

Why India is resilient amid West Asia crisis: 5 anchors

5 October 2026

India's sustained economic expansion amid global headwinds has prompted close examination of the structural and policy factors that underpin its growth resilience. While many emerging economies have faced sharper slowdowns amid crude oil price shock-led external sector vulnerability, tighter financial conditions, and geopolitical uncertainty, India has posted robust GDP growth in Q1FY27 and most high frequency indicators so far have held up well.

High-frequency indicators, including Q1FY27 earnings, corroborated that the economy's fundamental strength was intact despite external shocks and methodological controversies over the new series. Sales for Elara Universe grew 19.7% YoY and PAT rose 6.4%, while ex-OMC PAT grew 18.6% versus ~14% expected.

Underlying demand was healthy, with strong uptick in Auto and FMCG volume growth and improving credit demand. In essence, the resilience of the growth trajectory, rather than any single statistical debate, is the more meaningful takeaway.

In this note, we explore five key anchors behind India's current economic resilience despite the current oil price shock.

Garima Kapoor

Economics
+912261648527
garima.kapoor@elaracapital.com

Associates
Subhankar Sanyal
subhankar.sanyal@elaracapital.com

Shweta Roy
shweta.roy@elaracapital.com



Exhibit 1: Indian economy's resilience to current oil shock– Five anchors

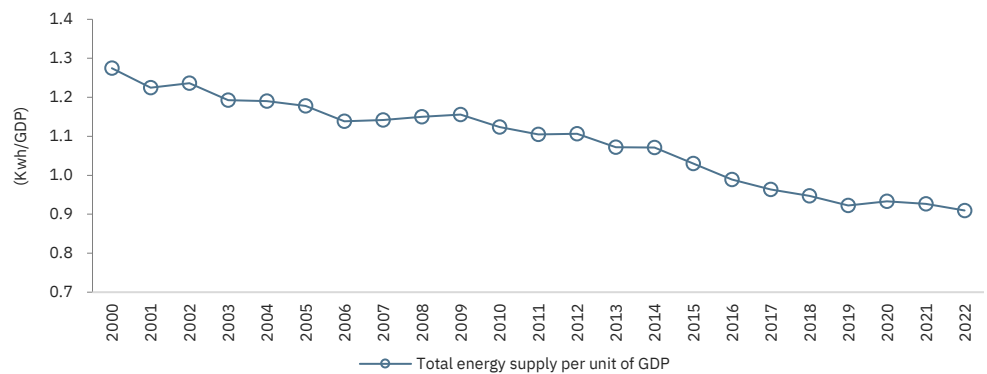


Source: Elara Securities Research

#1: USD 100/bl in 2014 ≠ USD 100/bl in 2026

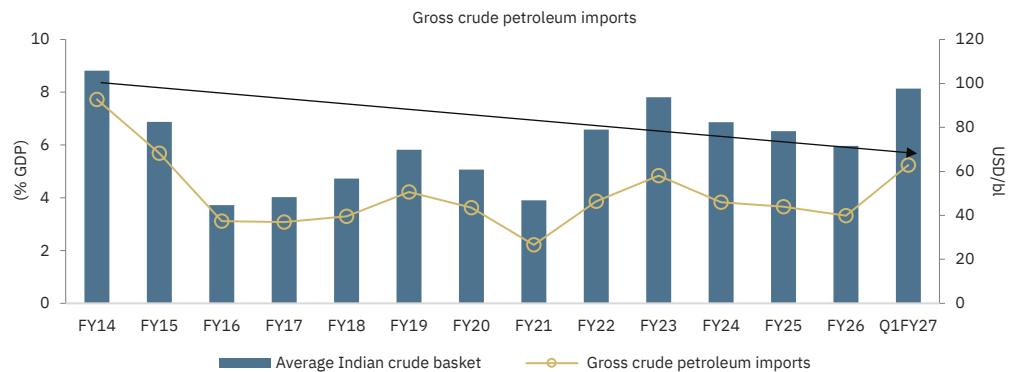
Energy intensity of GDP in India has declined in the past few years, reflecting technological improvements and structural shift toward services (lower energy intensity than industry). Consumption of petroleum products in India since FY14 (the last time Indian crude basket was consistently above USD 100/bl) has compounded at a CAGR of 3.35% vs. nominal GDP growth of 9.3%. In FY14 – last time when Indian crude oil basket prices hit an average of USD 105/bl, gross crude imports and net crude imports were 7.73% and 4.32% of India's GDP. In Q1FY27, they stood at a 5.23% and 2.93% respectively. Overall energy intensity of GDP has fallen substantially: ~15% decline between 2014 and 2022. The oil intensity decline has reduced relative vulnerability to oil-price shocks although physical dependence continues.

