

Global Headwinds Intensify – Can India Inc Stay the Course?

Webinar on CareEdge Ratings' Credit Quality Assessment for H2FY26

April 1, 2026

Opening Remarks:



Sachin Gupta
Executive Director &
Chief Rating Officer,
CareEdge Ratings

Presentation by:



Rajani Sinha
Chief Economist,
CareEdge Ratings

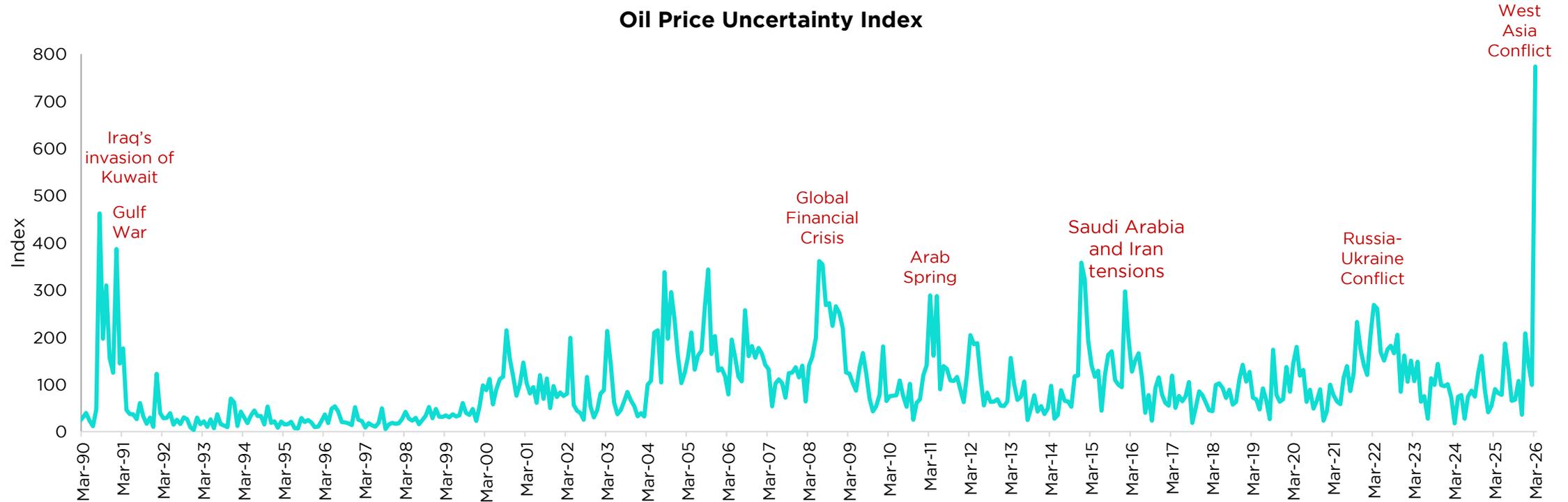


Smita Rajpurkar
Senior Director,
CareEdge Ratings

- Geopolitical tensions have **intensified**, heightening risks from **energy price** surge, **exchange rate** rise and **supply-chain disruptions**
- Prolonged West Asia crisis may exert pressure on Indian macro indicators like CAD, GDP growth, fiscal metrics
- CareEdge Ratings' **Credit Ratio** moderated to **1.93** in **H2FY26** from **2.56** in H1FY26
- **Manufacturing and Services** Credit ratio **remained healthy** at **2.06** in H2FY26 from 1.72 in H1FY26
- **Infrastructure** Credit Ratio **normalized** to **1.67** in H2FY26, from 8.54 in H1FY26
- **BFSI** Credit Ratio **improved** to **2.25** in H2FY26 from 2.10 in H1FY26
- **Global turmoil**—geopolitics, energy prices, rupee depreciation, slowing FPI inflows, —remain key risks to outlook

Economy

West Asia Conflict Shoots Up Oil Price Uncertainty

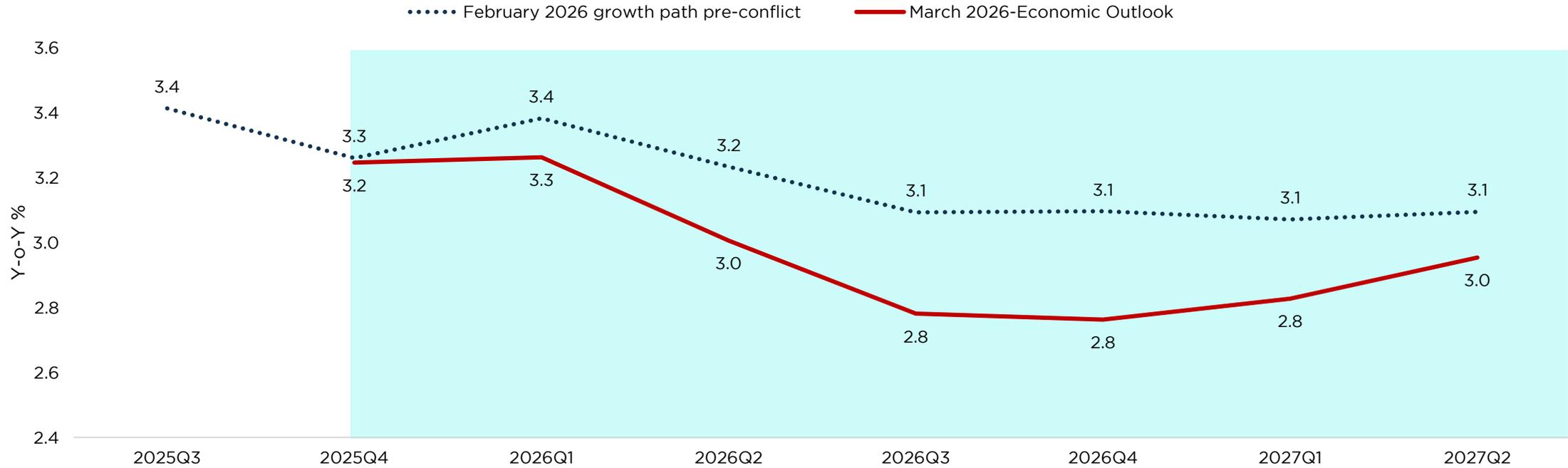


Source: [The Macroeconomic Effects of Oil Price Uncertainty](#), published in Energy Economics in 2023

- Going ahead, the duration of the conflict and its eventual impact on the global and domestic economy remain a key monitorable.

