Pokarna Ltd. – Investment BUY Call

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 20 July 2026

CMP -> 969
Buying Range -> 969 to 990
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 1115

1. Business Overview – Premium Engineered Quartz Manufacturer with Integrated Operations

Pokarna Limited is one of India's leading premium engineered quartz surface manufacturers and a vertically integrated natural stone company with operations spanning granite quarrying, processing, and exports. Through its wholly owned subsidiary, Pokarna Engineered Stone Limited (PESL), the company has established itself as the world's largest exporter of engineered quartz surfaces by revenue, serving primarily the United States residential and commercial countertop markets. The company operates across two core business segments—engineered quartz surfaces and natural granite—with quartz now accounting for the overwhelming majority of revenue and profitability. Leveraging proprietary Bretonstone® technology from Italy, Pokarna focuses on premium product innovation, superior design capabilities, and high-quality manufacturing rather than competing on price, enabling it to build a differentiated position in the global engineered stone industry.

2. Q4FY26 & FY26 Financial Performance and Investment Thesis

Pokarna's latest Q4FY26 and FY26 performance reflects the continued strength of its engineered quartz franchise despite operating in a challenging global environment. The company continued to benefit from healthy demand for premium quartz products, an improving product mix, and increasing contribution from value-added offerings. Management highlighted that operational performance remained resilient, supported by better realizations, disciplined cost management, and healthy capacity utilization across existing facilities. Return ratios, profitability, and cash generation remained healthy, reflecting the company's asset-light working capital cycle and operational efficiency. The investment thesis for the next 6–9 months is supported by continued execution in the high-margin quartz business, expanding premium product offerings, disciplined capital allocation, and multiple growth initiatives that are expected to support revenue acceleration and margin expansion over the coming quarters.

3. Growth Catalysts – Premium Products, Geographic Expansion & Capacity Addition

Pokarna enters the next growth phase with several visible catalysts expected to drive earnings over the next two to four quarters. The commercialization of the KREOS extrusion technology has significantly strengthened the company's premium product portfolio by enabling production of ultra-thin, full-body patterned quartz slabs that are currently manufactured by only a handful of global players. Simultaneously, the Chromia digital printing technology expands Pokarna's capability to manufacture highly differentiated, design-intensive premium surfaces, improving pricing power and supporting higher operating margins. The company is also expanding beyond its traditional US market through increasing exports to Canada, France, Mexico, the Czech Republic, and other international markets, while simultaneously building its domestic distribution network and experience centres. These initiatives are expected to diversify revenue streams, reduce dependence on a single geography, and create incremental growth opportunities over the medium term.

4. Operating Leverage, Margin Expansion & Long-Term Growth Opportunities

Operating leverage remains one of Pokarna's strongest investment drivers. Higher utilization of existing manufacturing facilities, combined with increasing contribution from premium KREOS and Chromia products, is expected to improve fixed-cost absorption and expand EBITDA margins over the coming quarters. The company's strategy of launching innovative, higher-value designs instead of relying on price increases enables sustainable realization growth while protecting demand. Expansion into cut-to-size exports, premium designer collections, cross-selling opportunities, and broader international distribution further enhances margin potential. Over the longer term, increasing global preference for engineered quartz over natural stone, rising kitchen and home renovation demand, growing premium housing construction, and higher adoption of engineered surfaces across commercial applications provide strong structural growth drivers that should support sustainable revenue and earnings growth.

5. Capital Expenditure, Strategic Execution & Business Developments

Management has demonstrated a strong execution track record by consistently investing ahead of demand while successfully commercializing advanced manufacturing technologies. During the past 12–18 months, Pokarna capitalized the KREOS premium quartz line and completed installation of the Chromia digital printing line, significantly strengthening its technology leadership. The company is now constructing its third Bretonstone production line at Mekaguda with an estimated investment of approximately INR 440 crore, funded through a combination of debt and internal accruals. Commercial production is expected during FY27, with management targeting approximately INR 500 crore of incremental annual revenue and EBITDA of around INR 145–165 crore at optimal utilization. This expansion materially increases manufacturing capacity while positioning the company for the next phase of profitable growth as global demand improves.

6. Balance Sheet Strength, Cash Flow Profile & Financial Flexibility

Pokarna continues to maintain a fundamentally healthy balance sheet supported by prudent capital allocation and disciplined financial management. Healthy operating cash flows from the core quartz business have enabled the company to fund a meaningful portion of its expansion through internal accruals while maintaining financial flexibility. Although borrowings are expected to increase temporarily to finance the third Bretonstone manufacturing line, the projected earnings contribution from the new facility is expected to strengthen cash generation and improve leverage metrics following commercialization. Strong liquidity, efficient working capital management, and healthy free cash flow generation provide adequate financial capacity to execute ongoing capital expenditure while supporting future growth initiatives without materially weakening the balance sheet.

7. Industry Outlook, Sector Tailwinds, Risks & Investment Conclusion

The long-term outlook for the global engineered quartz industry remains favourable, supported by increasing residential remodeling activity, premium housing demand, growing preference for engineered surfaces over natural stone, and continued adoption across commercial construction. Pokarna's differentiated technology platform, premium product portfolio, integrated manufacturing model, and expanding international footprint position the company to benefit from these structural industry tailwinds. Near-term risks include slower US housing demand, potential tariff or anti-dumping actions, global economic uncertainty, foreign exchange volatility, execution risks associated with new capacity ramp-up, and temporary leverage arising from ongoing capital expenditure. Nevertheless, management's consistent execution, technology leadership, premium product positioning, diversified growth initiatives, and multiple operating leverage triggers provide confidence in sustained earnings expansion. Considering the company's strong competitive advantages, visible capacity-led growth, expanding premium product mix, and favourable long-term industry outlook, Pokarna Limited presents an attractive BUY opportunity for investors with a medium-term investment horizon of 6–9 months.

Recommendation Timeline & Performance Summary: -

1. 3 Feb 2026 – Initial BUY Recommendation: The BUY call was initiated at a price of 725 with a target price of 929, implying an upside potential of ~28% over a 12 months investment horizon.

2. 4 Feb 2026 – Target Achieved: The stock achieved our target price of 929 on 4 Feb 2026 and delivered an exceptional return of ~37% within just two trading days, from our initial BUY recommendation.

3. **23 June 2026 – Sell Recommendation (Profit Booking):** We advised investors to book profits and SELL their entire holdings in Pokarna stock at CMP of 1100 as of 23 June 2026, implying realized gains of 52% from the initial recommendation within 5 months, significantly ahead of our envisaged 12-months investment horizon.

4. **20 July 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 9691 with a target price of 1115, indicating an envisaged upside potential of 15% over the next 6 to 9 months.

Happy investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team