

**US-Israel-Iran conflict:
Global market disruptions and sectoral
implications for India**

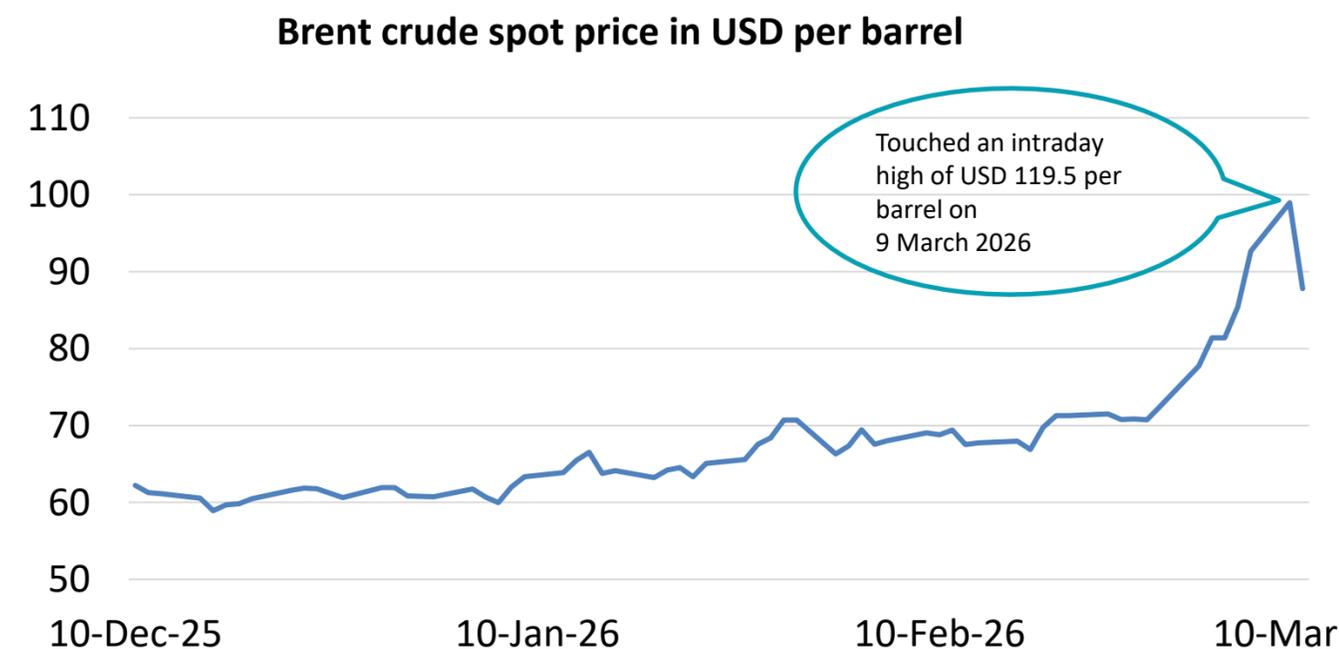
BRICKWORK RESEARCH
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Executive summary

- **Geopolitical context:** The US-Israel-Iran conflict, with direct strikes and Strait of Hormuz disruptions, has spiked crude prices and unsettled global markets. For India, where oil imports equal around 3.6% of GDP, risks span rupee depreciation, inflation, and Current Account Deficit (CAD) pressures. While forex reserves and low CAD provide short-term resilience, a conflict persisting beyond 4-6 weeks could force sectoral outlook downgrades, straining growth and policy stability.
- **Global market disruptions:** Crude oil surged from USD 65 to 119 per barrel on March 9 before easing to around USD 88 by March 10 and is currently trading at around USD 105/bbl. Global equities turned risk-off, with investors flocking to gold and US Treasuries. Shipping disruptions in West Asia lifted freight costs, while emerging market currencies weakened, fueling inflationary pressures, tighter financial conditions, and volatility in trade and capital flows.
- **Rising oil prices is a major stress for the Indian economy:** Sustained high oil prices could widen India's CAD, stoke inflation, and curb monetary policy room. Aviation, chemicals, and energy-intensive sectors face most stress; upstream oil and defense may gain. Severe shocks could trim GDP growth from 7% to around 6.2%. Under severe oil shock scenarios, real GDP growth could moderate from the 7% baseline to around 6.2%.
- **Upstream & downstream sectoral risk:** Heightened crude volatility and 88% import dependence are severely stressing the petrochemical and energy sectors, forcing significant margin compression.
- **Logistics & aviation sectoral disruptions:** Airspace closures and maritime bottlenecks are driving structural cost escalations across the transportation sector, primarily through surging fuel and insurance premiums.
- **Strategic priorities** Energy security and diversification via Russian crude, LNG contracts, strategic reserves, and OPEC+ coordination are critical to mitigate prolonged shocks.

Macroeconomic impact- Scenario analysis			
Scenario	Oil price per barrel	Real GDP impact*	Inflation impact*
Baseline escalation	USD 75-85	-10 to -20 bps	+20 to 30 bps
Moderate escalation	USD 90-100	-20 to -40 bps	+40 to 60 bps
Severe escalation	USD 110-130	-70 to -90 bps	+100 to 140 bps
Rapid de-escalation	USD 70-75	Minimal impact	Minimal impact



Source: Investing.com

Note: The chart depicts closing price

*on the baseline forecasts

Historical faultlines behind the US-Israel-Iran strategic conflict

Historical roots

- Conflicts date back to the 1979 Iranian Revolution, which transformed Iran's geopolitical alignment and triggered decades of sanctions, strategic rivalry, and recurring confrontations with the United States and Israel.

Strategic drivers

- The confrontation is largely rooted in concerns over Iran's nuclear program, ballistic missile capabilities and expanding regional influence; conflicts intensified after Iran launched a large-scale missile and drone strike on Israel in April 2024, marking one of the first direct exchanges between the two states.

Iran's retaliation and regional escalation

- Iran responded with ballistic missile and drone strikes targeting Israel and US military installations across Gulf states, while also attacking energy infrastructure and threatening maritime transit through the Strait of Hormuz, raising fears of a wider regional conflict and global oil supply disruption.

Immediate trigger and conflict trajectory

- Building on the late-2025 US precision strikes against Islamic Revolutionary Guard Corps (IRGC) backed assets in Syria and Iraq, the situation reached a breaking point on 28 February 2026. At this time, the US and Israel launched 'Operation Epic Fury,' shifting from the tactical containment of 2025 to a direct offensive against Iranian sovereign facilities.

Macroeconomic relevance for India

- For India, this conflict threatens to reverse the stability gained from the February 2026 US-India trade deal by spiking energy import costs, widening the Current account deficit(CAD) and disrupting the crucial western supply chain.

Current ground developments

- Brent breaching USD 100/bbl amid Iranian shipping attacks, near-halted Hormuz traffic, and India VIX elevated at 21.23 are compounding crude-driven inflation, LPG-LNG supply disruptions, rupee depreciation, and widening CAD pressures across the Indian economy.