Global Growth Forecasts Trimmed Lower

Global GDP Growth Outlook

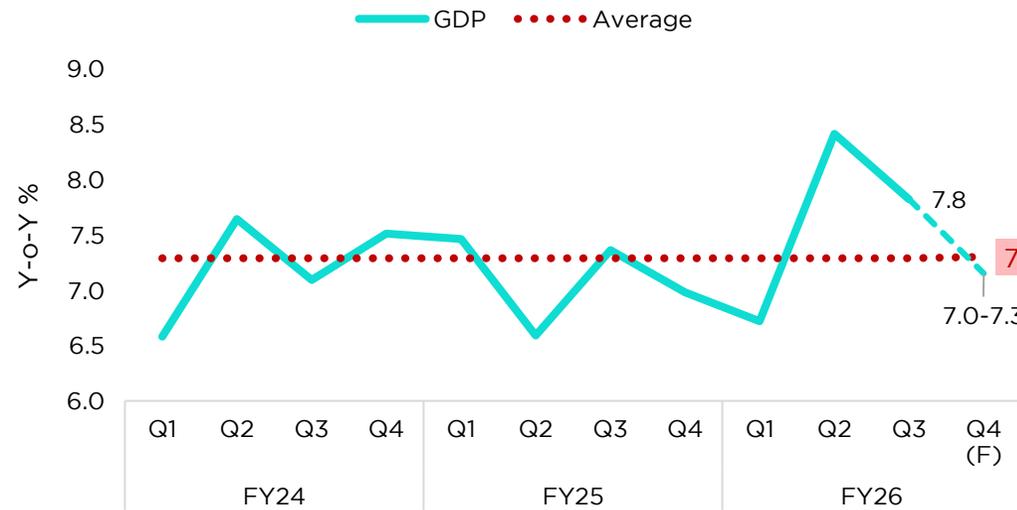


Source: OECD Interim Economic Outlook

- Global GDP growth is projected to moderate to 2.9% in 2026 from 3.3% in 2025.

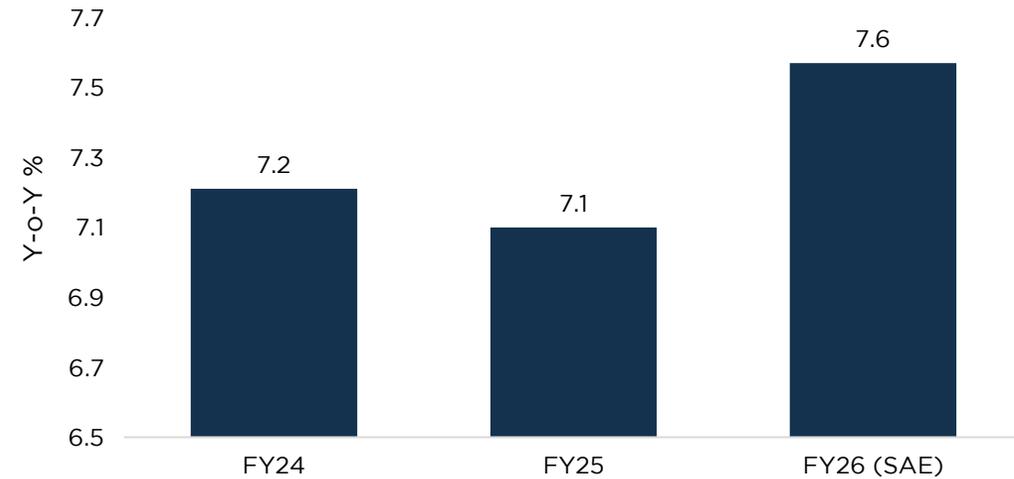
Pre-Conflict: Steady Domestic Growth

Trends in Quarterly GDP Growth



Source: CMIE, CareEdge; Note: Average growth pertains to Q1 FY24 to Q3 FY26

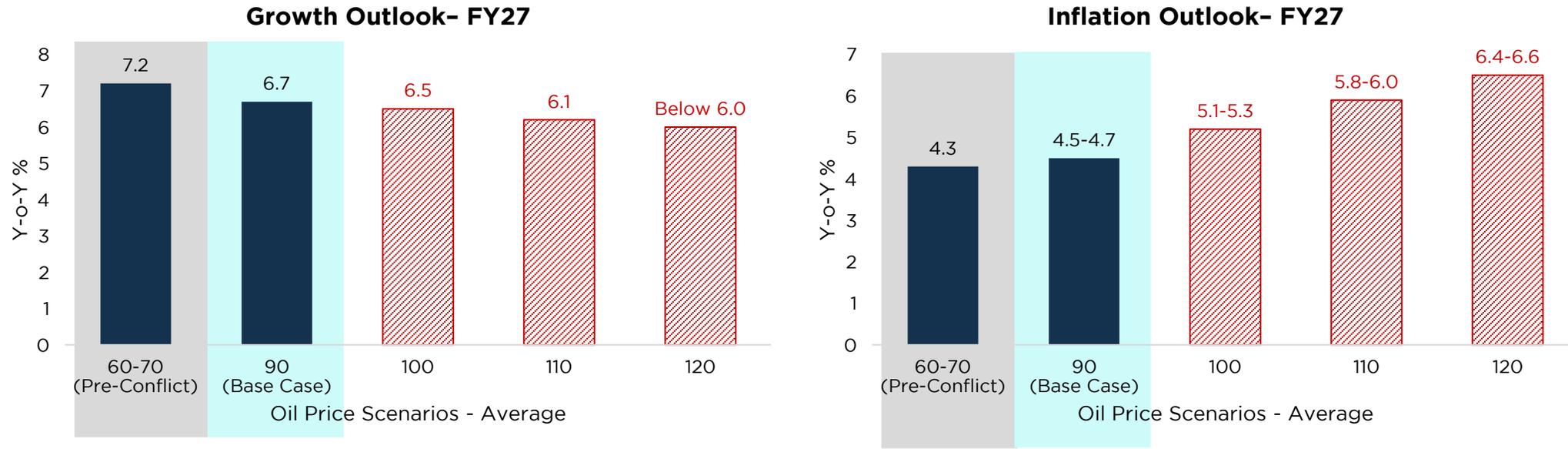
Trends in Annual GDP Growth



Source: CMIE, CareEdge; Note: (SAE): Second Advance Estimate

- GDP growth recorded at 7.8% in Q3 FY26 supported by encouraging consumption and investment scenario.
- Overall, FY26 GDP growth was estimated at 7.6% as per the Second Advance Estimate.

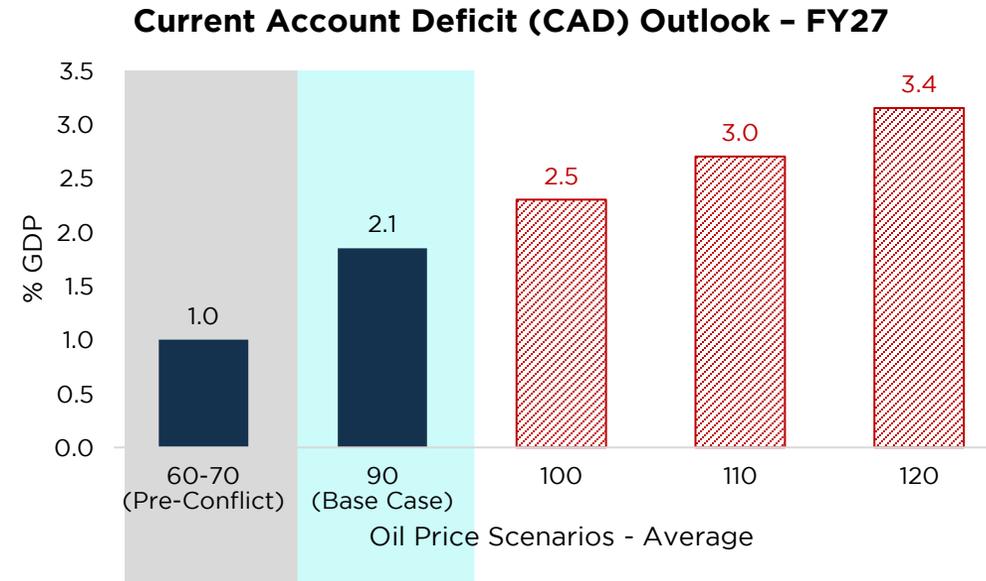
FY27 Growth & Inflation Outlook Clouded by Global Conflict



Source: CareEdge Projection

- The economic growth outlook has been clouded by high energy prices and supply concerns amid the West Asia conflict.
- CPI inflation projected to range between 4.5-4.7% assuming limited pass-through of higher global crude oil prices to the consumers.

