IPO RESEARCH REPORT

# Varmora Granito Limited

*Premium Tiles & Bathware Manufacturer — India's Top-4 Tile Brand from Morbi's Heartland*

**IPO Open:** Sep 22, 2026 **IPO Close:** Sep 24, 2026 **Listing:** Sep 29, 2026 (BSE & NSE)

| OUR RECOMMENDATION | PRICE BAND | GMP (AS OF SEP 18, 2026) |
|---|---|---|
| **SUBSCRIBE*** | **₹140 – ₹148** | **₹15 (~10%)** |
| **Long-term only* | Lot: 101 shares \| ₹14,948 min. | Est. listing ₹163 \| Unofficial |

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## 1. IPO AT A GLANCE

### Issue Details

| Parameter | Details |
|---|---|
| Company Name | Varmora Granito Limited |
| Issue Type | Mainboard IPO (Book Built) |
| Total Issue Size | ₹708.02 crore (4,78,39,255 equity shares) |
| Fresh Issue | ₹320 crore (2,16,21,621 equity shares) |
| Offer for Sale (OFS) | ₹388.02 crore (2,62,17,634 equity shares) — by Katsura Investments |
| Price Band | ₹140 – ₹148 per share |
| Face Value | ₹2 per share |
| Lot Size | 101 shares (min. investment: ₹14,948 at upper band) |
| Max Retail Application | 13 lots (1,313 shares \| ₹1,94,324) |
| IPO Open Date | Monday, September 22, 2026 |
| IPO Close Date | Wednesday, September 24, 2026 |
| Anchor Investor Date | Monday, September 21, 2026 |
| Basis of Allotment | Thursday, September 25, 2026 |
| Refund / Credit to Demat | Sunday, September 28, 2026 |
| Listing Date | Tuesday, September 29, 2026 (BSE & NSE) |
| Book Running Lead Managers (BRLMs) | JM Financial Ltd. \| Goldman Sachs (India) Securities Pvt. Ltd. \| SBI Capital Markets Ltd. |
| Registrar | KFin Technologies Limited |
| Post-Issue Market Cap | ~₹3,345 crore (at upper price band) |

### Investor Quota Allocation

| Investor Category | Allocation % | Remarks |
|---|---|---|
| Qualified Institutional Buyers (QIB) | 50% | Up to 60% may be allocated to Anchor Investors |
| Non-Institutional Investors (NII / HNI) | 15% | Minimum bid: 14 lots (₹2,07,272) |
| Retail Individual Investors (RII) | 35% | Min: 1 lot (₹14,948) \| Max: 13 lots (₹1,94,324) |

## 2. COMPANY OVERVIEW

### History & Incorporation

Varmora Granito Limited was originally incorporated on November 18, 2003, as Varmora Granito Private Limited at the Registrar of Companies, Gujarat. The company converted to a public limited company and was issued a fresh certificate of incorporation on May 14, 2025, by the Registrar of Companies, Gujarat, Ahmedabad. In June 2022, global investment firm Carlyle Group acquired a minority stake through its affiliate Katsura Investments, validating the company's institutional credentials. Over more than two decades, Varmora has grown from a small tile plant to one of India's top-four tile manufacturers by revenue.

## Business Model & Segments

Varmora Granito is engaged in the manufacturing and marketing of ceramic and vitrified tiles, sanitaryware, bath fittings, faucets, adhesives, and related home-improvement products under the 'Varmora' brand. The company operates across two primary business segments:

- Tiles (primary): Glazed Vitrified Tiles (GVT), Polished Vitrified Tiles (PVT), and Ceramic tiles — GVT and technical products account for ~84% of tile revenue in FY2026, reflecting a deliberate premiumisation strategy.
- Bathware & Accessories: Sanitaryware, faucets, bath fittings, adhesives, and kitchen slabs, contributing ~12.13% of total revenue (₹183.40 crore in FY2026) — enabling cross-selling and one-stop positioning.

