Middle East conflict, US inflation, foreign fund outflows drag markets lower from record peaks

NEW DELHI, APR 17: Global uncertainties, mainly escalating tensions between Iran and Israel, have led to a massive correction in the equity markets in the last three days after a record-shattering rally that saw the BSE Sensex crossing the historic 75,000 mark last week.

Hotter-than-expected US inflation data fuelled concerns that the Federal Reserve will hold back on delivering the cuts to interest rates. Also, foreign fund outflows and profit-taking contributed to the correction in the equity markets.

In the past three days, the BSE benchmark tanked 2,094.47 points or 2.79%.

Investors' wealth tumbled Rs 7.93 lakh crore in the three days of the market crash amid simmering tensions in the Middle East and weak global trends.

“The heavy correction in the market can be attributed to several factors, including the escalating tensions between Iran and Israel, which have heightened geopolitical uncertainties and prompted risk aversion among investors.

“Additionally, the Federal Reserve's hawkish stance on inflation has shifted interest rate expectations, dampening hopes for significant interest rate cuts. Rising geopolitical tensions in the Middle East have contributed to the correction, as investors move towards safer assets amidst uncertainty. These factors combined have led to a significant correction in the market after a period of record rally,” said Suman Banerjee, CIO of hedge fund Hedonova.

The BSE Sensex hit its all-time peak of 75,124.28 on April 9. The index breached the historic 75,000 mark for the first time ever on the same day.

On April 10, the 30-share BSE benchmark settled above the 75,000 mark for the first time.

The market capitalisation of BSE-listed companies went past the coveted Rs 400 lakh crore mark for the first time ever on April 8.

From February 29 to April 10, the BSE benchmark jumped 2,537.85 points or 3.50%.

However, from April 12 onwards the markets have been falling.

“The recent heavy correction in the market can be attributed to geopolitical tensions. Additionally, anticipation of delayed rate cuts in the USA has added pressure. These factors have collectively contributed to the downturn following a period of record rally in the markets,” said Arvinder Singh Nanda, senior vice-president, Master Capital Services Ltd.

Stock markets are closed on Wednesday for Ram Navami.

Swastika Investment Ltd Managing director Sunil Nyati said the market corrected due to selling in the broader market, weak global cues, selling by Foreign Institutional Investors (FIIs), upcoming US Federal Reserve meeting and rising crude oil prices.

When there is widespread selling across various sectors and stocks, it can lead to overall market decline as investors' sentiment turns negative, Nyati said.

“India is a major importer of crude oil, and higher oil prices can negatively affect the country's trade balance, inflation, and fiscal situation,” Nyati added.

Last month, the 30-share BSE Sensex climbed 1,151.05 points or 1.58%.

“Markets extended their losing streak for the third straight session on the back of weak global cues as a sharp rise in US bond yields due to rising Middle East tensions have made equity markets less attractive and prompted investors to resort to profit-taking. Investors are fearing that the ongoing conflict could fuel buoyancy in crude oil prices and in turn, weigh on inflation,” Prashanth Tapse, senior VP (Research), Mehta Equities Ltd, said.

Bannerjee said the Q4 earnings report will be crucial as solid results could reignite the rally, while disappointments might trigger further corrections.

“Additionally, the Federal Reserve's policy actions regarding interest rates will be closely monitored for any changes in their stance. Furthermore, global economic health and significant developments, especially geopolitical tensions, such as the Iran-Israel conflict, can significantly impact investor sentiment and market movements,” he said.

“The near-term direction of the Indian stock market can be influenced by several key factors - performance of global markets, Lok Sabha election results, foreign investors trading activity, upcoming decisions by the US Federal Reserve regarding interest rates and fluctuations in oil prices,” Nyati said.

FY25 will be a transformative year for Vedanta on many fronts: Anil Agarwal

NEW DELHI, APR 17: Mining tycoon Anil Agarwal has said the current financial year that started on April 1 will be a transformative year for his conglomerate Vedanta as it prioritises disciplined growth while parent eyes a $3 billion deleveraging in the next three years.

In a communication to shareholders, Vedanta Ltd Chairman Agarwal said the group will pursue sustainable growth while maintaining a healthy balance sheet.