External Sector Faces Pressures from Global Challenges

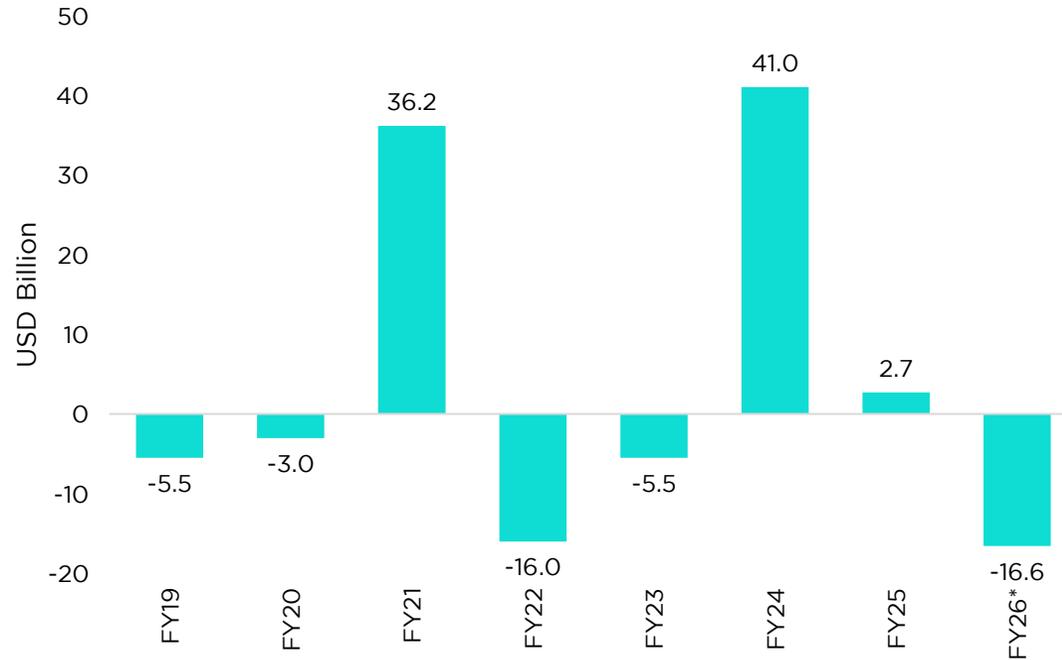


Source: CareEdge Projection

- India is dependent on imports to meet about 88% of its total oil requirement and 51% of its gas requirement.
- India's CAD faces widening pressures on account of the high energy import bill, pressure on exports to West Asia coupled with risks of lower remittances.

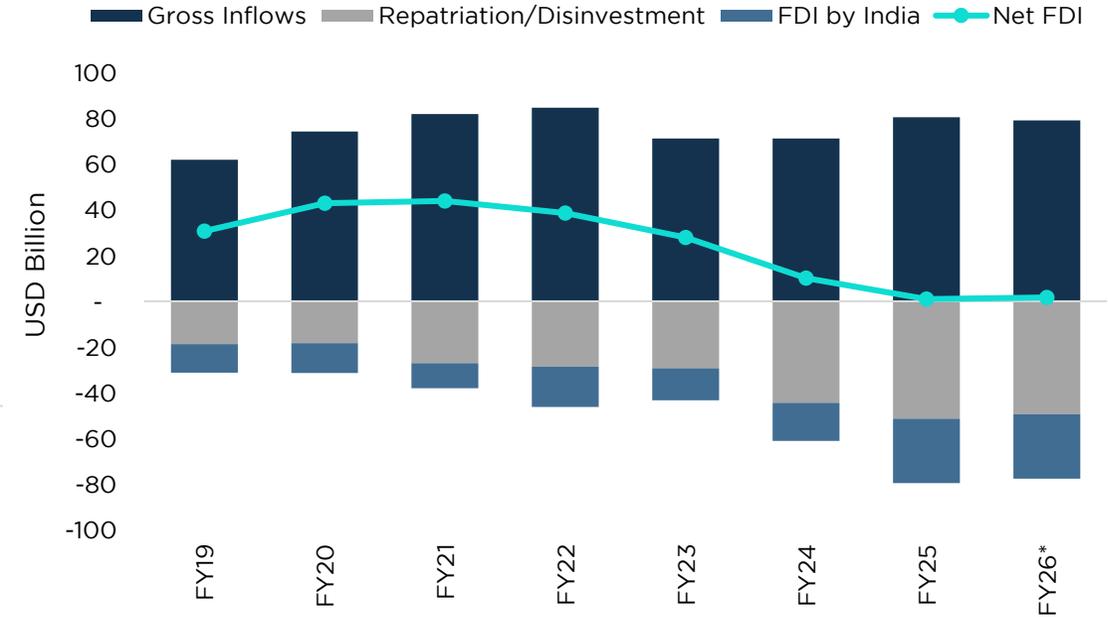
External Sector Faces Pressures from Global Challenges

Trends in Net FPI Flows



Source: NSDL, CEIC, CareEdge; *Data for FY26 is up to March 30, 2026

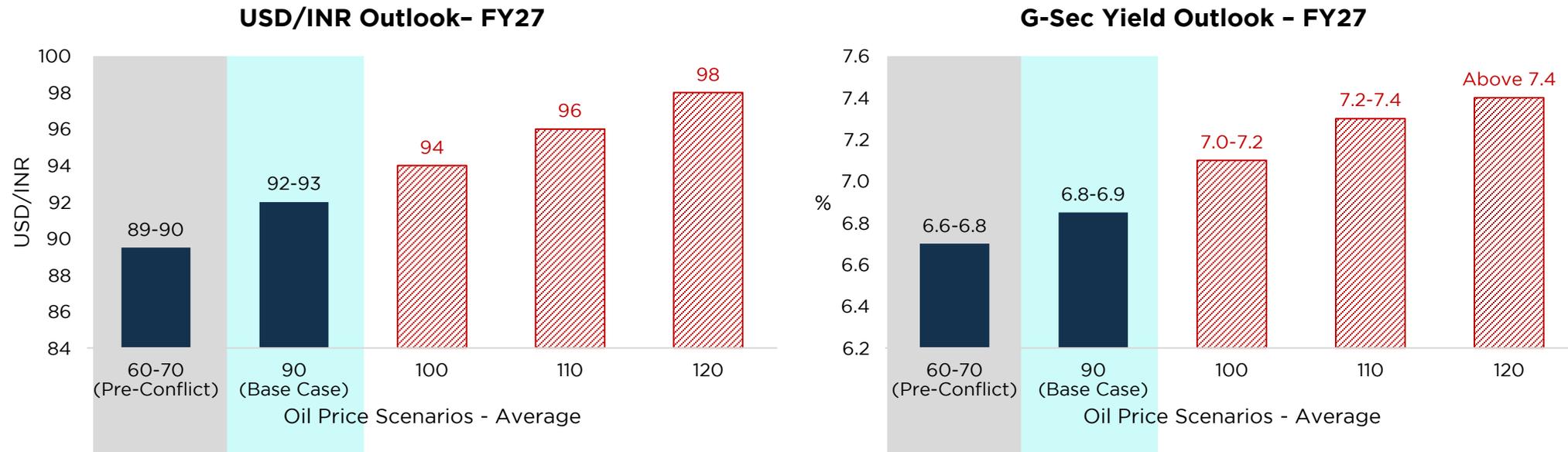
Trends in Foreign Direct Investment (FDI)



Source: CMIE, CareEdge; *Data for FY26 is for April-Jan period

- While CAD is facing widening pressures, India’s capital flows have also come under pressure amid moderating net FDI and volatile FPI flows.

