

# Geopolitical tensions in West Asia

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**Prolonged conflict risks disruption of  
energy supplies and shipping routes,  
impacting outlook for India's macros  
and multiple sectors**

**MARCH 2026**





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*Escalating tensions over Iran have disrupted the Strait of Hormuz, raising risks for India's trade and energy supplies. With West Asia accounting for 14-20% of India's trade, higher oil prices could widen CAD, raise inflation, weaken consumption, and pose downside risks for multiple sectors if the conflict persists.*

The recent strikes on Iran by the US and Israel have led to retaliatory actions by Iran across several West Asian countries, including Saudi Arabia, the UAE, Kuwait, Qatar, Iraq, Bahrain, and Oman. Iran's response, including disruptions in the Strait of Hormuz, has affected a key global shipping route that is vital for India's imports and exports.

West Asia accounts for a significant share of India's trade, with around 14% of exports and 20% of imports linked to the region. As a result, the conflict poses meaningful risks to India's trade flows, particularly in the form of higher freight costs, supply delays, and uncertainty over energy supplies.

The surge in crude oil prices will widen India's current account deficit (CAD). As per ICRA's analysis, a \$10/bbl increase in the average price of crude oil for the year (vis-à-vis the baseline estimate) would raise the country's CAD by 30-40 bps. Besides, this would transmit to CPI and WPI inflation, although the impact on the former would depend on the extent of the passthrough to retail fuel prices. Elevated oil prices and higher inflation would adversely impact consumption demand, posing downside risks to ICRA's GDP growth forecast of 7.1% for FY2027.

ICRA has assessed the macroeconomic and the sectoral implications of the escalating US-Iran conflict and highlighted the likely impact if the tensions prolong.

### Exhibit: Iran conflict - sectoral impact

Sector	Impact
Airlines	↓
Basmati rice	↓
Ceramic tiles	↓
Cut and polished diamonds (CPD)	↓
Upstream	↑
Downstream	↓
Fertilisers	↓

Sector	Impact
Gas utilities	↓
Hospitality	↔
Shipping	↔
Tea	↓
Textiles	↓
Tyres	↓

# Geopolitical tensions in West Asia: Disruption of global energy supply and trade passage



Source: IEA, ICRA Research

The initial strikes by the US and Israel against Iran prompted retaliatory actions by Iran, targeting US assets in several West Asian countries, including Saudi Arabia, the UAE, Kuwait, Qatar, Iraq, Bahrain, and Oman.

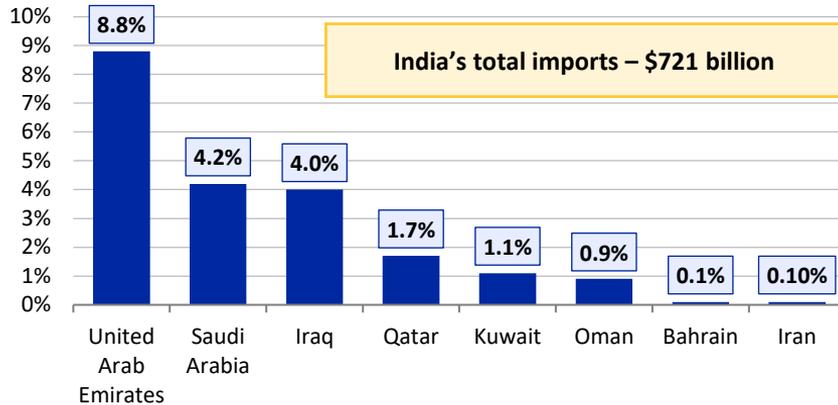
As per the [International Energy Agency](#) (IEA), collectively these nations account for 30% of the world's crude oil production and 17% of the global gas output.

Iran's response also resulted in the closure of the Strait of Hormuz, a critical passage that manages [25% of global seaborne oil shipments and 20% of LNG exports](#).

As 80% of this transit is meant for Asia, the disruption has significantly affected oil supplies to East Asia.

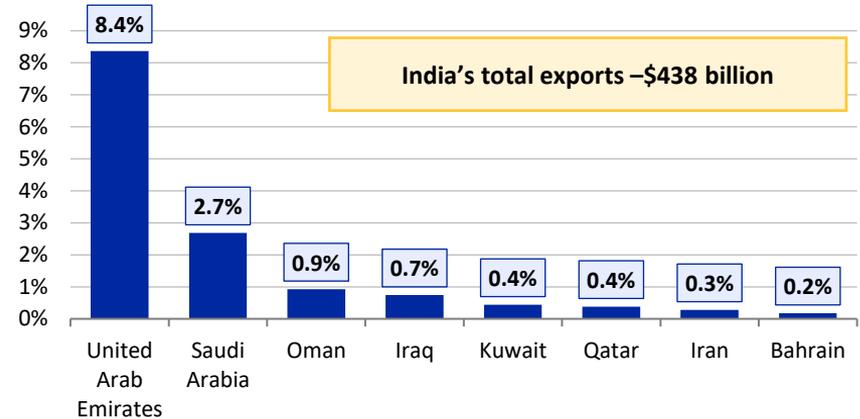
# India's trade with West Asian countries affected

Exhibit: India's imports from key West Asian countries in FY2025 (\$ million)



Source: Ministry of Commerce, ICRA Research

Exhibit: India's exports to key West Asian countries in FY2025 (\$ million)



Source: Ministry of Commerce, ICRA Research

- The rising US-Israel-Iran conflict is disrupting major shipping routes like the Strait of Hormuz, increasing risks for India's trade with the West Asian countries.
- India's heavy dependence on these countries for crude oil and LNG imports makes it particularly vulnerable. On the export side, shipments of apparel, rice, and gems and jewellery face delays and higher logistics costs, with perishables and bulk goods most affected.
- As about 14.0% of India's exports and 20.9% of its imports are linked to West Asian nations, the ongoing conflict poses a significant risk to India's trade flows.

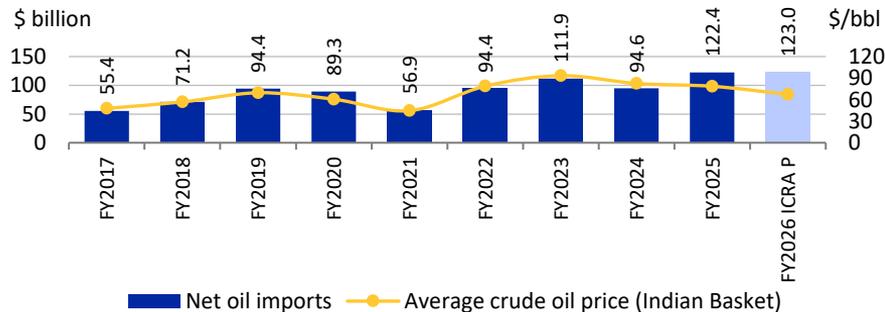
Source: ICRA Research



# Macro impact

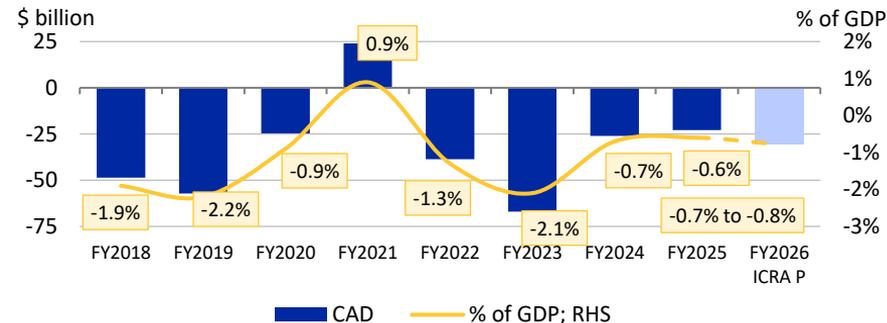
# India's current account deficit to rise by 30-40 bps for every \$10 increase in the average price of crude oil