"These include further deleveraging (parent) Vedanta Resources by $3 billion in the next 3 years and achieving an annual group EBITDA of $7.5 billion," he said.

"FY25 will be a transformative year for us on many fronts as we prioritise disciplined growth, operational excellence, and exploring opportunities along the value chain," he said.

Vedanta had previously stated that it will invest $6 billion across businesses that span from aluminium and zinc to iron ore, steel and oil and gas, which is expected to generate incremental revenue of over $6 billion and boost EBITDA from an expected $5 billion in the fiscal year ended March 31 to $6 billion in 2024-25 (FY25) and up to $7.5 billion by FY26.

"Our strategy is clear, our foundation is solid, and our team is energised to achieve the targets we have set for ourselves," Agarwal said.

Reflecting on the operational performance in the fiscal year ended March 31, he said Vedanta achieved the highest-ever annual aluminium production of 2.37 million tonnes of aluminum with lower cost of production and increased margins.

"This success is underpinned by our ongoing vertical integration efforts, solidified by the expansion of the Lanjigarh refinery (now 3.5 million tonnes per annum capacity) and ramp up of captive coal mines," he said.

Hindustan Zinc delivered its highest-ever annual mined metal production of 1.07 million tonnes. Operational efficiencies led to a 15 per cent cost reduction in the last six quarters, he said.

On oil and gas, he said Vedanta has effectively countered natural decline in production by drilling more infill wells and bringing new fields online. "Moving forward, we remain committed to maximising resource recovery and discovering resources for future growth by focused development and exploration."

He said synchronising unit-1 of the 150 MW Meenakshi power plant, along with securing financing for Athena, takes the firm closer to delivering the goal of supplying 5 GW of commercial power within two years.

"This year (FY24) saw the iron ore business deliver its highest-ever volume of 5.9 million tonnes. We also operationalised the Bicholim mine in Goa (3 million tonnes per annum capacity), marking the commencement of the first mining operation in the region in nearly five years," he said.

ESL Steel achieved its highest-ever annual crude steel production of 1.38 million tonnes driven by debottlenecking and improved operational efficiency.

Vodafone Idea raises Rs 5,400 cr, anchor book subscribed over 2 times

NEW DELHI, APR 17: Vodafone Idea has raised Rs 5,400 crore by allotting 4.9 billion shares to anchor investors at Rs 11 apiece, the top end of the price band.

The anchor allotment was the third-biggest, after Paytm at Rs 8,325 crore and LIC at Rs 5,627 crore.

A total of 74 schemes received allotments in the anchor category, with US-based GQG Partners subscribing to Rs 1,347 crore worth of shares, nearly a quarter of the available shares in the anchor category. Other large subscribers included Fidelity, Stichting, Redwheel, Motilal Oswal Mutual Fund, and Troo Capital.

Sources said the demand in the anchor investor category was between 2x and 3x more than shares on offer. "The higher demand will spill over onto the main book," said a banker handling the share sale. He added that GQG is likely to invest more in the main book as well.

As per initial reports, GQG was eyeing an investment of over Rs 4,000 crore in the Vodafone Idea FPO.

The allottees were decided after a meeting of the ‘capital raising committee’ of Vodafone Idea at 11:45 pm on Tuesday.

An anchor allotment is made a day before the follow-on public offering (FPO) opens.

As Wednesday is a market holiday, Vodafone Idea’s Rs 18,000 crore FPO, India’s largest ever, will open for subscription on Thursday and close on Monday. Axis Capital, Jefferies India, and SBI Capital are the investment banks managing the FPO.

Of the total anchor book, 16.2 per cent was allotted to five domestic mutual funds, HDFC, Motilal Oswal, Quant, Baroda BNP, and 360One, through 11 schemes.

Market players said the encouraging demand seen in the anchor category would boost sentiment ahead of the beleaguered telecom player's FPO. The company has been struggling with loss of subscribers to stronger rivals Reliance Jio Infocomm and Bharti Airtel.

Vodafone Idea has set the FPO price band at Rs 10-11 per share. The Vodafone Idea stock ended at Rs 12.9 on Tuesday, down 1.9 per cent from its previous close. The upper end of the price band is nearly 15 per cent below the current stock price.

