BONANZA RESEARCH – SME IPO

Bonanza

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Clay Craft India Limited - NEUTRAL

Company Overview

Clay Craft India Limited (CCIL) is one of India's leading manufacturers and distributors of ceramic tableware products, engaged in the end-to-end design, development, production and sale of dinner sets, tea/coffee sets, mugs, platters, bowls and tabletop accessories. Founded in 1988 and headquartered in Jaipur, Rajasthan, the company was converted into a public limited company on July 15, 2025.

Investment Rationale

- **Capacity Expansion:** IPO proceeds will fund a new facility at Manda, adding 4,000 MTPA, a 67% increase over current 6,000 MTPA, providing strong revenue runway over FY27-FY29.
- **Improving Margins:** EBITDA margin expanded sharply from 19.70% to 23.33% in 2 years, PAT margin nearly 1.6x from 9.28% to 15.02%, signaling improving operating leverage and product mix.
- **Strong Return Ratios:** ROE jumped from 11.54% to 16.27% and ROCE from 14.42% to 18.26% over FY24-FY26, reflecting capital-efficient growth.
- **Healthier Balance Sheet:** D/E improved from 0.40 to 0.30, interest coverage nearly doubled from 2.27x to 4.18x, reducing financial risk.
- **China+1 Tailwind for Exports:** Global supply-chain reorientation away from China/Vietnam in ceramic tableware provides a structural opportunity for Indian manufacturers.
- **Integrated Vertical Operations:** In-house design, decal printing, manufacturing, QC and packaging give cost & quality control over peers.
- **Diverse Customer Base:** HORECA, retail, household, corporate gifting, government (CSD) - balances cyclicality.
- **Experienced Promoter Family:** 16-36 years of industry experience across four promoters.

Valuation

At the IPO price of Rs. 203, Clay Craft India is valued at about 11x its FY2026 EPS of Rs. 17.84. The company, a maker of ceramic tableware and hotelware, shows steady financial health, revenue and profit have grown each year, PAT margin is around 15%, RONW is about 16%, and NAV per share stands at Rs. 109.64. The pricing looks reasonable, neither cheap nor costly, for a growing mid-sized manufacturer. While there are no listed peers for direct comparison, the company faces intense competition from numerous unlisted players, which keeps future market share uncertain. Hence, we have a **NEUTRAL** stance to this SME IPO.

IPO Details

Industry	Ceramics Tableware
Issue Open Date	17-Jun-26
Issue Close Date	19-Jun-26
Price Band	Rs. 193-203
Issue Size*	Rs. 11,011 Lakh
Issue Size (Shares)	54,24,000
Bid Lot	600 Shares
Listing Exchanges	NSE SME
Face Value	Rs. 10/-

*At highest price band

Issue Details

Fresh Issue*	Rs. 10,458 Lakh
Issue Type	Fresh Capital
Lead Manager	Hem Securities
Registrar	Kfin Technologies
Issue structure	Market Maker: 5.02% QIB: 47.46% NII: 14.27% Retail: 33.25%
Allotment	22-Jun-26
Credit of Shares	23-Jun-26
Listing Date	24-Jun-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Capex	9,700
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	100	73.63
Public & Others	-	26.37

Business Highlights

Operational Footprint:

- Two manufacturing units at Jaipur and Manda, Rajasthan, combined area of 89,431 sq. meters.
- 5,770 active SKUs spanning dinnerware, mugs, tea/coffee sets, platters and accessories.
- Multi-channel distribution: 132 distributors, Modern Retail chains, and E-commerce marketplaces.

Key Strengths:

- Integrated, scalable manufacturing with in-house design & decal printing.
- Experienced promoter family.
- Broad SKU portfolio across price points and use-cases.
- Strong omnichannel reach across India + select exports.
- Sustainability infrastructure: solar power, ETP/STP, water recycling.
- Healthy financial track record with consistent revenue, margin & PAT growth.

Financials

Income Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	14,543	15,194	17,989	11%
EBITDA	2,865	3,539	4,196	21%
EBITDA Margin	19.70%	23.29%	23.33%	
PAT	1,350	2,076	2,701	41%
PAT Margin	9.28%	13.66%	15.02%	

- Revenue grew at 11% CAGR, accelerating in FY26, reflecting capacity ramp-up.
- EBITDA margin expanded by 363 bps over 2 years, operating leverage and favourable product mix.
- PAT grew at 41% CAGR driven by both top-line momentum and margin expansion.
- PAT margin nearly doubled from 9.3% to 15.0%, significant profitability improvement.

Balance Sheet:

Particulars	FY2024	FY2025	FY2026	Particulars	FY2024	FY2025	FY2026
Equity & Liabilities				**Assets**			
Net Worth	11,701	13,905	16,606	PPE	10,519	10,582	10,346
Long Term Debt	3,046	2,585	2,245	Inventories	4,349	4,648	5,193
Short Term Debt	1,633	2,189	2,752	Trade Rec.	1,233	1,341	1,731
Trade Payables	63	283	394	Cash	536	2,853	3,220

- Net worth is compounding steadily at 19% a year, adding roughly Rs. 2,200 Lakh and then Rs. 2,700 Lakh.
- Total debt is essentially flat, but because net worth is rising fast, the D/E ratio improves from about 0.40 to 0.34 to 0.30.
- Cash jumps roughly 5.3x in FY25 from Rs. 536 to Rs. 2,853 and then edges up to Rs. 3,220.
- Receivables growing faster 29% in FY26 than inventory, against a broadly flat asset base.

Cash Flow:

Particulars	FY 2024	FY 2025	FY 2026
Operating Cash Flow	2,535.70	2,717.04	2,664.49
Investing Cash Flow	(1,440.23)	(65.43)	(2,107.79)
Financing Cash Flow	(2,410.73)	(335.08)	(189.13)
Net Cash Flow	(1,315.27)	2,316.53	367.58

- Consistent positive CFO of Rs. 25-27 Cr each year, strong cash-generating business.
- FY26 investing outflow sharply higher, reflects pre-IPO capex push for Manda facility.
- Negative CFF across years, repayment of borrowings and dividends.

Key Ratios:

Ratio	FY26
Return on Equity	16.27%
Return on Capital Employed	18.26%
Debt-Equity Ratio	0.30x
Current Ratio	2.21x
EPS (Rs.)	17.84
NAV (Rs.)	109.64

- ROE: Solid, steady returns, the company retains nearly all profit and reinvests it.
- ROCE: Above ROE and above cost of debt, so leverage is adding value, business is under-levered.
- D/E: Conservatively geared with plenty of borrowing headroom.
- Current Ratio: Very comfortable liquidity, arguably more cash than the business needs.

Peer Comparison

There are no listed companies in India engaged in a similar business line.

Risk & Concerns

- **Supplier Concentration:** Top 3 suppliers contribute 50% and top 10 contribute 78% of raw material purchases, no long-term agreements.
- **Customer Concentration:** Top 10 customers contribute 33-37% of revenue (FY24-FY26), No long-term customer contracts or pricing agreements.
- **Both manufacturing units concentrated** in Rajasthan, geographic concentration risk.
- **Brand dependence** on Clay Craft and JCPL for 90% of revenue.
- **Intense competition** from domestic players and imports from China & Vietnam.
- **Substitute products:** Opalware, Melamine, Steel Utensils.
- **Contingent liabilities** of Rs. 346.88 Lakh as of March 2026.
- **Customs duty classification dispute**, demand of Rs. 125.46 Lakh and criminal complaint under Customs Act 1962.
- **Multiple legal proceedings** involving Company, Promoters, and Directors.

Name	Designation		
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