Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	77,415	-0.2	-0.9
Nifty-50	23,519	-0.3	-0.5
Nifty-M 100	51,672	-0.3	-9.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,612	0.6	-4.6
Nasdaq	17,299	-0.1	-10.4
FTSE 100	8,583	-0.9	5.0
DAX	22,163	-1.3	11.3
Hang Seng	8,517	-1.0	16.8
Nikkei 225	35,618	-4.0	-10.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	74	-0.1	0.4
Gold ($/OZ)	3,085	0.9	17.6
Cu (US$/MT)	9,659	-0.9	11.6
Almn (US$/MT)	2,518	-0.7	-0.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	85.5	-0.4	-0.2
USD/EUR	1.1	0.2	4.6
USD/JPY	149.8	-0.8	-4.7
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.6	-0.02	-0.2
10 Yrs AAA Corp	7.2	-0.02	0.0
Flows (USD b)	**28-Mar**	**MTD**	**CYTD**
FIIs	-0.5	0.47	-12.8
DIIs	0.89	5.22	21.8
Volumes (INRb)	**28-Mar**	**MTD***	**YTD***
Cash	1,107	1043	1009
F&O	1,20,763	2,23,643	1,99,267

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology - 4QFY25 Preview: Tempered expectations

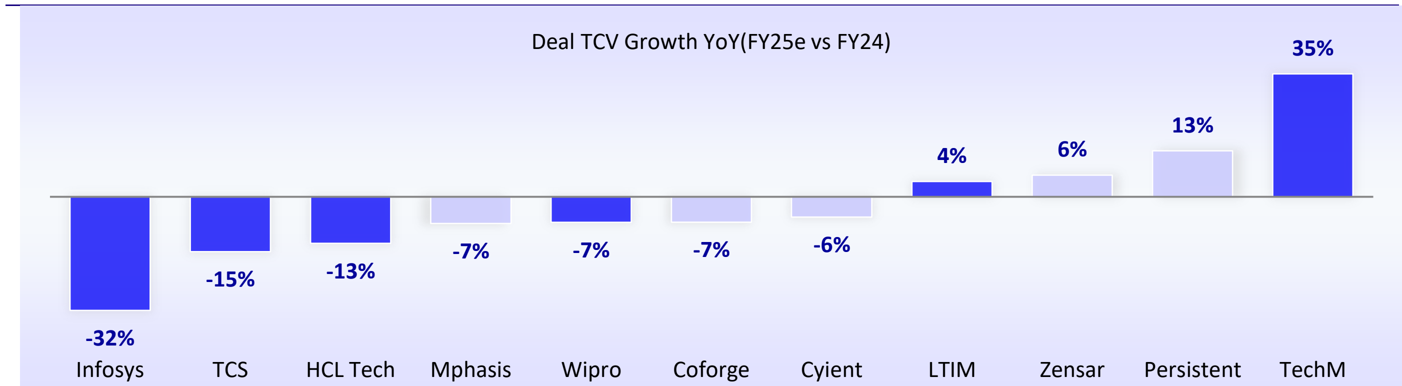
- As we argued in our previous report (Recovery stuck in second gear dated 11th Mar'25), the discretionary spending recovery that we saw picking up in 1HFY25 has been stuck in the second gear; and clients are likely to be in wait-and-watch mode as they take stock of the trade war, a slower Fed rate cut cycle, and other macro-economic risks. The net result of this will be a stop-start recovery in discretionary spending, pegging FY26E revenue growth for most large-caps in the range of 2-5% in constant currency (CC).
- All eyes now will be on FY26 guidance; we expect Infosys to guide for 2.5%-5% CC growth for FY26; and expect HCLT's top end to be in a similar range.
- For 4Q, we expect aggregate revenue for our coverage universe to grow by 7.8% YoY, while EBIT and PAT are likely to grow at 7.1% and 5.7% YoY (all in INR terms).

Research covered

Cos/Sector	Key Highlights
Technology	4QFY25 Preview: Tempered expectations
Westlife Foodworld	Focus on volume growth; store expansion continues
ITC	ITC acquires paper business from Aditya Birla Real Estate
Telecom	Another lifeline for Vi – pushing the can further down the road
EcoScope	Impact of reciprocal tariffs on India to be minimal
	Fiscal: Total spending growth remains weak, led by capex
	BoP: Current account deficit widens to 1.1% of GDP in 3QFY25

Chart of the Day: Technology - 4QFY25 Preview (Tempered expectations)

We expect deal TCV growth to remain subdued, except for a few companies, as the demand environment appears indecisive



Source: Company, MOFSL

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

In the news today

Kindly click on textbox for the detailed news link

1

Tata Power to add thermal capacity, rethinks exiting coal segment

Tata Power plans to enhance thermal power capacity through acquisitions and expansions, reversing its shift from coal. Despite earlier commitments to clean energy, the move stems from muted returns on wind projects and the global rise of coal power.

2

Indian Bank hikes lending rate linked to repo rate by 10 bps

Indian Bank increased its repo-linked lending rate by 10 basis points to 9.05%. This move makes retail loans more expensive despite the Reserve Bank's repo rate cut last month.

3

Natural Gas price for April up Rs 21

The domestic natural gas price has risen by 25 cents to $6.75 per mmbtu for April, leading to increased costs for households with piped gas and CNG vehicle expenses.

4

TVS Motor Company Singapore arm divests stake in Ion Mobility

TVS Motor's Singapore-based subsidiary has sold its stake in Ion Mobility and acquired specific assets from the company for USD 1.75 million.

5

Certificates of deposit issuance by banks up 34% amid March rush

Banks significantly increased their borrowing through certificates of deposit in March 2025, nearly doubling the previous year's amount due to tighter liquidity conditions and increased credit demand. IndusInd Bank notably raised ₹16,550 crore, over six times its usual amount, in response to deposit outflows.

6

Battery power: India’s EV segment surges to nearly 2 million registrations in FY25

The electric two-wheeler segment, after a temporary dip post-subsidy withdrawal, made a strong comeback

7

Railways breaks freight loading, revenue records for 4th year

In fiscal 2025, Indian Railways achieved record freight loading of over 1.61 billion tonnes and surpassed US in freight carried annually, earning ₹2.62 lakh crore in revenue.

