Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	74,828	0.4	-12.2
Nifty-50	23,447	0.5	-10.3
Nifty-M 100	62,396	0.7	3.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	7,706	-0.8	12.6
Nasdaq	26,936	-1.1	15.9
FTSE 100	10,705	0.0	7.8
DAX	25,411	-0.7	3.8
Hang Seng	8,274	-1.1	-7.2
Nikkei 225	65,019	0.0	29.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	120	2.9	91.9
Gold ($/OZ)	4,288	-1.7	-0.7
Cu (US$/MT)	14,687	-0.9	17.9
Almn (US$/MT)	3,237	-0.3	9.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	95.7	0.2	6.5
USD/EUR	1.1	-0.6	-3.1
USD/JPY	158.3	0.6	1.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.03	0.5
Flows (USD b)	**23-Sep**	**MTD**	**CYTD**
FIIs	0.17	-1.34	-25.6
DIIs	0.24	5.02	64.6
Volumes (INRb)	**23-Sep**	**MTD***	**YTD***
Cash	1,199	1233	1343
F&O	82,048	2,20,734	2,51,813

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Financials | Insurance: Distribution regulations: The word is out

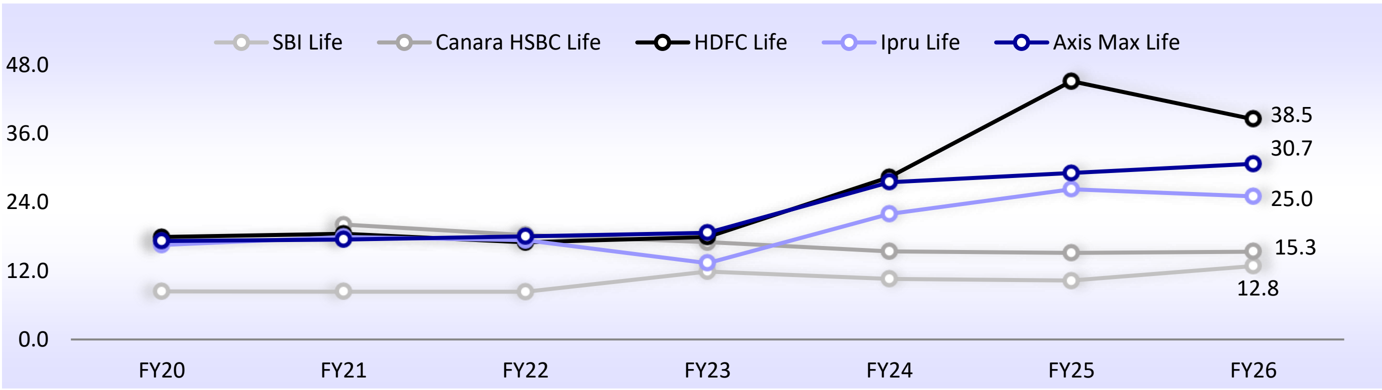
- IRDAI's Sep'26 consultation paper proposes the most significant distribution-regulation overhaul since the 2023 EoM reforms. It would replace eight distributor categories with three—IDE, IDP and MII—while reducing entry capital and making registration permanent, potentially increasing competition.
- Hard commission caps would return – Motor TP: near-nil for IDEs | Health: first-year capped 15-20% (IDE/agent) | Life: 10yr+ | PPT: 20-25% first year, just 3-5% renewal. EoM ceilings would tighten materially, with calculations shifting from GWP to GDPI, while GI and HI limit converge. Bancassurance and broker economics face pressure through lower commissions, disclosures and tighter caps.
- Motor dealers/MISPs would require IDE registration, while forced loan-insurance bundling would be restricted. Mandatory cost audits and disclosures would increase transparency. Overall, insurance brokers, especially banca-heavy insurers and banks/NBFCs, could face greater near-term disruption, while lower distribution costs may support VNB margins and combined ratios over the medium term.

Research covered

Cos/Sector	Key Highlights
Financials – Insurance	Distribution regulations: The word is out
Financials – NBFCs	Potential structural headwind to fee income for insurance-heavy NBFCs
Vishal Megamart	Key-man risk addressed; stake sale overhang remain
GE Vernova T&D India	Execution visibility remains strong
MTAR Technologies	Beyond fuel cells; multiple growth engines taking shape

Chart of the Day: Financials | Insurance (Distribution regulations: The word is out)

First-year commission ratios (%) across insurers; PSUs operating at half of private players



Source: MOFSL, Companie

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In the news today

Kindly click on textbox for the detailed news link

1

Irdai proposes effort-based commission caps, lower expense limits for insurers

Irdai proposes caps on insurance commissions and revises expense limits to reduce costs, enhance regulatory oversight, and improve persistency in life, health, and general insurance sectors. Public feedback open till October 2026.

2

AI doom fears overstated, global pause unrealistic: Zoho's Sridhar Vembu

Predictions that artificial intelligence could lead to catastrophic outcomes are overstated, and a global pause in AI development is unlikely, Zoho co-founder Sridhar Vembu said on Wednesday, while urging India to keep its strategic options open and invest heavily in foundational

3

Voltas eyes growth over margins in near term, bets on market share gains

Voltas is prioritising market-share gains and absolute operating profit while navigating higher commodity costs and intense competition.

4

Creatara Mobility opens Faridabad plant with 30,000-unit annual capacity

Creatara Mobility launches its first manufacturing facility in Faridabad with a 30,000-unit annual capacity, aiming to scale production of its electric two-wheelers IN40 and VM4 for domestic and global markets.

