

Given the ongoing geopolitical tensions involving the **United States, Iran, and Israel**, we have assessed a stress scenario where **global crude oil prices sustain above \$130 per barrel**. Such a scenario could have **meaningful macroeconomic implications for India**, which is heavily dependent on imported crude oil.

At the sectoral level, the impact would primarily flow through **two key channels: higher input cost and macro-driven demand moderation**. Energy-intensive industries are likely to experience **margin pressures due to rising fuel and logistics costs**, while sectors linked to discretionary spending or construction activity could face **demand volatility if inflation and interest rates rise**.

In this report, we analyse the **potential implications of a sustained \$130/bbl crude environment on the sectors under our coverage**. Our analysis also highlights which companies may remain relatively insulated from this situation.

Industry	Iran–Israel–US Conflict
<p>Banking and Financial Services</p>	<p>Impact of Elevated Crude Prices on India’s Banking and Financial Services Sector</p> <p>Crude Oil Bull Case Scenario –for the upcoming 3-4 months</p> <p>The increase in crude oil prices from approximately USD 70/b (before the US–Israel attack on Iran) to ~USD 130/b is expected to inflate India’s oil import bill by ~USD 101.0–106.0 Bn annually, given that India imports nearly 4.7–4.9 Mn barrels per day (mbpd) of crude oil.</p> <p>During 9MFY26, India’s current account deficit (CAD) stood at USD 27.9 Bn, while for the full year (FY26E) it is expected to remain ~USD 41.0 Bn, translating to ~1.1% of GDP (assuming the government’s revised GDP estimate of INR 357.1 Tn and a USD/INR exchange rate of 92.0). With crude prices remaining elevated in March 2026, the CAD is expected to increase further to ~USD 50.0 Bn, or ~1.3% of GDP.</p> <p>Furthermore, based on the government and RBI’s crude price assumption of ~USD 65.0–70.0/b, the CAD for FY27E is expected to remain ~USD 60.0 Bn (~1.4% of GDP, assuming the government’s budgeted GDP estimate of INR 393.0 Tn and a USD/INR exchange rate of 94.0). However, this could increase to USD 87.0–90.0 Bn (~2.1% of GDP) if conflict persists till Jun-2026.</p> <p>To keep retail inflation under control, the government may aim to maintain stable pump fuel prices, which could necessitate a reduction in excise duty on fuel. This, in turn, may lead to a higher central fiscal deficit and higher net market borrowings, from the government’s estimate of INR 11.7 Tn for FY27E.</p> <p>An increase in the CAD, along with a higher fiscal deficit, may exert upward pressure on 10-year G-sec yields, thereby increasing the expected cost of borrowings for banks and NBFCs (reduction of 20-25 bps was expected over the upcoming 9-12 months). This could affect the currently robust systemic credit growth, potentially moderating it from our current expectations around 13.0–14.0% for FY27E to ~11.0–12.0%, growth expectations similar to FY26E.</p> <p>Slower credit growth and a higher cost of funds would weigh on earnings of the lenders, both banks and NBFCs.</p>
<p>Basic Materials</p>	<p>Building Materials:</p> <p>A Prolonged Increase in Crude Oil Prices ~USD Lead to Cost Pressures of ~200–300 bps across the Building Materials Sector</p> <p>Scenario Analysis: Current Case (USD 90/b crude) vs Bear Case (USD 130/b crude)</p> <p>PVC Pipes: Most Vulnerable to Crude Oil Price Volatility: A spike in PVC resin prices could significantly compress margins, as resin represents ~65–70% of the PVC pipe industry’s raw material cost. Under a bear case, volume growth could slow to ~5–7%, compared with ~12–15% in the current case.</p> <p>Tiles: Rising Gas Costs for Kiln Could Drive Cost Inflation and Weigh on Volume Growth: Energy-intensive manufacturing (gas-fired kilns) leads to cost inflation and lower volume growth of ~4–6% in bear case vs ~8–10% growth in current case, supported by housing launches and replacement demand. The Morbi tile hub is facing fuel supply disruption and potential shutdowns, including propane and natural gas—critical for kiln operations. Roughly ~100 units have already shut.</p> <p>Plywood & Panels: Housing Interior Demand Could Weaken in a Bear Case: Demand linked to housing interiors may soften, with growth slowing to ~4–5% in bear case vs ~9–11% growth in current case.</p>