Technology

Result Preview

Tempered expectations

We expect cautious FY26E guidance amid an uncertain backdrop

- As we argued in our previous report (Recovery stuck in second gear dated 11th Mar'25), the discretionary spending recovery that we saw picking up in 1HFY25 has been stuck in the second gear; and clients are likely to be in wait-and-watch mode as they take stock of the trade war, a slower Fed rate cut cycle, and other macro-economic risks. The net result of this will be a stop-start recovery in discretionary spending, pegging FY26E revenue growth for most large-caps in the range of 2-5% in constant currency (CC). There are three key questions that we would like to address: 1) Is there an upside risk to FY26 growth estimates? 2) Is feeble large-cap growth already in the price? and 3) Is further de-rating possible if the trade war escalates and US/Europe macro worsens?
- Is there upside risk to growth estimates? As shown in Exhibit 6, deal TCV for FY25E for most large-caps could be down 15-25% vs FY24 (Infosys at -32% and TechM at +34% stand out). This most likely entails an inferior 1HFY26 vs. 1HFY25, and unless deal activity meaningfully accelerates in 1HCY25, the upside risk to FY26 estimates is limited.
- Is the lower growth already priced in? We believe the growth deceleration is largely priced in, but we note that the NSE IT Index currently trades at a 28% premium to the Nifty (5/10-year avg of 29%/14%), and any re-rating is contingent on earnings beat.
- Is further de-rating possible? We believe most large-caps are trading at 5-year average PE multiples, and further de-rating is unlikely.
- All eyes now will be on FY26 guidance; we expect Infosys to guide for 2.5%-5% CC growth for FY26; and expect HCLT's top end to be in a similar range.
- For 4Q, we expect aggregate revenue for our coverage universe to grow by 7.8% YoY, while EBIT and PAT are likely to grow at 7.1% and 5.7% YoY (all in INR terms).
- Cross-currency impact for 4Q: On an average, we expect ~50-80bp cross-currency headwinds for our coverage on a sequential basis.
- We expect revenue growth of Tier-I companies to be in the range of -1.0% to flat QoQ CC. Revenue of Tier-II players is expected to grow to the tune of -0.5% to ~5% QoQ in CC terms.

Growth expectations across our coverage

- We expect INFO and TCS to report a revenue decline of 1.0% and 0.5% QoQ cc, respectively, whereas HCLT is anticipated to clock a 0.6% decline in 4QFY25, driven by tapering of deal ramp-ups in telecom and seasonal weakness in the P&P segment. Meanwhile, TECHM is likely to post a 0.8% QoQ revenue decline and Wipro may report flat revenue QoQ. LTIM could deliver 0.2% QoQ cc growth despite productivity pass-back in a key account spilling into 4Q.
- Among mid-tier firms, we expect LTTS to lead the pack with ~15% cc QoQ revenue growth (organic growth of 7%), driven by broad-based growth and inorganic contribution from Intelliswift. Persistent/Coforge are also likely to deliver 4.0%/3.0% cc QoQ growth, while Mphasis could post 3.0% cc QoQ growth.

- We expect Cyient DET to report yet another weak quarter, with flat QoQ revenue. The company may fall short of its revised FY25 guidance of ~2.7% YoY cc decline due to challenges in its key vertical. We are factoring in a modest cross-currency headwind for most companies (~50-80bp impact).

Margins to remain range-bound this quarter

- We expect TCS EBIT margins to remain flat QoQ despite BSNL ramp-down owing to headwinds from talent investments. HCLT's margins may decline ~190bp, led by wage hikes (50-60bp), slower growth, and decline in the high-margin P&P segment. Infosys may see a 70bp dip due to wage hikes and visa costs, partially offset by cost optimizations and lower third-party spend.
- LTIM margins are likely to stay flat at 13.8%. Wipro margins should remain around 17.0-17.5%, with no major headwinds.
- The net headcount addition would be lower across the board, owing to a muted demand recovery.
- Among mid-caps, Coforge margins may rise to 12.9%, supported by lower merger costs and operational gains. Cyient DET margins are likely to be ~13.5%, revised down from 16% due to delayed revenue realization. LTTS may see a 90bp QoQ margin dip, driven by Intelliswift consolidation (150bp impact) and SG&A investments.

TECHM and COFORGE remain our top picks

- We prioritize correct positioning over predictability, favoring bottom-up transformation and margin-driven stories over top-down discretionary names.
- Among Tier-I players, we prefer TECHM, driven by early signs of transformation under new leadership and improving execution in BFSI. Margin expectations are now more reasonable, and niche offerings are resonating well. We believe TechM's transformation remains relatively decoupled from discretionary spends. With further scope for telecom recovery and operational efficiency, we see room for sustained margin improvement going forward. We continue to like HCLT for its all-weather portfolio, and believe TCS offered a fair risk-reward balance.
- Among Tier-II players, our top pick is COFORGE. Its strong offerings in BFS and insurance should enable it to participate in a demand recovery, and a strong TCV also indicates a robust near-term growth outlook. We believe COFORGE's organic business is in great shape and early cross-selling initiatives between COFORGE and Cigniti indicate that COFORGE could engineer a growth turnaround at Cigniti earlier than expected.

Westlife Foodworld

BSE SENSEX	S&P CNX
77,415	23,519

Stock Info

Bloomberg	WESTLIFE IN
Equity Shares (m)	156
M.Cap.(INRb)/(USDb)	108.4 / 1.3
52-Week Range (INR)	960 / 652
1, 6, 12 Rel. Per (%)	-4/-15/-19
12M Avg Val (INR M)	147
Free Float (%)	43.8

Financials Snapshot (INR b)

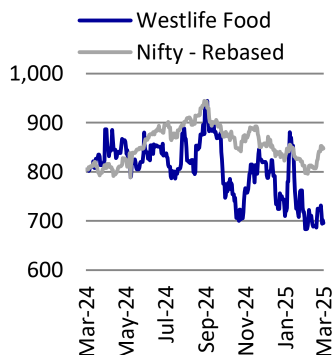
Y/E Mar	2025E	2026E	2027E
Sales	25.0	28.5	32.8
Sales Gr. (%)	4.5	13.9	15.1
EBITDA	3.2	4.1	5.1
Margins (%)	12.9	14.6	15.5
Adj. PAT	0.0	0.7	1.3
Adj. EPS (INR)	0.3	4.3	8.0
EPS Gr. (%)	-93.0	1,278.2	87.4
BV/Sh.(INR)	47.0	44.3	52.6
Ratios			
RoE (%)	0.7	9.4	16.6
RoCE (%)	5.0	7.8	10.2
Valuations			
P/E (x)	2,229.9	161.8	86.4
P/BV (x)	14.8	15.7	13.2
EV/Sales (x)	4.4	3.8	3.3
Pre Ind-AS EV/EBITDA (x)	53.0	38.1	29.4

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	56.3	56.3	56.2
DII	21.2	21.3	24.0
FII	14.2	14.1	10.8
Others	8.3	8.4	9.0

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR695 TP: INR800 (+15%) Neutral