5

BDL gets Rs 811 cr contract for supply of anti-airfield weapons to Indian Airforce

BDL wins an Rs 811 crore MoD contract to supply 160 DRDO-designed SAT-SAAW weapons over the next two years.

6

MDR to help SBI recoup costs, generate modest profits says senior official

State Bank of India expects the new MDR framework on UPI transactions to help recover processing costs and generate profit, with guidelines effective from October 15 to offset rising transaction volumes.

7

LG, Samsung face India tariff evasion investigation over OLED TV parts

India is investigating LG Electronics and Samsung for allegedly paying lower tariffs on imported display parts of high-end TVs, five sources told Reuters, putting under scrutiny the premium entertainment devices both South Korean giants have bet big on.

Most significant takeways

- Distributor types reduced to three from eight
- Hard commission caps are back
- EoM glide path tightens materially
- Bancassurance in the crosshairs
- Brokers/aggregators face cap squeeze
- Insurance-only wall comes down
- Motor dealers/MISPs must register as IDEs
- Compulsory loan-insurance bundling banned
- Mandatory cost audits + public disclosure

Distribution regulations: The word is out

Massive regulatory changes to have significant ramifications

IRDAI's Sep'26 consultation paper, "Recalibrating Economics of Insurance Distribution", is the most significant proposed overhaul of distribution regulation since the 2023 Expenses of Management (EoM) reforms. The 2023 reform removed hard commission caps and moved to an entity-level EoM ceiling computed on gross written premium (GWP) with the board's discretion, whereas this consultation paper proposes to reintroduce hard commission caps, tighten EoM computation, and collapse a fragmented eight-category distributor architecture into three types – insurance distribution entities (IDE), insurance distribution person (IDP) and market infrastructure institution for insurance (MII).

Most significant takeaways

- Distributor types reduced to three from eight: Corporate agents, brokers, IMFs, web aggregators, MISPs, etc. all collapse into IDE, IDP and MII. Entry capital is cut to INR1m, and registration is permanent. Easier entry = More competition.
- Hard commission caps are back: 2023 removed caps; this reverses that. Motor TP: near-nil for IDEs. Health first-year capped 15-20% (IDE/agent). Life 10yr+ PPT: 20-25% first year, just 3-5% renewal.
- EoM glide path tightens materially - Life: 15% in 2 years then 12.5% of premium in 5yrs. General: 25% in 2 years then 20% of GDPI in 5yrs. Computed on GDPI (not GWP), closing the reinsurance loophole. More importantly, earlier GI and HI were separate categories with 30% and 35% limits, now both have to go down to 25% in 2 years.
- Bancassurance in the crosshairs: Multi-bank tie-ups pay 33% avg commission vs. 13% for single tie-ups (IRDAI's own data). Expect compression + mandatory bank-commission disclosure.
- Brokers/aggregators face cap squeeze: Broker commissions rose 8.5%/17% of premium over FY23-25. Open-architecture IDEs get lower caps than closed-architecture agents - a direct disincentive for the broking model.
- Insurance-only wall comes down: IDEs/IDPs can now sell non-insurance financial and non-financial products. Net positive for cross-selling-led platforms; insurance economics still capped.
- Motor dealers/MISPs must register as IDEs: Mandatory IDE/PoSP tie-up, cashless-repair-denial banned, OEM incentive-linked agreements banned. Commission grew 259% vs. 34% premium growth over FY23-25.
- Compulsory loan-insurance bundling banned: Only defined "acceptable packages" allowed (disclosed commission, separate payment, no forced insurer choice). MSME property cover INR50m cap removed.
- Mandatory cost audits + public disclosure: All insurers + IDEs with >INR1b commission income and IDEs with >INR500m revenue must disclose revenue/expenses/related-party payments publicly.

Our view: Revenue of insurance brokers and banks/NBFCs will be hit more than that of individual agents; hence, the impact on banca-heavy insurers, especially on open architecture, will be higher. Multiple changes in the proposed regulations will call for significant overall changes in the way businesses are carried out across products and channels. We believe VNB margins and combined ratios for insurers will improve over the medium term; however, business growth in the shorter term could face challenges given disruption in many channels. Our preferred picks in life insurance continue to be SBI Life and Canara HSBC Life as we see relatively easier transition for them to new EoM limits. LIC will also be relatively better placed given its relatively low dependence on brokers and banca channel.

Life Insurers – VNB margin benefits but near-term growth could be slow

With a significant reduction in distribution costs, we expect product-level profitability to improve for life insurance players. On the other hand, business volumes could be impacted in the medium term, with credit life business in particular could see some stress. Meanwhile, intense competition in open architecture banks could taper off.

General/Health insurers – profitability definitely improves with lower costs

Motor business will go through a sea change with several measures announced. However, with commissions going down on Motor TP and prices unchanged as the segment is tariffed, the profitability of the segment will improve. In the health segment, credit-linked product growth could be a challenge. Overall, we still expect combined ratios to improve on a slower growth.

Distributors – biggest impact

Distributors are likely to face the biggest impact if the regulations are implemented as they are. Take rates could go down meaningfully, especially on new health business and motor TP business.