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Industry	Iran–Israel–US Conflict
Basic Materials	<p>MDF: Resilient Demand but Growth Likely to Moderate in a Bear Case: Growth remains relatively resilient but moderates to ~8–10% due to slower furniture demand in the bear case vs ~15–18% growth in the current case.</p> <p>Bathware: Stable Premium Demand but Slower Overall Growth in a Bear Case: Premium segment remains stable, but overall growth slows to ~5–6% in bear case vs ~10–12% growth in current case</p> <p>Currently, we maintain our recommendations of the companies under our coverage, while we closely monitor the situation to assess the broader implications for the sector.</p> <p><u>Cement :</u></p> <p>Impact of Elevated Crude Prices on India’s Cement Sector</p> <p>Crude Oil Scenario: Volatility Likely to Persist in the Near Term (3–4 Months)</p> <p>Escalating geopolitical tensions between Iran, Israel and the United States could drive crude oil prices higher, which may indirectly impact the Indian cement sector through rising fuel costs. Cement manufacturing is an energy-intensive process, with power and fuel accounting for nearly 25–30% of total production costs. Currently, cement companies rely heavily on imported fuels such as US petcoke, which constitutes around 50–60% of the industry’s fuel mix, making the sector sensitive to global energy price movements.</p> <p>Base Case (~\$90/bbl crude)</p> <p>Under a base case scenario of ~\$90/bbl crude, the sector is expected to sustain healthy demand growth of ~7–8%, translating into incremental volumes of ~32–35 MnT. Input cost inflation remains manageable, enabling companies to maintain stable realisations and EBITDA per tonne, with no meaningful impact on sector profitability.</p> <p>Stress Scenario (~\$110/bbl crude)</p> <p>In a stress scenario with crude at ~\$110/bbl, the sector could face moderate margin pressure. Higher diesel and pet coke prices would increase logistics and kiln fuel costs, while elevated inflation could slightly temper construction activity. Cement demand growth could moderate to ~6.5–7%, implying ~3–4 MnT lower incremental demand versus the base case. Realisations may face INR 40–60/tonne pressure, while operating costs could rise by INR 50–60/tonne, leading to an EBITDA impact of ~INR 50–60/tonne.</p> <p>Severe Shock Scenario (~\$130/bbl crude)</p> <p>In a severe shock scenario with crude at ~\$130/bbl, cost pressures would intensify as higher diesel and fuel costs significantly increase production and freight expenses. At the macro level, higher inflation could moderate GDP growth and construction activity, potentially lowering cement demand growth to ~5.5–6%, resulting in ~6–8 MT lower incremental demand. Realisations may come under INR 80–100/tonne pressure, while costs could increase by INR 70–100/tonne, translating into a potential EBITDA decline of ~INR 80–120/tonne.</p> <p>While elevated crude prices could exert some pressure on margins, the long-term demand outlook for the cement sector remains supported by strong infrastructure spending, housing demand, and sustained government capex. Companies are likely to partially mitigate the cost impact through fuel mix optimisation, operational efficiencies, and calibrated price increases. However, under stress or severe shock scenarios, relatively smaller and regionally concentrated players such as Birla Corporation, Nuvoco Vistas and The Ramco Cements could face comparatively higher pressure on margins and profitability versus larger and more diversified players like UltraTech Cement, ACC, Ambuja and Shree Cement.</p> <p>We continue to maintain our Positive view on the Cement sector with our Base case assumptions, while we closely monitor the situation to assess the broader implications for the sector.</p>