Of the Rs 18,000 crore expected to be raised, Vodafone Idea plans to spend Rs 12,750 crore on expanding the capacity of its existing and new 4G sites and setting up new 5G sites. About Rs 2,175 crore will be spent on deferred payments for spectrum to the Department of Telecommunications and the goods and services department.

The FPO will also increase the company's paid-up capital to nearly Rs 65,000 crore and the number of outstanding equity shares to 65,000 million -- both highest among listed firms in the country. This could lead to a long-term overhang in its share price.

After the FPO, the promoter shareholding in Vodafone Idea, currently at 48.75 per cent, will drop to 36.87 per cent.

Some analysts feel that the fresh capital infusion from the FPO will allow the company to improve the subscriber retention. However, others doubt if Rs 18,000 crore will be sufficient, given the company's accumulated losses of nearly Rs 1.4 trillion and the substantial capital needed to bridge the growing capability gap between the network of Vodafone Idea and those of its larger peers.

The mobile operator has consistently reported losses in the past eight years, with its net loss and cash loss in 2022-23 standing at Rs 29,371 crore and Rs 6,251 crore, respectively. Both these figures worsened on a year-on-year basis. By comparison, it reported a net loss of Rs 23,563 crore and a cash loss of Rs 6,681 crore during the April-December period of 2023-24.

Adani infuses Rs 8,339 crore in Ambuja Cements, raises stake to 70.3%

NEW DELHI, APR 17: Billionaire Gautam Adani's family infused an additional Rs 8,339 crore in Ambuja Cements, raising its stake in the company to 70.3 per cent, to help the cement maker's manufacturing capacity.

The Adani family previously invested Rs 5,000 crore in the company on October 18, 2022, and Rs 6,661 crore on March 28, 2024. With the latest investment, it has completed Rs 20,000 crore planned infusion, the company said in a statement.

"The promoters of the company - Adani family - has fully subscribed to the warrants program in the company by further infusing Rs 8,339 crore, thereby infusing a total amount of Rs 20,000 crore," it said.

The latest infusion raises the Adani family stake in Ambuja Cement by 3.6 per cent to 70.3 per cent.

In all, its holding in Ambuja Cement has increased from 63.2 per cent to 70.3 per cent.

The fund infusion will help Ambuja accelerate its growth ambitions to almost double its existing capacity to 140 million tonnes per annum by 2028 from 76.1 million tonnes as of December 31.

"With this, promoters have further strengthened Ambuja post-acquisition, giving Ambuja capital flexibility for accelerated growth, capital management initiatives and best-in-class balance sheet strength to accomplish its various strategic initiatives," the statement said.

In 2022, the Adani group entered the cement sector with a USD 10.5 billion deal to buy Ambuja and ACC from Swiss giant Holcim.

"This strategic move underscores unwavering commitment to have a robust capital management philosophy for the portfolio companies, and the latest investment testifies the commitment by the Adani family to boost future prospects and potential of cement vertical.

"The additional investment will fortify the company's financial position, providing it with enhanced capabilities to pursue its ambitious growth plans and capitalise on emerging opportunities in the market," the statement said.

Besides helping in capacity expansion, the funds infusion would also enable various strategic initiatives, including debottlenecking capex, to enhance operational performance, as well as bringing efficiencies across resources and supply chain, Ambuja Cement said, adding that it shall also drive innovation and product enhancement through advanced technology integration for better service offerings to tap the growing requirements of the sector driven by the growth in the Indian economy.

"We are thrilled to announce the completion of the Adani family's primary infusion of Rs 20,000 crore in Ambuja," said Ajay Kapur, CEO of Ambuja Cements Ltd.

"This infusion of funds provides Ambuja, capital flexibility for fast-tracked growth, capital management initiatives and best-in-class balance sheet strength. It is not only a testament to a steadfast belief in our vision and business model but also reinforces our commitment to delivering long-term sustainable value creation to our stakeholders, and this shall propel us towards setting new benchmarks, accelerating our growth, and continuing to deliver on operational excellence, business synergies and cost leadership."

Barclays Bank PLC, MUFG Bank, Mizuho Bank and Standard Chartered Bank acted as advisors for the transaction.