Exhibit 2: India's energy intensity of GDP is falling, thus reducing vulnerability to oil shocks



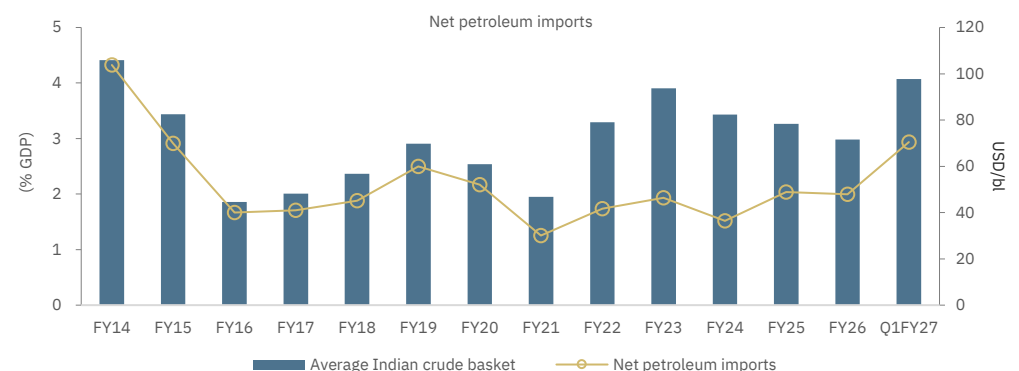
Source: Our World In Data, Elara Securities Research

Exhibit 3: Despite crude oil at USD 100/bl, gross crude oil import as % of GDP lower by 30% vs FY14



Source: CMIE, Elara Securities Research

Exhibit 4: In FY14, with crude oil at >USD 100/bl, net crude imports were 4.32% of GDP vs. 2.91% today

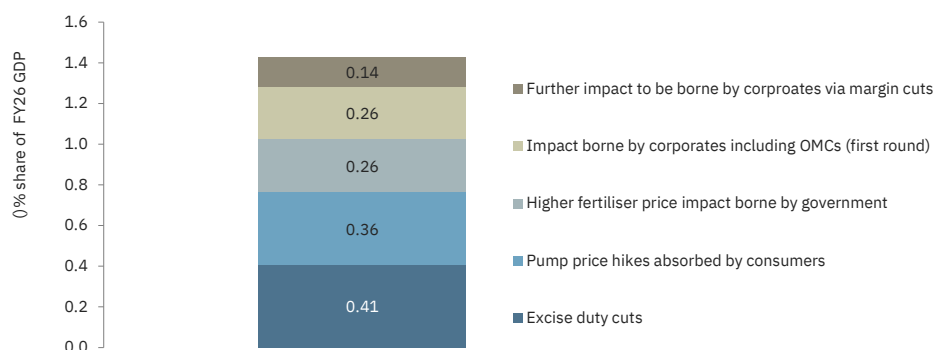


Source: CMIE, Elara Securities Research

#2: Agents with strong balance sheets bore most of the oil shocks

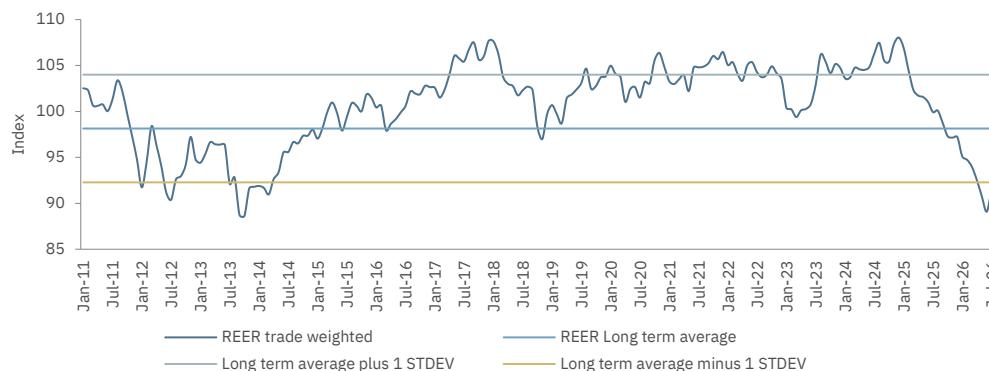
A higher crude oil level along with weakened Rupee meant that India would have to bear an incremental shock of 1.3-1.4% of GDP and ~INR 4.9tn (assuming Indian crude basket average of USD 105 for FY27E and USDINR average at 96 through FY27E). So far, a large part of the shock has been absorbed by agents in the economy whose balance sheets are strong, with a flexible Rupee absorbing the rest amid lead lags in policy responses. With government and corporates absorbing a large part of the fiscal impact of higher crude oil prices, the consumers have not seen a severe income shock. Of the total 1.4% impact of higher crude oil prices, the consumers have so far borne only 0.36% as a percentage of FY26 GDP.

Exhibit 5: Government and corporates absorb 75% of immediate crude oil shock...



Source: Budget, PIB, CMIE, Elara Securities estimate

Exhibit 6: ... with Rupee absorbing CAD funding shocks



Source: CEIC, Elara Securities Research

Exhibit 7: Measures to fund CAD being ameliorated via Dollar flows under concessional swap facility

Type	Forex inflow (USD mn)
FCNR(B) deposits	1,32,980*
OFCBs	5,320
ECBs	5,296
Total	1,43,596

Note: * FCNR (B) deposits mobilised till 31 August 2026; Source: RBI

#3: Households were better prepared for 2026 price shock

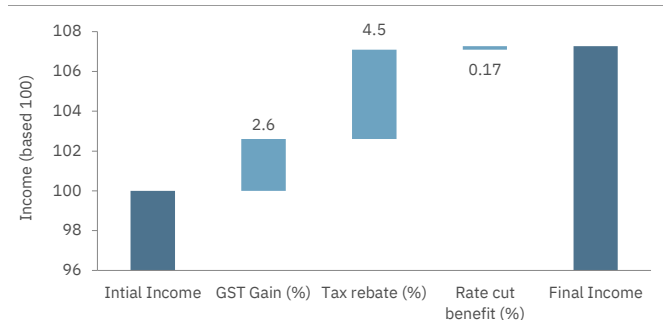
Notwithstanding the concerns relating to rising debt, Indian household balance sheets were reset amid support from asset growth, especially gold, and policy measures in FY26 such as income tax rebate, GST cut and interest rate cuts by RBI (estimated gain of 7% for an individual earning INR 1.2mn). As such, the starting health of the household balance sheet was stronger compared with most years post Covid-19 shock. Our stylised household balance sheet based on MoSPI and RBI's household savings/financial assets/liabilities shows that the net inflows, which improved drastically in FY26, are on course to remain reasonably healthy even in FY27E.