Industry	Iran–Israel–US Conflict
Basic Materials	<p><u>Metals & Mining:</u></p> <p>Impact of Elevated Crude Prices on India's Metals & Mining Sector</p> <p>Crude Oil Scenario: Volatility Likely to Persist in the Near Term (3–4 Months)</p> <p>Escalating geopolitical tensions involving Iran, Israel, and the United States could keep crude oil prices elevated. While metals producers are not directly exposed to crude prices, the impact is transmitted through higher freight costs, energy prices, and raw material inflation.</p> <p>The metals industry is energy-intensive, with power, fuel, and logistics accounting for ~30–40% of total operating costs depending on the metal. Steel producers additionally depend on imported raw materials such as coking coal, while aluminium producers have significant power cost exposure. Additionally, higher crude prices typically exert pressure on the Indian Rupee, and any INR depreciation against the USD could increase the cost of imported raw materials such as coking coal, scrap, alumina, and copper concentrates, further impacting industry margins.</p> <p>Base Case (USD 90/bbl crude)</p> <p>Under a base case scenario of USD 90/bbl crude, the metals sector is expected to see stable demand growth supported by infrastructure spending, construction activity, and manufacturing growth.</p> <p>Steel demand in India is likely to grow ~8–9%, driven by government infrastructure spending and real estate demand. Input cost inflation remains manageable as coal and freight costs remain relatively stable.</p> <ul style="list-style-type: none"> • Steel prices are expected to remain in the INR 48,000–52,000/tonne range. • Aluminium prices remain supported by global supply constraints and energy costs. • EBITDA margins across the sector are expected to remain stable with limited cost pressures. <p>Overall, sector profitability is expected to remain resilient in the base case scenario.</p> <p>Stress Scenario (USD 110/bbl crude)</p>
	<p>Under a stress scenario with crude at USD 110/bbl, the metals sector could experience moderate margin pressure due to higher energy and freight costs.</p> <p>Higher diesel prices increase rail and road logistics costs, while elevated shipping rates raise the cost of imported raw materials such as coking coal and alumina.</p> <ul style="list-style-type: none"> • Steel demand growth could moderate to ~7–7.5%, slightly below the base case. • Steel realisations could face INR 800–1,000/tonne pressure due to weaker demand. • Input costs could increase by INR 1,000–1,200/tonne, driven by higher coal and freight costs. <p>This could translate into an EBITDA impact of ~INR1,400–1,800/tonne for integrated steel producers.</p> <p>Aluminium producers could see mixed impact, as higher power costs are partially offset by firmer global aluminium prices.</p> <p>Severe Shock Scenario (USD 130/bbl crude)</p> <p>In a severe shock scenario with crude at USD 130/bbl, cost pressures could intensify significantly. Higher energy prices would push up electricity costs, freight rates, and raw material prices, while elevated global inflation could slow economic activity and industrial demand.</p> <ul style="list-style-type: none"> • Steel demand growth could moderate to ~6–6.5%. • Steel realisations could decline by INR 1,500–2,000/tonne due to weaker demand. • Operating costs could increase by INR 1,800–2,200/tonne. <p>This could result in a potential EBITDA decline of ~₹2,000–₹2,500/tonne for steel integrated producers.</p> <p>Aluminium producers could experience higher power costs, though stronger global aluminium prices may partially offset margin pressures. Copper demand could also soften due to slower global industrial activity.</p> <p>Sector View</p> <p>While elevated crude prices could create short-term margin pressure through higher energy and logistics costs, the medium- to long-term demand outlook for the metals sector remains supported by strong infrastructure spending, urbanisation, and manufacturing growth in India.</p>