Oil market impact: Supply disruptions, geopolitical risks and potential

Brent crude spot price in usd per barrel



Touched an intraday high of USD 119.5 per barrel on 9 March 2026

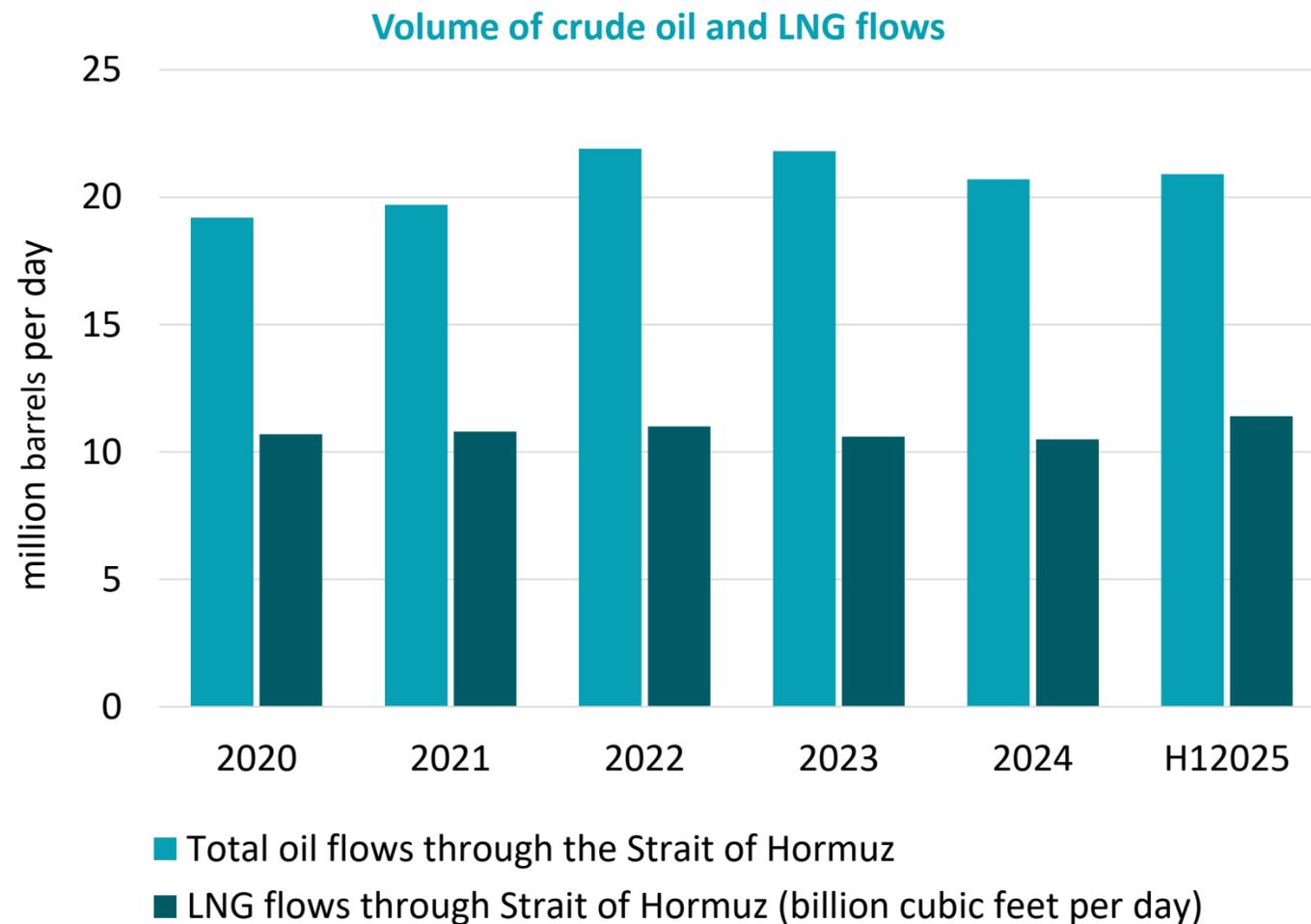
Source: Investing.com

Note: The charts depicts closing price

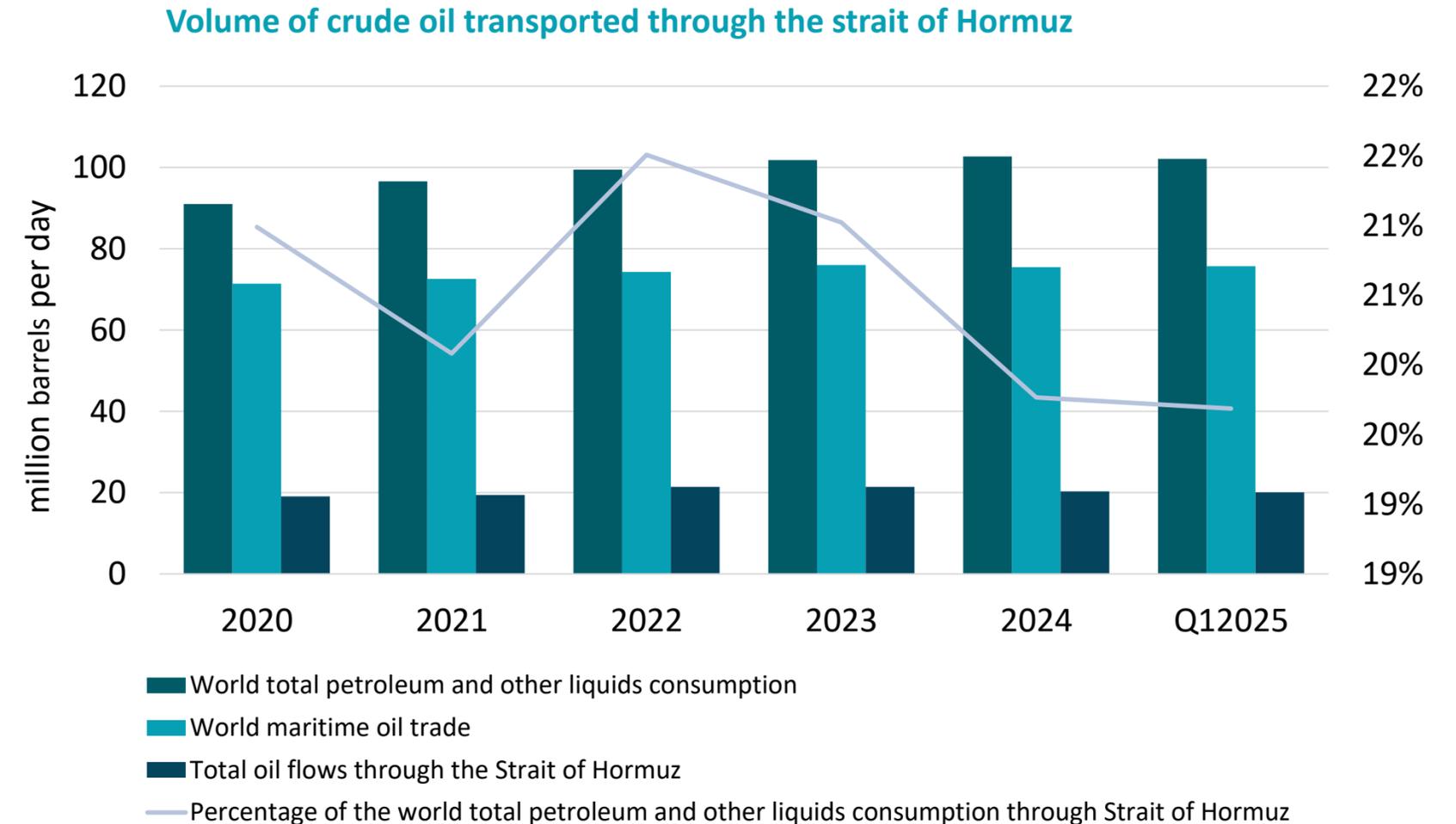
- **Geopolitical oil shock:** Escalating tensions between the US, Israel, and Iran have injected a risk premium into crude markets, lifting Brent to around USD 100/bbl. Crude oil surged from USD 65 to an intraday high of 119/bbl on March 9 before easing to around USD 88 by March 10, and is currently trading around USD 105/bbl. Disruptions to the strait of Hormuz corridors, transiting 20 million barrels per day (mb/d), threaten to tighten global supply and increasing India's energy security risks and import bill.
- **India's dependence on Gulf supplies:** India consumes about 5.5 mb/d of crude, importing around 88%, with roughly 2.5–2.6 mb/d transiting Hormuz from Iraq, Saudi Arabia, Kuwait and the UAE. India holds 100 million barrels of commercial stocks and 39 million barrels of strategic reserves, providing around 40-45 days of import cover during disruptions.
- **Oil price outlook amid escalation:** Brent crude's firming above USD 100/bbl, driven by regional strikes and Hormuz disruption risks, heightens India's exposure as the import mix shifts back to Middle Eastern supply. Sustained disruptions could propel prices to USD 120-150, escalating inflationary and fiscal pressures rendering energy diversification and strategic reserves critical policy priorities.

Source: Firstpost, The hindu, Reuters(Feb 28), US energy Information Administration, Indian express.