Focus on volume growth; store expansion continues

- **We recently hosted Westlife Foodworld's (WESTLIFE) management at our Ideation Conference to gain insights into the company's current business environment and future plans. Over the past six months, the company has experienced a stable demand environment, with a slight improvement in 4QFY25, however this is seasonally weak quarter. A favorable base is further contributing to an improved growth print. Consumer sentiment is expected to pick up gradually from late 1QFY26, driven by potential interest rate cuts and fiscal measures implemented in Budget 2025. Regionally, recovery remains stronger in the west, while the south, particularly Kerala and Hyderabad, is witnessing a gradual improvement. The company continues to focus on menu innovation and value-oriented offerings to attract customers. It is strengthening its fried chicken portfolio in South India, aligning with local consumer preferences. Store expansion remains a key focus, with plans to open 45 new stores in FY25 and a target of 580-600 stores by Dec'27. As of Dec'24, the company opened 25 stores YTD, bringing the total count to 421, with drive-thrus accounting for 22% (93 restaurants). McCafé is emerging as a key growth driver, contributing 12-13% to Average Daily Sales (ADS). It has the potential to reach 18-20%, benefiting from McDonald's existing infrastructure. WESTLIFE continues to enhance its omnichannel presence, with off-premise sales contributing 40-42%. Additionally, the company is running pilots for a 10-minute delivery model, primarily focused on beverages.**
- **Despite inflationary pressures, WESTLIFE has successfully maintained gross margins at ~ 70%, supported by efficient supply chain management, cost control initiatives, and selective price hikes at the portfolio level. The company follows a strategic pricing approach, typically implementing modest price hikes of 2-4% to offset around 50% of its inflationary impact while maintaining market competitiveness. The company is prioritizing margin expansion through cost control initiatives, which are expected to yield benefits over the next two to three quarters. However, volume growth will remain the primary driver for margin expansion. The company targets an EBITDA margin of 18-20%, with a pre-Ind AS EBITDA margin goal of 14-15%. Same-store sales growth (SSSG) in the mid-single digits is expected to support higher ADS. We model 14-15% revenue CAGR for FY25-27, driven by 9% store additions and 6-7% SSSG. We expect 10-11% EBITDA Pre Ind AS margin for FY26 and FY27.**
- **We have recently upgraded our view on the QSR universe from cautious to positive following the tax relief announced in Budget 2025 for the middle-class income group. We remain watchful for ADS recovery as it could swiftly improve unit economics. We reiterate our Neutral rating on the stock with a TP of INR800, based on 35x FY27E EV/EBITDA (pre-IND-AS).**

Stable near-term demand

Westlife Development has experienced a stable demand environment over the past six months, with slight improvement in 4QFY25. Despite the seasonal softness in 4Q, underlying consumer demand remains resilient. Management expects traction to improve by late 1QFY26 and early 2QFY26, supported by potential interest rate cuts by the RBI and fiscal measures from Budget 2025, such as tax reliefs aimed at boosting consumption. Consumer sentiment remains a key driver, particularly in small-ticket transactions, where positive sentiment translates into higher

discretionary spending. Regionally, recovery has been more pronounced in the western market, while southern markets like Kerala and Hyderabad are recovering at a slower pace. The company remains committed to long-term investments in these regions to drive sustainable growth.

Strengthening the chicken portfolio in South India

WESTLIFE is strategically strengthening its presence in the fried chicken category, particularly in southern markets, where chicken consumption trends align with local preferences. To drive this initiative, the company has appointed a dedicated team with expertise in the chicken portfolio. As part of this strategy, WESTLIFE is introducing a new product range tailored to regional tastes, focusing initially on the southern market. While McDonald's has a strong global presence in the chicken segment, its approach in India is region-specific. In the western region, chicken preferences lean towards boneless formats, leading to the launch of McCrispy Chicken Burgers. However, given the predominantly vegetarian population in the west, the company does not plan to introduce a full-fledged chicken portfolio in that market.

Store expansion continues

WESTLIFE remains committed to expanding its store network, targeting 45 new store openings in FY25. As of Dec'24, the company opened 25 stores YTD, bringing the total count to 421, with drive-thrus accounting for 22% (93 restaurants). By Dec'27, the company aims to expand its footprint to 580-600 stores, with a strategic focus on South India, smaller towns, and drive-thrus. Unlike peers, WESTLIFE follows a distinct real estate strategy based on ROI-driven site selection, securing long-term lease agreements of 20-25 years with periodic renewals in three to five years to adjust for inflation.

McCafé serves as a key growth driver

India's café segment continues to experience rapid growth, driven by favorable demographics and evolving consumer preferences toward social dining. McCafé is positioned as a critical growth driver for WESTLIFE, currently contributing 12-13% to ADS, with the potential to reach 18-20%, while also being margin accretive. Unlike standalone coffee chains, which often struggle with profitability, McCafé leverages McDonald's existing infrastructure, making it a highly profitable segment. As of Dec'24, McCafé was present in 401 restaurants, covering 95% of the total 421 stores.

Continues to leverage omnichannel strategy

Globally, on-premise and takeaway channels account for the majority of sales, with delivery contributing 20-30%. For WESTLIFE, the channel mix is expected to remain stable in the medium term, with off-premise sales maintaining a 40-42% share. The company continues to leverage its omnichannel proposition, presence across multiple dayparts, and multi-brand offerings, which serve as key drivers of AUV growth. To further enhance the delivery experience, the company is piloting a 10-minute delivery model in select restaurants. A few QSR players are capable of executing rapid-turnaround delivery models, and WESTLIFE's well-integrated network positions it well to effectively capitalize on this opportunity, particularly in the beverages segment.

Focus on margin expansion

Despite inflationary pressures on food and utilities, WESTLIFE has successfully maintained gross margins above 70%, supported by supply chain efficiencies, cost initiatives, and selective price hikes at the portfolio level. The company follows a pricing strategy of implementing small annual price hikes of 2-4% to offset inflation, aiming to pass on at least 50% of inflationary costs while remaining competitive. The company continues to focus on margin expansion through robust cost control programs, with benefits expected to materialize over the next two to three quarters. Volume growth is anticipated to play a key role in margin expansion. The company is targeting an EBITDA margin of 18-20%, with a pre-Ind AS EBITDA margin of 14-15%. SSSG in mid-single digits is expected to support improvements in ADS. The company remains focused on increasing its market share and optimizing operational efficiencies. It aims to achieve sustainable growth by strategically increasing guest traffic and driving volume-led expansion, rather than relying heavily on price adjustments.

Valuation and view

- We believe that once the demand environment improves, WESTLIFE will be a key beneficiary. The company has been more aggressive in-store additions, which was not the case historically. The current demand environment is not conducive to aggressive expansion; therefore, the benefits of these efforts are likely to be back-ended.
- The revenue gap between dine-in and delivery has narrowed, driven by improved dine-in footfall. We remain watchful for ADS recovery, as it could quickly enhance unit economics. The stock is currently trading at ~38x FY26E and ~29x FY27E pre IND-AS EBITDA. We reiterate our Neutral rating with a TP of INR800, based on 35x FY27E EV/EBITDA (pre-IND-AS).

