motilal oswal
Financial Services

18 December 2025

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	84,560	-0.1	8.2
Nifty-50	25,819	-0.2	9.2
Nifty-M 100	59,389	-0.5	3.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,721	-1.2	14.3
Nasdaq	22,693	-1.8	17.5
FTSE 100	9,774	0.9	19.6
DAX	23,961	-0.5	20.3
Hang Seng	8,844	1.0	21.3
Nikkei 225	49,512	0.3	24.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	61	2.0	-17.3
Gold ($/OZ)	4,338	0.8	65.3
Cu (US$/MT)	11,727	1.2	35.5
Almn (US$/MT)	2,858	0.9	13.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	90.4	-0.7	5.6
USD/EUR	1.2	-0.1	13.4
USD/JPY	155.7	0.6	-1.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.6	0.02	-0.2
10 Yrs AAA Corp	7.3	0.01	0.1
Flows (USD b)	**17-Dec**	**MTD**	**CYTD**
FIIs	0.13	-1.55	-17.8
DIIs	0.09	4.93	86.1
Volumes (INRb)	**17-Dec**	**MTD***	**YTD***
Cash	920	964	1066
F&O	1,03,445	2,86,153	2,35,552

Note: Flows, MTD includes provisional numbers. *Average

Today's top research idea

Crompton Greaves Consumer Electricals - Initiating Coverage
Crompton 2.0 unlocking potential!

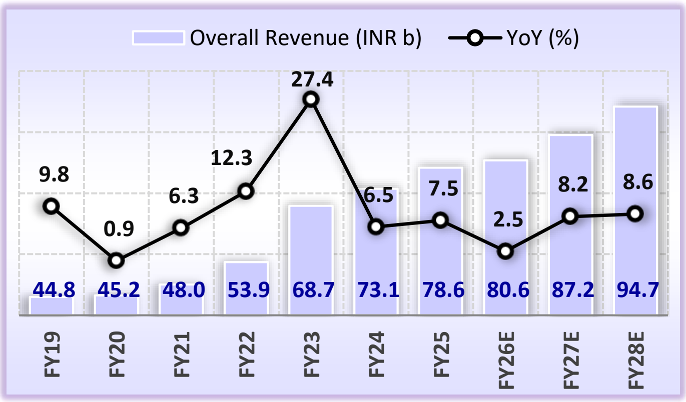
- A leading consumer electricals company: Crompton Greaves Consumer Electricals (CROMPTON) is a prominent player in India's consumer electricals sector, with a strong presence across fans, lighting, pumps, and household appliances.
- The company is a market leader in the fans segment with ~25% market share and in residential pumps with ~30% market share. CROMPTON is among the top three companies in the lighting segment and is also one of the top five companies in the consumer appliances segment.
- Earnings and return ratios to improve following a dip in FY26E: We initiate coverage on CROMPTON with a BUY rating and a TP of INR350. Our TP is premised on 35x Dec'27E EPS. We estimate an EBITDA/PAT CAGR of 17%/21% over FY26-28 after a decline of 12%/16% in FY26E primarily due to weather-related disruptions, which impacted the ECD segment's performance. We expect OPM to be 10.3%/11.2% in FY27/FY28E vs. 9.7% in FY26.

Research covered

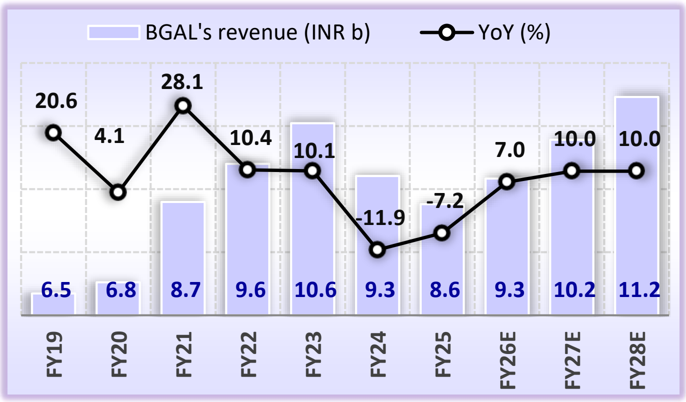
Cos/Sector	Key Highlights
Crompton Greaves Consumer Electricals	Initiating Coverage: Crompton 2.0 unlocking potential!
The Corner Office	State Bank of India: Growth outlook healthy; NIM guidance maintained
Other Updates	Lodha Developers; | TCS (Investor Day) | Godrej Consumer | Blue Star | VRL Logistics

Chart of the Day: Crompton Greaves Consumer Electricals (Crompton 2.0 unlocking potential!)

Overall revenue CAGR at 8% during FY26-28E



BGAL's revenue to register a CAGR of ~10%



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In the news today

Kindly click on textbox for the detailed news link

1

NTPC Commissions solar projects of 360 MW in Gujarat, Rajasthan; total capacity hits 85 GW

State-owned NTPC has commissioned new solar projects totaling 359.58 MW in Gujarat and Rajasthan. This development increases the company's total installed and commercial capacity to over 85.5 GW.

2

Ministry of Corporate Affairs orders SFIO probe into IndusInd Bank citing public interest

In its order, the central government referred to multiple ADT-4 forms filed under Section 143(12) of the Companies Act, 2013 by the bank's statutory auditors.

3

Parliament passes bill to raise FDI to 100% in insurance sector

The Rajya Sabha has passed the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025, raising the FDI limit in the insurance sector to 100%. This move aims to extend insurance coverage to all by 2047 and facilitate mergers, while also establishing a Policyholders' Education and Protection Fund.

4

Steel demand to grow 8 per cent in FY26 amid price pressures: Icra

In a report, Icra projected the industry's operating margin to remain flat at about 12.5 per cent in FY26, lower than earlier expectations of an improvement.

5

Gold all set to hit ₹1.9 lakh per 10 gm, says WGC Chief

David Tait said the rally is being driven by a host of structural forces rather than short-term shocks. These include anticipated deregulation in China, a massive generational wealth transfer in Japan and increasing adoption of ETFs and other gold investment products.

6

Lok Sabha passes nuclear energy Bill

The Lok Sabha has passed the landmark SHANTI Bill 2025, enabling private sector participation in India’s nuclear power industry.

7

Insurance companies must switch to 1600-series numbers by Feb 15: Trai

All entities regulated by the Insurance Regulatory and Development Authority of India must use the designated numbering series for customer service and transaction-related calls, Trai said in a direction issued on Tuesday.

Crompton Greaves Consumer Electricals

BSE SENSEX	S&P CNX
84,560	25,819

Crompton

Stock Info

Bloomberg	CROMPTON IN
Equity Shares (m)	644
M.Cap.(INRb)/(USDb)	160.4 / 1.8
52-Week Range (INR)	406 / 248
1, 6, 12 Rel. Per (%)	-8/-33/-43
12M Avg Val (INR M)	825
Free float (%)	100.0

Financials & Valuations (INR b)

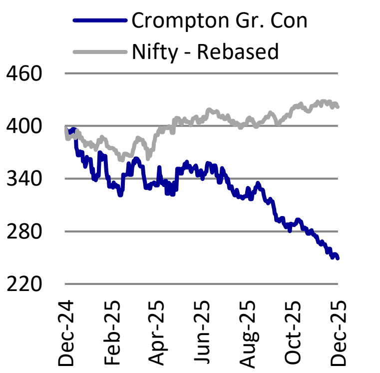
Y/E MARCH	FY26E	FY27E	FY28E
Sales	80.6	87.2	94.7
EBITDA	7.8	8.9	10.6
Adj. PAT	4.7	5.5	6.9
EBITDA Margin (%)	9.7	10.3	11.2
Cons. Adj. EPS (INR)	7.3	8.5	10.7
EPS Gr. (%)	-15.6	16.8	25.3
BV/Sh. (INR)	64.0	69.2	76.2
Ratios			
Net D:E	-0.1	-0.2	-0.3
RoE (%)	11.4	12.3	14.0
RoCE (%)	12.2	13.0	14.6
Payout (%)	41.2	41.1	37.5
Valuations			
P/E (x)	34.2	29.3	23.4
P/BV (x)	3.9	3.6	3.3
EV/EBITDA (x)	20.2	17.1	13.9
Div Yield (%)	1.2	1.4	1.6
FCF Yield (%)	2.4	3.8	4.6

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	0.0	0.0	0.0
DII	61.3	58.9	50.4
FII	25.6	29.2	36.0
Others	13.2	11.9	13.6

FII includes depository receipts

Stock performance (one-year)



CMP: INR249 | TP: INR350 (+40%) | Buy

Crompton 2.0 unlocking potential!

