

Varmora Granito Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
22 September 2026	24 September 2026	₹140-148	Neutral

Investment Summary

Varmora Granito Limited is a leading manufacturer of ceramic and vitrified tiles, sanitaryware, bathware, and adhesives catering primarily to residential and commercial construction sectors. The company manufactures a comprehensive portfolio comprising glazed vitrified tiles (GVT), polished vitrified tiles (PVT), ceramic tiles, advanced technical surfaces via integrated stone technology (IST), and sanitaryware solutions. Its business model integrates large-scale in-house manufacturing with an extensive multi-channel distribution network, supported by eight facilities in Morbi, a joint venture plant in Assam, 305 exclusive brand outlets, and 2,758 multi-brand outlets across India alongside exports to over 100 countries. Revenue from operations increased from ₹1,435.48 Cr in FY24 to ₹1,512.46 Cr in FY26, while EBITDA and PAT reached ₹221.56 Cr (14.65% margin) and ₹55.09 Cr (3.64% margin), respectively. The IPO comprises a **Fresh Issue of 2,16,21,621 shares** aggregating to **₹320 Cr** and an **OFS of 2,62,17,634 shares** aggregating to **₹388 Cr** at the upper price band of **₹148**. Fresh proceeds will fund **₹245 Cr of debt repayment/pre-payment** for borrowings availed by the company and its subsidiaries, strengthening the balance sheet and reducing finance costs. While the company maintains established brand equity, an extensive pan-India retail reach, and steady premiumization toward GVT products, the issue is priced at a premium FY26 post-issue P/E of 60.66x relative to its listed peer Kajaria Ceramics (40.27x).

Company Overview

Varmora Granito Limited was originally incorporated as 'Varmora Granito Private Limited' and was subsequently converted into a public limited company pursuant to a special resolution passed by its shareholders. The company is engaged in the manufacturing of a diversified portfolio of ceramic and vitrified tiles, sanitaryware, bathware, and adhesives, primarily catering to the residential and commercial construction sectors across domestic and international markets. It operates eight manufacturing facilities in the Morbi cluster of Gujarat and a joint venture facility in Tezpur, Assam, achieving an aggregate installed capacity of 43.80 million square meters for tiles and 858.60 thousand pieces for sanitaryware as of March 31, 2026, making it a prominent organized player in India's building materials industry. As of March 31, 2026, Varmora exported its products to over 100 countries, while continuing to strengthen its pan-India retail footprint through 305 Exclusive Brand Outlets (EBOs) and 2,758 Multi-Brand Outlets (MBOs). The company is promoted by Bhavesh Vallabhdas Varmora, Hiren R Varmora and Pramodkumar Parsotambhai Patel, and is supported by an experienced management team with extensive expertise in ceramic manufacturing and distribution. Leveraging its integrated manufacturing setup, strong brand equity and multi-tiered retail network, the company is well positioned to capitalize on the growing demand for premium surface solutions driven by the real estate and infrastructure sectors.

Business Model

Varmora Granito Limited operates an integrated building materials business, processing procured raw materials into vitrified tiles, ceramic tiles, sanitaryware, and bathware through eight manufacturing facilities in Morbi, Gujarat, and a joint venture facility in Tezpur, Assam, to cater to the residential and commercial construction sectors globally. Its operations encompass the entire value chain from in-house research and design to pressing, kiln firing, and multi-tiered distribution enabling strict quality control and a reliable supply for its massive installed tile manufacturing capacity of 43.80 million square meters as of March 31, 2026. Revenue is primarily derived from the sale of glazed vitrified tiles (GVT) and technical surface products, supported by a vast retail network of 305 exclusive brand outlets and 2,758 multi-brand outlets across India, established B2B partnerships, and an export footprint spanning over 100 countries. Going forward, the company intends to expand its retail showroom presence, ramp up regional manufacturing, enhance product premiumization, and improve operating efficiencies to capitalize on the growing demand for modern surface solutions and urban housing expansion.

Investment Rationale

Integrated Building Materials Business with Extensive In-House Manufacturing: Varmora operates an integrated manufacturing ecosystem with eight in-house facilities in Morbi, Gujarat, and a joint venture in Tezpur, Assam. With an installed tile capacity of 43.80 million square meters as of March 31, 2026, the company's localized cluster-based operations ensure high operational efficiency, supply chain proximity and stringent quality control.

Robust Multi-Tiered Distribution Network and Export Footprint: The company has significantly expanded its domestic retail distribution capabilities, operating a massive B2C chain comprising 305 Exclusive Brand Outlets (EBOs) and 2,758 Multi-Brand Outlets (MBOs) across India. This domestic strength is complemented by an expanding international footprint, exporting its premium tiles and bathware products to over 100 countries.

Diversified Product Portfolio Driven by Design Innovation: The company manufactures a comprehensive portfolio of glazed vitrified tiles (GVT), technical surface products, sanitaryware, bathware, and adhesives. Supported by continuous R&D and technological partnerships, such as the introduction of integrated stone technology (IST), Varmora successfully caters to evolving residential and commercial consumer preferences.

Strong Financial Performance and Deleveraging Potential: The company reported revenue from operations of ₹1,512.46 Cr and a PAT of ₹55.09 Cr in FY26, reflecting resilient financial growth and strong cash flow generation. Furthermore, the IPO's fresh issue proceeds will be utilized to prepay ₹245.00 Cr in bank borrowings, significantly strengthening the balance sheet and reducing annual finance costs to boost future profitability.

