	5,560	4,767
Current liabilities	4,258	5,557	4,762
Provisions	3	3	5
Total liabilities	7,728	8,466	6,997
Total equity & liabilities	14,762	15,898	15,099
Net fixed assets	7,552	7,158	6,450
Investments	380	367	583
Other non-curr assets	153	85	99
Current assets	6,677	8,289	7,967
Inventories	1,903	2,859	2,483
Sundry Debtors	3,329	3,822	3,827
Cash & Liquid	983	1,151	1,145
Other Curr Assets	461	456	512
Total assets	14,762	15,898	15,099

Cash Flow Statement

(Rs mn)

Year-end: March	FY24	FY25	FY26
Pre-tax profit	597	364	754
Depreciation	547	1,077	984
Tax paid	(180)	(95)	(241)
Chg in working capital	14	(154)	(441)
Other operating activities	-	-	-
Cash flow from operations (a)	978	1,192	1,055
Capital expenditure	(4,247)	(683)	(275)
Chg in investments	(40)	13	(217)
Other investing activities	-	-	-
Cash flow from investing (b)	(4,288)	(670)	(492)
Equity raised/(repaid)	266	4	-
Debt raised/(repaid)	1,629	(411)	(499)
Dividend (incl. tax)	-	-	-
Chg in minorities	11	(32)	(57)
Other financing activities	15	86	(13)
Cash flow from financing (c)	1,921	(353)	(569)
Net chg in cash (a+b+c)	(1,388)	168	(6)

Financial Ratios

Year-end: March	FY24	FY25	FY26
Book Value (Rs)	34	36	40
Adj EPS (Rs)	2.2	1.5	2.7
Adj EPS growth (%)	-18	-32	81
EBITDA margin (%)	7.9	10.5	11.3
Pre-tax margin (%)	4.2	2.5	5.0
Net Debt/Equity (x)	0.2	0.1	0.1
ROCE (%)	6	3	6
ROE (%)	7	4	7

DuPont Analysis

Asset turnover (x)	1.0	0.9	1.0
Leverage factor (x)	2.0	2.2	2.0
Net margin (%)	3.1	2.1	3.7

Working Capital & Liquidity ratio

Inventory days	48	72	60
Receivable days	85	96	92
Payable days	95	139	111

Source: RHP, IDBI Capital Research

Valuations

Year-end: March	FY24	FY25	FY26
PER (x)	66.5	97.6	54.0
Price/Book value (x)	4.3	4.1	3.7
EV/Net sales (x)	2.2	2.2	2.0
EV/EBITDA (x)	27.9	20.5	17.9
Dividend Yield (%)	0.0	0.0	0.0

Source: Company; IDBI Capital Research

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street=MUMBAI, l=MUMBAI, o=Personal,
serialNumber=e0acc613b755b6bcf71d6168d45087
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