
Stock Updates

➤ **ITC's push into the food-tech (cloud kitchen) business**

- What ITC is doing: ITC has built a premium cloud kitchen / food-tech business that delivers its signature restaurant-style dishes through food delivery apps in select Indian cities.
- Where it operates: Started in Bengaluru, now present in Chennai, Hyderabad, Mumbai and Pune, with plans to expand to Delhi, Gurugram and Noida next fiscal year, and later more geographies.

➤ **Brands & offerings**

- Operates 65+ cloud kitchens under four brands:
 1. Aashirvaad Soul Creations – nutritious, affordable Indian meals
 2. ITC Master Chef Creations – premium North Indian cuisine
 3. Sunfeast Baked Creations – artisanal bakery items
 4. Sansho by ITC Master Chef – premium pan-Asian cuisine
- The portfolio strategy targets different cuisines, price points and consumer segments.

➤ **Pricing & positioning**

- Positioned as premium yet accessible. Kebabs range roughly from ₹400–₹680, biryanis from ₹430–₹540, with an average order value around ₹450.

➤ **Growth performance**

- The food-tech business has delivered about 100% CAGR in GMV over the last 3–4 years, with similar momentum expected to continue.

➤ **Strategy & technology**

- Built as a tech-enabled, data-driven, multi-brand hub-and-spoke model, tightly integrated with ITC's strengths in food sourcing, manufacturing, packaging and branding. Uses analytics to tailor menus locally and manage supply chains efficiently.

➤ **Distribution model**

- Swiggy and Zomato remain core partners, though ITC may explore complementary channels over time.

➤ Market outlook

- India's food delivery market (~₹1 lakh crore) is expected to double by 2030, growing 18–20% annually. ITC sees strong consumer willingness to pay for differentiated, high-quality premium food.

➤ Bottom line

- ITC is scaling a fast-growing, analytics-led cloud kitchen business, leveraging its FMCG and culinary strengths to build a multi-brand premium food delivery platform with national ambitions.

Sector Updates

- *IT firms shift focus to CY26 budgets, AI scaling*
- Near-term outlook muted
 - Indian IT services companies face a soft Q3FY26, impacted by seasonal furloughs, fewer working days, and cautious client spending. Demand remains subdued with no broad-based recovery yet.
- Market in a holding phase
 - Clients are in a wait-and-watch mode, shifting attention to CY26 budget finalisation, improved deal visibility, and selective AI deal scaling rather than large discretionary spends.
- Growth expectations
 - Top-tier IT firms are expected to deliver high single-digit y-o-y revenue growth in Q3, largely in rupee terms.
 - Dollar revenue growth is likely to be muted (0–0.5% q-o-q) due to cross-currency headwinds.
 - Tier-1 players may post 0–3% constant currency growth, while Tier-2 firms could see 0–4%, with reported growth trimmed by currency impact.
- Deal activity
 - Deal flow is steady but skewed toward renewals and year-end budget flushes.
 - New large deal signings remain weak as enterprises delay incremental commitments amid macro uncertainty.
- Margins
 - Operating margins are expected to remain flat to marginally positive, helped by rupee depreciation but offset by wage hikes and furloughs.
- AI and GenAI adoption
 - Indian IT firms have moved beyond experimentation to embedding AI across the client engagement lifecycle—in application development, testing, infra ops, data platforms and business processes.
 - Direct AI-driven revenue remains negligible, as AI is bundled within larger digital transformation deals rather than sold standalone.
- Budget dynamics
 - AI spending is largely being reallocated from existing digital and transformation budgets, not incremental tech spend.

- Meaningful AI-led revenue impact is expected only once AI becomes mission-critical and operationally central.
- Valuations & sector view
 - Brokerages see an improving risk-reward for IT stocks, with large caps trading near 5-year average multiples.
 - Early AI investments benefit large, tech-heavy and SaaS firms, but enterprise-specific AI solutions (not plug-and-play) slow immediate monetisation.
- Bottom line
 - Indian IT firms are navigating a cautious demand environment in FY26, with growth hinging on CY26 budget resets and gradual AI scaling—where strategic importance is rising faster than near-term revenue impact.