Exhibit 8: GST cuts, tax rebates, rate cuts boosted disposable income 4–7% for INR 0.5-1.2mn income group in FY26

Income (INR)	GST gain (%)	Tax rebate (%)	Rate cut benefit (%)	Total expected benefit (%)
500,000	2.89	1.25	0.42	4.55
1,000,000	2.65	3.38	0.21	6.24
1,200,000	2.61	4.55	0.17	7.33

Source: CEIC, Elara Securities Estimate

Exhibit 9: Expected household savings (illustration of a household with INR 1.2mn income)



Source: CEIC, Elara Securities Estimate

Exhibit 10: Stylised household balance sheet

(INR 000s, Real Incremental)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Inflow	1,654	1,960	2,310	2,089	4,156	2,156	288	1,414	4,754	5,927	3,608	7,316	3,599
Income	1,556	1,895	2,236	2,013	4,049	2,126	280	1,394	4,660	5,693	3,509	7,105	3,483
Assets/Inv	98	66	75	76	108	30	9	20	94	235	99	211	116
Outflow	822	1,156	1,534	1,650	2,478	1,496	63	1,308	4,406	2,944	3,000	4,522	2,880
Bank	20	9	88	293	22	4	-35	150	736	305	410	442	522
NBFCs	24	11	105	350	26	4	-42	182	875	362	484	527	616
Consumption	778	1,137	1,341	1,007	2,429	1,488	140	976	2,796	2,277	2,105	3,552	1,741
Inflow - Outflow	832	804	776	440	1,679	660	225	106	348	2,984	608	2,795	719

Source: CEIC, Elara Securities Estimate

Cashflow support at the bottom of the pyramid is acting as shock absorber...

Unconditional monthly cash transfers (often to women or low-income households) have proliferated—from ~two states in FY23 to 14 states by FY27. Median payout is ~INR 1,500/month (range INR 1,000-2,500). These now form a recurring income stream and are estimated at under 0.7% of GDP overall, with significant shares of some states' budgets. Over and above these, the states grant other freebies such as free bus travel, free/subsidised electricity, farm income support, student aid among others. These are imparting some stability to the lower income household.

Exhibit 11: Cash transfer schemes to women by states

S.No	State	Scheme (INR bn)	FY23	FY24	FY25	FY26BE	FY26RE	FY27BE
1	Madhya Pradesh	Ladli Behna Yojana	-	147	191	187	187	239
2	Maharashtra	Majhi Ladki Bahin Yojana	-	-	332	360	306	265
3	Karnataka	Gruha Lakshmi Yojana	-	170	86	286	286	286
4	West Bengal	Lakshmi Bhandar Scheme (Discon) ; Annapurna Yojana (BJP)	119	136	259.7	267	267	360
5	Jharkhand	Mukhyamantri Maiya Samman Yojana	-	-	72	133	152	141
6	Odisha	Subhadra Yojana	-	-	101	101	112	101
7	Haryana	Lado Lakshmi Yojana	-	-	-	50	-	65
8	Telangana	Mahalakshmi Scheme Telangana	-	-	-	50	-	43
9	Tamil Nadu	Kalaignar Magalir Urimai Thittam (KMUT) (Disc); Annan Seer to Brides	-	70	-	138	-	144
10	Chhattisgarh	Mahtari Vandan Yojana	-	-	-	30	30	82
11	Assam	Orunodoi Scheme	24	32	-	50	59	37
12	Delhi	Mahila Samridhi Yojana	-	-	-	51	-	51
13	Bihar	Mukhyamantri Mahila Rojgar Yojana	-	-	-	75	-	90
14	Andhra Pradesh		-	-	-	94	-	85
Total			143	563	1,042	1,872	1,399	1,989
GDP					122,189	256,673	147,853	283,076
As % GSDP			0.09	0.3	0.9	0.7	0.9	0.70

Source: State Budgets, Elara Securities Research

... with PM Surya Ghar Yojana offering additional savings

PM Surya Ghar Muft Bijli Yojana (launched February 2024) is the main rooftop solar scheme helping rural Indian households, including farmers' homes, cutting electricity costs and boosting income. It targets 10mn residential installations by March 2027 with central financial assistance (subsidy), net metering, and low-interest loans. A 3kW system is the sweet spot for many homes because it captures the full subsidy cap while generating enough power for typical rural household needs (lights, fans, fridge, TV, pump motors for domestic use, etc.). For rural farmers, rooftop solar turns this into savings and potential extra income. Most of the solar power is self-consumed during the day. Under net metering, excess units are exported to the grid and credited against night-time or higher-usage consumption. We estimate that an average farm earning household is saving 10% of its income due to rooftop solar installations.