Rupee & G-Sec Yields Under Pressure



Source: CareEdge Projection

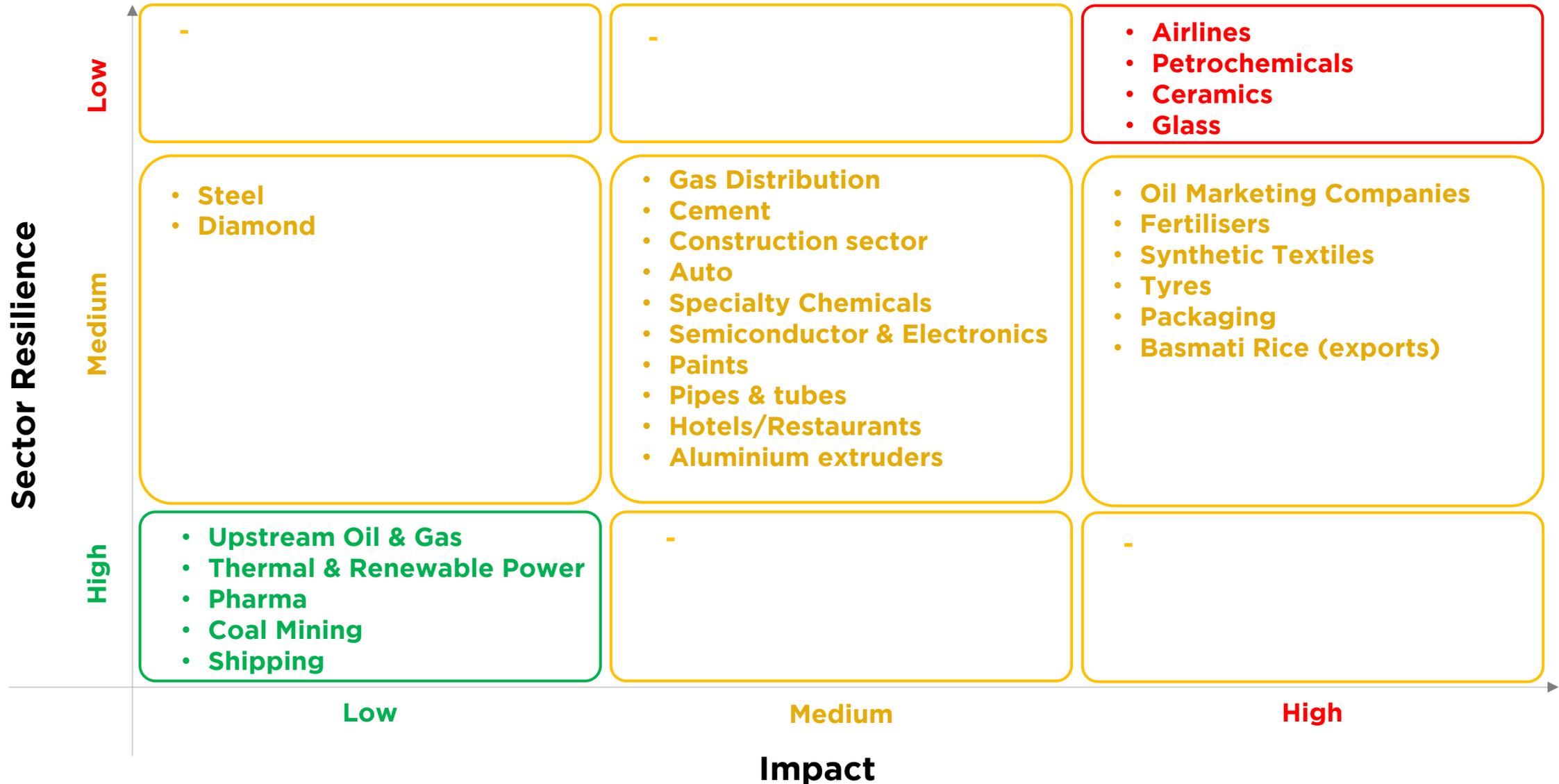
- Fiscal burden from the excise duty cut on petroleum products along with the possibility of increase in subsidy burden and lower tax revenue collections in FY27 - estimated around 0.5% of GDP.
- G-sec yields to face upward pressure amid the ongoing global uncertainty, rising fiscal burden and inflationary pressures.

External Risks Remain a Key Watchpoint

- » Assuming crude oil to average at USD 90/bbl, we project FY27 GDP growth to be at 6.7%. CPI inflation projected to range between 4.5-4.7% assuming limited pass-through of higher global crude oil prices to the consumers.
- » We project India's CAD to widen to 2.1% of GDP in FY27. However, adequate forex reserves provide cushion against external shocks.
- » Fiscal burden in FY27 estimated at around 0.5% of GDP. Continued fiscal consolidation amid the required fiscal support remains a challenge.
- » RBI to pause rate cuts in the upcoming April meeting amid rising inflationary pressures from higher energy prices.
- » India benefited from fall in tariff rates after SCOTUS decision on IEEPA tariffs, but uncertainty remains.