Industry	Iran–Israel–US Conflict
Consumer Discretionary & Staples	<p>Automobile:</p> <p>Prolonged Middle East Tensions could potentially reduce Automobile OEM volumes by ~1–3% and compress margins by ~150–200 bps</p> <p>Export Disruptions and Logistics Cost Inflation: Escalating tensions in the Middle East are beginning to disrupt India's automobile export supply chain. India exported USD 8.8 Bn worth of cars in 2025, with ~20%–25% directed to the Middle East (~4–5% of total volume), highlighting the region's strategic importance. Some automakers have already temporarily paused shipments, while emergency freight surcharges and higher war-risk insurance premiums (+100% to +250% increase depending on route and risk zone) are increasing logistics costs. Shipping disruptions could extend transit times by 10–14 days, pressuring margins as freight typically accounts for 1–3% of revenue.</p> <p>Raw Material Cost Inflation: Rising crude oil prices will lead to an increase in costs of petrochemical-based inputs such as plastics, synthetic rubber, and paints. These materials collectively account for ~10–15% of total vehicle manufacturing costs and ~15–25% of costs for many auto component suppliers. Consequently, sustained crude-linked commodity inflation could pressure gross margins across both OEMs and auto ancillaries.</p> <p>Remittance Channel and Domestic Demand Risk: India received a record ~USD 135 Bn in remittances in FY25, with ~35–40% originating from Gulf countries. Any slowdown in economic activity across the Gulf region could reduce remittance inflows, potentially softening rural and semi-urban demand, particularly for two-wheelers and entry-level passenger vehicles.</p> <p>Among the companies under our coverage, Maruti Suzuki India has ~2.2% of total volumes exposed to the Middle East, while Bajaj Auto and TVS Motor Company each have ~3.0% total volume exposure to the region. In the commercial vehicle segment, Ashok Leyland derives ~3.2% of total volumes from Middle Eastern markets.</p> <p>While OEMs may face export disruptions and higher cost pressures, auto ancillary companies are likely to see limited direct demand impact from Middle East exposure. However, higher commodity prices and logistics costs could still create margin headwinds across the component value chain.</p> <p>Overall, if Middle East tensions persist for a prolonged period, we expect the disruption to potentially reduce OEM volumes by ~1–3% and compress margins by ~150–200 bps, driven by export disruptions, elevated freight cost and crude-linked raw material inflation.</p> <p>At present, we continue to maintain our Positive view on the automobile sector, while we closely monitor the situation to assess the broader implications for the sector. Currently, we maintain our recommendations of the companies under our coverage.</p> <p>FMCG:</p> <p>Impact of Volatility in Crude Prices on the FMCG Sector</p> <p>Crude Oil Scenario – Remain volatile over the next 3–4 months</p> <p>Crude oil prices have witnessed sharp volatility, rising from ~USD 70/b (prior to the US–Israel attack on Iran) to nearly USD 120/b at peak levels and currently moderating to ~USD 91/b following the recent G7 meeting.</p> <p>Sustained volatility in crude prices could create pressure on gross margins across the FMCG sector. Crude and its derivatives constitute a significant portion of raw material costs, particularly for Beauty & Personal Care (BPC) companies (30–40% of the raw material basket). In contrast, Food FMCG companies have relatively lower exposure, with crude derivatives accounting for only 10–15% of total raw material costs.</p> <p>If crude prices climbed to USD 100–130/b range, we estimate a 100–250 bps impact on gross margins for most BPC FMCG players. In order to offset the cost pressure, FMCG companies might have to take high single-digit to low double-digit price increases. However, this would eventually led to near term volume pressure on the sector (reversing the volume recovery trend of last 1-2 quarters). The impact on food-focused FMCG companies is expected to remain limited, as their key raw material exposure is palm oil, which has remained relatively stable.</p> <p>Given the ongoing volatility in crude markets, we continue to closely monitor the situation to assess the broader implications for the FMCG sector, particularly in terms of pricing actions and demand environment.</p>