Proposed structure of distributors

Aspect	Current regulation	Proposed reform
Entity-level categories	❖ 8: corporate agent, broker, composite broker, OEM broker, Insurance Marketing Firm (IMF), web aggregator, Common Service Centre (CSC), MISP dealer	❖ 3: Insurance Distribution Entity (IDE), Insurance Distribution Person (IDP), Market Infrastructure Institution (MII)
Individual-seller categories	❖ 9: agent, PoSP, specified person, designated person, insurance sales person, broker qualified person, rural authorized person, village level entrepreneur, authorized verifier	❖ 4 IDP sub-types: Insurance Agent, Insurance Associate, Specified Person, Point of Sale Person (PoSP)
MISP motor dealers	❖ Operate as PoSPs under OEM/dealer sponsorship, regardless of legal structure	❖ Those with IDE-eligible legal structure (company, LLP, etc.) must register as IDE and no longer remain PoSPs (see Motor Insurance section)

Financials - NBFCs

Valuation matrix

Val summary	Rating	CMP (INR)
MSME		
Five-Star	Buy	550
Housing Finance		
LIC HF	Neutral	572
PNB HF	Buy	1,140
Bajaj Housing	Neutral	84
Aavas	Neutral	1,286
HomeFirst	Buy	1,205
CanFin	Neutral	758
Repco	Neutral	355
Vehicle Finance		
Cholamandalam	Buy	1,770
MMFS	Buy	349
Shriram Finance	Buy	1,007
Indostar	Buy	228
Gold Finance		
Muthoot	Neutral	2,854
Manappuram	Neutral	320
Diversified		
BAF	Buy	1,040
Poonawalla	Buy	478
ABCL	Buy	402
LTFH	Buy	311
Piramal Finance	Buy	2,235
MAS Financial	Buy	285
IIFL Finance	Buy	632
HDB Financial	Neutral	671
Jio Financial	Buy	232
Northern Arc	Buy	313
Tata Capital	Neutral	350
Microfinance		
CreditAccess	Buy	1,350
Fusion Finance	Buy	184
Spandana Sphoorty	Neutral	232
Power Financiers		
PFC	Buy	347
REC	Buy	312

Potential structural headwind to fee income for insurance-heavy NBFCs

Fee-income impact for NBFCs will hinge on final commission framework

- IRDAI's Sep'26 consultation paper on "Recalibrating Economics of Insurance Distribution" is not merely an Expenses of Management (EOM)/commission-cap exercise but is instead an attempt to structurally reset the economics of insurance distribution. The impact could be particularly significant for NBFCs that have built a high-margin insurance distribution business around group credit life insurance, which is sold alongside loans.
- From the perspective of NBFCs, which have a corporate agency license and consequently report insurance distribution income, the consultation paper focuses on five major changes: 1) Hard caps on insurance commissions, replacing the relatively flexible commission regime introduced in 2023; 2) Sharp reduction in commissions on loan-linked insurance, particularly group credit life; 3) Lower commission caps for open-architecture distributors, which directly affects banks/NBFCs operating as corporate agents/IDEs; 4) Prohibition of compulsory insurance bundling with loans, although customer-beneficial package offers remain permitted; and 5) Digital/direct distribution infrastructure through Bima Sugam and Public Insurance Registry (PIR), which could structurally reduce the dependence on physical/intermediated distribution.
- IRDAI explicitly noted that if a lending institution wants to protect its own loan portfolio against adverse events affecting borrowers, it can take a group policy itself and pay the premium as an expense of the institution. This is different from selling insurance to the borrower and earning a large distribution commission.
- **End of mandatory loan-linked insurance:** In addition to the commission caps, IRDAI proposes to prohibit compulsory bundling of insurance with products/services of banks and NBFCs registered as IDEs. However, IRDAI does not propose to eliminate the loan + insurance product altogether. IRDAI proposes to permit customer-beneficial package offers. NBFCs could offer loans + insurance at a lower rate compared to loans without insurance. However, IRDAI has proposed three critical conditions: 1) Customer must know the interest rate with and without insurance, 2) Customer cannot be forced to buy insurance from that NBFC, and 3) Insurance premium must be paid separately and directly by the customer, rather than being funded out of the loan.
- **More differentiated commission framework:** Commissions would be determined based on product complexity, effort involved, line of business and distribution channel, replacing the relatively uniform approach currently prevalent. The framework could also allow higher remuneration for distribution in underserved markets, including rural areas, small towns and smaller cities, thereby incentivizing distribution where customer access is limited.
- **Bank/NBFC employee incentives could change materially:** The proposal would prohibit volume-linked or reward-linked incentives for employees of banks and NBFCs involved in insurance distribution. This could require lenders to rethink the current incentive structures used across branches and sales channels to

drive insurance penetration, potentially impacting the pace of cross-selling and the economics of insurance distribution.

- **Potential pressure on NBFC insurance fee income:** The combination of differentiated commission caps, restrictions on employee incentives and the proposed separation of insurance from mandatory loan approval could put pressure on insurance-led fee income for NBFCs. The impact, however, is likely to vary materially across lenders depending on the proportion of fee income derived from insurance, the mix of credit-linked products, current commission rates and the extent to which insurance penetration is driven by branch-level incentives.

Our view

- For NBFCs, there could be three headwinds: 1) ~42-45% current effective payout declining to the proposed ~2% for single-premium group pure term sold by lending entity; 2) Compulsory insurance bundling with a loan to be prohibited; and 3) Insurance premium must move directly from customer to insurer rather than being routed/funded through the lending process.
- The historical economics of NBFC insurance distribution appear unlikely to persist if the proposed caps are implemented substantially as drafted. Diversification of NBFC distribution income will become very important. The ability to distribute other financial/non-financial products could potentially provide a meaningful offset. These proposals, if implemented, will not merely result in a commission-rate compression but will also likely impact insurance attachment itself.
- This is still a public consultation paper, not final regulation. The final commission ceilings, implementation mechanics and transition provisions could change following the consultation. The paper invites comments until 25th Oct'26. However, if the proposals were to be implemented in their current form, then this could be a potential structural headwind to fee income/RoA for insurance-heavy NBFCs, rather than simply a regulatory-compliance change.
- In Exhibit 4, where we have highlighted the contribution of insurance distribution income to PBT and as % of the average assets for the MOFSL NBFC coverage universe. NBFCs like LTF, CIFC, HomeFirst and MMFS have a higher contribution of insurance distribution income to their earnings and would therefore be relatively more vulnerable than other peers.