Investing in the transition from tradition to technology

- **A leading consumer electricals company:** Crompton Greaves Consumer Electricals (CROMPTON) is a prominent player in India's consumer electricals sector, with a strong presence across fans, lighting, pumps, and household appliances. The company is a market leader in the fans segment with ~25% market share and in residential pumps with ~30% market share. CROMPTON is among the top three companies in the lighting segment and is also one of the top five companies in the consumer appliances segment.
- **Butterfly to enhance the appliances portfolio:** CROMPTON acquired a majority stake (55%) in Butterfly Gandhimathi Appliances (BGAL) in Mar'22; it currently holds a 75% stake in the company. BGAL is one of the largest integrated domestic kitchen appliance manufacturers in India, and this acquisition has allowed CROMPTON to expand its appliance portfolio. The company anticipates realizing various revenue and cost synergies in the short to medium term and plans to leverage mutual strengths to expand its industry share and market reach.
- **CROMPTON 2.0 – a renewed focus on revenue growth to drive profitability:** The company launched 'Crompton 2.0' in Jun'23, emphasizing a renewed focus on revenue growth and profitability improvement. The Crompton 2.0 strategy entails substantial investments in growth initiatives, including people and process capabilities, brand reinforcement, consumer-driven innovation, and advanced go-to-market strategies.
- **Higher advertising expenses to strengthen brand value:** CROMPTON has established a robust brand presence in the Electrical Consumer Durables (ECD) segment, offering a diverse portfolio of products across various categories and maintaining a pan-India footprint. The company has intensified its spending on advertising and promotions to enhance overall brand visibility.
- **Earnings and return ratios to improve following a dip in FY26E:** We initiate coverage on CROMPTON with a BUY rating and a TP of INR350. Our TP is premised on 35x Dec'27E EPS. We estimate an EBITDA/PAT CAGR of 17%/21% over FY26-28 after a decline of 12%/16% in FY26E primarily due to weather-related disruptions, which impacted the ECD segment's performance. We expect OPM to be 10.3%/11.2% in FY27/FY28E vs. 9.7% in FY26.
- **Key downside risks:** 1) higher competitive intensity and 2) a possible dip in demand due to the economic slowdown.

A leading consumer electricals company

- CROMPTON is a leader in the Indian fan market with ~25% market share. The company has a fan manufacturing capacity of 1.6m units per month. According to our channel checks, customers prefer the CROMPTON brand for its durability, efficiency, performance, and better after-sales services.
- It is among the leading players in the lighting segment with its innovative product launches in both B2B and B2C segments, market expansion, and excellent response to changing consumer demand. The company has a lighting manufacturing capacity of 5.6m units per month.
- CROMPTON is a leading player in the residential pumps segment with ~30% market share. In contrast, it holds a market share of ~7-8% in the agricultural pumps segment currently. CROMPTON's pump capacity stands at 49,725 units per month currently.

‘Butterfly’ to enhance the appliances portfolio

- CROMPTON acquired a majority stake (55%) in BGAL in Mar’22 and currently holds a 75% stake in the latter. The acquisition of BGAL expanded its appliances portfolio. The acquisition also fostered a synergistic partnership, allowing CROMPTON to enhance its appliance manufacturing capabilities, improve its operations and distribution, and integrate its businesses through the value chain.
- BGAL maintains a strong leadership position in the kitchen appliances sector in South India, particularly recognized for its wet grinders and LPG stoves. This sustained leadership is driven by compelling brand appeal, technical proficiency, and success in the e-commerce sector.
- In FY25, BGAL’s revenue dipped ~7% YoY to INR8.6b, and its share in CROMPTON’s consolidated revenue was ~11%. In FY24, it has implemented strategic initiatives aimed at business revival and improving profitability, which led to a revenue dip in FY24/1HFY25. We estimate BGAL’s revenue share will increase to ~12% over FY26-28. We estimate BGAL’s revenue/EBITDA CAGR of ~10%/16% over FY26-28E.

Crompton 2.0 – a renewed focus on revenue growth to drive profitability

- The company launched ‘Crompton 2.0’ in Jun’23, emphasizing a renewed focus on revenue growth and profitability improvement. The Crompton 2.0 strategy entails substantial investments in growth initiatives, including people and process capabilities, brand reinforcement, consumer-driven innovation, and advanced go-to-market strategies.
- Crompton 2.0 is centered on four key pillars: 1) growth and protection of the core portfolio; 2) wins in the kitchen segment; 3) transformation of the lighting business; and 4) foray into new segments. Organizational development, brand building, operational excellence, an effective go-to-market approach, digital enablement, consumer need-driven innovation, and portfolio premiumization are the key enablers to achieve the Crompton 2.0 objectives of accelerated growth and profitability.
- CROMPTON has stepped up investments in advertisements to enhance the overall brand visibility. Allocation towards digital platforms has been raised to drive consideration and preference for the brand. This has led to an increase in the brand’s salience and resulted in higher engagement on social media, given that the new-age audience spends significant time on social platforms.

Earnings and return ratios to improve; initiate coverage with a BUY rating

- We expect CROMPTON to report ~8% revenue CAGR over FY26-28. Revenue CAGR across key segments is estimated as follows: ECD (8%), Lighting (6%), and BGAL (10%).
- We estimate gross margin to improve over FY27-28, led by the company’s pricing strategies, product premiumization, and cost-efficiency measures. We estimate an EBITDA/PAT CAGR of 17%/21% over FY26-28 and an EBITDA margin of 10.3%/11.2% in FY27/FY28 vs. 9.7% in FY26E (avg. 12.3% over FY21-25).
- We believe that higher investments in advertisement and promotional spending, along with its efforts to improve the brand strength and product portfolio, will bolster the future growth trajectory. The stock has traded at an average P/E of 35x in the last five years, and we assign the same multiple in Dec’27E to arrive at our TP of INR350. **We initiate coverage on the stock with a BUY rating, implying a potential upside of 40%.**

Growth outlook healthy; NIM guidance maintained

Estimate RoA to sustain at >1% over FY26-28

We met with the top management of State Bank of India (SBIN), represented by the Chairman, Shri. CS Setty; Shri. Anindya Paul, DMD Finance, and Shri. Ravi Shankar Akella, CGM Finance, to discuss the bank's business growth, profitability outlook, and other key focus areas. The following are the key takeaways from the discussion:

Well-positioned to deliver a 13-14% loan growth led by the RAM segments

Management indicated that the bank is well poised to sustain 13-14% YoY growth (12% growth in FY25 and current systemic growth at 11.5%) despite the absence of a broad-based corporate capex cycle. As of 2QFY26, the bank has delivered 13.1% YoY advance growth, indicating that the full-year guidance remains achievable. Management highlighted that SBIN's growth has been driven by the RAM segments, pick-up in personal loans, and selective utilization of working capital limits rather than large-ticket project loan disbursements, as the corporate capex cycle has remained muted. With continued thrust in Retail, Agri, and MSME segments, the management expects to deliver industry-leading growth over FY26E (corporate loan growth was modest at 7% YoY in 2QFY26). We currently estimate a loan CAGR of 12.4% over FY26-28.

State Bank of India

Shri. Challa Sreenivasulu Setty
Chairman, SBI

Shri C. S. Setty took charge as Chairman of State Bank of India on 28th Aug'24. Previously, he was on the Board of SBI as the MD and headed the Retail & Digital Banking vertical. He has held key assignments in the bank in Stressed Assets Management, Corporate Banking, Mid-Corporate Banking, Global markets, Technology, etc. He has completed his Bachelor of Science in Agriculture and he is also a CAIIB.

Growth to be driven by the RAM segments and a consumption-led revival

The RAM portfolio continues to be the primary growth engine, now crossing INR25t and accounting for 56.6% of domestic advances. The retail portfolio grew 14.1% YoY, with personal loans expected to see a visible revival. SBI is already the largest unsecured personal loan provider, with a book of nearly INR3.5t, supported by the addition of ~0.42m new salary accounts in FY26'YTD. On the corporate front, lending remains highly selective (2QFY26 growth at 7.1% YoY/3% QoQ), focused on structurally relevant themes such as renewables, EVs, and technology-linked mobility solutions, rather than traditional heavy capex. While headline capex remains absent, consumption-led sectors, especially autos, have shown traction over the last two quarters. Fiscal measures, along with regulatory stability, have created a healthy demand environment, leading to resilient consumption, which supports working capital demand.