Volume of crude oil, condensate, and petroleum products transported through the Strait of Hormuz



Source: US Energy Information Administration
 Note: LNG=liquefied natural gas; H125=first half of 2025

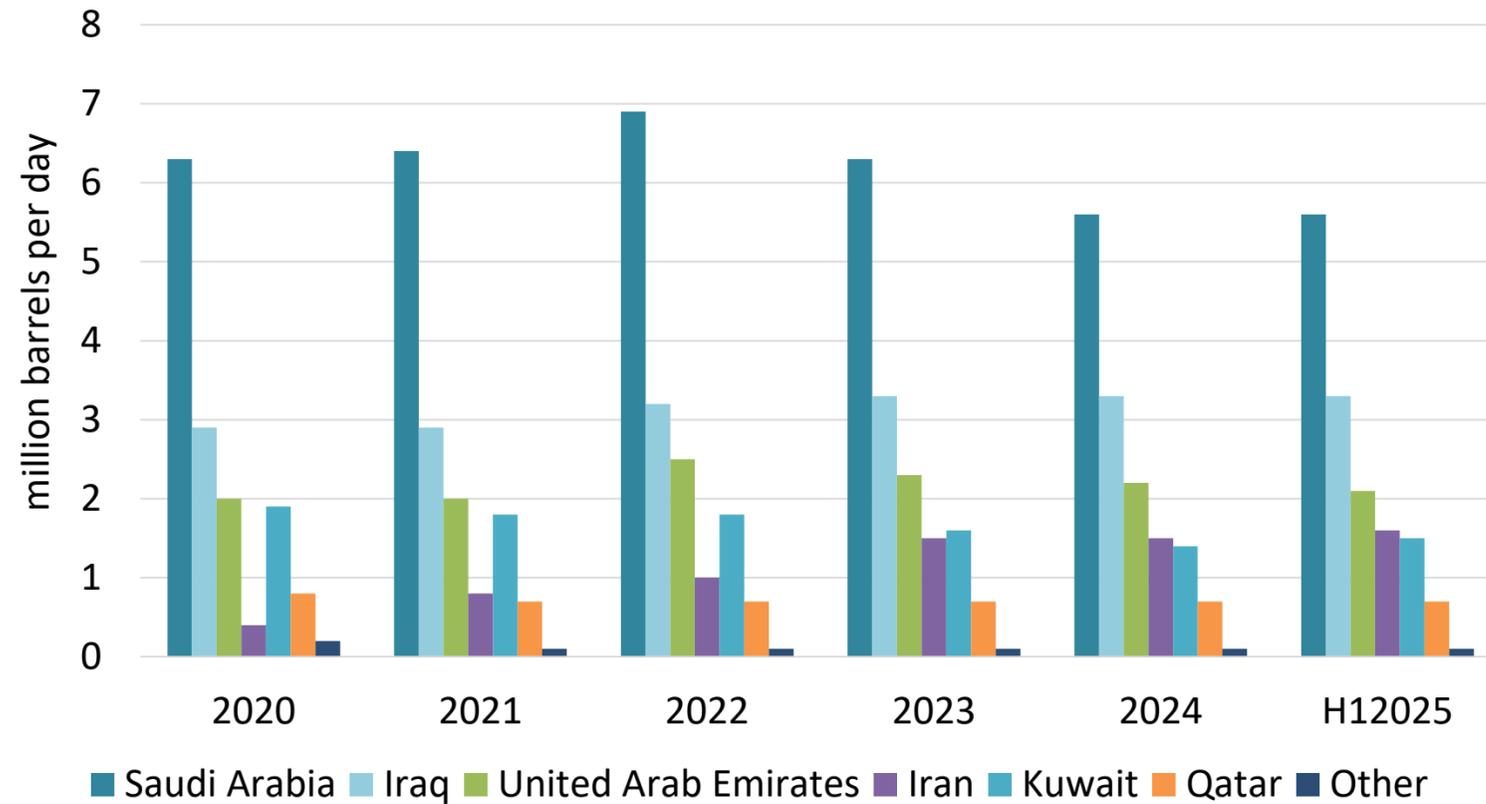


Source: US Energy Information Administration

- Based on the tanker tracking data published by Vortexa, Saudi Arabia moves more crude oil and condensate through the Strait of Hormuz than any other country, which is reflected in the graph above. In addition, around one-fifth of global LNG (Liquefied natural gas) trade also transited through the Strait of Hormuz, primarily from Qatar.
- This chokepoint carried 20.9 mb/d of oil liquids in H1 2025 (equivalent of about 20% of global petroleum liquids consumption, and one-quarter of total global maritime traded oil), plus significant LNG, risking more than USD 100/ bbl prices and supply shocks for credit-exposed importers like India

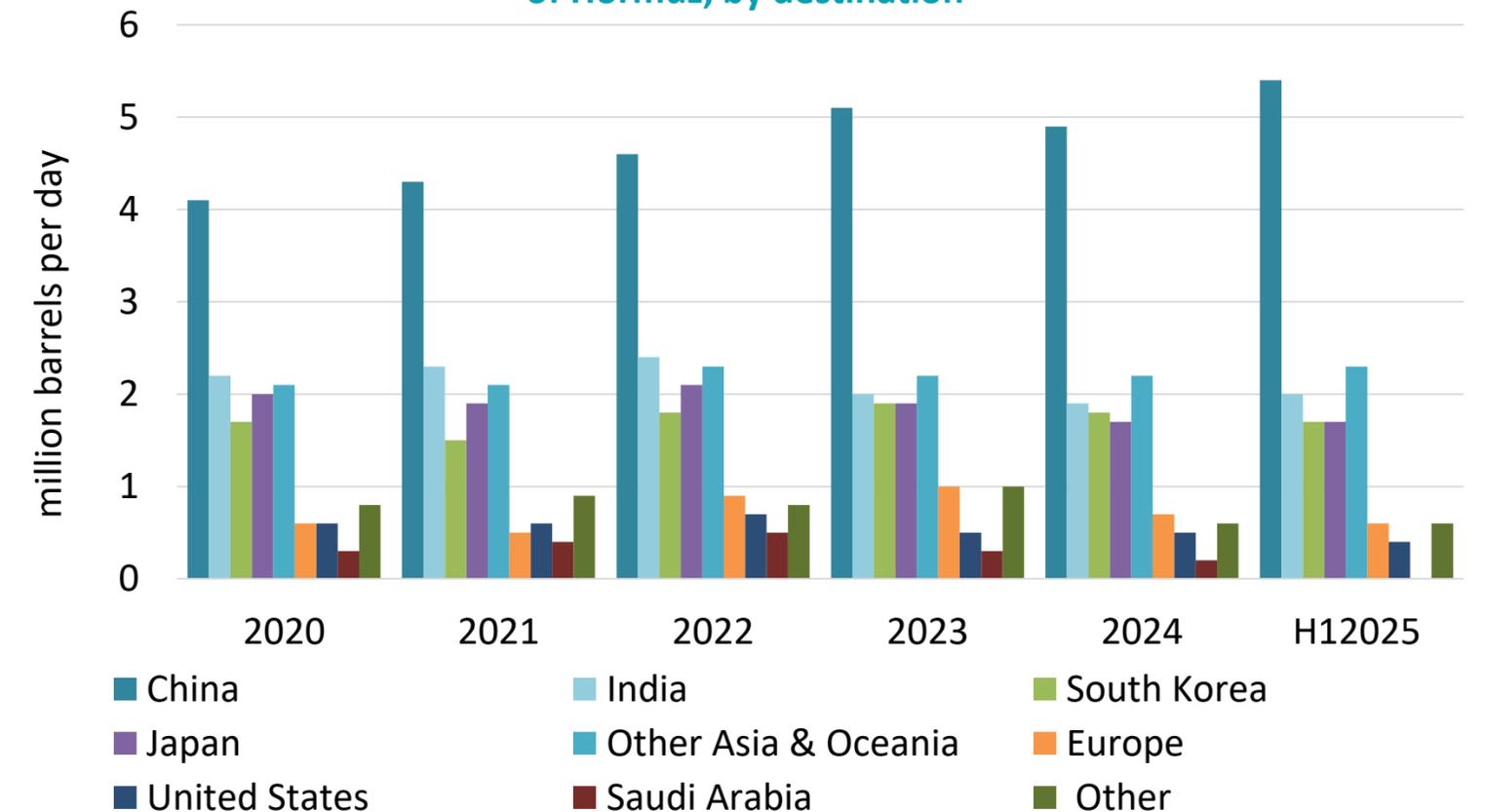
India's energy security at risk: Strait of Hormuz disruptions expose heavy import dependence