23 September 2026

Company Update | Sector: Retail

Vishal Megamart

BSE SENSEX	S&P CNX
74,828	23,447

Bloomberg	VMM IN
Equity Shares (m)	4676
M.Cap.(INRb)/(USDb)	496.6 / 5.2
52-Week Range (INR)	152 / 99
1, 6, 12 Rel. Per (%)	6/2/-22
12M Avg Val (INR M)	1794
Free float (%)	60.0

Financials & Valuations (INR b)

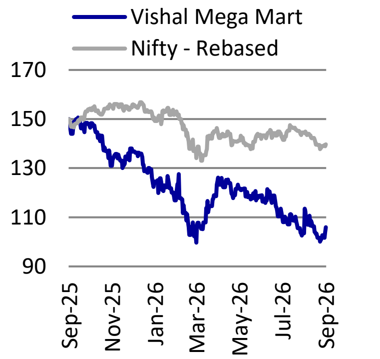
Y/E March	FY27E	FY28E	FY29E
Sales	154.2	183.1	216.3
EBITDA	22.5	27.5	33.4
Adj. PAT	10.5	13.4	17.1
EBITDA Margin (%)	14.6	15.0	15.5
Adj. EPS (INR)	2.2	2.8	3.6
EPS Gr. (%)	23.2	28.1	28.0
BV/Sh. (INR)	17.9	20.7	24.4
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	13.2	14.7	16.1
RoCE (%)	10.8	11.7	12.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	48.1	37.5	29.3
EV/EBITDA (x)	22.7	18.2	14.6
EV/Sales (X)	3.3	2.7	2.3

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	40.1	40.1	54.2
DII	34.8	32.7	27.3
FII	20.4	22.0	12.9
Others	4.7	5.1	5.6

FII includes depository receipts

Stock Performance (1-year)



CMP: INR106 TP:INR135 (+27%) Buy

Key-man risk addressed; stake sale overhang remain

We interacted with senior management and heads of key businesses of Vishal Mega Mart (VMM). The key takeaways are as below:

- The central message of the meeting, in our view, was to showcase the senior leadership depth to address the key investor concern about the key-man risk (its longstanding CEO is ~66 years old).
- Management is confident of sustaining double-digit SSSG on an annual basis (quarterly deviations might happen due to change in festive season, etc.), driven largely by volume-led growth while maintaining leadership in opening price points.
- Management believes there is a potential to add 1,200 stores in the large format (~17k sqft) in the next 10-12 years. The company has also piloted a small-store format to cater to towns with less than 50k population in relatively more saturated states such as UP and Haryana. Management expects a runway of 4k stores in the small format over the longer run.
- The company has recently launched a new store format 'Belong & Co', which will focus primarily on mid-premium apparel to cater to the rising affluence of its customers.
- VMM will continue to reinvest the savings on gross margin from scale benefits to improve the product quality and price proposition. Operating leverage, technology interventions (warehouse automation, RFID implementation) and savings on logistics costs (plans to have a central warehouse across all four regions) should drive higher EBITDA margins.
- VMM's digital commerce offerings have scaled up to 500+ towns, with its share varying between 2-10% of in-store sales, depending on competitive intensity in towns. Management noted that its digital commerce offering has already achieved cash break-even, and the aim is to increase the digital contribution as the offering adds new customers to its ecosystem.
- We remain positive on VMM considering its consistent growth trajectory and potential for operating leverage led margin expansion. We **reiterate our BUY rating with a revised TP of INR135**, premised on ~27x DCF-implied Sep'28E pre-INDAS 116 EV/EBITDA (implies ~42x Sep'28 EPS).
- The stake sale by promoter (PE with ~40% stake) remains a key overhang to the stock's performance, despite the stellar operating performance.

Confident of sustaining double-digit SSSG on an annual basis

- VMM management is confident of sustaining double-digit SSSG on an annual basis, though on a quarterly basis, there could be deviations due to the change in the festive calendar, among other factors.
- VMM's differentiated proposition (~75% of revenue from own brands), ownership of opening price points and loyal customer base (~95% of sales to repeat customers) remain key drivers for sustained SSSG.
- Management noted that stores across various vintages are delivering double-digit SSSG, primarily driven by volume growth and select premiumization to gain higher wallet share from customers.

Long runway for store expansion; piloting small-store and premium formats

- Management indicated that VMM could open 1,200 more stores in its traditional large format (~17k sqft) over the next 10-12 years.
- Customer response to VMM's recent forays in Maharashtra, Gujarat and Kerala has been encouraging, and these markets, alongside Tamil Nadu, are the key whitespaces for VMM to expand its large-format stores in the medium term.
- The company has also piloted a small-store format in states (UP, Haryana) with relatively higher saturation. Management believes there is a potential to open ~4k small-format stores over the medium term.
- The performance of small stores has been comparable to large-format stores (on SPSF, RoCE, etc). However, management will currently focus on opening larger-format stores in relatively less penetrated states as the effort on opening new stores is similar in both formats.
- The company has also launched a new format 'Belong & Co', which will focus primarily on mid-premium apparel category.