NIM to remain resilient, supported by CRR cuts; 4QFY26 NIM guidance maintained at >3% despite a 25bp repo cut

SBI's domestic NIM improved QoQ to ~3.09% in 2Q, aided by deposit repricing and the recent CRR cuts. The aggregate NIM stood at ~2.97%. Management reiterated that FY26-exit NIM guidance will remain unchanged at >3%, unless the RBI delivers additional rate cuts. The rate cut of ~25bp in Dec'25 would effectively influence yields for <30 days, thus limiting the margin impact. This can be cushioned against with the benefits accrued from the CRR cut.

SBI's structural advantages, i.e., a large low-cost CASA base (~INR21t), pricing discipline, and diversified loan mix, provide comfort that margins can remain resilient even in a softer rate environment. We expect calculated NIM to be 2.8% in FY26 vs. 2.9% in FY25. We also estimate the calibrated improvement to be 2.9-3.0% over FY27-28. This will enable ~14% CAGR in NII over FY26-28E.

Calibrated deposit repricing with the RBI, ensuring smooth liquidity transition

SBIN's deposit growth has moderated to 9-10% YoY (in line with the industry growth), while the CASA ratio has remained healthy at ~39 to 40%, underscoring SBI's strong liability positioning. Management indicated that aggressive deposit rate cuts are unlikely, given a pickup in credit demand and elevated competition for deposits. However, calibrated rate reductions across select tenors are expected. However, maintenance of positive systemic liquidity is essential for a smooth transmission of the rate cut cycle. SBI, with total deposits of ~INR56t and a domestic CD ratio still below 70%, is structurally better placed than peers to manage this transition without any major repercussions on its growth or margins. We estimate deposit CAGR to trail loan CAGR at ~10.3% over FY26-28.

Asset quality remains structurally strong, with credit costs well in control

Asset quality continues to remain a key strength for SBI. The bank reported a GNPA of ~1.73% and an NNPA of ~0.42%, with a PCR of 75.8% (92.3% including AUCA and a corporate PCR of 98.68%). Credit cost for 2QFY26 stood at a benign level of ~39bp, reflecting disciplined underwriting and steady recoveries. We expect credit cost to remain benign at 40-50bp over FY26-28E as well. Management expressed confidence that asset quality metrics are structurally under control, supported by strong borrower balance sheets, granular retail exposure, and conservative corporate lending. Importantly, improved digital monitoring and early-warning systems are enabling faster identification and resolution of stress, reducing downside risks as growth scales up. We estimate the GNPA/NNPA ratio to be 1.6%/0.4% for FY26E and 1.5%/0.4% for FY27, supported by a controlled slippage rate at ~0.6% over the coming years.

Digital flywheel driving productivity gains and stable profitability

Digital transformation is increasingly acting as a profitability lever rather than a cost line. 98.6% of transactions are conducted through alternate channels, with YONO hosting over 93m registered users. Nearly 64% of new savings accounts are opened digitally, materially reducing acquisition and servicing costs. For instance, the bank's balance sheet has grown 69% over the past five years, while the employee count has, in fact, reduced 5% over the same period. This indicates operating leverage and productivity gains at play, along with digital at the core. The digital flywheel aids faster credit decisions, sharper underwriting, and better monitoring, especially in retail and MSME, helping SBI sustain an RoA of ~1.15% in 1HFY26 despite its scale. The bank sees digital-led operating leverage as a key enabler of stable returns over the medium term. We estimate SBIN's RoA/RoE to sustain at a healthy level of 1.1%/15.5-17.0% over FY26-28.

Subsidiary value unlocking; further upside potential from the strong listing of the AMC business

SBI's subsidiaries represent a core pillar of value within the group's valuation framework, combining scale, profitability, and deep franchise strength across insurance, asset management, and payments. With improving profitability, scale, and market depth, subsidiaries are well-positioned for a favorable market reception. In particular, the outlook for AMC valuations appears positive, supported by rising financialization of savings and growing domestic investor participation. As equity markets deepen, SBI believes subsidiary valuations could see further re-rating, strengthening the group's valuation framework and providing incremental optionality to shareholders over time. Subsidiaries continue to make a significant contribution to the SBI's valuation. We estimate the subsidiary valuation at INR293, representing a 27% share of the overall target price.

Valuation and view: RoE to be sustained at 15-16% over FY27-28E; reiterate BUY with a TP of INR1,100

SBIN has delivered a strong performance over recent years, supported by steady business and revenue growth alongside well-contained credit costs. The bank remains confident of outpacing industry loan growth, guiding for 13–14% growth in FY26, led primarily by the RAM segment. Margins have largely bottomed out, and the NIM outlook remains unchanged at >3%, unless RBI delivers additional rate cuts. The rate cut of 25bp in Dec'25 would influence yields only for 30 days, thus limiting the NIM impact. This can be cushioned against the benefits from the CRR cuts. Asset quality remains healthy, with tight control on the restructured book. We expect credit costs to remain benign at 40–50bp over FY26–28, supporting a ~10% earnings CAGR over the same period. Accordingly, we estimate SBIN to deliver an RoA/RoE of 1.1%/15.5% in FY27 and 1.1%/15.4% in FY28. SBIN remains our preferred BUY in the sector with a TP of INR1,100 (premised on 1.3x Sep'27E ABV for the standalone bank + INR293 for subsidiaries).

Lodha Developers

BSE SENSEX	S&P CNX
84,560	25,819

Bloomberg	LODHA IN
Equity Shares (m)	998
M.Cap.(INRb)/(USDb)	1062.4 / 11.8
52-Week Range (INR)	1534 / 1035
1, 6, 12 Rel. Per (%)	-12/-30/-35
12M Avg Val (INR M)	1938

Financials & Valuations (INR b)

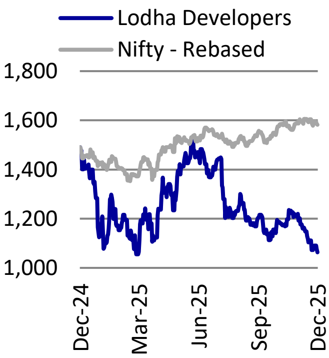
Y/E Mar	FY26E	FY27E	FY28E
Sales	181.1	189.3	193.3
EBITDA	51.6	53.9	55.1
EBITDA Margin (%)	28.5	28.5	28.5
PAT	36.9	40.5	43.0
EPS (INR)	37.0	40.6	43.1
EPS Gr. (%)	33.6	9.8	6.2
BV/Sh. (INR)	235.0	271.3	310.1
Ratios			
RoE (%)	16.9	16.0	14.8
RoCE (%)	13.9	13.8	13.3
Payout (%)	11.5	10.5	9.9
Valuations			
P/E (x)	28.8	26.2	24.7
P/BV (x)	4.5	3.9	3.4
EV/EBITDA (x)	21.2	19.2	18.5
Div yld (%)	0.4	0.4	0.4

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	71.9	71.9	72.1
DII	2.7	2.2	2.8
FII	24.1	24.9	24.2
Others	1.3	1.0	0.9

FII includes depository receipts

Stock Performance (1-year)



CMP: INR1,064 TP: INR1,888 (+77%) Buy

A journey of strength, acceleration, and market arrival

MMR leader tapping into NCR with a growth phase in Bengaluru and scale-up in Pune

- **Lodha Developers' (LODHA) presales are expected to clock a 22% CAGR, supported by healthy collections and debt at comfortable levels of 0.25x by the end of 1HFY26, despite aggressive BD additions of INR250b. Pune is scaling up at a healthy pace and is expected to deliver 40% YoY growth in sales. The company has also completed its pilot phase in Bengaluru and entered the growth phase, expecting a 12% market share by the end of the decade. In addition, it is in the process of initiating a pilot in the NCR. LODHA is further expanding its commercial and industrial portfolio to drive strong rentals. Palava is also set to scale up its sales by 20% YoY, supported by the Airoli-Katai tunnel nearing completion by the end of FY26 and other ongoing infrastructural developments. The company's steady pace of project acquisitions enhances long-term visibility, while its disciplined and timely execution ensures that this momentum is effectively translated into sustained performance. We reiterate our BUY rating with a TP of INR1,888, which implies a 77% potential upside.**
- **Key risks to our TP include: a) a slowdown in residential absorption, b) a delay in the monetization of forthcoming projects, and c) slower BD convergence.**

Expects to clock 22% CAGR in presales over FY25-28

- LODHA has maintained a strong presales momentum, delivering a 31% CAGR since FY21 and achieving INR90.2b in 1HFY26, or 43% of its annual target.
- Launch activity is expected to accelerate in 2HFY26 with 11 new projects and five-phase launches together carrying ~INR170b in GDV.
- With this pipeline and steady demand, LODHA is poised to deliver record quarterly presales of INR60b in both 3Q and 4Q, establishing the base for a sustained INR50b+ quarterly run rate from FY26 onward.
- The company is positioned for a 22% presales CAGR through FY28, supported by deepening presence across key markets, strong execution, and active project additions.
- Strategic BD additions of INR250b GDV and upcoming infrastructure upgrades, especially improved Palava connectivity, are expected to boost demand and drive ~20% higher sales.