Volume of crude oil and condensate transported through the strait of Hormuz, by origin



Source: US Energy Information Administration

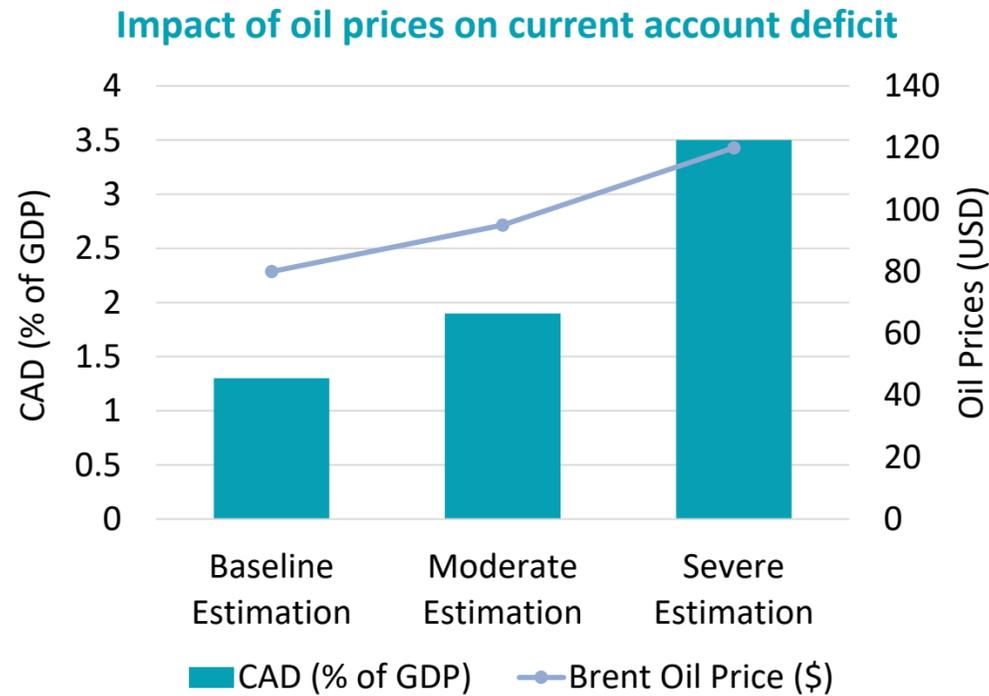
Volume of crude oil and condensate transported through the strait of Hormuz, by destination



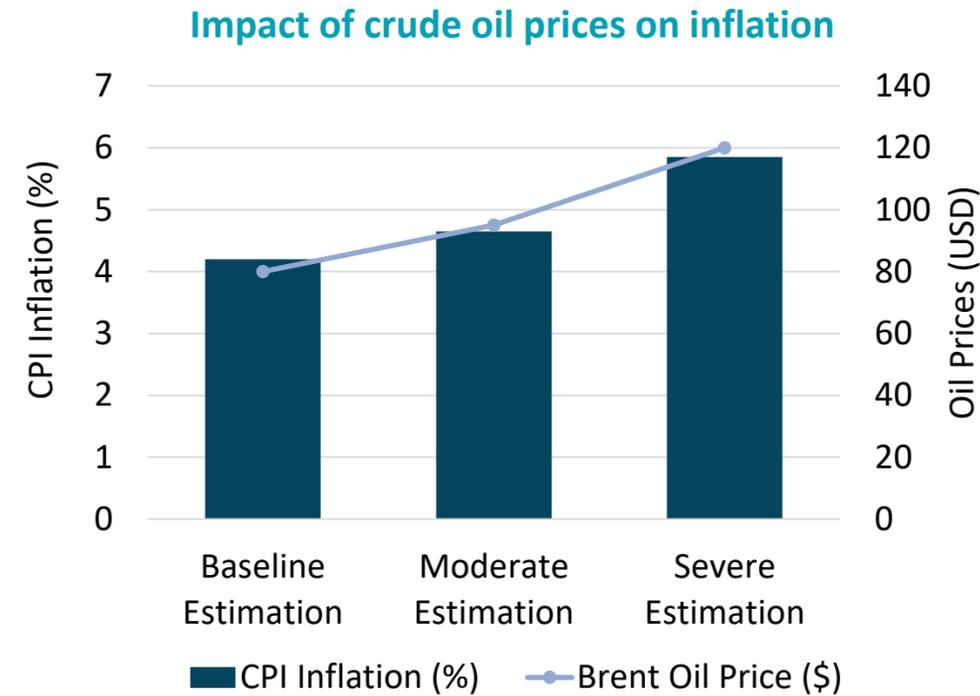
Source: US Energy Information Administration

- India's heavy reliance on the **Strait of Hormuz**, which handles 50% of crude oil, 90% of LPG, and 60% of LNG creates a dangerous "single point of failure" for the nation's energy security. Rising energy prices translate into inflationary pressures, a widening current account deficit, and fiscal stress from subsidies, while corporates such as refiners, airlines, and transport operators face margin compression.
- Elevated import bills also strain India's external position, raising sovereign rating concerns. Mitigation strategies include diversifying supplies via Russian and African crude, leveraging the Strategic Petroleum Reserve, and securing long-term LNG contracts to reduce spot market exposure.

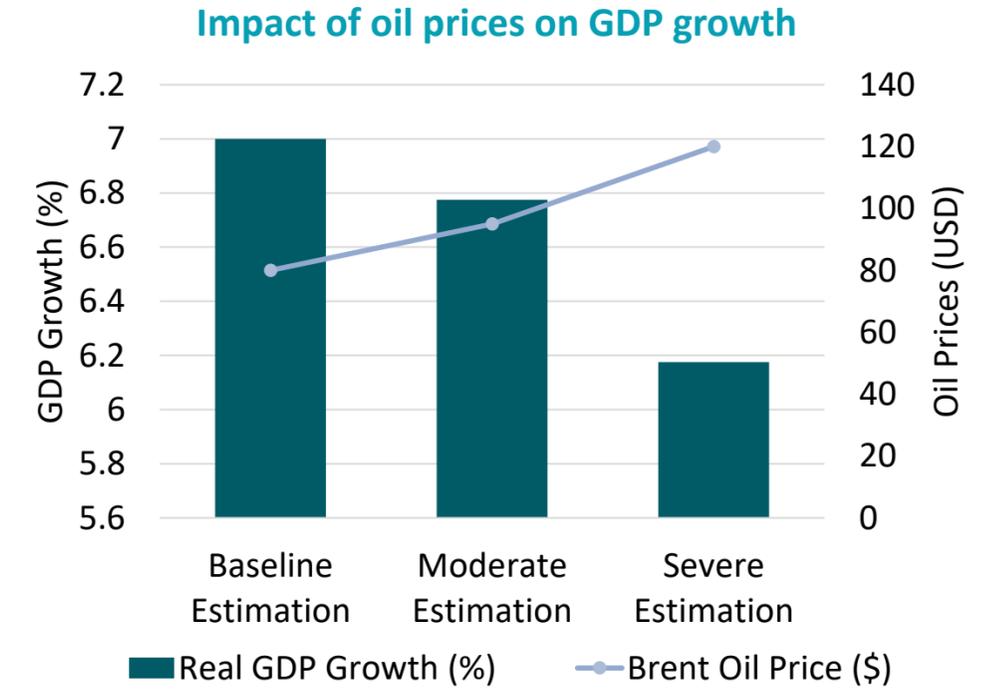
Macroeconomic scenario outlook: Baseline versus conflict driven risks (FY27)



Note: Baseline Assumptions used for Forecast for 2026-27



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Note: Baseline Assumptions used for Forecast for 2026-27

- **Current account deficit (CAD) expansion:** The external sector is the most sensitive to energy shocks, with every USD 10 rise in crude expanding the deficit by 50 basis points (0.50%). From a baseline of 1.3%, the Moderate Case (USD 15 rise) adds 75 bps to reach 1.9% while the Severe Case (USD 40 rise) adds 200 bps to reach 3.5%.
- **CPI inflation outlook:** Domestic inflation responds to the direct pass-through of fuel and logistics; every 10% oil rise (USD 8.00 unit) adds 30 basis points (0.30%) to the CPI. In the Moderate Case, an 18.75% price surge adds approximately 56 bps to the 4.2% baseline, bringing the total to 4.65%. The Severe Case (50% surge), pushing inflation to 5.85%.
- **Real GDP growth & currency trajectory:** India's 7.0% baseline growth is pressured by rising input costs and a weakening Rupee. For every 10% rise in oil prices, GDP growth decreases by 15 basis points (0.15%), while the USD/INR depreciates by 70 paise. In the Moderate Case, growth softens to 6.8% as the Rupee tests INR 93.05. In the Severe Case, a 75 bps hit drags growth to 6.2% as the currency depreciates by 385 paise toward INR 95.85. There is a further risk of capital flight which could exacerbate currency devaluation; consequently, the RBI may be required to utilize forex reserves to stabilize the Rupee and curb excessive volatility.

