

Midnight News Update – Apr 03rd 2025

As Trump reciprocal tariffs take effect from 02-April, Indian government set up a full-fledged control room to monitor developments real-time. This control room will include senior officials from the Commerce Ministry. For now, the Commerce Ministry has been doing scenario analysis of the likely impact on trade and the cost structure of exports. Some sectors that are likely to be impacted are EVs, pharmaceuticals, textiles, and chemicals. Reciprocal tariffs are imposed by Trump, where the US lacks a level playing field.

After a sharp rally in recent days, stock of Bharat Electronics Ltd (BEL) faltered on Wednesday, following tepid revenue guidance for FY25. The stock corrected as much as 6% to ₹274.50 per share. For FY25, BEL guided for top line revenues of ₹23,000 crore, which implies 16% yoy growth. This is lower than street expectations of ₹25,000 crore. BEL secured defence orders worth ₹18,715 crore in FY25 and its order book position stands at ₹71,650 crore. Defence orders saw sharp uptick in the last 2 months of fiscal 2024-25.

Five recent IPO listings; Denta Water, Stallion India, Laxmi Dental, Quadrant Future, and Standard Glass Lining, will see their anchor lock-in expiring in April. That is likely to trigger anchor selling of around ₹347 crore. However, there could be a bigger problem in May 2025. Anchor period expiry of shares of big guns like Hexaware Technologies, Ajax Engineering, and Dr Agarwal's Health will result in anchor selling to the tune of nearly ₹2,156 crore. Half of anchor allocations are locked in for 30 days, and balance for 90 days.

Four investment banks have been shortlisted by Apollo Global for the proposed listing of the Indian arm of Tenneco. Globally, the US based Tenneco, is one of the biggest auto component manufacturers. It is likely that the IPO may be launched in the second half of FY26. Tentatively, the company is looking to raise \$400 million at a target valuation of nearly \$2.5 billion. Tenneco has a blue chip auto client list globally; which includes names like BMW, Ford, Nissan, Mercedes, Volvo AB, Toyota, Volkswagen, SAIC Motors etc.

Indian IT services sector may have a tough time in FY26 as economic uncertainties linked to Trump tariffs are likely to add to the event risk. More importantly, it is likely to make US businesses cautious about aggressive IT spending. Pauses in IT budgets are likely. Higher tariffs are likely to make goods and services more expensive in the US. Brokerages are of the view that the best-case top line constant currency (CC) growth for the IT sector may be sub-5%. Q4 Results of IT companies will start in the second week of April.

Central government plans to incentivize local manufacture of heavy equipment for the mining sector. The government is currently working with Coal India to put a package in place. With domestic production of coal by CIL gaining traction, it is logical that government must reduce its dependence on imported mining machinery. Domestic coal output in FY25 touched a record 1 billion tonnes. As of today, Coal India's high-capacity equipment like hydraulic shovels, dumpers, crawler dozers, and loaders are largely imported.

For the Indian government, Sovereign Gold Bond (SGB) redemption is almost becoming like the loss on a naked short position in gold. Centre has to pay a mindboggling ₹12 trillion for redemption of gold bonds at the current prices. However, the redemptions will continue till 2032; and the gold rally is not showing any signs of abating. Most investors prefer to hold the SGB for the full tenure of 8 years as it makes the capital gains fully tax-free. In addition, government pays 2.5% interest and loses out on LTCG tax revenues.

India's largest broking house by number of active clients, Groww, is looking to raise \$250 million from the Government Investment Corporation of Singapore. The funding will be raised at a valuation of \$6.8 billion, which is more than double the valuation that Groww received in its last funding round in 2021. Groww was founded in 2016 by ex-Flipkart executives. Its latest full year revenues were at ₹3,145 crore, but its profit generating ability is much smaller than Zerodha. Groww is backed by Peak XV, Ribbit, and others.



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