Achieved cash breakeven in digital commerce; looking to push the pedal

- VMM's digital commerce offering is live in ~500+ towns and contributes ~2-10% of in-store sales, depending on competitive intensity across regions (broadly in line with management's initial expectation of ~5% contribution to store sales).
- Management has fine-tuned the model in the last 18 months. It is now able to deliver 97%+ fill rates and will look to push the pedal on growing digital commerce as it brings new customers to VMM's ecosystem.
- Digital commerce margins are lower than in-store margins due to higher FMCG salience (70% for online orders vs. 27-28% in-store) and associated delivery costs (~INR30-40/order). However, the company's digital commerce offerings have achieved cash breakeven while contributing incremental sales to stores.

Gross margin gains to be reinvested in sharpening product proposition

- Management reiterated its ambition to maintain fairly stable gross margins. The scale-led benefits on gross margins will be reinvested in improving product quality and sharpening its price leadership.
- The company is investing ahead of the curve in technology (RFID implementation, warehouse automation), supply chain (planning to have a central warehouse for each of its four regions), people (to support larger business size) and improving the in-store experience.
- VMM's frugal cost structure, own brands' proposition, savings on logistics costs (through centralized warehouses) and RFID implementation (lower shrinkage, better inventory replenishment with low cost of ~INR1/tag over the longer run) should provide operating leverage and drive EBITDA margin expansion.

Valuation and view

- VMM remains among the most consistent retailers within our coverage. We believe its diversified category mix, ownership of opening price points, significant contribution from its own brands, and lean cost structure provide it with a strong moat against intense competition from both offline and online value retailers.

- We believe the recent extension of its long-term CEO's tenure for another five years, alongside redesignation as Founder, provides comfort on the continuity of the business strategy.
- However, concerns about potential promoter stake sales and long-term ownership still remain key overhangs for the stock.
- Our estimates are broadly unchanged. We model a CAGR of 19%/24%/27% in revenue/pre-IND AS EBITDA/PAT over FY26-29E, driven by ~10% CAGR in area, consistent ~10%+ SSSG, and ~50bp annual pre-IND AS EBITDA margin expansion.
- We reiterate our **BUY rating on the stock with a revised TP of INR135** (earlier INR165). Our TP is premised on a DCF-implied ~27x Sep'28E pre-IND AS 116 EV/EBITDA (implying ~42x Sep'28E EPS). The cut in multiple (from ~34x earlier) is driven by a potential increase in contribution of small-format stores, which would contribute to lower absolute profitability (vs. large-format stores).

Our TP implies ~20x Sep'28E reported EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	**30.4**	**20**	**617**
Net debt (incl. leases)			-20
Equity value			**638**
TP (INR/share)			**135**
CMP (INR/share)			106
Potential upside (%)			27

Source: MOFSL

Ascribe a TP of INR135, based on DCF implied ~27x Sep'28E pre-IND-AS 116 EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	**21.8**	**27**	**591**
Net debt (excl. leases)			-47.0
Equity value			**638**
TP (INR/share)			**135**
CMP (INR/share)			106
Potential upside (%)			27

Source: MOFSL

Key assumptions for VMM

Key assumptions	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
EoP stores	**501**	**557**	**611**	**696**	**795**	**900**	**1,010**	**1,125**
Net store additions		56	54	85	99	105	110	115
EoP retail area (msf)	**9.1**	**10.2**	**11.0**	**12.2**	**13.5**	**14.8**	**16.2**	**17.7**
YoY		11.3	8.1	10.5	10.6	10.1	9.7	9.2
SSSG (%)	**11.9**	**25.2**	**13.6**	**12.3**	**11.0**	**10.5**	**10.3**	**10.0**
Revenue (INR b)	**56**	**76**	**89**	**107**	**129**	**154**	**183**	**216**
YoY		36	17	20	20	19	19	18
Rev/sqft (INR)		7,853	8,415	9,251	10,078	10,911	11,792	12,727
Gross margin (%)	28.2	27.2	27.7	28.5	28.4	28.4	28.6	28.7
EBITDA (INR b)	**8.0**	**10.2**	**12.5**	**15.3**	**18.8**	**22.5**	**27.5**	**33.4**
EBITDA margin (%)	14.4	13.5	14.0	14.3	14.6	14.6	15.0	15.5
Pre-INDAS EBITDA (INR b)	**4.2**	**5.5**	**7.4**	**9.7**	**12.6**	**15.5**	**19.4**	**24.2**
Pre-INDAS margin (%)	7.5	7.3	8.3	9.1	9.8	10.0	10.6	11.2
PAT	**2.0**	**3.2**	**4.6**	**6.3**	**8.4**	**10.5**	**13.4**	**17.1**
Capex (INR b)	1.6	2.2	2.5	2.6	3.2	3.1	3.3	3.4
Capex /sqft		**2,119**	**3,007**	**2,280**	**2,523**	**2,306**	**2,304**	**2,303**

GE Vernova T&D India

BSE SENSEX	S&P CNX
74,828	23,447

GE VERNOVA

Bloomberg	GVTD IN
Equity Shares (m)	256
M.Cap.(INRb)/(USDb)	1131 / 11.8
52-Week Range (INR)	5650 / 2523
1, 6, 12 Rel. Per (%)	10/23/54
12M Avg Val (INR M)	3518

Financials &Valuations (INR b)