Westlife Foodworld's key performance metrics

Westlife	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue growth (%)	24%	10%	-36%	60%	45%	5%	4%	14%	15%
SSSG (%)	17%	4%	-24%	58%	36%	-2%	-2%	7%	7%
Store	296	319	305	326	357	398	441	481	521
Store growth (%)	7%	8%	-4%	7%	10%	11%	11%	9%	8%
ADS ('000)	130	133	89	132	175	165	155	162	172
Gross margin (%)	63.5%	65.2%	64.7%	66.3%	69.9%	70.3%	70.0%	70.5%	70.5%
RoM Pre - Ind AS (%)	14.4%	14.7%	7.7%	14.3%	19.2%	17.3%	14.6%	16.0%	16.6%
EBITDA (INRm) (Pre -Ind AS)	1,243	1,453	(24)	1,304	3,010	2,698	2,058	2,860	3,632
EBITDA pre-Ind AS (%)	8.9%	9.4%	-0.2%	8.3%	13.2%	11.3%	8.2%	10.1%	11.1%
EBITDA margin (%)	8.9%	14.2%	6.3%	13.1%	17.3%	15.8%	12.9%	14.6%	15.5%

Source: Company, MOFSL

ITC

BSE SENSEX	S&P CNX
77,415	23,519

Century Pulp and Paper business valuation

Particulars (FY24)	(INR m)
Consideration	35,000
EBITDA	4,306
Sales	33,753
EV/EBITDA (x)	8.0
EV/Sales (x)	1.0

CMP: INR410 Buy

ITC acquires paper business from Aditya Birla Real Estate

ITC announced the acquisition of Aditya Birla Real Estate (ABREL)'s paper business, operated under the name 'Century Pulp and Paper (CPP)', as a going concern on a slump sale basis. This transaction strengthens ITC's presence in the pulp and paper industry, expanding its capacity and market reach.

- **Acquirer:** ITC Limited
- **Seller:** Aditya Birla Real Estate (Century Pulp and Paper)
- **Transaction value:** INR35b (on a cash-free, debt-free basis)
- **Capacity expansion:** ITC's paper capacity to increase by 60% from 8 lakh metric tonnes (Lk Mt) to 12.8 Lk Mt.
- **Expected closure:** Approximately six months, subject to statutory approvals (including land lease transfer and Competition Commission of India clearance).
- **Financial performance of ABREL's paper business:** The business reported a revenue of INR28.2b/INR35.7b/INR33.8b during FY22/FY23/FY24. The company reported an EBITDA of ~INR5b on average during the last five years.

Strategic rationale

1. Market expansion & locational advantage:

- ABREL has a strong presence in North India, complemented by in-house pulp manufacturing using wood and bagasse.
- ITC's existing facilities are primarily in South India, and this acquisition enables efficient customer servicing across key markets while ensuring proximity to raw material sources.

2. Vertical integration & operational resilience:

- Strengthens ITC's supply chain and backward integration, reducing dependency on external pulp sources.
- Multi-site operations with matching capabilities help de-risk operations and improve resilience across industry cycles.

3. Synergy targets & financial impact:

- The company is targeting a 30-40% increase in EBITDA per ton after two years of operations through efficiency gains and capacity debottlenecking.
- The company is looking to achieve a high-teens Return on Capital Employed (RoCE) in the medium term.
- The Paperboards, Paper & Packaging segment is expected to continue generating strong free cash flows (~INR40b from FY20 to FY24).

Industry outlook and growth potential

The paper business has been in a cyclical downturn over the past two years, but an expected market recovery should improve key performance metrics. This acquisition positions ITC to capitalize on the growth cycle through product innovation, enhanced sustainability initiatives, and an expanded market footprint. India is the fifth-largest producer of paper and paperboards in the world, with an estimated production of around 23mMT per annum and an annual industry turnover of over INR800b. India's per capita consumption at ~16Kg per annum is low as compared to the global average of 57Kg. The end-user industries such as FMCG, Food Service / Quick Service Restaurants, Pharmaceuticals, e-commerce, and Education & Stationery, and increasing demand for sustainable packaging solutions are expected to be the key drivers of growth going forward.

Valuation

We value ITC's paper business at 15x EV/EBITDA of FY27, with a target value of INR20 per share. The acquisition is EPS accretive from year one, and as per our estimation, it will contribute ~1% to ITC's total EPS. Although the financial and valuation impact will be less, it will strengthen ITC's position in the paper & paperboard business.

Century Pulp and Paper – Business financials

Pulp and paper business	FY19	FY20	FY21	FY22	FY23	FY24
Revenue (INR m)	26,427	23,835	17,738	28,178	35,717	33,753
YoY growth (%)		-10%	-26%	59%	27%	-5%
EBITDA (INR m)	7,256	5,311	2,450	4,434	6,052	4,306
YoY growth (%)		-27%	-54%	81%	36%	-29%
Margins	27.5%	22.3%	13.8%	15.7%	16.9%	12.8%

ITC Paper and Paperboard – Business financials

ITC paper and paperboard	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E
Revenue (INR m)	49,739	53,277	53,629	52,496	58,602	61,072	56,186	76,416	90,814	83,444	84,279
YoY growth (%)	2%	7%	1%	-2%	12%	4%	-8%	36%	19%	-8%	1%
EBITDA (INR m)	11,534	11,501	12,200	13,168	15,654	16,628	14,585	21,110	27,255	18,254	14,028
YoY growth (%)	-3%	0%	6%	8%	19%	6%	-12%	45%	29%	-33%	-23%
Margins	23.2%	21.6%	22.7%	25.1%	26.7%	27.2%	26.0%	27.6%	30.0%	21.9%	16.6%

Telecom

Vi's spectrum repayments could potentially decline by ~INR420b over FY26-28

GoI dues repayment	FY26-28
GoI dues	**1,165**
Deferred spectrum dues	**670**
2021-2024 spectrum dues	66
Spectrum dues pre 2021	**604**
Spectrum payments converted to equity	420
AGR dues	495
GoI remaining payments	**745**

Another lifeline for Vi – pushing the can further down the road

The Government of India (GoI) has approved the conversion of Vi's upcoming spectrum dues repayment into equity, in line with the provisions in 2021 telecom relief measures. GoI would convert ~INR369.5b spectrum dues into equity at FV (INR10/share). **GoI equity conversion provides cash flow relief for Vi and is a key medium-term positive development, but stabilization of its subscriber base, long-pending debt raise, and further relief on AGR dues remain vital for Vi's long-term survival**. **GoI's continued commitment to maintaining a 3+1 market construct in the Indian telecom sector and the easing of Vi's cashflow constraint are also positive for Indus Towers**. We retain our Sell rating on Vi with a revised TP of INR6.5/share, while we remain Neutral on Indus Towers and would use any bounce to reduce exposure.