Sector Updates

- **Drones doing the heavy lifting in mid-mile logistics**
- Shift in focus
 - Drone startups in India are moving away from last-mile doorstep delivery toward mid-mile logistics—transporting goods between hubs such as warehouses, dark stores, hospitals and micro-fulfilment centres.
- What is mid-mile
 - It is a B2B operation involving predictable, high-volume, repeat routes for restocking and inter-facility movement, typically less time-sensitive but far more cost-efficient than last-mile delivery.
- Why mid-mile now
 - Regulatory progress, especially DGCA's BVLOS approvals, has improved confidence in long-distance drone operations.
 - Rising fuel costs, urban congestion, and pressure on traditional logistics are pushing firms to explore aerial alternatives.
 - Advances in payload capacity, autonomy and reliability have made drones commercially viable.
- Operational advantages
 - Fixed corridors and repeat flights reduce cost per km through better utilisation.
 - Easier permissions due to predictable routes and avoidance of dense population zones.
 - Enables faster monetisation than last-mile delivery.
- Typical use cases
 - Routes of 20–120 km, commonly 5–50 km, carrying 5–50 kg payloads (with heavier payloads up to 200 kg being explored).
 - Applications include medical supplies, disaster relief, industrial goods, defence logistics, construction and mining, and hub-to-hub e-commerce movement.
- Key players
 - a) Garuda Aerospace – developing platforms and payload systems for mid-mile logistics.
 - b) Airbound – piloting hospital-to-clinic supply movement with *Narayana Health.*
 - c) BonV Aero – focused on cargo drone sales and logistics services.
 - d) Traxcn tracks growing but early-stage activity in the sector.

- Economics & scale
 - Margins improve with higher utilisation (6–10 flights/day).
 - Demand is currently concentrated in regions with poor road infrastructure, difficult terrain, or urgent cargo needs.
- Funding reality
 - India's drone logistics sector remains nascent and capital-intensive.
 - Since 2020, seven startups raised about \$29.9 million, far lower than global peers.
 - Regulatory uncertainty, hardware dependence and long approval cycles keep investors cautious.
- Outlook
 - Strong growth potential in healthcare, e-commerce, industrial corridors and public services over the next 2–3 years.
- Scaling challenges remain
 - Airspace coordination, infrastructure, weather dependence, and integration with ground logistics.
- Bottom line
 - Mid-mile drone logistics is emerging as the most practical and commercially viable use case in India, offering faster adoption than last-mile delivery—but scaling will require regulatory clarity, capital, and supply-chain integration.

Economy Updates

➤ **Why the path to forex reserve control is paved with gold**

- Global shift toward gold: Central banks worldwide are rapidly increasing gold purchases to diversify foreign exchange reserves amid geopolitical tensions, trade fragmentation, financial volatility and sanctions risk. Gold's share in global central bank demand rose from 11.1% (2021) to ~23.6% by end-2024.

➤ India's gold accumulation

- In 2024, the RBI was the third-largest gold buyer globally, adding 72.6 tonnes.
- With further purchases, India's gold reserves now total ~880.2 tonnes, among the highest in the developing world.

➤ Changing composition of forex reserves

- In 2015–16, foreign currency assets (FCA) made up ~93.3% of India's forex reserves and gold just ~5.6%.
- By December 2025, FCA fell to ~80.7%, while gold's share rose to ~15.9%, marking a strategic rebalancing.

➤ Drivers behind the strategy

1. Risk diversification: Sanctions on Russia after the Ukraine war highlighted the risks of holding dollar-denominated assets.
2. Currency protection: Higher gold holdings help cushion valuation losses during rupee depreciation and forex volatility.
3. Geopolitical uncertainty: Trade wars, tariffs, and US policy unpredictability have strengthened the case for non-dollar reserves.
4. Dollar exposure reduction: RBI has also reduced US Treasury holdings (to about \$202.7 bn by September 2025).

➤ Benefits and risks

- Rising gold prices can generate valuation gains for reserves.
- However, volatile gold prices can also disrupt forex stability if gold's share rises too quickly.

- Policy alignment
 - The gold-heavy approach aligns with India's broader goals of reducing dollar dependence, promoting rupee internationalisation, and expanding local currency settlement systems (LCSS) with trade partners.
- Outlook
 - With global interest rate cuts and persistent geopolitical risks, gold demand is expected to remain strong in 2025.
 - While the dollar will remain dominant, a higher gold share is expected to make India's forex reserves more resilient to external shocks.
- Bottom line
 - The RBI's aggressive gold accumulation is a deliberate strategy to strengthen forex reserve stability, hedge currency risks, and reduce over-reliance on the US dollar in an increasingly uncertain global environment.