Exhibit 12: Savings for a stylized household in rural India from PM Surya Ghar Yojana

Parameter	Stylised household in rural India with agrarian income
Recommended solar capacity (kW)	3
Average monthly electricity consumption (Units/kWh)	360
Approximate total installation cost (INR)	165,000
Central Gov subsidy	78,000
Net consumer investment / share (INR)	87,000
Average daily solar generation (units/day)	12
Average monthly solar generation (units/month)	360
Assumed rural grid tariff rate (INR/unit)	6
Estimated monthly savings on Grid Bill (INR)	2,160
Estimated annual savings on Grid Bill (INR)	25,920
Estimated lifetime savings - 25 Years (INR)	311,040
Payback period (years)	3.4
Average annual income for agricultural household	249,600
Share of savings as % of annual average agricultural household income	10.4%

Source: CEIC, Elara Securities Estimate

Moreover, some large states such as Maharashtra, Rajasthan, Madhya Pradesh and Uttar Pradesh have implemented schemes that provide free power to farmers as well as low-income households, both in rural and urban areas. Per our calculation, these free/subsidised electricity schemes typically save low-income households INR 500–INR 2,000+ per month (or INR 6,000–INR 24,000+ per year), depending on the state, free-unit limit, actual consumption, and local tariffs. Savings are highest where free units are generous (e.g., 200–300 units) and tariffs are higher.

Exhibit 13: Free power schemes in select states of India

State	Scheme	Free / subsidised benefit	Approx. monthly saving (INR)	Eligibility criteria
Andhra Pradesh	Free Power for Farmers + Weavers	Free agricultural power (9 hours) + special units for weavers	Varies (mainly agri)	Primarily Farmers – Free power for agricultural connections + Special benefit for Weavers
Bihar	Free Electricity Scheme	125 units free	600 – 1,000	General domestic – All domestic consumers
Chhattisgarh	Free Agri Power + M-Urja Scheme	• Free power for agri pumps (≤5 HP) • 50% subsidy on first 200 units (≤400 total) • 30 units free for BPL	200 – 800 (domestic)	Mixed: • Farmers – Agricultural pumps up to 5 HP (Free) • General Domestic – Consumers ≤400 units (50% subsidy) • BPL – Up to 30 units free
Delhi	Domestic Power Subsidy	200 units free + 50% on 201–400 units	800 – 1,600	General domestic – All registered domestic consumers (opt-in required)
Himachal Pradesh	Free Electricity Scheme	125 units free	600 – 1,000	General domestic – All domestic consumers
Jharkhand	Mukhyamantri Urja Khushhali Yojana	Up to 200 units free	1,000 – 1,500	General domestic – All domestic residential consumers
Karnataka	Gruha Jyothi Scheme	Up to 200 units free	700 – 1,400	General domestic – Domestic households registered on Seva Sindhu + Aadhaar
Madhya Pradesh	Atal Griha Jyoti Yojana	First 100 units at flat ₹100 (if total ≤ 150 units)	300 – 700	General domestic – Domestic consumers using up to 150 units/month
Maharashtra	SMART Solar Scheme	Up to 100 units free (via 1 kW solar)	400 – 800	BPL / EWS / SC-ST – Only BPL, EWS, SC & ST families with consumption < 100 units
Other States (UP, Gujarat, Haryana, Odisha, Kerala etc.)	Limited / Targeted schemes	Mainly free/subsidised agricultural power or limited BPL/solar	200 – 800	Primarily Farmers or BPL / targeted categories
Punjab	PSPCL Zero Bill Scheme	300 units free	1,200 – 2,100	General domestic – All domestic residential consumers (load up to 7kW)
Rajasthan	Mukhyamantri Nishulk Bijli Yojana	100 units free (150 with solar)	400 – 900	General domestic – All domestic consumers
Tamil Nadu	TNEB / TNPDC Free Units Scheme	200 units free (if bi-monthly ≤ 500 units)	700 – 1,400	General domestic – All domestic consumers (automatic)
Telangana	Gruha Jyothi Scheme	Up to 200 units free	700 – 1,400	General domestic – Households with White ration card / Praja Palana registration
West Bengal	Hasir Alo Scheme	Up to 75 units free per quarter (~25/month)	100 – 300	BPL / Lifeline – Only BPL and low-connected-load (Lifeline) domestic consumers

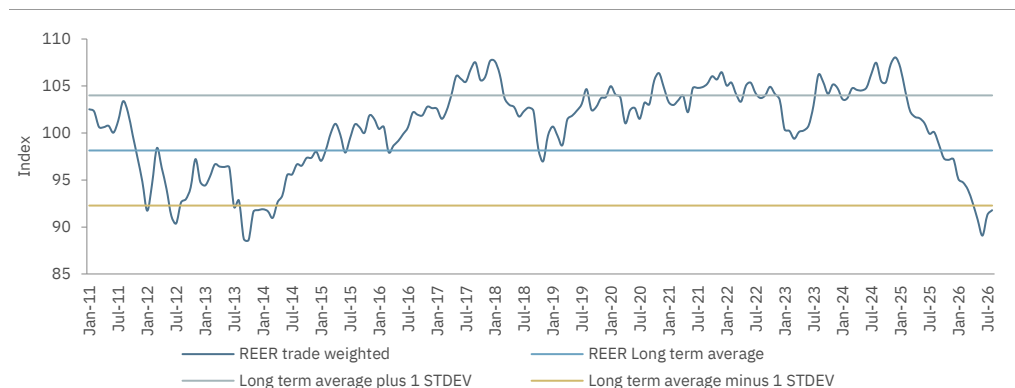
Source: State Budgets, Elara Securities Research