Industry	Iran–Israel–US Conflict
Energy	<p><u>Upstream companies:</u></p> <p>A Prolonged Increase in Crude Oil Prices May Support Average Realised Prices for Oil and Gas Upstream Companies and Indirectly Support Pure-Play Refiners, While Negatively Impacting OMCs</p> <p>We analyse the scenarios wherein we assume the Base Case at the current price of USD90/b vs Stress and Severe Shock Scenario (USD 110/ and USD130/b crude)</p> <p>Base Case: USD90/b</p> <p>For upstream companies, a USD90/b oil price environment supports stronger realisations while encouraging incremental spending to offset natural decline in mature fields. Investments in infill drilling, well workovers and enhanced recovery can stabilise or modestly lift output, supporting both higher volumes and profitability. Given the strong price linkage, a USD1/b increase in crude oil prices can materially add to annual revenues.</p> <p>Stress and Severe Shock Scenario (USD110/b and USD130/b)</p> <p>A move toward USD110/b and potentially USD130/b is likely to drive greater cash-flow expansion than a full upstream cycle, although such elevated prices may not persist for a year under the current supply–demand scenario. Given the long gestation and capital intensity of upstream projects, companies typically require sustained price visibility before sanctioning new developments.</p> <p><u>Downstream companies:</u></p> <p>India imports approximately 50% of its crude through the Strait of Hormuz. Provided the tensions prevail, refineries will have to pivot to other sources, including crude from Russia, resulting in a certain decrease in GRMs for refineries. The crude from the Middle East is the most economical in the current price environment.</p> <p>Base Case: USD90/b</p> <p>The elevated oil prices have resulted in a higher increase in diesel prices, resulting in stronger diesel cracks for pure play refiners. International Diesel (FOB) prices have increased by 54% MTD in March to USD 132.46/b, versus USD 86.03/b in February. As opposed to this, Brent has increased by ~30%. This divergence implies a stronger refining margin for pure-play refiners relative to integrated OMCs. Meanwhile, at the current price level, the marketing margin turns negative for OMCs.</p> <p>Stress and Severe Shock Scenario (USD110/b and USD130/b)</p> <p>Provided the oil price moves beyond USD100/b, it has been observed that a surge in diesel as well as ATF prices remains limited, which limits the increase in further profitability.</p> <p>Impact on CGDs</p> <p>CGDs with a higher share of retail segments remain relatively insulated, whereas industrial-heavy portfolios face a dual pressure from lower volumes and elevated LNG procurement costs amid supply disruptions. If the disruption persists, profitability could weaken materially.</p> <p>We continue to maintain a neutral view on the Oil & Gas Upstream segment, while maintaining a positive view on Oil & Gas Downstream.</p>

Industry	Iran–Israel–US Conflict
Healthcare	<p>Hospitals:</p> <p>Prolonged Middle East Tensions could potentially impact Indian Healthcare revenues by ~1% and compress EBITDA margins ~50bps</p> <p>At the outset, there is Limited Middle East revenue exposure on the Indian healthcare sector from the conflict.</p> <p>Medical tourism from the Middle East remains largely unaffected: The Middle East contributes around 10–15% of India's international patient volumes —with the conflict posing risks through travel disruptions, slowdown in government-sponsored medical programs from Iraq, Oman & Yemen.</p> <p>Artemis Medicare stands out among the companies under our coverage with the highest medical tourism exposure, accounting for ~34% of total revenue, whereas other companies have share in the range of 5-10% only. The Middle East contributes not more than 10–15%, translating into a relatively modest impact on the company's financial performance.</p> <p>No significant strain on medical equipment supply chains: India imports medical equipment through Middle East shipping routes. There is no shortage right now, but if the conflict drags on, the situation could get worse.</p> <p>The Indian Hospital Sector remains fundamentally resilient. The domestic demand story is intact and strong. At present, we continue to maintain our Positive view on the Healthcare sector, while we closely monitor the situation to assess the broader implications for the sector.</p> <p>Pharmaceuticals:</p> <p>Prolonged Middle East Tensions could potentially impact Indian Pharma revenues by 1–2% and compress EBITDA margins by 150–200 bps</p> <p>Scenario Assumption: Our assessment assumes a scenario where crude oil prices rise sharply and sustain around USD 130/b amid prolonged geopolitical tensions in the Middle East.</p> <p>Export Disruptions and Revenue Deferment: Escalating geopolitical tensions in the Middle East could disrupt pharmaceutical export supply chains from India. India exported ~USD 1.75 Bn worth of pharmaceutical products to the West Asia & North Africa (WANA) region in FY25, accounting for ~5.7% of the country's total pharma exports of USD 30.4 Bn. Any escalation in conflict could lead to shipping delays, port congestion and temporary disruptions in trade routes, potentially resulting in deferred deliveries and delayed revenue recognition for export-focused companies. However, heightened demand for essential medicines and potential stockpiling across the region could partially offset the impact for Indian generic exporters.</p> <p>Freight and Logistics Cost Inflation: Disruption of maritime shipping routes and vessel rerouting through longer alternative paths is driving up emergency freight surcharges, container costs and war-risk insurance premiums. Given freight typically accounts for 1–3% of revenue, a sharp increase in logistics costs could compress EBITDA margins by 150–200 bps.</p> <p>Supply Chain Risks for APIs and Raw Materials: Dependence on imported Active Pharmaceutical Ingredients (APIs) and Key Starting Materials (KSMs) remains a concern, with prolonged conflict potentially tightening supply availability and increasing procurement costs.</p> <p>Currency Volatility Creates Mixed Impact: Heightened geopolitical uncertainty could exert depreciation pressure on the Indian Rupee. While a weaker rupee partially supports export realisations in INR terms, it simultaneously inflates the cost of imported APIs, KSMs and crude-linked raw materials, creating an offsetting margin headwind.</p> <p>Based on the geographical revenue mix of our coverage universe, direct exposure to the Middle East remains relatively limited, with the majority of revenues derived from regulated markets such as the US and Europe. As a result, while logistics disruptions and freight inflation may create near-term operational challenges, direct revenue sensitivity to the Middle East region remains limited for most companies.</p> <p>Overall, if Middle East tensions persist for a prolonged period, we expect the disruption to potentially reduce Indian Pharma revenues by 1–2% and compress EBITDA margins by 150–200 bps, driven by export disruptions, elevated freight costs and crude-linked raw material and API cost inflation.</p> <p>At present, we continue to maintain our Positive view on the Indian Pharmaceutical sector, while we closely monitor the evolving geopolitical situation to assess broader implications. We maintain our recommendations on the companies under our coverage.</p>