## Distribution Network

Varmora operates a pan-India multi-channel distribution model serving both retail and institutional customers:

- **B2C channels:** 305 Exclusive Brand Outlets (EBOs) + 2,758 Multi-Brand Outlets (MBOs) spanning 988 cities across 27 states and UTs. EBOs contributed 27.72% of domestic tile sales in FY2026 — a growing share signalling improved brand salience.
- **B2B channels:** Direct sales to builders, contractors, real estate developers, and government procurement. B2B accounted for 33.2% of domestic sales, providing institutional depth and volume stability.
- **Exports:** Products exported to over 100 countries, with a dedicated 47-member export team supporting international presence.

## Manufacturing Facilities

The company operates eight manufacturing facilities, all strategically located in the Morbi cluster of Gujarat — India's largest ceramic and tile manufacturing hub. The Morbi location provides advantages including proximity to raw materials (clay, feldspar), skilled labour availability, port-access for exports, and established supply-chain infrastructure.

- **Installed tile capacity (FY2026):** 43.80 million square metres (msm) per annum
- **Production achieved (FY2026):** 31.75 msm (capacity utilisation: 72.49%)
- **Revenue from in-house manufacturing:** 81.72% of FY2026 revenue — rising from 66.83% in FY2024, indicating deliberate capex-led in-sourcing
- **New Tezpur, Assam JV:** 51% stake in Allemby Ceramics Pvt. Ltd. (greenfield GVT plant, ~6.40 msm capacity), commenced operations July 2026 — first-mover in Eastern India
- **IST Technology:** First company in Asia to commercialise Integrated Stone Technology (IST) via partnership with SACMI, Italy — produces marble-like vitrified tiles with superior durability
- **Renewable energy:** 16.22 MW of wind and solar capacity — partially reduces dependence on conventional power and natural gas

## Promoters

| Promoter Name | Role | Pre-Issue Shareholding |
|---|---|---|
| Mr. Bhavesh Vallabhdas Varmora | Chairman & Managing Director | Part of promoter group (~25.38% combined) |
| Mr. Hiren R. Varmora | Promoter | Part of promoter group |
| Mr. Pramodkumar Parsotambhai Patel | Promoter | Part of promoter group |

| Promoter Name | Role | Pre-Issue Shareholding |
|---|---|---|
| Promoter Group (total) | — | ~52.00% pre-issue (including promoter + promoter group) |
| Katsura Investments (Carlyle affiliate) | Institutional Investor / OFS Seller | ~33.29% pre-issue; offering up to 2.62 crore shares via OFS |

*Note: The OFS component of this IPO is entirely by Katsura Investments (Carlyle). This represents a partial liquidity event for the PE investor — Carlyle will not fully exit post-IPO. Three original promoters who were initially planning OFS participation have withdrawn their OFS allocation, which is a positive signal for investor confidence.*

## 3. KEY OPERATING METRICS

| | | | |
|---|---|---|---|
| **₹1,562 Cr**<br>FY2026 Total Income | **₹221.6 Cr**<br>FY2026 EBITDA | **₹55.1 Cr**<br>FY2026 PAT (+79% YoY) | **14.18%**<br>EBITDA Margin FY2026 |
| **43.8 msm**<br>Annual Tile Capacity | **72.49%**<br>Capacity Utilisation FY2026 | **3,063**<br>EBOs + MBOs (Retail Network) | **988**<br>Cities Covered Pan-India |
| **3,500+**<br>SKUs in Product Portfolio | **100+**<br>Export Destination Countries | **6.80%**<br>RoE FY2026 | **9.89%**<br>RoCE FY2026 |

