FIRST LIGHT

17 April 2025

RESEARCH

BOB ECONOMICS RESEARCH | TRADE

India's Foreign Trade: FY25

WIPRO | TARGET: Rs 242 | -2% | HOLD

Weak 1QFY26 signals a third year of revenue decline

CEMENT | Q4FY25 PREVIEW

Supply equals strong year-end demand; price reversal awaited

SUMMARY

INDIA ECONOMICS: TRADE

India's merchandise trade deficit expanded in FY25 to US$ 283bn compared with US$ 241bn in FY24. This was led by a pickup in gold imports. Services surplus expanded, as services exports rose at a faster pace than imports. Commodity wise, while exports of engineering and electronic goods picked up, gems and jewellery and organic and inorganic chemicals continued to lag. Non-oil-non-gold imports rose from a year ago, suggesting buoyancy in domestic demand. Overall, we expect a CAD of ~1% of GDP in FY25. For the current year, tariff related uncertainty is likely to weigh on exports even though the actual impact might be muted. Lower global commodity prices are positive for India's external position. Taking this into account, we expect a CAD of 1.2-1.5% of GDP in FY26.

Click here **for the full report.**

WIPRO

- Uncertainty hit 4QFY25 and led to weaker 1QFY26 guidance. A quick tariff resolution required to avert a third successive revenue decline
- Large deal TCV growth and EBIT margin expansion marks a decent first year of Srini Pallia. Matching peer growth is a key task ahead
- Cut revenue and earnings. Increase PE discount to 20% (15% earlier) versus TCS and retain Hold. Downside risks exist to our FY26/FY27 est.

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CEMENT: Q4FY25 PREVIEW

- Healthy demand of ~7% (coverage universe), driven by year-end project completion and lower base YoY due to general elections in May 2024
- Supply glut, as despite demand recovery in Q4FY25, cement prices stay muted reflected in flat (-1%) realisations YoY
- Average EBITDA margin (cement coverage) estimated at ~19% flat YoY recovers from the low QoQ, EBITDA/t at ~Rs 995, down 3% YoY

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TRADE

16 April 2025

India's Foreign Trade: FY25

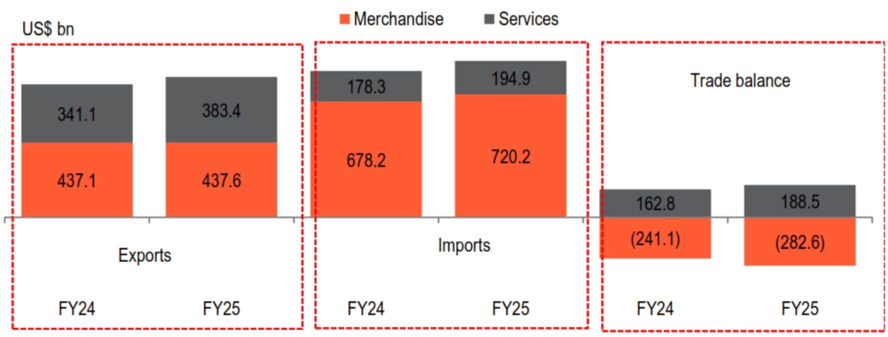
Aditi Gupta
Economist

India's merchandise trade deficit expanded in FY25 to US$ 283bn compared with US$ 241bn in FY24. This was led by a pickup in gold imports. Services surplus expanded, as services exports rose at a faster pace than imports. Commodity wise, while exports of engineering and electronic goods picked up, gems and jewellery and organic and inorganic chemicals continued to lag. Non-oil-non-gold imports rose from a year ago, suggesting buoyancy in domestic demand. Overall, we expect a CAD of ~1% of GDP in FY25. For the current year, tariff related uncertainty is likely to weigh on exports even though the actual impact might be muted. Lower global commodity prices are positive for India's external position. Taking this into account, we expect a CAD of 1.2-1.5% of GDP in FY26.

Trade performance in Mar'25: India's exports recorded a growth rate of 0.7% in Mar'25, after declining by 0.6% in the same period last year. However, import growth picked up much sharply to 11.4% compared with a decline of 6.4% in Mar'24. As a result, trade deficit widened to US$ 21.5bn in Mar'25 versus US$ 15.3bn in Mar'24.

Trade performance in FY25: India's merchandise exports rose by 0.1% in FY25 to US$ 437bn, after declining by 3.1% in FY24. Import growth was recorded at 6.2% compared with a drop of 5.3% in the same period last year. Services exports rose at a pace of 12.9% in FY25, (4.8% in FY24). Services imports also noted a pickup and rose by 10.5% in FY25, following a 2.1% decline in FY24. Services surplus expanded to US$ 188.5bn in FY25 compared with US$ 162.8bn in FY24. Overall, India's trade deficit (merchandise+services) stood at US$ 94.3bn in FY25 versus US$ 78.4bn in FY24.