Source: Goldman Sachs, Citigroup Research, Nomura Research, BWR Research

Key supply chain risks

The US-Israel-Iran conflict has sharply increased global supply chain risks: Elevated insurance premiums, freight costs, and rerouting delays are already inflating trade costs. For India and other Asian economies, this translates into higher import bills, inflationary pressures, and structural competitiveness challenges. Even if oil prices stabilize, structural risks from higher shipping and insurance costs are likely to persist.

Key supply chain risks

Insurance premiums

- War-risk surcharges now apply to tankers transiting the Strait of Hormuz and Eastern Mediterranean.
- Premiums have risen 3-5x compared to pre-conflict levels, making insurance a volatile cost driver.
- Some carriers are refusing coverage altogether for voyages near Iranian waters.

Freight costs

- Rerouting of vessels away from Hormuz and Red Sea corridors has added 7-10 days to transit times.
- Freight rates for Asia-Europe container routes have surged by 40–60% in the past week.
- Bulk carriers and LNG tankers face additional risk pricing, raising charter rates significantly.

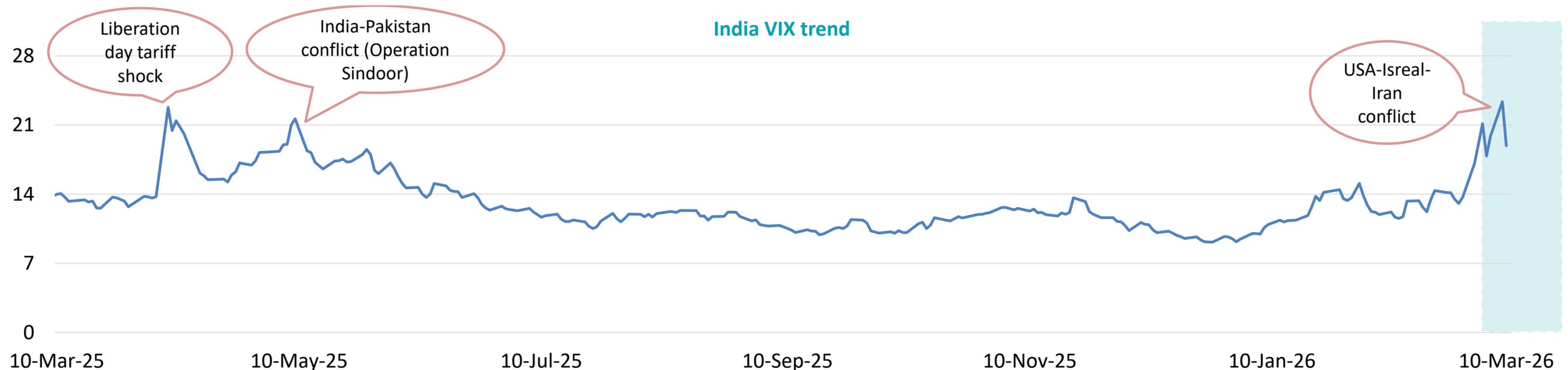
Inflation

- **Asia:** Higher shipping costs are inflating import bills for energy and manufactured goods.
- **Europe:** Container shortages and rerouting delays are raising costs for industrial supply chains.
- **Global:** Elevated logistics costs are feeding into headline inflation, even beyond oil price effects.

Structural risks

- Even if Brent crude stabilizes, insurance and freight costs may remain structurally higher due to risk repricing.
- Shipping associations warn that war-risk surcharges could become semi-permanent in Middle East trade lanes.
- This implies a long-term upward shift in global logistics costs, reducing competitiveness for trade-dependent economies.