Strengthening multicity momentum with rising headroom across key markets

- LODHA holds a leading 10% market share in MMR, ranks second in Pune with 5%, and has entered a defined growth phase in Bengaluru with a 2% share.
- In FY25, MMR, Pune, and Bengaluru contributed 66%, 27%, and 8% of launches (INR137b) and 82%, 14%, and 4% of presales (INR176b), highlighting concentration in key markets.
- Pune is expected to grow sales by 40% YoY to INR35b in FY26, while Bengaluru's contribution rose sharply in 1HFY26, with launches of INR33b and sales increasing from 4% to 22%.

- With ~INR160b GDV secured and a robust launch pipeline, LODHA aims to expand the Bengaluru market's share to 12% by FY31, supported by premium/luxury focus and strategic acquisitions.
- The company is also entering Delhi NCR with a strategic pilot phase, setting up a dedicated local team, acquiring key land parcels, and targeting its first project in FY27, supported by the appointment of an experienced CEO to drive on-ground execution and regional growth.

Strong cash flow allows future investments in land and reduction of debt

- Collections are set to accelerate sharply as major projects like Kharadi, Matunga, key JDAs, and Bengaluru developments reach ~70% completion by FY28, with Palava Phase 2 approaching ~40%, driving a significant rise in inflows to INR294b.
- Operating cash flow, which stood at INR67b in FY25, is projected to grow at a strong 26% CAGR to INR133b by FY28, supported by steady construction spending of ~INR70b annually.
- With a higher proportion of projects moving into mid- and late-stage construction by FY28, visibility on revenue recognition and cash inflows will strengthen further, enabling growth without incremental leverage.

Leasing set to double as Palava and data centers power up

- The annuity portfolio is expected to be ~85% leased by FY28, driving net lease income of INR6.9b (23% CAGR), supported by strong performance across malls, retail, and offices in key MMR micro-markets.
- Warehousing expansion in NCR and Chennai is set to scale the industrial portfolio to INR12.2b in revenue and INR5.6b in EBITDA by FY28, with industry-leading margins of ~76%.
- Palava is emerging as a major data center hub, supported by marquee hyperscaler deals, sharp pricing growth, and a strong tenant mix, with another large deal expected soon.

Robust revenue and earnings trajectory ahead

- On the back of a strong execution track record and a rise in revenue recognition, total revenue is estimated at INR193b in FY28, with ~12% CAGR over FY25-FY28.
- EBITDA is expected at INR55b for FY28, implying ~11% CAGR over FY25-FY28. EBITDA margin is also projected to be 29%.
- PAT is likely to clock a 16% CAGR over FY25-28E to reach INR43b in FY28E, with a profit margin of 22%.

Valuation and view

- The company has delivered steady performance across its key parameters, and as it prepares to capitalize on strong growth and consolidation opportunities, we expect this consistent operational performance to continue.
- At Palava, LODHA has a development potential of 600msf. However, we assume that a portion of this would be monetized through industrial land sales. We value 250msf of residential land to be monetized at INR637b over the next three decades.
- We use a DCF-based method for the ex-Palava residential segment and arrive at a value of ~INR549b, assuming a WACC of 11.1%. **Reiterate BUY with a TP of INR1,888.**

17 December 2025
Company Update | Sector: Technology

TCS

BSE SENSEX	S&P CNX
84,560	25,819

Stock Info

Bloomberg	TCS IN
Equity Shares (m)	3618
M.Cap.(INRb)/(USDb)	11642.3 / 128.8
52-Week Range (INR)	4363 / 2867
1, 6, 12 Rel. Per (%)	4/-12/-32
12M Avg Val (INR M)	9598
Free float (%)	28.2

Financials & Valuations (INR b)

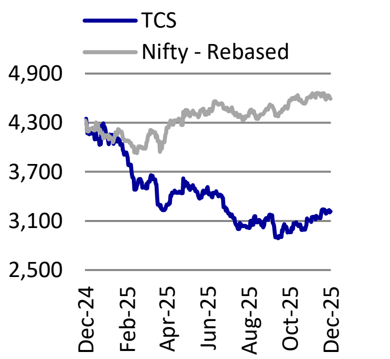
Y/E Mar	FY26E	FY27E	FY28E
Sales	2,651	2,836	3,102
EBIT Margin (%)	24.8	24.8	25.0
PAT	527	555	612
EPS (INR)	141.8	152.8	168.3
EPS Gr. (%)	5.6	7.8	10.2
BV/Sh. (INR)	272	284	296
Ratios			
RoE (%)	53.1	54.9	58.1
RoCE (%)	45.3	45.8	48.5
Payout (%)	93.9	93.9	93.9
Valuations			
P/E (x)	22.7	21.1	19.1
P/BV (x)	11.8	11.3	10.9
EV/EBITDA (x)	16.0	14.7	13.3
Div Yield (%)	4.1	4.5	4.9

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	71.8	71.8	71.8
DII	12.7	12.0	10.9
FII	10.3	11.5	12.7
Others	5.2	4.8	4.7

FII Includes depository receipts

Stock performance (one-year)



CMP: INR3,218 TP: INR4,400 (+37%) Buy

TCS Investor Day 2025: A brave new world?

We attended the TCS Analyst Day, where the company outlined its aspiration to become the world's largest AI-led technology services company through five pillars: 1) internal transformation with a focus on driving an AI-first operating model; 2) redefining services, including a new AI services transformation unit and a human + AI delivery model; 3) a future-ready talent model centered on AI fluency; 4) making AI real for clients through industry- and domain-specific solutions; and 5) an AI ecosystem strategy spanning partnerships, M&A, and new venture creation.

For the first time, TCS disclosed AI services revenue of ~USD1.5b on an annualized basis, growing ~16% QoQ in the most recent quarter, and highlighted its intent to play across the entire AI stack. We were encouraged by TCS's changed stance on M&A, following its recent acquisitions (Listengage, Coastal), but were slightly disappointed when it re-affirmed its (slightly lofty) 26-28% EBIT margin ambition, which we believe could leave money on the table at this stage of the cycle. That said, we saw evidence of AI services demand taking shape, consistent with our IT services sector upgrade note (Time to buy the next cycle dated 24th Nov'25), and believe both TCS and Indian IT services can pivot in time to be on the right side of the GenAI wave. We value TCS at 26x FY28E EPS and reiterate our BUY rating with a TP of INR4,400, implying a 37% upside potential.

Five pillars of TCS's AI strategy

- **1. Internal transformation:** TCS highlighted AI-led internal transformation as a priority, led by large-scale hackathons involving ~281k participants, including CXOs and leaders across 100+ P&Ls. These initiatives combine ideation with AI over four weeks, followed by build phases using AI, with participation skewed toward Gen Z (38%) and non-technology roles (29%).
- **2. Redefining services through a 'human + AI' model:** TCS is re-tooling services across business (BPO, industry value chains) and applications (operations, modernization) using a human + AI framework. Management likened this to an ADAS-style maturity model (Levels 1-5), spanning human-led to autonomous decision-making across services such as SAP and BPO.
- Level 3 was highlighted as an inflection point, where customer context, including code base and institutional knowledge, begins to meaningfully flow into AI systems, enabling customers to move progressively up the maturity curve.
- **3. Future-ready talent model:** TCS outlined large-scale reskilling efforts, with ~580k employees AI-aware and ~180k employees with higher-order AI skills (~30% of total workforce, up from ~80k last year). The next layer of capability focuses on AI-native fresh graduates, with AI positioned as a day-to-day teammate. In parallel, TCS is doubling down on advisory and consulting talent as part of its future-ready hiring strategy.