Favorable Industry Outlook: The long-term demand for premium tiles and bathware is expected to remain supported by the continued growth of the real estate, infrastructure and housing sectors in India. Increasing urbanization, smart city projects and the rising consumer shift towards branded surface solutions are expected to provide structural growth opportunities for organized manufacturers such as Varmora.

Key Risk Factors

High Geographic and Manufacturing Concentration in Morbi: The company derives 81.72% of its revenue from eight in-house facilities and engages 304 contract manufacturers, all situated in Morbi, Gujarat. Any regional disruptions, extreme weather events like cyclones, or localized infrastructure failures could halt operations and adversely impact production schedules, product delivery, and overall profitability.

Substantial Revenue Reliance on Glazed Vitrified Tiles: Varmora derives 73.98% of its total revenue from operations from glazed vitrified tiles (GVT) and technical products, tying its performance heavily to construction cycles. Any downturn in residential or commercial real estate demand, changes in consumer design preferences, or pricing pressures in the tile segment could materially impact operating revenues.

Dependence on Franchisee-Led Retail Network and Regional Pockets: The B2C retail channel contributes 66.80% of domestic sales through independent franchisees managing 305 EBOs and 2,758 MBOs. Furthermore, 55.74% of EBOs are clustered across just four states (Uttar Pradesh, Rajasthan, Haryana, and Gujarat), exposing the company to distributor non-performance, channel disputes, and regional economic slowdowns.

Vulnerability to Power, Fuel, and Raw Material Price Volatility: Power and fuel (primarily natural gas and propane) accounted for 21.06% of total income in FY26, alongside raw material costs representing 24.56%. Disruptions in gas supplies, fuel price spikes, or geopolitical uncertainties in maritime shipping lanes can squeeze gross margins if cost increases cannot be fully passed on to consumers.

Working Capital Intensity and Outstanding Environmental/Tax Liabilities: The business requires substantial working capital, with net working capital days standing at 96 days and net debt at ₹243.43 Cr in FY26. Additionally, the company faces contingent liabilities of ₹11.48 Cr, which includes environmental compensation proceedings before the National Green Tribunal relating to historical coal gasifier usage.

Financial Snapshot

Metric	FY24	FY25	FY26
Revenue from Operations	1,435.48	1,446.03	1,512.46
EBITDA	150.33	198.29	221.56
EBITDA Margin	10.47%	13.71%	14.65%
Profit After Tax (PAT)	44.94	30.77	55.09
PAT Margin	3.13%	2.13%	3.64%
Basic EPS (₹)	2.20	1.51	2.70

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Varmora Granito Limited
IPO Issue Size	4,78,39,255 shares (agg. up to ₹708 Cr) Fresh Issue 2,16,21,621 shares (agg. up to ₹320 Cr) Offer for sale 2,62,17,634 shares of ₹2 (agg. up to ₹388 Cr)
Price Band	₹140 – ₹148 per share
Face Value	₹2 per share
IPO Opening Date	22 September 2026
IPO Closing Date	24 September 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: ~52.01% → Post-IPO: ~46.55%
Book Running Lead Managers	JM Financial Limited, Goldman Sachs (India) Securities Private Limited, SBI Capital Markets Limited
Use of Proceeds	₹245.00 Cr towards repayment/pre-payment, in full or in part, of all or certain outstanding borrowings and accrued interest availed by the company and its wholly-owned subsidiaries (Covertex Ceramica and Varmora Sanitarywares); balance towards general corporate purposes.

Valuation and Outlook

At the upper price band of **₹148**, Varmora Granito Limited is valued at a FY26 P/E of **60.66x**, based on a post-issue market capitalization of **~₹3,345 Cr**. The RHP-listed peer Kajaria Ceramics Limited trades at a comparatively lower P/E multiple of 40.27x. At the offered price, the valuation appears rich compared to its listed peer, leaving limited margin of safety despite the company's integrated manufacturing capabilities, robust distribution network, and established position in the premium glazed vitrified tiles segment. Furthermore, the business remains exposed to high geographic manufacturing concentration in Morbi (accounting for 81.72% of FY26 revenue), structural threats from natural gas price volatility, and heavy dependence on franchisee-led retail networks. While the proposed ₹245.00 Cr debt repayment allocation will support balance sheet deleveraging and reduce finance costs, the premium pricing restricts immediate upside. Hence, we assign a **Neutral rating** to the IPO, as we suggest a balanced holding approach for existing investors, with key monitorables being working-capital cycles, capacity utilization at its new Assam facility, and real estate demand trends.

Disclaimer

This information/document has been prepared by Mangal Keshav Financial Services LLP (MANGAL KESHAV) and is intended for use only by the person or entity to which it is addressed. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. MANGAL KESHAV will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and MANGAL KESHAV has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, MANGAL KESHAV, its subsidiaries, and associated companies, their directors and employees ("MANGAL KESHAV and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent MANGAL KESHAV and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information.

Clients should read the Risk Disclosure Document issued by SEBI and relevant exchanges, and the Terms & Conditions on the Mangal Keshav website.

Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.
Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

TEL: 022 61907900