#4: The underappreciated Rupee tailwind

The Rupee has seen a sharp depreciation vs. other EM peers owing to two shocks: first, tariff shock and second, crude oil price shock. On REER basis, Rupee has depreciated by 12% since Jan 2025. Our estimates suggest the value of exports has been higher by 25% in FY27 itself owing to the depreciation of the Rupee. The benefits of a weak Rupee started to accrue more meaningfully when the tariffs for all the countries by the US were set at 10% in Feb 2026 to replace tariffs struck down by the Supreme Court. The gains of Rupee depreciation are evident in sectors that are less import dependent and hence, offer clear leverage from Rupee's weakness. The Rupee depreciation is acting as a key tailwind giving India competitive edge vs. its peers. The contribution of net exports to Q1 growth of 7.8% has been 3 percentage points.

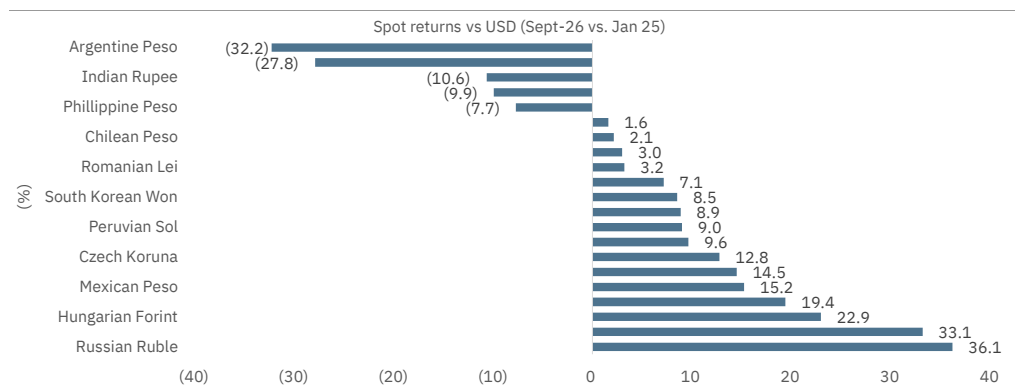
The weakness in the currency has coincided with increasing market access for Indian exporters via FTAs. India has signed seven FTAs since 2021 while the India-EU trade talks have been concluded in Jan 2026 and are likely to be implemented by mid-2027. The India-US Interim Trade Framework was announced in February 2026; it is not a fully signed FTA. Others such as India-Canda CEPA, GCC FTA, and Mexico FTA are in the pipeline.

Exhibit 14: India's REER has depreciated by 12% since Jan 2025...

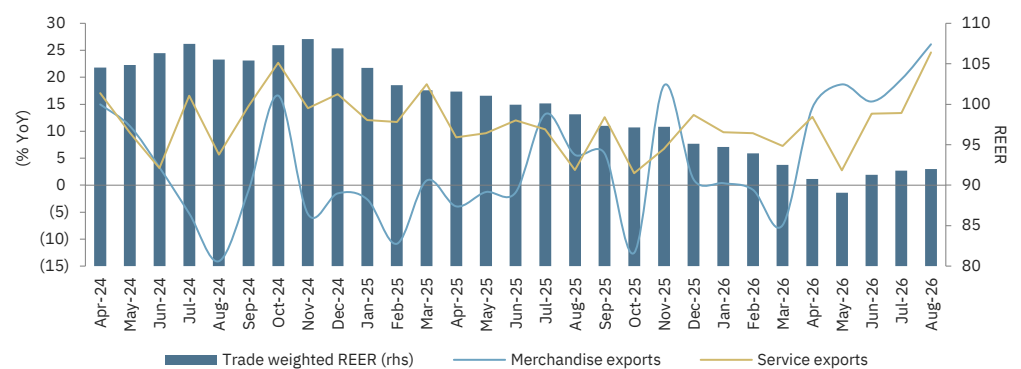


Source: CEIC, Elara Securities Research

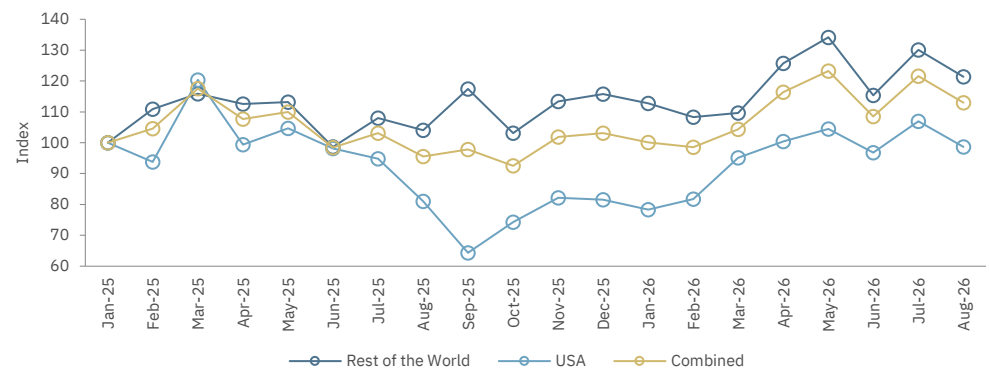
Exhibit 15: ... reflecting most weakness versus peers