**Exhibit: Trends in India's annual net oil imports (\$ billion) and the average crude oil price (Indian Basket, \$/bbl)**



P: Projection; BP: Baseline Projection Source: Ministry of Commerce and Industry, ICRA Research

**Exhibit: Trends in Current Account Balance (\$ billion and % of GDP)**



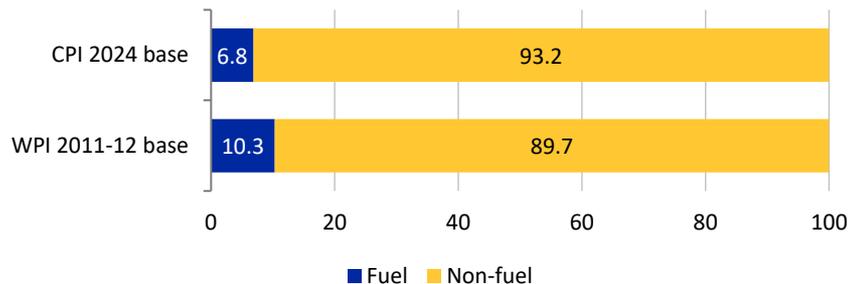
P: Projected; Source: RBI; CEIC; ICRA Research

- In the baseline scenario, ICRA expected the crude oil price to average at \$70-75/bbl in FY2027 (\$67-68/bbl in FY2026). **Based on this, the net oil import bill was estimated to rise to ~\$132 billion in FY2027 from \$123 billion estimated for FY2026. This would cause CAD to widen to ~1% of GDP in FY2027 from 0.7-0.8% of GDP projected for FY2026.**
- However, the possibility of the West Asian conflict lasting for an extended period poses sizeable upside risks to ICRA's projections for crude oil prices, and consequently for India's import bill and CAD. **ICRA's analysis suggests that every \$10 increase in the average price of crude oil for the year (vis-à-vis the baseline estimate) would widen CAD in the range of 30-40 bps. For instance, an average price of ~100-105/bbl would imply a CAD of ~1.9-2.2% of GDP.**
- Besides, ~40% of India's inward remittances stem from West Asian countries such as the UAE (19%), Saudi Arabia (7%), Kuwait (4%), Qatar (4%), Oman (3%), and Bahrain (2%). The ongoing conflict and heightened uncertainty may weigh on remittances until the disruptions subside, which would also impact India's CAD in the near term.
- ICRA expects the USD/INR pair to witness high volatility and trade with a downward bias in the near term, amid continued sour global sentiment and consequent sell-off by FPIs from the Indian equity markets.

Crude oil (\$/bbl)	CAD as % of GDP
70-75	1.0%
100-105	1.9-2.2%
120-125	2.5-3.0%

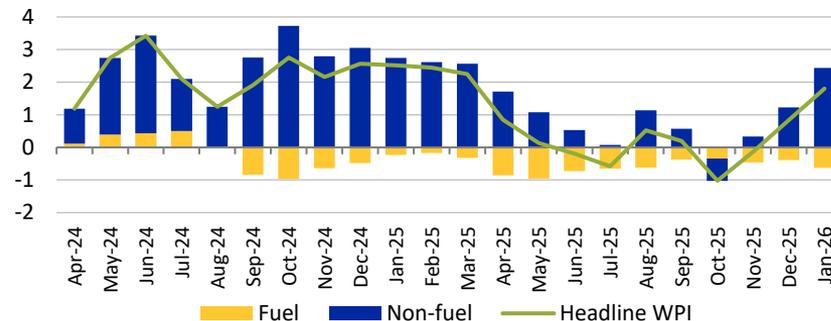
# Crude oil price movements would impact WPI more than CPI owing to higher weight of fuel in the former

Exhibit: Weight of fuel and non-fuel items in CPI and WPI series



Source: NSO; CEIC; ICRA Research

Exhibit: Contribution of fuel and non-fuel inflation to headline WPI (YoY%)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The new CPI 2024 base series assigned a slightly higher weight of 6.84% to the fuel items against 4.2% included in the previous 2012 base series. Nevertheless, fuel items have a lower weight in the CPI (6.84%; including petrol, diesel, LPG cylinder and piped natural gas, CNG, coal and kerosene) vis-à-vis WPI (10.4%; including crude oil, natural gas, and crude derivatives). Consequently, changes in crude oil prices will have a larger impact on WPI compared to CPI.
- ICRA estimates that for every 10% increase in crude oil prices, the WPI inflation rises by 80-100 bps, against 40-60 bps uptick in the CPI inflation assuming that a full transmission into retail selling prices (RSPs) of fuels takes place. The quantum of the impact on the CPI inflation trajectory will particularly depend on the extent of the change in RSPs of petrol, diesel and LPG, in terms of the immediate transmission.
- **Overall, an alarming increase in crude oil prices could pose significant upside risks to ICRA's FY2027 WPI inflation forecast of 2.7%, and to a smaller extent on the CPI inflation projection of 4.0%, depending on the extent of pass-through to the retail prices on fuel items.**
- **Additionally, higher fuel prices would lead to an increase in transportation costs, thereby leading to a second-round impact by pushing up the prices of goods and services.**

# High crude prices for prolonged period may result in lower dividend receipts, impact corporate tax collections and increase Gol's subsidy burden

## Possibility of higher subsidy burden

Higher crude oil prices for a prolonged period are negative for the Gol's fiscal deficit. The rise in ammonia as well as LNG prices may impact the profitability of phosphorus and potassium (P&K) fertiliser players unless subsidy corrections are made in the upcoming Nutrient-Based Subsidy (NBS) rate revision. This could push up the fertiliser subsidy bill of the Gol in FY2027 (BE: Rs. 1.7 trillion).

## Impact on corporate tax collections

Elevated level of crude oil prices, if sustained for a long period, could potentially exert some pressure on the corporate margins (including on marketing margins for OMCs) and hence, corporate tax collections of the Gol to some extent.

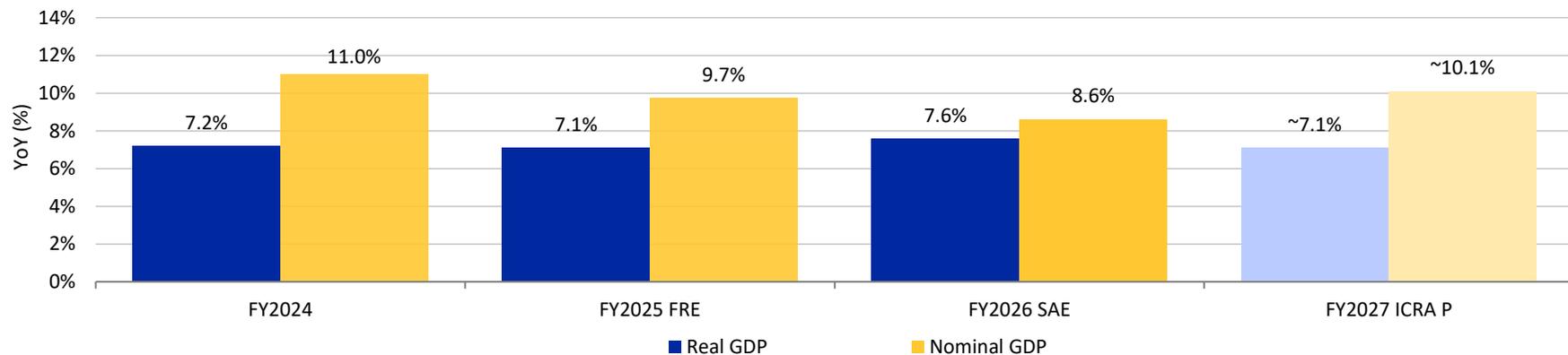
## Lower dividends by OMCs

Crude oil prices have surged to \$114/bbl as on March 9, 2026 from \$71/bbl at end-February 2026. As per ICRA's estimates, OMCs would start incurring losses at current diesel and petrol prices\*, if the crude oil prices persist above \$85/bbl for a sustained period. This would lead to lower dividend payouts by these companies to the Gol.