- **4. Making AI real for clients:** Management described a clear evolution in enterprise AI adoption: 2023 as a year of experimentation, 2024 as early scaling, and 2025 as a step change, aided by advances in reasoning models. Enterprise AI journeys were framed around two phases—getting AI-ready (addressing legacy infrastructure, core systems, and data foundations) and leading with AI.
- GenAI is seen as a strong tailwind for technology modernization, particularly in areas that were previously capital-intensive, such as large-scale code modernization.
- **5. AI ecosystem strategy:** TCS emphasized an ecosystem-led approach, spanning AI-native partnerships (Cursor, Kore.ai, Vianai, Windsurf), strategic alliances with foundational model providers (OpenAI, Mistral AI), and infrastructure partners such as NVIDIA. The company also highlighted its work with Google Gemini Enterprise, including early efforts around agent-to-agent protocols.

AI ecosystem strategy: Build, partner, acquire

- TCS outlined its **build-partner-acquire** approach across the **infrastructure-to-intelligence AI stack**, with a clear emphasis on ecosystem-led scaling. Management highlighted that AI data center capacity remains constrained, with industry-wide AI DC demand estimated at **~10-12GW by 2030**, and emphasized the need for customer-specific AI DC configurations across hyperscalers, AI-native companies, and public and private sector enterprises.
- For AI-native companies, TCS highlighted demand for **high-performance infrastructure with lower total cost of ownership**, noting that while current demand is skewed toward inferencing, TCS is also positioning for training workloads. This is where TCS's AI data center practice is currently focused. On partnerships, management emphasized 360-degree collaboration with hyperscalers and AI innovators across the stack.
- On inorganic strategy, TCS reiterated that M&A is now a key lever, with a core focus on **capability-led acquisitions**, citing **Listengage and Coastal** as recent examples. Management characterized this as an important shift in approach, positioning M&A as a more active driver of AI capability build-out going forward.

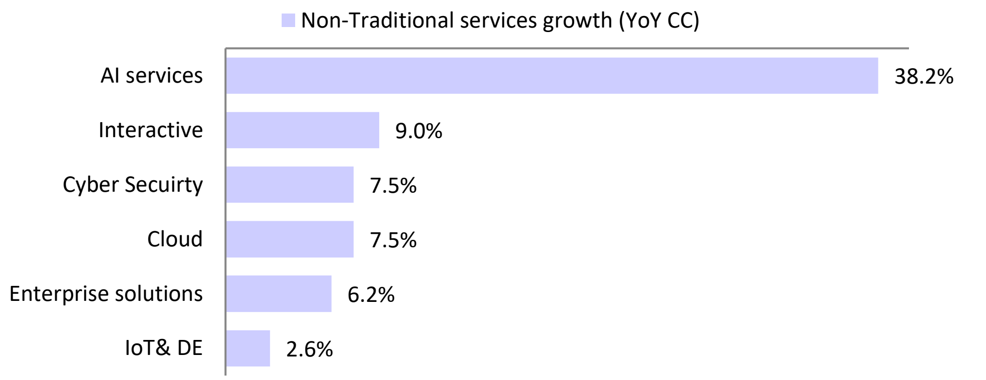
More details on TCS's HyperVault data center venture

- TCS outlined a focused **AI-first data center strategy** centered on **Tier-3+ facilities** with **PUE below 1.2**, among the best in the industry. These data centers are **built to NVIDIA specifications**, enabling rapid deployment for **hyperscaler clients** (not necessarily sovereign entities) and supporting **high AI compute intensity,** with **240KW rack density**.
- The commercial model is **annuity-like**, based on **15-year contracts** combining lease rentals, power charges, and incremental revenues from cooling and networking. On the hardware side, TCS works with **eight of the top 10 global semiconductor companies**, positioning its data center offering as a scalable, long-duration infrastructure platform aligned with hyperscaler AI demand**.**

Valuation and View

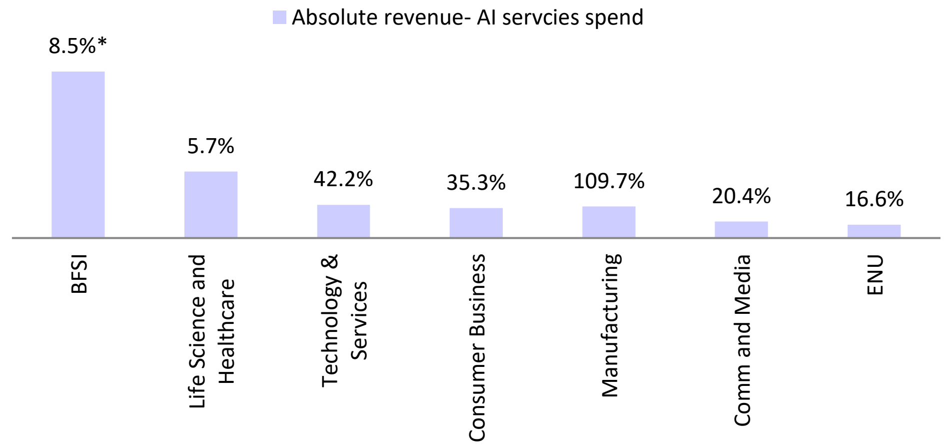
- We have maintained our estimates for FY26/27/28. We expect TCS to deliver 4.5%/7.2% YoY CC growth in FY27/FY28, supported by a demand recovery from 2HFY27 and further acceleration in FY28. EBIT margins are expected at 24.8%/25.0% in FY27/FY28. Over FY26-28, this translates into a ~5.7% CAGR in USD revenue and ~9.0% CAGR in INR EPS.
- With its market leadership position and best-in-class discipline execution, the company has been able to sustain its industry-leading margin and demonstrate superior return ratios vs. peers (Exhibit 3).
- **Valuations remain undemanding:** At current valuations, TCS trades at a ~9% discount to its 10-year average P/E and at a ~19% discount to its 5-year average. As AI adoption transitions from pilot programs to scaled, revenue-generating deployments, we see an improving growth-visibility backdrop. We value TCS at **26x FY28E EPS**, arriving at a **TP of INR4,400**, which implies a **37% upside** from current levels. We reiterate our **BUY** rating, with risk–reward skewed favorably into the next cycle.

TCS annualized revenue from non-traditional service lines stands at USD11b, with AI services recording the highest growth



Source: Company, MOFSL

Short-cycle projects in AI services are increasing in BFSI; other verticals are catching up



*Figures represent QoQ growth

Source: Company, MOFSL

Godrej Consumer

BSE SENSEX	S&P CNX
84,560	25,819

CONSUMER PRODUCTS

Stock Info

Bloomberg	GCPL IN
Equity Shares (m)	1023
M.Cap.(INRb)/(USDb)	1207.1 / 13.4
52-Week Range (INR)	1309 / 980
1, 6, 12 Rel. Per (%)	3/-5/2
12M Avg Val (INR M)	1670
Free float (%)	46.9

Financials Snapshot (INR b)

Y/E Mar	2026E	2027E	2028E
Sales	157.5	176.6	194.9
Sales Gr. (%)	9.7	12.1	10.4
EBITDA	31.3	37.5	42.4
Margins (%)	19.9	21.2	21.7
Adj. PAT	21.9	27.1	31.2
Adj. EPS (INR)	21.4	26.5	30.5
EPS Gr. (%)	15.6	23.7	15.1
BV/Sh.(INR)	122.6	127.5	134.5
Ratios			
RoE (%)	17.9	21.2	23.3
RoCE (%)	15.6	19.3	21.9
Payout (%)	102.7	90.6	85.3
Valuations			
P/E (x)	54.9	44.4	38.6
P/BV (x)	9.6	9.2	8.7
EV/EBITDA (x)	39.0	32.4	28.4
Div. Yield (%)	1.9	2.0	2.2

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	53.1	53.1	63.0
DII	13.6	12.4	9.6
FII	18.2	19.4	22.0
Others	15.1	15.2	5.4

FII Includes depository receipts

CMP: INR1,180 TP: INR1,450 (+23%) Buy

India recovery underway; margin levers in place

We interacted with CFO of Godrej Consumer (GCPL) to understand the company's outlook on India business growth, margin recovery amid volatile raw material prices, and trends in its international business.