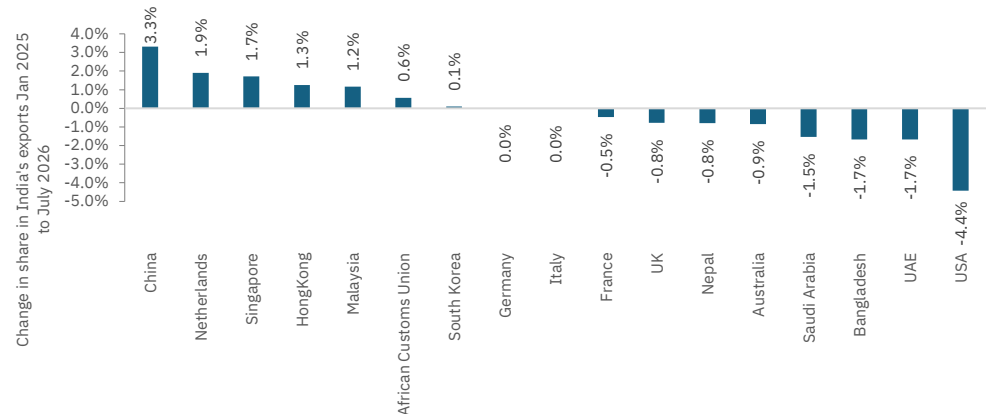
Source: Bloomberg, Elara Securities Research, data as on 1st Oct 2026

Exhibit 16: Exports have jumped in FY27 after US Supreme Court struck down POTUS tariffs

Source: CEIC, Elara Securities Research

Exhibit 17: India has been diversifying its export destinations

Source: CEIC, Elara Securities Research

Exhibit 18: Share of Indian exports to China, Netherlands, Singapore, Hongkong and Malaysia up

Source: CEIC, Elara Securities Research

Exhibit 19: Non-import-intensive sectors gaining from strong export volume growth, weaker rupee

Sector	Growth (%)	Notes
Beverages, Spirits and Vinegar	123	Strong volume jump
Live Animals	100	Small base but sharp rise
Wool, Fine/Coarse Animal Hair, Horsehair Yarn & Woven Fabric	55	
Products of the Milling Industry (malt, starches, wheat gluten etc.)	48	
Miscellaneous Edible Preparations	34	
Preparations of Meat/Fish/Crustaceans etc.	29	
Cotton	24	
Preparations of Vegetables, Fruit, Nuts etc.	22	

Source: Ministry of Commerce, Elara Securities Research; Note: growth is estimated for period July 2026 vs Jan 2025

Exhibit 20: Import-intensive sectors seeing strong export volume growth despite higher input costs

Sector	Growth (%)	Notes
Nuclear Reactors, Boilers, Machinery & Mechanical Appliances	267	Very large absolute rise
Arms and Ammunition	149	Small base
Natural/Cultured Pearls, Precious/Semi-precious Stones, Precious Metals & Jewellery	115	Classic high-import sector (gold, diamonds, etc.)
Iron and Steel	107	
Albuminoidal Substances, Modified Starches, Glues, Enzymes	96	
Fertilisers	95	
Electrical Machinery & Equipment (incl. electronics-related)	72	High import content in many sub-segments
Mineral Fuels, Mineral Oils & Distillation Products	61	Petroleum products – highly import-dependent
Inorganic Chemicals	53	
Organic Chemicals	50	
Aircraft, Spacecraft & Parts	30	
Soap, Organic Surface-Active Agents, Washing/Lubricating Preparations etc.	28	
Rubber and Articles Thereof	20	

Source: Ministry of Commerce, Elara Securities Research; Note: growth is estimated for period July 2026 vs Jan 2025

Exhibit 21: FTAs signed by India in past five years

No.	Agreement	Partner(s)	Date of signing
1	India–Mauritius CECPA	Mauritius	February 2021
2	India–UAE CEPA	UAE	February 2022
3	India–Australia ECTA	Australia	April 2022
4	India–EFTA TEPA	Switzerland, Norway, Iceland, Liechtenstein	March 2024
5	India–UK CETA	United Kingdom	July 2025
6	India–Oman CEPA	Oman	December 2025
7	India–New Zealand FTA	New Zealand	April 2026

Source: PIB, Elara Securities Research

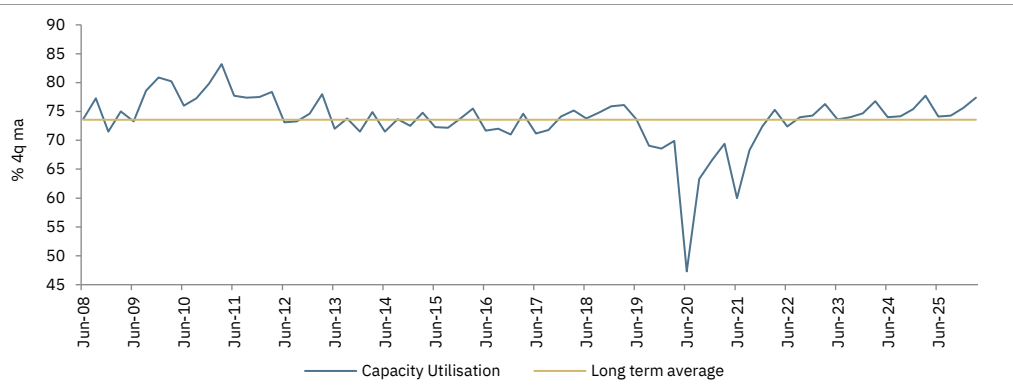
#5: Private capex green shoots

After a prolonged lull, private capex in India is beginning to recovery with green shoots evident across the board. Capacity utilisation in the manufacturing sector has sustained above 75% through FY26 – the first time since FY12. GST rate cuts, PLI, Rupee depreciation-led gains and renewed push towards creating supply chain resilience have allowed an improved sentiment for capex.