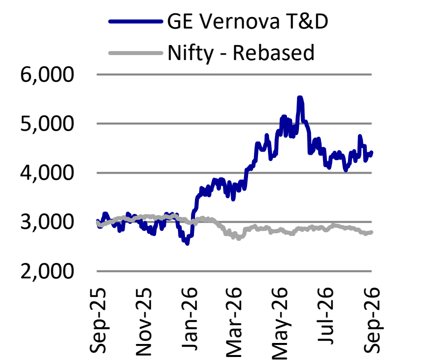
Y/E MARCH	FY27E	FY28E	FY29E
Net Sales	79.1	104.0	124.0
EBITDA	21.0	27.6	32.3
PAT	15.8	20.7	24.2
EPS (INR)	61.8	80.9	94.5
GR. (%)	23.5	30.9	16.9
BV/Sh (INR)	153.9	217.7	292.4
Ratios			
ROE (%)	47.7	43.5	37.1
RoCE (%)	48.1	43.8	37.3
Valuations			
P/E (X)	71.4	54.5	46.6
P/BV (X)	28.6	20.2	15.1
EV/EBITDA (X)	52.7	39.6	33.4
Div Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	51.0	51.0	51.0
DII	18.5	21.4	26.8
FII	22.9	20.4	14.5
Others	7.6	7.2	7.8

FII Includes depository receipts

Stock performance (one-year)



CMP: INR4,417 TP: INR5,100 (+15%) Buy

Execution visibility remains strong

In our recent meeting with GE Vernova T&D (GVTD), management highlighted improved activity in the transmission tendering in domestic markets. The company's recent L1 win in Barmer HVDC project, along with existing South Olepad HVDC project, can potentially take its order book above INR300b, providing revenue visibility of 4-5 years. GVTD is optimistic about the finalization of more HVDC projects over next one year. Large export orders are taking some time to finalize. The company's capex plan is aligned to cater to existing and incremental demand. We slightly tweak our margin estimates to bake in the impact of current RM prices and maintain BUY with a TP of INR5,100, based on average of DCF and 58x P/E Dec'28E EPS.

Recent HVDC win boosts order book and revenue visibility

GVTD was recently declared L1 in Barmer-South Kalamb HVDC project from Powergrid. This is GVTD's second HVDC project after South Olepad HVDC project awarded in FY26. Its scope of work would include establishment of 6GW, ± 800 kV high-voltage direct current (HVDC) LCC terminal station (2x3000 MW) from Barmer II to South Kalamb. The company expects execution from this project to commence from FY28 and meaningfully pickup from FY30. The execution from the previously awarded South Olepad HVDC project will also commence from FY27 and meaningfully pickup from FY29. Thus, we believe that contribution from HVDC projects will start ramping up sharply from FY29 itself for the company. After incorporating this project, the company's order book would increase to more than INR300b, thereby giving a strong visibility for the next five years of execution. We expect revenue to grow at 26% CAGR over FY26-29.

Few more HVDC projects on the anvil along with base ordering ramp-up

GVTD also expects three more HVDC projects to be tendered over next one year, which can include projects from Brahmaputra basin, Trombay to inside Mumbai and follow-on orders for existing HVDC projects in Mumbai. Apart from HVDC projects, the visibility on base transmission orders has also started improving, based on the recent projects awarded to key developers as well as CEA recommendations to NCT. We expect one HVDC win for GVTD every alternate year after the recent award and 13% growth in base orders.

Export inflow trajectory to remain mixed

GVTD received export inflows of INR21b/INR33b/INR12b during FY24/25/26, which included few large orders too. This year it expects base export inflows to grow by 10-15% through multiple channels and can potentially get large orders too from the parent entity. It is hopeful of booking one order worth INR13b from a US data center project in FY27 from the parent entity, while the other large export inflow of INR30b is currently delayed.

Capex of INR10b planned across sub-segments

GVTD has planned a capex of INR10b up to Dec'28 across locations 1) to increase transformer and reactor capacity by 50%, 2) to add new lines for HVDC valves (LCC) and VSC-STATCOM valves, 3) to increase AIS and GIS capacity, and 4) to set up a new plant for disconnector, GIB components and dead tank assembly. Overall, GVTD expects 40% investment to happen across new areas and 60% across HVDC. The company believes that these investments are sufficient to cater to the existing and upcoming projects.

Margin levers – variable pricing and operating leverage

We expect margin for GVTD to remain fairly strong at 26-27% going forward, aided by revenue mix, operating leverage as scale of execution increases, and variable pass-through clauses for transformer-related contracts. We may witness near-term volatility on non-transformer-related contracts, which are largely fixed-price in nature. We tweak our estimates for FY27/28 and expect EBITDA margin of 26.5%/26.5%.

Growth strategy going forward

Going ahead, we expect GVTD to focus more on 1) less competitive HVDC market, 2) export ramp-up, 3) achieving operating leverage benefits as scale increases, and 4) capacity expansion.

Financial outlook and valuation

We cut our margin estimates slightly to bake in the impact of current RM prices in FY27/FY28. We expect revenue/EBITDA/PAT CAGR of 26%/24%/24% over FY26-29E. The stock is currently trading at 71x/55x/47x on FY27E/FY28E/FY29E EPS. We maintain BUY rating on the stock with a TP of INR5,100, based on average of DCF and 58x P/E Dec'28E EPS.

Key risks and concerns

Key risks include lower-than-expected growth in base orders, margin pressure, higher competition, and delays in execution ramp-up across HVDC projects.