India VIX hits peaks on global conflicts

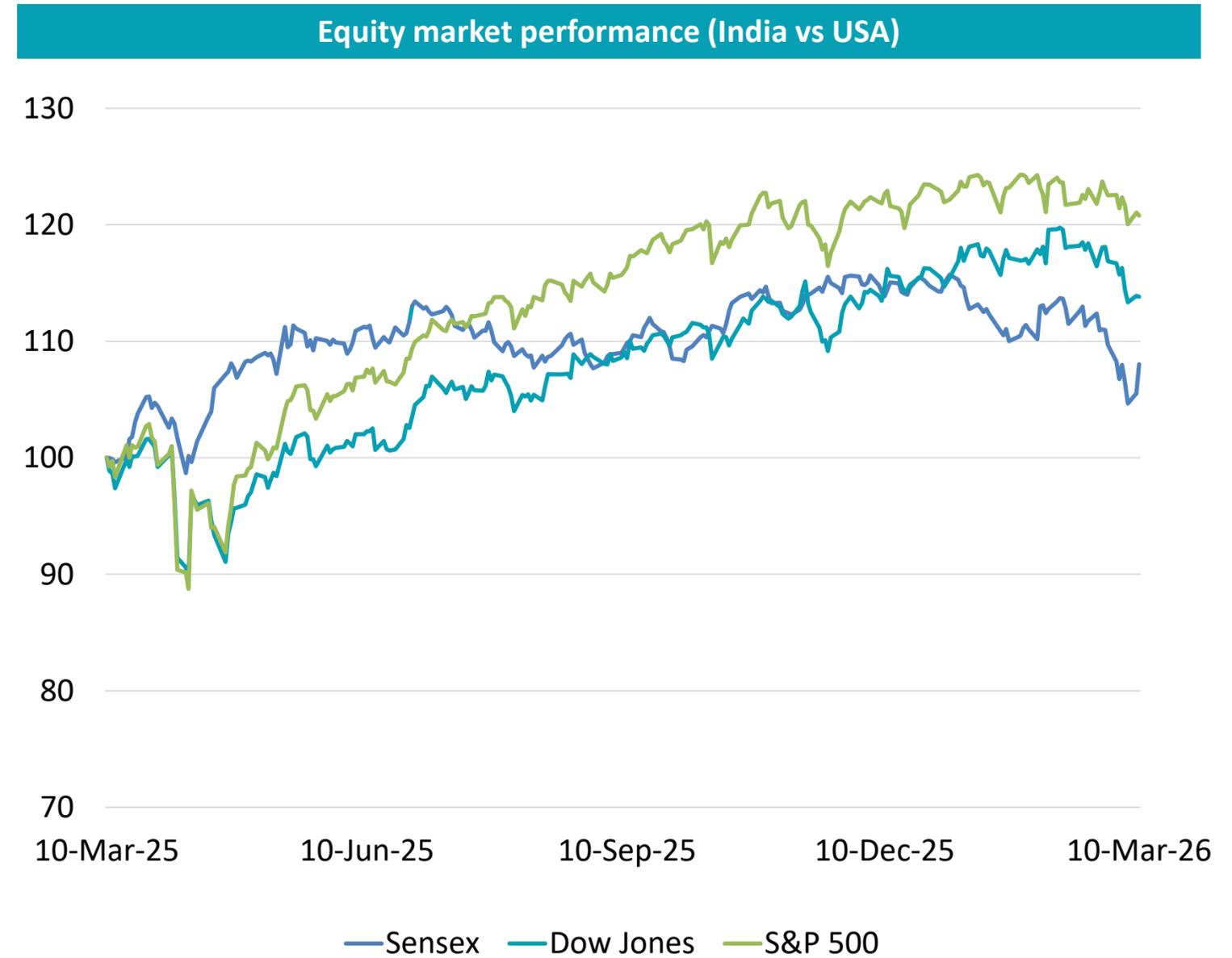


Source: NSE

- **Geopolitical escalation and recent surge in market volatility:** India VIX spiked 52–62% over two sessions post US-Israel strikes on Iran, its sharpest rise since early COVID, reflecting investor anxiety and volatile equities. The index hit multi-month highs, signalling elevated risk premiums and fragile sentiment, before easing 15–17% by March 5–6, 2026, as investor fears cooled.
- **Long-term economic resilience amidst short-term uncertainties:** While near-term uncertainty and volatility are likely to persist, India’s structural growth drivers, such as resilient domestic demand, ongoing infrastructure investments, and policy support, remain intact. Consequently, the VIX spike appears more as a short-term adjustment to geopolitical risk rather than a fundamental derailment of India’s long-term economic trajectory.
- **Near-term markets remain risk-off:** Crude stabilization offering support to energy and value sectors. Yet sustained Hormuz disruptions risk broader corrections across Asia and Europe, limiting rate-cut scope and pressuring duration assets. In India, domestic growth cushions mid-caps and consumption, though oil-linked inflation, foreign outflows, and external imbalances weigh on valuations and sentiment.

Equity market turbulence amid geopolitical shock

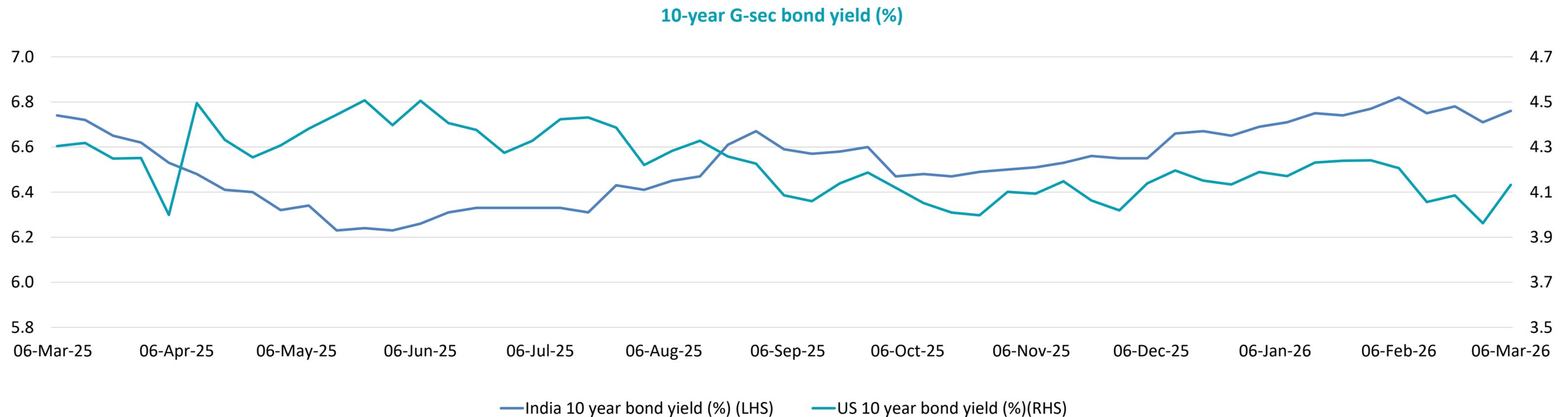
- **Global risk-off sentiment:** The Iran-US-Israel conflict triggered a risk off shift, with the Sensex losing 1,000+ points and Nifty falling below 24,500 in March 2026 as surging crude drove sharp equity contractions.
- **US equity resilience:** US indices remained resilient as strong earnings and global liquidity sustained the S&P 500 and Dow Jones despite conflict volatility. It may be worth noting that only 7% of the crude oil imports of the US is dependent on the strait as opposed to India i.e., 50%.
- **Indian market sensitivity:** Indian equities have shown comparatively higher sensitivity to geopolitical shocks due to energy import dependence and currency pressures, resulting in sharper short-term fluctuations in benchmark indices.
- **Energy price transmission:** Rising Brent crude prices have amplified equity market volatility globally, as higher energy costs affect corporate margins, inflation expectations and monetary policy outlook.
- **Short-term market dynamics:** Financial markets typically experience initial sharp corrections followed by stabilization, as investors reassess the duration of the conflict, macroeconomic fundamentals and central bank responses.
- **Volatility expected to persist:** While near-term volatility is expected to persist, India's structural growth drivers remain intact, suggesting the equity sell-off is more of a risk premium adjustment than a fundamental derailment.



Source: BSE India, Dow Jones, S&P 500, Investing.com

Note: Index value as on 10-Mar-2025= 100

Bond market & sovereign yield impact



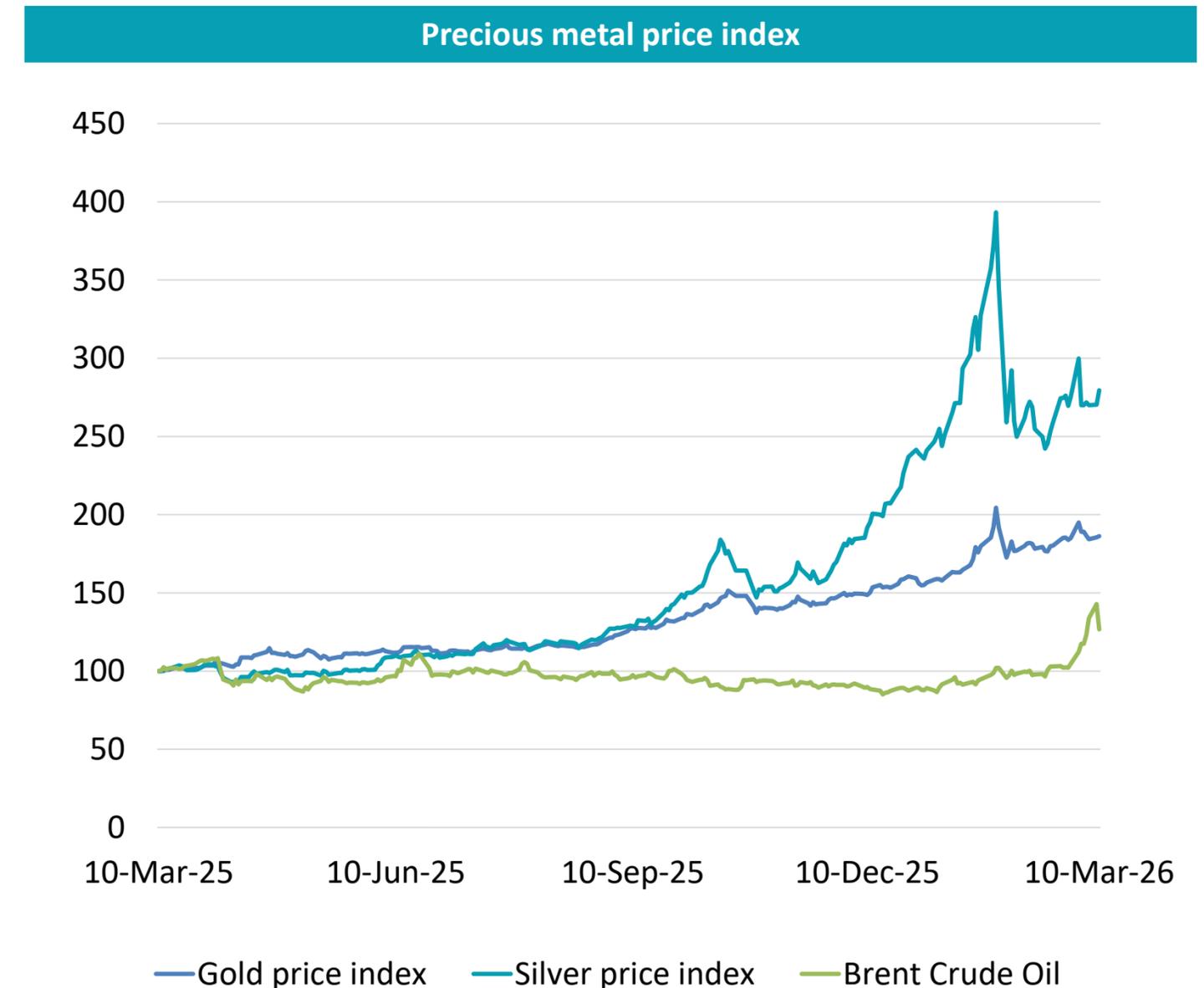
Source: Reserve Bank of India, Investing.com