## 4. FINANCIAL PERFORMANCE

### Three-Year Financial Summary (Restated)

| Metric | FY2024 | FY2025 | FY2026 | 2-yr CAGR |
|---|---|---|---|---|
| Total Income (₹ Cr) | 1,472.58 | 1,492.68 | 1,562.53 | ~3.1% |
| Revenue from Operations (₹ Cr) | 1,435.48 | 1,446.03 | 1,512.46 | ~2.7% |
| EBITDA (₹ Cr) | 150.33 | 198.29 | 221.56 | ~21.4% |
| EBITDA Margin (%) | 10.20% | 13.28% | 14.18% | +398 bps |
| PAT (₹ Cr) | 44.94 | 30.77 | 55.09 | ~10.6% |
| PAT Margin (%) | 3.05% | 2.06% | 3.53% | +48 bps |
| Net Worth (₹ Cr) | 678.59 | 722.90 | 796.88 | ~8.4% |
| Total Assets (₹ Cr) | 1,476.16 | 1,589.80 | 1,509.87 | ~1.1% |
| Total Borrowings (₹ Cr) | n.a. | 505.16 | 357.95 | Declined ₹147 Cr |
| Debt-to-Equity Ratio | n.a. | n.a. | 0.44x | — |
| Interest Coverage Ratio | n.a. | n.a. | 1.89x | — |
| Operating Cash Flow (₹ Cr) | n.a. | 63.21 | 234.07 | Strong improvement |
| RoE (%) | n.a. | n.a. | 6.80% | — |
| RoCE (%) | n.a. | n.a. | 9.89% | — |
| RoNW (%) | n.a. | n.a. | 7.79% | — |

### Analyst Notes on Financials

- **Revenue growth is modest but consistent:** Revenue has grown at a 2-year CAGR of ~3.1%, largely flat in real terms. FY2025 was nearly flat at ₹1,446 Cr vs FY2024's ₹1,435 Cr — reflecting competitive pricing pressure in the tiles sector.
- **PAT volatility is a concern:** FY2025 PAT fell 31.5% to ₹30.77 Cr from ₹44.94 Cr in FY2024, before recovering sharply to ₹55.09 Cr in FY2026. The dip was attributed to higher finance costs and cyclone Biparjoy-related disruptions at the Morbi cluster. This volatility at thin margins deserves monitoring.
- **EBITDA trajectory is the bright spot:** EBITDA has expanded every year, from ₹150 Cr (FY2024) to ₹198 Cr (FY2025) to ₹221.6 Cr (FY2026), reflecting operating leverage and the shift to premium GVT. Margin expanded from 10.2% to 14.2% over 2 years — a meaningful 400 bps improvement.
- **Debt reduction is genuine:** Total borrowings fell from ₹505.16 Cr (FY2025) to ₹357.95 Cr (FY2026) — a ₹147 Cr decline. Fresh issue proceeds of ₹320 Cr will further reduce this, potentially taking the company close to net-debt-free. This is a tangible near-term positive.
- **Return ratios remain suppressed:** RoE of 6.80% and RoCE of 9.89% are modest relative to the valuation asked. For context, Kajaria Ceramics consistently delivers RoE above 15%. Until profitability scales materially, these ratios will constrain multiple re-rating.

## 5. VALUATION ANALYSIS

### Issue Valuation Metrics

| Metric | Value |
|---|---|
| Post-Issue Market Cap | ~₹3,345 crore |

| Metric | Value |
|---|---|
| Pre-Issue Diluted EPS (FY2026) | ₹3.05 |
| Post-Issue Diluted EPS (FY2026) | ₹2.44 |
| Post-Issue P/E Ratio (FY2026) | 60.66x |
| Pre-Issue P/E Ratio | ~48.5x |
| Price-to-Book Value (P/BV) | 3.74x (post-issue) |
| EV/EBITDA (approx.) | ~16x |
| RoNW | 7.79% |

## Peer Comparison

| Company | P/E Ratio (Sep 2026) | RoNW / RoE | Revenue Scale | Remarks |
|---|---|---|---|---|
| Varmora Granito (IPO) | 60.66x (post-issue) | 7.79% | ₹1,562 Cr | Asking premium over peers |
| Kajaria Ceramics | ~40.3x | ~15%+ | Much larger | Market leader, higher returns |
| Somany Ceramics | ~28.6x | Moderate | Comparable | Cheaper valuation |
| Asian Granito India | ~116x | Lower | Smaller | Small-cap; not direct peer |
| Orient Bell | ~27.5x | Moderate | Smaller | Value-priced peer |

Valuation Verdict: At 60.66x post-issue P/E, Varmora Granito is demanding a 28–50% premium over listed peers such as Kajaria Ceramics and Somany Ceramics — despite lower return ratios (RoE: 6.8% vs Kajaria's 15%+). The premium appears predicated on the debt-reduction narrative and future growth from IST/GVT premiumisation. While the growth thesis is credible, the margin of safety is thin. Investors are effectively paying for FY2028+ earnings. This is acceptable only for long-term holders willing to absorb possible near-term listing subdued performance.