\*Current prices of petrol and diesel in Mumbai: Rs. 103.5/litre and Rs. 90/litre, respectively; Source: ICRA Research

# ICRA foresees downside risk to its GDP growth projection of 7.1% for FY2027

Exhibit: Annual YoY trends in real and nominal GDP



P: Projected, FRE: First Revised Estimate; SAE: Second Advance Estimate; Source: NSO; ICRA Research

- **ICRA currently projects the real GDP growth at a healthy ~7.1% in FY2027 (vs. +7.6% in FY2026 SAE) as per new 2022-23 series**, amid favourable developments including the interim deal with the US with a lower tariff rate, improved prospects for domestic investment, aided by the robust hike in Central capital spending included in the Union Budget. The reduction in GST rates, cumulative rate cuts of 125 bps by RBI, as well as lower-than-expected rise in food inflation, along with the upbeat farm sector trends present a favourable outlook for private consumption in the upcoming fiscal. **In nominal terms, the GDP growth (2022-23 base) is projected at ~10.1% in FY2027, up from 8.6% in FY2026 SAE, amid an expected pick-up in WPI and CPI inflation compared to the current fiscal.**
- **However, the ongoing conflict in West Asia poses a downside risk to ICRA's growth estimate for FY2027, with the extent of downside contingent on the duration of the conflict and consequent implications on domestic investment, inflation and external trade.**

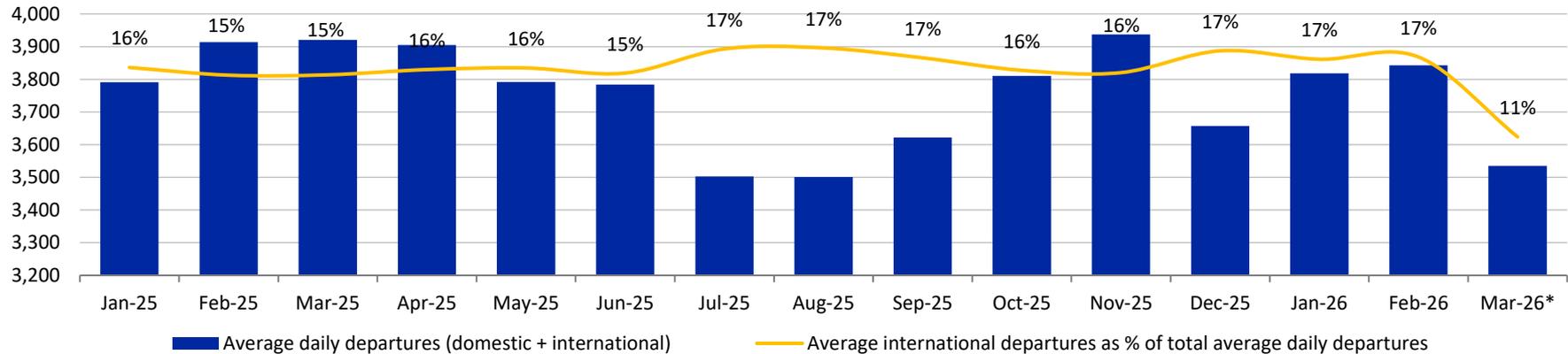


## Sectoral impact

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# Airlines | Elevated ATF prices and a weakening INR continue to pose headwinds for the sector

Exhibit: Trend in average monthly daily departures for Indian airlines

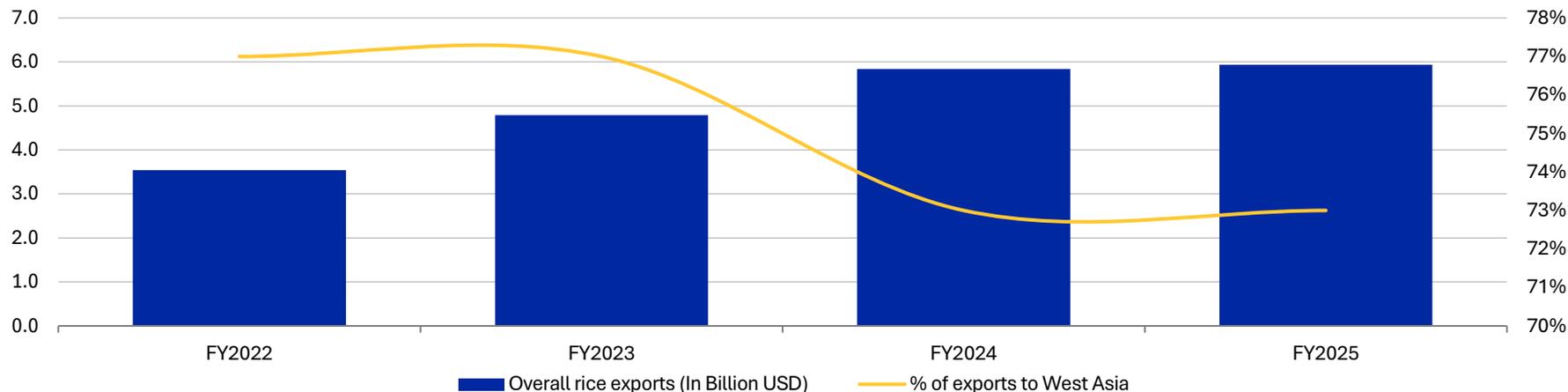


- The closure of airspace across West Asia has resulted in about 1,770 flight cancellations for the Indian airlines between February 28, 2026 and March 05, 2026, which is around 46% of their total international flights. This creates a downward bias to ICRA's forecast of 7-9% international air passenger traffic growth for Indian airlines in FY2026. Further, hundreds of flights have to take longer routes, resulting in increased fuel burn and in some cases, mandatory refuelling stops.
- As 15-20% of the Indian aviation industry's revenue is from generated from flights travelling through the West Asian airspace, these disruptions have resulted in revenue loss and higher costs owing to additional airport charges as more numbers of aircraft remain on ground along with increased fuel cost due to longer routings.
- Further, owing to the escalating conflict, crude oil prices have already risen. Prolonged and widening tensions could adversely impact global crude oil supplies and lead to a further increase in prices. This will raise aviation turbine fuel (ATF) prices. Along with the depreciation of the INR against the USD, the escalating costs could result in the Indian aviation industry reporting higher than the ICRA-projected net loss of Rs. 170-180 billion in FY2026.

Source: Directorate General of Civil Aviation (DGCA); ICRA Research, \*represents data from March 1, 2026 to March 5, 2026

# Basmati rice | Three-quarters of exports dependent on the West Asian region

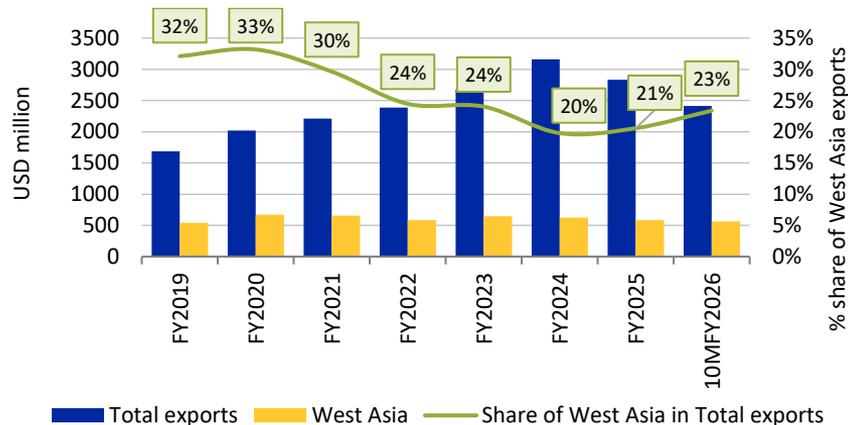
Exhibit: Trend In India's rice export (in value) and percentage share to West Asia



- The ongoing conflict has caused delays for consignments that are already at ports or in transit, risking deferred or lost sales if the situation continues. While short-term delays are manageable, prolonged issues may lead to order cancellations and reduced demand.
- Exporters have paused shipments that are not yet at port, adopting a wait-and-watch approach as buyers proactively request halts. With most bulk exports booked on a cost, insurance and freight (CIF) basis, exporters face higher exposure. Free on board (FoB) terms are being explored, which are more suitable in the current environment.
- As 70-75% of India's \$5-5.5-billion basmati exports go to West Asia, the sector remains highly vulnerable to the extended instability in the region.