Sectoral Impact of the West Asia Crisis

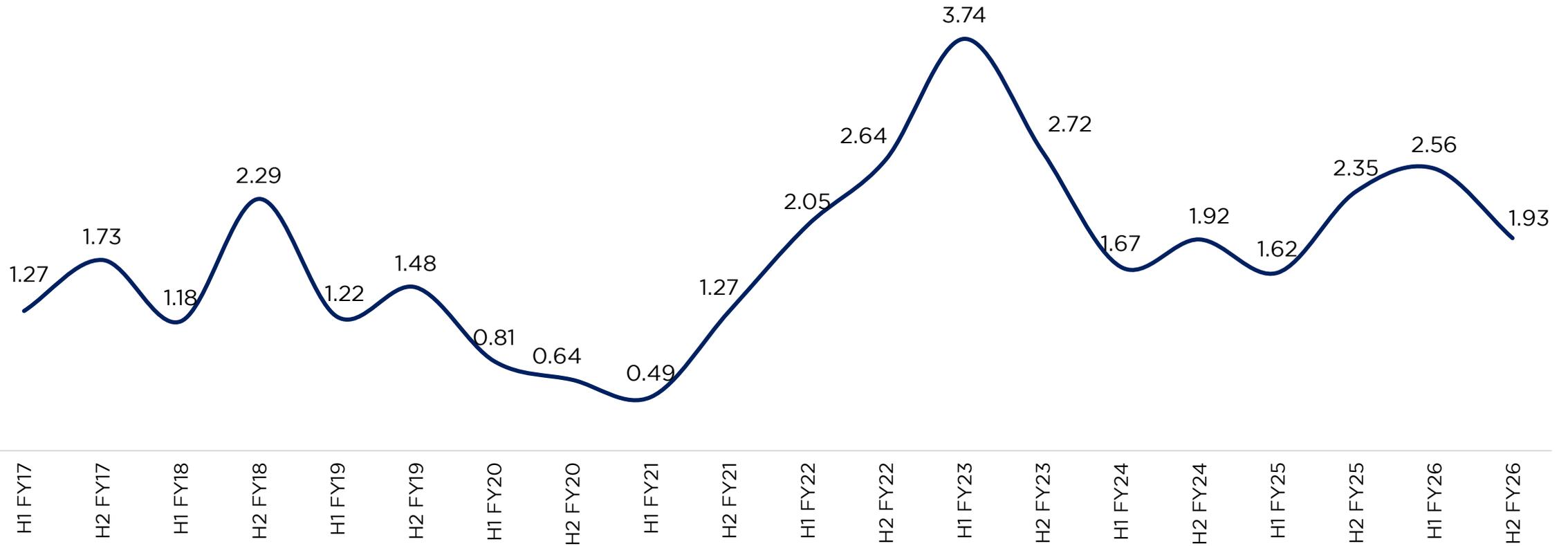
Sectoral Impact of the West Asia Conflict: Risk-Resilience Matrix