Industry	Iran–Israel–US Conflict
Industrials	<p><u>Defence:</u></p> <p>Middle East tensions may accelerate India's defence export opportunity while leaving supply chains largely insulated</p> <p>Escalating tensions around the Strait of Hormuz could trigger higher defence procurement across Gulf nations. The Middle East accounts for ~30–35% of global arms imports, making it one of the largest defence markets globally. India's defence exports have steadily grown to ~INR 23,600 Cr (~USD 2.8 Bn) in FY25, with the govt targeting INR 50,000 Cr by FY29E, indicating strong export momentum</p> <p>Countries such as Saudi Arabia, United Arab Emirates, Qatar, and Bahrain have historically increased defence spending during periods of geopolitical instability. A 10–15% rise in regional procurement budgets could create USD 3–5 Bn (INR 25,000–40,000 Cr) incremental export opportunity for emerging suppliers such as India</p> <p>India's defence industry is currently undergoing a structural transition from a component supplier to a system-level exporter. Historically, Indian companies largely supplied subsystems, components and support equipment, but they are now increasingly marketing and pitching complete platforms such as BrahMos, Akash, Pinaka, torpedoes and anti-drone systems. This transition meaningfully expands India's addressable export market and improves its positioning as a competitive defence supplier</p> <p>Modern warfare is also increasingly defined by a kinetic-cum-economic dimension, where the cost of engagement plays a critical role. For instance, relatively inexpensive loitering munitions such as the Shahed drone, which can cost ~USD 20,000, have often required interception using high-end air defence systems costing several hundred thousand to over a million dollars per engagement. This dynamic is driving demand for cost-effective counter-drone systems, layered air defence and electronic warfare solutions, areas where Indian companies are gradually building capabilities</p> <p>From a company perspective, Bharat Electronics Limited (radar and electronic warfare), Bharat Dynamics Limited (missile systems), Data Patterns (India) Limited (mission-critical electronics), and Zen Technologies (counter-drone systems) appear well positioned to benefit from potential export opportunities</p> <p>Unlike sectors such as autos or chemicals where logistics disruptions can significantly impact supply chains, the defence sector is less exposed to immediate trade disruptions, as govt-to-govt contracts, strategic logistics corridors and military supply chains typically remain operational even during conflicts. As a result, defence manufacturers are generally able to continue supplying equipment to partner or allied nations despite geopolitical tensions</p> <p>That said, while order books across several defence companies remain robust and order inflows appear promising, execution risk remains a key variable. Timely delivery, supply chain coordination, and platform-level integration capabilities will be company-specific differentiators, particularly as Indian firms transition toward executing larger and more complex system-level export contracts</p> <p>Overall, while geopolitical tensions could disrupt global trade flows, the impact on India's defence sector is likely to be net positive, as rising regional security concerns may accelerate procurement of missiles, drones, radar systems and artillery platforms, potentially supporting stronger defence export growth over the medium term</p> <p>We continue to maintain a positive outlook on the defence sector and do not foresee any changes to our current assumptions. Consequently, we reiterate our existing recommendations on the companies under our coverage</p>