## 6. USE OF FRESH ISSUE PROCEEDS

The net proceeds from the fresh issue of ₹320 crore will be utilised as follows:

| Object of Expenditure | Amount (₹ Cr) | Beneficiary Entity |
|---|---|---|
| Repayment / pre-payment of borrowings | ₹215.00 Cr | Varmora Granito Limited (parent) |
| Repayment via investment in subsidiaries | ₹30.00 Cr | Covertek Ceramica Pvt. Ltd. & Varmora Sanitarywares Pvt. Ltd. |
| Repayment via investment in subsidiary LLP | Residual allocation | Simola Tiles LLP |
| General Corporate Purposes | Remaining net proceeds | Varmora Granito Limited |
| Total Fresh Issue | ₹320.00 Cr | — |

Note: The company does not receive any proceeds from the OFS component (₹388.02 Cr). Those proceeds flow entirely to Katsura Investments (Carlyle). The debt-repayment focus of the fresh issue is a conservative, balance-sheet-strengthening use of funds, though it does not generate new productive capacity or directly drive revenue growth.

## 7. INDUSTRY OVERVIEW & TAILWINDS

### Indian Tiles Market Overview

The Indian domestic tiles market is one of the largest and fastest-growing globally. India is the second-largest producer and consumer of ceramic tiles globally, second only to China.

| Parameter | Figure / Trend |
|---|---|
| Indian domestic tiles market size (FY2025) | ₹53,100 crore |
| Historical CAGR (past years) | 6.7% |
| Projected market size by FY2030 | ₹76,520 crore |
| Projected CAGR (FY2026–FY2030) | 8.4% overall; GVT specifically at ~14.5% |
| Organised sector share (India) | ~50% (vs 80%+ in developed economies) |
| Morbi's share of Indian tile production | ~60%+; world's largest single-location tile cluster |

### Key Sector Tailwinds

- **Housing & real estate boom:** India's urban housing deficit, PM Awas Yojana (PMAY), and rising demand for affordable and mid-segment housing are driving tile demand. Urban residential completions directly lift tile offtake.
- **Premiumisation trend:** Indian consumers are upgrading from basic ceramic tiles to GVT and large-format technical tiles. GVT's share in tile revenue is projected to grow at 14.5% CAGR — nearly double the broader market. Varmora's 84% GVT/premium mix positions it squarely in this segment.
- **Rising replacement cycle:** The replacement cycle for tiles in India has shortened from 15–20 years historically to 8–10 years, driven by changing aesthetics, renovation culture, and rising disposable incomes.
- **Organised sector formalisation:** India's organised tile players stand to gain share as GST compliance tightens and quality-conscious buyers increasingly prefer branded tiles over unorganised alternatives.
- **Infrastructure push:** Government spending on infrastructure (airports, metros, hospitals, government buildings) provides sustained institutional demand for premium tile products.
- **Export growth:** India's tiles are globally competitive on cost. Morbi's port proximity (to Mundra Port) supports growing export volumes, and Varmora's 100+ country presence is a long-term moat.
- **Energy transition opportunity:** As tile manufacturers adopt renewable energy (Varmora has 16.22 MW), reducing dependence on natural gas lowers input cost volatility and supports sustainable margins.