Credit Quality Assessment H2FY26

Moderation in Credit Ratio in H2FY26

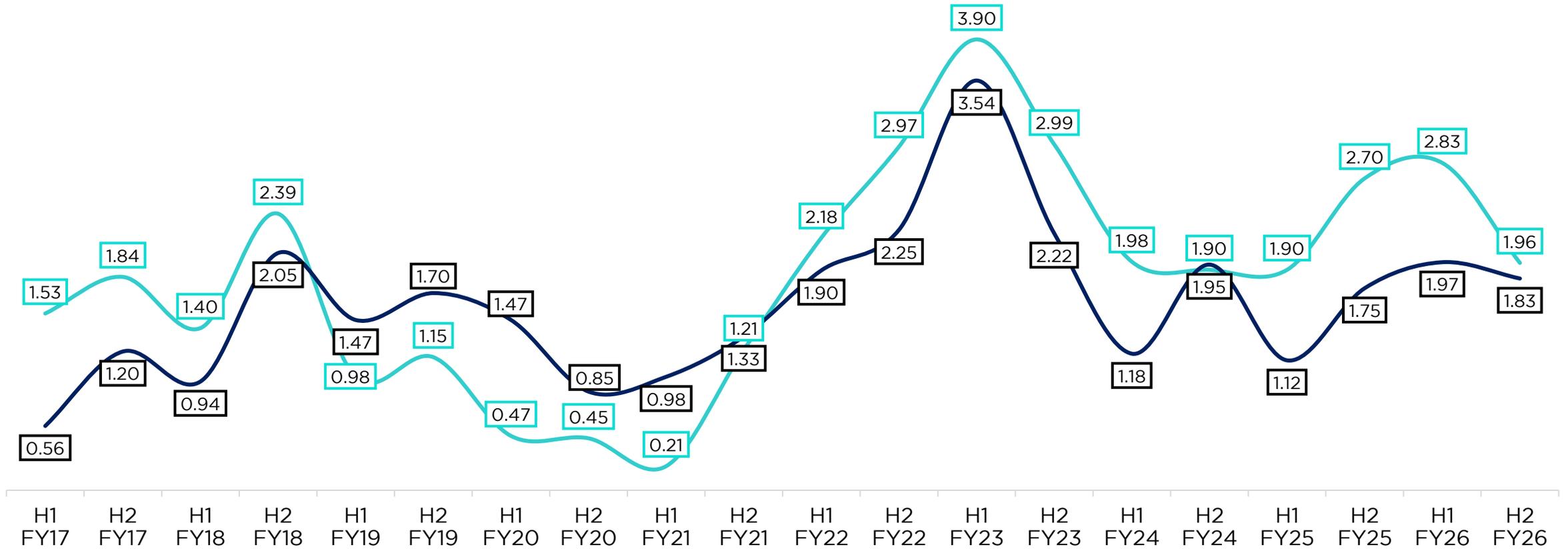
Trends in credit ratio



Source: CareEdge Ratings

Credit Ratio: Moderation in Investment grade

Grade wise credit ratio



Investment Grade (IG): CARE BBB- and above ratings

Below Investment Grade (BIG): CARE BB+ and below ratings

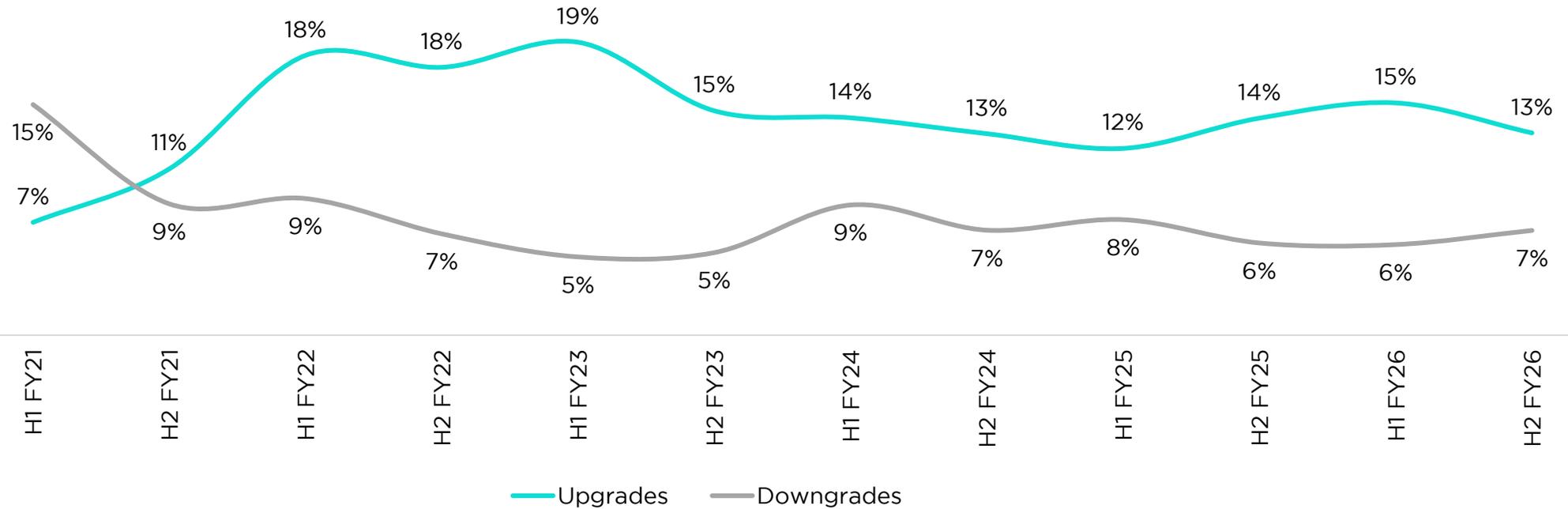
— Investment Grade - Credit ratio

— Below Investment Grade - Credit ratio

Source: CareEdge Ratings

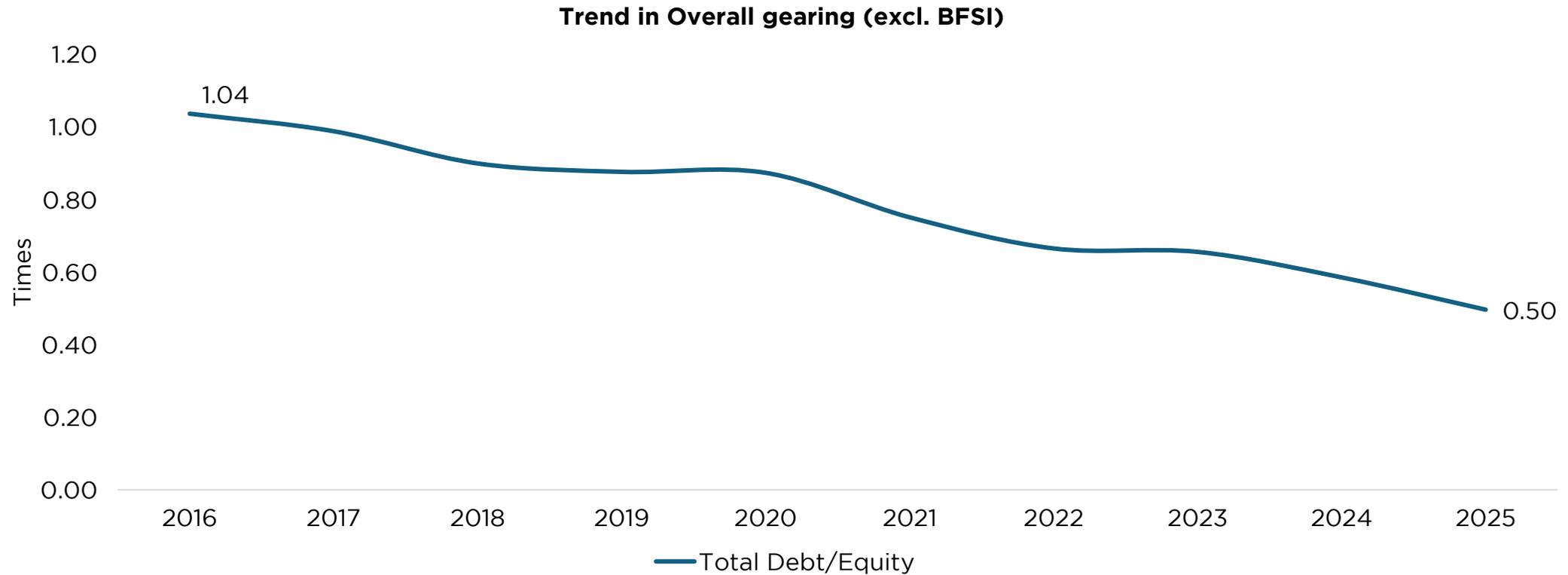
Upgrade Momentum moderated, Downgrades contained

Percentage of Upgrades and Downgrades



Source: CareEdge Ratings

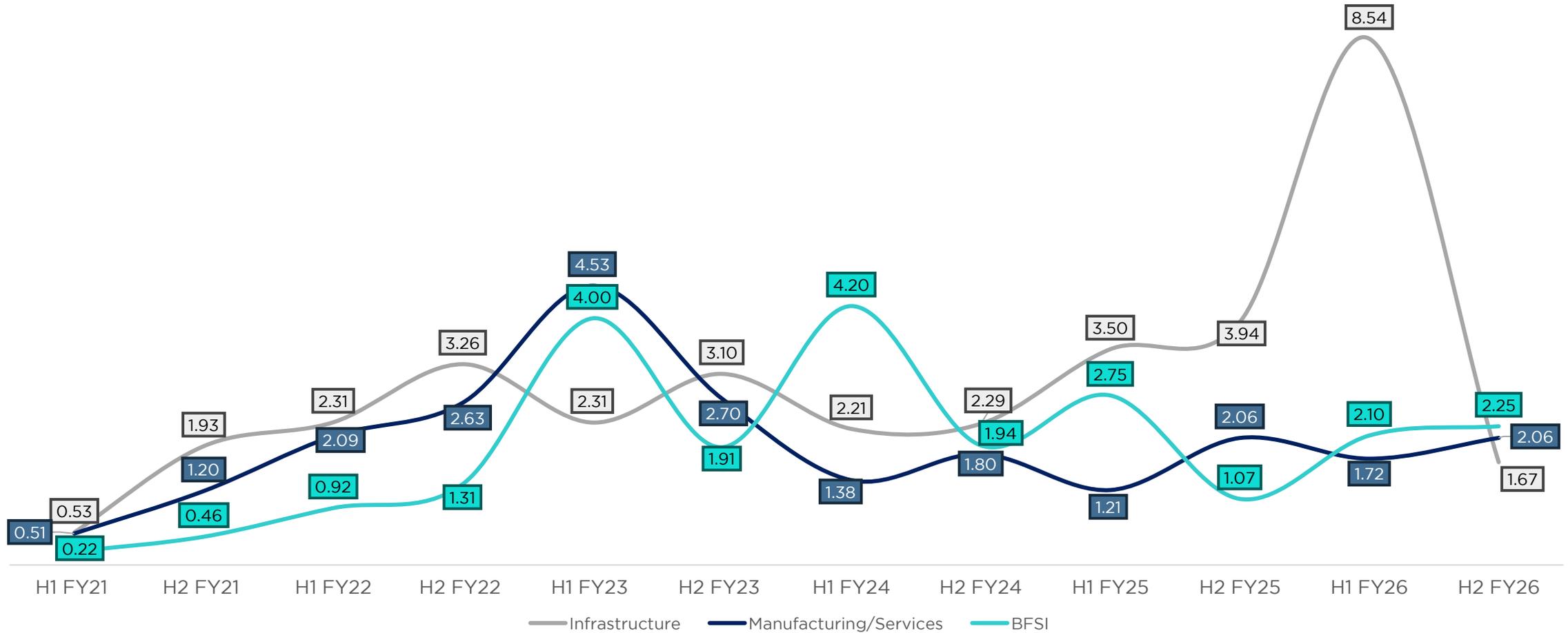
Healthy performance metrics with leaner balance sheets



Note: This is based on an aggregated analysis of around 8000 entities (excluding BFSI) over the past decade, with financials sourced from the Ace Equity platform.