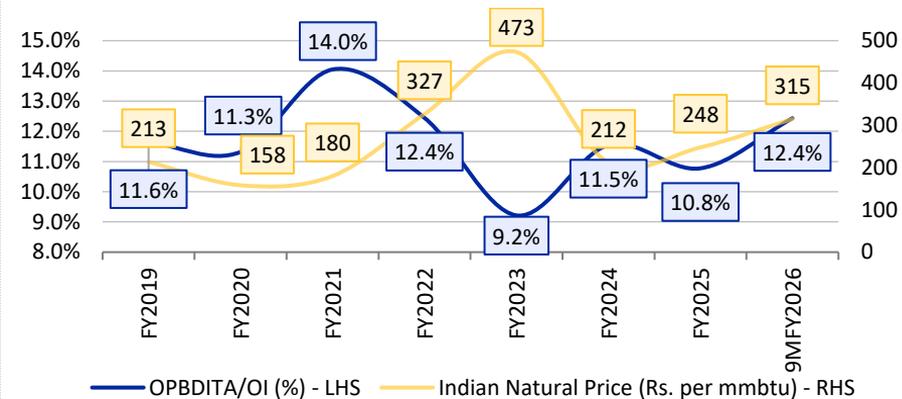
# Ceramic tiles | Likely pressure on financial profile amid softening exports and rise in gas prices as well as short supply if current issue prolongs

**Exhibit: India's exports to West Asia dipped during FY2022-FY2025 due to anti-dumping duty and Red Sea crisis**



Source: CMIE database, ICRA Research

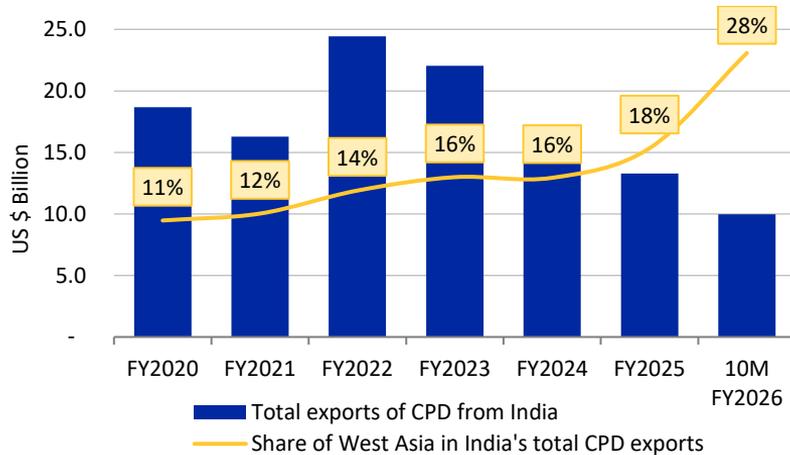
**Exhibit: Operating margins of ICRA's sample set recovered from FY2024 due to relatively stable fuel prices and operational efficiency**



Source: ICRA Research, FY2025 margins based on aggregate of 8 entities (including 5 listed entities) and 9MFY2026 based of 5 listed entities

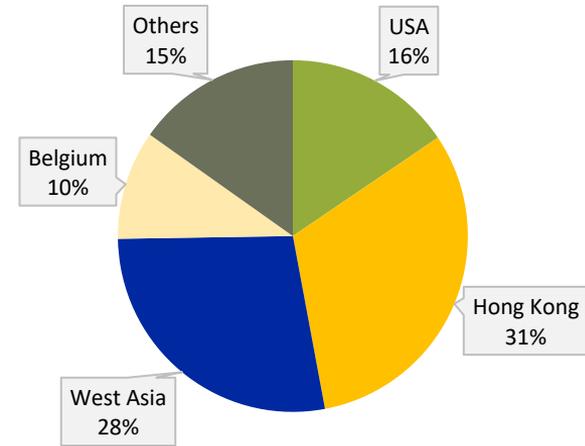
- Indian ceramic exports to West Asia witnessed a downward trajectory since FY2021 due to anti-dumping duty by the Gulf Cooperation Council and custom duty levied by the Kingdom of Saudi Arabia. Further, the Red Sea crisis from October 2023 led to elevation in freight costs and contributed to the downward trajectory. Tile exports to West Asia account for a notable portion of Indian ceramic exports. With the ongoing US-Iran conflict, sea route to West Asia is blocked, which would further lower exports to the region, impacting revenues of Indian tile exporters, leading to continuation of oversupply risks in the domestic market.
- Gas shipments have been disrupted, curtailing supply of natural gas and propane gas, as well as escalating prices. Power and fuel costs constitute 22-25% of total production costs, with coal and natural gas accounting for 40-60% of this component—underlining the substantial impact of fuel price trends on the operating margins. This has forced many small players to shut operations. Larger players, however, can manage for the next 2-3 months through existing inventory and the contracted gas arrangement. If the conflict drags on, revenues and operating margins of all the players will be impacted.

Exhibit: Share of West Asia in India's exports of polished diamonds



Source: Gems and Jewellery Export Promotion Council (GJEPC), ICRA Research

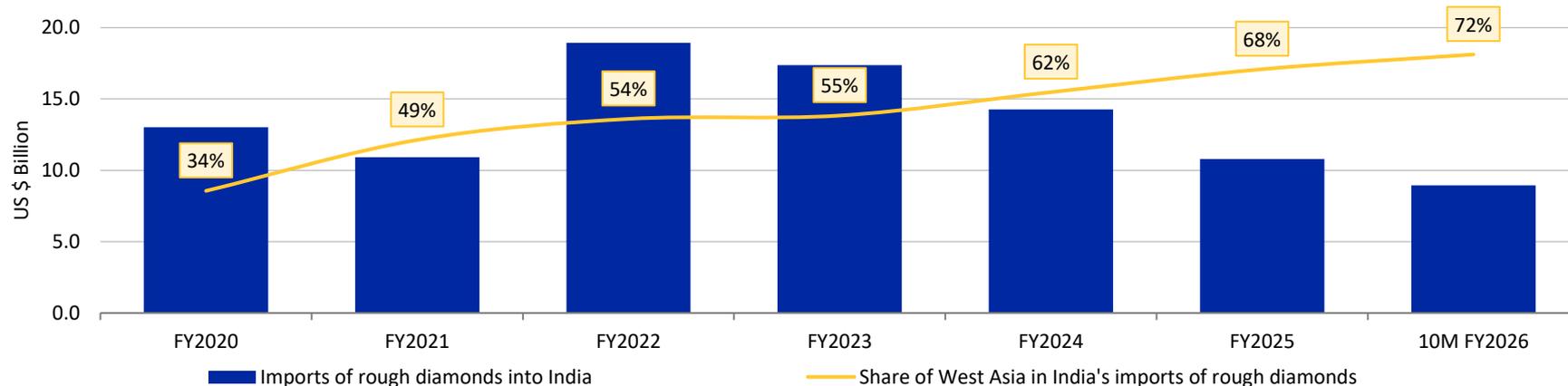
Exhibit : Country-wise exports of polished diamonds from India (10M FY2026)



Source: GJEPC, ICRA Research

- West Asia accounted for around 28% of the total exports of cut and polished diamonds (CPD) from India in 10M FY2026. Owing to demand pressure in the key consuming nations (US and China), exports to West Asia (mainly the UAE) increased in FY2025 and 10M FY2026.
- ICRA's channel check suggests that the air shipments were delayed for two-three days due to cancellation of flights to the West Asian countries following the start of conflict between Iran and Israel on February 28, 2026. However, with partial commencement of flights from March 02, 2026, the shipments have also resumed, albeit with some limitations. A prolonged conflict could result in significant business losses, given the materiality of the West Asian region as a demand centre, even though the industry has apparently not witnessed cancellations/deferments of orders as of now.