## 8. KEY STRENGTHS

- **Top-4 Indian tile player by revenue:** According to the Technopak Report, Varmora is among the top-four tile makers in India by revenue and was the fastest-growing player by revenue CAGR among selected listed peers between FY2023 and FY2025.
- **23+ years of operating history:** Incorporated in 2003, the company brings institutional knowledge, deep relationships with architects/contractors, and strong brand recall built over two decades.
- **Premium GVT/technical tile focus:** GVT and technical products contribute ~84% of tile revenue in FY2026 (up from 75% in FY2024), providing pricing power and protection against commoditised competition.
- **First-mover in Integrated Stone Technology (IST):** Varmora was the first company in Asia to commercialise IST in 2024 (via exclusive tech tie-up with SACMI, Italy), enabling production of marble-like tiles that are stronger, stain-resistant, and more affordable than natural marble.
- **Wide SKU diversity:** Over 3,500 SKUs across 20 different surface finishes — enabling Varmora to serve mass, mid-premium, and ultra-premium segments simultaneously.
- **Massive pan-India distribution:** 3,063 retail touchpoints (305 EBOs + 2,758 MBOs) spanning 988 cities provides unmatched geographic reach and brand salience, especially in Tier 2 and 3 markets.

- **Strong in-house manufacturing:** 81.72% of revenue is from in-house manufactured products (FY2026) vs 66.83% in FY2024 — demonstrating deliberate capex investment and control over quality and supply chain.
- **Consistent EBITDA expansion:** EBITDA has grown from ₹150.33 Cr (FY2024) to ₹221.56 Cr (FY2026), with margins expanding 400+ bps — reflecting operating leverage and premiumisation benefits.
- **Carlyle PE backing (governance signal):** Carlyle Group (via Katsura Investments) has been invested since 2022 — institutional PE involvement typically signals governance, systems, and process maturity.
- **Debt reduction story is compelling:** Borrowings have already fallen from ₹505 Cr (FY2025) to ₹358 Cr (FY2026); fresh issue proceeds will reduce this further to near net-debt-free, saving ~₹18.74 Cr in annual finance costs.
- **Eastern India expansion (Tezpur, Assam):** The Allemby Ceramics JV (51% stake) with 6.40 msm GVT capacity commenced operations in July 2026 — giving Varmora a first-mover advantage in an underserved market.
- **Export footprint:** Presence in 100+ countries provides revenue diversification and a natural hedge against domestic demand cycles.

## 9. KEY RISKS & CONCERNS

| Risk Factor | Description | Severity |
|---|---|---|
| **Expensive Valuation** | At 60.66x post-issue P/E, Varmora trades at a 28–50% premium to listed peers (Kajaria at 40x, Somany at 28x) despite lower return ratios. Margin of safety is thin; any earnings disappointment could cause sharp de-rating. | HIGH |
| **Carlyle OFS Exit** | Katsura Investments (Carlyle affiliate) is exiting ₹388 Cr via OFS. While Carlyle is not fully exiting, a PE fund's liquidity event at this price implies they believe current valuation is fair or full — a meaningful signal for incoming investors. | HIGH |
| **Geographic Concentration** | All 8 manufacturing facilities are in Morbi, Gujarat. Any disruption (natural disaster, gas supply constraint, regulatory action, labour unrest) affects 100% of production. Cyclone Biparjoy shut facilities for 3 weeks in FY2024 and contributed to PAT decline in FY2025. | HIGH |
| **PAT Volatility** | PAT fell 31.5% in FY2025 despite revenue being flat. Thin margins (3.53% PAT margin) offer little buffer against cost shocks. Any repeat of FY2025-type disruption could see PAT swing significantly. | HIGH |
| **Low Return Ratios** | RoE of 6.80% and RoCE of 9.89% are significantly below market leader Kajaria Ceramics (RoE 15%+). Until profitability scales, these ratios limit the fundamental case for the premium valuation. | MEDIUM |
| **Energy Cost Risk** | Power and fuel expenses constituted 21.06% of total income in FY2026. Natural gas is the primary fuel for tile kilns. Gas price volatility (linked to global energy markets and geopolitical risks) directly impacts margins with limited ability to pass through quickly. | MEDIUM |
| **Real Estate Cycle Sensitivity** | Tile demand is directly linked to housing starts, real estate completions, and renovation activity. A slowdown in India's real estate cycle — or a credit crunch impacting developers — would pressure volumes and realisations. | MEDIUM |
| **Working Capital Intensity** | Tile manufacturing ties up capital in inventory and receivables. Stress in working capital (delayed payments from MBOs, builders) could constrain cash flows and necessitate additional borrowing. | MEDIUM |
| **Revenue Growth Subdued** | Revenue has grown at a meagre 2-year CAGR of ~3.1%. While EBITDA has expanded due to mix improvement, volume growth has been modest. Sustained revenue growth acceleration is needed to justify the valuation. | MEDIUM |
| **Franchisee Dependency** | 66.80% of domestic sales comes from franchisee EBOs and MBOs. Any franchisee churn, quality inconsistencies, or channel conflict could harm brand reputation and sales. | LOW |
| **Interest Coverage Risk** | Interest coverage ratio of 1.89x is relatively thin, meaning operating income covers interest payments less than twice. While debt repayment from IPO proceeds will improve this, it currently leaves limited margin. | LOW |
| **Competitive Intensity** | The Indian tile market is highly competitive with Kajaria, Somany, Asian Granito, Orient Bell, and hundreds of unorganised Morbi-based players. Price competition can erode premiumisation gains. | LOW |