Anecdotal evidence from RBI’s project pipeline data, imports of machinery and parts and growth in active companies listed on Ministry of Corporate Affairs confirms the trend. RBI’s data for pipeline of projects across all financing channels shows sustained investment momentum. Investment intentions were INR 5.6tn across 1,839 projects in FY26, up from INR 5tn across 1,581 projects in FY25. Intentions stayed resilient through 2025-26 despite geopolitical tensions, trade policy uncertainty and volatile financial markets, and infrastructure, led by power, dominated the landscape.

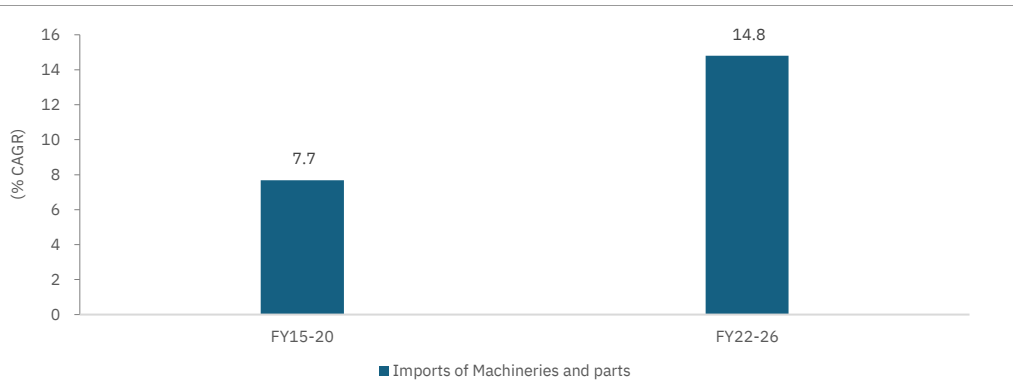
The CMIE capex data also shows that the private sector announced projects in the country rose to 36.7% in Sep-26 vs. 24.1% in Mar-26 quarter on a two year CAGR basis with robust growth in sectors such as textiles, transport equipment, metals, power among others.

Exhibit 22: Manufacturing – Capacity utilisation sustained above 75% through FY26, first time since FY12



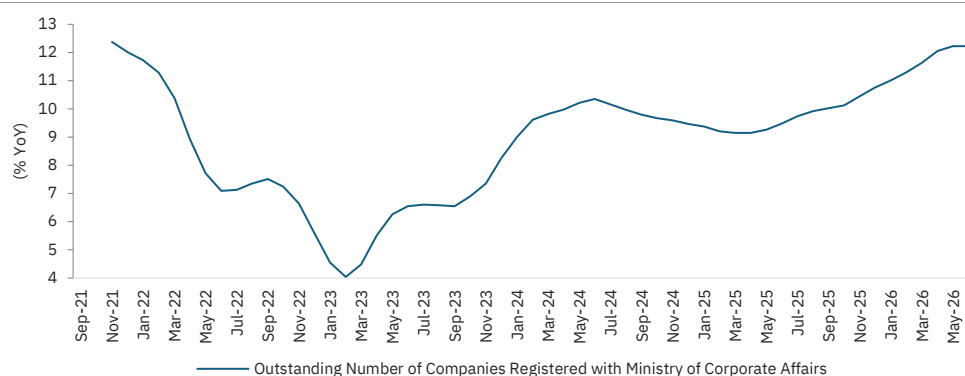
Source: CEIC, Elara Securities Research

Exhibit 23: Imports of machinery & parts rising as a precursor to capex uptick



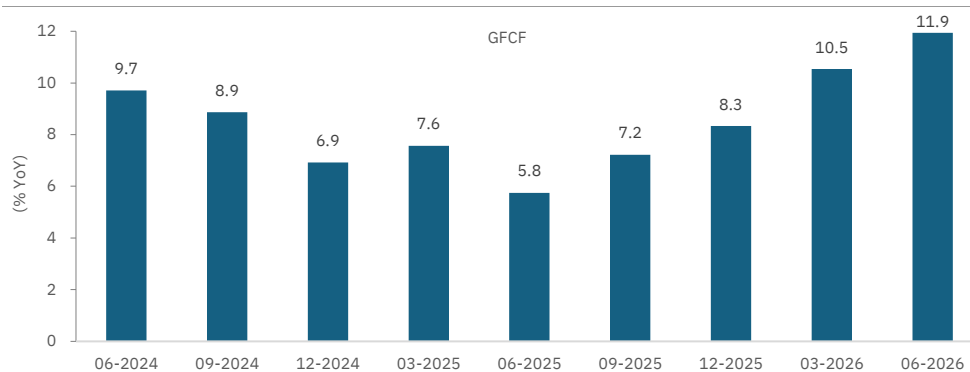
Source: CEIC, Elara Securities Research

Exhibit 24: Palpable growth in active companies registered with Ministry of Corporate Affairs