MTAR Technologies

BSE SENSEX	S&P CNX
74,828	23,447

Bloomberg	MTARTECH IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	224.2 / 2.3
52-Week Range (INR)	8715 / 1784
1, 6, 12 Rel. Per (%)	7/112/297
12M Avg Val (INR M)	4157
Free float (%)	71.0

Financials & Valuations (INR b)

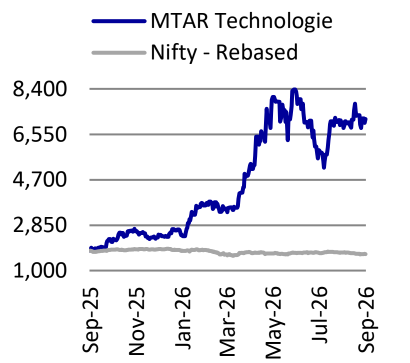
INR b	FY26	FY27E	FY28E
Sales	8.8	16.2	27.7
EBITDA	1.7	3.9	6.7
Adj. PAT	1.0	2.5	4.6
EBITDA Margin (%)	19.5	24.0	24.3
EPS (INR)	31.5	80.3	149.5
Growth (%)	83.1	154.9	86.3
BV/Sh (INR)	267.4	347.7	497.2
Ratios			
Net D:E	0.2	0.1	0.2
RoE (%)	12.5	26.1	35.4
RoCE (%)	11.3	20.7	28.0
Valuations			
P/E (x)	230.8	90.6	48.6
EV/EBITDA (x)	131.4	57.8	33.5
FCF Yield (%)	0.1	0.0	-0.4

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	29.4	30.4	31.7
DII	22.4	27.7	23.5
FII	24.8	17.3	7.6
Others	23.5	24.6	37.3

FII includes depository receipts

Stock Performance (1-year)



CMP: INR7,289 TP: INR9,000 (+23%) Buy

Beyond fuel cells; multiple growth engines taking shape

MTAR Technologies (MTAR) is a pioneer in precision-engineered products and solutions, with over five decades of manufacturing legacy and established capabilities across clean energy – civil nuclear, fuel cells, aerospace & defense (A&D), and other strategic sectors. We believe MTAR is entering a multi-year growth phase, scaling beyond fuel cells, as civil nuclear, A&D, data center infrastructure solutions, oil & gas, and space are expected to provide additional avenues for diversification.

- Bloom's opportunity is expanding beyond data centers into the broader AI infrastructure ecosystem. Bloom now has ~two dozen AI infrastructure customers with ~250MW contracted capacity, while its recent MiTAC partnership extends fuel cell adoption to AI-server manufacturing.
- Beyond fuel cells, India's nuclear build-out is creating a multi-year manufacturing cycle. The government is targeting 100GW by CY47, with 10 indigenous 700MW pressurized heavy-water reactor (PHWRs) approved. Based on our estimates, MTAR's product portfolio provides exposure to ~INR1.1–1.9b per 700MW PHWR reactor, implying a cumulative opportunity of ~INR195b over CY25-47.
- The company has forayed into the high-growth data center infra components segment, with an initial order of ~INR450m from *SLB N.V.* This has ~INR4-5b revenue potential post commercialization of the first article, with first-article qualification and conversion into long-term agreements (LTAs) serving as key triggers for scale-up.
- In A&D, multiple programs are moving from qualification to commercial production. It is expected to clock INR6-7b revenue in 3-4 years (INR2b in FY27) vs INR1b in FY26, supported by MNC customers including GKN, Thales, and IAI, alongside domestic Tejas/AMCA opportunities.
- O&G is emerging as a new export-led growth avenue, with MTAR developing Class-A components (precision-engineered products capable of operating under high-pressure and high-temperature environment) for SLB and a greenfield facility for Weatherford, targeted by Sep'26. Successful qualification and commercialization could unlock recurring global orders and increase wallet share with SLB across O&G and data center applications.
- Further, India's space economy could grow from ~USD8.4b to ~USD44b by CY33, and MTAR's established ISRO qualifications provide an entry point into the rapidly growing private-space ecosystem. Over the past 4+ decades, MTAR has supplied critical products for Chandrayaan-3/Aditya-L1 and Gaganyaan.
- Overall, the company is moving from a concentrated precision-engineering supplier toward a broader multi-vertical manufacturing platform, with civil nuclear, A&D, data center infra components, and oil & gas creating multiple medium-term growth options beyond fuel cells. We estimate a revenue/EBITDA/PAT CAGR of 78%/98%/118% over FY26-FY28. We reiterate our BUY rating on the stock with a TP of INR9,000 (based on 60x FY28E EPS and translating into a ~0.5x PEG ratio on FY26-28E EPS CAGR).

Fuel cells – Bloom's AI power opportunity is expanding beyond data centers (FY26: Revenue mix 70%; order book mix 51%)

- **Fuel cell demand is expanding beyond hyperscale data centers into a broader AI infrastructure ecosystem,** with Bloom now serving nearly two dozen AI customers with ~250MW contracted capacity. The MiTAC AI-server manufacturing microgrid highlights emerging demand from AI hardware manufacturing and semiconductor supply chains.
- **Bloom's newly launched product 'Power Connect' (factory-integrated, pre-wired power system design) can reduce onsite installation time by 40%+**, while Brookfield's financing framework increased from USD5b to USD25b, supporting faster project conversion and system deployments.
- **MTAR is well-positioned to benefit from rising Bloom deployment velocity.** With 67% of 1QFY27 order book linked to Fuel Cell/Hydel/Others and capacity expansion underway through FY27, we expect the segment to remain the key growth driver, delivering 77% CAGR over FY26-28.