- **GCPL's operating performance has been muted in the last few quarters owing to (1) soap value/volume contraction, (2) Underscoring performance of RCCL portfolio, (3) India gross margin contraction due to steep palm oil prices, and (4) weakness in Indonesia growth and margin. India EBITDA has contracted by more than 10% during the last four quarters, while Indonesia EBITDA has declined 10% in the last three quarters. It appears that most headwinds are unwinding and operating performance will start improving from 3QFY26 onward. Macro demand recovery is steadily improving, and GCPL has been aggressively focusing on new growth levers, distribution reach opportunities in rural markets, and TAM expansion.**
- **Management expects the India business to deliver high single-digit to double-digit revenue growth in 2HFY26, largely driven by volume growth. EBITDA margins are likely to recover sequentially toward the normalized 24-26% band, driven by stabilizing palm oil prices (~MYR4,100, down 15% YoY/5% QoQ), operating leverage, and cost savings (media and marketing efficiencies by 200bp up to FY28).**
- **Indonesia revenue fell by mid-single digits during 1HFY26; however, the recovery was swift and better than expected, with revenue likely to be flat vs. earlier guidance of possible growth pressure in 2HFY26. Indonesia may see operating margin expansion in 2HFY26. Other international geographies are sustaining earlier trends.**
- **We marginally increase our EPS estimates by 2% for FY27 and 1% for FY28 and expect company to deliver a CAGR of 11%/12%/18% in sales/EBITDA/adj. PAT over FY25-28. The stock currently trades at 44x FY27E EPS and 39x FY28E EPS. With the earnings outlook improving, we expect a re-rating in the valuation multiple. We reiterate our BUY rating on the stock with a TP of INR1,450 (50x Dec'27E EPS).**

India business growth outlook improves; soaps stabilizing

- GCPL's India business delivered ~4% volume growth in 1HFY26, with performance largely impacted by the soap portfolio. Excl. soaps, volume growth remained in double digits (mid-teens in 1QFY26 and double digits in 2QFY26), showing the underlying strength across other categories.
- Soaps were affected by commodity price volatility, particularly palm oil. Before the GST implementation (22nd Sep'25), GCPL undertook selective grammage reductions in the soaps portfolio to manage input cost pressure. These actions were largely limited to smaller packs (~1/3rd of soap volume), while large packs were left unchanged. The grammage actions in smaller packs impacted volume performance significantly as compared to the large packs.
- India business saw a temporary revenue impact of 3-4% in 2QFY26 owing to destocking and pricing disruptions, primarily in soaps and hair colors due to GST 2.0. Partial restocking has been placed in 3QFY26 and the remaining is expected in 4QFY26. Management expects volume growth to improve going forward, supported by lower GST rates, formalization benefits, the company's own initiatives (distribution expansion in rural, new launches, new price point introduction, etc.) and share gain opportunity from unorganized players.

- Soap portfolio is now showing early signs of stabilization after 4-5 quarters of volatility due to RM inflation. The recent normalization in palm oil prices should support recovery, with management expecting positive value growth from 4Q onward.
- Growth momentum remains strong across other categories. In Household Insecticides, the new RNF molecule continues to drive competitive growth across formats and support market share gains. Air Fresheners sustained strong growth, with continued share gains, while the Aer Plug launch has scaled up well with healthy consumer traction and repeat purchases. Fabric Care continues to deliver strong growth, supported by market share gains in Godrej Fab.
- Management expects the India business to deliver revenue growth in high single digits to double digits in 2HFY26, with volume growth in the high single-digit to low double-digit range. EBITDA margins are likely to recover sequentially toward the normalized 24-26% band, driven by stabilizing palm oil prices (~MYR4,100, down 15% YoY/5% QoQ), operating leverage, and cost savings (media and marketing efficiencies by 200bp up to FY28).

RCCL India – Underscoring performance; building blocks for stable trend

- India RCCL business has underachieved after the acquisition, largely due to SKU rationalization and competitive challenges in the deodorants segment. GCPL has stepped up innovation-led initiatives to revive growth. Amazon Woods 4x has seen healthy repeat purchases, while KS99 continues to scale across southern markets, indicating early signs of traction. To improve penetration, the company has launched a deodorant lotion in select South Indian markets at an attractive price of INR20, including the Park Avenue deo-lotion extension in Tamil Nadu, positioned as an antiperspirant offering. The deodorants portfolio is also witnessing increasing traction in EDP formats, supported by gifting-led consumption. The condoms segment remains resilient, benefiting from a relatively stable competitive landscape dominated by a few key players. Management expects low double-digit growth in the near term, with a gradual improvement toward mid-teen growth over the medium term, while margins have stabilized and are expected to remain steady.

Product innovation and expanding TAM to strengthen growth

- GCPL continues to strengthen its growth outlook through product innovation, new category entry, and portfolio expansion. Godrej Fab and Goodnight Agarbatti have scaled up well, with GCPL emerging as the market leader in incense sticks. New launches such as Air Plug (Amazon Woods 4x), Air Pocket, and KamaSutra at INR99 have gained healthy traction across markets.
- The entry into toilet cleaners with Godrej Spic provides exposure to an ~INR30b double-digit growth category, with differentiated formulation and value pricing supporting medium-term scale-up. Moreover, the Muuchstac acquisition enables GCPL's entry into the fast-growing men's facewash segment (INR10b Indian men's facewash market), which is EPS-accretive from day one and offers multiple distribution-led growth levers.

International business – Fast recovery for Indonesia

- Indonesia business reported a revenue decline of 5% in 1HFY26, impacted by a market slowdown and intense price competition, resulting in low single-digit volume growth. EBITDA margin contracted during 1H due to competitive pressure and weak operating leverage. Management expects a gradual recovery from 2HFY26 (better than expected), though full improvement is likely from 1QFY27 onward. EBITDA margin is expected to stabilize in 2H, with no further contraction anticipated.
- Africa (GAUM) business delivered a strong performance in 1HFY26, recording double-digit growth in revenue and profit (>25%). The growth trends are intact. Management expects mid-teen EBITDA margins to be sustainable, although currency movements and seasonality may continue to drive quarter-to-quarter volatility.
- Latin America business continues to face near-term volatility due to hyperinflation and currency depreciation, which have weighed on reported performance despite stable underlying demand.

Valuation and view

- GCPL faced revenue growth pressure in its India business in 1HFY26 due to weak soap performance and the impact of GST transition. The growth acceleration is expected to be driven by a decline in palm oil prices, consistent strong growth for new portfolio and normalization of GST transition, which will eventually offer share gain opportunities from unorganized players.
- The company's disruptive innovations, introduction of access packs, and expansion into new growth categories will contribute to the growth trajectory. Additionally, savings in media spends of 200bp by FY28 and palm oil prices will also restore margins.
- Besides, there has been a consistent effort to fix gaps in profitability and growth in its international business.
- We expect GCPL to deliver a CAGR of 11%/12%/18% in sales/EBITDA/adj. PAT over FY25-28. The stock currently trades at 44x and 39x P/E on FY27E and FY28E, respectively. With earnings outlook improving, we expect a re-rating in the valuation multiple. We reiterate our BUY rating on the stock with a TP of INR1,450 (50x Dec'27E EPS).

Blue Star

BSE SENSEX	S&P CNX
84,560	25,819

Bloomberg	BLSTR IN
Equity Shares (m)	206
M.Cap.(INRb)/(USDb)	375.6 / 4.2
52-Week Range (INR)	2420 / 1521
1, 6, 12 Rel. Per (%)	3/6/-17
12M Avg Val (INR M)	1298
Free float (%)	63.5

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	129.2	150.0	174.3
EBITDA	9.7	12.0	14.6
Adj PAT	5.9	7.6	9.6
EBITDA Margin (%)	7.5	8.0	8.4
EPS (INR)	28.7	37.2	46.7
EPS Gr. (%)	1.3	29.8	25.6
BV/Sh (INR)	168.7	196.9	232.7
Ratios			
Net D/E	0.1	-0.1	-0.1
RoE (%)	17.0	18.9	20.1
RoCE (%)	16.3	18.3	19.6
Payout (%)	31.4	29.6	26.7
Valuations			
P/E (x)	63.5	48.9	38.9
P/BV (x)	10.8	9.2	7.8
EV/EBITDA (x)	38.8	30.9	25.1
Div Yield (%)	0.5	0.6	0.7
FCF Yield (%)	-1.0	2.1	1.6

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	36.5	36.5	36.5
DII	25.3	23.4	22.9
FII	16.1	16.2	18.2
Others	22.1	23.9	22.6

FII includes depository receipts

CMP: INR1,827 TP: INR1,950 (+7%) Neutral

Subdued demand; inventory overhang persists

Focus on RAC market share improvement and better mix in the project business

Our recent interaction with Blue Star (BLSTR) management indicates that demand for RAC has not seen a meaningful uptick post the changes in GST (from 28% to 18%) implemented from 22nd Sep'25. After an initial pick up, unseasonal rains in many parts of the country impacted secondary sales, and inventory levels remained elevated at 60-65 days vs the normal level of 30-35 days. The company increased its market share to over 14% in 1HFY26 and targets to improve it to 15% by FY27E. The Electro-Mechanical Projects & Commercial Air Conditioning (EMPS & CAC) segment is structurally improving, driven by higher-margin data center EPC projects and increased CAC sales. Management expects RAC volumes to remain flat YoY in FY26 and believes that it will perform better than peers.