Source: CMIE, Elara Securities Research

Exhibit 25: Robust GFCF growth recorded in Q1FY27



Source: CEIC, Elara Securities Research

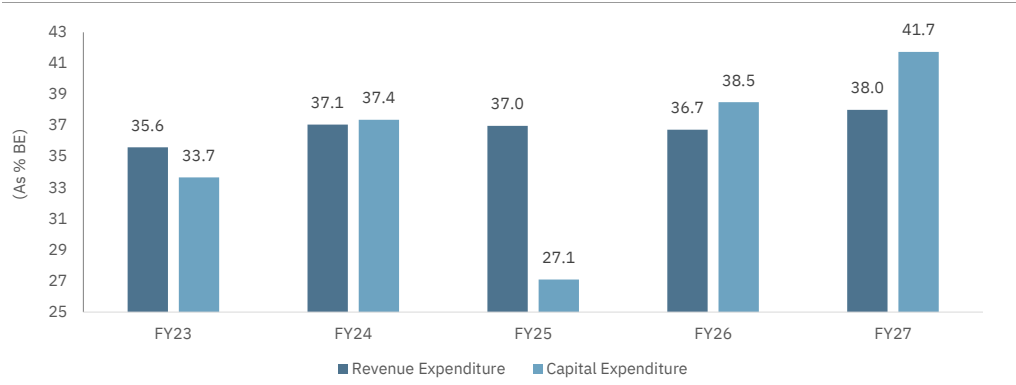
Exhibit 26: Announced projects showing traction....

Announced Projects (2 yr CAGR %)	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Non-financial	7.0	7.8	12.3	21.7	30.0	29.6	29.2	31.0	31.3	27.1	24.3	20.5	28.1	30.5	29.8	29.8	24.1	36.6	36.7
Manufacturing	19.4	20.0	23.4	40.2	46.0	31.3	36.3	32.3	26.4	24.6	23.2	13.7	22.7	25.9	23.5	21.6	12.9	17.8	15.0
Textiles	0.4	17.7	38.5	34.4	28.1	44.3	12.1	(1.9)	(8.8)	(4.0)	(15.1)	(9.1)	3.3	17.4	58.2	58.0	81.3	77.0	98.9
Consumer goods	(17.8)	(8.3)	(1.7)	(2.4)	143.9	53.7	45.4	82.9	62.4	35.8	29.9	56.7	(6.0)	26.7	22.9	16.8	1.2	29.9	41.7
Metals & metal products	35.2	26.9	19.6	23.3	16.2	(1.7)	4.2	0.1	5.4	17.0	16.4	24.3	43.0	63.0	56.9	57.3	35.6	36.2	38.9
Transport equipment	26.4	26.5	23.1	25.9	9.8	24.5	19.7	10.6	11.0	11.8	49.3	29.0	38.1	19.9	24.1	30.2	27.8	31.6	9.6
Miscellaneous manufacturing	(7.1)	48.6	105.9	108.7	120.7	72.1	73.7	72.2	76.5	20.3	(13.1)	15.0	44.1	52.5	53.0	39.6	46.3	43.6	80.3
Mining	28.3	23.4	26.4	18.1	19.2	20.2	1.7	(8.1)	(34.6)	(33.5)	(32.4)	(24.1)	(31.3)	(35.1)	(25.6)	(20.9)	4.0	5.3	36.2
Electricity	(4.8)	7.5	20.4	23.7	44.2	50.0	49.0	76.2	78.9	47.9	39.2	41.5	49.0	48.8	49.5	46.1	32.7	47.4	46.5
Services (other than financial)	(12.0)	(18.4)	(19.6)	(19.8)	(14.3)	3.7	(6.8)	(7.1)	(2.1)	0.1	(7.8)	4.4	(0.9)	4.4	8.0	25.0	63.8	112.9	144.8
Hotels & tourism	7.9	(1.2)	(13.6)	10.8	9.9	13.8	0.3	17.2	40.8	53.9	56.1	56.8	62.4	67.4	77.7	56.2	14.6	16.9	20.1

Source: CMIE, Elara Securities Research



Exhibit 27: and government’s capex spending remaining supportive



Source: Source: CMIE, Elara Securities Research

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India - Corporate office
Elara Securities (India) Private Limited
 One International Center, Tower 1,
 12th Floor, Senapati Bapat Marg,
 Elphinstone Road (West)
 Mumbai – 400 013, India
 Tel : +91 22 6164 8500

Europe
Elara Capital Plc.
 6th Floor, The Grove,
 248A Marylebone Road,
 London, NW1 6JZ,
 United Kingdom
 Tel : +44 20 7486 9733

USA
Elara Securities Inc.
 950 Third Avenue, Suite 1900
 New York, NY 10022 United States
 Tel: +1 212 430 5870
 Fax: +1 212 208 2501

Asia / Pacific
Elara Capital (Singapore) Pte.Ltd.
 One Marina Boulevard,
 Level 20,
 Singapore 018989
 Tel : +65 6978 4047



**Managing
Director**

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



**Head of
Sales**

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



**Head of
Research**

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572



**Deputy Head of
Research &
Strategist**

Garima Kapoor | garima.kapoor@elaracapital.com | +91 22 6164 8527

Sales Team



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India

Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558
Himani Sanghavi - himani.sanghavi@elaracapital.com - +91 22 6164 8586
Pooja Soni - pooja.soni@elaracapital.com - +91 22 6164 8558



**India, APAC &
Australia**

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567
Suyash Maheshwari - suyash.maheshwari@elaracapital.com - +91 22 4204 8698



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



**Corporate
Access,
Conference &
Events**

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited

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 Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
 Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509