Industry	Iran–Israel–US Conflict
<p>Realty and Infrastructure</p>	<p>Real Estate:</p> <p>A Prolonged Increase in Crude Oil Prices Play an Indirect Role in Shaping the Outlook for the Indian Real Estate Sector</p> <p>Scenario Analysis: Current Case (USD 90/b crude) vs Bear Case (USD 130/b crude)</p> <p>Oil-driven cost inflation (cement, steel, energy and transportation) and market uncertainty may weigh on margins and overall profitability, construction costs could increase by ~10–12% in bear case.</p> <p>Pre-sales growth could slow sharply to ~0–3% in bear case, reflecting weaker demand and more cautious buyer sentiment, vs ~12–15% growth in current case.</p> <p>Developers may respond by reducing new launches to ~3.3–3.5 lakh units annually in bear case, focusing on completing existing projects rather than expanding supply aggressively, vs ~4.8–5.0 lakh units in current case.</p> <p>Slower sales and moderated supply would likely lead to a sharp increase in unsold inventory, pushing inventory overhang to ~26–30 months in bear case, a level indicative of a softer market, vs ~15–18 months in current case.</p> <p>Cost inflation combined with slower price growth (ASP growth of ~2–3%) would compress profitability, with developer EBITDA margin potentially declining to ~15% in bear case vs ~25–28% (considering ASP growth of ~7–8%) in current case.</p> <p>Geopolitical uncertainty may delay foreign real estate investments, slows transactions, shift capital to safer assets, and changes investment strategies.</p> <p>Currently, we maintain our recommendations of the companies under our coverage, while we closely monitor the situation to assess the broader implications for the sector.</p>
<p>Technology</p>	<p>Middle East Geopolitical Tensions: Limited Direct Impact on Indian IT and ER&D; Currency Tailwind Partially Offsets Risks</p> <p>Limited Middle East Revenue Exposure (~4% of Global IT Spending): Middle East & Africa (MEA) IT spending was about \$155 Bn in 2025 (~4% of global IT spending) and may slow due to rising regional tensions. However, Indian IT companies have limited exposure to the region (mostly low single digit revenue share), implying minimal direct earnings impact. While some project delays or slower client spending may occur, firms remain largely reliant on the US and Europe for the majority of revenues. Among Tier-1 players, TECHM and WPRO have relatively higher exposure (~6–8%) due to stronger presence in telecom, energy, and government projects in the Gulf.</p> <p>1% INR Depreciation expands EBIT margins by ~30–40bps: Higher oil prices typically weaken the INR. For export-oriented Indian IT & ER&D services, a 1% INR depreciation can expand EBIT margins by ~30–40 bps, partially offsetting macro demand risks.</p> <p>Bear Case Scenario: While rupee depreciation may temporarily support margins, a prolonged geopolitical disruption that sustains high oil prices could tighten global liquidity and delay discretionary technology spending, which might soften the revenue growth in the near-term.</p> <p>In the base-case scenario, we assume that the conflict to have a selective impact on players (like TECHM, WPRO, LTIM, LTTS) having exposure in the Middle East in the range of ~3–8%.</p> <p>Overall, we maintain a Neutral view on the Indian IT & ER&D services sector, as the direct revenue exposure to the Middle East remains limited for most companies and currency depreciation could provide a partial margin cushion. However, we will continue to closely monitor geopolitical developments and global discretionary tech spending trends, as any prolonged conflict and sustained rise in oil prices could weigh on demand and delay technology investments. Currently, we maintain our existing recommendations across companies under coverage.</p>

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*

BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Mid & Small Cap*

BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months

Other Ratings

NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change

Sector View

POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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