Sectoral Credit Ratio Trend

Improvement in Manufacturing and BFSI Amid Infra Normalization



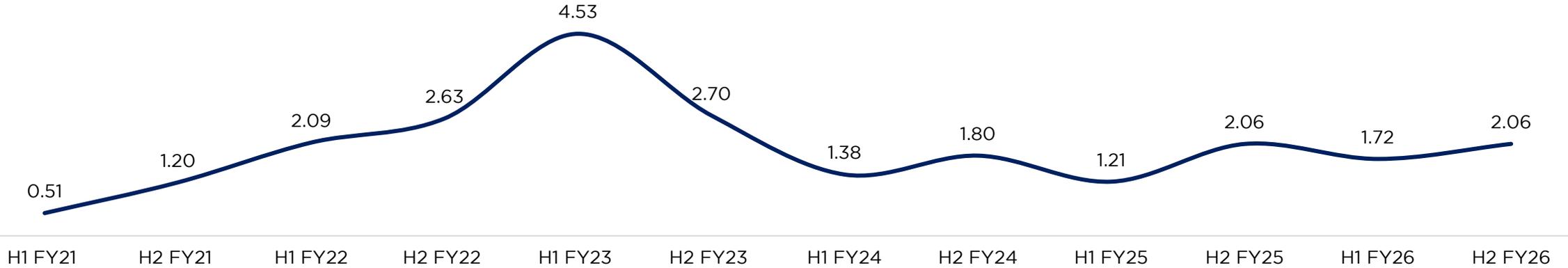
Source: CareEdge Ratings

Manufacturing / Services

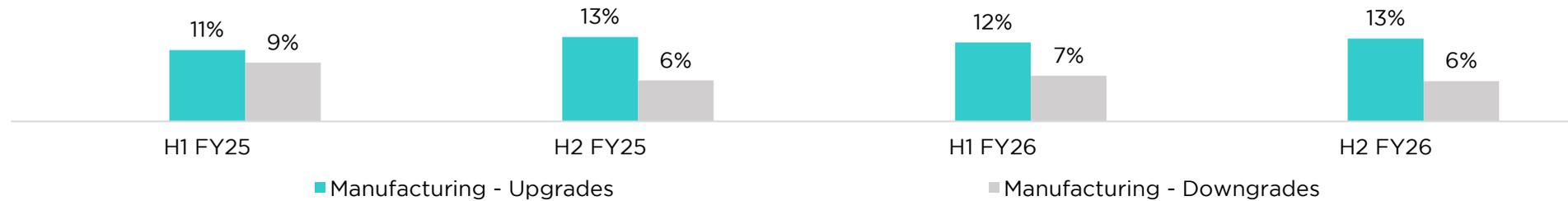
Manufacturing/services: Credit ratio remains healthy and range-bound

Outlook: Stable

Manufacturing/Services credit ratio



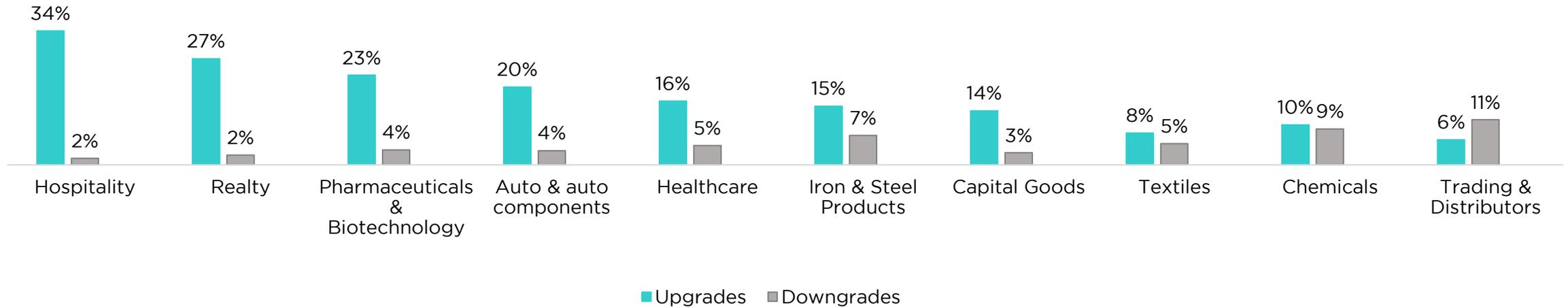
Rating actions in last 4 half years



Source: CareEdge Ratings

Manufacturing/services: Key sectors driving upgrades and downgrades

Upgrades & Downgrades as a % of reviews in H2FY26



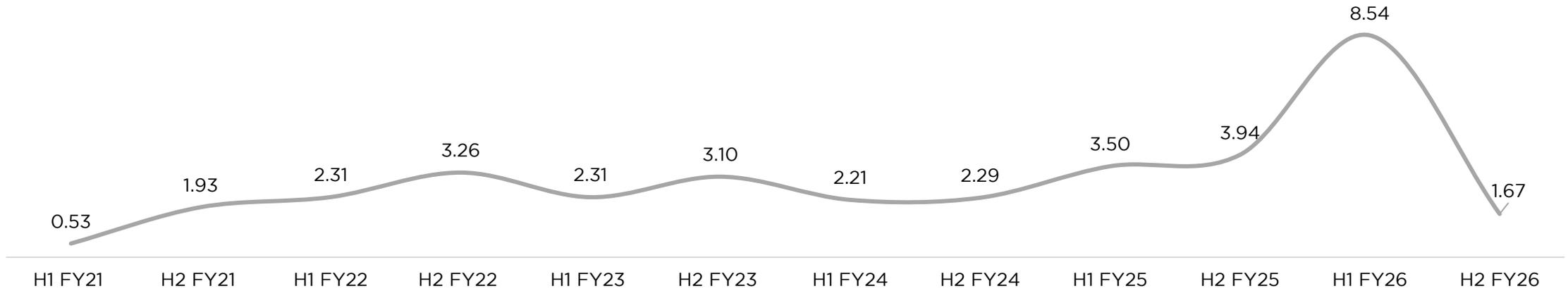
Source: CareEdge Ratings

Infrastructure Sector

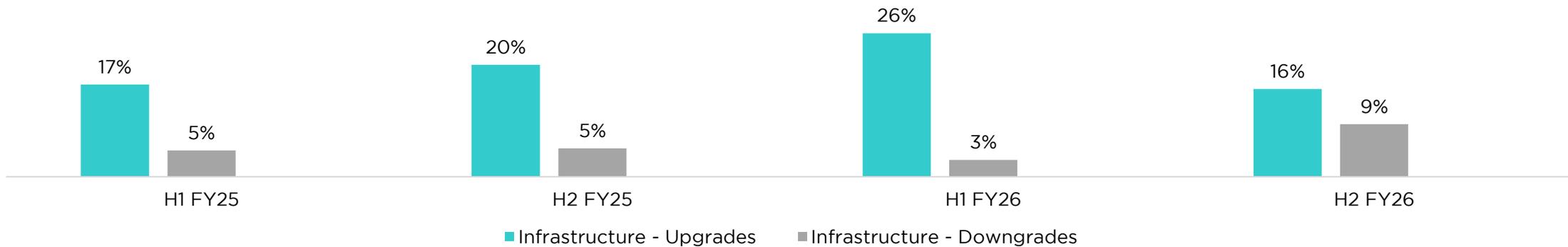
Infrastructure: Credit ratio normalizes from peak levels