GoI to convert Vi's spectrum repayments worth ~INR420b into equity

GoI has decided to convert Vi's outstanding spectrum auction dues pertaining to spectrum auctions prior to 2021, including deferred dues repayable after moratorium, into equity shares. The total amount to be converted into equity shares is INR369.5b, with Vi issuing 36.95b shares (at INR10/share). We believe this conversion would reduce Vi's spectrum repayments by ~INR420b over FY26-28 and ease its cash constraints considerably till 1HFY28. After the issuance, GoI's stake in Vi would rise from ~22.6% to ~49%. Vi's existing promoters will continue to have operational control, albeit with a modest ~25.5% stake.

Vi's cash constraints to ease considerably till 1HFY28; AGR dues still a worry

Vi had ~INR670b in spectrum dues repayments over FY26-28 (including ~INR67b for 2021-24 spectrum auctions). On our estimates, the proposed equity conversion would help Vi lower its spectrum repayments pertaining to auctions prior to 2021, by ~INR420b (on NPV basis). After the conversion, Vi would have to repay ~INR80b in spectrum dues over 2HFY26-1HFY28, along with ~INR22b annually for the 2021-24 spectrum auctions. Vi's current ~INR90b cash EBITDA should largely be sufficient to fund GoI's spectrum due repayments till 1HFY28, in our view.

Besides spectrum dues, Vi also has to repay ~INR165b annually pertaining to AGR dues, starting Mar'26, which are not part of the proposed conversion. We estimate, Vi's cashflow to be insufficient to fund its ongoing capex plans alongside AGR dues repayments. However, given GoI's commitment to maintaining a 3+1 market construct, we believe there could be further relief from GoI on AGR dues.

Further equity conversion could turn Vi into a PSU

After the proposed conversion, GoI's stake in Vi would increase from ~22.6% currently to ~49%, while Vi's existing combined promoter stake would be diluted from ~38.7% currently to modest ~25.5% and public shareholders' stake would also be diluted by ~34% to ~23.8%. However, as GoI's equity conversion is happening significantly above Vi's current market price, there would not be value dilution for Vi's equity holders.

However, as we note above, despite the spectrum due conversion into equity, Vi would continue to require more relief from GoI on AGR dues as well as spectrum payments beyond 1HFY28. With GoI's stake rising to 49% after the latest equity conversion, any further equity conversion of dues could lead to GoI's stake crossing 50%, which could turn Vi into a public sector unit (PSU).

Subscriber base stabilization remains the key monitorable for Vi

GoI has been supportive of a 3+1 market structure in the Indian telecom industry, and telcos have also raised tariffs sharply over the last five years. However, Vi has not seen any significant operational improvement as tariff hike benefits have been offset by continued subscriber losses. We believe stabilization of Vi's subscriber base, along with further relief measures from GoI, remains imperative for Vi's long-term survival. Despite the likely acceleration in capex over the medium term, we believe gaining back subscribers would be a tall ask for Vi, given its peers' superior free cash flow generation and deeper pockets. Vi remains a high-risk high-reward play. We raise our TP to INR6.5/sh (from INR5 earlier), driven by GoI's equity conversion at a premium.

Vi's cashflow relief a materially positive event for Indus Towers

While there is still uncertainty on AGR dues, we believe GoI remains committed to maintaining a 3+1 market construct. GoI's recent move provides cashflow support to Vi and could also aid in the completion of Vi's long-pending debt raise. We believe more comfort on Vi's survival and improved visibility on the completion of Vi's capex plans could be materially near-term positive for Indus Towers. However, we retain our Neutral rating on Indus as we believe a sustained re-rating remains contingent on Vi's long-term revival, which in turn is dependent on its operational improvements. We would use any bounce in Indus' stock price to reduce exposure.

Impact of reciprocal tariffs on India to be minimal

India’s US exports of 1.1% of GDP to be the most vulnerable

- **The US is one of the largest trading partners of India, with bilateral trade of USD124b in CY24. Exports from India to the US reached USD81b, and imports from India to the US amounted to USD44b, resulting in a trade surplus of USD37b for India in CY24. The US is India’s largest export destination, with its share reaching 18% in CY24 from 13% in CY14 and 6% in CY06. Notably, India’s imports from the US (as a % of total imports) have remained stable at ~6% in CY24 vs. ~5% in CY14 (Exhibits 1 and 2).**
- **India’s top exported items to the US are electronics (15.6% of total exports to the US), gems & jewelry (11.5%), pharma products (11%), machinery for nuclear reactors (8.1%) and refined petroleum products (5.5%). India’s top imported items from the US are energy commodities like crude oil, natural gas and coal (30.7% of the total imports from the US), pearls/precious stones (11.8%), machinery (9.5%), electronics (6.8%), and aircraft and parts (4.6%) (Exhibits 3 and 4).**
- **India's goods trade surplus with the US has seen a twofold increase in the past decade, rising from USD19b (0.9% of India's GDP) in CY15 to USD37b (1.0% of GDP) in CY24. The surge in the trade surplus is primarily attributed to a heightened trade surplus in electronic items after the implementation of a production-linked incentive (PLI) scheme in 2020. Apart from electronic items, higher exports of pharma and textiles have driven India’s trade surplus with the US over the past decade (Exhibits 5 and 6).**
- **The Trump administration introduced the Reciprocal Tariff Plan (a strategy to equalize tariffs, taxes and non-tariff barriers with other nations) on 13th Feb’25, allowing the US to raise tariffs on countries with a trade deficit. The first set of reciprocal tariffs is expected on 2nd Apr’25.**
- **The tariff structure shows that India charges higher tariff rates in most product categories. The weighted average tariff rate imposed by India on imports from the US was ~12% in CY23, while the tariff charged by the US on Indian imports is ~3%, leading to a tariff differential of 9%. This could lead to roughly 9pp (product-level full reciprocity) increase in US effective tariff rates on Indian imports. Notably, India faces the largest tariff gap vs. other major nations. However, the US’ trade deficit with India (or India’s surplus with the US) is only the 10th highest among the US’s trading partners, which might cushion it from specific targeting, in contrast to Mexico, Canada, and China (Exhibits 7 and 8).**
- **To identify the potentially vulnerable sectors, we consider a tariff differential with the US and the value of exports/imports to/from the US. For this analysis, we divide India’s HS-2 level export data (98 HS-2 codes) into five categories, depending on the extent of tariff differential and the value of exports:**
- ***Category 1:* Higher tariff differential (td>10%) and higher value of exports (x>USD0.5b) assuming trade surplus (TB>0)**
- ***Category 2:* td>10% but x<USD0.5b assuming TB>0**
- ***Category 3:* td<10% but x>USD0.5b assuming TB>0**
- ***Category 4:* td<10% and x<USD0.5b assuming TB>0**
- ***Category 5:* items in which India has a trade deficit with the US (TB<0)**
- **Items in category 1 and category 3 are the most vulnerable and more likely to be affected. Items in category 1 have a higher tariff differential (>10%) as well as a higher value of exports to the US. These include seafood and preparations, articles of iron and steel, and machinery for nuclear reactors (16.5% of the total exports to the US and 0.3% of India’s GDP). Items in category 3 have a tariff differential of less than 10% but the value of exports to the US is high, making them vulnerable to the impact of reciprocal tariffs. These include items like pharma products, gems and jewelry, apparel, electrical machinery, etc. (62% of the total exports to the US and 1.3% of India’s GDP). All items in these two categories account for 79% of India’s exports to the US (USD64.1b or 1.6% of India’s GDP) but consist of only 19 of the 98 HS-2 codes (Exhibits 9, 10, 13, 14).**
- **Within categories 1 and 3, we identify the six most vulnerable and exposed items. These are electrical machinery, gems and jewelry, pharma products, machinery for nuclear reactors, and iron & steel and seafood. These six items sum to USD42.2b, amounting to 52% of the total exports to the US and 1.1% of India’s GDP. The exact impact on these sectors is difficult to quantify as it depends on the sensitivity of exports of these items to an increase in the tariff rate and movement of the exchange rate (Exhibits 11, 12).**