Figure 1: India's trade performance in FY25



Source: CEIC, Bank of Baroda Research

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HOLD
TP: Rs 242 | ∨ 2%

WIPRO | IT Services | 17 April 2025

Weak 1QFY26 signals a third year of revenue decline

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4QFY25 revenue growth at -0.8% in constant currency terms QQ came in weaker than expected at the lower end of its guidance. The quarter was impacted by weakness in the second half due to client uncertainty, project pauses and some ramp downs.

For FY25 Wipro delivered a revenue decline of 2.3% in constant currency terms in IT services, a second year in succession of negative growth.

The guidance for 1Q FY26 at -3.5% to -1.5% QoQ in CC terms was weaker than what the market anticipated. A weak start for FY26 is probably a harbinger for a third successive year of negative revenue growth. It stated that uncertainty today was higher than what it was 12 months back.

The weakness has been driven by uncertainty amongst its customers because of conditions surrounding tariffs.

There have been project pauses, some ramp downs and delayed decision making. The focus of clients seems to be on cost, speed and AI based efficiency.

The key verticals impacted have been consumer and manufacturing (auto and industrial manufacturing). It talked about weakness in Europe and in discretionary demand in the BFSI space.

While the large deal TCV for FY25 has been higher by 17% YOY (including 2 mega deals), the problem has been of conversion from TCV to revenue. A long-term problem indicating possible leakage in TCV.

While the company stated that the pipeline was strong, the texture of demand seems to be different in the sense that it is cost take out and vendor consolidation oriented and price sensitive.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	WPRO IN/Rs 248
Market cap	US$ 30.2bn
Free float	27%
3M ADV	US$ 44.4mn
52wk high/low	Rs 596/Rs 228
Promoter/FPI/DII	73%/8%/7%

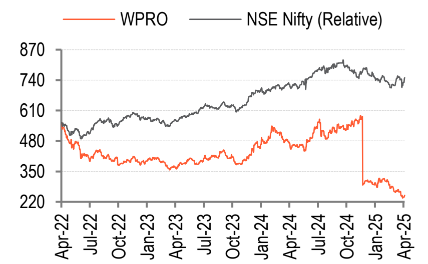
Source: NSE | Price as of 16 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	890,884	905,441	972,802
EBITDA (Rs mn)	190,397	220,012	243,500
Adj. net profit (Rs mn)	131,354	132,075	148,784
Adj. EPS (Rs)	12.5	12.6	14.2
Consensus EPS (Rs)	12.2	13.3	14.7
Adj. ROAE (%)	16.6	15.5	16.7
Adj. P/E (x)	19.8	19.7	17.5
EV/EBITDA (x)	13.4	11.6	10.2
Adj. EPS growth (%)	20.9	0.5	12.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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CEMENT | Q4FY25 Preview | 16 April 2025

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- **Supply glut, as despite demand recovery in Q4FY25, cement prices stay muted reflected in flat (-1%) realisations YoY (+1% QoQ)**
- **Average EBITDA margin (cement coverage) estimated at ~19% flat YoY recovers from the low QoQ, EBITDA/t at ~Rs 995, down 3% YoY**

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Volume growth in higher single digit ~ 7% YoY: Cement demand recovery was clearly visible since January 2025 at ~7% YoY (except in southern regions). Year-end project completion activities as well as real estate demand helped recovery. Demand was strong in the eastern and western regions, pushed by states like Bihar, West Bengal, Gujarat and Maharashtra (post state elections. Predictions of above-normal monsoon and healthy reservoir levels should aid in prolonged sustenance of recovery. However, demand in South India was lacklustre, especially in Tamil Nadu and Kerala putting pressure on other regions like Telangana and Karnataka.

Supply glut keeps prices listless, though revival likely in Q1FY26: Excess supply matched demand recovery, keeping cement prices muted. In supply-glut regions like southern and eastern India, channel checks indicate that the companies extended discounts to keep prices steady. Pan-India cement prices stayed flat (weak by ~1%) YoY. Most of the impact was felt in the eastern and southern regions of India, as prices fell by ~12%/stayed flat each YoY, while West and North remained as the best regions with 4/3% YoY price improvement.

Limited margin fall: Realisations of our coverage companies fell on an average by ~1%YoY (up by ~1% QoQ). With limited negative cost headwinds and better operating leverage available, the margin drop was limited at an average of 24bps at ~19%. Efficiently driven companies like SRCM and STRCEM outperformed the industry while the fall was sharper for ACC, ACEM and JK Lakshmi.

EBITDA/t recovers further QoQ, lower than the higher base YoY: We estimate EBITDA/t at ~Rs 995/t recovering further from ~Rs854/tonne QoQ, owing to better cost efficiencies and partially, due to marginal price recovery. However, EBITDA/tonne, remains lower than YoY higher base. UTCEM, SRCM and STRCEM stayed above the industry average, while companies in over-supply regions like JK Lakshmi Cement, ACC and Ramco Cements faired below average show.

No major change in stance: We continue to stay positive on UTCEM (BUY) and our negative stance (SELL Rating) on JK Lakshmi, Dalmia Bharat and TRCL.

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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