Civil nuclear: From episodic reactor awards to a multi-year manufacturing cycle (FY26: Revenue mix 3%; order book mix 26%)

- India's planned nuclear expansion (100GW by CY47) is creating a multi-decade opportunity, with MTAR positioned across ~15 critical nuclear-island products. **Based on our estimates, MTAR's product portfolio provides exposure to ~INR1.1–1.9b per 700MW PHWR reactor, implying a cumulative opportunity of ~INR195b over CY47.**
- **The new-build cycle has begun to materialize, evidenced by MTAR's INR5b Kaiga 5&6 order win,** while Mahi Banswara and subsequent 700MW PHWR projects provide visibility for follow-on participation and higher share-of-wallet across future reactor programs.
- **Refurbishment is adding a recurring revenue layer alongside reactor orders**, reducing business lumpiness. With Kaiga execution, refurbishment inflows, and future PHWR projects progressing in parallel, MTAR's nuclear business is evolving into a more visible multi-year manufacturing cycle combining new-build, refurbishment, and maintenance revenues.

Data center infra components: Small initial order; potentially large qualification-led opportunity

- AI infrastructure investment is accelerating rapidly, with global data center spending expected to reach ~USD7t by CY30 and **AI-driven rack power densities rising sharply, increasing demand for power, cooling, thermal management, and supporting infrastructure.**
- **MTAR has entered the value chain through SLB (global energy technology and oilfield services company), receiving ~INR450m of initial orders for data center infrastructure components.** While current orders are qualification-led, successful first-article approvals could open a potential ~INR4-5b revenue opportunity and pave the way for LTAs and serial production.
- **Data center infra components represent a scalable adjacency, leveraging MTAR's existing fabrication, machining, and assembly capabilities.** The key monitorables remain first-article qualification, conversion into long-term production contracts, and eventual dedicated capacity creation, which would indicate the vertical is evolving into a meaningful growth pillar.

Oil & Gas: Qualification with global oilfield majors creates a new export opportunity

- **MTAR is building a new export opportunity in O&G through qualification with global oilfield majors.** The company is developing Class-A components (precision-engineered products capable of operating under high pressure and high temperature environment) for SLB, while a greenfield facility dedicated to Weatherford and other customers is targeted for commissioning in Sep'26.
- **Given the stringent operating requirements of oilfield components, the aforementioned qualification could open up large recurring global orders for MTAR.** Moreover, expansion with SLB could also increase wallet share across both O&G and data center applications.
- **O&G remains an emerging diversification opportunity, with FY27-28 as the key validation period.** We would track first-article completion, commercialization of products, SLB/Weatherford qualifications, facility utilization, and subsequent order inflows.

Space: Established ISRO qualification creates an entry point into India's expanding private space ecosystem

- **MTAR's four-decade ISRO relationship provides a strong qualification base for the expanding space opportunity.** Its components are deployed across PSLV/GSLV, Chandrayaan-3, Aditya-L1, and Gaganyaan, creating an established technical entry barrier.
- **India's space ecosystem could expand from ~USD8.4b currently to ~USD44b by CY33, with private players increasingly entering launch vehicles, satellites, and propulsion.** MTAR can leverage its existing propulsion, structures, actuator, and precision-assembly capabilities to participate across emerging private-space programs.
- **Growth can come from both higher ISRO mission cadence and private-customer diversification.** Key monitorables include new product additions, higher order inflows, private-sector customer wins, and the share of revenue generated from non-ISRO programs. These indicators will help assess whether the Space business can evolve into a broader manufacturing platform for MTAR.

A&D: Transition from qualification to commercial production can drive a sharp revenue ramp (FY26: Revenue mix 14%; order book mix 12%)

- **A&D is transitioning from qualification to commercial production, with engine components, storage boxes, and multiple other programs already moving into serial production/LTAs.** MTAR's MNC customer base has also expanded from Rafael/Elbit to GKN Aerospace, Thales, Thales Alenia Space, IAI, and Collins Aerospace.
- The revenue ramp can be meaningful as these programs commercialize. **A&D revenue was only ~INR1b in FY26 but could reach INR6–7b over the next 3–4 years, with MNC Aerospace expected to deliver 45-50% CAGR over the next five years.**
- **Domestic defense provides a second growth engine alongside the MNC ramp-up.** Existing capabilities across Tejas actuators, airframes, wing-kits, structural assemblies, and next-generation propulsion, coupled with potential AMCA/Tejas Mk-IA/Mk-2 programs, could materially expand MTAR's share of India's aerospace supply chain.

Valuation and view

- MTAR has a strong order book of ~INR51.4b as of Jun'26, driven by a healthy pipeline across clean energy (fuel cells), A&D, nuclear sectors, and products & others. The commercialization of new products and onboarding of new clients across segments are expected to drive further growth. Incrementally, enhancing wallet share with existing customers will also accelerate growth. MTAR is foraying into new high-growth sectors, which will contribute meaningfully over the coming years. We anticipate these initiatives to translate into strong growth and margin expansion.
- The company targets 4-5x asset turns on incremental capex (INR5b by FY28), with ~70% of the investment directed toward the fuel cell segment. Fuel cell phase-2 expansion is expected to be commissioned by Sep-Oct'26, followed by a multi-fold phase-3 expansion by Mar'27. The current order book is expected to be executed over the next three years.
- **We estimate a CAGR of 78%/98%/118% in revenue/EBITDA/adj. PAT over FY26-FY28. We reiterate our BUY rating on the stock with a TP of INR9,000 (based on 60x FY28E EPS and translating into a ~0.5x PEG ratio on FY26-28E EPS CAGR).**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412, BSE enlistment no. 5028 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579, APMI: APRN00233. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.