- **Items in categories 2, 4, and 5 are less vulnerable and less likely to be affected. Items in category 2 have a higher tariff differential but the value of exports is less than USD0.5b, making it vulnerable but less likely to be affected. This category includes 29 of the total 98 HS codes and mostly consists of items from the agriculture and allied sectors. Items in category 4 have a lower tariff differential as well as a lower value of exports, making them neither vulnerable nor likely to be affected. Lastly, items in category 5 are those in which India has a trade deficit with the US (India imports more than it exports, mainly include energy commodities, metals and auto), making them less vulnerable to the tariffs since imposing tariffs on these items will hurt the US more.**
- **Overall, we believe that the impact of reciprocal tariffs (assuming full product-level reciprocity) on India will be limited on a national basis. India's exports in the six most vulnerable sectors amount to only 1.1% of India's GDP. With a tariff differential of 9% and assuming that the elasticity of India's exports to the US with respect to tariffs is -0.5 (implying a 1% rise in the tariff rate would reduce India's exports to the US by 0.5%), there will be a loss of USD3.6b in exports to the US, which is only 0.1% of India's GDP (-0.5*9, 4.5% fall in India's exports to the US).**

Exhibit 1: India's exports to the US amount to 18% of its total exports in CY24…

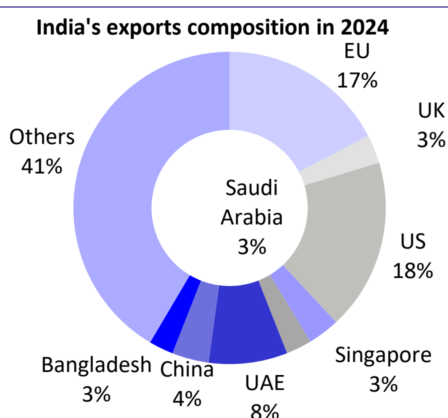
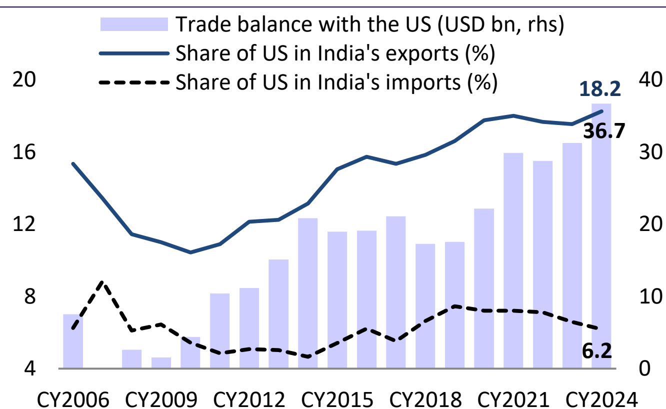


Exhibit 2: …with the trade balance reaching USD37b in CY24 from USD13.1b a decade back



Source: Ministry of commerce and industry, CEIC, MOFSL

Exhibit 3: 15 major export items account for 80% of total exports to the US

India's major exports to the US in CY24 (USD mn)	India's exports to the US	(% share in total exports to the US)
Electrical Machinery	12,580	15.6
Gems and jewellery	9,299	11.5
Pharmaceutical Products	8,875	11.0
Nuclear Reactors, boilers and machinery	6,572	8.1
Refined petroleum products	4,465	5.5
Articles of iron and steel	2,955	3.7
Textile articles	2,948	3.7
Auto & auto ancillaries	2,660	3.3
Non-knitted apparel articles	2,591	3.2
Organic chemicals	2,588	3.2
Knitted apparel	2,586	3.2
Marine products	1,969	2.4
Plastic articles	1,631	2.0
Miscellaneous chemical products	1,243	1.5
Carpets and other textile floor coverings	1,196	1.5
Furniture	1,150	1.4
Others	15,465	19.1
India's total exports to the US	80,774	

Source: Ministry of commerce and industry

Total spending growth remains weak, led by capex

Fiscal deficit at 86% of FY25RE in 11MFY25

- **Total spending by the central government grew at a slower pace of 3.9% YoY in 11MFY25 (vs. 7.3% in 11MFY24, the slowest growth in at least a decade for the corresponding period). The slowdown in total spending was entirely led by capital spending, which grew at a six-year low of 0.8% in 11MFY25 (vs. 36.5% in 11MFY24). On the other hand, revenue spending grew 4.7% in 11MFY25, better than 1.3% in 11MFY24 *(Exhibits 1 and 2).***
- **Accordingly, the government's total spending in 11MFY25 stood at INR38.9t vs. the revised target of INR47.2t, accounting for 82.5% of FY25RE, the lowest in four years in the corresponding period (vs. INR37.5t in 11MFY24; 83.4% of FY24RE). Capital spending in 11MFY25 stood at INR8.1t vs. the revised target of INR10.2t, representing 79.7% of FY25RE, the lowest in eight years (vs. 84.8% of FY24RE). On the other hand, revenue spending stood at INR30.8t vs. the revised target of INR37t in 11MFY25, representing 83% of FY25RE (similar to FY24RE; *Exhibits 1 and 2).***
- **To meet the revised target of INR10.2t, capex should grow 47% YoY in Mar'25, implying a spending of INR2.1t. However, there have only been five months in the past 25 years with monthly spending >INR1.0t. The shortfall in capex could still be substantial (~INR1.0t).**
- **Meanwhile, total receipts grew at a three-year high pace of 13.4% in 11MFY25 (vs. 10.1% in 11MFY24). It stood at INR25.5t in 11MFY25 vs. the revised target of INR31.5t, accounting for 80.5% of FY25RE (vs. 81.5% in FY24RE, the lowest in five years; *Exhibit 3).***
- **Consequently, in 11MFY25, the government's fiscal deficit stood at INR13.5t, accounting for 85.8% of FY25RE vs. 86.5% of its FY24RE (or INR15.0t) in 11MFY24 *(Exhibit 4).***