EV pacts charge up Nomura's target price on Exide as shares surge 51% in April

NEW DELHI, APR 17: Nomura has increased Exide Industries' target price to Rs 485 from Rs 233 after considering the battery maker's agreement with Hyundai India Motor Ltd and Kia India Pvt Ltd. The new target price by Nomura indicates an upside of over 3 percent from the Exide's closing price on April 16. Nomura has maintained its 'Buy' rating on Exide.

Exide's shares has increased by 25 percent since the company announced the MoU on April 8. So far in April, shares of Exide Industries have gained 51 percent.

By FY25E, Exide plans to commence production of battery cells at its new Karnataka factory with an initial capacity of 6 GWH (gigawatt hours) and investment of Rs 4,000 crores. With an additional Rs 2,000 crore investment, the factory's potential could be expanded to 12 GWH. Exide will produce both Nickel Manganese Cobalt (NMC) and Lithium Iron Phosphate (LFP) cells and will source technology from SVOLT Energy Technology Co Ltd.

Nomura predicted that EV usage in India for both two-wheelers (2W) and four-wheelers (4W) will increase from 5 percent and 2 percent respectively in FY24F to 25 pc and 20 pc by FY30F. As a result, the demand for automotive battery cells in India is expected to grow more than seven folds to 90 GWH by FY30F. Additionally, demand in the industrial segment is also likely to double to 50 GWH by FY30F, Nomura said.

The brokerage firm expects Exide to secure new orders from other original equipment manufacturers (OEMs) who are essential to achieve 50 percent localisation for Domestic Value Addition (DVA) to meet Production Linked Incentive (PLI) norms. The PLI incentive constitutes approximately 15 percent of Exide's revenue, Nomura said.

Additionally, Nomura expects Exide to benefit from lower-priced raw material sourcing through SVOLT suppliers and receive incentives for establishing the plant in Karnataka. OEMs may also pay a premium for local sourcing.

ZEEL announces streamlined structure, Goenka to oversee critical verticals

NEW DELHI, APR 17: ZEE Entertainment Enterprises Ltd on Wednesday announced a streamlined organisational structure with its MD and CEO Punit Goenka assuming direct charge of critical verticals, including domestic broadcast business.

Under the new organisational structure approved by its board, ZEE Entertainment Enterprises Ltd (ZEEL) will have four key business segments -- broadcast, digital, movies and music.

Punit Goenka's brother Amit Goenka, who currently heads the digital business has been given additional charge of the international broadcast, enterprise technology, broadcast operations and engineering. He will also take direct charge of original content, including movies, the company said in a statement.

In the domestic broadcast business, Siju Prabhakaran, who has led the South cluster of channels, will take additional responsibility of the West cluster.

Similarly, Samrat Ghosh, head of East cluster of channels, will take additional responsibility of North and Premium clusters.

Ruchir Tiwari will continue to lead the Hindi Movies cluster while Vishnu Shankar will continue to lead '&TV' and the free to air segment, the company said, adding they would directly report into the MD and CEO.

Further, the company said Ashish Sehgal will be responsible for 'Integrated Advertisement Sales' for the broadcast and digital businesses. For the digital business revenue, Sehgal will also report into Amit Goenka and for the broadcast business revenue he will continue to report into the MD & CEO.

Umesh Bansal will lead the Movies business, while Anurag Bedi will continue to lead the Music business, ZEEL said, adding both will report into Punit Goenka.

"The Board has reviewed and approved the lean organisation structure proposed by the MD & CEO, which aims at streamlining the organisation and improving efficiencies across the business," ZEEL Chairman R Gopalan said.

Punit Goenka said the new structure encompasses a more resilient team for the organization to ensure agility and collaboration in line with its approach towards maintaining a sharp focus on profitability.

"Through this restructuring exercise, our aim has been to build an independent and enterprising team led by an experienced set of leaders to drive the Company forward," he said.

Earlier this month, ZEEL had initiated a process of rationalisation of workforce by 15 per cent to prune staff strength across the company. Punit Goenka had also a 20 per cent cent cut in his remuneration in line with the larger strategic and frugal approach implemented across the organisation.