Exhibit: Share of West Asia in India's imports of rough diamonds



Source: GJEPC, ICRA Research

- The imports of roughs from West Asia (mainly the UAE) have increased consistently in the recent years owing to the emergence of Dubai as the preferred diamond trading hub for miners and intermediaries due to lower tax burdens, robust diamond trading infrastructure and strategic location of Dubai between diamond-producing African nations and India, the key CPD production hub of the world.
- ICRA's channel check suggests that the CPD industry has not faced any major disruptions in supply of rough diamonds so far due to resumption of cargo flight services from Dubai for high-value items like diamonds, albeit with some limitations.
- Generally, Q1 is a slow quarter for the CPD industry, and stocking for the upcoming season starts from July. This provides sufficient headroom for the industry to absorb the short-term disruptions arising from the ongoing conflicts in West Asia. However, a prolonged conflict could potentially create supply-chain disruptions for the Indian CPD players.

# Upstream | Surge in crude prices boosts profitability

	Increase in PBT of Indian upstream companies	Increase in Indian import bill	Impact on capex of Indian upstream companies	Reaction of global producers
<b>Crude at \$70-75/bbl</b>	Rs. 81 billion	Rs. 0.3 trillion	Capex plans are likely to remain intact	Profitability of US shale producers will remain low and may thus impact output
<b>Crude at \$100-105/bbl</b>	Rs. 578 billion	Rs. 0.9 trillion	Capex plans are likely to remain intact	Profitable scenario for all producers, which would lead to elevated production
<b>Crude at \$120-125/bbl</b>	Rs. 909 billion	Rs. 1.2 trillion	Capex levels will remain intact	Profitable scenario for all producers, which would lead to increase in production

From FY2026\* levels

\* Impact assessment on median value of the crude range; Basis YTD FY2026 levels on an annualised basis ; PBT – Profit before tax; Capex – Capital expenditure; Note: Please refer ICRA’s report <https://www.icra.in/Research/ViewResearchReport/rising-crude-oil-and-lng-prices-to-adversely-impact-profitability-of-midstream-and-downstream-industry/6817> for Oil and Gas impact analysis

# Downstream | Rise in crude prices to reduce marketing margins and increase LPG under-recoveries

	Marketing margins on auto fuels	Inventory loss/gain	LPG under-recoveries <sup>^</sup>
Crude at \$70-75/bbl	Petrol: Rs. 7/litre Diesel: Rs.3/litre	Gain of Rs. 30 billion	Nil
Crude at \$100-105/bbl	Petrol: Rs. -11/litre Diesel: Rs. -14/litre	Gain of Rs. 400 billion	Loss of Rs. 400 billion
Crude at \$120-125/bbl	Petrol: Rs. -22/litre Diesel: -Rs. -26/litre	Gain of Rs. 700 billion	Loss of Rs.700 billion

\* Impact assessment on median value of the crude range; International prices of auto fuels estimated based on last 10 years' average crack spread and the current retail prices are considered; <sup>^</sup>-For full year; Note: Please refer ICRA's report <https://www.icra.in/Research/ViewResearchReport/rising-crude-oil-and-lng-prices-to-adversely-impact-profitability-of-midstream-and-downstream-industry/6817>

# Gas utilities | Supplies under threat while prices rise

	Impact on APM gas prices	Impact on term LNG price under RasGas contract	Increased costs for LNG imports under RasGas contract*
<b>Crude at \$70-75/bbl</b>	APM gas: \$7.0/mmbtu NWG gas: \$8.7/mmbtu	RasGas term LNG: \$9.2/mmbtu	Increased outgo of \$328 million
<b>Crude at \$100-105/bbl</b>	APM gas: \$7.00/mmbtu NWG gas: \$12.3/mmbtu	RasGas term LNG: \$13.0/mmbtu	Increased outgo of \$2,004 million
<b>Crude at \$120-125/bbl</b>	APM gas: \$7.00/mmbtu NWG gas: \$14.7/mmbtu	RasGas term LNG: \$15.5/mmbtu	Increased outgo of \$3,121 million

\* Impact assessment considers comparison of pricing of RasGas contracts basis Brent crude price average of Dec-25, Jan-26 and Feb-26 (\$66.6/bbl) with the median price for the price range of Brent crude oil price and the pricing change on annual contracted volumes; Administered price mechanism (APM) price= 10% of the monthly average of Indian crude oil basket with ceiling price set to rise to \$7/mmbtu from April 2026; New well gas (NWG) price: 12% of the monthly average of Indian crude oil basket with no ceiling; RasGas term LNG = Slope\* 3-month average of Brent crude + Constant ; Note: Please refer ICRA's report <https://www.icra.in/Research/ViewResearchReport/rising-crude-oil-and-lng-prices-to-adversely-impact-profitability-of-midstream-and-downstream-industry/6817> for Oil and Gas impact analysis



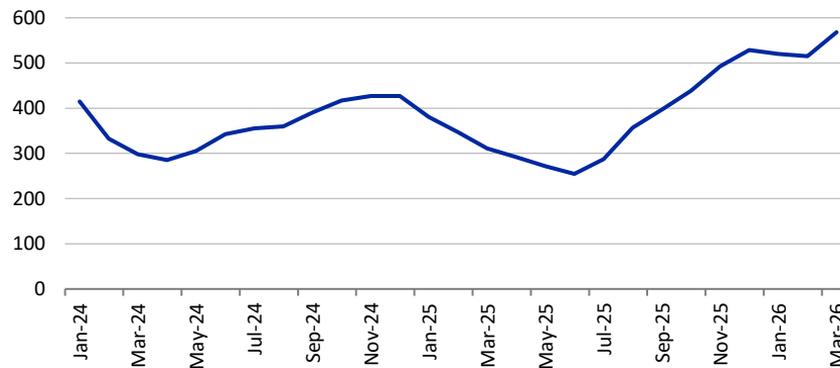
# Fertiliser | Global prices rise sharply; supply constraint a concern

Exhibit: Trend in urea prices, \$/MT



Source: investing.com, ICRA Research

Exhibit: Trend in ammonia prices

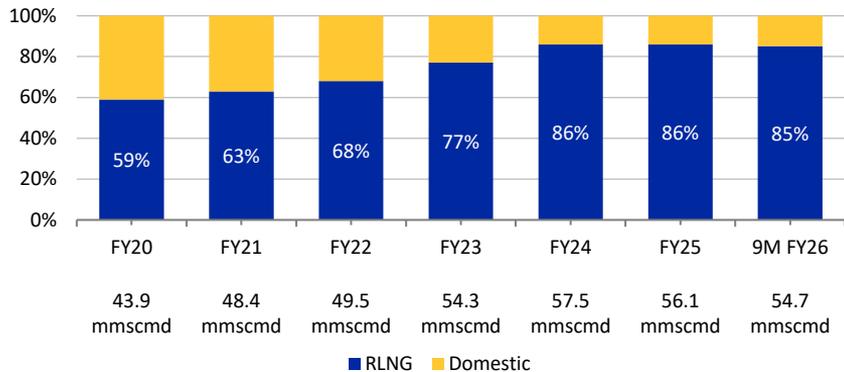


Source: Platts, ICRA Research

- West Asian nations are key suppliers of major fertilisers as well as raw materials for fertiliser manufacturing like sulphur, ammonia etc.
- Urea prices have increased sharply on March 4, 2026 to around \$597/MT from around \$484/MT on February 27, 2026, reflecting supply disruptions from the West Asian nations. Similarly Di-ammonium Phosphate (DAP) prices have also risen sharply. Given the constrained global supplies, prices may rise further if the conflict elongates and will put pressure on the subsidy budget for GoI. As the current situation reflects lack of availability of supplies along with constrained domestic production, India faces an uphill task to maintain a reasonable level of availability of fertilisers for the upcoming season.
- Prices of key inputs, i.e. sulphur and ammonia have also increased sharply as production of the same has been suspended by Qatar and transit through the Strait of Hormuz remains constrained.