- The bond market has responded to the conflict through rising crude prices and inflation expectations, pushing up government securities (G-sec) yields, raising government borrowing costs, complicating fiscal deficit management amid rising expenditure needs, and increasing debt servicing burdens that heighten credit rating sensitivity.
- US 10-year treasury bond yield is rising due to high inflation from potential oil supply disruptions and the expectations that the Federal Reserve will keep interest rates higher in the long term, and increased US fiscal/ defense borrowing needs.
- Accordingly, Indian Bond yields have reacted to **climb around 6.7%**, reflecting investor concerns about higher inflation and fiscal stress. From a credit rating perspective, the sensitivity lies in the debt servicing burden: if interest costs escalate disproportionately to revenue growth, rating agencies may flag fiscal risks. The widening spread between inflation expectations and sovereign yields is therefore not just a monetary challenge but a fiscal credibility issue.

Safe haven dynamics: Precious metals market response

- **Global safe-haven surge:** Escalation of US-Israel-Iran conflict lifted geopolitical risk premia, driving investors to precious metals.
- **Geopolitical risk premium in metals:** Nuclear concerns and sanctions boosted gold and silver demand as safe havens.
- **Gold leading safe-haven demand but not a dominant safe-haven asset class:** Domestic gold hit INR 16,200 per gram amidst the war before easing to around INR 15,556 per gram on 16th March 2026, due to persistent selling pressure as investors are moving towards liquid currencies such as Dollars.
- **Silver volatility vs gold stability:** Silver benefits from flows but swings more due to industrial exposure.
- **Safe-haven rational market behavior:** Geopolitical shocks trigger rapid repricing of gold, with short-term spikes before stabilization.
- **Precious metals strategic outlook:** Conflict-driven demand supports bullion, inflates import bills, strains CAD, and accelerates shift to ETFs, SGBs, and recycling.
- **Geopolitical risk premium expansion:** Russia's drone support to Iran extends conflict risks, sustaining gold's safe-haven bid beyond initial shock.

Source: IMF Global Financial Stability literature; Economic Times commodities coverage, Economic Times commodities, SMC global securities, Economic Times, March 2026



Source: MCX India, Investing.com

Note: Precious Metal Price Index (10-Mar-2025= 100)

Impact of prolonged high crude prices

Area	Impact
Dividend receipts	<ul style="list-style-type: none"> The government relies heavily on dividends from oil & energy PSUs like ONGC, Oil India, IOC, BPCL, and HPCL, which historically contribute around 40-46% of total PSU payouts. Upstream PSUs like ONGC and OIL benefit from higher realizations, boosting profits and dividend payouts to the government. In contrast, downstream refiners such as IOC, BPCL, and HPCL face margin compression due to capped retail prices, limiting their dividend capacity. Overall, while upstream gains may lift receipts initially, prolonged high crude could erode dividends as downstream losses mount.
Corporate revenue	<ul style="list-style-type: none"> Upstream companies see revenue gains from higher crude realizations, while downstream refiners face shrinking profitability due to under-recoveries despite nominal revenue growth. Non-energy corporates such as airlines, transport, chemicals, and manufacturing struggle with rising input costs, slowing revenue growth and compressing margins. Exporters gain some support from a weaker rupee, particularly IT and pharma, but overall corporate revenue growth remains moderated.
Government tax collections	<ul style="list-style-type: none"> Higher crude prices drive up nominal fuel prices, potentially boosting excise duty and VAT collections if ad valorem rates hold; however, government cuts to these duties for inflation control would reduce revenues. Corporate tax sees gains from upstream PSUs but declines from margin-squeezed downstream refiners and energy-intensive industries. Overall, tax buoyancy weakens as the government juggles inflation mitigation against revenue needs.
Subsidy burden	<ul style="list-style-type: none"> Rising crude prices escalate India's subsidy burden across key areas: fertilizer subsidies swell due to higher natural gas feedstock costs; food subsidies climb from elevated transport expenses in procurement and distribution; and fuel subsidies surge if LPG, kerosene, or retail prices remain capped, leading to OMC under-recoveries and compensation needs. The net result intensifies fiscal deficit pressures, crowding out capital expenditure.

Sectoral impact: industry exposure to the west Asia conflict (1/5)

Sectors	Details	Impact analysis	Overall outlook
Oil & energy	<ul style="list-style-type: none"> Around 88% import dependence and Hormuz exposure raise crude volatility and refinery working capital pressure 	<ul style="list-style-type: none"> Upstream oil producers stand to gain from higher crude prices through improved profitability, while oil-importing economies such as India face mounting import bills and fiscal pressures. Refining margins remain volatile, shaped by swings in crude prices and rising freight costs, and the risk of supply shortages looms if disruptions persist. Together, these dynamics underscore the uneven impact of the conflict across the energy value chain, amplifying vulnerabilities for import-dependent nations even as producers benefit. Refiner's margins may tighten if prices stay elevated 	<p>Short term: Positive for upstream producers, negative for importing economies.</p> <p>Medium term: Highly dependent on duration of the conflict and reopening of shipping routes.</p> <p>Credit outlook: Negative - Higher input costs, margin compression, fiscal stress</p>
Shipping & global trade / logistics	<ul style="list-style-type: none"> Tanker traffic in the Strait of Hormuz dropped sharply, with ships avoiding the region due to security risks. Trade routes through the Gulf region face delays and insurance premiums have increased. 	<ul style="list-style-type: none"> Higher shipping insurance premiums and rising freight costs are compounding pressures on global trade, while supply chain delays ripple across commodity flows and manufacturing networks. Trade rerouting to avoid conflict zones adds further strain, extending transit times and inflating logistics expenses. These disruptions collectively heighten costs, erode efficiency, and amplify uncertainty in international commerce. 	<p>Negative in the short term due to disruptions.</p> <p>Recovery depends on geopolitical stabilization.</p> <p>Credit outlook: Negative - Trade disruptions, higher freight costs</p>
Aviation & tourism	<ul style="list-style-type: none"> Airspace closures across several Gulf countries leading to flight cancellations and rerouting. Increased fuel costs impacting airline profitability. 	<ul style="list-style-type: none"> Airlines are grappling with higher fuel costs and longer rerouted journeys, driving up operating expenses. Tourism flows to Middle Eastern destinations have sharply declined amid heightened security concerns, further straining the sector. Carriers reliant on Gulf hubs face operational disruptions, compounding financial pressures and underscoring the aviation industry's vulnerability to regional instability. 	<p>Negative in short term due to operational disruptions.</p> <p>Gradual recovery once airspace restrictions ease.</p> <p>Credit outlook: Negative - Cost escalation, demand contraction</p>

Sectoral impact: industry exposure to the west Asia conflict (2/6)

