PRIMUS PARTNERS®
Solutions for Tomorrow

Nikhil Dhaka, Vice President, Primus Partners

Published in Financial Express
June 23, 2025 | 09:20 PM IST

India Inc on edge as war in West Asia escalates

Authored by : Viveat Susan Pinto| Raghavendra Kamath| Nitin Kumar

Read on: https://www.financialexpress.com/business/industry-india-inc-on-edge-as-war-in-west-asia-escalates-3890358/

Article Content:

India Inc braces for rising costs as Iran-Israel conflict escalates. Sectors like oil, aviation, FMCG, and auto fear crude-linked inflation and freight surges. CEOs adopt a wait-and-watch stance amid global supply chain, shipping, and fuel price uncertainties tied to West Asia tensions.

Corporate India is keeping a close watch over developments in West Asia as the conflict between Iran and Israel escalates.

While most CEOs that FE spoke to said there was no immediate impact of the conflict on consumer or business sentiment, a prolonged war in the Gulf region would result in a spike in crude inflation, which would force companies to consider price hikes as manufacturing and freight costs are likely to shoot up.

There is a general sense of unease in sectors such as oil & gas, aviation, auto, paints, FMCG, infrastructure and fertilisers, which use crude-linked derivatives as inputs. For paint companies, for instance, as much as 55-60% of their input costs consist of crude-linked derivatives, including solvents and resins.

A surge in crude oil prices will also hurt airlines' finances, as fuel typically accounts for 20-30% of their operating expenses.

"There is certainly a sense of caution among consumer companies with tensions growing in West Asia," Mohit Malhotra, CEO, Dabur India, said.

Linear alkyl benzene (LAB), a petroleum derivative, is used in making detergents and constitutes almost 60-70% of the latter's input cost. While, high-density polyethylene (HDPE) is used in packaging material for all essential consumer items from soaps to detergents, hair oils, creams, shampoos and toothpastes.

"Crude-linked inflation had been benign for some time. Food inflation, which was a concern, had cooled to a 7-month low in May. If this war continues, the volatility in the crude-linked basket of commodities may compel companies to look at price hikes," he said.

At a time when rural demand is recovering and urban consumption is yet to revive, executives admit that the sharp flare-up in West Asia tensions hardly bodes well for the economy. Many are hoping it is for the short term.

Ajay Sahai, director general and CEO, Federation of Indian Export Organisations believes the escalation in Iran-Israel conflict may have a cascading impact from higher crude oil prices to regional instability to an increase in shipping costs and delays.

“The supply-chain disruption may not be confined to ships as air transport may also get impacted,” he said.

On Sunday, the Air India Group said it was not operating flights over the air spaces of Iran, Iraq and Israel amid the escalating conflict. Globally, most airlines from Singapore Airlines to Air France and British Airways among others are cancelling flights to West Asia.

“The whole issue will have a short-term impact till oil prices remain elevated. I don’t think it will affect business confidence in the country. While there will be supply shocks if the Strait of Hormuz is shut, but it will not last long,” Darshan Hiranandani, MD & CEO, H-Energy, part of the Hiranandani group, said.

Sanjay Dutt, MD & CEO, Tata Realty & Infrastructure said companies were in “wait and watch” mode with regard to the crisis. “India has multiple sources of oil. So, oil supplies are not a concern,” he said.

But some experts are not that optimistic. “For India’s auto sector, the growing Iran-Israel conflict translates into rising input costs, plastics, rubber, aviation fuel, and longer logistics cycles that erode margins,” Nikhil Dhaka, vice-president at Primus Partners, said.

Dhaka said that freight costs would increase with over 40% of India’s crude imports (about 2 million barrels per day) passing through the Strait of Hormuz. Freight rates on Red Sea–linked routes, he said, were also expected to jump by 10-15% with the evolving situation.