Exhibit 4: Total spending stood at 82.5% of FY25RE in 11MFY25

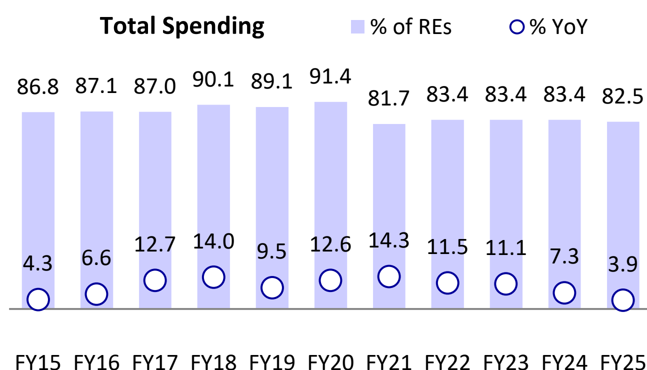
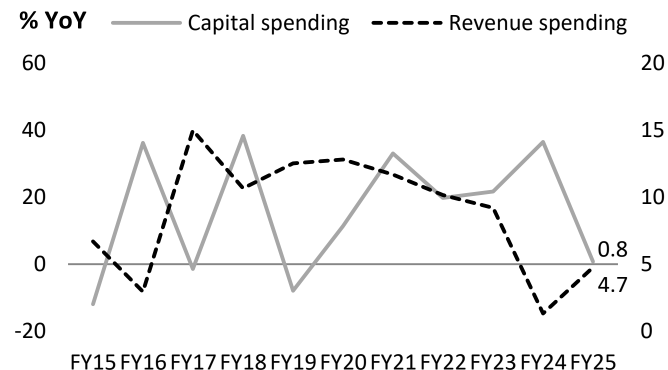


Exhibit 5: Capex growth remained weak in 11MFY25



Source: Controller General of Accounts (CGA), MOFSL

Exhibit 6: Total receipts grew at a three-year high in 11MFY25

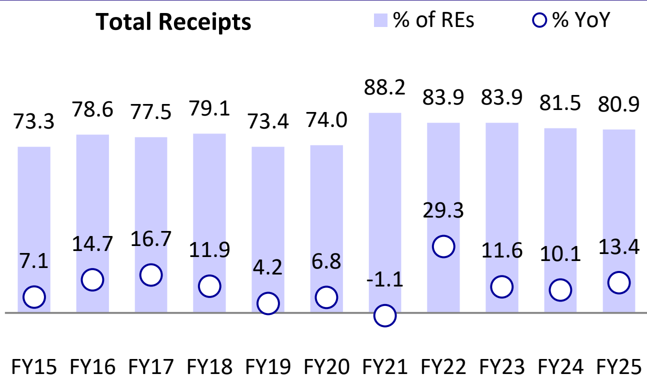
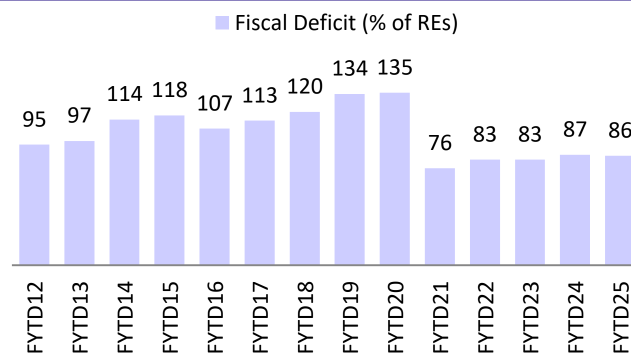


Exhibit 7: Fiscal deficit stood at 86% of RE in 11MFY25 vs. 87% in 11MFY24



Apr-Dec for all years; Source: CGA, MOFSL

Current account deficit widens to 1.1% of GDP YoY in 3QFY25...

…led by the higher merchandise trade deficit

- **India's Current Account Deficit (CAD) narrowed sequentially to USD11.5b (or 1.1% of GDP) in 3QFY25 vs. USD16.7b (1.8% of GDP) in 2QFY25 but widened as compared to USD10.4b (1.1% of GDP) in 3QFY24 *(Exhibit 1)*.**
- **The widening of CAD on a YoY basis can be attributed to a rise in merchandise trade deficit to USD79.2b (7.9% of GDP) in 3QFY25 from USD71.6b (7.7% of GDP) in 3QFY24. On the contrary, net service receipts increased to USD51.2b (5.1% of GDP) in 3QFY25 from USD45b (4.9% of GDP) in 3QFY24. The higher services account surplus is attributed to robust service exports (17.9% YoY, highest in seven months), on account of the rising exports of computer and travel services. Additionally, the surplus on the income account stood at USD16.5b (1.6% of GDP) in 3QFY25 vs. USD16.2b (1.8% of GDP) in 3QFY24 *(Exhibit 2)*. Overall, the invisible surplus increased to USD67.7b (6.7% of GDP) in 3QFY25 from USD61.2b in 3QFY24 (6.6% of GDP).**
- **Merchandise imports stood at USD189b in 3QFY25, higher than USD178.3b in 3QFY24. While imports of petroleum products increased to USD51.5b in 3QFY25 from USD41.8b in 3QFY24, imports of valuables increased to USD33.2b in 3QFY25 from USD20.8b in 3QFY24. Merchandise exports increased 3% YoY in 3QFY25 (USD109.8b) vs. growth of 1% in 3QFY24 (USD106.6b).**
- **Notably, India's Current Account Balance (CAB), excluding petroleum products and valuables, posted a surplus of USD40.6b (or 4% of GDP) in 3QFY25 vs. a surplus of USD26.1b in 3QFY24 (or 2.8% of GDP; *Exhibit 3)*. Excluding gold, India's Current Account Surplus (CAS) was 0.8% of GDP in 3QFY25, up from a surplus of 0.4% of GDP in 3QFY24. CAS, excluding petroleum products, surged to USD21.1b (or 2.1% of GDP) in 3QFY25 vs. USD12.4b (1.3% of GDP) in 3QFY24.**
- **The capital account witnessed outflows in 3QFY25 from inflows in 3QFY24 on account of outflows of USD11.4b (vs. inflows of USD12b in 3QFY24) under foreign portfolio investment and outflows of USD2.8b (vs. inflows of USD4b in 3QFY24) under foreign direct investment. Additionally, non-resident deposits recorded a lower net inflow of USD3.1b in 3QFY25 than USD3.9b in 3QFY24. Accordingly, there was a depletion of USD38b to the foreign exchange reserves (on a BoP basis) in 3QFY25 as against an accretion of USD7b in 3QFY24 *(Exhibit 4)*.**
- **Based on YTD data, India's CAD widened to USD37b (1.3% of GDP) during Apr-Dec'24 from USD30.6b (1.1% of GDP) during Apr-Dec'23 primarily on account of a higher merchandise trade deficit. Consequently, we have increased our CAD forecasts to 1.0%/0.6% of GDP for FY25/FY26 compared to 0.7%/0.6% estimated earlier.**

