Midnight News Update – Jun 17th 2025

The Israel-Iran war took a turn for the worse, after Iran also began aggressive attacks on Israel. The war has entered the fourth day, with Iran claiming it had managed to breach the much-touted protection dome of Israel. Israel suffered 14 casualties and many more were injured. There have been international calls for de-escalation as a sustained war is likely to creates problems for trade transit through the Strait of Hormuz and also push up oil prices. Meanwhile, the US-Iran nuclear negotiations have been cancelled.

India is optimistic of inking a preliminary version of the Bilateral Trade agreement (BTA) with the US before July 09, 2025. That is the date when the tariff pause ends and reciprocal tariffs start to kick in. While India would prefer to have greater market access through tariff reduction in the BTA with the US, the US is also looking at greater access for its services industry. India and the US are planning to double trade to $500 billion by 2030. If the BTA is signed before July 09, 2025, then Indian exporters have to only pay 10% tariff.

India's May 2025 merchandise trade deficit came in sharply lower at $21.88 billion. Even as exports were flat, imports were sharply lower compared to April; principally in gold and crude oil. The Reuters poll had pegged merchandise trade deficit for May 2025 at $25 billion. The recent spike in crude prices is likely to reflect in the trade deficit of June 2025. Trade in services generated an estimated surplus of $14.65 billion in May 2025 and offset less than 70% of the merchandise trade deficit. Overall figure was still a net deficit.

The wholesale inflation in May 2025 slowed to 0.39%, compared to 0.85% in April 2025. This is sharply lower than the consensus estimate of 0.80% WPI inflation for May 2025. Primary inflation (food and minerals) inflation stayed in negative zone, as did fuel & power inflation. More important, manufacturing inflation with 64.23% weightage has also moderated sharply in May 2025. The WPI inflation is following a trend similar to CPI inflation since its peak of October 2024. This hints at lower input costs for companies.

HDB Financial Services, a subsidiary of HDFC Bank, plans to launch ₹12,500 crore IPO by end of June 2025. The IPO is likely to value HDB Financial at ₹62,000 crore. While the IPO will open for subscription on June 25, 2025, the anchor allocation will be completed a day before. The IPO of HDB Financial Services includes a fresh issue of ₹2,500 crore and an offer for sale (OFS) of ₹10,000 crore by HDFC Bank. Currently, HDFC Bank holds 94.3% stake in HDB Financial. It may be recollected that the DRHP has been filed in October.

The AkzoNobel India acquisition may come as a blessing in disguise for JSW Paints. While the company had started off with a lot of flourish and promise, it had struggled to capture a meaningful share of India's $8.5-billion decorative paints market. This deal is likely to intensify the fight for market share between Asian Paints, Berger Paints, Birla Opus, and JSW Paints. The promoters plan to pledge shares worth ₹9,000 crore to fund the acquisition deal. The stake sale is being managed by investment banking arm of Citibank.

Rapido has created a disruptive buzz in the food delivery segment with its low commission strategy. It is estimated that the rates charged by Rapido will be half of what Zomato or Swiggy charges. However, most analysts are sceptical about whether such a business model would be workable. Today, cash burn and deep discounting are essential for customer acquisition, which is where they expect Rapido to falter. After all, intent and strategy are one thing and economics is another. There is a problem if they do not concur.

The strength in corporate numbers in Q4FY25 is likely to sustain in Q1FY26 also, according to a report put out by ICRA. They expect the operating profit margins (OPM) to remain steady at 18.2%-18.5%. The sweet spot is likely to come from a combination of profitability boost, resilient domestic demand, easing input costs, and a flurry of repo rate cuts. This is likely to improve interest coverage ratios of banks. However, ICRA continues to remain cautious about macros. Large orders from defence and railways hold the key.

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