Outlook: Stable

Infrastructure credit ratio



% of rating actions in last 4 half years

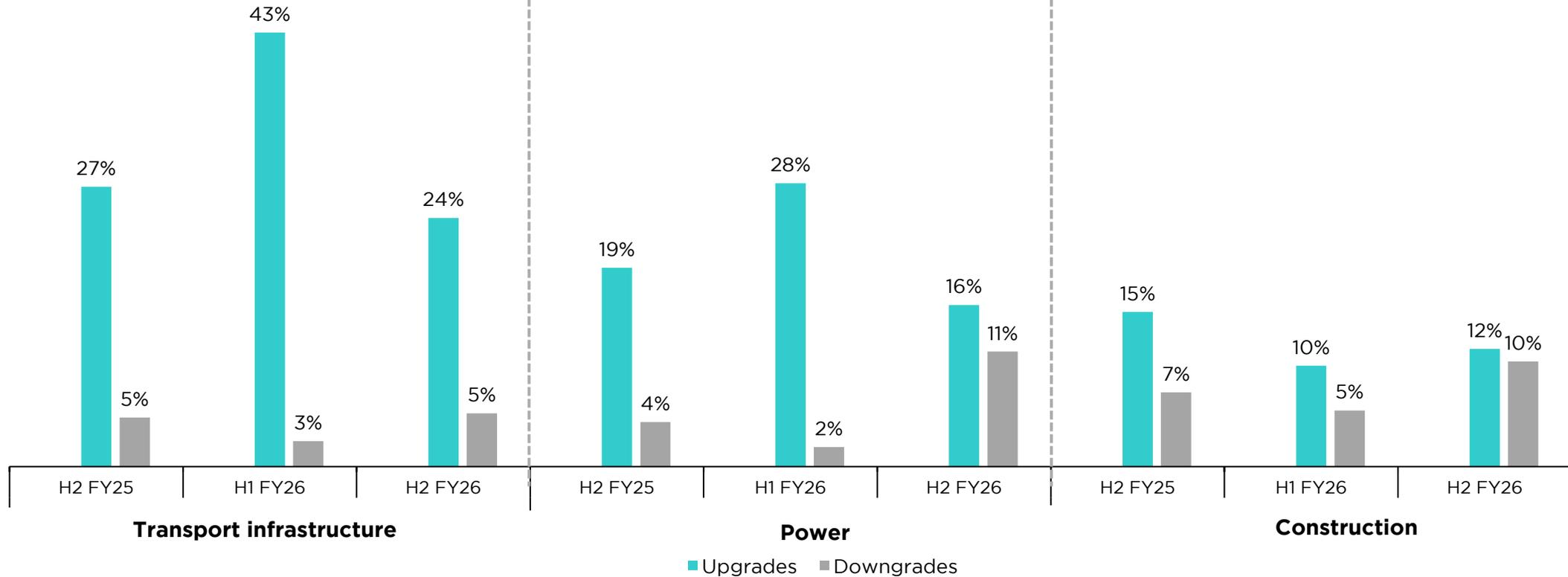


Source: CareEdge Ratings

Transport & Power: Project commissioning uplifts outlook amid modest bidding scenario & rising competition

Outlook: Stable

Rating actions in last 3 half years



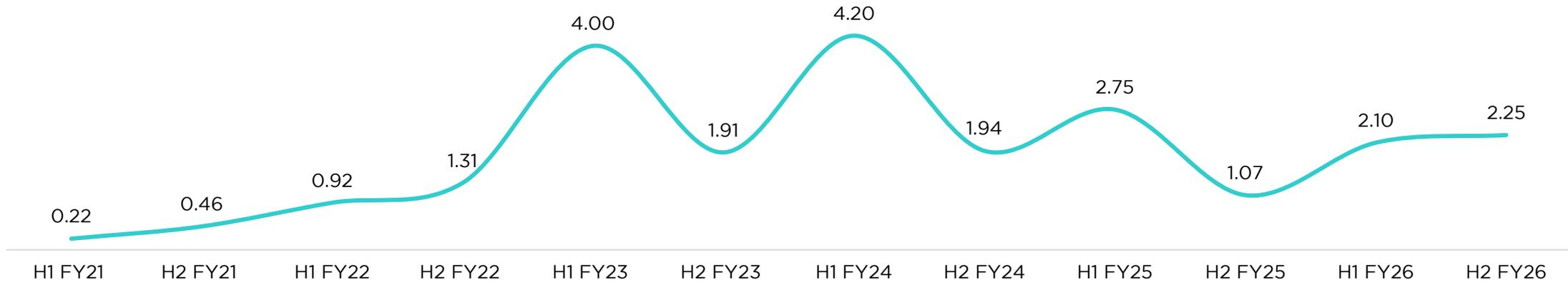
Source: CareEdge Ratings

Banking and Financial Services

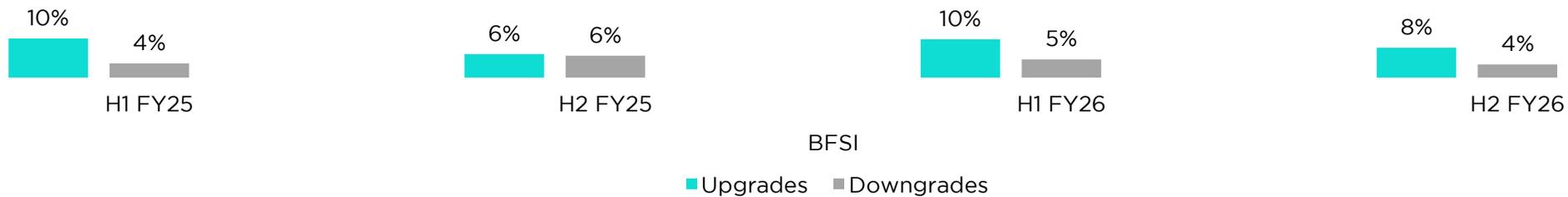
BFSI credit ratio improves in H2FY26 with upgrades in NBFCs, downgrades in small NBFCs and MFIs

Outlook: Stable

BFSI credit ratio



Rating actions in last 4 half years



Source: CareEdge Ratings

Credit Quality Outlook



Macro & External Environment

- High energy prices coupled with exchange rate uncertainty and geopolitical tensions have clouded growth and inflation outlook
- CAD, fiscal metrics and yields face pressure, though forex reserves provide a partial buffer



Overall Credit Quality Outlook

- Overall credit quality remains cautious, with credit ratio expected to be range bound
- Balance-sheet strength, project commissioning, and robust BFSI fundamentals continue to provide some relief in the near term.



Key Risks to Monitor

- Prolonged geopolitical tensions impacting:
 - Energy prices and inflation trajectory
 - Fiscal burden and G-sec yields
 - External sector metrics (CAD, rupee volatility)
- Sector-specific vulnerabilities in energy-intensive and trade-linked export segments

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Q&A Session

Please key in your queries



Thank you

Authors:

| | | |
|---------------------|--|---|
| Sachin Gupta | | Executive Director and Chief Rating Officer |
| Rajani Sinha | | Chief Economist |
| Sanjay Agarwal | | Senior Director |
| Rajashree Murkute | | Senior Director |
| Ranjan Sharma | | Senior Director |
| Vineet Jain | | Senior Director |
| Yogesh Shah | | Senior Director |
| Sabyasachi Majumdar | | Senior Director |
| Priti Agarwal | | Senior Director |
| Smita Rajpurkar | | Senior Director |
| Shreya Khare | | Assistant Director |

Media Relations :

Mradul Mishra | mradul.mishra@careedge.in | +91 - 22 - 6754 3596

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CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel. : +91-22-6754 3456
CIN: L67190MH1993PLC071691 | For queries / feedback write to us at: corp.comm@careedge.in

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