Sectors	Details	Impact analysis	Overall outlook
Fertilizers & chemicals	<ul style="list-style-type: none"> Disruptions in supply of sulfur and petrochemical feedstocks, heavily exported from the Gulf. Rising natural gas prices affecting ammonia and urea production. 	<ul style="list-style-type: none"> Fertilizer manufacturers are grappling with input cost inflation, which is translating into higher prices for agriculture sectors in importing countries. As farmers face elevated fertilizer costs, the burden on production intensifies, raising the likelihood of food price increases. These dynamics highlight how disruptions in input markets can cascade through agriculture, amplifying inflationary pressures and straining food security. 	<p>Moderately negative due to raw material price volatility.</p> <p>Credit outlook: Negative to stable - Short-term resilience, medium-term risk</p>
Semiconductor & electronics	<ul style="list-style-type: none"> Potential disruptions in supply of critical chipmaking materials like helium from Qatar, which supplies ~38% of global helium. Logistics disruptions affecting chip supply chains. 	<ul style="list-style-type: none"> Semiconductor manufacturing, being highly energy-intensive, is particularly vulnerable to rising energy costs that inflate production expenses. At the same time, supply disruptions risk delaying chip output, with knock-on effects for critical downstream sectors such as AI infrastructure deployment. These pressures highlight the fragility of the semiconductor value chain, where cost escalation and supply bottlenecks can quickly translate into broader technological and economic setbacks. 	<p>Neutral to moderately negative, depending on duration of material supply disruption.</p> <p>Credit outlook: Stable to positive - Policy support offsets risks</p>
Defense & aerospace	<ul style="list-style-type: none"> Increased military spending by countries in the Middle East and allied nations. Rising demand for missile systems, air defense systems, and drones. Negative for military budget allocation 	<ul style="list-style-type: none"> Defense contractors benefit from swelling order books and revenue growth. Governments worldwide may hike defense budgets in response to heightened geopolitical risks. However, the implications for the government's defense expenditure is negative as most of the equipment and operational components rely on oil products, hence the rising costs will constrain training and operations. 	<p>Strongly positive, especially for defense manufacturers.</p> <p>Credit outlook: Positive - Strong demand, localization push</p>

Sectoral impact: industry exposure to the west Asia conflict (3/6)

Sectors	Details	Impact analysis	Overall outlook
Food & agriculture	<ul style="list-style-type: none"> Rising fertilizer costs and fuel prices affecting agricultural production. Logistics disruptions increase food transportation costs. 	<ul style="list-style-type: none"> Rising fertilizer and fuel costs are straining agricultural production, while logistics disruptions are driving up food transportation expenses. These pressures are feeding into a potential rise in global food prices, with emerging markets particularly vulnerable due to their higher import dependency. The combined impact underscores how energy and supply chain shocks can cascade into food inflation and exacerbate risks to food security. 	<p>Moderately negative due to inflationary pressures.</p> <p>Credit outlook: Negative - Export risk, input cost pressures</p>
Manufacturing & industrial sector	<ul style="list-style-type: none"> Supply chain disruptions and higher input costs (energy, logistics). Delays in procurement of raw materials and components. 	<ul style="list-style-type: none"> Manufacturing companies face intensifying margin pressures from elevated input costs, including energy and raw materials. Export-oriented sectors grapple with shipping disruptions, leading to delays, higher logistics expenses, and reduced competitiveness. 	<p>Negative in short term, with risk of prolonged supply chain adjustments.</p> <p>Credit outlook: Stable to Negative - Policy support vs. cost escalation</p>
Basmati rice & tea	<ul style="list-style-type: none"> Middle East is a major export market for basmati rice; conflict disrupts shipping lanes and raises freight costs. Tea exports to Iran face payment delays due to sanctions risk. 	<ul style="list-style-type: none"> Direct export hit. Iran and the Middle East account for nearly 60–80% of India's Basmati exports. Exporters face higher costs and potential demand slowdown. Domestic demand stable, but forex earnings hit. 	<p>Highly negative. Perishable and semi-perishable trade is suffering most from the closure of the Strait of Hormuz and the high cost of rerouting around the Cape of Good Hope.</p> <p>Credit outlook: Negative (high-yield segments vulnerable to defaults).</p>

Sectoral impact: industry exposure to the west Asia conflict (4/6)

Sectors	Details	Impact analysis	Overall outlook
Paint industry	<ul style="list-style-type: none"> The paint industry is highly dependent on crude oil derivatives such as solvents, monomers, resins and titanium dioxide-based intermediates. Petrochemical feedstocks used in paints (e.g., naphtha derivatives and packaging polymers) are also sourced from the Gulf region. 	<ul style="list-style-type: none"> Raw Material Cost Inflation: Crude-linked inputs form a large portion of paint production costs. Sustained crude price increases can raise input costs and compress margins. Packaging Cost Pressures: Polyethylene and plastic packaging materials sourced from West Asia could face supply disruptions. Demand Sensitivity: Higher inflation and construction slowdown may impact decorative paint demand. Partial Pass-through: Large companies with strong brand power may pass on costs through price hikes; smaller players may face margin pressure. 	<p>Short term: Moderately negative due to raw material cost volatility.</p> <p>Medium term: Stable if crude prices normalize and companies pass on costs.</p> <p>Credit outlook: Large players resilient; smaller manufacturers vulnerable to margin compression.</p>
Tiles & ceramics	<ul style="list-style-type: none"> The ceramic and tile industry relies heavily on natural gas and LNG as a fuel for kiln operations. A large share of LNG and energy supply originates from the Middle East. Geopolitical tensions can disrupt energy supply chains and increase LNG prices. 	<ul style="list-style-type: none"> Energy Cost Escalation: Energy accounts for a significant portion of tile manufacturing costs; higher LNG prices increase production costs. Export Risk: West Asia is a key export market for Indian ceramic tiles, especially for Morbi-based manufacturers. Logistics Disruptions: Shipping delays and higher freight costs may affect export deliveries. 	<p>Short term: Negative due to rising energy costs and export disruptions.</p> <p>Medium term: Recovery expected if LNG prices stabilize and exports diversify to other markets.</p> <p>Credit outlook: Export-oriented manufacturers more vulnerable.</p>

Sectoral impact: industry exposure to the west Asia conflict (5/6)

Sectors	Details	Impact analysis	Overall outlook
Automobiles & tyres	<ul style="list-style-type: none"> The auto and tyre sectors rely on petroleum-derived raw materials such as synthetic rubber, carbon black and plastics. Crude price volatility due to middle east tensions increases input costs. Shipping disruptions may affect global supply chains and component imports. 	<ul style="list-style-type: none"> Automobiles: Higher fuel prices can reduce consumer demand for passenger vehicles. Inflationary pressures may delay discretionary purchases. Tyres: Tyre manufacturing is heavily dependent on crude-linked raw materials. Sustained crude price increases can reduce margins if cost pass-through is delayed. Exports: Auto component exports could face higher freight costs due to shipping disruptions. 	<p>Short term: Moderately negative due to input cost pressures and demand sensitivity.</p> <p>Medium term: Neutral as companies can pass on costs and domestic demand remains structurally strong.</p> <p>Credit outlook: OEMs relatively stable; tyre manufacturers face margin volatility.</p>
Diamonds & jewellery	<ul style="list-style-type: none"> The middle east, particularly Israel and the UAE, plays a key role in diamond trading and supply chains. India imported about USD 6.8 billion worth of rough diamonds from the region, accounting for around 40% of total imports. Airspace closures and trade disruptions may affect shipments and trading flows. 	<ul style="list-style-type: none"> Raw material supply disruption: Delay in rough diamond imports could slow cutting and polishing activity in hubs like Surat. Export impact: Middle east accounts for a significant share of India's gems and jewellery exports. Working capital stress: Delays in shipments and payments can extend receivable cycles. Employment risk: Diamond processing clusters employ large numbers of workers. 	<p>Short term: Negative due to trade disruptions and supply chain interruptions.</p> <p>Medium term: Impact may moderate as trade reroutes through alternative hubs (Belgium, Hong Kong).</p> <p>Credit outlook: Export-oriented diamond processors may face liquidity pressures.</p>

Sectoral impact: industry exposure to the west Asia conflict (6/6)

Sectors	Details	Impact analysis	Overall outlook
Capital goods	<ul style="list-style-type: none"> Capital goods demand is closely linked to infrastructure, manufacturing and industrial investment. Conflict-driven higher energy prices and global uncertainty may delay investment decisions. Supply disruptions of industrial inputs (polymers, chemicals, metals) sourced from West Asia may affect manufacturing. 	<ul style="list-style-type: none"> Cost inflation: Increased input costs for metals, chemicals and transportation. Delayed capex: Companies may postpone capital investments amid global uncertainty. Export risks: Shipping disruptions could impact export orders for engineering goods. However, domestic infrastructure spending by the Indian government may partly offset global demand weakness. 	<p>Short term: Slightly negative due to uncertainty and higher costs.</p> <p>Medium term: Positive, supported by domestic capex cycle and infrastructure spending.</p> <p>Credit outlook: Large diversified capital goods companies remain resilient.</p>

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