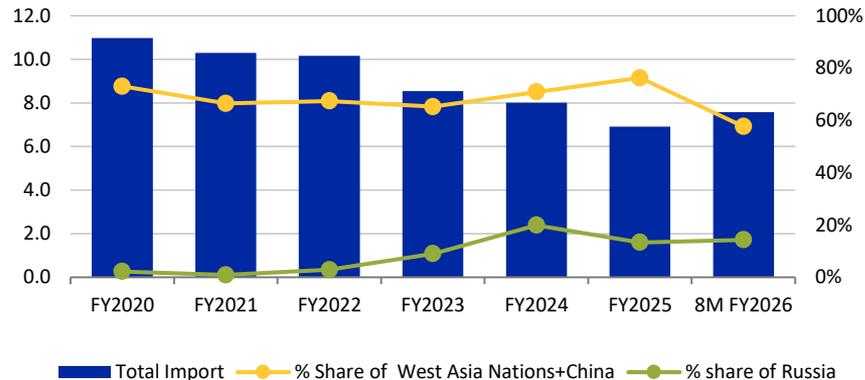
# Fertiliser | Urea sector remains vulnerable to LNG supply disruption

Exhibit: Trend in gas consumption by urea sector



Source: PPAC, ICRA Research

Exhibit: Trend in urea imports

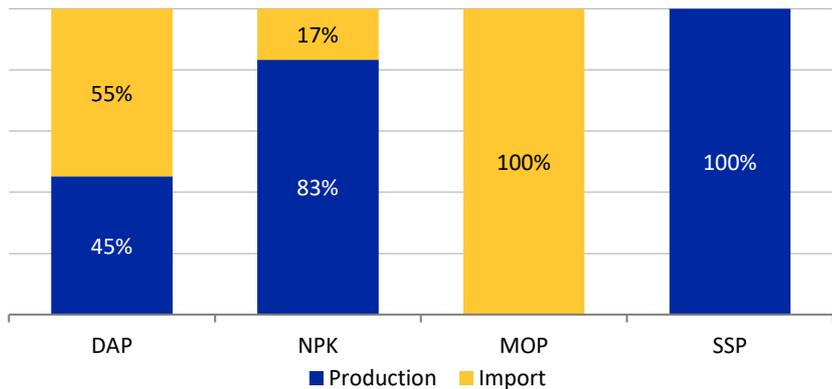


Source: Tradestat, ICRA Research

- India's domestic urea production has sizeable dependence on imported LNG, with ~85% of the demand met through import in 9M FY2026.
- Several urea plants have scaled down their production owing to gas supply constraints. As it is an off-season for fertiliser consumption in the country, ICRA does not foresee an immediate impact on the availability of urea for the farmers. However, if the LNG availability remains constrained for a longer period, there might be challenges on urea availability.
- A sizeable proportion of India's urea demand is met through imports with West Asian nations and China contributing to a material portion. The availability of urea from West Asian nations remains constrained while China has stopped exports of urea. Thus, India may have to depend significantly on Russia to meet its urea requirements for the upcoming season, if the West Asian crisis lingers for the next couple of months.

# Fertiliser I Availability and profitability to be under pressure

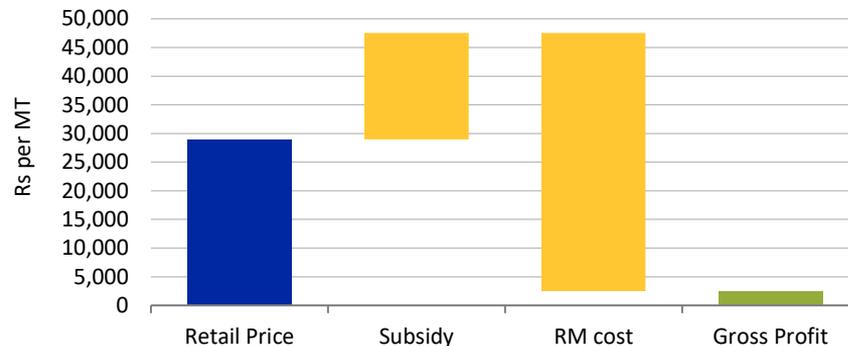
Exhibit: Share of imports for various segments of P&K fertilisers



Source: DoF, ICRA Research

- Nearly 50% of DAP and 15-20% of Nitrogen, Phosphorus, and Potassium (NPK) demand are met through imports. However, the key raw materials for undertaking indigenous production like sulphur, ammonia, rock phosphate and phosphoric acid are largely imported from West Asian nations, Morocco and China. In the current geopolitical scenario, when the supplies have been disrupted and the freight costs have risen sharply, the availability of fertilisers in the upcoming kharif season will be a monitorable.
- Prices of finished fertilisers and raw materials have witnessed a sharp increase and will adversely impact the profitability of the domestic manufacturers, unless the GoI undertakes commensurate subsidy revision in the upcoming Nutrient-based Subsidy (NBS) announcement or the industry is able to pass on the impact through retail prices.

Exhibit: Gross margins face significant pressure due to spike in raw material prices



Source: ICRA Research; Contribution calculated for NPK:20:20:0:13 grade with non-backward integrated operations at current subsidy levels under NBS scheme.

## Fertilisers

- Subsidy requirements of urea manufacturers are expected to increase as gas expenses remain pass-through costs. Significant dependence on imported LNG makes urea players vulnerable to gas availability.
- The rise in ammonia as well as LNG prices may impact the profitability of phosphorus and potassium (P&K) fertiliser players unless subsidy corrections are made in the upcoming Nutrient-based Subsidy rate revision.

## City Gas Distribution (CGD)

- Increase in term and spot LNG prices will hurt the competitiveness of piped natural gas (PNG-Industrial).
- The expected rise in APM and NWG prices will put further pressure on CGD entities in the CNG segment. The increasing blend of LNG in the CNG segment will affect margins if prices remain high.



## Power

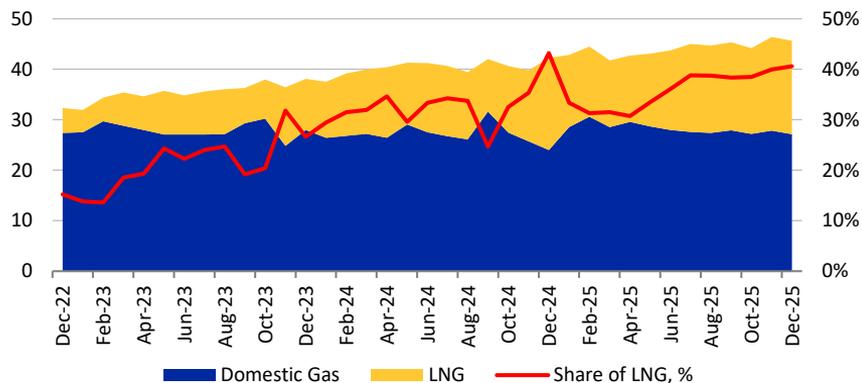
- The shortfall in domestic gas supplies and reluctance of distribution companies (discoms) to purchase high-cost power produced using LNG have kept the plant load factor (PLF) subdued (<20%) for gas-based plants.
- Rise in LNG prices will further impact the cost competitiveness of gas-based power generation companies over other sources of production.

## Industrial

- LNG uptake by refineries is expected to face headwinds as alternative fuels may be more economical to use.
- Petrochemical players using natural gas liquids (NGLs) as feedstock will face significant headwinds amid already weak polymer margins.