We recently initiated coverage on BLSTR (initiating coverage) with a Neutral rating and an SoTP-based TP of INR1,950 (valued at 50x Dec'27E EPS for UCP, 40x Dec'27E EPS for MEP & CAC, and 25x Dec'27E EPS for PEIS).

UCP segment: Demand weak amid inventory overhang and energy label transition expected from 1st Jan'26

- There have not been any major changes in RAC demand post the GST rate reduction. Sales initially picked up but were impacted again due to unseasonal rains. Energy-level changes (new BEE rating norms) will be implemented from 1st Jan'26, and brands will only be able to sell old models until 31st Dec'25. Each energy-level change is expected to result in a 6-7% price increase. Distributors can continue selling old inventories even after 30th Jun'26 (there is no mandate requiring old inventories to be liquidated by that date, although it is assumed that inventories will be cleared within six months).
- RAC inventory remains high, currently at 60-65 days vs the normal inventory level of 30-35 days. Most of this inventory is held within the distribution channel. The company remains hopeful that distributors will plan for a 15-20% YoY increase in sales next summer and will start procuring old models (as prices are lower and customers are price sensitive) as well as new models (a segment of customers is willing to pay more for energy-efficient models).
- No major schemes were rolled out in Oct-Nov, although a few brands were seen taking an aggressive approach in December. However, there has not been any aggressive discounting, and the company has reiterated its intent to protect prices. It has not provided working capital support to dealers. Primary sales are expected to pick up in the last 15 days of December.
- Improved inventory planning and cost structure helped the company perform better than most peers in 1HFY26. Segment margin in 2H is expected to be better than 1HFY26. Overall, management remains hopeful about ending the year with flat sales volumes vs last year, while outperforming the industry. The company's RAC market share improved to over 14% in 1HFY26, with a target to increase it to 15% by FY27E.

- The company's market share remains the highest in the South at ~19-20%, while its share in the North has reached double digits (vs below 10% a few years ago), driven by an increased distributor reach, affordable launches, and R&D-led cost optimization. Market share in the West remains at pan-India average, while it continues to be at lower levels in the East. Gains in the North were further supported by the launch of affordable premium and later, affordable products.
- Commercial refrigeration recorded modest growth in 1HFY26, with a market size of INR45b, significantly lower than the TAM of RAC. Categories such as deep freezers, visi coolers, chest freezers, and modular cold rooms were impacted by seasonal washouts, limiting growth during the year.
- Overall, the company continues to guide for an 8-8.5% margin for the UCP segment, though FY26 is likely to witness a YoY decline.

EMPS & CAC: Growing data center exposure and disciplined execution

- The EMPS & CAC segment comprises EPC projects, solution-oriented CAC product sales, maintenance (AMC), and export-linked opportunities. Over the past few years, the company has improved the quality of its order book by reducing exposure to large infrastructure projects, which earlier accounted for ~35%–40% of orders but now stand at ~20%–25%. The company has also become more selective in project execution, focusing on shorter-duration projects of 18–24 months vs over 30 months earlier, leading to better capital efficiency and improved margins.
- Data centers have emerged as a key growth driver within the project business, contributing ~25% of the project order book. The company executes EPC work for data centers, including HVAC, fire safety, MEP layouts, and specialized chillers, under strict technical specifications. In a typical 1 MW project, equipment accounts for ~15%–20% of the cost and land ~15%–20%, while MEP accounts for ~45%–50%. Management expects the EPC business to grow at ~15% YoY over the medium term, while maintaining capital employed at under ~10% of total capital.
- The CAC business, with an estimated market size of around INR50b, continues to grow as a solutions-focused offering. The company is a market leader in ducted ACs with a market share of over 45%. It also leads in the chillers segment and holds the second position in VRF systems, with a market share of ~20%. Increasing contribution from CAC sales, along with a selective approach in EPC execution and a higher share of data center projects, has structurally improved segment profitability. Management has guided for margins of ~7%–7.5%, with quarterly fluctuations driven by the mix between the EPC, products, and services businesses.

Exports and capital allocation: Steady progress amid tariff challenges

- The export business is being developed primarily through an ODM-led model. Field trials have been completed in the US, and a couple of customers have been onboarded. However, export remains unviable due to high tariffs as of now. Over time, management expects export margins to be similar to domestic product margins.

- The company has guided for capex of INR3b–3.5b for FY26 and FY27, directed towards capacity additions, international manufacturing capabilities, R&D, repair and maintenance infrastructure, and IT systems.
- The company also holds around INR2b in cash while maintaining profitability in its professional electronics and industrial systems business, which comprises testing equipment and refurbished medical machinery. This segment’s revenue declined in FY25 and 1HFY26 due to the government’s regulations on the import of used medical equipment.

Valuation and view

- We estimate a CAGR of ~16%/23%/28% in revenue/EBITDA/PAT over FY26-28, fueled by continued healthy growth in the MEP and CAC businesses and a recovery in the UCP business. We project OPM to expand ~40-50bp in FY27E/FY28E (each), led by positive operating leverage and cost-saving initiatives. We estimate EBITDA margins at 7.5%/8.0%/8.4% in FY26/27/28 vs 7.3% in FY25. RoE/ROCE is expected at ~20% (each) in FY28 vs ~19% (each) in FY25.
- BLSTR trades at 49x/39x FY27/FY28E EPS (vs. an average of 46x in the last 10 years). We value it at an SoTP-based TP of INR1,950 (valued at 50x Dec’27E EPS for UCP, 40x Dec’27E EPS for MEP & CAC, and 25x Dec’27E EPS for PEIS). Reiterate Neutral.

VRL Logistics

BSE SENSEX	S&P CNX
84,560	25,819

VRL LOGISTICS LTD

Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	175
M.Cap.(INRb)/(USDb)	46.5 / 0.5
52-Week Range (INR)	325 / 216
1, 6, 12 Rel. Per (%)	-3/-10/-9
12M Avg Val (INR M)	85
Free float (%)	39.8

Financials Snapshot (INR b)

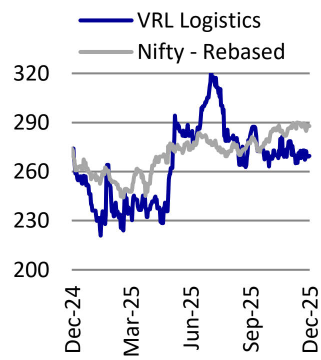
Y/E March	2026E	2027E	2028E
Net Sales	32.6	35.8	39.8
EBITDA	6.2	6.9	7.5
Adj. PAT	2.2	2.6	2.9
EBITDA Margin (%)	19.1	19.3	18.9
Adj. EPS (INR)	12.6	14.8	16.5
EPS Gr. (%)	20.6	17.4	11.6
BV/Sh. (INR)	69.6	74.4	79.4
Ratios			
Net D/E (x)	0.2	0.1	0.0
RoE (%)	19.2	20.6	21.5
RoCE (%)	17.7	19.8	21.4
Payout (%)	39.6	67.5	69.6
Valuations			
P/E (x)	21.1	18.0	16.1
P/BV (x)	3.8	3.6	3.3
EV/EBITDA (x)	7.9	6.9	6.2
Div. Yield (%)	1.9	3.8	4.3
FCF Yield (%)	6.9	8.0	6.8