## 10. IPO TIMELINE & HOW TO APPLY

### Key IPO Timeline

| Event | Date |
|---|---|
| Anchor Investor Bidding | Monday, September 21, 2026 |
| IPO Opens (QIB / NII / Retail) | Tuesday, September 22, 2026 |
| IPO Closes | Thursday, September 24, 2026 |
| Basis of Allotment | Friday, September 25, 2026 |
| Refund / Unblocking of Funds | Sunday, September 28, 2026 |
| Credit of Shares to Demat Account | Sunday, September 28, 2026 |
| Listing Date (BSE & NSE) | Tuesday, September 29, 2026 |

### How to Apply — Step-by-Step

- **Via ASBA (bank net-banking):** Log in to your bank's net banking portal > Go to IPO/Investments section > Search for 'Varmora Granito IPO' > Enter number of lots (min 1 lot = 101 shares) and bid price (₹148 recommended for maximum allotment probability) > Submit. Funds are blocked but not debited until allotment.
- **Via UPI (through broker app):** Log in to your broker's trading app (e.g., Zerodha, Upstox, Angel One) > Navigate to IPO section > Select Varmora Granito IPO > Enter bid details > Approve the UPI mandate in your UPI app (Google Pay, PhonePe, BHIM). Funds are blocked from UPI-linked bank account.
- **Minimum application:** 1 lot = 101 shares = ₹14,948 at upper price band (₹148).
- **Maximum retail application:** 13 lots = 1,313 shares = ₹1,94,324.
- **Allotment check:** After September 25, 2026 — check on registrar KFin Technologies website (kfintech.com) or BSE/NSE IPO allotment portal.

## 11. GMP & INVESTOR SENTIMENT

### GMP Trend (Pre-Listing Informal Market)

| Date | GMP (₹ per share) | Indicative Listing Price | Premium Over Issue Price |
|---|---|---|---|
| Early monitoring (before Sep 17) | ₹7 | ~₹155 | ~4.7% |
| September 17, 2026 | ₹10 | ~₹158 | ~6.8% |
| September 18, 2026 (last recorded) | ₹15 | ~₹163 | ~10.1% |

*GMP Disclaimer: Grey Market Premium (GMP) is an informal, unregulated price indicator traded outside recognised stock exchanges. It is not endorsed by SEBI, BSE, or NSE and carries no guarantee of accuracy. GMP can change rapidly and is not a reliable predictor of actual listing price. Do not make investment decisions based solely on GMP figures. Ganesh StockInvest does not track or endorse grey market activity.*

### Investor Sentiment Assessment

The current GMP of approximately ₹15 (10% premium) reflects cautious optimism among grey-market participants. The steady rise from ₹7 to ₹15 over the pre-subscription period suggests improving sentiment, though the premium remains significantly lower than what higher-quality IPOs in the current market environment have commanded.