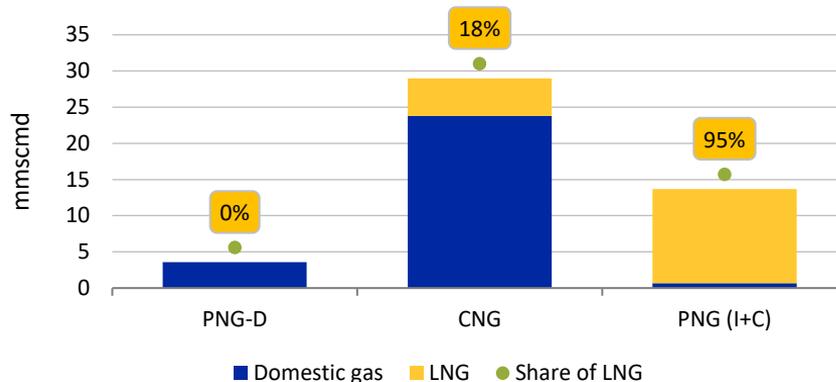
# CGD | LNG reliance for CGD sector mainly for industrial and commercial segments

Exhibit: Trend in gas consumption by CGD sector, mmscmd



Source: PPAC, ICRA Research

Exhibit: Segment-wise share of LNG for CGD sector (9M FY2026)



Source: PPAC, PNGRB, ICRA Research

- The CGD sector has been the major driver of gas consumption in India over the past decade with the same witnessing a 12.0% CAGR over FY2016-FY2025.
- The sector has witnessed increasing reliance on LNG with the share of the same rising to ~41% by December 2025 from ~15% in December 2022.
- While LNG is used to meet the demand mainly for PNG(I) and PNG(C) segments (~95% share of LNG in segment consumption), the share of LNG in meeting the demand from the CNG sector has also increased to ~18% in 9M FY2026 due to reduced allocation of APM gas by GoI starting from October 2024.
- PNG (I) and PNG(C) customers have the option of shifting to use of alternative fuels, although availability of the same, e.g. propane for ceramic players, has also come under stress.

# CGD I PNG(D) remains the highest in pecking order of supply as PNG(I) and PNG(C) segments face allocation cuts



**Gas allocation cut for PNG(I) and PNG(C):** The industry has curtailed supplies to the industrial and commercial customers, by up to 50% of the demand. These customers will have an option to shift to alternative fuels like propane, LPG etc.

**PNG(D) remains secure:** The PNG(D) segment remains a high priority segment and at present, APM gas has been allocated for meeting the entire demand for the segment. Thus, gas for domestic use is expected to remain available.

**CNG segment may face headwinds if the conflict elongates:** The CNG segment's reliance on imported LNG has risen since October 2024. The industry will face headwinds in the near term as LNG supplies have been disrupted and pricing for any incremental spot LNG procurement remains elevated. CNG availability may witness some moderation if LNG supplies remain disrupted.

# Hospitality | Net impact to be limited as softer inbound tourist traffic likely to be cushioned by domestic travel substitution

Exhibit: Trend in total foreign tourist arrivals (FTAs) in India (in lakh)

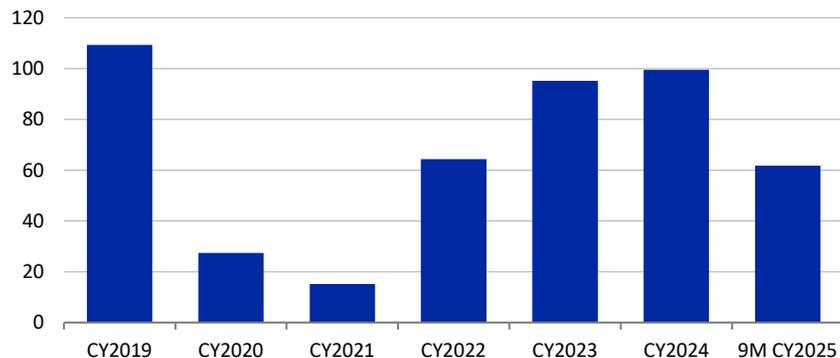
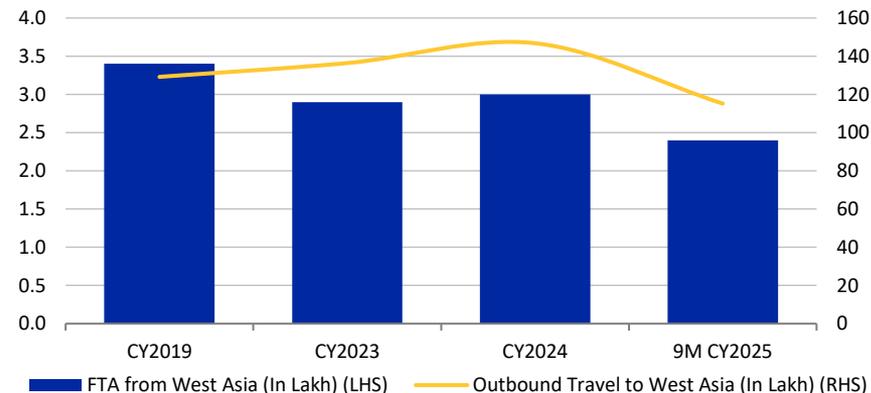


Exhibit: Trend in inbound and outbound traffic between India and West Asia



Source: Ministry of Tourism, ICRA Research

- The Indian hospitality sector is unlikely to be severely impacted by the recent escalations in the West Asian region as a major part of the demand is derived from domestic travel, which continues to remain robust.
- While FTA has also historically supported demand, the same has remained relatively subdued since Covid, and is yet to recover to the pre-Covid levels, despite the YoY improvement each year. Within this, **travelers from West Asia accounted for only around 3% of total FTAs into India**. Given the reduced dependence of the sector on FTAs since the pandemic, and the marginal dependence on the affected West Asian region, the Indian hospitality sector is unlikely to see a major direct impact of the ongoing conflict.
- As for outbound travel, the region accounts for nearly half of the total outbound travel from India, with a major part relating to the Indian diaspora in the region. In the current environment, travel for leisure to the region would suffer a setback, some part of which will get redirected towards domestic destinations, further supporting demand in the sector. ICRA estimates that 26-28% of the leisure-bound tourists from India travelled to West Asia in recent years, accounting for around 37 lakh travellers.

## Shipping costs

Tanker rates have increased as heightened geopolitical risk continues to elevate premiums across the market.

## Vessel speed and carbon emissions

The industry had adopted reduced sailing speed to cut fuel costs and emissions. Recent disruptions in the Red Sea and SoH led to rerouting through longer routes, necessitating an increase in speed. This has led to higher fuel consumption and emissions due to the combined effects of increased sailing speeds and longer distances.



## Increased distance

A trip between Europe and India through the Cape of Good Hope would take 10-15 days longer compared to the Suez Canal-Red Sea route.

## Insurance premiums

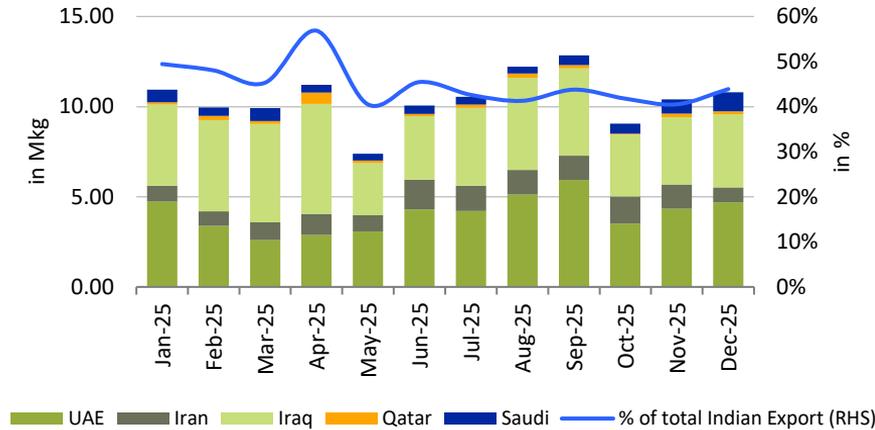
War risk premiums have increased for vessels passing through the Red Sea. War risk premiums now hover in the range of 0.75-1.0% of the insured value of the vessel, up from 0.5% before the crisis.