Exhibit 1: India's CAD widened to 1.1% of GDP in 3QFY25…

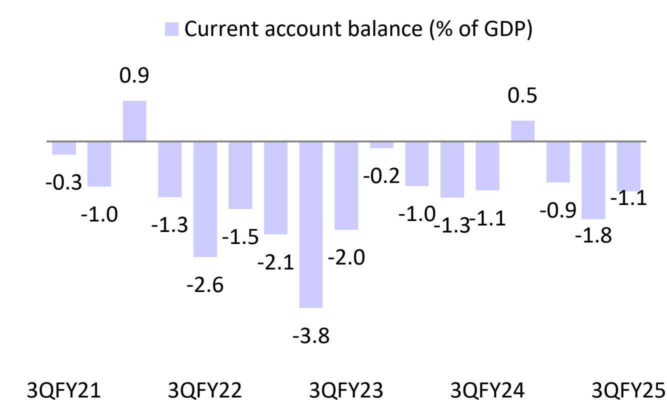


Exhibit 2: …led by higher merchandise trade deficit

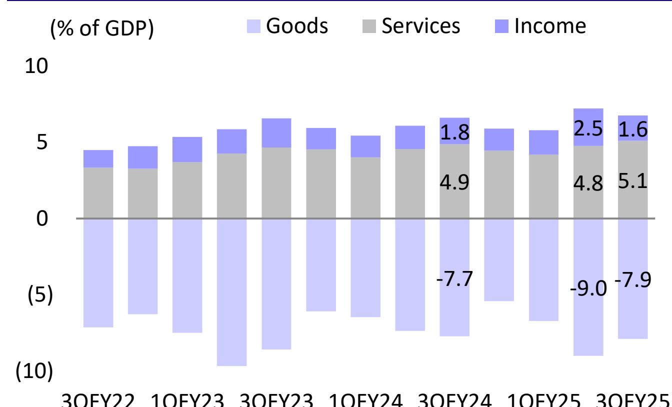


Exhibit 3: CAS, excluding gold and petroleum products, increased sharply

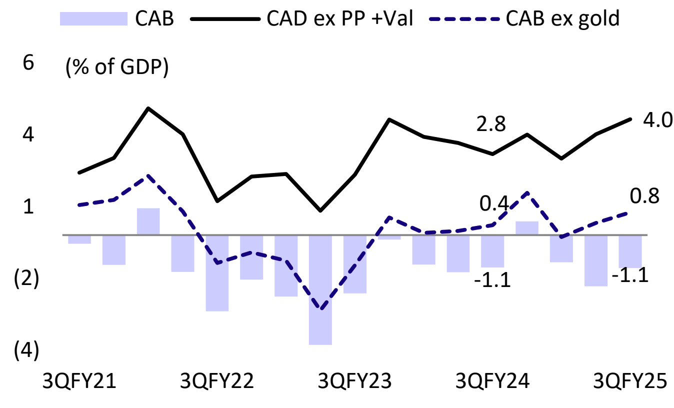
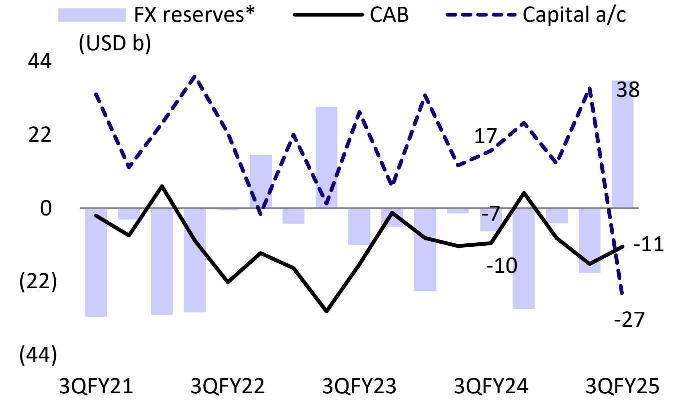


Exhibit 4: FXR depletion in 3QFY25 amounted to USD38b



*(-) implies accretion to reserves, (+) implies withdrawal (reduction)

PNG Jewellers: Expect Good Demand In Apr-Jun Qtr On Back Of Gudi Padwa, Akshay Tritiya; Saurabh Gadgil, CMD

- Despite a 40% rise in gold prices, buying remains strong due to cultural significance.
- High shopping activity expected as Gudi Padwa falls on a Sunday; Q1 remains the strongest for jewelers.
- Added 28 stores this year; plans 12 more, including a new lightweight jewelry format, "Light Style by PNG."
- Strong consumer confidence in gold as an investment; market expected to grow in both value and volume.

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- Sold ₹890 crores in inventory in 9 months, aiming for ₹1,200 crores by year-end, with a 15-20% growth target.
- Plans to launch ₹4,000-₹4,500 crores worth of inventory over two years, with Bengaluru driving 50% of sales.
- ₹400 crores QIP on track; ₹1,000-₹1,200 crores investment planned via QIP and potential debt.
- FY26 sales expected to grow 35% to ₹1,900 crores; strong demand despite market fluctuations.

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- 25% tariff on non-U.S. autos raises concerns; negotiating with U.S. trade officials for potential relief.
- Operates two U.S. plants, ramping up passenger car component production to mitigate tariff impact.
- Secured ₹7,900 crore artillery contract; aims to execute within two years instead of three.
- Defense order book at ₹10,000 crores; plans to participate in ₹70,000 crore artillery modernization program.

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- Government likely to approve ₹25,000 crore PLI for electronics components, boosting local manufacturing.
- Partnering with HKC for display modules; exploring camera modules and mechanical components.
- Display module revenue expected to reach ₹3,000 crores by FY27; mobile margins to rise by 120 basis points.

  50:50 JV with Signify India; lighting revenues targeted to grow from ₹850 crores to ₹2,000 crores.

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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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