- **Positive signals:** Rising GMP trend, three promoters withdrawing from OFS (indicating promoter confidence), strong EBITDA growth trajectory, debt-reduction narrative.
- **Cautious signals:** Subdued GMP relative to expensive valuation, Carlyle OFS exit, thin PAT margins, demanding P/E vs peers. Most independent analysts have rated this a 'Subscribe for long-term' or 'Cautious Subscribe' rather than an outright aggressive 'Buy'.

## 12. GANESH STOCKINVEST RECOMMENDATION

**GANESH STOCKINVEST RECOMMENDATION: SUBSCRIBE* (LONG-TERM ONLY)**

**Rich valuation at 60.7x post-issue P/E warrants caution; suitable only for investors with 2–3 year horizon*

### Investment Rationale

Varmora Granito presents a mixed but ultimately investable case for patient, long-term investors. The company's core thesis rests on three pillars: (1) structural growth in India's premium tile segment (GVT CAGR of 14.5%); (2) a significant balance-sheet deleverage story — post-IPO, the company will be near net-debt-free, saving ~₹18.74 Cr annually in finance costs; and (3) first-mover advantage in Integrated Stone Technology (IST) and Eastern India market penetration via the Tezpur JV. These are genuine, differentiated positives.

However, the valuation — at 60.66x post-issue P/E, a 28–50% premium to peers like Kajaria (40x) and Somany (28x) — leaves virtually no room for error. The company is not demonstrating the return ratios (RoE 6.8% vs Kajaria's 15%+) or revenue growth (2-year CAGR of 3.1%) that would ordinarily justify such a premium. Investors are being asked to pay for a future that must be earned through execution.

The Carlyle OFS (₹388 Cr) is worth noting. While Carlyle is not fully exiting, a PE fund taking liquidity at this price implies their own view of fair value is at or below ₹148. This is a meaningful signal. Against this, the three promoters' decision to withdraw from OFS is a genuine positive — founders staying invested is a vote of confidence.

## Caution Factors

- **Not for listing gains:** With GMP at only ~10%, listing gains are likely to be modest and not guaranteed. Short-term traders should look elsewhere.
- **Valuation must be earned:** For the stock to re-rate post-listing, Varmora needs to demonstrate RoE improvement to 12–15% range and revenue CAGR of 10%+ over the next 2–3 years. This is achievable but not guaranteed.
- **PAT margin watch:** Thin 3.53% PAT margin means operating surprises (energy costs, economic slowdown) can disproportionately impact the bottom line.
- **Real estate cycle risk:** Any slowdown in India's residential real estate sector in 2027–28 would be a meaningful headwind.

## Suitability by Investor Type

| Investor Profile | Recommendation | Rationale |
|---|---|---|
| Long-term equity investor (2–3 year horizon) | SUBSCRIBE | Balance sheet improvement + IST tech edge + GVT tailwind can support earnings re-rating |
| HNI / High-risk appetite | SUBSCRIBE (small allocation) | Accept limited listing gain expectation; hold for fundamental re-rating |
| Conservative / income-oriented investor | AVOID | Thin margins, demanding valuation, no dividend visibility — not suitable |
| Short-term / listing-gains trader | AVOID | GMP at ~10% does not offer adequate risk-reward for a listing-gain play |
| SIP / Systematic equity investor | CONSIDER on dips post-listing | If stock lists at 5–8% premium or flat, it becomes more attractively priced for accumulation |

Synthesis: Varmora Granito is a credible mid-cap tile manufacturer with a compelling deleveraging story, genuine technology differentiation, and a growth market tailwind. The stock is not cheap, and it is not without risk. For investors who understand the tiles sector, have a 2–3 year patience horizon, and are not depending on this for listing-day profit, a moderate allocation is justified. Enter with eyes open on the valuation, and revisit the thesis if and when return ratios begin to improve post-debt-reduction.

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