## Inflationary pressure

Continued crisis poses threats to global supply chains, leading to increased freight costs, delivery times, and inflation. The rise in freight rates is likely to eventually affect imported goods prices with a lag.

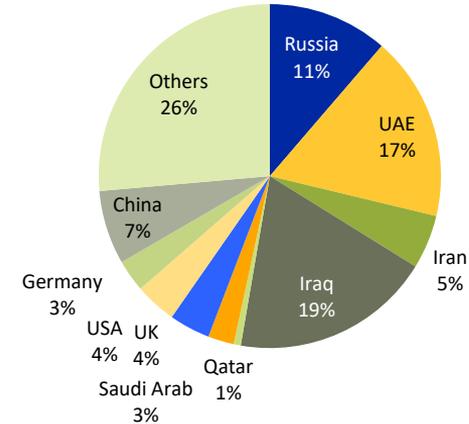
# Tea | West Asia remains a key export destination

Exhibit: Trend of Indian tea exports in West Asia (in Mkg)



Source: Ministry of Commerce, ICRA Research

Exhibit: Country-wise export volume (CY2025)



Source: Ministry of Commerce, ICRA Research

- India exports over 20% of its total tea production to global markets, underscoring the sector’s strong external demand.
- West Asia accounts for ~45% of India’s tea export volumes, with Iran contributing ~5% to direct exports. This concentration highlights India’s significant trade linkages with the region. Any prolonged war like situation in West Asia is likely to adversely impact India’s tea exports.

# Textiles | Ongoing conflict to disrupt apparel exports to West Asia; margin pressure likely with transit delays

Exhibit: India's monthly apparel exports and YoY growth

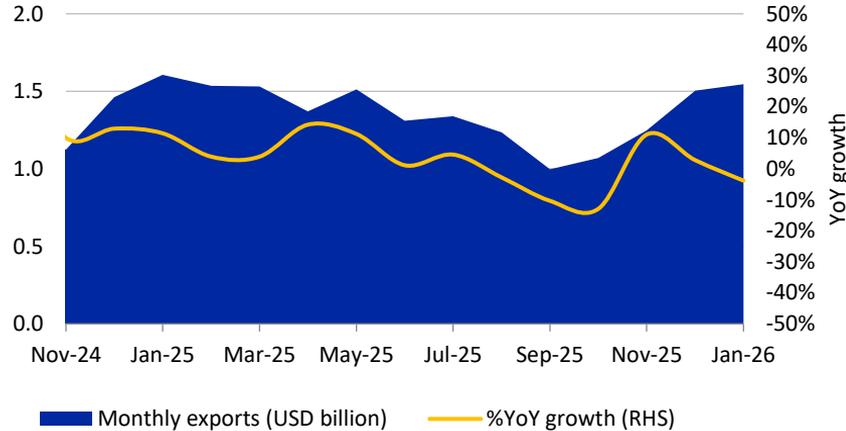
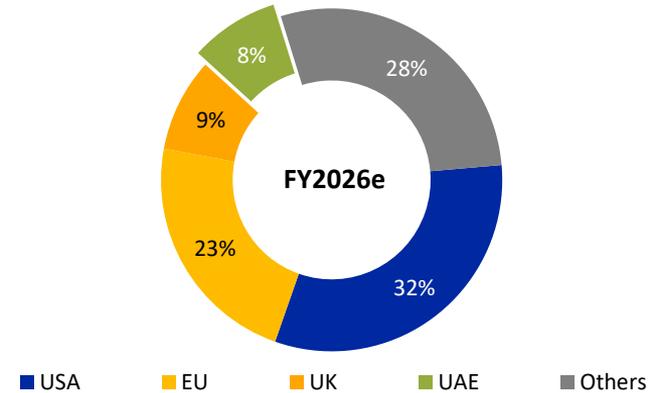
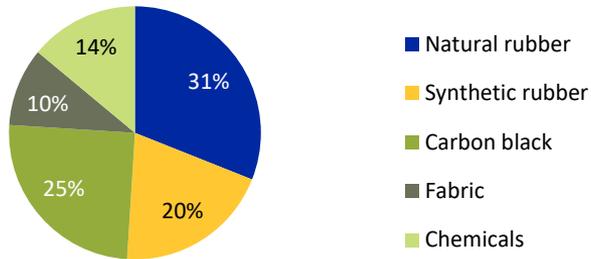


Exhibit: India's apparel exports – region-wise share



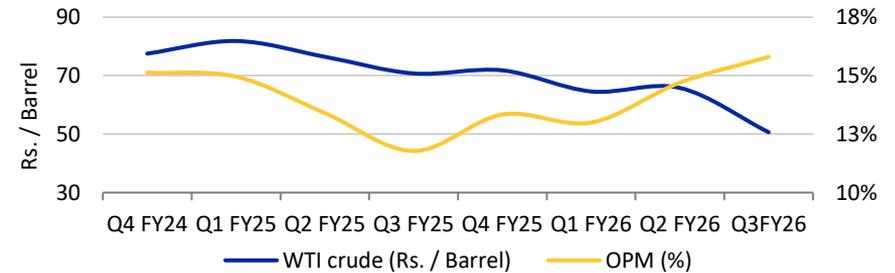
- The ongoing conflict in West Asia is a near-term headwind for the Indian apparel export industry, which had seen recent positive developments, most notably relating to the easing of US tariffs.
- India's apparel exports, which stood at around \$16 billion in FY2025, have witnessed a moderation in growth to 1.5% YoY in 10M FY2026 due to the heightened US tariffs. Around 8% of total apparel exports from India are made to the UAE and a relatively higher proportion to the West Asian region.
- If the conflict gets prolonged, hitting sea routes through the Strait of Hormuz (or even the Red Sea), it will stall or delay shipments, resulting in re-routing. This would translate into business loss and cause an elongation of the cash conversion cycle.
- Apart from apparel exporters, players in the manmade fibre segment could also face margin pressure from the rising prices of crude derivatives.

**Exhibit: Raw material composition mix (by volume) of tyre industry**



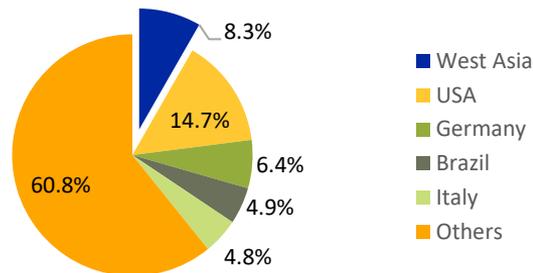
Source: Rubber Board, ICRA Research

**Exhibit: Crude oil prices and tyre industry operating profit margins**



Source: ICRA Research, Note: OPM is based on a sample set of seven large tyre entities

**Exhibit: Export mix (by value, for 9M FY2026)**



Source: Department of Commerce, ICRA Research

- Natural rubber (NR) accounts for 30% of the raw material mix for tyres in volume terms, while the rest of the 70% is dominated by crude oil derivatives such as synthetic rubber (20%), carbon black (25%), and fabric (10%), among others. Hence, a spike in crude oil prices impacts the tyre industry's margins adversely as intense competition limits the industry's ability to effect price hikes in a timely manner. Increased crude oil prices due to escalating conflict in West Asia is, therefore, likely to affect the margins of Indian tyre manufacturers.
- Exports account for one-fourth of the Indian tyre industry's revenues. The US, Germany, and Brazil have been the top three destinations for Indian exports in the past three years. West Asia accounts for around 8% of India's exports and accordingly the ongoing conflicts in the region could impact the export volumes of tyres. A prolonged conflict will adversely impact both exports to the region as well as margins because of crude price linkages.



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