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	60.2	60.2	60.2
DII	24.3	24.6	25.5
FII	4.0	4.0	3.9
Others	11.5	11.2	10.4

FII includes depository receipts

Stock Performance (1-year)



CMP: INR266 TP: INR350 (+32%) Buy

Focus to remain on profitable growth; recent reduction in GST to support volumes

We hosted VRL Logistics (VRLL) for a Non-Deal Roadshow (NDR). Following are the key highlights:

- VRLL continues to perform well, with management guiding for revenue growth of ~4-5% in FY26, driven by disciplined pricing and a sustained focus on profitability, despite lower volumes following its strategic exit from low-margin contracts.
- VRLL expects EBITDA margins to normalize to ~19%, reflecting higher administrative expenses (including professional and legal fees) and salary revisions effective from Aug'25. Margin stability is expected to be supported by improving tonnage growth.
- In 1HFY26, volumes declined by an average of ~12%, while realization per ton improved by ~14%, supporting profitability over pure volume growth. Moreover, volumes have started to recover, growing 4% QoQ in 2QFY26, supported by a strong festive season and GST rate cut. Management expects further growth, driven by increasing tonnage from existing customers and the onboarding of additional clients.
- Industry growth is expected to remain strong, with E-way bill generation and FASTag collections rising ~17% and ~13%, respectively, in Oct–Nov'25.
- Moreover, VRLL continues to benefit from a net reduction of two branches in 2Q (nine opened, seven closed), part of its strategy to shut underperforming or low-utilization locations. While the company continues to explore expansion in the eastern and northeastern regions, branch rollout remains cautious and linked to business stability.
- VRLL will remain focused on sustaining high margins, aided by disciplined cost control, improved fuel procurement practices, and lower reliance on hired vehicles, while maintaining its focus on volume growth. Recent GST reductions across key commodities are expected to support consumption recovery and drive an improved volume trajectory going forward. **We expect VRLL to clock a 5% volume growth and a revenue/EBITDA/PAT CAGR of 8%/9%/16% over FY25-28E. Reiterate BUY with a TP of INR350 (based on 22x FY28E EPS).**

Volume recovery focus; strong festive spillover and GST reduction to support volumes

- VRLL will focus on accelerating volume growth by undertaking mass-marketing initiatives across both existing and newly opened branches, while simultaneously identifying and securing profitable freight contracts to drive sustainable and profitable expansion.
- VRLL witnessed an improvement in volumes, driven by a strong festive season and consumption uplift following the GST rate cut, with some spillover reflected in Oct'25.
- The GST on logistics services provided by VRLL is expected to remain unchanged, as the company is already availing 5% GST with no input tax credit.

Prudent branch optimization strategy continues

- A net reduction of two branches was recorded in 2Q (nine opened, seven closed) as part of its strategy to shut underperforming or low-utilization locations.
- While VRLL continues to explore expansion in the eastern and northeastern regions, branch rollout remains cautious and linked to business stability.
- Further, the company acquired property in Bengaluru worth INR2.3b, funded by INR1.9b in debt. This acquisition is expected to reduce rental costs by ~INR150m and generate third-party rental income of INR15m annually.

Superior cash flow discipline supported by streamlined fleet management

- VRLL maintains one of the lowest customer concentration risks in the industry, with minimal dependence on large accounts (top 10 contribute 3% and the top 3 just 1%). Its disciplined collection mechanism ensures strong cash flows, with ~70% freight realized at delivery, ~15% at booking, and limited credit exposure to select contractual clients. This supports industry-leading metrics, such as 12 days of receivables and 0.02% bad-debt provision, underscoring VRLL's strong efficiency and risk management.
- VRLL is currently one of the largest fleet owners of commercial vehicles in the country (with 5,782 trucks having a total capacity of 77,284 tons as of Sept'25). Net vehicles declined by 376 YoY, reflecting improved asset utilization and selective scrapping of high-maintenance vehicles.
- Further, the company has an in-house fleet maintenance facility with a tie-up for spare parts and an in-house scrapyard for disposing of the old fleet, which helps in controlling overhead costs.

Valuation and view

- VRLL is well-positioned for long-term growth, supported by its strategic focus on volume, profitable contracts, operational efficiency, and strong service reliability.
- While near-term headwinds persist, VRLL's approach to scaling volumes, supported by the GST reduction and a stable pricing strategy, positions it to benefit from structural growth in India's organized surface logistics sector. **We expect VRLL to clock 5% volume growth and a revenue/EBITDA/PAT CAGR of 8%/9%/16% over FY25-28. Reiterate BUY with a TP of INR350 (based on 22x FY28E EPS).**

AMCs

SEBI’s revised regulations better than consultation paper

Impact on AMCs, brokers, and distributors not expected to be material

The SEBI on 29th Oct’25 released a consultation paper proposing an overhaul of mutual fund regulations to simplify the rules and reduce the cost for investors. The regulator has revised the SEBI (Mutual Funds) Regulations, 1996, after its board meeting on 17th Dec’25, and we believe that the revised regulations will have a lower impact on companies than what was envisaged in the consultation paper.

1) Removal of additional 5bp TER: The additional 5bp, which is currently permitted to be charged to schemes with exit loads as a transitory measure, has been removed now.

2) GST and other statutory levies moved out of TER: In the consultation paper, the SEBI had recommended moving all statutory levies outside of TER. For this, it had recommended a blanket 15bp cut in all TER slabs. However, in the final regulations, TER has been cut by 15bp only until INR20b of AUM, beyond which TER has been cut by 10bp.

Impact on AMCs

We expect a cumulative hit of 3-4bp on AMCs on their equity AUM. About 60-70% of TER is shared with distributors in terms of commissions. Assuming that the impact is passed on in a similar ratio, the eventual hit on AMCs’ equity yields would be 1-2bp. For every 1bp impact on yields, we expect about 1-1.5% dent in earnings for AMCs.

Impact on distributors

For distributors such as Anand Rathi, 360 One and Nuvama, we expect a marginal hit (1-3%) on earnings if AMCs pass on the impact proportionate to the existing commission sharing ratio.

3) Reduction in cap of brokerage rates paid by AMCs: As against 2bp recommended in the consultation paper, the cap on cash segment brokerage rates has been brought down to 6bp from 8.59bp. On derivatives, against 1bp recommendation, the cap has been brought down to 2bp from 3.89bp.

Impact on institutional brokerages (360 One, Nuvama)

The lower cap is not expected to dent earnings materially, considering that average realizations today are at par with the revised cap.

1-1.5% Impact on AMCs' profitability per 1bp of yield, considering no changes in commissions

	FY27E Equity + Hybrid AUM (INR b)	1bp of Equity + Hybrid AUM	FY27E PBT	Impact
HDFC AMC	6,517	0.7	43.0	1.5%
NAM	3,771	0.4	23.3	1.6%
ABSL AMC	2,247	0.2	16.2	1.4%
UTI AMC	1,502	0.2	13.8	1.1%

Source: MOFSL

Revised TER slabs to move the statutory levies out of TER

	Equity-oriented schemes			Other than Equity-oriented schemes		
AUM slab (in crores)	Existing	Consultation Paper	Revised	Existing	Consultation Paper	Revised
Up to 500	2.25%	2.10%	2.10%	2.00%	1.85%	1.85%
500-750	2.00%	1.90%	1.90%	1.75%	1.65%	1.65%
750-2000	1.75%	1.60%	1.60%	1.50%	1.35%	1.40%
2000-5000	1.60%	1.45%	1.50%	1.35%	1.25%	1.25%
5000-10000	1.50%	1.35%	1.40%	1.25%	1.15%	1.15%
10000-15000	1.45%	1.30%	1.35%	1.20%	1.10%	1.10%
15000-20000	1.40%	1.25%	1.30%	1.15%	1.05%	1.05%
20000-25000	1.35%	1.20%	1.25%	1.10%	1.00%	1.00%
25000-30000	1.30%	1.15%	1.20%	1.05%	0.95%	0.95%
30000-350000	1.25%	1.10%	1.15%	1.00%	0.90%	0.90%
35000-40000	1.20%	1.05%	1.10%	0.95%	0.85%	0.85%
40000-45000	1.15%	1.00%	1.05%	0.90%	0.80%	0.80%
45000-50000	1.10%	0.95%	1.00%	0.85%	0.75%	0.75%
>50000	1.05%	0.90%	0.95%	0.80%	0.70%	0.70%

Source: SEBI, MOFSL

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

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